



## BACKBILLING IN THE NI RETAIL ENERGY MARKET

### SSE AIRTRICITY RESPONSE TO THE UTILITY REGULATOR

2019

## INTRODUCTION

SSE Airtricity welcomes the opportunity to comment on the UR's consultation on Backbilling in the NI Retail Energy Market.

SSE Airtricity is the second-largest provider of energy and related services operating across Ireland with almost 740,000 customers served across both electricity and natural gas markets. We are committed to the development of competition in the Irish energy markets and to presenting our customers with choice and quality customer services.

SSE Airtricity previously responded to the UR's Call for Evidence on backbilling. SSE Airtricity reiterates that we are supportive of measures to protect customers against unfair bills outside of the customers control and we believe that this is a positive initiative for customers. However, the cost of such measures must be considered particularly where the backbilling is because of an issue that is also outside of the suppliers control.

## GENERAL COMMENTS

SSE Airtricity believes that the proposals contained in the consultation paper do not resolve the issue of back billing. The UR has a statutory objective to protect consumers with regards to price and quality of service as well as promoting competition. For the most part backbilling is because of prolonged periods of meter reading estimates, despite suppliers' efforts to engage with customers to obtain reads, meter faults or metering errors. In some instances, gas DNOs do not advise the supplier that a customer has been connected to the gas network which results in the customer consuming gas for prolonged periods, knowing that they have not being billed and have not taken to steps to proactively engage with suppliers or DNOs to ensure that the premise is correctly set up with a supplier. While the proposals may protect individual customers, suppliers' customer bases will continue to pay for backbilling because the UR is not bringing forward any proposals to address the charges associated with backbills that arise because of DNO errors and there is no incentive for the DNOs to reduce meter faults, improve the quality and accuracy of the information that they provide suppliers, reduce metering issues, or to improve the level of actual electricity meter reads. Therefore, we believe that the UR cannot fulfil its statutory objective to protect customers with regards to price and quality of service as their electricity meters will continue to go unread and meter faults/ errors will continue to occur without

any penalty on the DNOs. Likewise, a licence condition being placed solely on suppliers and not on DNO could be seen as a barrier to entry and may discourage new suppliers entering the NI energy market or existing non-domestic suppliers entering the domestic market. The UR also has a responsibility to ensure that licence holders are able to finance the activities which are the subject of obligations imposed by the Electricity Order. By placing the financial obligation to cover the cost of backbilling solely on suppliers and not on all parties responsible for the root cause SSE Airtricity believes the UR may not be fulfilling this duty under the Energy Order. The UR is proposing to require suppliers to absorb the costs of backbilling without any means to improve the service they are receiving from DNOs.

The consultation paper refers to the GB energy market and the licence condition introduced by Ofgem to limit back billing to 12 months in the form of a supply licence condition. The GB market however, is very different to the NI market particularly in relation to electricity meter reading.

In GB suppliers own, install, maintain, and are responsible for reading meters. In the NI market meters are owned, installed and maintained by the DNOs and NIE Networks is responsible for the collection and verification of meter readings on behalf of all electricity suppliers. Therefore, in GB if an issue occurs that results in a backbill the fault lies entirely with the supplier, unless the customer is found to be at fault, and therefore it is reasonable to expect the supplier to cover the cost of the backbill that exceeds the time limit. In NI, it is not reasonable to expect suppliers to cover the costs where the reason for the back bill is entirely outside of their control e.g. metering faults/ errors or lack of actual meter reads, including failure by the customer to engage or facilitate a meter read. In the CCNI case studies included in the consultation paper three out of the five case studies were as a result of DNO issues and not supplier issues. It's clear from the CCNI case studies that DNOs currently work with the CCNI to resolve and reduce backbilling arrears in individual cases however, the UR is now proposing to absolve the DNOs from any responsibility in relation to backbilling and place the responsibility and cost entirely with the supplier. SSE Airtricity does not believe this is a proportionate approach to take in relation to this issue.

