

Ursula O’Kane
Utility Regulator
Queen Street
Belfast
BT1 6ED

firmus energy
A4-A5 Fergusons Way
14 Kilbegs Road
Antrim
BT41 4LZ

07th October 2016

Dear Ursula,

RE: Consultation on a New Supplier Code of Practice on Bills and Statements

firmus energy welcomes the opportunity to respond to the New Supplier Code of Practice on Bills and Statements Consultation.

Gas Supply Licence modifications borne from the Energy Efficiency Regulations (Northern Ireland) 2014 and the Energy Efficiency Directive issued by the European Union (EU) in 2012, have resulted in the need for firmus energy (Supply) Ltd and all other gas and electricity suppliers to update their billing format and internal processes to ensure regulatory compliance.

Whilst we are cognisant of our Licence compliance obligations and recognise the need for consumer protection, firmus energy believes it is imperative that a number of key principles and over-arching objectives should be considered as part of the Code of Practice’s implementation. These underpin our consultation response and are as follows:

- Information to be included on the new bills and statements should not result in potential for misinterpretation or confusion for customers.
- The Code of Practice should not be unduly prescriptive. The information to be provided on the bills and statements should be simplified and minimised to enable ease of compliance. Additional information on bills or statements can be included at the discretion of the energy supplier.
- The information to be included on the new bills and statements should be proportionate and reflective of the effort required to collate it.
- The financial cost and system development investment that may be required to achieve Licence compliance should be considered by the Utility Regulator when evaluating billing requirements.

Q1. Do you 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?

and

Q2. Do you consider that the proposals for the development of the Code of Practice on bills and statements need to be refined in any way to meet the equality provisions? If so, why and how? Please provide supporting information and evidence.

firmus energy currently has an obligation to provide all billing in a format suitable for persons with a disability and will continue to adhere to this obligation. We do not anticipate any problems relating to Section 75 of the Northern Ireland Act 1998 arising from implementing this Code of Practice.

All firmus energy's bills and statements will continue to be available in other appropriate formats that assist customers with disability.

Q3. Do you support the development of a Code of Practice on bills and statements that is based on high level principles and includes specific rules where required? If not, what approach do you suggest the UR takes in order to develop a Code of Practice on bills and statements?

firmus energy supports the development of a Code of Practice on bills and statements that is based on high level principles. While we recognise some obligations lead to prescriptive legislative compliance requirements we advocate a high level approach whenever possible. By developing the Code in this way suppliers can provide customer information, and adopt billing formats, appropriate to their customer base and billing systems.

Q4. What is your view on the proposed arrangements for the monitoring of compliance with the Code of Practice on bills and statements?

Further consideration is required in order to determine a format that is acceptable to all stakeholders. This is necessary as the proposed arrangements would create an unduly onerous administrative burden for both the Utility Regulator and suppliers. For example, even artistic and aesthetic changes would result in the requirement for the referral of documentation to the Utility Regulator. Changes to billing formats should not have to be formally recorded unless they compromise the Code of Practice or breach the Gas Supply Licence.

Q5. Do you support the breakdown of the Code of Practice on bills and statements into the categories as detailed above? If not, please explain why and provide an alternative breakdown.

firmus energy is content with the Code of Practice being separated into the four sub-categories. However, we would highlight that the distinction between contract I&C and tariff I&C customers must be recognised and maintained.

Q6. Are there any other aspects related to bills and statements or to the billing processes which you think should be covered under the Code of Practice which are not mentioned above?

The Code is comprehensive in terms of its content and coverage.

Q7. Do you support the overarching principle that “all bills and statements are clear and easily understandable”? If not, please explain why and provide an/some alternative overarching principle(s).

firmus energy will continue to endeavour to ensure its bills are clear and understandable. This overarching principle, of clarity for customers, should take precedent when considering the inclusion of prescriptive information that could be deemed unnecessary.

