



A consultation on proposals to amend domestic energy supply licence conditions - requiring provision of key energy data in a machine readable format

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URN 14D/008

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General information

The purpose of this consultation is to give stakeholders the opportunity to comment on the Government's proposed implementation of licence modifications to require energy suppliers to provide key, personalised energy data to their customers in a machine readable format.

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Respond by: 21st April 2014

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Territorial extent:

Great Britain.

How to respond:

We are happy to accept responses in either written or electronic form.

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If you want information that you provide to be treated as confidential please say so clearly in writing when you send your response to the consultation. It would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded by us as a confidentiality request.

We will summarise all responses and place this summary on our website at www.decc.gov.uk/en/content/cms/consultations/. This summary will include a list of names or

organisations that responded but not people's personal names, addresses or other contact details.

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This consultation is carried out in accordance with the Government's Code of Practice on consultation, which can be found here: <http://www.bis.gov.uk/files/file47158.pdf>

If you have any complaints about the consultation process (as opposed to comments about the issues which are the subject of the consultation) please address them to:

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Introduction

This consultation seeks views and comments that will help inform licence modifications to require suppliers to place key customer energy data in a machine readable format on energy bills, for example in a QR code, printed on all energy bills and statements of account. These modifications are proposed to exercise powers the Government has taken under the Energy Act 2013. The Act also allows Government to require that it is presented in a form that is clear and easy to understand. The Government believes exercising this power provides a low cost opportunity to put consumers in a better position to choose the best tariffs for them.

In order to inform licence modifications and to ensure implementation is cost effective and optimal for consumers, we seek views on the approach to, and expected costs involved in, exercising and implementing these measures. In addition, we are seeking views of stakeholders to these proposals and their potential to contribute to the development of smartphone or tablet computer applications by energy suppliers and third party intermediaries. The aim of such applications will be to help consumers better understand and take advantage of the tariff options available to them with their existing supplier or to provide the basis for frictionless cross-market comparison of supply tariffs and supply contract terms.

This legislation is part of a wider landscape of government initiatives to improve engagement in the retail energy market. It will also build upon the benefits brought about by Ofgem's implementation of its Retail Market Review (RMR) reforms and the provision of electronic information to domestic consumers through midata programme¹ led by the Department for Business, Innovation and Skills (BIS).

In implementing these powers, the Government is looking to make changes to help consumers benefit from the power of their own data at the lowest cost to consumers, businesses and energy supply companies.

Responses to this consultation are requested by 21st April 2014.

¹ <https://www.gov.uk/government/policies/providing-better-information-and-protection-for-consumers/supporting-pages/personal-data>

Context

1. The Government continues to take steps to improve the competitiveness of the energy markets and ensure they work more effectively for consumers. Through the 2013 Annual Energy Statement, the Government re-affirmed its determination to improve the consumer experience by making the switching process quicker and easier by stripping the market of complexity and providing consumers with the information they need to secure the best deals across the market.
2. Ofgem's Retail Market Review ("RMR") found that consumer engagement in the domestic energy supply market is low, leaving many consumers stuck on uncompetitive tariffs.
3. The existence of a large base of "sticky" customers (indicated by low levels of switching) has been a key feature in the development of the domestic energy market. Ofgem's tracker survey shows just 11% of gas customers and 12%² of electricity customers switched their supplier in 2012. This is a fourth year of decline in switching rates for gas customers and a fifth year of decline in switching rates for electricity customers.
4. Consumer engagement plays a key role in driving competition in the energy market. By proactively seeking out the best available tariffs, consumers put pressure on suppliers to offer the products that they want at competitive prices. If consumers do not shop around, suppliers have little incentive to develop innovative products or push down on costs, potentially leading to higher prices for consumers.
5. In order to fully engage with the market, consumers need to have a clear understanding of how to access, assess and act on market information to choose the best tariff. Traditionally, consumers have reported being deterred from switching as a result of the complexity of the market, the detailed information and time required to facilitate a switch, and a lack of trust in energy suppliers and the data made available to them.³
6. In October, Ofgem introduced new licence conditions to implement its RMR. These conditions, which come into effect from October 2013 to June 2014⁴, are intended to overcome barriers to customers identifying the best tariffs across the market. These include:
 - Limiting suppliers to four core tariffs per fuel;

