

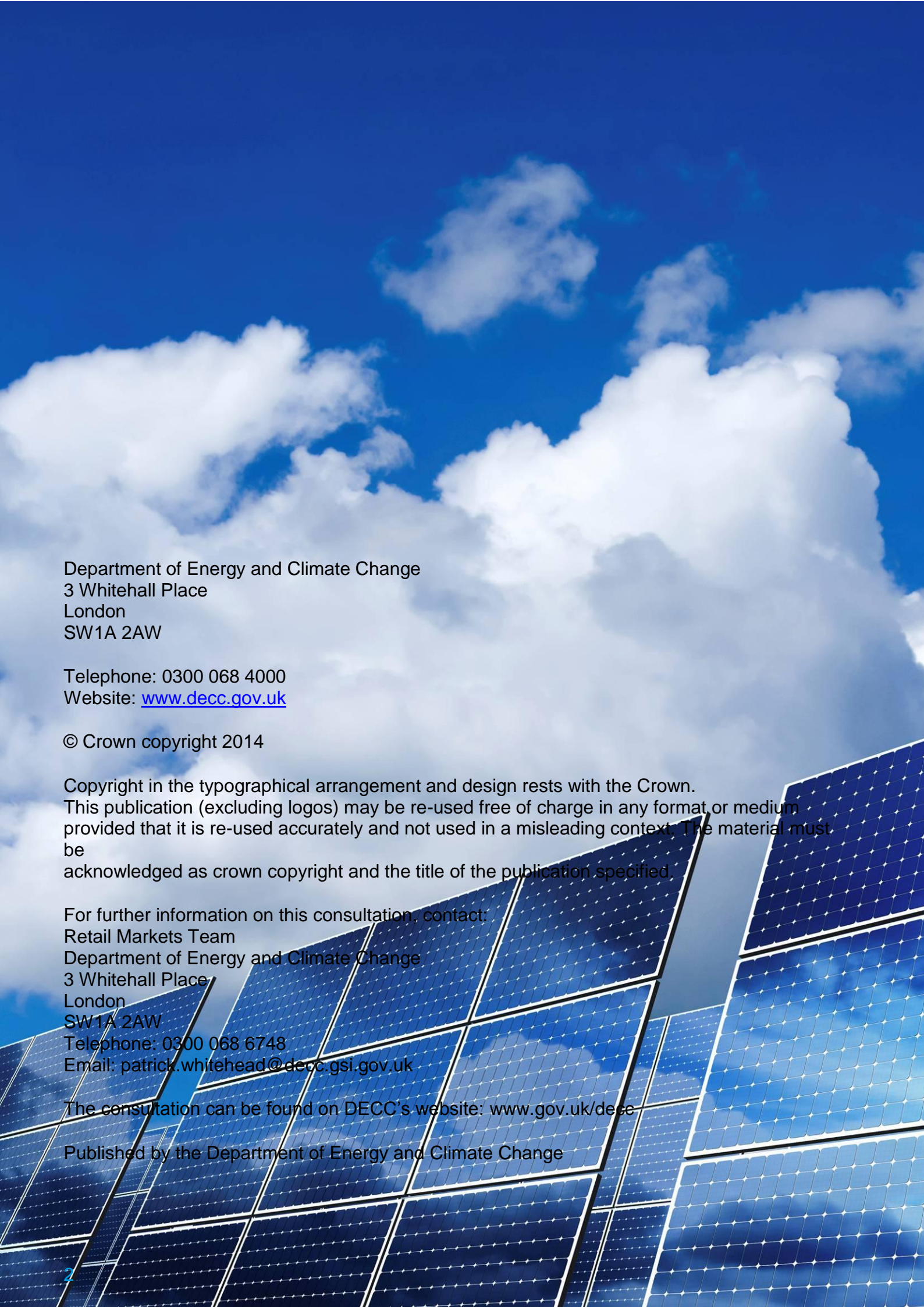


Department  
of Energy &  
Climate Change

# Implementing the Energy Efficiency Directive provisions on gas and electricity billing

DECC Consultation document

14D/009 January 2014



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The consultation can be found on DECC's website: [www.gov.uk/decc](http://www.gov.uk/decc)

Published by the Department of Energy and Climate Change

# Introduction

This consultation seeks views and comments on the implementation in Great Britain of the electricity and gas billing requirements of Directive 2012/27/EU of the European Parliament and of the Council on energy efficiency (the Energy Efficiency Directive or the Directive). The Directive was published in the Official Journal of the European Union on 14 November 2012 and entered into force 20 days later, on 04 December 2012. The Directive can be found at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:315:0001:0056:EN:PDF>

The Government's initial assessment of the Directive indicates that Great Britain is compliant with many of the requirements under Articles 10 and 11 but that in order to be able to demonstrate full compliance action is needed in a limited number of areas related to the accuracy and frequency of billing and access to consumption data.

This consultation seeks views on the approach to the implementation of the billing elements of Articles 10 and 11 of the Directive to the electricity and gas supply market in Great Britain and outlines proposals for changes to supplier licence conditions where needed. In implementing this Directive, the Government is looking to make changes at the lowest cost to consumers, businesses and the industry.

