

Back billing in the NI Retail Energy Market

UR Consultation

Power NI Response

18 February 2019

Introduction and General Comments

Power NI welcomes the opportunity to respond to the Utility Regulator's (UR's) Consultation Paper in relation back billing in Northern Ireland Retail Energy Market.

The issue of back billing is one which Power NI has repeatedly raised bilaterally, in response to the UR's Consumer Protection Strategy and as author of the market initiated change referred to within the Consultation Paper. It is therefore with some concern that Power NI notes that the UR has made repeated reference to the approach Ofgem has taken to the issue, while seemingly placing less emphasis on the different electricity market arrangements in Northern Ireland and the opportunity the 'common services model' provides to enhance the protection afforded to customers.

As the UR is aware, consumers of electricity in Northern Ireland pay (via Distribution use of System charges) Northern Ireland Electricity Networks (NIEN) to visit all properties in Northern Ireland four times a year in an attempt to gain a meter read and inspect the metering equipment. The reads taken by NIEN are then provided to suppliers to be used in billing. This means that back billing is intrinsically linked to the performance of NIEN under the common services model. It is therefore impossible to deliver a truly effective back-billing position without the accompanying electricity Guaranteed and Overall Service Standards. Power NI strongly urges the UR to ensure that the back billing project and the electricity Service Standards project are delivered in parallel.

The suggestion that any change in relation to NIEN's performance, incentives or billing arrangements will not happen prior to the next price control means that the UR is prepared to wait until April 2024 to effectively deal with this issue. Power NI does not believe this is acceptable, equitable or in the interests of consumers and would highlight to the UR that if this approach is adopted, it will deliver sub optimal outcomes and reduce the effectiveness of this exercise.

For the avoidance of doubt, if a supplier makes a billing mistake or there has been a metering fault then the proposed 13-month cut is entirely reasonable. It would not however be reasonable to restrict billing if there have been four initial visits to the property, secondary no access visits, cards have been left and facilities via telephone and internet provided for a customer to provide a read. This returns the point to the performance of NIEN in exercising its meter reading obligations. Put simply, if NIEN meets its standards of performance, back billing is a non-issue. This point does not come across clearly in the UR's paper, nor does the UR propose any reinforcement or in fact enforcement of the current meter reading standards.

It is also noteworthy that the UR highlighted 5 case studies in the consultation, 4 of which were in relation to electricity. Based upon only the information available in the paper Power NI made the following assessment:

Case Study 1 – Issue was no actual read provided since 2015. Case could have been avoided if NIEN met their meter reading standard and gained access to the meter to take a read.

Case Study 2 – Customer's read took priority to Meter Reader's read. This is in breach of the Market Rules and is a potential defect in NIEN's Central Market Systems.

Case Study 3 – Relates to gas.

Case Study 4 – Supplier had been incorrectly entering reads. Error by the supplier however should NIEN have gained access the Market Rules dictate that the Meter Reader read takes priority, this would then have flagged the supplier error.

Case Study 5 – Error in meter reading gone undetected for two years. Again, should the meter reading standard have been met this site would have been read and the issue highlighted.

It is clear therefore that the Service Standards provide the UR, Suppliers and ultimately customers; the means to ensure that back billing only occurs in exceptional circumstances. It is disappointing that despite consulting on the service standards in Spring 2017, no decision paper was ever issued and the UR took no action. This is an opportunity missed and should be addressed by the UR as a matter of urgency and in parallel to the work on back billing.

Specific Questions

The UR posed a number of specific questions within the Consultation Paper and Power NI has sought to deal with each in turn.

Q1. Do respondents agree that where this consultation has an impact on the groups listed, those impacts are likely to be positive in relation to equality of opportunity for energy consumers?

Power NI response:

No specific response.

Q2. Do respondents consider that the proposal around backbilling needs to be refined in any way to meet the equality provisions? If so, why and how? Please provide supporting information and evidence.