2 <https://www.ofgem.gov.uk/ofgem-publications/74756/customer-engagement-energy-market-tracking-survey-2013.pdf>

3 <https://www.ofgem.gov.uk/ofgem-publications/39350/retail-market-review-final-domestic-proposals.pdf>

4 <https://www.ofgem.gov.uk/simpler-clearer-fairer/what-and-when>

- Banning complex multi-tier tariffs;
 - Standardising cash discounts;
 - Requiring suppliers to notify consumers when a fixed term tariff is coming to an end;
 - Requiring suppliers to tell their customers about the cheapest tariff available for them and provide clearer information so that customers can compare tariffs across the market.
7. The RMR reforms will empower consumers by delivering a simpler tariff framework and clearer information and making cross market comparisons easier.

The role of electronic information

8. Providing better information will help consumers engage with energy markets. The Government, however, believes it is important to build on these changes to facilitate faster, more convenient energy tariff comparison across the market, through the availability of customer's key data in a format that will enable consumers to read, scan, port and use this data electronically.
9. There are a number of machine readable formats that allow smart-phones to read and use the information contained within it. Currently the most typical format is the QR (Quick Response) Code⁵, but there are also similar technologies, such as European Article Number (EAN) bar codes⁶, Google Goggles and Blippar.
10. The growth of these technologies could provide an opportunity to increase engagement among vulnerable consumers groups, whether through use of personal smart-phone technology or through family members or with the assistance of outreach programmes such as the DECC-funded Big Energy Saving Network.
11. The potential for smart-phone use to impact on consumer behaviour is growing rapidly, with 51% of UK adults owning such a device as of Q1 2013. In addition, there has also been a growth in household take-up of tablet computers (which can also read machine readable formats) more than doubling from 11% in Q1 2012 to 24% in Q1 2013.

Development of Government Proposals

5 A QR code is a form of matrix barcode consisting of black squares arranged on a white background. It is characterised by fast readability and greater storage capacity compared to standard UPC barcodes.

6 Although a standard EAN code can hold at most 12 digits versus at most 1000 characters for a standard QR code and so EAN barcodes are not a viable means of implementing this policy.

12. The BIS led midata programme was launched in 2011⁷ as part of the Government's Consumer Empowerment Strategy. This programme is designed to enable consumers to view, access and use the personal and transaction data, such as billing, tariff and usage, held by companies, electronically in a way that is portable and machine readable.⁸
13. Whilst the midata programme concept applies to many sectors of the economy, the energy sector has led the way with the six largest energy suppliers and one smaller supplier now providing their domestic consumers with secure access to their consumption and tariff data electronically, in addition to the provision of this data through traditional paper and online billing. Customers can either download the data from their online accounts or view it, with analysis of what it means, on their computer or smart phone.
14. Following a voluntary agreement announced by the Deputy Prime Minister in April 2012⁹ the energy sector agreed to take this approach further and explore the possibility of putting QR codes containing key data on energy bills, which could be read by smartphones or similar devices, by spring 2013.
15. This would give consumers instant access to their data electronically and allow them to port this data without the need to access a website or download a file. It would also facilitate the development of applications which could utilise energy data to enable frictionless tariff comparisons.
16. This work was conducted by an industry working group led by BIS¹⁰ which investigated the feasibility of using QR codes. The feasibility study concluded that there were no significant barriers to the use of QR codes and that using them was likely to be helpful in increasing consumer engagement with their energy usage and spend¹¹.
17. In DECC's discussion document 'Ensuring a Better Deal for Consumers', the Government sought views as to whether making customer data available through QR codes (or similar) would benefit consumers. In the Government Response¹² we set out our intention to continue working with the BIS led voluntary process, but put forward a timetable for action should this not lead to concrete action to benefit consumers.