Another significant difference between the GB and NI market is that GB is in the midst of a significant smart meter roll out. As called out in their decision paper Ofgem expects that suppliers will not issue estimated bills to consumers with smart meters. They also state that issues with estimated bills are an incentive for suppliers to install as many smart meters as they can. This

is not an option available to suppliers operating in the Northern Ireland energy markets and electricity suppliers have little control over the number of estimated bills a customer receives because the supplier is primarily dependent on NIE Networks providing actual readings or the customer providing actual reads themselves.

Finally, market systems and meters in the NI Greater Belfast gas market are old and prone to error or breakdown and this can result in back billing for customers which is outside of the suppliers control.

## RESPONSE TO PROPOSAL QUESTIONS

### 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?

SSE Airtricity is concerned that the proposals contained in this consultation may negatively impact on the groups listed particularly vulnerable customers. The consultation proposes that backbilling be limited to 13 months where the customer is not at fault. The issues that cause backbilling primarily relate to issues with long term meter read estimation or issues with meter installation/ set-up. In Northern Ireland NIE Networks is responsible for reading all electricity meters. The consultation proposes that suppliers must limit backbilling when the customer is not at fault, even if the supplier is not at fault either. Electricity suppliers operating in Northern Ireland may have to seriously consider employing meter readers to obtain meter reads where there is a history of estimated reads being provided by NIE Networks. This would mean that two meter-readers would be visiting customer sites; NIE Networks meter readers and the suppliers own meter readers. This could cause concern for vulnerable customers as they may not understand why two different people are calling to read their meter and may believe that they are being targeted by bogus/ rogue traders. Furthermore, suppliers may resort to using legal remedies available to them to obtain access to properties such as warrants. This may require PSNI attendance in some situations. Overall this could create a more aggressive environment, which may appear more focused on different groups, including vulnerable customers or people living in certain geographies or living in certain properties that the DSO has had to put in internal meters. Overall costs will increase, which will in turn be borne by all customers, including vulnerable customers.

**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.**

SSE Airtricity suggests that the UR conducts research to the type of properties and customers who have a higher possibility of being impacted due to lack of meter reads. This information will then allow the UR to assess whether any specific education campaigns in relation to estimated bills should be targeted at any specific groups that might be impacted more.

**Q3. DO RESPONDENTS AGREE THAT ANY LIMIT TO BACKBILLS FOR GAS AND ELECTRICITY SHOULD BE 13 MONTHS FOR GAS AND ELECTRICITY?**

SSE Airtricity agrees that backbills for gas and electricity should be limited where the backbill is as a result of a supplier error and the customer has fully engaged with the supplier on enabling meter reads to be obtained or the gas customer has notified the DNO/supplier that following connection to the gas network that gas is being consumed at the premises without bills being received.

The 13-month limit proposal does not align with SSE AGSNI's the 24-month Long Term No Access (LTNA) threshold for gas. Customers on the SSE AGSNI LTNA register enter a dedicated process with dedicated staff whose responsibility it is to correspond with customers and conduct out of cycle ad hoc reads. We would welcome understanding of how the proposed 13 month time limit is expected to interact with the LTNA processes of suppliers. If LTNA is to be defined as 13 months, this would mean increased resource requirements to ensure customers are not missed.

As called out in our general comments above there are significant differences between the GB & NI markets. In GB suppliers are responsible for reading meters whereas in the NI electricity market NIE Networks has this responsibility. In their decision paper Ofgem frequently call out the proposal to introduce backbilling will encourage suppliers to take actual reads and bill accurately. Electricity suppliers in Northern Ireland do not take actual reads and are dependent on NIE Networks or the customer to provide an actual for accurate billing. It is inappropriate and disproportionate to hold suppliers accountable where they do not receive an accurate actual read from NIE Networks. Therefore, where the backbill is as a result of a DNO issue e.g.