For the purposes of the implementation of Articles 10 and 11 in the United Kingdom, the Directive will be transposed separately in Great Britain and Northern Ireland. This consultation is concerned with the transposition of the Articles in Great Britain and the Department for Enterprise, Trade and Investment (DETI) is carrying out the transposition for Northern Ireland.

Responses to this consultation are requested by 24 February 2014.

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# General information

The purpose of this consultation is to give stakeholders the opportunity to comment on the Government's proposed approach to implementation of Energy Efficiency Directive articles covering non-smart meter energy billing.

**Issued:** 13 January 2014

**Respond by:** 24 February 2014

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Consultation reference: 14D/009

**Territorial extent:**

Great Britain.

**How to respond:**

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

**Additional copies:**

You may make copies of this document without seeking permission.

Other versions of the document in Braille, large print or audio-cassette are available on request.

## **Confidentiality and data protection**

Information provided in response to this consultation, including personal information, may be subject to publication or disclosure in accordance with the access to information legislation (primarily the Freedom of Information Act 2000, the Data Protection Act 1998 and the Environmental Information Regulations 2004).

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/](http://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.

## **Quality assurance**

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:

DECC Consultation Co-ordinator

3 Whitehall Place, London, SW1A 2AW

Email: [consultation.coordinator@decc.gsi.gov.uk](mailto:consultation.coordinator@decc.gsi.gov.uk)

# 1. Background

**This Chapter sets out the background to this consultation and the Energy Efficiency Directive.**

- 1.1 Directive 2012/27/EU of the European Parliament and of the Council on energy efficiency (the Energy Efficiency Directive or the Directive) was published in the Official Journal of the European Union on 14 November 2012 and entered into force 20 days later, on 04 December 2012. The Directive can be accessed at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:315:0001:0056:EN:PDF>

## The Energy Efficiency Directive

- 1.2 The Energy Efficiency Directive establishes a common framework of measures for the promotion of energy efficiency within the EU in order to ensure the achievement of the EU's 2020 20% headline target on energy efficiency and to pave the way for further energy efficiency improvements beyond that date. It lays down rules designed to remove barriers in the energy market and overcome market failures that impede efficiency in the supply and use of energy, and provides for the establishment of indicative national energy efficiency targets for 2020.
- 1.3 Whilst the Directive imposes a wide range of requirements on Member States in relation to energy efficiency, this consultation focuses specifically on those relating to non-smart meter billing of electricity and gas use (Articles 10-11). Article 10 sets out requirements for the accuracy of billing information, the provision of information to energy service providers, the availability of electronic billing information and bills and the provision of information to customers with the bill. Annex VII of the Directive is linked to Article 10 and specifies minimum requirements for billing and billing information based on actual consumption. The full text of Articles 10 and 11 and Annex VII is included at Annex A of this consultation.
- 1.4 The metering provisions relating to domestic smart meters and the metering and billing provisions relating to heating and cooling are considered in separate consultations by DECC:
- 'Domestic market: a consultation on licence conditions to implement the EU Energy Efficiency Directive provisions on consumer access to consumption and export data from smart meters<sup>1</sup>'
  - 'Implementing the Energy Efficiency Directive as it applies to the metering of heating and cooling<sup>2</sup>'

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<sup>1</sup> <https://www.gov.uk/government/consultations/domestic-market-licence-conditions-to-implement-the-eu-energy-efficiency-directive-provisions-on-consumer-access-to-consumption-and-export-data-from>

<sup>2</sup> <https://www.gov.uk/government/consultations/implementing-the-energy-efficiency-directive-metering-and-billing-of-heating-and-cooling>

### **Timetable for implementation**

- 1.5 The overall deadline for transposition of the requirements of the Directive is 5 June 2014. However, the implementation date varies depending on the particular provision; where they are relevant, these are noted in the main text of this consultation.



## 2. Accurate Billing

**In order to enable consumers to better understand their own energy consumption, the Directive sets out a minimum requirement for bills to be based on actual consumption once a year.**

### Directive Requirements

- 2.1 Under Article 10.1 and Annex VII of the Directive, where final customers<sup>3</sup> do not have smart meters, Member States *shall ensure by 31 December 2014, that customers are billed on the basis of actual consumption at least once a year, where this is technically possible and economically justified.*
- 2.2 Article 10.1 goes on to say that this obligation *may be fulfilled by a system of regular self-reading by customers whereby they communicate readings from their meter to the energy supplier. Only when the customer has not provided a meter reading for a given billing interval shall billing be based on estimated consumption or a flat rate.*

### Current Position

- 2.3 There are a number of rules governing metering and meter readings within Great Britain. Under the standard licence conditions (SLC) for gas and electricity supply to both domestic and non-domestic customers suppliers must take all reasonable steps to ensure they inspect, at least once every 2 years, non-half-hourly meters and take a meter reading (SLC 12.14). Suppliers are also required to accept a meter reading when a customer provides it and to take all reasonable steps to reflect the meter reading in the next bill or statement of account sent to the customer (SLC 21B).
- 2.4 Suppliers also already have a commercial incentive through the Balancing and Settlement Code to meet a target of 97% of meters read once a year or more, as they face financial penalties if they fail to meet this. These requirements reflect that in both the domestic and non-domestic market there are some meters which are hard to access or circumstances when meters are hard to access.

