



**The ENERGY RETAIL Association
CODE OF PRACTICE FOR ACCURATE BILLS
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2009**

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Foreword by Lord Dubs of Battersea

Welcome to the Energy Retail Association' 2009 annual report of the Code of Practice for Accurate Bills ("the Code"). I have been the Code Panel chairman since 2006. In the last 4 years, the Governing Board has employed a progressive approach to the Code and introduction in 2009 of additional measures to bring the Code up to date with regulatory changes and a base line uniformity to the application of a key requirement on its members to limit back billing for energy supplied where the supplier is a fault. The full detail of this specific area of consumer protection is provided in the Code.

The Energy Supply industry is changing. The energy bill is a vehicle for important information about your energy supply and usage. The Governing Board has developed the Code to encompass the new regulatory requirements and continue to highlight the need for consumers to play their part in ensuring consumption is accurately measured. Members in turn remain committed to making bills easier to understand, meters being read frequently and dealing with any complaints effectively and quickly.

I am encouraged to see the Code embrace the new 2009 requirements from Ofgem and to continue to go beyond that defined in regulation and legislation to support consumers

Introduction

The Code of Practice for Accurate Bills was launched in 2006 by the joint efforts of a number of Energy Suppliers to help domestic customers by clearly setting out what they can expect from their energy supplier, including:

Clear, accurate, informative and timely bills and statements

Support and advice on monitoring energy consumption

Support and advice for those having difficulty paying their bills

Contact details for raising questions and issues with suppliers

Since its introduction a number of additional enhancements have been made to the Code including improving the terms around the conditions where Member companies will limit back billing for energy consumed but not billed*, inclusion of the Energy Ombudsman scheme and improving consumer interpretation arising from the results of the Annual Code Audits conducted by KPMG LLP each year.

The Membership of the Code currently includes British Gas (including Scottish Gas), EDF Energy, E.ON, npower and Scottish Power. These member companies have agreed to abide by the Code and be governed by the Code membership rules.

Read on to find out more about the Code and the steps that members have taken to improve consumer satisfaction with Energy Billing and Consumer Redress.

*Please refer to the Code and FAQ's for the exact terms and conditions for this no back billing commitment.

An outline of the Code

The Code provides a set of requirements which its members must abide by. The requirements are divided into sections and cover the following areas.

Opening and closing accounts and moving home:

Meter readings: The importance of gaining and using accurate meter readings both by Member representatives and customer own readings. Members have to ensure they make full use of the information to ensure bills and future estimates of consumption are accurate.

Energy bills: When exact meter readings are not available, members will use only appropriate information to estimate consumption to produce a bill.

Paying for energy used: Providing a range of payment methods and setting payments to ensure they cover your energy usage.

When Suppliers are at fault for failing to bill for energy consumed: Providing Consumer protection from increased debt when the Member is at fault for failing to bill for energy consumed over 12 months.

Supporting vulnerable customers: providing help to those who require assistance such as priority services.

Advice and Enquiries: Details how Consumers can have their questions answered promptly and how any dispute will be resolved.

Find out more about the Code on-line at: <http://www.energy-retail.org.uk/>

Code Structure

The published information on the Energy Retail Association's and Member's Websites is backed up by a number of technical requirements which Members must meet. As many of the requirements in the Code are implemented in Members' Information Technology systems, many of the solutions are 'built in' to Members billing systems.

The Code does not publish these requirements as the important aspect is that Members deliver the required outcomes and customer safeguards.

These technical aspects of the Code are however fully audited and Members are required to maintain full compliance with these technical requirements throughout the year.

Measuring our Success

With the changes to consumer representation occurring in 2008 with Energywatch handing over the mantle to Consumer Focus and Consumer Direct, the information previously presented is no longer being collated. Members were content that the publically available information demonstrated a substantial and sustained reduction in customer complaints and that this trend has continued during 2009

Governance and Administration

The Code is sponsored by the Energy Retail Association (ERA) and is committed to the development of the Code. The ERA represents suppliers in the competitive UK energy market and all the main energy suppliers operating in the domestic market in Great Britain are members of the ERA – British Gas, EDF Energy, npower, E.ON, Scottish Power, and Scottish and Southern Energy.

