

Gas Supplier of Last Resort: Decision Paper

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Introduction

The [Gas \(Supplier of Last Resort\) Regulations \(Northern Ireland\) 2009](#) gives the Utility Regulator the power to control supplier of last resort issues including enabling alternative suppliers to be appointed in the event where there is a failure of a gas supply company. These Regulations came into force to conform to EU Directive 2003/55/EC, and are more flexible than the equivalent legislation in Great Britain (GB) as the structure of the gas market in Northern Ireland is somewhat different to that in GB. In GB it is the case that the whole gas market is open to competition and there are many gas suppliers supplying domestic and non-domestic customers.

In March 2011 the Utility Regulator published a [Gas Supplier of Last Resort: Guiding Considerations for Implementation](#) consultation paper. This consultation paper outlined the considerations and principles which the Utility Regulator will employ when selecting and appointing a supplier of last resort or suppliers of last resort for domestic, industrial and commercial customers and sought views from any interested parties. The consultation paper discussed and focussed on the following issues:

- When the supplier or suppliers of last resort should be appointed;
- Criteria for appointing a supplier or suppliers of last resort;
- The duties of the supplier or suppliers of last resort;
- What tariffs can be charged and for how long;
- Recovery of costs;
- Should there be a lock in period and if so for how long?
- Duration for which a supplier/suppliers of last resort will be appointed;
- Information required from a failing supplier and potential suppliers of last resort.

In total we received three responses during the consultation period and these were carefully considered when determining the arrangements. Our final procedures in the event of Supplier of Last Resort in Gas are laid out below.

Supplier of Last Resort Issues

All three of the consultation responses were generally supportive of the principle of having a Supplier of Last Resort in Gas. The Consumer Council made the point that gas is an essential service and highlighted the importance that both domestic and business customers can be confident that arrangements are in place so that their supply can continue even if a supplier has their licence revoked. Phoenix Supply Limited (Phoenix Supply) in their consultation response was also supportive of Supplier of Last Resort arrangements, stating that the arrangements were not only in the interests of natural gas customers but also the wider industry as a whole. Phoenix Natural Gas Limited (PNG) argued that having processes and procedures in place for when a supply company fails was critical, for both consumers and industry participants.

The Utility Regulator has prepared the following detailed framework to be followed in the event of a Supplier of Last Resort being required; however, we are mindful that each case of supply company failure will be unique, with differing optimal ways of resolving the issue depending on the specifics of each case. Therefore it should be recognised that there may be certain unusual or unforeseen circumstances where it may be necessary for the Authority to use individual discretion and deviate from any prescribed arrangements set out in this document.

Information about the Failing Gas Supplier's Portfolio

Within the consultation paper it was outlined that in the event that it is apparent that a supplier is or will experience difficulties continuing in operation, the Utility Regulator will use its powers to obtain information about the failing supplier's portfolio and customers. The Utility Regulator will consider when it is appropriate to serve information requests on the failing supplier and where possible this will be done before the supplier goes into receivership. High level portfolio information will be provided to potential supplier/suppliers of last resort, when possible, to enable them to assess their ability to supply the additional customers. The Utility Regulator will meet with the Receiver appointed for the failed gas supply company to ensure all available customer information is made available to the Utility Regulator. The failing gas supplier's specific customer details will only be released to the appointed supplier/suppliers of last resort who must comply with the principles set out in the Data Protection Act.

In relation to this aspect of Supplier of Last Resort arrangements and procedures, Phoenix Supply requested that the Utility Regulator give consideration to circumstances where the data requested by the Utility Regulator is not available. They also point out that there will be little or no incentive for the failing supplier to provide this information. The company also stated that they were unsure who the Meter Asset Manager was in relation to Supplier of Last Resort. In addition to the above points it was also suggested by Phoenix Supply that the information from a failing supplier should also include confirmation of the amount of any capacity held at Moffat and who holds this.

The Utility Regulator recognises that in the event of a failing supplier, there may be cases where by its very nature there may not be sufficient will or capacity within the defaulting supplier to provide timely and detailed information to the Authority. However, it should be noted that the Gas (Northern Ireland) Order 1996 gives the Authority powers to request information from a licence holder whose licence is to be revoked. It should also be noted that it is also specifically expected for the company to provide the customer information in a widely recognised electronic format to enable timely utilisation of the data. It should also be understood that in the event that the Authority requests information from a failing supplier, this does not automatically mean that the supply licence will actually be revoked. If the supplier is to enter or is in receivership then the Authority will enter timely discussions with the parties involved and will ensure that the optimal outcome for both consumers and the industry as a whole is achieved at as early a stage as possible.

