

# HOW WILL THE NEW OFGEM REGULATIONS IMPACT ENERGY PROVIDERS?



In March 2018 Ofgem, the independent energy regulator, announced its decision to formally ban Gas and Electric suppliers from backbilling consumers for energy which was consumed over a year ago.

The move came after a review found the voluntary agreement amongst energy providers, to not backbill customers past the 12-month mark, was not being adhered to by suppliers outside of the Big 6, leaving many customers struggling financially when large unexpected energy backbills arrived.

**£1,160**

the median value of a backbill

**24 months**

the median length of a backbill period

**Over £10k**

in extreme cases of backbill value

**Backbilling**

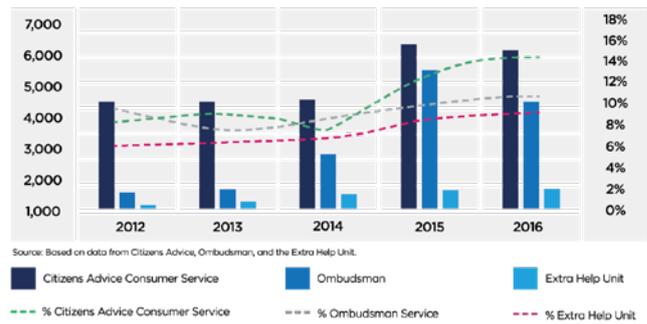
is one of the main reasons consumers contact the Citizens Advice Consumer Service and the Ombudsman

**Over 11k**

cases were reported to the Financial Ombudsman and Citizens Advice

Wasting no time, Ofgem have announced that the new regulation will come into force in May 2018 and the message is clear, Energy providers need to focus on billing accuracy and improving customer experience. This decision, although good news for consumers, represents an additional challenge to Energy providers in an increasingly competitive and complex industry.

**Domestic backbilling cases 2012-2017 - total backbilling cases and backbilling cases as proportion of total cases**



With the backbill safety-net being removed, it is imperative that Energy providers act quickly to minimise the negative impact this will have on Revenues. It is estimated that total backbill value, for domestic customers, is greater than £15m annually, although estimates should be treated with caution, the figure may be higher as it does not consider customers who paid or resolved their bills directly with the supplier (or another consumer body). As May 2018 draws closer, the priority for energy providers will be to identify the root causes behind inaccurate billing which have driven the need to back bill consumers.

Ofgem continues to urge energy suppliers to use Smart Meter technology to improve billing accuracy, and reduce their reliance on estimated bills. However, the Smart Meter roll-out has faced its own challenges, as uptake (only 8.6million fitted to date) is well below target. Coupled with rising costs and the Government’s decision to downgrade the 2020 compulsory requirement for ‘every household to have a Smart Meter’ to a target that ‘every household should be offered a Smart Meter’, means this long-term solution won’t be ready to overcome the challenges any time soon. Without Smart Meters to mitigate the impact of billing issues, energy suppliers need to engage the right resources to make amends.

As Revenue Assurance experts, Sagacity have over 15 years’ experience working alongside clients to identify and reduce instances of Revenue Leakage and ensure billing completeness, accuracy and timeliness. With experience working with both Big 6 Energy providers and smaller suppliers, Sagacity are able to provide a breadth of Revenue Assurance services tailored with comprehensive industry knowledge and access to our innovative analytics tools.

Sagacity’s results speak for themselves, in recent years we have found 1-5% saving in revenue leakage across Energy and Utilities clients. At one energy client, we’ve identified £74 million of revenue leakage in the first year alone.