prolonged period of estimated electricity readings, meter faults, or metering errors and/or the customer has failed to engage with the meter readers or suppliers, despite adequate communications, to enable a read to be obtained, or the consumer has knowingly consumed energy for a prolonged period with no bills, without making any attempt to engage with a DNO/supplier to get billed, then the supplier should not be expected to cover any costs including the Use of System cost of these errors which are outside of the suppliers control. In these instances, the supplier should continue to bill the customer for the full adjustment received from the DNO. Alternatively, the DNO should cover the cost of the back bill and suppress the issuing of the adjustment to the supplier and the cost should be taken out of DNO revenue. It is unacceptable that the UR would progress this proposal without ensuring that market participants are appropriately protected from the failures of the DNOs to deliver the services which they are paid to deliver on behalf of the whole market.

#### **Q4. DO RESPONDENTS AGREE THAT ANY LIMIT TO BACKBILLS SHOULD BE APPLICABLE TO BOTH DOMESTIC CONSUMERS AND MICROBUSINESSES?**

SSE Airtricity does not agree that any limit to backbills should be applicable to microbusiness customers. In the Federation of Small Business (FSB) response to the UR's Consultation on Measures to Enhance the Small Business Energy market the FSB called out that research commissioned by the federation showed that energy is the second largest cost for SMEs in Northern Ireland. However, in the CCNI's response to the same consultation the CCNI refers to 'Key findings The Consumer Council Small Business Energy Consumer Experiences 2017'. The survey by the CCNI asked "How much of a concern is your electricity compared to other issues affecting your business or organisation?" to which 79.17% of respondents replied that it was 'not a concern/ minor concern/average concern'. Only 4.17% responded that it was their 'top concern'. In the same survey the CCNI asked how often respondents contacted their electricity supplier; 61.91% either 'never/ once a year' contacted their electricity supplier.

Microbusinesses are commercial organisations that must take responsibility for managing their own businesses and costs. Even though energy is the second largest cost for these customers the majority of them are not concerned with their electricity compared to other issues affecting their business and 61.91% only one a year or never made contact with their supplier. Yet, the UR is now proposing that backbilling proposals are extended



to microbusinesses even though they rarely engage with their supplier. Provision of a meter read or providing access to meter readers so that bills can be more accurate should not be a complicated process for business owners to understand when they also must manage more complicated costs such as VAT returns, insurance policies, telephone and internet costs etc. Both suppliers and DNOs make it very simple for customers to provide meter reads; meter read reminders are sent to customers, email and online portals are available to customers to submit a read when it's convenient for the customer. IVR lines and customer service call centres have extended opening hours to allow customers to provide a reading in a matter of minutes.

For these reasons SSE Airtricity does not agree that any limit on backbills should be applicable to microbusiness customers.

**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**

SSE Airtricity does not agree that Ofgem's definition of "customer fault" is applicable to the NI energy market. In GB suppliers own, install, maintain, and are responsible for reading meters. In the NI market meters are owned and installed by the DNO and NIE Networks is responsible for the collection and verification of meter readings on behalf of all suppliers. In their decision paper on backbilling Ofgem explain that if a customer ignores or refuses a supplier's reasonable attempt to physically access the meter, that those customers are likely to fall within the exception of customers behaving 'obstructively or manifestly unreasonable'. Ofgem also explained in their decision paper that they expect suppliers to keep evidence of a customer behaviour if a supplier decides not to apply the backbill. Electricity suppliers do not read meters in Northern Ireland and therefore are unlikely to be in a position to adequately assess whether a customer is behaving 'obstructively or manifestly unreasonable' in relation to meter access and will be unable to retain evidence for same. SSE Airtricity does not believe it is appropriate for the UR to require suppliers to evidence the actions of the DNO in order to undertake billing of its customers.