In light of the comments above and in order to assist the Supplier of Last Resort in purchasing gas for their additional customers, it will also be a requirement upon the failing supplier to provide an update to the Authority of forecast demand and any gas purchasing arrangements they have.

The Consumer Council, in their consultation response stated that the Utility Regulator should consider at what point they should contact the company facing revocation of its licence and potential suppliers of last resort to request the relevant information. This would ensure minimum disruption to those customers affected, ensuring continuity of supply. In relation to this, the Utility Regulator shall be proactive in our general approach in relation to failing suppliers and will request necessary information as soon as possible,

once it becomes apparent that a supplier is failing. Up until the supplier's licence is revoked in these situations, the company is still bound by its licence conditions, including the requirement to provide information when requested. It may also be necessary in certain cases, where the failing supplier does not supply customer details, to request these details from the network operator.

A copy of the Final Information from a Failing Supplier questionnaire is in Appendix 1. Relevant high level portfolio information from the failing supplier will be made available to potential Suppliers of Last Resort in order to inform their submissions.

Criteria for Appointing the Supplier or Suppliers of Last Resort

The Utility Regulator would prefer to appoint a gas supplier or suppliers of last resort that had consented to the role, however, if this is not possible the Gas (Supplier of Last Resort) Regulations (Northern Ireland) 2009 gives the Utility Regulator the powers to directly appoint one supplier of last resort or several suppliers of last resort depending upon the particular circumstances arising at the point in time. Factors that will determine this decision include the category of customers to be transferred from the failed supplier, the number of customers by category, prevailing market conditions, share of the gas supply market held by each gas supplier and whether they volunteer to the role.

The consultation paper specified proposed selection criteria to be applied to obtain the best option for the failed supplier's former customers and the gas market. The Utility Regulator will examine the company's ability to supply the additional customers of the failed supplier, their technical capability, their ability to purchase gas and their capacity, whether they have the appropriate systems to transfer customers from the failed company quickly and comply with consumer protection obligations.

In their consultation response, Phoenix Supply questioned the practicalities of providing all the information from potential Supplier(s) of Last Resort that the Utility Regulator is proposing to require, especially as this is likely to be required in a short period of time. Phoenix Supply also highlighted that assessing the level of credit support required to take on the additional customers under Supplier of Last Resort would be a lengthy process and may not be possible in the timescales envisaged. The company also highlighted that the operational aspects associated with transferring pay-as-you-go customers needs to be considered by the Utility Regulator, as does the need to take into

account the relevant Moffat capacity held by suppliers and whether this capacity at Moffat can be transferred to the Supplier of Last Resort. It was also suggested by Phoenix Supply that before any supplier confirms that they wish to be considered as the Supplier of last Resort they will first need to be provided with all the required information from the failing supplier.

The Consumer Council made the general point that they would favour that the Supplier of Last Resort had volunteered for the role. Commenting on the evaluation process, the Consumer Council believed a tendering process could be based on the Utility Regulator's proposed criteria, but also cautioned against a system where low price is only criterion at the expense of other factors. The Consumer Council in their response also made reference to fuel poverty in Northern Ireland and to the Utility Regulator's specific duty to have regard to the interests of vulnerable customers, espousing the view that vulnerable customers should be given price protection until they are able to switch supplier or transfer to a different tariff.

The Utility Regulator will provide relevant portfolio information to potential Supplier of Last Resort as soon as possible so as to allow the various parties time to consider their approach. Unfortunately, due to the nature of the event it may not be possible to give possible suppliers ample time to analyse the portfolio information and prepare their submissions. There is a considerable amount of information however which should be readily known to the potential Supplier of Last Resort and which could be prepared in advance and provided to the Authority during such an event.

With regards to the capacity issue, any Supplier of Last Resort should be able (with sufficient credit cover) to source and supply wholesale gas both to its existing customers and to newly transferred customers; it is the case that short term products will be available in both daily firm capacity and daily off peak ('Interruptible') capacity. Demonstrating how they could secure this additional gas supply and providing details of additional credit cover will form part of the Information from Potential Suppliers of Last Resort and associated appointment criteria.