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<sup>3</sup> Article 2(23) of the Directive defines final customer as “a natural or legal person who purchases energy for own end use.”

### Domestic

- 2.5 Domestic gas and electricity customers using basic credit meters are generally billed (or where they pay by direct debit, receive a statement of account) for gas and electricity on a quarterly basis. Around 15% of customers pay through pre-payment meters<sup>4</sup>. As pre-payment meters operate via a 'pay as you go' system, bills are not issued for this type of meter.
- 2.6 Bills are calculated on the basis of a meter reading taken by a representative of the supplier, or the customer himself, or an estimate of the customer's use during the billing period. That estimate is based on previous use. In general suppliers seek to read meters themselves at least once in every 12-month period. In addition, suppliers are increasingly encouraging customers to provide their own meter reading by telephone or the internet.

### Non-domestic

- 2.7 Billing and metering arrangements are more varied in the non-domestic sector. Customers using basic credit meters are generally billed either quarterly or monthly. The frequency of meter-readings varies according to the customer's level of energy use and the terms of the contract with the supplier. Larger business customers are metered half-hourly for electricity or daily for gas as required by the Balancing and Settlement Code and Uniform Network Code respectively.
- 2.8 For the largest businesses, the contract negotiation process affords them the opportunity to agree a meter reading frequency which is most suited to their circumstances.

## Proposals for Implementation

- 2.10 In order to comply with Article 10.1 and Annex VII the Government proposes to amend existing standard licence conditions for gas and electricity supply to ensure that in so far as it is reasonably practical domestic and non-domestic customers receive bills based on actual consumption at least once a year. Suppliers will be able to meet this requirement either through their own meter reading or through a reading supplied by the customer.
- 2.11 The Government recognises that there may be issues of location or circumstances which mean some meters are very hard to access and that in these cases it may not be technically possible and economically justified for a meter reading to be obtained. In these cases, a supplier would be expected to take all reasonably practical steps to obtain a reading. This could include sending a representative to the premises to take a reading and attempting to contact the customer to obtain a self-read. However, it is not intended to extend to obtaining a court order to enter a premises.

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<sup>4</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/65940/7341-quarterly-energy-prices-december-2012.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/65940/7341-quarterly-energy-prices-december-2012.pdf)

2.12 As the Directive states that the requirements on accurate billing must be met by 31 December 2014, the Government is proposing that the relevant licence condition amendments take effect from that date.

2.13 The Government is proposing to add the following text to the standard licence conditions:

*SLC 21B.3 The licensee must take all reasonably practicable steps to obtain a meter reading for each of its Customers (including any meter reading provided by the Customer and accepted by the licensee in accordance with this condition) at least once every year.*

2.14 Full detail of the proposed changes to licence conditions can be found in Annex B.

<b>Consultation Question</b>	
<b>1.</b>	<b>Do you agree with the proposed approach to the implementation of Article 10.1? If not, please provide comments and explain the rationale behind them.</b>
<b>2.</b>	<b>To what extent do suppliers already take reasonable steps to ensure billing based on a meter reading takes place at least once a year?</b>
<b>3.</b>	<b>Do you envisage any additional costs being incurred as a result of the proposed licence amendment? If so, please provide evidence of these costs.</b>
<b>4.</b>	<b>Do you agree that the draft licence condition should apply to domestic and non-domestic customers?</b>
<b>5.</b>	<b>What supplier actions would you consider to be economically justified for the purposes of obtaining a meter reading once a year?</b>

## 3. Receiving billing information

**Regular billing information acts as a prompt to enable customers to track their consumption and manage their energy use.**

### Directive Requirements

- 3.1 Under Article 10.1 and Annex VII of the Directive, *where final customers do not have smart meters, Member States shall ensure by 31 December 2014 billing information should be made available at least twice yearly, or at least quarterly if a customer requests it. Customers who receive electronic billing should have their billing information made available at least quarterly*
- 3.2 Under Article 10.3(b) *customers should be offered the option of electronic billing information and bills and should receive, on request, a clear and understandable explanation of how their bill was derived,*
- 3.3 Article 11.1 requires that customers *receive all their bills and billing information for energy consumption free of charge.*
- 3.4 The term 'free of charge' in this context is taken to mean that there cannot be a separate charge for receiving a bill, statement of account or billing information for energy consumption.

### Current Position

- 3.5 **Domestic** Domestic gas and electricity customers using basic credit meters are generally billed (or where they pay by direct debit, receive a statement) for gas and electricity on a quarterly basis. Bills and statements are customarily sent to the customer in paper form, although around 15% of customers pay through pre-payment meters, which offer pay as you go metering and hence are not billed. Pre-payment customers can, however, gain access to payment information through their meter.
- 3.6 Paperless and online billing is also popular and is widely available across the market. Ofgem, the independent regulator of the gas and electricity markets, has also recognised the significance of online account management by allowing suppliers to offer it to customers as one of only two cash discounts allowed under its domestic retail market reforms.

