

Implementation of EC Good Practice Guidance for Billing ERGEG Status Review

The status review was published by ERGEG on 16 September 2010.

Agenda

- **Introduction**
- **Methodology and Objectives**
- **The EC Good Practice Guidance on Billing**
- **Findings**
- **Conclusions**

Background

◆ The 1st Citizens' Energy Forum

- ◆ *advocated the importance of energy billing*
- ◆ *called on energy companies to make their bills understandable, frequent and based on actual consumption.*

◆ The Forum invited the European Commission (DG SANCO) to establish a working group on GPG for billing and present its recommendations.

Background

- ◆ At 2nd Citizens' Energy Forum in London:
 - ◆ *The outcome, the Good Practice Guidance for Billing, as product of discussion among relevant stakeholder representatives was presented.*
 - ◆ *The GPG is intended to serve as a basis for improving billing at national level.*
- ◆ The Forum asked ERGEG “to provide a short monitoring report at the next Forum on the progress towards the implementation of the Working Group’s recommendations”.

Background

The 3rd Citizens' Energy Forum in London

- 1. The Forum welcomed ERGEG's status review on the progress towards the implementation of Good Practice Guidance for billing. The Commission recalled the provisions of the 3rd Energy Package that consumers must be properly informed of actual electricity and gas consumption and costs frequently enough to enable them to regulate their own consumption.***
- 2. Forum welcomed the best practices developed by industry and recalled that all energy companies should make their bills readable, accurate and frequent in conformity with both the Good Practice Guidance for billing and the new legislative provisions.***
- 3. The Forum took note of the consumer experience with billing recommendation implementation. The Forum also noted that while industry participants have the right to design their own bills, they should consult with consumers, consumer groups and regulators during the design process so as to best adapt bills to consumer needs.***

Background

- ◆ ***ERGEG's Costumer Empowerment Task Force (CEM - TF) carried out a status review among National Regulatory Authorities***

Methodology and Objectives

Objectives

- ◆ Depict the status quo of energy billing throughout Member States
- ◆ Review the implementation of the EC Good Practice Guidance on Billing

Methodology

- ◆ Separate questionnaires for electricity and gas - presented online
- ◆ Consulted: 27 Member States plus Croatia, Iceland, Norway and Turkey
- ◆ Complete or partial answers:
 - ◆ 25 countries provided responses for electricity
 - ◆ 24 countries provided answers for gas

EC Good practice Guidance on Billing

A Working Group on Billing set up by DG SANCO

- ◆ The aim: prepare a guidance for billing with recommendations for consumer-friendly energy bills
- ◆ The outcome: Good Practice Guidance for Billing
 - ◆ *encourages a voluntary approach at national level*
 - ◆ *focuses on regular paper bills for households and considers items that should appear in annual reconciliation bills.*
 - ◆ *advocates (on a basis of five country best practices) billing principles and requirements that may be put into practice through 3 different options: code of conduct, bill validation process, new legislation.*

EC Good practice Guidance on Billing

The Guidance contains

- ◆ an extensive list of billing content items
- ◆ a prioritisation of items
- ◆ It sums up 10 recommendations on energy billing
- ◆ „Billing as a key source of information for energy customers, vital to play an active role in the market, manage one’s own energy consumption and costs and make an informed choice.”
- ◆ The Good Practice Guidance for Billing promotes a voluntary approach to respect national diversity
- ◆ Three options are well-chosen examples but not an exhaustive list of approaches. Other, different options are possible and may be more suitable within national context.

Findings

Requirement'' can be: legal requirement or provision

Customers' opinion on bills:

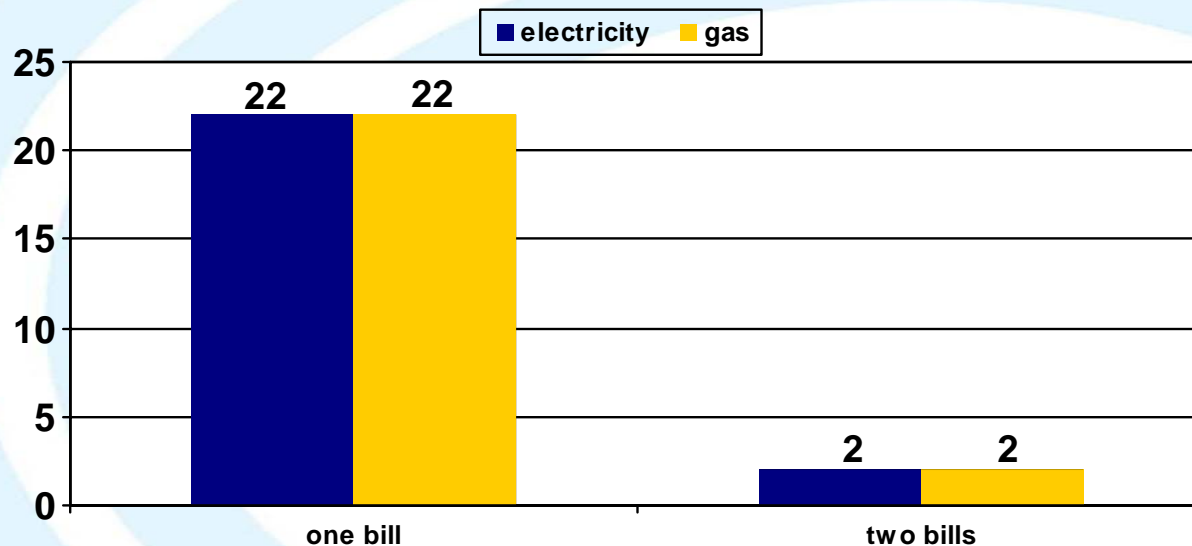
- ◆ Customers think bills are not user-friendly or understandable
- ◆ Knowledge of the customers' opinion is quite limited
- ◆ Further research by Member States would be necessary to gain insight into this complex matter

Billing frequency:

- ◆ The yearly bill is still the standard, and in 7 countries in particular it is the predominant frequency
- ◆ Frequent information on consumption – through bills or other statements – is vital to allow customers to act energy efficiently.

Findings

In general, do household customers in your country receive...
two bills (one for network, one for energy consumed) or
one single bill (covering both, network and energy consumed)?



In the majority of countries, customers receive combined bills covering supply and network.

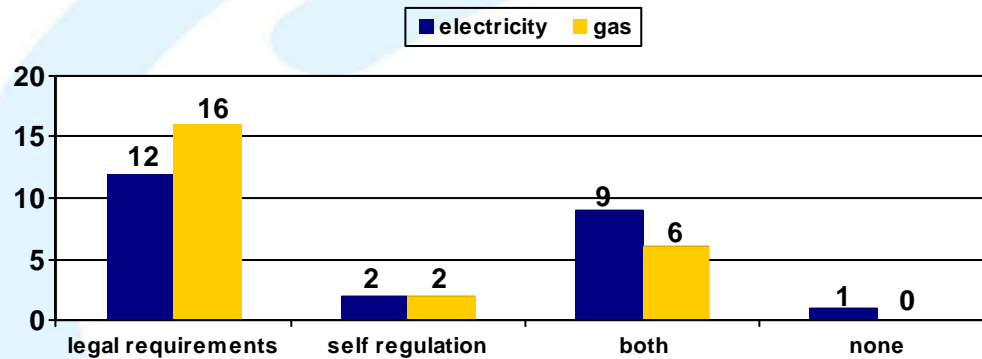
In some countries, customers receive two bills when they switch from the incumbent to an alternative supplier.

- Could be a source of market distortion by hindering customers from switching suppliers.

Poland: *In general household consumers receive one bill. If consumers changed the supplier they have to have two separated contracts. Consumers receive two bills – one prepared by the DSO and the second one prepared by the energy supplier.*

Findings

Are there some requirements regarding bills in your country in place?



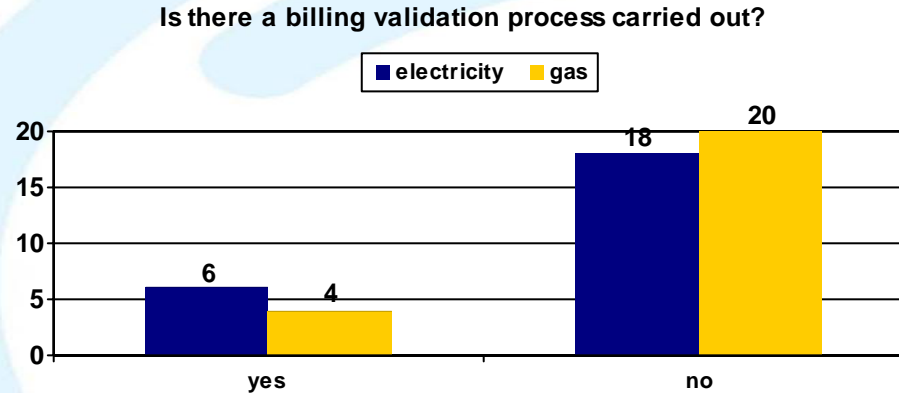
The majority of countries have chosen the option of **legal requirements** to ensure quality of energy bills.

In addition, some countries have a **combination** of legal requirements and self-regulation of service providers.