Power NI response:

No specific response.

Q3. Do respondents agree that any limit to backbills for gas and electricity should be 13 months for gas and electricity?

Power NI response:

Power NI have advocated a back billing limit of 13 months for instances when the customer is not at fault i.e. supplier error or meter issue. This aligns with the settlement of the wholesale market and is a reasonable approach.

For the avoidance of doubt, Power NI believes that if a customer is due a refund due to metering or billing issue then that should not be time limited.

It is however important to highlight that NIEN do not take this approach in relation to the Distribution Use of System charges (DUoS). Despite being a monopoly business NIEN have historically back billed the supplier even in instances when a supplier or customer has not been at fault and there is no reasonable expectation or basis of recovery. This is inequitable. Should the UR look to implement a 13-month back billing rule then that should apply to all back billing including DUoS billing. NIEN will not be financially impacted by this due to the nature of their price control therefore Power NI can see no reason why it would not be implemented in this way.

Q4. Do respondents agree that any limit to backbills should be applicable to both domestic consumers and microbusinesses?

Power NI response:

Power NI believes that no customer should be subject to a back bill which goes beyond 13 months in situations which the supplier has made an error or there has been a material metering issue e.g. faulty wiring, multipliers etc. It is for this reason that Power NI raised the market initiated Change Request.

As stated above, effective meter reading standards will ensure that accurate bills are issued. Power NI notes that the arguments made by the UR in this section of the Consultation Paper rely upon precedent from the GB market. The GB market is however different than the Northern Ireland market specifically when it comes to meter reading obligations and the common services model. Power NI therefore does not consider the experience of GB to be relevant in this case.

At a principle level Power NI would like to take this opportunity to reiterate its position in relation to the UR's treatment of microbusinesses. The UR repeatedly seeks to classify customers as small businesses by reference to their electricity consumption. Power NI suggests that consuming between 0-50MWh p.a. provides no description whatsoever

about the business and it is incorrect to infer that low consumption means the business is small or in some way vulnerable. The Quarterly Transparency Report states that there are c.60,000 customers; Power NI would argue that this is in fact 60,000 supply points and includes connections such as telephone signal masts, pumping stations, street lighting cubicles, wind turbine import, security huts, bus stops and ATMs.

Power NI would also highlight that the UR is referring to businesses and people running businesses. Power NI is unaware of any other area of running a business e.g. tax, employment, recruitment, rates, stock, suppliers, insurance, sales, marketing, supply chain etc. where 'special measures' are afforded and therefore asks why electricity?

Q5. Do respondents believe that Ofgem's definition of "customer fault" is applicable to NI energy market? If not, please provide clear rationale why or identify what additional factors / scenarios should be considered

Power NI response:

As stated above Power NI supports back billing limits in cases of supplier error or manifest metering fault. Power NI however is concerned about the application of the definition of customer fault in relation to estimates and considers the Ofgem definition as unclear when potentially applied to a different electricity market such as in Northern Ireland.

As the UR is aware suppliers pay for NIEN under the common services model to visit all properties 4 times per year. NIEN are incentivised to make repeat visits if they are unable to gain access, leave cards for self-readings and have processes and procedures under OS7 which move through various communication and visits until ultimately gaining a warrant for access if required. NIEN on behalf of the market also offer telephone and email services for a customer to provide their own reading. In addition to this all suppliers are mandated to show on the bill if the amount is based upon an estimate and will take readings from customers via telephone, email etc. It would therefore in Power NI's strongly held view, be unreasonable to state that every effort has not been made to gain readings and prolonged estimates due to lack of access would meet the definition of customer fault.

The UR must recognise that the customer has a role to play in accurate billing. Should the UR not adopt the view that the current arrangements to gain readings are comprehensive and therefore meet the definition; it will incentivise customers to deny NIEN access, reducing the billing quality, increasing unrecoverable charges and increase costs to the generality of other customers. This would be a significant negative step and not in the interests of customers.

