

EXPLANATORY MEMORANDUM TO
THE ELCTRICITY AND GAS (BILLING) REGULATIONS 2014

2014 No. 1648

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

2. Purpose of the instrument

2.1 This instrument modifies the standard conditions in electricity and gas supply licences in Great Britain to ensure that billing of gas and electricity is based on actual consumption at least once a year, that consumers have regular access to bills and billing information free of charge and that on request suppliers provide electronic billing and an easily understandable explanation of how a bill was derived.

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

3.1 None

4. Legislative Context

4.1 This instrument transposes the requirements of Articles 10 and 11 of the Energy Efficiency Directive (“the Directive”)¹ as they relate gas and electricity consumers without smart meters. Articles 10 and 11 set out requirements on billing frequency and billing based on actual consumption, 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.

4.2 The standard conditions of supply licences granted under the Electricity Act 1989 and the Gas Act 1986 provide a framework for placing enforceable obligations on those that hold licences to supply gas and electricity within Great Britain. This instrument modifies those standard licence conditions to ensure that suppliers are required to act in ways which are in accordance with the Directive.

5. Territorial Extent and Application

This instrument modifies licence conditions for the supply of gas and electricity in England, Wales and Scotland.

6. European Convention on Human Rights

As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

¹ Directive 2012/27/EU. OJ No L 315, 14.11.2012, p1.

7. Policy background

7.1 The aim of the Directive is to drive improvements in energy efficiency across the EU. It is intended to put the EU on track to reduce energy use by 20% by 2020. Articles 10 and 11 set out requirements on billing frequency and billing based on actual consumption, 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. These requirements contribute to the overall objective of the Directive by ensuring consumers are able to regulate their own energy consumption and improve the efficiency of their energy use. It serves to address market failures around consumers' imperfect information by setting minimum requirements around the frequency and accuracy of billing and the provision of billing information.

7.2 Existing supplier licence conditions mean that the GB market is already compliant with the vast majority of the requirements, but in order to ensure that full compliance, this instrument amends suppliers' licence conditions to require suppliers to:

- obtain a meter reading at least once a year;
- provide customers with billing information at least twice a year (for example, through sending a bill as is currently the general practice);
- pass on a customer's historical consumption data to an energy service provider at the customer's request;
- offer the option of electronic billing;
- provide customers with a clear and understandable explanation of their bill when they request it;
- provide bills free of charge.

7.3 A Transposition Note is attached at Annex A.

8. Consultation outcome

8.1 A consultation document published on 13 January asked stakeholders for views on this approach to implementation and for comments on proposed changes to licence conditions which would do this. We received 10 responses from stakeholders including five from major suppliers, two from smaller suppliers, one non-domestic supplier, one licence exempt supplier and one industry trade body. Responses to consultation were supportive of the approach and provided comments on the wording of some of the licence condition changes.

8.3 Other government departments were consulted and were supportive of the approach implementing the requirements of Articles 10 and 11 of the Directive.

9. Guidance

A Government response to the consultation was published which provided clarification to points raised. There is not an intention to publish separate formal guidance.

10. Impact

A full impact assessment has been prepared on the effect these regulations will have on the cost of business and the voluntary sector and has been found to be fit for purpose by the RPC. This estimated the equivalent annual net cost to business (EANCB) figure to be £1.5 million. These costs arise from additional billing requirements for energy companies. No impact on the public sector is foreseen over and above existing enforcement of licence conditions undertaken by Office of Gas and Electricity Markets (Ofgem).

11. Regulating small business

- 11.1 The costs of this policy will be borne entirely by energy suppliers, some of whom are small or micro business according to the Better Regulation definition, which defines them as having up to 49 full time employees.
- 11.2 There can be no exemptions from this regulation for small and micro businesses. The EU EED is clear that the requirements it sets out apply to all energy consumers, regardless of whether their supplier is a small or micro business or not.

12. Monitoring & review

Supplier licence conditions are subject to regular review and amendment by the Office of Gas and Electricity Markets (Ofgem). Between now and 2017 this will include consideration of metering arrangements with the roll out of smart meters and consideration of the information provided to consumers as Ofgem reviews its Retail Market Review remedies.

13. Contact

Patrick Whitehead at the Department of Energy and Climate Change (Tel: 0300 068 6748 or email: patrick.whitehead@decc.gsi.gov.uk) can answer any queries regarding the instrument.