→ Stronger position than to rely entirely on self-regulation by industry

Poland: *legal requirements*

Findings



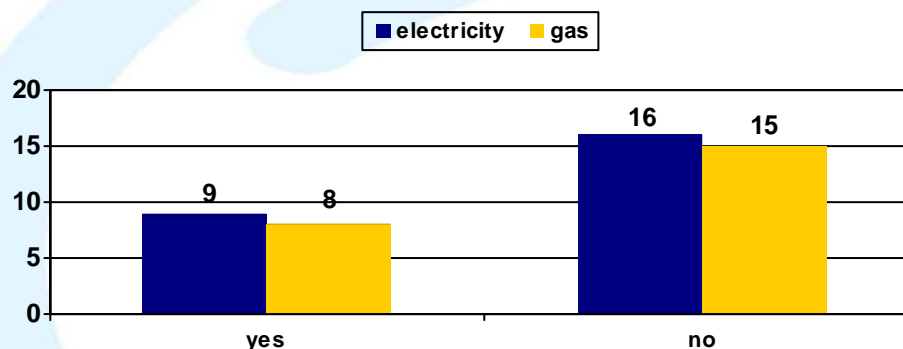
6 countries report that there is a billing validation process carried out for electricity bills.

In 4 countries a billing validation process is carried out for gas.

→ Other measures may be deemed more suitable according to country-specific situations.

Findings

Is there a code of conduct for DSOs/suppliers regarding billing activities?



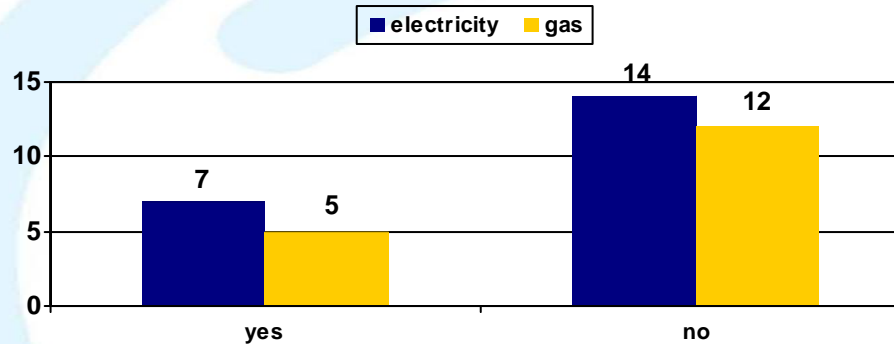
In about one third of countries a code of conduct has been signed with industry to make bills more understandable for customers.

→ Often a Code of Conduct is seen as an additional measure to better customer service regarding billing

Poland: *The Polish Regulator prepared a code of conduct and presented the code to use it by the energy entrepreneurs.*

Findings

Has a responsible authority for billing review process been defined?



7 or 5 countries for electricity or gas respectively have defined an authority responsible for billing review.

→ This is very likely to be the National Regulatory Authority.

Findings

Other activities and measures taken:

A majority of countries report that there are activities and measures taken or envisaged (either by authorities and/or the industry) to make bills more understandable for customers.

- Measures may vary according to country specific situations.

Poland: *Some suppliers and DSOs are publishing on its websites information how to read bills. Some of them are publishing projects of bills with explanation for consumers. Consumers can contact with a hotline to talk with experts how to read a bill. The Regulator organized and is currently organizing conferences. The Regulator also published communications to explain bills for consumers. Other measures - The Regulator prepared a short film concerning the issue, activity of the Energy Ombudsman.*

Findings

Content of the bill:

Information necessary to handle the payment of the bill (what, how and when to pay) is delivered to the customer in a majority of countries.

No requirements to include information which is useful for the customer to compare offers (such as consumption for 12 months, energy price(s) per kWh, etc.)

→ Improvements necessary to enable customers to participate actively in a well-functioning market.

Conclusions

ERGEG stresses the need for comparable information to ensure that customers are treated fairly, get the best possible deal available and are empowered to exercise their right to choose on an open market.

This information does not necessarily have to be presented through billing.

When equipped with a smart meter, the customer should receive, at a minimum of once a month, information on consumption as well as costs. This information should be free of charge.

Beyond paper bills, other means to inform customers on their consumption and costs may also be relevant, like e.g. e-bills, other statements (e.g. SMS, email, etc).

Conclusions

Better insight into customer's opinions of their energy bills could help determine the relevant measures (either legal or voluntary) to improve the bills.

ERGEG stresses the need for clear information within the bills to enable customers to compare offers:

- ◆ consumption for 12 months
- ◆ energy price(s) per kWh,...

Any obstacle and discrimination among suppliers from DSOs within vertically integrated companies, towards billing practices, has to be avoided.

Thank you