

# **Explanatory Memorandum to**

## **The Electricity and Gas (Billing) Regulations (Northern Ireland) 2009**

**2009 No 215**

### **1. Introduction**

- 1.1 This Explanatory Memorandum has been prepared by the Department of Enterprise, Trade and Investment to accompany SR (details above) which is laid before the Northern Ireland Assembly.
- 1.2 The Statutory Rule is made under section 2 (2) of the European Communities Act 1972 and is subject to the negative resolution procedure. The rule is due to come into operation on 22<sup>nd</sup> June 2009.

### **2. Purpose**

- 2.1 These Regulations will require suppliers of electricity and gas in Northern Ireland to provide domestic consumers with historical consumption information on their bills or statements of accounts. The information required is a comparison of customer's energy or gas consumption covered by the period of the bill or statement with that for the corresponding period in the previous year. In addition these regulations also give effect to Article 13 Regulation EC No. 1775/2005 by adding the Regulation to the definition of 'relevant requirements' under the financial penalty power contained within Article 45 (1) and Article 45 (11) of The Energy (Northern Ireland) Order 2003.

### **3. Background**

- 3.1 These Regulations implement Article 13 3 (b) of the EC Directive 2006/32/EC on Energy End Use Efficiency and Energy Services Directive (ESD). This requires member states to ensure that, where appropriate, comparative information is made available on or with bills showing the customer's consumption for the same period in the previous year, preferably in graphical form.
- 3.2 The Regulations follow closely the Electricity and Gas Billing Regulations 2008 which implement Article 13 3 (b) of the Directive in Great Britain. The NI regulations differ from the GB Regulations in that they amend Article 41(2) of the Energy (Northern Ireland) Order 2003, whereas the rules of the GB Regulations are inserted into supply licences.
- 3.3 The Regulations also give effect to Article 13 (2) of Regulation EC No. 1775/2005 which aims to set non-discriminatory rules for access conditions to natural gas transmission systems taking into account the specificities of national and regional markets with a view to ensuring the proper functioning of the internal gas market. In particular Article 13 requires that member states both establish provisions to penalise infringements of the Regulation and 'take all necessary measures to ensure that the penalties are implemented'.

- 3.4 The EU Energy End-use Efficiency and Energy Services Directive (ESD), agreed in December 2005, requires Member States to develop national action plans for achieving a 1% target for saving energy from end-users (that is, final customers). The Directive also contains a series of provisions designed to improve energy efficiency. Within Article 13 of the Directive there is a specific requirement for member States to ensure that, where appropriate, energy suppliers make available on bills comparative historic information.
- 3.5 The Energy White Paper (May 2007) set out the Government's proposal for suppliers to provide customers with historic information, preferably in graphical form, comparing energy use in one period with the same period in the previous year. This addressed the ESD requirement for the provision of such data, but was also intended to wider carbon emissions reduction targets across the UK.
- 3.6 This requirement does not cover business customers, as it is recognised that business customers' circumstances, needs and requirements differ from those of domestic customers. There is a growing market in energy services to business customers, and DETI envisages the provision of other measures that would incentivise carbon-saving in this sector. To date there is no evidence to suggest that provision of comparative historical information of this kind required by this Statutory Instrument would be likely to induce behavioural change in the business sector.
- 3.7 This requirement will come into force on 22 June 2009. DETI wish to introduce this measure as soon as possible to maximise the potential for reduction in carbon emissions and to ensure full timely compliance with the Energy End Use Efficiency and Energy Services Directive.

