

EXPLANATORY MEMORANDUM TO
MODIFICATIONS TO THE STANDARD CONDITIONS OF GAS SUPPLY LICENCES
(MACHINE-READABLE CODES No. 1 of 2015)

1. This explanatory memorandum has been prepared by Department of Energy and Climate Change (DECC) and is laid before Parliament by Command of Her Majesty.

2. **Purpose of the instrument**

This instrument amends the standard conditions of gas supply licences in order to require that gas suppliers who supply gas to more than 50,000 domestic customers must publish customers' key gas supply data in a machine readable format on all bills and statements of account.

3. **Matters of special interest to the Joint Committee on Statutory Instruments**

None.

4. **Legislative Context**

This instrument modifies the conditions of licences which are granted under the Gas Act 1986. The Secretary of State makes this instrument in exercise of powers conferred by section 139(2)(d) and 139(5)(d) of the Energy Act 2013 ("the Act").

5. **Territorial Extent and Application**

These licence modifications apply to Great Britain.

6. **European Convention on Human Rights**

As these regulations are subject to negative procedure and do not amend primary legislation no statement is required.

7. **Policy background**

7.1 The Government continues to take steps to strengthen consumer engagement in retail energy markets in order to improve competitiveness and ensure consumers are better able to secure the best deal for them.

7.2 These licence modifications require supply licensees who supply more than 50,000 gas customers to place customers' data, in a machine readable format, on all domestic consumers' paper gas bills and statements of account. Equivalent modifications are being made in respect of the standard conditions of electricity supply licences.

7.3 The licence modifications have been designed to stimulate the development of applications that could utilise customers' key gas supply data to enable frictionless, near-instantaneous tariff comparisons across the gas supply market. Unlocking key consumer data in this way will also support further innovation from suppliers and third party intermediaries to help empower consumers to take control of their gas supply costs and supply arrangements.

7.4 Easier access to the information required to compare tariffs and switch supplier can be expected to increase levels of switching. In particular, facilitating near-instantaneous tariff comparisons will remove barriers to engagement among vulnerable consumers by making it easier for them to take action themselves or seek help and advice through outreach programmes, such as the Big Energy Saving Network¹.

7.5 The licence modifications have been developed following extensive consultation with industry, Ofgem and consumer groups. In designing the modifications, Government has sought to ensure that the final specification ensures a consistency of experience for consumers while providing suppliers with flexibility around implementation and future innovation.

8. Consultation outcome

8.1 The Government consulted on the draft measures in March 2014. The consultation sought views on the approach to, and expected costs involved in, exercising and implementing these regulations in a way that provided the maximum benefits to consumers.

8.2 Broadly, stakeholders agreed with the principle and method of DECC's proposals: to improve consumer engagement by providing them with their key data in a machine readable format. Some energy suppliers did, however, flag concerns about seeking to implement the proposals too quickly and questioned whether the case for the consumer benefit had been adequately made.

8.3 In September 2014, DECC published its response to the consultation, outlining its final proposals. Draft licence modifications were published alongside. Subsequently DECC officials have discussed detailed implementation with suppliers, consumer groups, Ofgem and third party intermediaries before finalising the technical requirements and issues of timing.

9. Guidance

9.1 The Government has worked with suppliers on detailed technical implementation issues and does not intend to introduce guidance to accompany the licence modifications.

10. Impact

¹ <https://www.gov.uk/government/policies/helping-households-to-cut-their-energy-bills/supporting-pages/big-energy-saving-network>

10.1 A revised and updated Impact Assessment has been prepared which estimates the full range of costs and benefits associated with these regulations. The overall direct impact on suppliers over the lifetime of the policy is a cost of £7.2m. It should be noted, however, that the key consumer benefits of these regulations such as increased engagement and savings accrued through switching to cheaper tariffs as a result of application development cannot be monetised.

10.2 The impact on the public sector is nil.

10.3 An Impact Assessment is attached to this memorandum and will be published alongside the Explanatory Memorandum on the legislation.gov.uk website.

11. Regulating small business

11 To ensure no disproportionate impact on smaller suppliers the Government has exempted domestic suppliers with fewer than 50,000 customers for a given fuel (a supplier with 60,000 electricity customers and 40,000 gas customers would be required to provide machine readable formats to their electricity customers but not their gas customers).

12. Monitoring & review

12.1 Ofgem will be responsible for monitoring and taking licence enforcement action where necessary in line with its guidelines.

12.2 In order to ensure that our proposals do not constrain innovation and remain effective, the Government has committed to reviewing the licence modifications before the end of 2018.

13. Contact

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