Additionally, should the UR not view the common services model as meeting the definition of all reasonable steps to gain access and therefore the customer is at fault for an estimate; the UR will undermine the common services model by placing a risk and

obligation on suppliers which it has no way to mitigate other than by taking steps outside of the model. This will inevitably lead to questions re optionality i.e. can a supplier reduce its DUoS bill by doing certain activities themselves to mitigate the risk etc. This again will ultimately drive costs to consumers in the Northern Ireland market. The common services model was developed in recognition that Northern Ireland was a small market and that efficiency and lower cost can be achieved by NIEN centrally completing the meter reading activity. This remains the case and despite not achieving the reading targets (based on the information provided by the UR) the instances of back billing and customer complaints are significantly less when compared to other markets without such a model. Power NI strongly urges the UR not to undermine the common services model or incentivise customers to deny access.

Q6. Do respondents agree that any limit to backbills should be applicable to all payment types?

Power NI response:

Power NI agrees with the assessment made by the UR that prepayment customers are likely only to be impacted by cases of metering fault and agree that the 13 month cut off is appropriate.

As stated above Power NI believes NIEN should also cut off DUoS billing at 13 months. The case of metering faults highlights that even though the issue is with NIEN equipment, NIEN are the only party who appear not to be subject to the 13 month cut off the UR is proposing. This is an inequitable solution.

Q7. Can respondents outline the expected cost faced by suppliers to implement the system and organisational changes required to administer a limit on backbills?

Power NI response:

This question is difficult to answer without a clear definition by the UR on 'customer fault'. If a reasonable approach is taken and estimates are deemed to be customer fault due to the substantial actions taken to obtain an actual read; then in Power NI's experience instances of metering fault are few and can be managed via manual adjustment.

Should the UR take the unreasonable approach that the substantial attempts to gain an actual read allows a customer to deny access and avoid costs; significant system changes would be required to identify, flag and calculate some form of apportionment. Most suppliers bill on estimates and on a 'balance forward' accounting regime. This means that if a customer receives a bill based upon an estimate (which may have been low) when the subsequent actual is received the billing engine bills for the difference

between the estimate and the actual and accounts for the consumption within the time period between the estimate and actual. Power NI does not seek to apportion the consumption to the period before the estimate because we (or NIEN) simply don't know when the consumption took place.

A simple example might be 6 estimates of 5 giving a consumption of 5, 10, 15, 20, 25, and 30. This would have resulted in 6 bills for 5 units each. If an actual came in for 40 the subsequently bill would be for 10. It is impossible to know if that is as a result of increased consumption in the last quarter or low estimates over the period or what period that might have been. This is why Power NI do not recognise this as a back bill. It is important to note that if the actual had of came in as 22 Power NI would credit the customer 8 i.e. the customer would be in credit.

Q8. For electricity, in situations where the implementation of a backbill limit will result in the supplier facing use of system charges beyond the period of the backbill, and the supplier is not at fault, how do respondents believe this should be dealt with?

Power NI response:

Power NI strongly believes that NIEN should be subject to the same rules as suppliers. It is inequitable given the meter reading standards and asset ownership for anything other than that to be the case.

Q9. How, and to what extent, do respondents believe these issues can be mitigated in order implement a backbill limit that ensures no customer is billed for energy consumed over 13 months prior?

Power NI response:

As stated above the adherence and enforcement of the existing meter reading standards will ensure that long periods of estimated reads are avoided, meter reading errors are identified and meter faults highlighted.

Power NI believes that the electricity arrangements in Northern Ireland and in particular the 'common services model' alongside existing supplier licence conditions support a robust billing outcome. These arrangements have ensured that Northern Ireland electricity customers receive a high number of accurate bills and the complaints witnessed in other jurisdictions are not prevalent.