#### **4. Consultation**

- 4.1. A consultation was carried out on the proposed Regulations under Article 13(3) (b) of the Energy End Use Efficiency and Energy Services Directive and Article 13 of Regulation EC No 1775/2005 by DETI between 7 April and 19<sup>th</sup> May 2009.
- 4.2 DETI received thirteen responses to this consultation. The responses largely fell into the category of agreeing to the approach on electricity and gas billing being proposed by DETI. Of the thirteen responses, two made no specific comments in relation to the proposed billing regulations. However there was broad support from the majority of the remaining respondents to the proposal, provided that flexibility was allowed in its provision, for instance, in terms of whether the information was provided graphically or not.
- 4.3 Two respondents commented that in their view the regulations were inequitable as they did not apply to the oil industry and therefore had concerns around the competitive position of natural gas suppliers versus oil suppliers. The Regulations do present potential for possible cost implications for all energy suppliers but the Department is of the view that given the intention to implement the minimal requirements under the Regulations and allow energy suppliers an innovative approach as to how they present the information that this approach should deliver the most cost effective outcome. However one of these respondents did recognise that the Department is seeking to improve the

information that is provided to customers and is supportive of the Departments' approach to allow suppliers flexibility in how information is presented.

- 4.4 Small fuel suppliers are essentially exempt from the Directive. The Department maintains the view that, given the nature of the market for fuels other than natural gas and electricity, and the use of these fuels that it would not be practicable or in some cases possible, for suppliers to provide comprehensive and accurate information in relation to historical use.
- 4.5 Following consideration of the consultation responses, the Department has decided to implement the proposal. The requirement will be to provide historic information, which compares energy usage in one billing period with the same period the previous year, on all domestic customers' energy bills or statements, or electronically for those customers with internet based access to their accounts.
- 4.6 In the consultation document, the Department stated a preference for the information to be provided in graphical form. It said however, that it would not make this a requirement, as it recognised that energy suppliers should be allowed the flexibility to innovate and differentiate their offers in these areas. The Department also said that the data provided might cover total energy used over the comparative period or be average data that is, a simple comparison of total energy use between two or more periods or a comparison using average daily, weekly use etc.). The Department has not changed its position on either of these matters as a result of the consultation.
- 4.7 The requirement does not cover business customers, as the Department recognises that business customers' circumstances, needs and requirements differ from those of domestic customers. There is a growing market in energy services to business customers, and the Department envisages the provision of other measures that would incentivise carbon-saving in this sector. However, it has seen no evidence that provision of comparative historical information of the kind required by this Statutory Rule would be likely to induce behavioural change in the business sector.
- 4.8 There were no comments from any respondents in relation to the proposal to give effect to Article 13 (2) of Regulation EC No. 1775/2005 which aims to set non-discriminatory rules for access conditions to natural gas transmission systems taking into account the specificities of national and regional markets with a view to ensuring the proper functioning of the internal gas market.

## **5. Equality Impact**

- 5.1 The Regulations have been screened for section 75 equality impacts and has not been found to produce any differential impact.

## **6. Regulatory Impact**

- 6.1. The impact assessment for the Energy Billing and Metering Regulations is attached to this memorandum at Annex A. This was update following the consultation.

- 6.2 There is no impact on the public sector as this Statutory Rule applies only to private sector business.
- 6.3 If Northern Ireland does not properly implement the Directive then the United Kingdom is left open to infraction proceedings, the result of which would be a proportionate financial fine. The option not to implement is not carried forward. The second option of implementing Article 13(3) (b) would mean Northern Ireland would be compliant with EC law. Regulations would be introduced to require that gas and electricity suppliers should provide information, in graphical form, about a customer's gas and electricity use in a comparable period from the previous year. Similarly, the option to support and adopt Article 13 of Regulation EC No.1775/05 in its current form would mean that Northern Ireland would be in line with EU Regulations and would establish provisions to penalise infringements of the Regulation. This would allow NIAUR to take all necessary measures to ensure that the penalties are implemented
- 6.4 In considering policy and the legislation in GB, it was concluded that Northern Ireland should make its own regulations, but that there was no specific policy reasons why the regulations should differ materially from those made for Great Britain. It was also considered that there was merit in following the GB model for consistency's sake and so that there should be no source of confusion for industry.

## **7. Financial Implications**

- 7.1 The necessary changes to the electricity and gas billing will require modifications to electricity and gas suppliers billing systems that will incur additional costs. The Department is content to allow suppliers a flexible approach in meeting these regulations that will allow suppliers to deliver the best outcome by the most cost effective means. One gas supplier has indicated that it will incur significant costs to make the required changes, however the Northern Ireland Authority for Utility Regulation (NIAUR) has confirmed that the price control determination does include an allowance for billing and it is up to the company as to how they best use that allowance. NIAUR is of the view that given the intention of the Department to implement minimal requirements under the Regulations that there will be no need to revisit the price control.
- 7.2 The introduction of non discriminatory rules for access to gas networks is an enforcement role. There are no financial implications for DETI.