Supplier of Last Resort Duties

The specific role of the Supplier or Suppliers of Last Resort will be to manage the transfer of the outgoing gas supplier's customers and maintain normal conditions of supply. This will ensure continuity of gas supply for non-domestic and domestic customers connected to the gas network.

The Supplier or Suppliers of Last Resort will have certain duties to undertake for the failed gas supplier's customers and in the consultation paper it was proposed that a number of specific duties should be undertaken. These proposed duties were laid out in detail and respondents were asked to provide comment.

On the specific proposed duty for the Supplier of Last Resort to notify in writing all affected customers within five days of the direction that the supplier/suppliers of last resort mechanism has been initiated, both Phoenix Supply and the Consumer Council provided suggested amendments. Phoenix Supply believed that a ten business day requirement would be more appropriate given that there may be a significant number of customers affected and there may be a need for the commissioning of external printers. The company also stated that if the relevant data provided to the Supplier of Last Resort was in hard copy, it may take a period significantly in excess of ten business days. The Consumer Council said that in addition to the duty of informing customers within five days, the Supplier of Last Resort should also provide a brief statement outlining why the change of supplier was necessary. The Consumer Council also wished it to be made clear that the customer can transfer to a different tariff of the Supplier of Last Resort at any time. The Consumer Council stated that they would like these duties to be a condition within supply licences.

In light of these comments it is the Utility Regulators view that a short explanatory letter from the Supplier of Last Resort should be more informative than straight notification. In addition, there may be circumstances where the duty to write within five days may be unfeasible. However, five days should be feasible in most cases and we may exempt companies from this requirement/duty based on the information provided at the time. Therefore we still expect the Supplier of Last Resort to notify in writing all affected customers within five days of the direction that the supplier/suppliers of last resort mechanism has been initiated, why it has been initiated and what the customer's rights are under the arrangements.

On the proposed duty for the Supplier of Last Resort to obtain meter readings for each customer category, Phoenix Supply were of the view that this should be undertaken on a reasonable endeavours basis, taking into account that it may not be possible to obtain access to premises within the timescales outlined. Phoenix Supply also stated that the two day requirement for daily metered customers was inappropriate, that it should be two business days instead. The Consumer Council expressed concern that the timescales for meter reads for those customers below 25,000 therms were not timely enough, proposing a shorter 14 day limit instead. They also stated that measures could be implemented which would allow actual meter reads from customers.

The Utility Regulator considers that in line with the wording of current gas supply licences it should be up to the Supplier of Last Resort to use reasonable endeavours in relation to meter reading. For those customers below 2,500 therms, especially if the failed supplier has a substantial number of domestic customers, it may not be practical to pre-set a fully defined timescale for meter reads; however, the Utility Regulator is willing to promote and facilitate self reads by customers. To this end, providing details of the timescales when the first meter reading will take place along with details on how customers can obtain their own readings will become a minimum information requirement for the Supplier of Last Resort.

The Regulations gives the Authority the power to modify the supply licence of the designated supplier; however the Utility Regulator believes that it would be unnecessary at this stage to have a condition in Northern Ireland's gas supply licences prescribing duties for the Supplier of Last Resort. As the Gas (Supplier of Last Resort) Regulations (Northern Ireland) 2009 gives the Authority the power to include upon the designated supplier such requirements or prohibitions as are in the opinion of the Authority, reasonably incidental or to consequential upon the requirement to supply, it is expected that these duties will form part of these requirements as referred to in the legislation. If also required, the Authority can use the powers within the Regulations on the designated supplier, at the time of the Supplier of Last Resort event itself.

Customer Notification

The Utility Regulator believes that customers should have access to the fullest possible information on the Supplier or Suppliers of Last Resort, how they will be affected and why the particular change has taken place. In the consultation paper it was proposed that the supplier/suppliers of last resort should provide as a minimum certain details

deemed to be of value to customers experiencing this atypical state of affairs. These included information and contact details of the new Supplier of Last Resort, a list of tariffs and also the rights which the consumer has under the Supplier of Last Resort arrangements.

In their consultation response on customer notification Phoenix Supply stated that the Utility Regulator should write to each customer affected, making the point that customers would be justifiably wary of a letter from a company professing to be their new supplier. In addition, Phoenix Supply queried the purpose of providing customers affected with a range of tariffs which are not available to them. The company also said that in their view it should not be up to the Supplier of Last Resort to inform customers of other gas suppliers in the marketplace, especially as they may not be able to switch supplier.