NIEN on behalf of all suppliers actively visit all sites on a quarterly basis to read the onsite meter. NIEN are incentivised to make repeat visits if they are unable to gain access, leave cards for self-readings and have processes and procedures under Overall Standard 7 which move through various communication and visits until ultimately gaining

a warrant for access if required. NIEN on behalf of the market also offer telephone and email services for a customer to provide their own reading. In addition to this all suppliers are mandated to show on the bill if the amount is based upon an estimate and will take readings from customers via telephone, email etc.

Suppliers for their part also provide communication channels to customers to seek actual meter reads and highlight on bills if an estimate has been used.

Power NI believes that fundamentally, a high level of actual reads will drive an accurate billing regime. To that end therefore Power NI would welcome this process bringing a renewed focus on the Overall Standard 7 which mandates the level of actual reads NIEN should obtain for the market.

It is important to recognise that customers have a role to play in the provision of accurate bills by facilitating access to the meter by NIEN Meter Readers or where this is not always possible, providing a customer read via the many channels available. The UR should be mindful of creating the perverse incentive to deny access to avoid paying for units consumed.

Q10. Do respondents agree that any limit on backbills should be enforced through the creation of a new licence condition?

Power NI response:

Power NI does not believe a licence condition in relation to back billing is required. Provisions already exist in terms of using an actual read in billing (Licence Condition 38(8) of Power NI's licence) and suppliers should align billing to the costs incurred in the exceptional circumstances of metering error. Should the UR wish to be more prescriptive, vehicles such as the Billing Code of Practice also already exist.

Conclusion

Power NI has repeatedly raised the issue of back billing and believes that no customer should be subject to a back bill which goes beyond 13 months in situations which the supplier has made an error or there has been a material metering issue e.g. faulty wiring, multipliers etc.

While believing all industry participants should be subject to this requirement it is important to highlight that NIEN do not take this approach in relation to the Distribution Use of System charges (DUoS). Despite being a monopoly business NIEN have historically back billed the supplier even in instances when a supplier or customer has not been at fault and there is no reasonable expectation or basis of recovery. This is

inequitable. Should the UR look to implement a 13-month back billing rule, then that should apply to all back billing including DUoS billing. NIEN will not be financially impacted by this due to the nature of their price control therefore Power NI can see no reason why it would not be implemented in this way.

As described above Power NI is concerned about the repeated references to the GB market and the definition of customer fault within the Consultation Paper. Power NI believes that the electricity arrangements in Northern Ireland and in particular the common services model alongside existing supplier licence conditions support a robust billing outcome. These arrangements have ensured that Northern Ireland electricity customers receive a high number of accurate bills and the complaints witnessed in other jurisdictions are not prevalent.

As the UR is aware suppliers pay for NIEN under the common services model to visit all properties 4 times per year. NIEN are incentivised to make repeat visits if they are unable to gain access, leave cards for self-readings and have processes and procedures under OS7 which move through various communication and visits until ultimately gaining a warrant for access if required. NIEN on behalf of the market also offer telephone and email services for a customer to provide their own reading. In addition to this all suppliers are mandated to show on the bill if the amount is based upon an estimate and will take readings from customers via telephone, email etc. It would therefore in Power NI's strongly held view, be unreasonable to state that every effort has not been made to gain readings and prolonged estimates due to lack of access would meet the definition of customer fault.

The UR must recognise that the customer has a role to play in accurate billing. Should the UR not adopt the view that the current arrangements to gain readings are comprehensive and therefore meet the definition; it will incentivise customers to deny NIEN access, reducing the billing quality, increasing unrecoverable charges and increase costs to the generality of other customers. This would be a significant negative step and not in the interests of customers.

As stated above the adherence and enforcement of the existing meter reading standards will ensure that long periods of estimated reads are avoided, meter reading errors are identified and meter faults highlighted. It is disappointing that despite consulting on the service standards in Spring 2017, no decision paper was ever issued and the UR took no action. This is an opportunity missed and should be addressed by the UR as a matter of urgency and in parallel to the work on back billing.