Q8. With regard to domestic customers, do you agree with the use of the definition of an “average consumer” taken from the Consumer Protection from Unfair Trading Regulations 2008? If not, please explain why and provide an alternative definition.

firmus energy supports the use of the definition of an average consumer as set out by the office of Fair trading’s ‘Consumer Protection for Unfair Trading - 2008’. This definition is sufficient in addressing suppliers’ obligations to vulnerable customers.

Q9. Do you support the principle that “a customer is able to find quickly and understand important information on the bill or statement”? If yes, please indicate what you deem to be the most important information on a bill or statement. If no, please explain why you do not support this principle.

firmus energy supports this principle and considers the most important information on a bill/statement to be:

- Amount owed and when it has to be paid (bill).
- Direct Debit amount and date it will leave account (statement).
- Consumption in period since last bill (bill)
- Monthly vends (PAYG statement)

As part of our previous engagement with Gemserv we highlighted a number of problems and areas likely to provoke customer confusion on an annual PAYG statement. These are:

- The annual statement could theoretically have up to three relevant tariffs shown, if a tariff change occurs in both April and October.
- The total value of vends in the year is unlikely to match the consumption charges. This could lead customers to assume they owe money to their supplier or are due a credit.

We previously submitted a proposed rationale for the difference in charges and vends on a sample PAYG statement to Gemserv. If such an explanation is required this level of detail is necessary for clarity. However, it is a detailed narrative and it is debateable whether the average consumer would deem it accessible. The narrative proposed was as follows:

- The total amount shown is indicative of what you have spent on gas in the statement period and is for information purposes only.
- You do not owe us anything, nor need you take any action.
- The total amount shown may not reflect what you actually paid for gas.
- The amount of gas you purchase is dependent on the energy content of that gas on the day of purchase.
- Your total vends include unused gas held as credit on your meter.
- The cost of gas is based on the equal distribution of usage in the statement period and will not take into account irregular top ups before or after a tariff change.

Q10. Do you support the principle that “a customer will know immediately what action is required from them when reading a bill or statement”? If yes, please indicate what you deem to be the most important information on a bill or statement. If no, please explain why you do not support this principle.

firmus energy supports the principle, however we would reiterate our concern that required actions may not be evident to all PAYG customers that receive an annual statement. See question 9.

Q11. Do you support the principle that “bills and statements are based on accurate information and up-to-date meter reads where possible”? If not, please explain why you do not support this principle.

firmus energy supports this principle, however accurate information may not always be available. For example, as discussed with Gemserv during our initial engagement, data can be skewed as a result of the use of two or more vending cards in a PAYG meter.

In addition, a PAYG customer might build up credit on a meter and not top up for a considerable period of time. As a result the supplier may not have up-to-date read information for use on the statement.

Q12. Do you support the principle that “domestic customers will be made aware if there are cheaper tariffs available to them”? If yes, please indicate which of the three options presented above for domestic customers is the most appropriate way of making this information available to customers (and explain the rationale for your choice)? If no, please explain why you do not support this principle.

firmus energy proposes that this section of the Code of Practice be reviewed and amended. As part of such a review we would welcome direction from the Utility Regulator as to how any discounts/savings (e.g for Direct Debit) should be treated in relation to ‘cheaper tariffs’.

Further clarity is also required regarding how the pence per kWh in a rolled-up tariff (PAYG meter) compares to the different rates of a two-tiered tariff system (credit meter). firmus energy calculates these tariffs based on an average consumption and considers them to be the same tariff although they are numerically different. Depending on an individual’s annual consumption levels, the credit meter tariff may or may not be more beneficial than the PAYG meter tariff.

Para 1.5.1

The supplier must first determine if the customer is on the best tariff available to them.

A supplier cannot make a definitive judgement on whether the current tariff is best suited to a particular customer. For example, the customer may be eligible for a discount if they opted for Direct Debit payment, or paperless billing, or by providing their own meter reads, but the customer may prefer to forego a discount to have the meter read by the supplier and receive a paper bill with no Direct Debit.