Scottish and Southern Energy are not currently members of the Code of Practice for Accurate Bills. Please refer to their website for details of their Customer Charter.

Governance of the Code is being undertaken through a governing board. The rules of the board require Code Members to comply with the Code and to be subject to the disciplinary procedures set out in the Code. Whilst membership of the Code is voluntary, compliance with the Code is mandatory for its Members.

The Association has appointed a Code Manager to carry out the supervision, administration and day-to-day operation of the Code. The Code Manager acts independently of all Members, putting into place monitoring procedures regarding Member performance, ensuring corrective action where agreed performance standards are not met and setting sanctions for any breach of the Code.

In addition, an annual audit of individual Member's compliance with the Code is carried out by the Code Auditor, an independent body appointed by the ERA who is a major firm of registered auditors.

The Governing Board

The operations of Association and the Code are directed through the governing board. There are one representative from each of the Members and the Chairman who also holds the post of Chief Executive of the ERA. The current board members are:

- Garry Felgate (Chairman and Chief Executive of the ERA)
- Nigel Howard (British Gas)
- Tracey Forshaw (EDF Energy)
- Paul Finch (npower)
- Richard Cramp (E.ON)
- Derek Anderson (Scottish Power)

The board met nine times during 2009.

The ERA works closely with the board who are continuously working to improve billing practices across the Members of the Code.

The Code Manager

David Laird was appointed in 2006 as Code Manager. The role of the Code Manager is to carry out the supervision, administration and day-to-day operation of the Code. The Code Manager reports directly to the Chairman of the Association and acts independently of all Members in operating the Code, putting into place monitoring procedures regarding Member performance, ensuring corrective action where agreed performance standards are not met and setting sanctions consistent with the Code.

To facilitate effective working relationships between the Code Manager and Member Companies the board established a Code Operations Group, comprising operational management from each Member Company. The Code Operations group, chaired by the Code Manager, met nine times regular basis during 2009.

The Code Auditor

KPMG were appointed as Code Auditor in August 2006. The Code Auditor carries out an annual audit of individual Member's compliance with the Code. This audit involves visiting each Member's operations and carrying out sample testing of the systems and controls that a Member has in place to enable compliance with the Code. Through the audit process, opportunities for improvements in the way in which Members ensure compliance with the Code are identified.

To ensure openness within the Code's governance framework, the Code Auditor has produced an in-depth report on the results of the Code audits that has been closely reviewed by all of the Members. Additionally, each Member receives their own in-depth report on the audit findings relating to that Member.

The Code Manager and the Code Operations group also consider detail issues arising from the Code Audit to assist in improving day to day operational compliance performance.

The Code Panel

Supporting the Code's governance framework is the Code Panel, whose members are independent and come from a variety of backgrounds, including consumer representation and the wider business field. The Panel is the means whereby appeals from Code Members against decisions of the Code Manager will be heard, and it will also take an overview of the operation of the Code and put forward recommendations.

The Members of the Code Panel during 2009 were as follows:

- Lord Dubs of Battersea (Former Chairman of the Broadcasting Standards Council)
- Caroline Banks (Retired Director of Consumer Regulation Enforcement Division, OFT)
- Tina Tietjen (Chairman: Air Transport User's Council)
- Bryn Aldridge (Former Chairman: The Trading Standards Institute)
- Stuart Sweetman (Retired MD Post Office Counters Limited)

The Code Panel met regularly in 2009.

Delivering and Monitoring compliance with the Code

Members of the Code have allocated significant time and resources to ensuring that Members are complying with the Code and that the Code has an impact on improving Customer satisfaction in Members billing performance. Within each Member organisation there is a dedicated Compliance Manager whose responsibility is to ensure that the organisation is complying with all the requirements of the Code.

Members are required to submit monthly returns to the Code Manager to demonstrate their levels of compliance with the Code. Where the returns indicate there may have been difficulties with compliance, the Code Manager will discuss a rectification plan with the Member.

