

Stephen McCully
NIEES
Woodchester House
Newforge Lane
BELFAST
BT9 5NW

1 December 2008

Dear Stephen

Direct Debits

There has been some public questioning recently about the approach used by Northern Ireland's energy suppliers to setting, and re-setting direct debit amounts. We have also had some direct queries from consumers on this matter.

I am therefore keen to understand the process by which you set and review direct debit amounts for particular customers. Possible concerns could relate both to excessively high increases in DD amounts, and to under-recoveries that over time result in financial stress or debt. I would be most grateful if you would write to me within two weeks explaining the following:

- What policy do you follow in determining which customers' DD amounts to review? How frequently are these reviews undertaken?
- What approach do you take to setting the new DD amount?
- How old are the most recent meter readings available to you in resetting DDs? (Please give the average age between meter reading and reset, and the distribution.)
- How do you communicate changes to consumers, and how do you respond to complaints or queries from consumers?
- What, in aggregate, was the total change in your DD receivable in each of the last six months?

In these times of unprecedented public interest in energy, I see significant scope for controversy on this matter. This scope is fed partly by radio-static from the GB market, where prices are unregulated so unjustified increases in direct debits could boost supplier profits.

There is also potential for individual cases (which might for various reasons be unrepresentative) to gain prominence and so create a distorted picture in the public mind.

I therefore intend that the Utility Regulator takes a pro-active stance on this issue. Our aim will be to ensure consumers know that regulation is driven by consumers' interests. Equally, we aim to ensure that consumers have full and accurate information about how they are protected by regulation; specifically in this case, that our regulation of your company means you are unable to profit from excessive direct debits, so have no incentive to increase them unreasonably. I hope you will feel that helping the Utility Regulator gain a full picture of your approach to direct debits assists in providing your customers with accurate information about how they are protected.

Yours sincerely,

Iain Osborne
Chief Executive

David Strahan
Phoenix Natural Gas
Energy Services
195 Airport Road West
BELFAST
BT3 9ED

1 December 2008

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Chief Executive