## **8. Section 24 of the Northern Ireland Act 1998**

- 8.1 These Regulations do not contravene section 24 of the Northern Ireland Act 1998.

## **9. EU Implications**

- 9.1 A transposition note is available at Annex B. The proposed legislation does the minimum necessary to comply with the Directive and to avoid infraction proceedings – no "Gold Plating" was considered necessary.

## **10. Position in Great Britain**

10.1 The equivalent GB regulations were inserted as rules into supply licences and came into force on 1 January 2009. Since the coming into operation of the GB regulations all domestic suppliers will now be compliant. At least one supplier was complained before the 1 January in any case.

## **11. European Convention on Human Rights**

11.1. Not applicable. The instrument is subject to negative resolution procedure and does not amend primary legislation, therefore no statement is required.

## **12. Matters of special interest to the Enterprise, Trade and Investment Committee**

12.1 The objective of the Electricity and Gas Billing Regulations is to provide consumers with timely and accurate information to allow them to make more informed choices about their energy use and cost. It is hoped that the provision of better billing information will empower consumers to act more quickly to reduce energy usage and therefore achieve energy cost savings.

**DEPARTMENT OF ENTERPRISE, TRADE AND INVESTMENT**

## THE ELECTRCITY AND GAS BILLING REGULATIONS (NORTHERN IRELAND) 2009

### TRANSPOSITION NOTE

1. This note sets out the way in which The Electricity and Gas Billing Regulations (Northern Ireland) 2009 transpose Article 13 3 (b) of the EC Directive 2006/32/EC – The Energy End Use Efficiency and Energy Services Directive, and how Article 13 of Regulation EC 1775/2005 is given effect.
2. The Electricity and Gas Billing Regulations (Northern Ireland) 2009 apply only in Northern Ireland.
3. The table below sets out how the regulations implement the requirements of Article 13 3 (b) of the Energy End Use Efficiency and Energy Services Directive and give effect to Article 13 Regulation EC No. 1775/2005.

ARTICLE	OBJECTIVE	IMPLEMENTATION	RESPONSIBILITY
Article 13 3 (b)	<p>Requires Member States, where appropriate, to ensure that the following information is made available to customers in clear and understandable terms in or with their energy bills or receipts:</p> <ul style="list-style-type: none"><li>• Comparisons of the final customer's current energy consumption with consumption for the same period in the previous year, preferably in graphic form.</li></ul>	<p>Legislation required.</p> <p>The Electricity and Gas Billing Regulations (Northern Ireland) 2009.</p> <p>The Department has decided not to require suppliers to provide historic information to business customers, as the Department considered it was not appropriate to do so. It accepted the view expressed by many consultation respondents that business customers' needs differ from those of domestic customers and that suppliers see this as a key area of innovation, competition and product differentiation.</p>	The Department of Enterprise, Trade and Investment

<p>Article 13 Regulation EC No. 1775/2005</p>	<p>To add Article 13 of Regulation EC No. 1775/2005 to the definition of 'relevant requirements' under the financial penalty power contained within Article 45(1) and Article 45(11) of The Energy (Northern Ireland) Order 2003.</p> <p>Article 13 requires that Member States both establish provisions to penalise infringements of the Regulation and 'take all necessary measures to ensure that the penalties are implemented'.</p>	<p>Legislation required.</p> <p>The Electricity and Gas Billing Regulations (Northern Ireland) 2009.</p>	<p>The Department of Enterprise, Trade and Investment</p>
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## **REGULATORY IMPACT ASSESSMENT**