The Consumer Council were largely pleased with the proposed information that would be provided to customers, but stated in their consultation response that they believe that a brief statement should also be made stating why the transfer was necessary. The Consumer Council also commented that it should be made clear that the customer can transfer to a different tariff of the Supplier of Last Resort at any time.

The Utility Regulator considers that the information proposed to be conveyed to customers is as a minimum rather than an exhaustive list – the company can provide more information to the customer if they believe that it would be helpful and informative. After considering the responses made, the Utility Regulator will now expect the Supplier of Last Resort to also state to customers *why* the transfer is taking place - namely that the failed supplier's licence has been revoked and that the supplier sending the letter has been designated Supplier of Last Resort. It will however be for the Supplier of Last Resort to inform customers by way of letter; it is expected that there would be local media interest in the consequences of a failed supplier and any revocation of a supplier licence – the Utility Regulator and the Consumer Council will be prominent in reassuring and informing customers of the arrangements to be put in place and the way forward.

As it is important the customer is informed of their rights under the arrangements and in order to promote competition and consumer choice, the Utility Regulator will keep the requirement for the Supplier of Last Resort to confirm that applicable customers can switch. However, as which can be seen below, in order for the scheme to work

economically and effectively it may be necessary to lock-in customers with the Supplier of Last Resort for a relatively short period of time.

Cost Recovery

In the consultation paper the following two possible options were proposed for funding the recovery of reasonable costs for the supplier/suppliers of last resort:

- (i) An increased tariff for the customers of the failing supplier;
- (ii) A public service obligation on customers to recover costs.

It was also stated within the consultation paper that in determining which option to select, a number of practical economic issues were deemed necessary to be considered. These included the number of customers to be transferred, the number of suppliers appointed, financial and administrative issues and whether the Supplier of Last Resort was price controlled.

In their comments on cost recovery, the Consumer Council contended that tariffs should be capped at the level at which the Supplier of Last Resort charges its existing customers on a standard tariff. The Consumer Council also stated that a mechanism should be put in place to which would enable the Supplier of Last Resort to recover any shortfall that could arise between the amount received from new customers and the cost of supplying them. However they believed they should not simply pass these costs to customers and also pointed out that there is an asset transfer in moving a customer base to the Supplier of Last Resort and this must be taken into account when evaluating any shortfall that could arise.

Phoenix Supply stated that the customers of the failing supplier should bear the additional costs associated with a supplier acting as Supplier of Last Resort. In their view, this would reassure any supplier contemplating becoming the potential Supplier of Last Resort and would also be in keeping with the Utility Regulator's duty to ensure suppliers can finance their activities.

PNG highlighted both the cost recovery arrangements in Great Britain, where Ofgem allows the Supplier of Last Resort to recover reasonable costs of the event from the customers of the failed supplier and also in electricity in Northern Ireland, where a public

service order can be used. PNG then stated that the suppliers and the Utility Regulator should discuss and agree an appropriate cost recovery mechanism that does not unduly discriminate against consumer or Supplier of Last Resort alike.

The Utility Regulator is of the view that although the Utility Regulator considers that the circumstances around any Supplier of Last Resort event will vary in each case, we regard that it would be preferable for the supplier to recover any reasonable costs from the customers of the failed supplier themselves. This arrangement would benefit those customers of suppliers who had not experienced a licence revocation, as they would not have to contribute towards these costs. However, for those customers of the failed supplier, the Supplier of Last Resort may increase tariffs to cover the reasonable costs of supply (including costs attributable to the purchase of gas at short notice), together with a reasonable profit. As which can be seen within the Authority's selection criteria, any applicant wishing to become the Supplier of Last Resort must explain its proposed last resort price and show any difference between this and its deemed contract prices in normal circumstances. They must also show that those tariffs proposed under a last resort supply direction reflect no more than the reasonable additional costs of supply the customers of the failed supplier (including costs attributable to the purchase of gas at short notice).

Customers should be charged an appropriate, fair amount for continuity of service and the Authority will be mindful of value for money when selecting the Supplier of Last Resort. The Authority will look to see that costs are efficient and that any charge is cost reflective. While it is preferable in the Utility Regulator's view that the Supplier of Last Resort recoups any reasonable and unrecoverable costs through its tariff, there may be situations and circumstances where this will not be possible and the Utility Regulator will determine a different approach. This may take the form of a public service obligation on all customers, mirroring the Supplier of Last Resort arrangements within electricity in Northern Ireland.

