

Voluntary Standards for backbilling of microbusiness energy customers

November 2013

Reporting Questionnaire – completed by suppliers

Since the publication of Ofgem's Energy Supply Probe and subsequent introduction of SLC 7A in 2010, energy suppliers have been working hard to learn more about their micro business customers, and to ensure they are provided with clear information and advice on energy contracts and bills.

In the Retail Market Review in March 2011 Ofgem proposed measures on energy brokerage and clearer terms and conditions for micro businesses, and small firms are also covered by the same complaints handling standards and rights to redress as consumers. However, the issue of back billing is not covered by these protections, and it was agreed by industry and regulators that basic protections may be required on back-billing.

Energy UK and ICoSS members responded by drawing up voluntary standards around backbilling which all members have signed up to, with some going further.

For instance, the voluntary standards commit suppliers to limiting any back bill to three years for electricity bills and to 4-5 years for a gas bill. All nine Energy UK retail members¹ have committed to limiting back bills to one year by end 2014 at the latest.

Beyond this, the standards commit suppliers to take regular meter readings and allow customers to submit their readings easily, provide information to help customers understand bills and seek help if they are experiencing financial difficulty, reacting quickly when something goes wrong and providing information on redress procedure where a problem might not be able to be resolved with the supplier. Suppliers are also committed to taking into account customers' unique circumstances when dealing with a backbill.

Ofgem is, for the first time, publishing information on micro business back bills, including the value of the back bills that are issued, and the period of time they cover. At the same time Energy UK, on behalf of its members, has created this narrative report detailing the practical ways in which suppliers meet their commitments, in order to provide background to Ofgem's data.

Reporting commitment, as set out in the original standards:

"Each signatory supplier will commit to demonstrate (for example in the form of a report) how they are adhering to the commitments set out below, including how they are publicising the commitments. A supplier's demonstration of compliance may also set out any steps that a supplier is taking over and above these standards."

¹ British Gas Business, EDF, E.On, First Utility, Good Energy, npower, Opus Energy, ScottishPower and SSE

The reporting questions below have been developed with reference to the following control objectives:

- **Authorisation** - The objective is to ensure that all transactions are approved by responsible personnel in accordance with specific or general authority before the transaction is recorded. For example, making sure that back billing adjustments over a certain value are authorised, and that there is a management review of KPIs.
- **Completeness** - The objective is to ensure that no valid transactions/customers have been omitted.
- **Accuracy** - The objective is to ensure that all valid transactions are accurate, consistent with the originating data and information is recorded in a timely manner.
- **Validity/consistency** - The objective is to ensure that all recorded transactions fairly represent the events that actually occurred, are lawful in nature, and have been executed in accordance with management's general authorisation. This may be achieved by ensuring all staff receive the right level training which covers all of the principles.

A well designed process with appropriate internal controls should meet most, if not all, of these control objectives.

Standard 1: Customer and Supplier responsibilities in relation to bills

Guidance for energy suppliers:

1. Conducting regular meter readings – Your energy supplier will take all reasonable steps to read your meter on a regular basis, and will make all reasonable attempts to read it at least every two years.

Suppliers have a licence obligation to take all reasonable steps to inspect meters and meter installations at least every two years. Taking a meter reading forms part of the inspection process and allows suppliers to provide accurate bills and confirm meters are working properly and safely.

Some of our members go above and beyond this commitment, with several aiming to visit every three or six months. AMR or Smart meters may be read monthly.

Suppliers have developed a number of measures to report on the number of meters that are due a safety check and read, including setting up tight targets for access rates to achieve and the option to undertake special programmes in place if required.

Escalation procedures can be built into suppliers systems, such as triggering mechanisms when a customer account has not reported meter readings for a substantial period, and additional activities are carried out to address long-term issues around meter reading and site safety inspections.

Where suppliers have been unable to gain access to sites or meters, they will try various communication methods, such as letters, to attempt to make appointments to enter premises to access meters. These can be automatically triggered in some supplier systems.

Most suppliers have specific reporting procedures where meter reading figures are highlighted to senior managers on a monthly basis.

The rollout of smart meters will reduce the need for suppliers to read meters, but meters will still be inspected on a regular basis for safety reasons.

2. Making it easy for customers to submit their own readings - Your supplier will provide you with information on how you can submit your own meter readings, either online, by post or by phone.