### **ELECTRICITY AND GAS BILLING REGULATIONS 2009**

#### **IMPLEMENTATION IN NORTHERN IRELAND OF:**

- (i) **ARTICLE 13 (3)(b) OF THE ENERGY END - USE EFFICIENCY AND ENERGY SERVICES DIRECTIVE 2006/32/EC**
- (ii) **ARTICLE 13 OF REGULATION EC NO 1775/05 CONCERNING THE SETTING OF NON-DISCRIMINATORY RULES FOR ACCESS CONDITIONS TO NATURAL GAS TRANSMISSION SYSTEMS**

#### **1. Title of proposal**

1.1 The Electricity and Gas Billing Regulations (Northern Ireland) 2009 which implement Article 13 3 (b) of the EC Directive 2006/32/EC on Energy End Use Efficiency and Energy Services Directive (ESD). In addition these regulations also give effect to Article 13 of Regulation EC No. 1775/2005.

#### **Energy End-Use Efficiency and Energy Services Directive 2006/32/EC**

1.2 This Regulatory Impact Assessment supports the implementation in Northern Ireland Electricity of Article 13(3) (b) of Directive 2006/32/EC which will require suppliers of electricity and gas in Northern Ireland to provide domestic consumers with historical consumption information on their bills or statements of accounts. The information required is a comparison of customer's energy or gas consumption covered by the period of the bill or statement with that for the corresponding period in the previous year. The objective of the Directive is to increase energy efficiency and improve security of supply by creating a framework for the promotion and development of primary energy savings in the internal energy market, taking into account the specific national circumstances especially concerning climatic and economic conditions.

#### **Regulation EC No 1775/05**

1.3 The Regulation also supports the implementation of Article 13 of the Regulation EC No 1775/05 which aims to set non-discriminatory rules for access conditions to natural gas transmission systems taking into account the specificities of national and regional markets with a view to ensuring the proper functioning of the internal gas market. In particular Article 13 of the Regulation requires that member states both establish provisions to penalise infringements of the Regulation and "take all necessary measures to ensure that the penalties are implemented".



## **2. Purpose and intended effect of measure**

### **2.1. Objective**

#### **Energy End-use and Energy Service Directive 2006/32/EC**

- 2.1.1 The objective of the Energy and Gas Billing Regulations is to provide customers with better information on energy usage to encourage energy efficiency and to reduce carbon emissions. The aim of the proposal is to give consumers improved historical consumption information on their bills or statements of accounts. The regulation is also intended to fulfil the Department's obligation under Article 13 3 (b) of the Energy Services Directive and will allow for full implementation of Directive 2006/32/EC in Northern Ireland thus avoiding infraction under EU law.
- 2.1.2 The intent of Article 13(3) (b) is to place a legal requirement upon gas and electricity suppliers to provide additional historic consumption information on their bills, statements or invoices.

#### **Regulation EC No. 1775/05**

- 2.1.3 The aim of this proposal is to ensure that legal provisions are established to allow for penalising of infringements of Regulation EC No. 1775/05 which relate to non-discriminatory rules for access conditions to natural gas transmission systems. Article 13(2) of the Regulation states that these penalties cannot be criminal in nature. The penalties are therefore civil penalties, similar to those which the Northern Ireland Authority for Utility Regulation (NIAUR) can impose under the Energy (Northern Ireland) Order 2003. The Department therefore intends to give effect to Article 13 of Regulation EC No.1775/05 by adding the Regulation to the definition of 'relevant requirements' under the financial penalty power contained within Articles 45 (1) and Article 45(11) of the "Energy (Northern Ireland) Order 2003".
- 2.1.4 The intent of Article 13 of the Regulation is for Member States to lay down rules on penalties applicable to infringements of the provisions of the Regulation and to take all measures necessary to ensure that they are implemented. The penalties provided for will be effective, proportionate and dissuasive.

### **2.2. Background**

#### **Energy End-Use Efficiency and Energy Services Directive 2006/32/EC**

- 2.2.1 The Department believes that ensuring householders have direct access to information about their energy use within their homes will enable consumers to manage and reduce their carbon emissions. One way of helping customers reduce their energy consumption is to provide additional information on bills or statements. Significant consultation and a partial impact assessment in GB was undertaken and published in 2007. The Department has examined this work and has concluded that repeating this

work in Northern Ireland would not yield significantly different results and therefore has drawn on significant customer focus work and preliminary cost benefit analysis in GB to inform this Regulatory Impact assessment.