Duration for Which a Supplier/Suppliers of Last Resort Will be Appointed

As outlined in the Gas (Supplier of Last Resort) Regulations (Northern Ireland) 2009 the supplier/suppliers of last resort will be designated as such for a period of up to six months. After this period the former customers of the outgoing gas supplier can either remain with their supplier of last resort or switch to an alternative gas supplier (if any).

In the consultation paper the duration of the period of designation of supplier of last resort would be determined by the Utility Regulator. It was also suggested that customers could be given the option to transfer from their supplier of last resort to an alternative gas supplier at any time during the supplier of last resort direction. Alternatively they could be locked in for the period designated. Again this would be determined by the Utility Regulator.

The Consumer Council in their consultation response stated that there should not be a lock-in period in their view as it was incompatible with consumer choice and the ability to exercise it. They also said that they believe that the current gas switching system does not require a lock-in period. Conversely, Phoenix Supply made the case for a lock-in period. They contended that a lock-in would allow the Supplier of Last Resort to recover the costs they would experience in taking up the role; without this, suppliers would be reluctant to take on the role. Phoenix Supply believed that a lock-in for a minimum of six months was appropriate.

The Utility Regulator is of the view that it is preferable that the designated supplier recovers its administration costs connected with its duties under the Supplier of Last Resort arrangements from the transferred customers. However, in this circumstance it may be necessary for the Utility Regulator to allow the Supplier of Last Resort to restrict customers from switching to another supplier. This may be necessary in order to fully recover costs and to ensure that these charges can be smoothed for customers over a reasonable time period over the entire customer base that has been transferred. This is to ensure equity so that a small number of the affected customers are not charged disproportionately.

The length of the lock-in period will be dependent on a number of factors, the most pertinent of which will be the number of customers of the failed supplier. If the failed supplier had only a small number of customers (for example <2,000) the amount of customers that would need transferred under Supplier of Last Resort would be quite similar to what can be accommodated under the current switching arrangements (per week) and so could be absorbed reasonably straightforwardly. With the number of customers needing to be transferred being at such small levels, a Supplier of Last Resort may be able to accommodate these customers within their standard charge and perhaps without a lock-in. The Supplier of Last Resort will not face many additional costs

absorbing such a small number of customers and will benefit from the additional customer revenue. However, if the number of customers at the failed supplier is more substantial (for example 50,000), then the costs of transferring such a large number of customers may more than outweigh any additional income that would accrue. Transferring such a large number of customers may require additional staff at short notice, short-term working capital and credit, gas purchase costs etc and so a customer lock-in period of 3 months or 6 months may be appropriate to ensure that the Supplier of Last Resort can recover any reasonable costs over a reasonable time frame.

Other Issues

In addition to the above main aspects of Supplier of Last Resort arrangements there were also a number of specific operational issues raised by respondents. The Consumer Council for example had a number of questions that they believed would need publically answered if a Supplier of Last Resort event occurs. These covered potential issues with transferring customers to the Supplier of Last Resort and how their billing, prepayment meters and cards, complaints, and also how previously held debt would be dealt with and/or transferred across.

PNG also raised a number of Supplier of Last Resort related operational issues in their consultation response. Firstly, the company stated that the Supply Point Administration system used to manage the assignment of a supplier to a specific Supply Meter Point (SMP) and the customer switching system was developed for Greater Belfast and was not fully automated; therefore they requested a review to understand the consequences of immediately transferring a large number of SMPs between suppliers. In addition they also suggested that a review of how the systems would cope with allocating SMPs to more than one Supplier of Last Resort and also stated that processes should be developed to deal with those SMPs in the process of switching.

PNG also raised the issue of Pay As You Go customers and questioned whether the systems in place would facilitate allocation of these customers to more than one Supplier of Last Resort. They also queried the contractual and legal implications for a supplier who takes over Pay As You Go customers from the failed supplier. On a further note on operational matters, PNG also remarked that their Distribution Code does not facilitate immediate switching of customers and that to do so would involve legal drafting and a formal modification process.

There are a number of important operational issues in relation to the Supplier of Last Resort; however, it is expected by the Utility Regulator that prospective Suppliers of Last Resort should have provided details of their proposed arrangements for billing, prepayment meters and customer debt etc (requested within Appendix 2).

