

**CEER Hearing on Retail Market Design, with a focus on
switching and billing**

Brussels

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Draft recommendations on billing

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Supply & Markets Development Committee**



Agenda

- Eurogas view on CEER draft recommendations
- How we came to this view
- Specific recommendations
- Summary

Eurogas View on Billing

Agree:



- The customer should receive one combined bill from the supplier
- The customer should only need to contact their supplier regarding billing queries
- Contact information for queries and complaints should be clearly displayed on the bill
- The customer should be given information on what they are paying for
- The customer should be able to choose from a range of payment methods

Disagree:

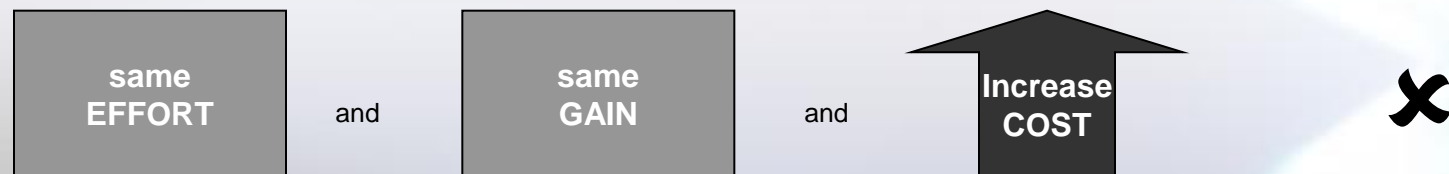
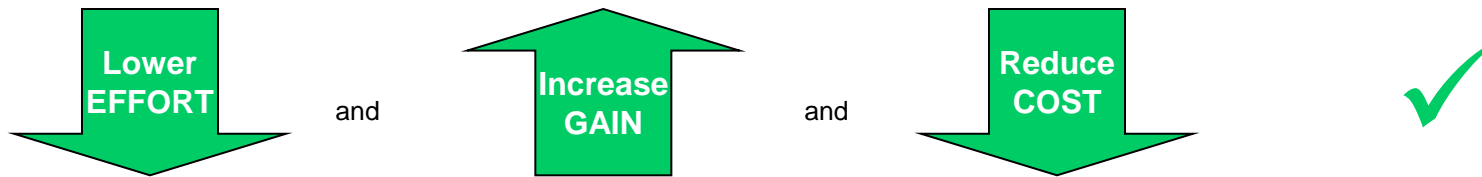


- With the need for a recommendation on the final bill
- With the choice of payment method being separate from a choice of product
- With a specific recommendation on payment methods which can be easily accessible to vulnerable customers
- With the need for every supplier to offer a limitless range of billing frequency

What are we trying to achieve?

- Well-functioning energy retail market in which customers can engage and benefit from the choices they make
 - Low barriers to switching
- It is a given that for effective market functioning, what the customer has to gain should outweigh the effort to switch
 - An incentive to switch: range of retailers, products, service level and market prices

Prioritise based on cost effective impact



Does new technology provide an opportunity?

Eurogas agrees with the general principle that when it is necessary to replace or update systems maximum advantage should be taken in terms of improved market functioning and benefit to customers

Smart gas meters will not be universal

- Smart meters is only one part of the process, and 'back-office' system changes are needed – cost benefit analysis
- Member States are responsible for economic assessments and even where the case for gas smart meters is positive, there is no prescribed timescale for deployment
- In some Member States smart meters are in place and therefore the timing of opportunity to enhance systems does not apply

Consistency between electricity and gas is helpful for customers

- The same process for each fuel
- The same time-scale for dual fuel products

CEER Recommendations: Agree (11, 13, 16, 17)

11 Combined billing, provided by the supplier should be mandatory

- Single invoice covering both network and commodity costs
- Clarity, simplicity, intuitive, reduces costs and inconvenience
- Demand response – more innovative products



13 When advanced payment is used, the customer should be clearly informed about the methodology used to calculate the advanced payment

- Customers should be given the basis of advance payment calculation and should be able to access more detailed information as they may require