2.2.2 The UK is already in receipt of a Reasoned Opinion letter in respect of 2006/32/EC. In Northern Ireland implementation of the Directive has been largely by voluntary initiatives and existing provisions; however this single piece of legislation in respect of electricity and gas billing arrangements is required for complete transposition. Current billing does not include any historical information. Article 13 of Directive 2006/32/EC is only applicable to electricity, natural gas, district heating and/or cooling and domestic hot water. In Northern Ireland current metering is limited to electricity and natural gas.

### **Regulation EC No. 1775/05**

2.2.3 Article 45 of the Energy (NI) Order 2003 (“the Order”) as it was originally enacted, provided for NIAUR to impose a penalty where it was satisfied that a licence holder had contravened or is contravening any “relevant condition or requirement”. A “relevant condition” was a condition of the licence of the licence holder. A relevant requirement, in relation to a gas licence holder, was a duty or other requirement imposed on him by or under an Order made under Article 27(4) (b) of the Order which related to the provision of information.

2.2.4 Therefore, it has been agreed between the Department and NIAUR that the Regulation be implemented into domestic legislation as this is a requirement of EU law.

## **2.3 Risk Assessment**

2.3.1 The regulation is addressing the risk of infraction of an EU Directive. The UK is already in receipt of a Reasoned Opinion letter and the implementation of these Regulations in Northern Ireland is one of only a few remaining outstanding issues to ensure compliance with the Directive. The risk of not implementing the regulations could result in proportionate fines from the EU Commission.

## **3. Options**

### **3.1 Energy End-use and Energy Service Directive 2006/32/EC**

#### **Option 1 – do nothing.**

3.1.1 The Energy End Use Efficiency and Energy Services Directive committed the Department to improving the information customers receive on their energy use. Doing nothing would risk losing potential cost effective energy and carbon saving opportunities and could risk infraction for failure to implement the Directive. If

Northern Ireland does not properly implement the Directive then the United Kingdom is left open to infraction proceedings. This option is not carried forward.

### **Option 2 – Increase Billing / Meter Reading Frequency**

3.1.2 Options to mandate quarterly or monthly billing were considered. However, no evidence base was available to indicate that this measure alone would reduce consumption. These options would potentially improve bill quality but the additional cost of meter reading and bill production would incur significantly greater costs than the chosen policy option with additional CO<sub>2</sub> benefits. This option is not varied forward.

### **Option 3 – Implement the Directive in a prescriptive fashion or allow energy suppliers flexibility**

3.1.3 These options were considered in terms of the best way to implement the selected Regulations. It is felt that implementing in a prescriptive manner may lead to sub optimal delivery as energy suppliers all have different bill styles and understand their own customers needs better than the Department. As such a flexible approach to implementation will allow energy suppliers to implement the policy in the most cost effective way for them while selecting the format they felt will maximise the impact on customers. Allowing energy suppliers flexibility to implementing the Directive is the chosen option.

## **3.2 Regulation EC No. 1775/05**

### **Option 1 – do nothing.**

3.2.1 Under EC law, Member States are obliged to implement Regulations of the European Council and European Parliament. If Northern Ireland does not properly implement the Regulation then the United Kingdom is left open to infraction proceedings, the result of which would be a proportionate financial fine. This option is not carried forward.

### **Option 2 – Implement Regulation.**

3.2.2 The second option is to support and adopt Article 13 of Regulation EC No.1775/05 in its current form. This would mean that Northern Ireland would be in line with EU Regulations and would establish provisions to penalise infringements of the Regulation. This would allow NIAUR to take all necessary measures to ensure that the penalties are implemented. This is the chosen option.

## **4. Benefits**

### **4.1 Energy End-use and Energy Service Directive 2006/32/EC**

#### **Option 3 – Implement the Directive by allowing suppliers flexibility**

4.1.1 This measure aims to improve domestic gas and electricity bills through the provision of historical information on use in an easily understood format. The premise is that such information would help households have a greater awareness of their energy consumption and enable more efficient use of energy. There is however a number of key assumptions that must be taken into account

in estimating the benefits from the chosen option (Option 3 outlined at paragraph 3.1.3 to allow suppliers flexibility to implement the Directive).