- 3.7 Ofgem's recent changes to licence conditions to implement its retail market reforms stipulate that charges related to energy use must be incorporated into a standing charge or single unit rate. This prevents suppliers from levelling an additional charge for bills. The domestic consumer market in Great Britain is therefore already compliant with this requirement.
- 3.8 As part of the recently introduced domestic Standards of Conduct<sup>5</sup>, suppliers now must give information (whether in writing or orally) which is complete, accurate and not misleading (in terms of the information provided or omitted) and is communicated in plain and intelligible language. We thus expect that customers will already receive, on request, a clear and understandable explanation of how their bill was derived.

### Non-domestic

- 3.9 The arrangements are more varied in the non-domestic sector. Customers with basic credit meters are generally billed either quarterly or monthly. Large users are metered on a half hourly basis for electricity and once a day for gas. Billing arrangements are negotiated as part of the supply contract. Online billing is widely available to both large and small business customers.
- 3.10 Large businesses are able to negotiate the frequency of their billing in the contract negotiation process and resulting bespoke arrangements. However, this is not necessarily the case for smaller businesses where engagement levels are not as high and customers are less likely to have a direct and regular relationship with their supplier representative.
- 3.11 The recently introduced non-domestic Standards of Conduct<sup>6</sup> mean that, as with the domestic sector, suppliers now must give information (whether in writing or orally) which is complete, accurate and not misleading (in terms of the information provided or omitted) and is communicated in plain and intelligible language. We thus expect that smaller non-domestic customers will already receive, on request, a clear and understandable explanation of how their bill was derived.

## Proposals for Implementation

- 3.12 The Government proposes to amend supplier licence conditions to require licensees to provide domestic and non-domestic customers with billing information at least twice yearly and quarterly upon request or if they receive electronic billing. As the Directive states that this must be met by 31 December 2014, the Government is proposing that relevant licence condition amendments take effect from that date.

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<sup>5</sup> <https://www.ofgem.gov.uk/publications-and-updates/implementation-domestic-standards-conduct-decision-make-licence-modifications>

<sup>6</sup> <https://www.ofgem.gov.uk/publications-and-updates/implementation-retail-market-review-non-domestic-proposals--decision-make-licence-modifications>

- 3.13 In order to comply with requirements of the Directive and to ensure that electronic billing remains an option for domestic and non-domestic customers the Government will introduce licence conditions requiring suppliers to offer the option of online account management to both domestic and non-domestic customers.
- 3.14 In order to demonstrate that we are ensuring customers receive on request a clear and understandable explanation of how their bill was derived, the Government will need to go beyond the existing non-specific Standards of Conduct licence conditions and introduce a specific licence condition requiring this.
- 3.15 The Government is proposing to add the following text to the standard licence conditions:
- SLC 21B.4 Where a Customer requests Online Account Management the licensee must comply with that request.*
- SLC 21B.5 The licensee must provide a Bill or statement of account to each of its Customers at least twice yearly and at least quarterly to any Customer who requests it or who has Online Account Management.*
- SLC 21B.6 Where a Customer requests an explanation of how their Bill or statement of account was derived the licensee must comply with that request in plain and intelligible language.*
- SLC 21.B.7 The licensee must not make a specific charge for the provision of a Bill or statement of account or for access in an appropriate way to the consumption data used to calculate that Bill or statement of account.*
- 3.16 Full detail of the proposed changes to licence conditions can be found in Annex B.

<b>Consultation Question</b>	
<b>6.</b>	<b>What additional costs would these licence conditions impose? Please provide details of your existing billing regimes (frequency of bill and number of customers) where any changes are expected to these.</b>
<b>7.</b>	<b>Do you agree with the proposed approach to the implementation of the requirements around receiving billing information? If not, please provide comments and explain the rationale behind them.</b>
<b>8.</b>	<b>Does the requirement to offer the option of online account management require any changes to supplier practices and any additional costs?</b>

## 4. Access to consumption data

The Directive requires customers to have access to their consumption information in order to enable them to monitor their energy use and check their bills.

### Directive Requirements

- 4.1 Article 10.3(a) requires, that historical consumption data of a final customer be made available, at the request of the customer, to energy service providers designated by the customer.
- 4.2 In addition, Article 11.1 requires that: 'final customers have access to their consumption data free of charge.'

### Current Position

- 4.3 The Directive makes a distinction between historical consumption data and the consumption data for a billing period. In addition, it stipulates that the consumption data for a billing period must be given free of charge but makes no such requirement for historical data.

#### Domestic

- 4.4 Consumption data which compares energy usage in one billing period with the same period the previous year is already provided on domestic customers' energy bill or statement; or, for those customers with online account management, electronically. Furthermore, where a domestic customer requests that a supplier pass on their historic consumption data either to them or any other person, suppliers are required to comply with this request free of charge. As this is set out in existing licence conditions for suppliers, the Government therefore judges that Great Britain already complies with both of the provisions on access to consumption data in respect of domestic customers<sup>7</sup>.