Modification of the network code will also be taken forward to ensure that the potentially large scale and expeditious transfer of customers, that will be necessary under the Supplier of Last Resort, can be accommodated.

Overall Framework for Supplier of Last Resort

In determining whether to appoint a supplier or suppliers of last resort the Utility Regulator (the “Authority”) must be satisfied that circumstances have arisen that would require the Authority to revoke the failed suppliers’ licence. The gas supply licences outline the range of circumstances in which the Authority can revoke a gas supply licence, including for the following reasons:

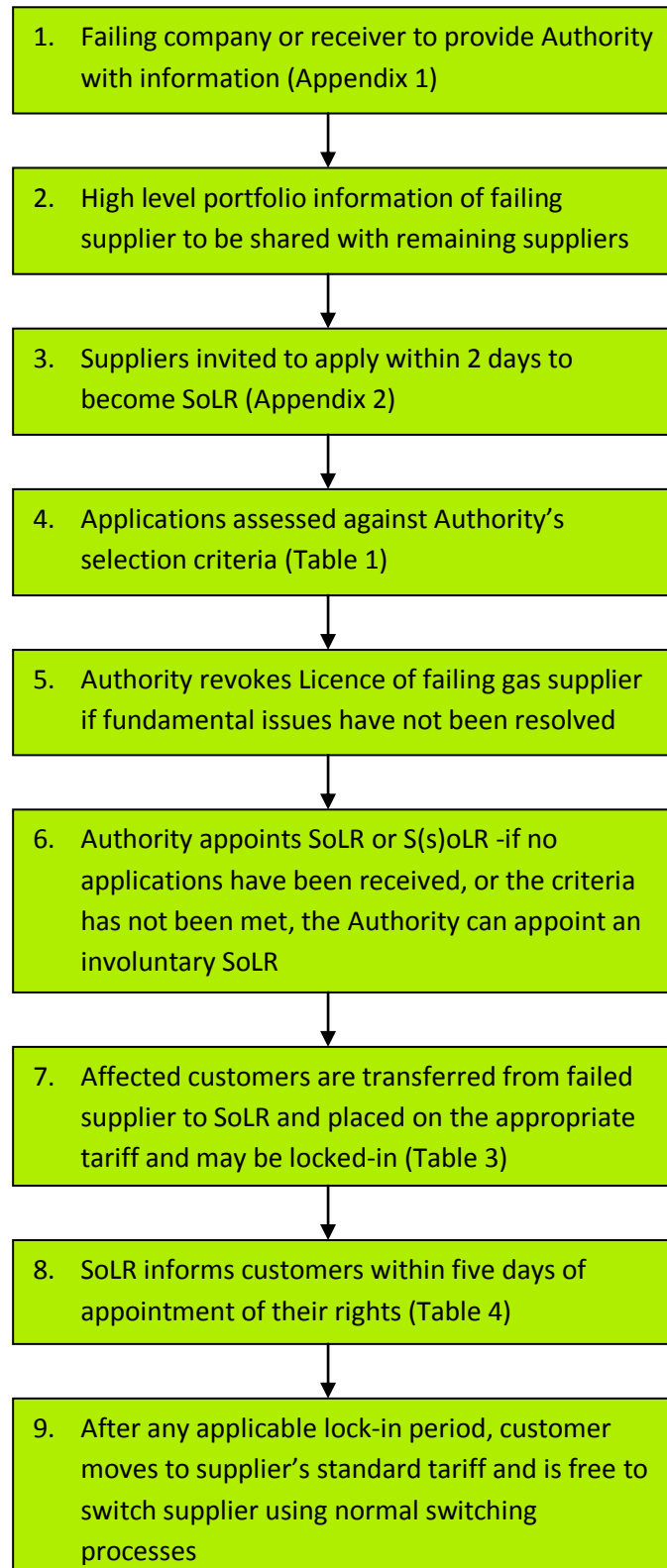
- A serious licence breach;
- Non-payment of licence fees;
- Financial hardship
- Planned exit of the market by the supplier.

As soon as it becomes apparent that a supplier is in danger of having their supply licence revoked, the Authority will take proactive steps to ensure that a Supplier of Last Resort can be designated if required. The Gas (Supplier of Last Resort) Regulations (Northern Ireland) 2009 gives the Utility Regulator the power to directly appoint a Supplier or Suppliers of Last Resort to supply those customers affected by the licence revocation; however it would be preferable if the supplier(s) consented to be designated Supplier of Last Resort on voluntary basis.