A very important part of the audit process is the identification of opportunities for Members to improve processes and procedures. Detailed reports are provided by the Code Auditor to each of the participating member companies after the annual Code audit.

The results of the 2009 Code Audit were reviewed by the Code Manager. The issues arising from the audit which resulted in action plans were also reviewed with members on their completion.

Code Audit Findings - Summary

In 2008, the Code Auditor reported a small number of areas where members were non-compliant with the Code over the 12 month period since the last audit.

The results and comparison with the 2007 Code Audit results are shown below. This has been based on an aggregated assessment of the 5 individual Members' compliance with the Code from 1 January 2008 to 1 January 2009.

Basis of assessment

The overall level of compliance across the industry with the 46 clauses of the Code is an aggregated assessment of the 5 individual Members' compliance with the Code from 1 January 2008 to 1 January 2009 as set out below.

Overall Compliance



Year	Level of compliance		
	●	●	●
2009	11	6	213
2008	22	8	200
2007	33	5	184

Key:	
Significant non-compliance	●
Minor non-compliance	●
Fully compliant	●

Progress has been made again this year in terms of overall compliance. The number of instances of significant non-compliance has reduced from 22 in the 2008 review to 12 in 2009.

Enforcing a successful Code of Conduct

To ensure full disclosure and openness concerning the pro-active role that the Code Manager has taken with in respect to alleged breaches of the Code and subsequent investigations of such alleged breaches, the Code Manager presents reports to the governing board and to the Code Panel containing details of Code investigations and emphasising any areas in which Members non-compliance has led to a breach of the Code.

Members were investigated on 5 occasions in 2009 for possible breaches of the Code.

As a result of the 2008 Code Audit, members are required to implement action plans to ensure the return to full compliance on any areas where non-compliance was identified by the Code Auditors. Issues identified in the 2009 Code Audit demonstrated that non-compliance had existed over a sustained period of time and that some members had not taken the requisite actions to comply fully with the Code.

Four members were found to be in breach of the Code and sanctions were issued. These members have agreed action plans with the Code Manager including specific timescales.

Appeals

There were no appeals made to the Governing Board in 2009.

The Code Panel was called upon to hear one appeal from one member. The member appealed against the level of sanction applied by the Code Manager under the terms of the Code Governance (Clause 7). The decision of the Code Manager was upheld by the Code Panel and the sanction was issued. Additional requirements were placed on the Member for actions within a given timescale.

Report from the Chairman

It is with satisfaction that I am able to report in 2009 further sustained progress by the members of the Code of Practice for Accurate Bills in their efforts to demonstrate full and consistent compliance with the detailed technical requirements of the Code. Complying with the Code is no easy matter as assessment is made of compliance across the whole of the year. To achieve 93% compliance across the whole of the Code for the whole of the year is a remarkable performance and can only be achieved by effective procedures and excellent controls. The Code Auditors may mark a members' performance down by just having one slip up – one little mistake or untimely action, so it is very reassuring to see formal audit testing which indicates a substantial proportion of members procedures and controls have worked flawlessly all year.

The main focus of the governing board has been to establish and operate a robust Code of practice which can demonstrate to our stakeholders that we have tackled the issues around energy billing and can sustain this performance. Certainly the performance indicated last year by the statistics on Customer Contact/Complaints regarding account management and billing demonstrate this. This progress has continued throughout 2009 and the board is now focusing on promoting the Code and the benefits that it brings to Consumers.

Further, the Code is being updated to make it more customer friendly and further guidance has been provided to agencies and consumer groups to explain the Code and how these improvements help improve consumer confidence.

2010 promises to be a year of increasing focus on the Code in the public domain, extolling its virtues particularly the commitment of its members to no back billing of energy consumed more than 12 months old and increasing consumer groups understanding of when it is appropriate to apply such rules. The Code also highlights members' commitment to Prepayment customers as well as standard credit customers.

Garry Felgate
Chairman
Code of Practice for Accurate Bills Governing Board.