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<sup>7</sup> SLC22.9

### Non-domestic

- 4.5 The non-domestic sector is significantly more diverse. The needs of individual firms vary across size and type of business. The nature of the relationship between non-domestic customers and suppliers is also very different to that of suppliers and domestic customers. The competitive market in energy supply and energy services has delivered innovation in the services offered in the non-domestic sector to meet the diverse needs of non-domestic customers.
- 4.6 Energy service providers are not a group defined in existing licence conditions. Ofgem is currently undertaking work on the role Third Party Intermediaries which is looking at this area<sup>8</sup>.

### Proposals for Implementation

- 4.7 We want to ensure that innovation and competition in energy services continues and customers' needs are met by ensuring that if information on customers' historical consumption is available, suppliers should be required to make it available to energy service providers designated by customers. As there is no requirement in Art 10(3)(a) to provide information to energy service providers free of charge, suppliers may charge customers for the provision of historical consumption information except where the licence conditions provide otherwise.<sup>9</sup>
- 4.8 The Government does not wish to be unduly restrictive as to the form in which an energy service could be provided and note that existing licence conditions on the provision of historical consumption data extends to the customer, another supplier or to 'any other person'. The Government is proposing to adopt the same approach and require this information to be made available on request 'to any other person designated by the Customer'.
- 4.9 In order to implement the provisions in Article 11.1 the Government intends to amend licence conditions to ensure that non-domestic customers have access to consumption data that relates to a billing period free of charge.
- 4.10 The Government's view is that the most straight forward way of implementing these requirements for access to consumption data would be to amend licence conditions as they apply to both the domestic and non-domestic sector. As the domestic sector is already compliant, this would not add any additional regulatory burdens to supply in this sector.

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<sup>8</sup> <https://www.ofgem.gov.uk/gas/retail-market/market-review-and-reform/third-party-intermediaries-tpi-programme>

<sup>9</sup> For example under SLC 22.9



4.11 The Government is proposing to add the following text to the standard licence conditions:

*SLC 21B.7 The licensee must not make a specific charge for the provision of a Bill or statement of account or for access in an appropriate way to the consumption data used to calculate that Bill or statement of account.*

*SLC 21B.8 Where a Customer requests the licensee to make available information on their energy billing and historical consumption either to the Customer or to any other person designated by the Customer the licensee must comply with that request to the extent that the information requested is available and as soon as reasonably practicable.*

4.12 Full detail of the proposed changes to licence conditions can be found in Annex B.

<b>Consultation Question</b>	
<b>9.</b>	<b>What arrangements are currently in place for non-domestic customers to have access to their consumption data and for this data to be made available customer's request?</b>
<b>10.</b>	<b>Do you agree with the proposed approach to the implementation of Article 10(3)(a)? If not, please provide comments and explain the rationale behind them.</b>
<b>11.</b>	<b>Do you agree with the proposed approach to the implementation of Article 11.1? If not, please provide comments and explain the rationale behind them.</b>

## 5. Information on bills

**The bill (or statement of account for direct debit customers) is a key piece of communication for consumers and is a useful platform for conveying important information.**

### Directive Requirements

- 5.1 Under Annex VII paragraph 1.2 Member States shall ensure that, where appropriate, the following information is made available to customers in clear and understandable terms in or with their bills:
- (a) current actual prices and actual consumption of energy;
  - (b) comparisons of the customer's current energy consumption with consumption for the same period in the previous year, preferably in graphic form;
  - (c) contact information for customers' organisations, energy agencies or similar bodies, including website addresses, from which information may be obtained on available energy efficiency improvement measures, comparative end-user profiles and objective technical specifications for energy-using equipment.
- 5.2 In addition, wherever possible and useful, Member States shall ensure that comparisons with an average normalised or benchmarked customer in the same user category are made available to customers in clear and understandable terms, in, with or signposted to within, their bills, contracts, transactions, and receipts at distribution stations.
- 5.3 Paragraph 1.3 on advice on energy efficiency accompanying bills and other feedback to customers requires that when sending contracts and contract changes, and in the bills customers receive or through websites addressing individual customers, energy distributors, distribution system operators and retail energy sales companies shall inform their customers in a clear and understandable manner of contact information for independent consumer advice centres, energy agencies or similar institutions, including their internet addresses, where they can obtain advice on available energy efficiency measures, benchmark profiles for their energy consumption and technical specifications of energy using appliances that can serve to reduce the consumption of these appliances.

## Current Position

5.4 In 2008 the Government consulted on licence modifications to implement requirements similar to those above in the Energy Services Directive<sup>10</sup>. Since then Ofgem has conducted the Retail Market Review which considered through extensive research and a number of public consultations the information provided on bills and other communications to domestic and non-domestic customers.

### Domestic

5.5 Existing metering and billing arrangements provide domestic customers with clear and understandable information about current actual prices and actual consumption. Standard supply licence condition 23(3) for electricity and gas sets out an obligation to notify domestic customers of a unilateral change to a contract to increase charges or any other charge that significantly disadvantages the customer.

