

04 March 2009

Levi Nietvelt  
BEUC  
36 avenue de Teruerren  
1040 Bruxelles

Dear Mr Nietvelt,

### **Billing Practices in Member States**

Consumer Focus welcomes the opportunity to provide information on energy billing in Great Britain as part of the BEUC working group on billing practices in member states.

Please find our answers to the questions posed below:

- 1. What are the national practices for billing in your country, what does your national law say? What are the initiatives you are aware of at national level?**

#### **Energy Billing – legal requirements and national practices in Great Britain<sup>1</sup>**

##### **Meter reading**

Energy suppliers have an obligation to use all reasonable endeavours to gain entry to read customers meters at least once every two years, and inspect the meters in order to detect/prevent theft, damage or interference.

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<sup>1</sup> Legal Billing requirements in Great Britain are governed by standard licence conditions (Condition 31A: Information about electricity consumption patterns [http://epr.ofgem.gov.uk/document\\_fetch.php?documentid=14184](http://epr.ofgem.gov.uk/document_fetch.php?documentid=14184)  
Condition 43: contractual Terms – Methods of payment  
[http://epr.ofgem.gov.uk/document\\_fetch.php?documentid=3763](http://epr.ofgem.gov.uk/document_fetch.php?documentid=3763)  
Condition 31: General information for domestic customers  
[http://epr.ofgem.gov.uk/document\\_fetch.php?documentid=13008](http://epr.ofgem.gov.uk/document_fetch.php?documentid=13008)  
Condition 27: Payments, security deposits and disconnections  
[http://epr.ofgem.gov.uk/document\\_fetch.php?documentid=13004](http://epr.ofgem.gov.uk/document_fetch.php?documentid=13004))

Domestic meters used for billing by licensed suppliers must be certified for accuracy and conformity by an examiner approved by Ofgem (the Energy industry regulator for Great Britain).

### **Bill Frequency**

Estimated bills are generally dispatched every quarter. However there is no legal obligation upon suppliers to issue quarterly bills. Suppliers have an obligation to issue an annual usage statement, though not necessarily based on actual meter readings.

### **Overpayment**

Suppliers must return any over payment immediately, usually via cheque or transfer to the customers' bank account.

### **Contracts**

Consumers do not have to have signed anything for a legal contract to be in place. A "deemed contract" will be in place when new occupants move into a dwelling. Consumers are liable for all of the energy used until they switch supplier or move out. They may even be liable for standing charges if no energy is used. It is a legally binding contract.

A Supplier is obligated to provide energy even when a supply contract isn't in force so they have to supply under a deemed contract. They do, however, need to demonstrate that they have made reasonable attempts to inform the consumers that contracts with different terms may be available and how the consumer can have access to them. Where a consumer has requested the terms of a deemed contract, the supplier needs to demonstrate that it has provided the consumer with this information.

### **Price changes (and other contract variations)**

Suppliers are obliged to give notice of price changes before the end of 65 working days after the date of a price rise. A consumer can reject the change by letting the supplier know of their intentions to reject the changes within ten working days of their receipt of the notification. The consumers' new supplier has fifteen working days to begin the transfer process. The old supplier cannot apply the new charges as long as the consumer and the new supplier have applied to transfer within the timescales.

## **Payment methods**

Most suppliers (those with 50,000 or more customers) are obliged to accept payment by the following methods:

- Cash
- Cheque
- Direct debit
- Standing order
- Pre payment meter
- Credit/debit card
- Online
- Payment cards

Payment must, by law, include options to pay by prepayment meter and cash by reasonable means and on a fortnightly basis.

## **VAT**

All domestic energy customers are billed for VAT at 5%

## **Gas Bills**

Gas is billed in Kilowatt hours (KWh) however gas metres measure volume not KWh. This means that gas meter readings have to be converted from volume into Kilowatt hours – the end calculation is fairly complicated (100's cubic feet (gas volume) x2.83 =cubic metre x 1.02264 =corrected volume x calorific value = unconverted energy / 3.6 = Gas kilowatt hours)

Some gas tariffs also include a standing charge that covers the costs of transportation, metering, billing and other overheads.