7 <https://www.gov.uk/government/news/better-choices-better-deals>

8 <https://www.gov.uk/government/news/the-midata-vision-of-consumer-empowerment>

9 <https://www.gov.uk/government/news/government-and-energy-suppliers-reach-agreement-to-help-consumers-get-best-deal>

10 See paragraph 17 below

11 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/276198/bis-14-519-midata-programme-feasibility-study-on-use-of-qr-codes-in-energy-sector.pdf

12 Pp13-14:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/200051/gov_response_ensuring_better_deal_consumers.pdf

18. Despite this, there has been no move by energy suppliers to provide their customers with access to their own data through a machine readable image. As it is not clear that there will be sufficient incentives for suppliers to voluntarily develop the use of machine readable information on bills at all and in particular, in such a way which could enable cross-market comparisons and make switching to an alternative supplier easier, the Government therefore considers that intervention is necessary.
19. Primary powers were taken in the Energy Act 2013 and the Government re-affirmed its commitment to implement these measures in the Annual Energy Statement¹³.

13 1.13 and 2.5 at: <https://www.gov.uk/government/publications/annual-energy-statement-2013>

Proposals

20. The primary power taken by the Government in the Energy Act 2013 allows it to require energy suppliers to provide information to consumers in a format that can be read by an electronic device, such as a smartphone.
21. This power is contained in sections 139(2)(d) and (4)(d) of the Act¹⁴. The operating principle of the power is to enable the Secretary of State to require suppliers to provide information about their domestic tariffs and supply contract terms, as well as information for enabling or facilitating the comparison of tariffs and contract terms, including those of other suppliers¹⁵. This power is exercisable by modification of energy supply licences, which may make provision about the way in which information is to be provided, and may in particular require information to be provided “by means of a code or otherwise using a format readable by an electronic device” (section 139(4)(d)(i)), or “in a way which facilitates processing of the information by means of an electronic device” (section 139(4)(d)(ii)).
22. To implement these powers, the Government’s intention is to require energy suppliers to place, on all domestic consumers’ paper energy bills, including statements of account¹⁶, customers’ own data, in a machine readable format, that would:
 23. if scanned by a smartphone or tablet reader, provide access to key data in a manner which is clear and easy to understand, and;
 24. be accessible to (and which will facilitate the potential development of) applications by third parties.

Data required

25. In the DECC discussion document “Ensuring a Better Deal for Customers”¹⁷, we asked stakeholders what customer data, held by energy suppliers, would be needed in order to fully enable development of tariff comparison applications.
26. Respondents indicated that the 12 items of data required under the midata voluntary agreement should form the basis of the information accessible via the machine readable image. These data items are:

14 <http://www.legislation.gov.uk/ukpga/2013/32/contents/enacted>

15 See section 139(2)(d)

16 See paras 28-31 below.

17 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/66515/6996-better-deal-energy-consumers.pdf

- a. Customer reference number
- b. Post Code
- c. Current provider
- d. Current electricity tariff (if applicable)
- e. Current gas tariff (if applicable)
- f. Current electricity payment method
- g. Current gas payment method
- h. Meter Point Administration Number (MPAN)
- i. Meter Point Reference Number (MPRN)
- j. Electricity usage over twelve months to bill/statement date
- k. Gas usage over twelve months to bill/statement date
- l. Start date (the period covered by the bill)

27. As a result of Ofgem's RMR reforms additional information has been required on energy bills and other communications to customers, to help them compare their current tariff with other deals available from their own and other energy suppliers.

28. This information includes a Tariff Information Label (TIL). The TIL will include the key information about a tariff in a specified format and will include the unit rate in pence per kilowatt-hour and the standing charge in pence per day as well as the estimated annual cost of the tariff for a medium user. Suppliers will be required to provide the TILs of their tariffs to consumers free of charge on request and to publish them on their websites.

29. Whilst the tariff name on its own could be useful to a cross market switching application developer in that it could indicate, for example whether exit fees apply to a fixed term contracts, there is other information not included in the midata download which might be useful to inform a cross market tariff comparison, such as the contract end date, for example.