Supplier websites contain information for customers on how they can submit readings via email, through the website itself (via special reading submission pages) or over the phone.

Several suppliers support an 'app' which allows customers to submit readings through their mobile phones, or may accept photographs of the meter with the readings displayed.

Most suppliers use their bills to signpost their websites as a source of information for customers with concerns around bill calculation.

In some cases suppliers proactively prompt customers to provide an actual meter reading either through reminder letters, emails or text messages.

Suppliers will try, where possible, to highlight the importance of regular meter readings to their customers through their websites and via leaflets.

3. Providing customers with information on how they can help ensure an accurate bill – Your supplier will supply you with information on, for example, how to understand your bill and what to do if you believe the bill is inaccurate.

Customers are encouraged to make contact with their supplier if they believe their bill is incorrect or inaccurate, and are encouraged to provide regular meter readings.

All suppliers provide customer service numbers for queries. For customers who want to contact their supplier outside of working hours most suppliers provide an email address for queries, such as an email address.

Suppliers provide customer factsheets, e-guides, leaflets and welcome packs that include information on how to submit regular readings, or provide this information on bills.

4. Responding to meter readings provided by customers – Your energy supplier will, when an accurate meter reading is agreed, reflect that reading in your bill.

Most suppliers endeavour to line up their billing cycles with meter read cycles, increasing the likelihood of a specific read ending up on the bill.

If a supplier is unable to use a customer submitted read – for instance where a read looks to be invalid - the supplier will contact the customer to advise and ask for another read.

An invalid read may be identified by comparing it against previous and expected usage using actual meter readings and previous bills, or by validating it against consumption or charges.

Readings submitted outside of the billing window may still be used by some suppliers if it is within set tolerance levels, or the reading may be used to derive a more accurate estimate on the customer's current bill.

Readings may be dealt with manually by a central team that monitors information relating to customer reads, or automatically where Interactive Voice Recognition is used. Where information is logged automatically, but is not within indicated parameters, the case will be routed through to an agent to be dealt with manually.

The agent will contact the customer directly, or trigger a process which sends a letter to the customer requesting to resubmit the read or contact the supplier. Suppliers may require agents to provide an online validation for reads provided over the phone.

The rollout of smart meters is expected to drive substantial improvements in billing accuracy.

5. Working with others to help you out – If you do receive a backbill for energy that you have used, your supplier will make your payment options clear. If the bill might place you in financial difficulty and you need independent advice or support, your energy supplier will let you know where you can get advice from an external adviser. Where appropriate, your supplier will take this advice into account when dealing with your backbill.

Suppliers have various policies, procedures, training programmes and training documents to ensure a consistent approach to back billing is applied to all of their customers. Many companies review these documents on an annual or ad hoc basis.

While specific procedures and training may differ across suppliers and fuel types, they would hold the basic requirement that a customer should be treated in a manner appropriate to their circumstances. Suppliers may also have embedded controls for authorising payments to customers, which will ensure consistency.

Suppliers regularly report internally on backbilling (typically weekly or monthly), particularly on back bills which exceed one year. One supplier reviews any back bill extending beyond a three year period on a case by case basis. These cases are reviewed by a specific team and submitted for managerial review within the supplier's Customer Services department.

Suppliers will signpost customers in financial difficulty to third parties where appropriate. Business Debtline offers impartial and independent debt advice to sole traders and partnerships, and the

Citizens Advice Consumer Service offer free, impartial and independent advice on energy issues. Some suppliers also provide funding to Business Debtline.

6. Letting you know your rights – Your energy supplier will make every effort to resolve any issue you have with a backbill through their own internal processes. In cases that have not been resolved in eight weeks or where a supplier feels it cannot resolve your complaint, the supplier must inform you of the dispute resolution that is available through the Energy Ombudsman. Your supplier should also log all customer contact so that there will be a paper trail of your complaint.

Suppliers' bills provide customers with information about alternative dispute settlement, including contact details for the Ombudsman and Citizens Advice Consumer Service.

Suppliers may direct customers, where appropriate, to the Business Debt Line during telephone conversations, in letters related to back billing, or through their websites.

Suppliers must log complaints in accordance with the Complaint Handling Regulations 2008. Where a complaint is not resolved - either when the complaint has been open for 8 weeks or when a deadlock situation has been reached - customers will be referred to the Energy Ombudsman.