## **Billing Initiatives**

### **The Billing Code**

The Billing Code, a voluntary code of practice, was launched in July 2006 in response to a super-complaint

([http://collections.europarchive.org/tna/20080922203044/http://www.energywatch.org.uk/uploads/Billing\\_Super\\_Complaint.pdf](http://collections.europarchive.org/tna/20080922203044/http://www.energywatch.org.uk/uploads/Billing_Super_Complaint.pdf)) made by energy watch (now Consumer Focus) in 2005. Ofgem

informed suppliers that they would have to improve billing through self regulation or face formal action. The Billing Code includes a requirement for consumers to be protected from debt where the supplier is at fault for not billing energy supply. Where the supplier is at fault, consumers cannot be back-billed beyond 12 months from the date of any subsequent bill.

Currently, five of the six largest energy supply companies in Great Britain have signed up to the Billing Code. (<http://www.energy-retail.org.uk/documents/CodeofPracticeforAccurateBills.pdf>) The Billing Code aims to promote good practice over and above the legal requirements in the following areas:

### **Understandable Bills**

Energy bills should be clear and understandable, suppliers should check this regularly with a panel of consumers.

Bills should contain:

- An explanation of how the bill is calculated.
- When payment is due.
- Clear indications of any price changes.
- Ways to contact the supplier with questions.

### **Regular billing**

From July 2007 there are instances where a customer cannot be billed for energy charges over a year old:

- If a customer has not been issued with a bill for more than one year.
- If the customer has advised the supplier of a change of address but the supplier has continued to send bills to a past or otherwise incorrect address.
- If supplier records show a Pre payment meter on site but there is actually a credit meter at the premises.
- A customer has flagged up a query or fault on the account or meter and the supplier has failed to take action.
- The supplier continues to use estimated readings despite being supplied with meter readings from the customer or a meter reader.

### **Estimated Bills**

If a customer receives an estimated bill suppliers need to be able to demonstrate that they have been doing all they can to gain accurate meter readings and also show that the customer has been informed that their bill is an estimate.

Energy companies must have:

- Attempted to read a customers meter in the past 15 months.
- Provided opportunities for the customer to submit their own meter readings at any time of the day.
- Ensure that it is clear to the customer that bills are estimated.
- Ensure that bill estimates are accurate.

### **Direct Debit**

If a customer pays by direct debit in addition to the above actions suppliers also have to ensure:

- Customers accounts have been correctly set up, payments are taken and statements are issued.
- Direct debits are reassessed within 15 months to ensure their payments are sufficient to cover consumption.

### **Pre Payment meters**

Suppliers have to ensure that pre payment meter customers are issued with quarterly or annual statements of their energy use. They also have to inform pre payment customers if their meters need to be adjusted to take into account price changes.

### **Back Billing**

Suppliers are permitted to back bill when:

- Estimated bills have been issued and a consumer has not provided their own meter reading or contacted the supplier to challenge the accuracy of the estimate.

## **Ofgem Billing workshops**

In January 2009 Ofgem (the GB energy industry regulator) ran a series of workshops with its consumer panel where consumers talked about the difficulties they had with reading energy bills and the issues they had with switching. Also, a number of pieces of billing information and price metrics were prepared for consideration. The ultimate aim was to try and gauge what effect bills would have on behaviour.

## **Consumer understanding**

- The most commonly understood part of bills was what was owed “the big black number at the bottom”
- There were consistent problems with understanding things such as tiered tariffs and how these were billed.
- Phrases such as “calorific value” were of little or no use to consumers.
- Clear and consistent presentation of bill information was needed
- Consumers responded well to visual illustrations of energy consumption such as graphs

## **The ideal bill**

It was decided by the group that the ideal energy bill should:

- Help customers understand their energy usage
- Avoid complexity around costs and units
- Advise on possible savings
- Give currency to the units used
- There was also support for appliance energy use

## **Essential information on bills**

The group decided that the essential pieces of information regular energy bills should include are:

- Amount owed
- Average Kwh cost during the billing period

- Kwh – what it means in terms of appliance usage
- Tariff information and other options
- Usage classification (eg is the customer high/medium or low usage)
- Payment methods

### **Annual statements**

There was no clear demand amongst consumers for an annual statement of usage. However consumers were keen to have the following information provided by their energy supplier on an annual basis:

- Monthly breakdowns of energy usage
- Annual energy consumption
- Average energy costs
- Energy saving tips
- Advice on switching tariffs and changing supplier
- Tariff advice
- Regular updates on price changes.