Consultation Question

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| 1. | What data items are required to fully realise the benefits of information available electronically? |
|-----------|--|

Customer communications that machine readable images should be placed on

1. The primary power in the Act allows the Government to require that key customer data be provided in a machine readable format on all energy supplier communications with their customers.
2. Customers who already have access to online accounts with energy suppliers who provide midata downloads can already get such data¹⁸.
3. We propose that in order to be effective for customers attending an outreach event or similar, data should be made available on all paper bills, including statements of account. Statements of account are sent to customers who pay their bills by direct debit and to customers who use prepayment meters.
4. It may also be beneficial to include QR codes on other communications, such as price change and the end of fixed term contract notifications, as these may prompt consumers to seek a better deal. Such a requirement could also increase the likelihood that consumers will bring along a communication that has the required data on it to an outreach event. Other communications may not, however, contain all of the data listed in paragraph 24 above and such a requirement will potentially have cost and billing system implications for energy suppliers.

Where and how should machine readable images be sited

5. Research suggests many consumers use energy bills primarily to see the amount to be paid.¹⁹ The most important information for consumers should be required on the first page²⁰ where the payment request is sited, as there is a risk that if essential information is on subsequent pages it may not be seen by consumers and acted upon.
6. We therefore propose that the machine readable image be placed on either the first or second side of a bill, as this is the page most likely to be retained by a customer. As such it is the page most likely to be brought along to any outreach events, where vulnerable consumers could receive help and advice on tariffs and switching from trusted third sector organisations in connection with the DECC funded Big Energy Saving Network or similar outreach schemes.

18 These include customers of: British Gas, EDF, E.ON, First Utility, npower, Scottish Power and SSE.

19 Missing the mark – Consumers, energy bills, annual statements and behaviour change; Consumer Focus (June 2011)

20 Options for cheapest tariff messaging on customer communications – Report of qualitative research; Ofgem (October 2012)

7. To make a machine readable image understandable to consumers, it will need to be accompanied with a ‘Call to Action’; an explanatory note placed adjacent to explain its role on the bill and how a consumer can use it.

8. We would propose that such a call to action should say:

“Scan this image to download your key energy data to your smartphone or tablet. This could help you see if there are better deals available in the market”

Consultation Questions	
2.	To be most effective for customers where should QR codes be placed on bills and statements of account?
3.	Do you agree with the proposed text for the ‘call to action’; if not please propose amendments together with your rationale for them?
4.	Are there communications other than bills or statements of account on which it would be useful to include key customer data in a machine readable format?
5.	What are the costs/ benefits of requiring machine readable information on communications other than bills and statements of account?

How does the data display on an electronic device

9. A key feature of Ofgem’s RMR reforms with regard to information on both bills and annual statements is to mandate that all suppliers must make certain tariff information available to all consumers. In some instances the reforms set out where on the bill particular information should be included.

10. In the voluntary midata programme industry agreed to a standardised format of 12 data items.

11. Measures to provide information in a format that could promote cross-market tariff comparisons proposals would similarly benefit from a degree of standardisation, to ensure all consumers can access information in the same way, regardless of their supplier and better facilitate the development of applications that utilise this data. We therefore propose that all suppliers work to the same technical standard.

12. The Government may, through the powers in the Energy Act 2013, require that information is provided in a manner which is clear and easy to understand. As a minimum, data accessible through a machine readable image should be clearly legible to consumers who access this data electronically through a generic scanner or

code reader, even without the benefit of specific applications that may be developed to make better use of the data to inform cross market comparisons.

13. Data displayed in a continuous text string on a smartphone or tablet through a generic reader for example, would not enable consumers to access their data in a way that was clear and easy to understand.
14. To make good on this requirement, data items should therefore be readable on a generic smartphone or similar reader, accompanied by relevant definitions and descriptions, such as those set out in paragraph 24 above.