Information about complaint handling procedure as well as general information on the Ombudsman is available on supplier websites, in terms and conditions and on the back of bills. Suppliers will also inform customers of the procedure through deadlock and 8 week letters.

7. Treating you fairly when a problem arises - Your supplier has committed to take into account your circumstances and the facts of your case when dealing with any backbill issued. These considerations will be reflected in terms offered to you, such as in any repayment plan.

Suppliers will consider various unique factors when deciding how best to proceed with back billing cases, including reviewing the reason for the back-bill, the length of the back-bill period, the back-bill amount and the customer's financial situation.

Requests concerning payment arrangements, such as repayment plans, may be routed through to a dedicated team. Agents will have received training and guidance about supplier back-billing processes, including dealing with customers in a manner appropriate to their circumstances, such as allowing time to pay.

Suppliers may, where a customer is unable to pay in full regardless of fault, discuss options available and individually assess these customers.

8. Acting as soon as possible when discovering something unusual about your account – As soon as your supplier discovers that you may be paying the wrong amount for your energy, your energy supplier will let you know and will seek to ensure you are paying the correct amount. This will include, where appropriate and possible, contacting a customer prior to issuing a backbill.

Suppliers will try to make contact with their customers prior to issuing a back bill via a number of methods, such as telephone call, letter or email (or a combination of these), and will seek to provide an explanation for any backbill issued.

Suppliers may take different approaches to contacting their customers, depending on the length of time the back bill covers. Suppliers often escalate to manager level any back bill with duration of more than three years prior to contacting a customer.

Back bills are detected through control reports and reporting on invoices being produced, as well as through data analysis of aged unbilled, portfolio reconciliation as well as billing exceptions and billing accuracy.

Standard 3: To take into account all relevant circumstances when dealing with a backbill

- Suppliers will take into account whether the guidance for customers and suppliers set out above has been adhered to.
- Suppliers will put in place specific procedures and policies for dealing with a customer who has been backbilled.
- Suppliers will also take into account elements such as the age of the bill, length of the contract, payment history and the circumstances that resulted in the backbill when setting repayment terms. Where the customer clearly needs to repay a backbill over a period of time, the supplier may reflect the age of the bill when agreeing the repayment period.
- Suppliers will make microbusiness customers aware that external support services are available when a backbill has been issued and the customer has clear financial difficulties.
- Where appropriate, suppliers will work with an external advice provider that is providing support to a customer.

When back-billing a customer, suppliers take into account various factors such as the age of the bill, the length of the bill, the customer's previous payment history and the reason for the back-bill.

As far as possible, suppliers will agree payment terms which reflect the situation faced by the customer. Most suppliers will offer payment terms as long as the back-billing period, and in some instances longer. Some suppliers may be able to offer the customer a pay-as-you-go meter, which allows the customer to pay back balances over a longer period of time whilst keeping up to date with their ongoing consumption.

Suppliers often have a dedicated team trained to manage back billing issues. Staff are trained to be able to negotiate to resolve the situation to the customer's satisfaction, and in exceptional circumstances, cases will be escalated to senior managers for authorisation.

Standard 4: Where a microbusiness customer has taken all reasonable steps to avoid a backbill, Suppliers will commit to limit any backbill to three years for electricity bills and to 4-5 years for a gas bill.

Energy UK members have committed to - by the end of 2014 - reducing the backbilling period for micro business customers to one year, in instances where the supplier is at fault for the back-bill. Some suppliers automatically extend special micro business protections - such as measures set out in these backbilling commitments - to all of their SME customers.

Suppliers' internal reporting monitors compliance with this commitment, and that the back bill sent to the customer has been appropriately adjusted.

Back billing activity is monitored regularly, which may include the calculation and application of billing adjustments as well as categorisation. Suppliers proactively identify back bills through control reports, but also react to customers' queries where they arise. Suppliers will try to contact the customer prior to issuing a back bill.

Most suppliers apply random, ad hoc checks to ensure that processes are followed and billing adjustments are correct.

All supplier complaints handling reporting captures billing, and complaints are closely monitored.

Most suppliers undertake quality assessments of their advisors who handle backbilling issues. Training process includes staff briefings, and guidance documents and videos.