In their decision paper Ofgem also stated that they do not consider a customer to be obstructive or manifestly unreasonable when they do not supply a meter reading; they expect suppliers to actively engage with

consumers when they want to obtain a meter read or take a meter read at the property. They also state that if customers did not respond they expected that the supplier take a meter reading themselves to avoid backbilling. They go on to say, “that it is in the supplier’s interest to put more effort in to obtain meter readings from their customers and have the right processes in place to enable them to do this”. In the Northern Ireland electricity market meters are read by NIE Networks not suppliers. Electricity suppliers can request NIE Networks to obtain a ‘special read’ which is an out of cycle read but this read carries a site visit charge which would be passed onto the customer. Alternatively, electricity suppliers operating in Northern Ireland may have to employ their own meter readers to obtain reads where NIE Networks do not provide regular accurate actual meter reads. Suppliers may also have to use a warrant process to legally gain access to premises to obtain gas or electricity reads and inspect gas meters. While not desirable it would have to be seriously considered by suppliers and would obviously be an extra cost to suppliers that would be recovered through customer tariffs. The findings of the UR’s Call for Evidence shows that the percentage of customers with unread credit meters is much higher in the electricity market (8.1% for 2017) compared to 1.7% in the gas market. This shows that suppliers themselves are more successful in reading meters than NIE Networks is on behalf of all suppliers. The cost of electricity suppliers employing their own meters readers could be offset by a reduction in Use of System charges should meter reading responsibility be removed from NIE Networks.

If NIE Networks is unable to read a meter the meter reader selects a ‘No Read code’ which is sent to suppliers along with an estimated read. These codes vary and can include ‘no access’, ‘dog issue’, ‘meter obstructed’, ‘gate locked’, ‘access refused reasonable/unreasonable’, ‘cannot open door’. It would be impossible for a supplier to determine if ‘meter obstructed’ or ‘cannot open door’ meant that the customer was behaving obstructively. Only NIE Networks would be in a position to determine that. Even selection of the codes ‘access refused reasonable/ unreasonable’ is open to individual interpretation; what one meter reader assesses as unreasonable another meter reader may determine to be reasonable. Other than these codes received from NIE Networks suppliers have no other evidence in relation to a customer’s obstructive behaviour. It’s also not likely that NIE Networks would pass any evidence to suppliers for the purposes of determining if a customer was behaving obstructively or unreasonably. In the UR’s consultation document they refer to the CCNI noting that complaints relating to backbilling are typically difficult, take a long time to resolve, and often leave the



customer dissatisfied with the outcome. SSE Airtricity cannot see this changing with the introduction of these proposals, if anything we would see complaints getting even more difficult and taking longer to resolve because the supplier will be dependent on NIE Networks to provide evidence of obstructive or unreasonable behaviour which it is unlikely to provide.

Furthermore, customers who consume gas at a premises for a prolonged period of time without obtaining a bill from a supplier should fall into the 'at fault' category. This issue occurs when the DNO connects the premises to the gas network but fails to advise a supplier. While the DNO is responsible in this instance the customer is knowingly consuming gas without being billed by a supplier for the gas consumption.

Finally, GB suppliers raised concerns that some customers would try to take advantage of the backbilling protection by being unhelpful (but not obstructive or manifestly unreasonable) and not provide meter readings and avoiding payment of charges. While most customers will act appropriately we know from experience in Northern Ireland through the Renewable Heat Incentive Scheme that some customers will take advantage of measures that were put in place for the greater good. Northern Ireland also has had a significant issue with respect to theft in the electricity market. Any definition of 'customer fault' will have to be strong enough so as not to allow some customers to take advantage of the measure.

#### **Q6. DO RESPONDENTS AGREE THAT ANY LIMIT TO BACKBILLS SHOULD BE APPLICABLE TO ALL PAYMENT TYPES?**

PPM metered customers are different to credit metered customers in that they pay for their usage as they go and therefore they should not be impacted by backbilling if the DNO installs the meter correctly and it is functioning as it should.