5.6 Following consultation on the implementation of the Energy Services Directive in 2008, modifications were made to the standard licence conditions for gas and electricity supply which require suppliers to provide domestic customers with a comparison of their data for the period covered by the bill with their consumption in the corresponding period in the previous year.

5.7 In terms of the provision of contact details for energy efficiency organisations, supply licences standard conditions 31(2) to 31(3) require suppliers to maintain and provide information about the efficient use of energy to enable customers to make informed judgements about energy efficiency, together with details of sources of further energy efficiency information. Suppliers are required to provide this free on request. At consultation on the Energy Services Directive many respondents felt there was already too much information on bills and, given the amount of advice already being supplied by other means, it was inappropriate to require further contact details. The Government therefore concluded that there was no case at the time to make any further requirements in this area.

5.8 The domestic Retail Market Review<sup>11</sup> has resulted in the introduction of new specific requirements on the information to be provided to domestic customers. This includes the Personal Projection and Tariff Comparison Rate (TCR), which suppliers will be required to include on bills.

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<sup>10</sup>

<http://webarchive.nationalarchives.gov.uk/20081109124422/http://berr.gov.uk/whatwedo/energy/whitepaper/consultations/billing-metering/page40854.html>

<sup>11</sup> [https://www.ofgem.gov.uk/sites/default/files/docs/decisions/the\\_retail\\_market\\_review\\_-\\_implementation\\_of\\_simpler\\_tariff\\_choices\\_and\\_clearer\\_information.pdf](https://www.ofgem.gov.uk/sites/default/files/docs/decisions/the_retail_market_review_-_implementation_of_simpler_tariff_choices_and_clearer_information.pdf)

- 5.9 The Personal Projection is a projection of the costs a consumer will pay over the next 12 months assuming they make no active switching decision in the intervening period. It is a standardised methodology including the unit rate(s), standing charges, discounts and certain bundles that apply to a given tariff. It is based on a consumer's actual usage over the previous 12 months where available, or alternatively a best estimate of their consumption.
- 5.10 The Tariff Comparison Rate (TCR) is intended to function similarly to the APR in finance, and will allow consumers to perform an initial, at a glance comparison of the relative price of tariffs. The calculation of the TCR assumes medium consumption levels, and will be performed by suppliers for each permutation of each of their tariffs, e.g. each regional variation, with and without online discount (where applicable), etc. It will be a p/kWh representation of the price of a tariff, and will include the unit rate, standing charge, and, where relevant, the discounts and bundles that apply to a given tariff permutation.
- 5.11 Suppliers will have to meet the requirements around both of these and other requirements for domestic bills being introduced under the Retail Market Review by 31 March 2014.
- 5.12 Energy UK has also launched Compare my Energy, a website that helps consumers compare how energy efficient their home is with people in their local area<sup>12</sup>.

### Non-domestic

- 5.13 During the implementation of the Energy Services Directive, a number of stakeholders stressed that the requirements of business customers differ significantly from those of domestic customers. The Government's consultation on the implementation of the Directive agreed with this view, and concluded that it would be inappropriate to apply the requirements for comparisons of the customer's current energy consumption with consumption for the same period in the previous year to be included on bills for non-domestic consumers. In respect of the provision of contact details for energy efficiency organisations to non-domestic customers, the Carbon Trust and the growing market for the provision of diverse energy efficiency advice to non-domestic customers was considered to be a more effective way of meeting the different needs of particular businesses and that it would be inappropriate to require the provision of further information on bills. The consultation on the Energy Services Directive concluded that there is a growing market for the provision of a diverse range of energy efficiency advice and noted that Ofgem's supply licence review in 2007 resulted in the removal of an obligation on suppliers to provide energy efficiency advice to business customers<sup>13</sup>.
- 5.14 As part of the non-domestic Retail Market Review, Ofgem consulted on ways of addressing unclear billing information, which can act as a barrier to effective engagement. The Standards of Conduct came into effect from 26 August 2013, requiring suppliers to give information (whether in writing or orally) which:
- i. is complete, accurate and not misleading (in terms of the information provided or omitted);

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<sup>12</sup> <http://www.comparemyenergy.org.uk/>

<sup>13</sup> Ofgem 2007 Supply Licence Review

- ii. is communicated in plain and intelligible language;
- iii. relates to products or services which are appropriate to the customer to whom it is directed; and
- iv. is otherwise fair in terms of its content and in terms of how it is presented (with more important information being given appropriate prominence).

## Proposals for implementation

- 5.15 As part of the implementation of the Energy Services Directive, the Government consulted on proposals that comparisons of the customer's current energy consumption with consumption for the same period in the last year. The consultation found support for implementation for this for domestic customers and licence conditions were amended accordingly. The Government did not find support for extending this to business customers.
- 5.16 The consultation also sought views on the provision of energy efficiency advice on bills. The majority of respondents felt there was no need for the Government to make any further requirements regarding energy efficiency information.
- 5.17 The consultation also set out the Government's position not to require suppliers to provide benchmarked data and that responses received in its 2006 Billing and Metering consultation showed no support for providing information of this kind, because, for a variety of reasons, it did not appear useful in helping consumers reduce their energy consumption. Since these consultations this information has become available to domestic customers through the TCR.
- 5.18 It is therefore the Government's view that changes to the licence conditions with regard to the Directive requirements on information would not be appropriate.