The only method of determining the customer’s best available tariff is to speak directly with every individual bill payer to determine their preferred billing requirements. This would be a costly and time consuming action and goes beyond what should be considered a reasonable requirement.

In addition, as discussed previously, the PAYG tariff may be a cheaper alternative to the domestic tariff, depending on the consumption levels. Where this is the case, a switch from a PAYG to Credit meter would require a costly meter exchange.

Para 1.5.2

If the customer is on the best available tariff the supplier must simply state this.

As noted above, while a supplier can determine lowest price tariff, complications arise when considering the most suitable tariff for individual consumers.

Para 1.5.3

If the customer is not on the best available tariff there are a number of ways the supplier can inform the customer of other available tariffs.

- ***the supplier will determine the best tariff for the customer and present this to them on the statement;***
- ***the supplier will inform the customer of the other available tariffs (i.e. details of unit rates, charges, discounts etc. for a range of tariff options); or***
- ***the supplier will highlight to the customer that cheaper tariff options are available and direct the customer to sources of this information e.g. the supplier's website or the customer service team (contact centre number).***

firmus energy always endeavour to provide its customers with the best tariff available to suit their needs and circumstances. However, we recognise that customer circumstances might change over time and as a result the customer may want to revise their tariff. For example a customer may now wish to receive paperless billing or submit their own meter readings.

Therefore firmus energy suggests the removal of paras 1.5.1, 1.5.2 and 1.5.3. Instead this section of the Code of Practice should state that suppliers must inform the customer of other available tariffs (which may be lower than their current tariff) and direct the customer to them. Suppliers could then be compliant by the inclusion of a straightforward statement on the bill/statement such as:

'firmus energy has various tariff and payment options to fit the circumstances and personal requirements of its individual customers. Please see our website at www.firmusenergy.co.uk or contact our Customer Services Team for a full list of these options and to ensure you are signed up to the best available tariff.'

Q13. Do you support the principle that “non-domestic customers will be made aware if there are cheaper tariffs available to them”? If yes, please indicate how you think this information should be presented to non-domestic customers. If no, please indicate why you do not support this principle.

There are two distinct I&C customer types - Tariff and Contract. These should be considered individually.

Contract Customers normally have a 12 month contract and are aware of the renegotiation process at the end of the fixed term. Therefore we do not believe that contract bills need indicate that customers may renegotiate their contracts.

firmus energy currently only has one tariff for its SME customers and this structure also applies to Greater Belfast. As a result the condition to make commercial customers aware of cheaper tariffs does not currently apply to firmus energy. Nevertheless, we would again highlight that the best tariff need not necessarily be the lowest unit price and the Code should only stipulate that customers be made aware that other tariffs are available, and directed to where they can access this information. (Please see our response to Question 12.)

Conclusion

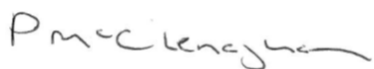
firmus energy has provided, at the beginning of this response, a high level summary of what we believe to be the fundamental issues and principles that should shape this Code of Practice. Further consideration of the consultation has highlighted two particular areas of concern that need addressed in any upcoming stakeholder engagement. These concerns relate to potential customer confusion stemming from PAYG statements and the obligation to provide other/better/cheaper tariff information (see our response to Questions 9, 12, 13).

firmus energy wholly supports the Utility Regulator's objective to provide clear and simple information to customers. Any misinterpretation and confusion occurring as a result of the Billing Code of Practice requirements will be to the detriment of our customers and may result in higher volumes of queries received by our Customer Service team.

Finally, we would draw attention to firmus energy's Supply Price Control Submission (SPC17), in particular our intention to replace our current out-dated billing system (IUS), with a new modernised, fit-for-purpose billing system. As system development of our current IUS system comes at a significant cost we would welcome further engagement with the Utility Regulator with a view to ensuring continued compliance while avoiding costly system development prior to implementation of our new billing system.

We look forward to further engagement with the Utility Regulator and other stakeholders as part of this consultation process.

Yours sincerely,



Peter McClenaghan
Regulatory Affairs Manager