Consultation Question

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| 6. | To make the information clear to consumers, is it necessary that each data item be accompanied by a descriptor, such as those provided at paragraph 24 above and, if so; do stakeholders have any comments on these descriptors? |
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Machine readable format

15. The primary power taken in the Energy Act does not restrict the range of machine readable formats Government could allow to meet the objective of providing customers with key data electronically. This means we are not restricted to implementing this through a specific technology, such as QR codes.
16. There is a risk that any particular machine readable format becomes an obsolete technology. Our proposals aim to mitigate this risk by leaving room for innovation by suppliers in the way in which they meet the requirements, rather than prescribing a particular type of machine readable format.
17. In framing licence modifications that set the parameters for what machine readable formats are allowed, however, it is essential that we do not inadvertently create extra development costs that could forestall the development of potentially beneficial applications for consumers.
18. There may be additional technical, development and cost issues to application developers for example, in allowing machine readable formats which have the data embedded in the image itself, such as QR codes alongside other machine readable formats such as Blippar or Google Goggles with image recognition technology, that point to the data, which is not embedded, but hosted remotely.
19. In addition there are technical issues regarding the quantity of data that can be contained in an embedded image format, such as QR codes. The BIS feasibility

study²¹ assessed the optimum size of machine readable formats such as QR codes and found that an image 2cm x 2cm was sufficient to enable smartphone and tablet readers to accurately read the data set out under midata, and to allow for sufficient text to be embedded within the image.

Consultation Question

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| 7. | Should the licence modifications limit the range of machine readable formats, for example to those that have data embedded in them and, if so, should we prescribe the minimum image size (2x2cm) of such images? |
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Enabling development of energy applications

20. Requiring key customer data to be available in a machine readable format will allow energy suppliers to develop applications that point the consumer to their company website for messages about best tariff, energy usage and advice. Importantly, this would allow other companies, such as switching or other energy suppliers to develop applications that would read the same machine readable format but instead direct the user to their website or smartphone application to offer alternative or innovative services.
21. Third party application development is a key potential benefit of these proposals. Such applications would enable third parties to present a comprehensive comparison of the various tariffs available in the market to consumers within seconds of scanning their bill. The development of such applications would considerably ease the switching process, increase pressure on suppliers to offer competitive prices, and provide a 'pinch point' – the opening of a bill, or statement of account – for consumers to consider a switch.
22. We invite stakeholders to present their analysis of the effect that the development of switching applications, and the near instant and frictionless price comparison searches they would enable, would have on consumer engagement. In addition, we seek views on the likelihood of third parties, for example switching sites, developing applications to utilise the machine readable formats and how this could best be facilitated through licence modifications within the scope of the power Government has taken.

Portability of data

23. A key benefit of data held electronically is that it can easily be transported by a consumer. Data embedded in a QR code can for example, be read by a smartphone

²¹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/276198/bis-14-519-midata-programme-feasibility-study-on-use-of-qr-codes-in-energy-sector.pdf

or tablet computer and even without the development of third party applications that can automatically upload this data, a consumer should still be able to copy and paste this data into the fields required to inform a cross market comparison through an accredited comparison website. At the very least this would minimise input errors by consumers when transposing key data.

24. Portable data will, however, provide the basis for frictionless uploading of information to applications developed to compare tariffs on a personalised basis across the market, avoiding the need to manually input information required.
25. As a minimum requirement, we propose that data held in, or available via a machine readable image, should be accessible through a generic reader or scanner and that the data can then be 'copied and pasted' into generic or specific applications.

Data protection

26. It is essential in framing modifications requiring data to be available in a machine readable format that we ensure consumers' data are safeguarded.
27. This was considered in the BIS feasibility report on QR codes. This report assumed that consumer data would not necessarily be passed to a third party application.
28. The report assessed the risk of data abuse to be minimal, however, primarily "because the paper bill with other relevant personal data is also required to be able to scan the code"²², which would require the customer themselves to present and give their consent to its use.
29. Consumers also already pass on their energy data to a price comparison website, or to a telephone operator of a third party intermediary, in order to obtain a cross-market tariff comparison.
30. Such data is also already provided to trusted third sector representatives to facilitate tariff advice at outreach events with vulnerable consumers.
31. We are keen to ensure, however, that we consider carefully the issues surrounding data protection, given the Government's ambition to promote further trusted third sector advice on tariffs through the use of cross market comparison applications utilising machine readable images.