Consultation Question	
12.	<b>Do you agree with our view that no further action is appropriate in respect of information requirements for bills for both domestic and non-domestic consumers?</b>
13.	<b>Do you agree that requiring bills for non-domestic customers to include benchmarked and historical consumption data is still not appropriate?</b>
14.	<b>Do you agree that information on energy advice services is widely available to domestic and non-domestic customers and that no further action is needed to draw this to the attention of energy customers?</b>

## 6. Licence exempt supply

- 6.1 As a general principle companies that supply gas and electricity to customers must hold a licence from Ofgem,. However, the Government has also taken the view that, for better regulatory purposes, it would be inappropriate to require all electricity and gas to be licenced, and thus subject to the cost and administrative burdens of the licencing regime. Supply of a de minimis nature may, therefore, be exempt from licensing. The arrangements under which such exemptions can be claimed are set out in an Order made under the Electricity Act 1989<sup>14</sup>. Gas exemptions are provided under a series of Orders made under the Gas Act 1986.
- 6.2 Licence exempt electricity suppliers may supply a range of end users – for example, residents of blocks of flats or tenants on industrial estates. This supply may derive from electricity generated on-site, or from the public electricity system. Some, but not necessarily all, end-users within these sites will be individually metered. Licence exempt gas supply may largely take the form of quasi-district heating, for instance, where gas is provided for heating and cooking to properties within an estate, such as a military-owned estate, but where individual end-users may not be separately billed. Customers on exempt networks can change supplier and sign up with a licensed supplier.
- 6.3 Articles 10 and 11 of the Energy Efficiency Directive (the chief requirements of which are set out in Annex A) apply where customers have had individual meters installed in line with requirements of the Directive. Article 9.1 of the Directive requires for customers to have individual meters in so far as it is technically possible, financially reasonable and proportionate in relation to the potential energy savings<sup>15</sup>.
- 6.4 The Government considers that, given the aims and purpose of the exemptions regime, it would not be financially reasonable and proportionate in relation to the potential energy savings to subject licence-exempt suppliers to Article 9.1 and the billing and metering requirements of Articles 10 and 11 which would follow.
- 6.5 The imposition on exempt suppliers of any particular metering or billing requirement arising from the Directive would require the establishment of a register of such suppliers, and a regime for overseeing the activities of unlicensed suppliers and enforcing any metering or billing requirements.
- 6.6 The Government considers that the financial and administrative cost of imposing such new rules governing metering and billing on licence exempt suppliers is not financially reasonable and proportionate in relation to the potential energy savings.

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<sup>14</sup> The Electricity (Class Exemptions from the Requirement for a Licence) Order 2001, SI 2001/3270

<sup>15</sup> Article 9.1 of the Energy Efficiency Directive replicates Art 13 of the Energy Services Directive (2006/32/EC). The Government response to consultation on implementation of the Energy Services Directive concluded that it would not be financially reasonable or proportionate to apply it to licence exempt suppliers.

**Consultation Question**

- 13. Do you agree that the application of the metering and billing requirements at Article 9.1, 10 and 11 of the Energy Efficiency Directive to licence exempt suppliers is not financially reasonable and proportionate in relation to the potential energy savings?**

# Annex A - Energy Efficiency Directive text

## Article 10.1

Where final customers do not have smart meters as referred to in Directives 2009/72/EC and 2009/73/EC, Member States shall ensure, by 31 December 2014, that billing information is accurate and based on actual consumption, in accordance with point 1.1 of Annex VII, for all the sectors covered by this Directive, including energy distributors, distribution system operators and retail energy sales companies, where this is technically possible and economically justified.

Point 1.1 of Annex VII states that billing based on actual consumption must take place at least once a year, and billing information must be provided to final customers at least twice a year, or at least quarterly at the customer's request or if they are billed electronically.

This obligation may be fulfilled by a system of regular self-reading by the final customers whereby they communicate readings from their meter to the energy supplier. Only when the final customer has not provided a meter reading for a given billing interval shall billing be based on estimated consumption or a flat rate.

The consumption of natural gas can be exempted from the above requirements when it is used for cooking purposes only.

## Article 10(2)

This requirement relates to smart metering and has been taken forward separately from this consultation.

## Article 10(3)

Article 10(3) states that independently of whether smart meters are available or not, Member States:

(a) shall require that, to the extent that information on the energy billing and historical consumption of final customers is available, it be made available, at the request of the final customer, to an energy service provider designated by the final customer.

(b) shall ensure that final customers are offered the option of electronic billing information and bills and that they receive, on request, a clear and understandable explanation of how their bill was derived, especially where bills are not based on actual consumption.