### **Price metrics**

- Price metrics were felt to be useful as long as the information provided does not require any additional calculations.
- Use of high/medium/low consumption bands were felt to be the most useful for switching
- Simplicity of information was felt to be the key – consumers did not want to see complex equations.

The results of this workshop group will be used by Ofgem to inform a consultation on billing later this year, the full report will be available at the end of March 2009. Consumer Focus will forward a copy to BEUC.

2. **What information should appear on the bill and what information is necessary to make the bills a tool for comparing offers? Of the elements which are necessary, what elements should appear on the first page of the energy bill and which should appear on the second or subsequent pages?**

### **Information on Energy Bills**

The following information has to appear on all energy bills:

- The suppliers name, address and phone number
- Customer reference or account number
- The current balance (usually in bold type)
- Name and address of the customer
- Period of time covered by the bill
- Information on the customer's consumption for the bill period and a comparison with their consumption for the same period on the previous year.
- Previous and current meter readings
- Number of units used
- Price(s) of units
- The standing charge price
- Details of any discounts
- Amount of VAT to pay
- The MPR/MPAN (unique reference number for supply to the customers house)
- Meter number
- Emergency phone numbers.
- The back of the bill should have a Phone contact for Consumer Direct.
- The back of the bill should also have details regarding the Energy Ombudsman

### **Information to make bills an effective price comparison tool**

We believe it is necessary for the following information to be included on energy bills to make them effective price comparison tools:

- Period of time covered by the bill (1<sup>st</sup> page)
- The suppliers name, address and phone number (1<sup>st</sup> page)
- Name and details of the customers present tariff (1<sup>st</sup> page)
- Information on the customer's consumption for the bill period and a comparison with their consumption for the same period on the previous year. (1<sup>st</sup> page)
- Previous and current meter readings (1<sup>st</sup> page)
- Number of units used (1<sup>st</sup> page)
- Price(s) of units (1<sup>st</sup> page)
- The standing charge price (1<sup>st</sup> page)
- Details of any discounts (1<sup>st</sup> page)
- Contact details for Consumer Direct (2<sup>nd</sup> page)
- Methods of payment (2<sup>nd</sup> page)

We believe that annual consumption figures are a vital tool to enable informed switching by consumers. This should be provided in an easy to understand manner, for example consumers are much more likely to understand consumption in £ per annum. Easy to interpret visual aids such as bar charts illustrating comparative consumption per year or quarter are also a very useful tool for consumers.

**3. How should a bill look? Provide BEUC with good and bad examples of bills from any sector you deem appropriate.**

**We have attached two energy bills to this submission.**

**Bad example**

**Powergen (E – on)**

The front page of this bill gives the sum owed by the customer clearly. However it is not clear what time period the bill covers, when payment is due or what tariff the customer is on.

The second page contains a more detailed illustration of how the bill is calculated, however this does not contain any information about the price per unit or a breakdown of electricity used. This

information is only supplied in a final, rather confusing table. The bill fails to give any information about comparative consumption with the previous billing quarter.

### **British Gas**

This Bill contains clear information about the sum owed, the period covered, the tariff name and the fact the bill is based on an estimated reading. The price break downs on the front page and the more detailed version on the back page are clear and easily understandable.

We are also impressed with the clear additional information given on areas such as payment, energy efficiency and consumer advice. However we feel that this bill could be improved with the addition of clear usage comparisons of energy use for the current and previous billing quarters.

Yours Sincerely,

Audrey Gallacher

Head of Company Performance and Consumer Experience