4.1.2 It is important to note that assumptions on the reduction in energy saved are based on a literature review of metering, billing and direct display projects (Darby 2006<sup>1</sup>). The literature review highlighted potential energy reduction savings of between 0 and 10 percent in the United States and a range of Scandinavian countries. Although there were many studies included in this review, none is directly applicable to the introduction of better billing in the UK context. The studies often combine a number of other energy efficiency measures implemented at the same time as providing improved billing information and there are difficulties in singling out the specific impacts of these measures. Differences in climates, problems of small trial sizes and self-selecting response groups add to the uncertainty. The assumptions adopted therefore are relatively cautious, based closely on a GB analysis and are outlined below.

- The provision of historical information is assumed to incur a one-off cost of £0.17 per bill per customer. This largely relates to the system and additional information requirements associated with provision of historical information, as well as production/paper costs. Sensitivities around this value have been tested (£0.10, £0.25). This is annuitised over a five year period, assuming a cost of capital of 10 per cent, corresponding to an annual cost of £0.04 per meter per year. No additional costs associated with customer services have been assumed, as it is assumed this will be derived through existing energy efficiency channels.
- There is uncertainty over the potential change in customer behaviour resulting from this measure, and how long any change might persist. Therefore relatively small changes in energy saved have been assumed – 0.25 per cent with sensitivities of 0.1 per cent and 0.5 per cent around this. These reductions are assumed to persist over 15 years with a low and high sensitivity of 10 and 20 years respectively.
- The value of energy saved is in line with the Department of Energy and Climate Change (DECC) energy price forecasts. Other assumptions – for example the social cost of carbon (£87 in 2008) increasing by £1 pa) and the discount rate, are in line with HMT Green Book guidance, and the timescale the policy is considered over is 2008-2034, in order to adequately capture the benefits from consumption reduction over time.
- The assumptions have been combined to give the biggest range of costs and benefits – so the low energy reduction assumptions are associated with the high supplier side costs and vice-versa.

## 4.2 Regulation EC No. 1775/05

4.2.1. The main benefit of implementing Article 13 of the Regulation would be that Northern Ireland provisions would be in line with EU Regulations and therefore would not be subject to infraction proceedings, and consequently a proportionate financial fine.

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<sup>1</sup> Sarah Darby, 2006, 'The Effectiveness of Feedback on Energy Consumption' Defra

### **4.3 Business Sectors affected**

4.3.1 These regulations will affect the electricity and gas suppliers in Northern Ireland. The Department does not believe that the Regulations will have a material impact upon competition. The requirement applies equally to all licensed electricity and gas suppliers. It is very unlikely to affect the market structure, and it will not lead to significantly higher set –up costs or present any new barriers to market entry for new or potential suppliers.

### **4.4 Other Impact Assessments**

#### **Legal Aid**

4.4.1 The requirement will not introduce new criminal sanctions or civil penalties for those eligible for legal aid, and would not therefore, increase workload of courts or demand for legal aid.

#### **Sustainable Development**

4.4.2 The requirement is designed to reduce energy use and carbon emissions and to promote energy efficiency. It will provide customers with a tool with which to manage their energy consumption, enabling them to take greater personal responsibility for environmental impacts of their own behaviours and contribute to the need to live within environmental limits.

#### **Carbon Assessment**

4.4.3 The implementation of Directive 2006/32/EC should lead to overall energy reductions of around 1% per annum in Northern Ireland and there will be consequential and directly related CO<sub>2</sub> emission reductions with the energy savings.

#### **Health**

4.4.4 The proposal raises no apparent health issues.

#### **Race Equality**

4.4.5 After initial screening as to the potential impact of this regulation on race, disability and gender equality it has been decided that there will not be a major impact upon minority groups in terms of numbers affected or the seriousness of the likely impact, or both.