However, customers with PPM meters are more likely not to provide access to meter readers because many are of the belief that their meters do not need to be read by meter readers and therefore do not provide access to NIE Networks or to gas suppliers. This is reflected in the UR Call for Evidence findings which shows the 11.8% of electricity PPM customers and 7.3% of gas PPM did not have an actual reading in 2017 compared to 8.1% of electricity credit meters and a significantly lower 1.7% of gas credit customers. This may mean that if there was an issue with the meter installation by the DNO or the meter was not functioning correctly or set up correctly at installation or at the

point of a change of supplier that the customer could be contributing to the backbilling issue by not providing access.

Customers with PPM meters are also less likely to keep their supplier up to date with regards to their tenancy arrangements as new tenants can continue to purchase vends on an old tenant card without notifying the supplier of the change of tenancy. This could mean that suppliers who go to extra efforts to contact customers with regards to providing meter reads, meter access etc. may be issuing correspondence to a previous tenant rather than the current tenant. It is unclear whether, by not notifying their supplier of a change of tenancy, the customer could be found at 'fault' and therefore the limit on backbilling would not apply. SSE Airtricity would expect that customers who do not keep their records up to date with their supplier would fall into the 'at fault' category.

Meter mix-ups and faulty meters are more common for PPM meters and these issues are outside of the control of suppliers. Unlike in GB gas and electricity meters in Northern Ireland are owned, installed, and maintained by the DNOs not suppliers. As customers with PPM meters prepay for their energy it is unlikely that they will be impacted by back bills if the meter is installed, set up and functioning properly. However, if this is not the case it cannot be left to suppliers to absorb the cost of backbilling when the cause of the issue lies with the DNO and not the supplier.

#### **Q7. CAN RESPONDENTS OUTLINE THE EXPECTED COST FACED BY SUPPLIERS TO IMPLEMENT THE SYSTEM AND ORGANISATIONAL CHANGES REQUIRED TO ADMINISTER A LIMIT ON BACKBILLS?**

In its consultation paper the UR states that they understand from the Call for Evidence and discussions with suppliers that many suppliers already have processes in place to facilitate the administration of backbills; including the managements of exceptions and therefore as a result the UR does not expect their proposal to cause suppliers to incur significant additional costs. The UR also states that not all suppliers responded to the Call for Evidence. SSE Airtricity would like to note that there was no specific question in the Call for Evidence in relation to whether suppliers had already processes in place to facilitate the administration of backbills and therefore SSE Airtricity did not provide any information in this regard in our response to the Call for Evidence. The UR also states in the consultation that not all suppliers responded to the Call for Evidence and therefore we believe it is incorrect for the UR to

determine that that their proposal would not cause suppliers to incur significant additional costs.

Prior to introduction of the equivalent licence condition in GB a voluntary scheme was already in place and the majority of suppliers were already signed up to it therefore minimal changes were required in GB. This is not the case in Northern Ireland. While the CCNI does have a 'Financial Remedy Framework for Complaints' this framework applies to domestic customers only was put in place between the CCNI and incumbent suppliers in 2006 when no other suppliers were operating in the NI energy markets. It is also a retrospective process in that the process starts with the customer making a complaint. SSE Airtricity expects to incur significant costs, both upfront and ongoing to administer a limit on backbills as well as the Use of System costs that would be incurred if the UR does not correct the issuing of charges to the supplier outside the 13 month limit.

#### UPFRONT COSTS

SSE Airtricity requests that the costs identified below are kept confidential and not published by the UR.

[REDACTED]

**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?**

SSE Airtricity believes that the party responsible for the backbill must cover the cost of the backbill and the only way to achieve this is for the Use of System charges not to be passed to the supplier where the DNO is a fault. DNOs are priced controlled and are currently made whole regardless of the service level achieved with respect to meter reading and customer service. Incentives should be introduced, regardless of the backbilling decision, to ensure robust processes are in place to minimise instances of backbilling for the reasons outlined above. This should include the reduction in regulated return in the event that defined service levels are not achieved.

It is essential that costs are not inappropriately levied on other market participants for the failure of a regulated DNO to deliver appropriate service to customers.

