

Mr Dennis Berg
Consumers and Competition
Ofgem
9 Millbank
London
SW1P 3GE

18th November 2017

Dear Mr Berg,

Protecting consumers who receive back bills

Verastar supplies gas and electricity services exclusively to micro businesses and have viewed the consultation in relation to proposals that affect micro business consumers. We do not agree that a 12 month back billing limit should apply to businesses of any size and believe there should be a clear separation of how domestic and non domestic consumers should be treated with back billing limits remaining the same for non domestic consumers.

1. Do you agree with our assessment of the consumer harm? Both for domestic and micro business consumers

The evidence presented for micro business consumer harm does not appear to be as significant in comparison to domestic consumers. Both Citizen's Advice and the Ombudsman reported fewer micro business cases relating to back billing with Figure 2 showing evidence that between 2012 and 2017 Ombudsman cases have increased by 3%. However the total number of cases has fallen by 18% which suggests that the proposals are unnecessary for micro businesses consumers.

Although Verastar agrees that back billing for a long period of time can cause consumer harm, we believe that both domestic and non domestic consumers are already protected under the Standards of Conduct conditions which confirm that supplier's should act promptly to put things right when the licensee makes a mistake.

2. Do you agree with the way we are proposing to implement a back billing limit and the other effects of our proposed licence modification?

Verastar is of the opinion that non domestic consumers should not receive the same protection as domestic consumers. It is reasonable that business owners should be aware that they need to pay for energy that they consume and be in a position to cover unexpected business costs when they arise. Supplier's should be proactive in making suitable payment arrangements for consumers who have received a large back bill and not be limited to back billing for a maximum of 12 months.

Ofgem recognises the differences between consumers and businesses to the extent they have different licenses for each group, different definitions of domestic and micro business consumers and different standard licence conditions and therefore believe that different back billing limits should apply.

We question the timing of the rollout of obligations limiting back billing to 12 months prior to the rollout of smart meters. Smart meters would significantly reduce the need for back bills as actual and accurate readings will replace the need for estimated bills and feel that the back billing obligation is premature.

3. Do you agree with our assessment of the costs to suppliers?

The supplier cost implications are based on the idea that most suppliers are already limiting back bills to 12 months. The consultation advises that 12 out of 17 non domestic suppliers apply a 12 month back billing limit and that there would not be a big upfront cost for the majority of non domestic suppliers serving micro businesses. As of 20th November 2017, there are approximately 43 non domestic electricity suppliers and approximately 68 non domestic gas suppliers. Participation of all these suppliers do not appear to be quantified and a number of non domestic suppliers will be making a significant step in reducing back billing policies from 3-4 years to 12 months which would carry cost and resource not considered by Ofgem.

4. Do you agree with the proposed implementation period?

We have no comments on the proposed implementation period.

If you have any queries please do not hesitate to contact me on 0161 946 4634.

Yours Sincerely,

Laura-Jayne Owen
Compliance Officer