#### **Gender Equality**

4.4.6 The proposal raises no apparent gender equality issues

#### **Human Rights**

4.4.7 The proposal raises no apparent human rights issues.

## **Rural Proofing**

4.4.8 The proposal raises no apparent rural issues.

## **5. Costs**

### **5.1 Energy End-use and Energy Service Directive 2006/32/EC**

#### **Option 3- Implement the Directive – allow suppliers flexibility**

##### **Compliance costs**

5.1.1. There will be no direct costs to the Department or NIAUR. However there will be one –off costs to energy suppliers for bill and system re-design. In the main these one off costs are expected to fall within the first year with an ongoing average annual cost. In GB these costs are estimated as a one-off cost of £9.4 m with average annual cost equating to £0.1m. In Northern Ireland, the use of a common service provider for electricity (NIE Plc ), a relatively small number of second tier electricity suppliers and only two gas companies, mean that the total one –off cost may be lower, (estimated at £1.5m in total) with average annual costs equating to £300,000.

##### **Other costs**

5.1.2 The other key non-monetised costs by the main affected groups i.e. suppliers and consumers are that the addition of more information to domestic utility bills may make bills more complex and difficult to interpret. However the flexible approach to the provision of this information means that suppliers can chose an innovative approach to supplying this information, which may not necessarily be on the bill itself. The costs of the continuous benefits in emissions savings and energy use reduction is difficult to quantify, however an extrapolation of the GB analysis (using the social price of carbon) suggests that annual benefits of up to £3 million could be realised through energy and carbon savings if behavioural responses assuming a 0.25 reduction in consumption persisting for 15 years are achieved.

##### **Costs for a typical business**

5.1.3 Anecdotal evidence which has been verified by local consultation has indicated that the required changes to the billing systems are technically feasible but that significant cost could be incurred. One gas supplier has indicated that costs might be in the region of £100-£200 k to make amendments to their billing systems. There is evidence to suggest however that the overall cost of billing systems is falling and even the most modest of systems now available can provide high degrees of functionality.

### **5.2 Regulation EC No. 1775/05**

5.2.1 There will be no direct costs to the Department, NIAUR or Northern Ireland consumers as this is solely a mechanism to allow NIAUR to take all necessary

measures to ensure that the penalties of the Regulation are implemented. The only costs that may occur would be for those gas companies who are deemed by NIAUR to have infringed on the rules of the Regulation.

## **6. Consultation with Small Business: The Small Business Impact Test**

- 6.1 Implementation of Article 13(3) (b) of Directive 2006/32/EC and implementation of the provisions of Article 13 of the Regulation EC No. 1775/05 affect only electricity and gas suppliers. This being the case, the Department's initial view was that the impact on small firms would not be significant. The requirement falls equally upon suppliers of electricity and gas, including small suppliers. The consultation asked specifically if small suppliers should be allowed more time to implement the requirement but no respondents argued in favour of this. No other specific issues for small suppliers were raised in response to the consultation. The Department therefore concludes that there is no particular or disproportionate impact on small businesses.

## **7. Enforcement and Sanctions**

- 7.1 The requirement will come into force from the 22 June 2009. The Department wishes to introduce the measure as soon as possible to maximise the potential for reduction in carbon emission, but recognises that energy suppliers require a certain amount of time to make the necessary billing systems changes. The Energy Order will be amended by the Statutory Instrument. The requirement to provide historical consumption information will be enforced by the Department through the Electricity and Gas Billing Regulations (Northern Ireland) 2009.
- 7.2 Article 45 of the Energy (NI) Order 2003 ("the Order") as it was originally enacted provided for NIAUR to impose a penalty where it was satisfied that a licence holder had contravened or is contravening any "relevant condition or requirement". Therefore, it has been agreed between the Department and NIAUR that Article 13 of Regulation 1775/05 be implemented into domestic legislation as this is a requirement of EU law. Therefore compliance with electricity and gas licence conditions is enforced by the Utility Regulator who has the power to impose financial penalties of up to 10% of the turnover of the licensees in the event of a breach.

## **8. Monitoring and Review**

- 8.1 The Department will liaise with the Utility Regulator who will monitor the operation of Northern Ireland electricity and gas companies to ensure that they adopt the new billing regime and adhere to the rules on penalties applicable to infringements of the provisions of the Regulation.