The ROI electricity market has spent considerable time looking at solutions to Long Term Consumption Adjustments and recently determined that there is no cost-effective mechanism that will address the issue. At this time the only cost-effective mechanism is addressing the causes of long-term consumption adjustment through increased actual meters reads, correctly installing and setting up meters etc. Smart meters will also be introduced in ROI in the coming years which will assist in the reduction of backbilling.

**Q9. HOW, AND TO WHAT EXTENT, DO RESPONDENTS BELIEVE THESE ISSUES CAN BE MITIGATED IN ORDER TO IMPLEMENT A BACKBILL LIMIT THAT ENSURES NO CUSTOMER IS BILLED FOR ENERGY CONSUMED OVER 13 MONTHS PRIOR?**

An allocation methodology for pro-rating consumption over the duration of the time the adjustment covers taking into account the seasonal factors is required to be put in place in both gas and electricity markets. For cases where the issue is due to prolonged estimation, we propose that NIE Networks is not allowed to pass adjustments/ UoS charges beyond 13 months to suppliers for customers covered by these requirements. In these cases, withdrawal and replacement of reads is the normal process and should only go back 13 months. A Central Design Authority Discussion Request related to this is currently with the UR for approval.

Where an adjustment is being levied in one billing period – due to meter fault/tampering, a methodology must be developed for industry to use consistently for all customers.

Similar to the recent energy theft awareness campaign run by the CCNI and supported by the industry (“Energy theft is dangerous, illegal and paid for by you”) we suggest that the CCNI run a similar campaign to increase awareness and promote customer meter read provision and meter access provision as costs associated with backbilling will be paid for by all customers.

**Q10. DO RESPONDENTS AGREE THAT ANY LIMIT ON BACKBILLS SHOULD BE ENFORCED THROUGH THE CREATION OF A NEW LICENCE CONDITION?**

SSE Airtricity believes that any new obligation should only become binding at a time when all issues associated with DNO costs are addressed to ensure proportionate regulation and that suppliers are not at financial detriment due to the failure of a different regulated entity. Once these issues are addressed we propose that any limit on back bills should be enforced through the Codes of Practice on Energy Bills and Statements. This would allow for detailed guidance to be provided on what ‘customer fault’ is intended to cover.

## FUTURE INCENTIVE REGULATION

SSE Airtricity does not agree with the approach being proposed in this consultation paper. While the project will address backbilling from the customer perspective it is not addressing the root causes of backbilling and is ensuring that the DSOs are being kept whole while suppliers have to carry the costs of backbilling regardless of whether the supplier was at fault or not. The paper states that the underlying issue of ensuring all relevant industry bodies are correctly incentivised to minimise backbills is a much wider issue and will need to be addressed separately. While this statement is welcomed by SSE Airtricity it is unacceptable that in the interim period that suppliers carry the costs of all backbills and DNO/DSO are kept whole and are in no way incentivised to reduce back billing errors. NIE Networks may actually benefit financially from the proposals contained in this paper as suppliers may have to request out of schedule 'special reads' to be obtained where scheduled meter reads are not being obtained by NIE Networks and these special reads are chargeable to the supplier.

## CONCLUSION

While SSE Airtricity agrees that backbilling can have a negative impact on some customers we do not believe that the benefits of limiting backbilling outweigh the costs of implementation and ongoing administration costs of suppliers at this time. Ultimately, we are discussing energy that the customer has actually consumed, and which is not under investigation. As this is the case, we are talking about providing energy to a customer at no cost.

In the event that this decision is implemented by the UR, it is essential that all aspects of this issue are addressed in advance of the requirement coming into effect. It is inappropriate to introduce a requirement which levies costs on suppliers due to the failure of another regulated entity.

It would be expected that a Regulator would incentivise good behaviour before introducing such a material obligation. The UR is proposing not to incentivise DSO/DNO behaviour but to require suppliers to absorb the costs without any means to improve the service they are receiving. It is difficult to see how this could be justified. SSE Airtricity does not believe the impacts on suppliers are proportionate or could be considered appropriately targeted to address the underlying causes of backbilling.