16 The supplier should always be the first point of contact for issues regarding the bill

- The supplier should be the sole point of contact for issues regarding the bill, until such time as a complaint is referred to alternative dispute resolution



17 Information on making an enquiry or launching a complaint specifically about the content of the bill should be clearly displayed on the bill

- The Billing WG report in 2009 identified priority items to be shown on the bill which include telephone number and office hours for queries and payment difficulties and a contact number for questions and complaints, and this is general practice
- The report highlighted the risk of 'information overload' on paper bills and care should be taken to ensure other routes for communicating information are considered
- Annex 1 in the gas directive specifies the information to be provided in the contract



CEER Recommendations: Agree, but...(14)

Agree

14(i) The customer should be offered different payment methods

- Eurogas accepts that MS and regulators will wish to ensure there is a wide range of payments methods available in the market place as a whole
- The third package requires Member States to ensure there is a wide range of payment options which do not unduly discriminate between customers and reflect the costs of the different payments systems
- Within a competitive market an individual supplier should be able to determine which offerings and payment methods he wishes to offer, and to construct offerings linked to particular payment or billing options e.g. internet billing



But

14(ii) Payment methods which are easily accessible to vulnerable customers is a matter for member states and should be in line with other transactions and related policy, for example bills paid directly via social welfare system, or availability of a generic payment process such as paying bills in cash via a post office

- including payment methods which can be easily accessible to vulnerable customers

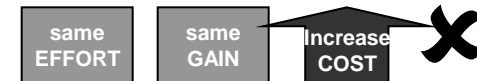


CEER Recommendations: Disagree (12, 15)

12

The final bill should be sent out by the old supplier within less than six weeks after having received the necessary data from the DSO

- Smart metering will provide faster actual readings than manual methods however not all gas customers will necessarily have smart meters
- Retailers already have commercial reasons for wanting to issue a final bill quickly
- There is already a standard, third package requires 'no later than six weeks after the change of supplier has taken place' and this seems sufficient
- Is reducing this time to receive a final bill essential in encouraging more switching or improving the customer's experience of the transfer process?



15

The customer should always have a choice in different billing frequency

- Billing frequency depends on the economics of billing and the billing system used, not on smart meters
- Suppliers offer a range of billing frequency in line with customer preferences
- High cost of bespoke billing frequency would represent a barrier to market entry
- Bill frequency may not be of great interest / relevance to customers with smart meters and appropriate in-home displays
- This recommendation should be omitted



CEER recommendation on switching



- 3** A switch should be executed within less than 3 weeks
- It is a given that for effective market functioning, what the customer has to gain should outweigh the effort to switch
 - Choice from a range of retailers, products, service level and market prices
 - Is reducing the time to switch a priority for customers ?
 - Does the benefit of a lower price becoming effective a few days/weeks earlier outweigh the added cost of reducing the switching period? Particularly for those who use less
 - Smart meters is only one part of the process, and 'back-office' system changes are needed
 - Changing complex industry systems is not straightforward
 - Changing systems and processes often leads to short term 'teething problems'
 - Press coverage of these mistakes can create a barrier to switching in the medium term

Summary

Principles

The most important element of a competitive market is that customers have something to gain from switching

- a range of suppliers, products, service levels and market prices

Good Practice Guidelines helpful to show areas where changes should be considered

- We should look for ways to improve the customer experience
- Implementation of the third package addresses switching and billing
- Billing WG Report addresses bill content

Assess and prioritise recommendations based on cost effective impact

- Recommendations involving changes with high implementation costs must be carefully considered

Recognise the part played by new technology

- In gas, smart gas meters will not be universal; and in electricity smart roll out complete in some MS but not planned for others
- Billing frequency depends on the economics of billing and the billing system used, not on smart meters

Conclusion on Proposed Recommendations

11 ✓ Combined billing represents an important step change

15 ✗ Bespoke billing would represent high additional costs and a barrier to entry

12 ✗ Tightening the timeframe for a closing bill brings little benefit

3 ? Tightening the timeframe for switching needs careful assessment

13 14(i) 16 17 ✓
14(ii) ✗