## **9. Consultation**

### **Within Government**

- 9.1 DETI consulted with the Northern Ireland Authority for Utility Regulation (NIAUR), the Consumer Council, the Department of the Environment (DOE), and the

Department for Social Development (DSD), the Energy Saving Trust and the Northern Ireland Housing Executive prior to and during the consultation process.

### **Public Consultation**

- 9.2 A consultation was carried out on the proposed Regulations under Article 13(3) (b) of the Energy End Use Efficiency and Energy Services Directive and Article 13 of Regulation EC No 1775/2005 by DETI between 7 April and 19<sup>th</sup> May 2009. The 6 week consultation period was deemed appropriate as there was considerable time pressure with this Statutory Rule as the EU Commission has now issued a Reasoned Opinion (RO) against the UK for failing to implement some aspects of the Energy Services Directive on which transposition was required by 17 May 2008. It was agreed with the EU Commission that these regulations will be made by the end of May and therefore to facilitate this we had to carry out a quick and targeted consultation exercise over a 6 week period in relation to the provision of the information in question on paper bills or statements of account.
- 9.3 DETI received thirteen responses to this consultation. The responses largely fell into the category of agreeing to the approach on electricity and gas billing being proposed by DETI. Of the thirteen responses, two made no specific comments in relation to the proposed billing regulations. However there was broad support from the majority of the remaining respondents to the proposal, provided that flexibility was allowed in its provision, for instance, in terms of whether the information was provided graphically or not.
- 9.4 Two respondents commented that in their view the regulations were inequitable as they did not apply to the oil industry and therefore raised concerns around the competitive position of natural gas suppliers versus oil suppliers. However one of these respondents did recognise that the Department is seeking to improve the information that is provide to customers and is supportive of the Departments' approach to allow suppliers flexibility in how information is presented.
- 9.5 Small fuel suppliers are essentially exempt from the Directive. The Department maintains the view that, given the nature of the market for fuels other than natural gas and electricity, and the use of these fuels that it would not be practicable or in some cases possible, for suppliers to provide comprehensive and accurate information in relation to historical use.
- 9.6 There were no comments from any respondents in relation to the proposal to give effect to Article 13 (2) of Regulation EC No. 1775/2005 which aims to set non-discriminatory rules for access conditions to natural gas transmission systems taking into account the specificities of national and regional markets with a view to ensuring the proper functioning of the internal gas market.
- 9.7 Following consideration of the consultation responses, the Department's conclusion, based on responses to the consultation and the Impact Assessment, and bearing in mind that the requirements of the Energy End Use Efficiency and



Energy Services Directive, was that it should implement the policy along the lines set out in the Consultation document.

## 10. Summary and Conclusions

- 10.1 Option 3, to implement Article 13 3 (b) of the Energy End Use and Energy Services Directive by allowing energy suppliers flexibility to provide historical consumption data and to implement Article 13 of Regulation 1775/05 is the chosen option. This would allow Northern Ireland to comply with EU law and a flexible approach to implementation will allow energy suppliers to implement the policy in the most cost effective way for them while selecting the format they feel will maximise the impact on customers.
- 10.2 This measure aims to improve domestic gas and electricity bills through the provision of historical information on use in an easily understood format. The premise is that such information would help households have a greater awareness of their energy consumption and enable more efficient use of energy. The estimated cost to consumers is in the region of £0.10 - £0.25 per bill per customer. Energy suppliers will however incur costs to change their billing systems, although the Department is willing to consider innovative solutions that meet the minimal requirements of the Directive thereby minimising costs. The proposal has the opportunity to deliver energy and environmental savings to Northern Ireland assuming that customer behaviour responses are as expected. The policy will be reviewed to establish the actual cost and benefits and the achievement of the desired effects in 2012.

## 11. Declaration

"I have read the Regulatory Impact Assessment and I am satisfied that the benefits justify the costs".

Signed: 23<sup>rd</sup> May 2009.

Date:



**ARLENE FOSTER MLA**  
**Minister of Enterprise Trade and Investment**

## Contact Point

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