

 <b>Regulatory Policy Committee</b>	<b>Opinion</b>	
<b>Impact Assessment (IA)</b>	Legislation to require energy suppliers to provide key, personal information on consumers bills in a machine readable format	
<b>Lead Department/Agency</b>	Department for Energy and Climate Change	
<b>Stage</b>	Consultation	
<b>IA Number</b>	DECC0152	
<b>Origin</b>	Domestic	
<b>Expected date of implementation (and SNR number)</b>	October 2014 SNR 8	
<b>Date submitted to RPC</b>	22/11/2013	
<b>RPC Opinion date and reference</b>	16/01/2014	RPC13-DECC-1962
<b>Overall Assessment</b>	<b>AMBER</b>	
<p><b>RPC comments</b></p> <p>The IA is fit for purpose. Prior to consultation, the Department should clarify how it has derived the EANCB. It should also explain more clearly the period over which the policy is expected to have an impact on business.</p>		
<p><b>Background (extracts from IA)</b></p> <p><b>What is the problem under consideration? Why is government intervention necessary?</b></p> <p><i>“The majority of domestic gas and electricity consumers do not engage in the retail electricity and gas markets through switching of their energy supplier. The Office for Gas and Electricity Markets (Ofgem) estimated in its Retail Market Review (RMR) that only 5-10% of customers are proactive switchers. This lack of engagement and switching leads to the market not operating as effectively as it could, potentially resulting in higher prices for consumers due to a lack of competitive pressure. As identified by Ofgem in its RMR, one of the key barriers to effective consumer engagement in the energy market is a lack of clarity in the information given by suppliers to consumers on tariff options and individual consumption levels. Government intervention is necessary because suppliers may not have sufficient incentives to voluntarily provide customers with their own data in an accessible, machine readable format. Data provided in this format would bring additional benefits to those brought about by Ofgem’s implementation of its RMR proposals.”</i></p> <p><b>What are the policy objectives and the intended effects?</b></p> <p><i>“The Government’s objective is to take appropriate action to ensure that domestic retail energy consumers benefit from access to their own, key energy consumption, tariff and expenditure data in a form, which is clear and easy to understand. This should help overcome an informational barrier to consumer engagement in the domestic retail energy market. Third sector volunteers providing vulnerable consumers with ‘assisted action’ through The Big Energy Saving Network and other third sector led outreach events,</i></p>		

*should also be able to make use of the machine readable information to encourage switching. It is expected that machine readable formats will, in the future, allow third party intermediaries to develop services and products which help consumers by frictionlessly uploading and analysing their data for them to provide a tailored cross market tariff comparison. The intended effect would be quicker, easier tariff comparisons and increased switching of consumers between suppliers, thereby increasing competitive pressure in the retail energy market.”*

### **Alternatives to Regulation**

The Department explains that *“Only one policy option is considered in this IA... The draft bill unambiguously gives the government powers to require suppliers to place machine readable formats on energy bills, with little scope for alternative options.”* (Paragraph 2 of the IA). The Department adds that *“...it is not clear that there will be sufficient incentives for suppliers to work voluntarily with Government to develop this technology in a way which could enable cross market comparisons and make switching to an alternative supplier easier and more effective. There has been no progress towards a voluntary agreement to introduce [Quick Response] QR codes or similar onto consumers bills....”* (Paragraph 42 of the IA)

### **Identification of costs and benefits, and the impacts on business, civil society organisations, the public sector and individuals, and reflection of these in the choice of options**

*Alternatives to regulation.* The Department explains that there is little scope for other regulatory options (paragraph 2 of the IA). Although the Department explains that the relevant legislation is narrowly defined, the Department should provide further information on why a non-regulatory approach could not be pursued to achieve the same objective e.g. through an information campaign targeted at vulnerable consumers (paragraph 20 of the IA).

*Costs to business and Appraisal Period.* The IA says that *“the appraisal period for the options is the 10 years from 2014 - 2019... during years 7-10 of the appraisal period - from 2020-2023 - the costs and benefits of the policy can be expected to be zero because the legislation is not expected to be extended beyond the end of 2019”* (page 5 of the IA). The Department should state clearly in its IA the basis on which the estimated equivalent annual net cost to business (EANCB) of £0.5 million per year has been derived.

### **Comments on the robustness of the Small & Micro Business Assessment (SaMBA)**

The proposals regulate business and are intended to come into force after 1 April 2014 and therefore the SaMBA is applicable.

The SaMBA is sufficient for this stage of policy development.

The Department explains in its IA that small and micro businesses will not be exempted from the regulations. The Department sets out that that *“The costs of this*

*policy will be borne entirely by energy suppliers...Additionally, some of the indirect benefits of switching to a cheaper energy tariff as a result of this policy may accrue to small businesses who fall into the domestic sector of the retail energy market.”* (paragraph 97 of the IA). The Department goes on to explain that “...the costs of complying with this policy are relatively small. The NPV of the one-off costs for each firm is expected to be around £5,400. The recurring annual costs are just the costs of printing the machine readable images, which depends on the number of paper bills the supplier issues each year.” (paragraph 99 of the IA).

The Department should consult specifically on the potential costs and benefits of the proposal to small and micro businesses as providers, and also as consumers of energy. Ahead of final stage clearance, the Department should provide more detail as to why small and micro businesses cannot be exempted from the requirements, or why it is not possible to mitigate such burdens. The IA would benefit from a breakdown of the costs and benefits of the proposal to small and micro businesses as suppliers and consumers.

**Comments on the robustness of the OITO assessment.**

The IA says that this is a regulatory proposal that is in scope of OITO and would impose a direct net cost to business (an 'IN'). Based on the evidence presented, this is consistent with the current Better Regulation Framework Manual (paragraph 1.9.10) and provides a reasonable assessment of the likely direction of impacts. The evidence supporting the estimated Equivalent Annual Net Cost to Business will have to be strengthened so that it can be validated at final stage.

**Signed**



**Michael Gibbons, Chairman**