(c) shall ensure that appropriate information is made available with the bill to provide final customers with a comprehensive account of current energy costs, in accordance with Annex VII;

(d) may lay down that, at the request of the final customer, the information contained in these bills shall not be considered to constitute a request for payment. In such cases, Member States shall ensure that suppliers of energy sources offer flexible arrangements for actual payments.



(e) shall require that information and estimates for energy costs are provided to consumers on demand in a timely manner and in an easily understandable format enabling consumers to compare deals on a like-for-like basis.

## Annex VII

Annex VII is closely related to the requirements of Article 10, and sets out the minimum requirements for billing and billing information based on actual consumption. The minimum requirements for billing contained within Annex VII are set out below:

### 1.1. Billing based on actual consumption

In order to enable final customers to regulate their own energy consumption, billing should take place on the basis of actual consumption at least once a year, and billing information should be made available at least quarterly, on request or where the consumers have opted to receive electronic billing or else twice yearly. Gas used only for cooking purposes may be exempted from this requirement.

### 1.2. Minimum information contained in the bill

Member States shall ensure that, where appropriate, the following information is made available to final customers in clear and understandable terms in or with their bills, contracts, transactions, and receipts at distribution stations:

- (a) current actual prices and actual consumption of energy;
- (b) comparisons of the final customer's current energy consumption with consumption for the same period in the previous year, preferably in graphic form;
- (c) contact information for final customers' organisations, energy agencies or similar bodies, including website addresses, from which information may be obtained on available energy efficiency improvement measures, comparative end-user profiles and objective technical specifications for energy-using equipment.

In addition, wherever possible and useful, Member States shall ensure that comparisons with an average normalised or benchmarked final customer in the same user category are made available to final customers in clear and understandable terms, in, with or signposted to within, their bills, contracts, transactions, and receipts at distribution stations.

### 1.3. Advice on energy efficiency accompanying bills and other feedback to final customers

When sending contracts and contract changes, and in the bills customers receive or through websites addressing individual customers, energy distributors, distribution system operators and retail energy sales companies shall inform their customers in a clear and understandable manner of contact information for independent consumer advice centres, energy agencies or similar institutions, including their internet addresses, where they can obtain advice on available energy efficiency measures, benchmark profiles for their energy consumption and technical specifications of energy using appliances that can serve to reduce the consumption of these appliances.

**Article 11(1)**

Member States shall ensure that final customers receive all their bills and billing information for energy consumption free of charge and that final customers also have access to their consumption data in an appropriate way and free of charge.

# Annex B – Draft changes to licence conditions

## Modification of Standard Conditions of Supply Licences Granted under the Electricity Act 1989

- (1) The standard conditions of an electricity supply licence are amended as follows.
- (2) In condition 1 (definitions for standard conditions) in the definition of “Online Account Management” omit “Domestic”.
- (3) In condition 21B (billing based on meter readings) after paragraph 21B.2, insert—

### “21B.3

The licensee must take all reasonably practicable steps to obtain a meter reading for each of its Customers (including any meter reading provided by the Customer and accepted by the licensee in accordance with this condition) at least once every year.

### 21B.4

Where a Customer requests Online Account Management the licensee must comply with that request.

### 21B.5

The licensee must provide a Bill or statement of account to each of its Customers at least twice yearly and at least quarterly to any Customer who requests it or who has Online Account Management.

### 21B.6

Where a Customer requests an explanation of how their Bill or statement of account was derived the licensee must comply with that request in plain and intelligible language.

### 21B.7

The licensee must not make a specific charge for the provision of a Bill or statement of account or for access in an appropriate way to the consumption data used to calculate that Bill or statement of account.

## 21B.8

Where a Customer requests the licensee to make available information on their energy billing and historical consumption either to the Customer or to any other person designated by the Customer the licensee must comply with that request to the extent that the information requested is available and as soon as reasonably practicable.”

### **Modification of Standard Conditions of Supply Licences Granted under the Gas Act 1986**

- (1) The standard conditions of an electricity supply licence are amended as follows.
- (2) In condition 1 (definitions for standard conditions) in the definition of “Online Account Management” omit “Domestic”.
- (3) In condition 21B (billing based on meter readings) after paragraph 21B.2, insert—

#### “21B.3

The licensee must take all reasonably practicable steps to obtain a meter reading for each of its Customers (including any meter reading provided by the Customer and accepted by the licensee in accordance with this condition) at least once every year.

#### 21B.4

Where a Customer requests Online Account Management the licensee must comply with that request.

#### 21B.5

The licensee must provide a Bill or statement of account to each of its Customers at least twice yearly and at least quarterly to each Customer who requests it or who has Online Account Management.

#### 21B.6

Where a Customer requests an explanation of how their Bill or statement of account was derived the licensee must comply with that request in plain and intelligible language.

#### 21B.7

The licensee must not make a specific charge for the provision of a Bill or statement of account or for access in an appropriate way to the consumption data used to calculate that Bill or statement of account.

## 21B.8

Where a Customer requests the licensee to make available information on their energy billing and historical consumption either to the Customer or to any other person designated by the Customer the licensee must comply with that request to the extent that the information requested is available and as soon as reasonably practicable.”

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14D/009