

Stockholm 2013-05-02

NordREG  
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## **Comments on Gaias report “Payment requirements with combined billing”**

Oberoende Elhandlare (OE) attended the hearing in Helsinki on the 18 April, but would also in this way like comment on the Gaia report.

OE considers the report is well implemented and supports the conclusions that model 1 is the one that provides the most benefits and best match NordREG's guidelines for the introduction of supplier centric with combined billing (SCM) in the Nordic countries.

OE would, however, make comments on the following points:

### **1. Management of credit risk when the supplier takes over the billing of electricity grid charges**

OE do not think it is any need for any requirement for credit guarantees or other form of security to solve the credit risk incurred by the TSOs when the suppliers are taking over customer invoicing.

OE has been working with the issue of managing the changing credit risk for the TSOs that arise when implementing SCM. OE's assessment is that the risk for the TSO is very small. There are already incentives for "unserious" supplier by the responsibility of taking in energy tax. It refers to much larger amounts, but we have in the 15 years since deregulation, have not seen any cases where the supplier put it in to system to postpone payments of the energy tax.

It is therefore not justified with a complex solution that increases the cost of electricity to customers or solutions that creates new barriers to competition for the suppliers. Gaias estimate is that the cost would be just over 600 MSEK on a Nordic basis for choosing a solution which issues guarantees to solve the credit risk. A cost that strongly goes against NordREG's requirement that the solutions introduced will lead to a more efficient market, this is an increase in price for the customers.

A guaranteed solution as in Gaia's model would also mean that a smaller supplier would be forced to buy warranties for 60 MSEK, which in itself would be a powerful barrier to competition. It is therefore of high importance to find alternative solutions to manage a credit risk, that all things are very small, it is more of a theoretical nature (that the TSO can not credit examine electricity suppliers).

To address that issue, we therefore propose a solution that clarifies the risk of an "unserious" supplier may lose all their customers. This is done by introducing a license for suppliers and that the national supervisory authority has an option to turn off a suppliers that do not follow the rules, eg regarding payment to the TSOs. This will be an incentive for the suppliers and their boards to ensure that companies have sufficient liquidity to handle payments to the TSO according to the rules.

OE also believe that the current rules around having a balance agreement and to be spot customer at NordPool means there are already credit standards for the suppliers in order to be active in the market.

## **2. The suppliers payment to the TSO**

Gaia has in its report an example of how to calculate when the payment to the TSO will occur. In Gaia's example, up to 24-26 days from the start of month. OE believes that Gaia's model is correct thought, but that the input values must be changed according with the deadlines for reporting of meter readings. This means that the number of days will be about 30 days.

OE would also say that today bears the TSOs their own bad debts, which means that they do not get paid for 100% of their grid charges. OE's analysis shows that customer losses are about 0.3%. OE's suggestion is to either regulate that TSOs payment to 99.7% on day 30 or to pay 100%, but instead a number of days later to compensate for bad debts.

## **3. The energy tax should be handled by the suppliers**

OE think that it is important that the energy tax is handled by the suppliers. Energy tax involves a large number of customer contacts and the other tasks that belongs to the suppliers in SCM.

## **4. Data exchange (HUB)**

OE believes that the question of a HUB for data exchange is not relevant to the implementation of SCM. It is possible to develop today's data exchange (EDI/EL traffic) to allow combined billing according to model 1. The meter readings, which are sent today, is the basis for reporting even after the transition to SCM. The question of the HUB could delay the introduction of the reform and cause unnecessary costs. The key for the data exchange is to appoint a principal for the exchange of information and a clear regulatory framework.

## **5. Invoice format**

OE believes it is of great importance that electricity suppliers can design the invoice freely. A framework for the information that customers should get should instead include what information should be published for customers on the web and that the customer can request to get them printed and sent home.

The electricity invoice is one of the main competitive factors and the information customer needs are very different. It is therefore of great importance that the invoice can be tailored to customers needs and according to the electricity contract they have chosen and not after a standardized framework.

## **6. Harmonization of grid charges**

OE sees the need for a standard for grid tariffs design to allow efficient exchange of information and to make it easy for customers.

The data that the TSOs must provide to the suppliers is a basis for a common invoice and should consist of a fixed part and a kWh part per site.

The current situation in Sweden is that there are very many different types of tariffs and the need for different types of effect tariffs will increase in the future. We therefore believe that it is important to choose a flexible solution that brings so little change as possible to the current system and to withstand future changes without the entire system must be replaced with a new one. For this reason

we suggest that you choose a high resolution of details, ie grid tariff variable part designed as hourly rates.

This means that the grid tariffs that only have a kWh price is the same grid price for all kWh, while TSOs that have different types of effect tariffs makes hourly rates that reflect the effect cost. In this way we get a future-proof system for the exchange of information while providing TSOs complete freedom to design the effect tariffs they want. By setting a standard that it is based on hourly rates, you also avoid getting a very large number of effect tariffs, making it impossible for suppliers to manage tariffs effectively in their billing system. The hourly series that is transferred to the supplier is used both for billing hourly rates from Nord Pool and the grid fee. And this will also makes it much easier for the customers to understand, if all tariffs are structured in the same way. It also helps the customers work with smart home products to control their electricity consumption.

The TSOs have a duty to publish their tariffs (and hourly rates) at the DSO or websites like “Elpriskollen” in Sweden, so that the suppliers can download them to their billing systems. Suppliers will also need to download these hourly rates to forecast the annual costs for the customers and for having as input for the customers who want to have smart home applications.

### **7. Suppliers' increased costs for billing and customer service**

With SCM it is assumed that the suppliers takes over the costs that the TSOs has today for billing and customer service. This means higher costs for electricity suppliers and large initial investment in IT systems and processes. OE considers the estimates of the TSOs costs that Gaia have done is reasonable and can be used to determine the compensation to electricity suppliers for their increased costs. One of the prerequisites to move invoicing to the suppliers is that it should be competitively neutral, which means that the cost savings that TSOs makes should be redeployed, so that the suppliers get cover for their additional costs.

The additional cost for the suppliers to also bill the grid charges consist primarily of system costs and the increased exchange of information and have been estimated by OE at 5 SEK per invoice. The increased customer service costs have been estimated at 4 SEK per invoice.

### **For Oberoende Elhandlare**

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