²² https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/276198/bis-14-519-midata-programme-feasibility-study-on-use-of-qr-codes-in-energy-sector.pdf

Consultation Questions	
8.	Are there any specific data protection issues relating to trusted third sector advocates utilising machine readable images to inform cross market comparison applications?
9.	If so, what safeguards, if any, can be put in place to ensure data, once used, is not retained in an application?

Timings

32. The Government has been clear that that consumers should benefit from these proposals from autumn/ winter 2014 and we therefore intend to implement supply licence condition modifications by autumn 2014, long before the sunset clause applicable to these powers takes effect at the end of 2018.

33. We propose however to review licence modifications exercised under these powers by close of 2018, as we anticipate the mass roll out of smart meters to be completed by this date which is expected to make these measures obsolete cent.

Consultation Question	
10.	Are there any further issues to consider with regard to the proposed implementation timetable?

Costs of implementation

34. In implementing these measures, energy suppliers will incur one-off set up costs as the transition to the new bill and statement of account formats are made. These will include acquiring software to produce the machine readable image, redesigning the bill/ statements of account and changing the document generation and printing processes.
35. Suppliers will also face on-going costs of printing the machine readable images on consumers' bills. These should be minimal, as the printing costs of a QR code for example, is simply the cost of ink. Under the current proposals which are to require suppliers to apply machine readable images to paper bills and statements of account, these costs will only be incurred for the proportion of consumers who receive paper bills and statements of account.
36. Our estimate is that over a ten year period from 2014 to 2024, the Net Present Value of the costs of implementing the power is estimated to be in the range £2.5m – £4.9m, with a central estimate of £3.7m.
37. The Government's view is that these costs, spread across an assumed 20 suppliers, would not constitute a significant financial burden on industry and would be outweighed by the potential savings to consumers through additional switching and greater consumer engagement generally.
38. The Government does not wish to impose obligations that create significant costs for suppliers, which may in turn be passed on to consumers through higher prices. Similarly, our vision is that these measures will not unduly burden individual suppliers, and that the relative cost of implementing them is spread evenly across the sector.
39. We also appreciate the implementation of our requirements could be more of a burden for some small suppliers. The primary objective of these measures is, however, to increase consumer engagement. Our view is that for these proposals to be effective they must therefore apply to all consumers, as is the case with the tariff and information remedies put forward in Ofgem's RMR reforms.
40. We recognise that any requirement to place a machine readable image on consumers' bills and statements of account could present a potential opportunity cost to suppliers, as it would restrict their ability to make alternative use of remaining space.
41. Ofgem agrees that the aims of QR Codes on energy communications are complementary to the Retail Market Review, in that they support the drive to increase consumer engagement. Similarly, Ofgem has indicated that QR Codes are not inconsistent with the goals of clearer bills. QR codes are included in the discussions of the Consumer Bills and Communications Roundtable (CBCRG)²³.

²³ The CBCRG comprised of representatives from Ofgem, Citizens Advice, Consumer Focus, DECC, Energy UK, Which? looks at the broad range of information and communications that energy customers receive. For more

42. A key potential benefit of our proposals would be the development by third parties, for example switching sites, of applications to utilise the data embedded in the machine readable formats.
43. Through informal feedback, switching companies have indicated an enthusiasm to develop applications to read the formats in order to offer tariff and usage changes. One switching company estimated that the cost of developing such applications would be relatively low, at around £25k - £100k per operating system.

Consultation Questions	
11.	We invite suppliers' assessment and analysis of the likely monetised set up and on-going costs, including labour costs, of implementing these proposals.
12.	If you are a supplier, what steps will you have to take to comply with the proposed licence modifications? Are there any additional actions you will have to take other than acquiring software to produce the machine readable image, redesigning the bill and changing the bill generation and printing processes, and extra printing over the years?
13.	Are the costs of implementation likely to be disproportionate for smaller suppliers? Please provide supporting evidence.
14.	If you are an energy supplier, what is your assessment of the non-monetised cost of implementing the proposals over the lifetime of the programme?
15.	We further invite third party intermediaries to provide their assessment of the likely costs of developing applications that will facilitate frictionless upload of the data to inform cross market comparisons and provide comments on their potential, including benefits to consumers?

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