The Utility Regulator has prepared detailed processes to be followed in the event of Supplier of Last Resort; however, we are mindful that each case of supply company failure will be unique, with differing optimal ways of resolving the issue depending on the specifics of the case. Therefore the following text should be viewed as a guidance document for dealing with Supplier of Last Resort issues, rather than laying out exact arrangements which should be followed in every failed supplier event. There may be certain cases where it may be necessary for the Authority to use its discretion and deviate from certain aspects of this document.

The general procedure expected to be followed in the event of a supplier having his licence revoked is outlined in Figure 1 below.

Figure 1: Procedures for Supplier(s) of Last Resort



At various stages of the process, specific information to both aid the Utility Regulator to appoint a Supplier of Last Resort and to enable the designated supplier to supply the failed supplier's customers will be required.

Information from a Failing Supplier

Appendix 1 provides the Information from a Failing Supplier which is expected to be furnished by the failing supplier upon request by the Authority. Current suppliers are to provide this information if and when it is required in relation to Supplier of Last Resort arrangements and to provide this, including the affected suppliers portfolio and customers in an accessible, standard electronic format which can be readily managed and administered. It should be noted that the information requested may vary depending on the circumstances of the failure.

Information from Potential Suppliers of Last Resort

Appendix 2 contains the information which the Utility Regulator is likely to request from potential Supplier(s) of Last Resort at the time of Supplier of Last Resort event. Due to the nature of the circumstances in which this request is expected to be executed, the Utility Regulator is likely to ask potential Suppliers of Last Resort to complete this proforma in a very short space of time. Because of this, the Utility Regulator would request that all current gas suppliers ensure that they are sufficiently prepared and can get the information to hand in the event that these circumstances should arise. It should be noted that the information requested may vary depending on the circumstances of the failure.

As mentioned previously, the Gas (Supplier of Last Resort) Regulations (Northern Ireland) 2009 gives the Utility Regulator the power to directly appoint a Supplier or Suppliers of Last Resort to supply those customers affected by the licence revocation; however it would be preferable if the supplier(s) consented to be designated Supplier of Last Resort on voluntary basis. In determining the designated Supplier(s) of Last Resort, the Utility Regulator will analyse the information provided (outlined in Appendix 2) by any proposed Suppliers of Last Resort and the specific selection criteria will be applied to obtain the best option for the outgoing supplier's former customers and the industry.

In Table 1 below, the criteria upon which the Supplier of Last Resort will be assessed is specified in detail.

Table 1: Criteria for Selecting Supplier of Last Resort

1	The potential SoLR should have provided the information requested by the Utility Regulator in the standard application form.
2	There should have been demonstration by the potential SoLR that they have the capability and resources (financial administrative and Information technology) to continue to provide gas to their existing customers and also the failed supplier's customers.
3	The potential SoLR should have provided details of the likely time to transfer all the customers of the failed supplier. The potential supplier/suppliers of last resort should have outlined the arrangements the Licensee will make to manage the change of supplier process (including arrangements to overcome difficulties which may arise if the customer information etc. held by the failed supplier has been recorded on a different IT system to that employed by the licensee).
4	The Utility Regulator will assess the supplier's ability to assimilate customer information, issue bills and deal with customer enquiries without undue delay.
5	The potential SoLR should have demonstrated its ability to meet its obligations to existing and additional customers in accordance with consumer protection requirements.
6	The potential SoLR should have confirmed what arrangements they would make to secure a meter reading for: <ul style="list-style-type: none"> (i) Daily metered customers within 2 working days of being appointed SoLR; (ii) Customers burning between 25,000 to 75,000 therms within 1 week; (iii) Customers burning between 2,500 to 25,000 therms within 1 month; (iv) For customers (domestic and industrial and commercial) burning less than 2,500 therms the SoLR should record the latest actual meter reading taken by the failed supplier and then to take a subsequent meter reading in line with their own meter reading policy and the conditions outlined in their gas supply licence;
7	The potential SoLR should have explained the arrangements that they will make for the transfer of the customers of the failed supplier including how: <ul style="list-style-type: none"> (i) Customers will be informed about what has happened. (ii) The Licensee will ensure that customers will receive a timely and accurate bill. (iii) Customers will be made aware of their options to sign up to a contract with the Licensee or another supplier. (iv) Customers' written and telephone enquiries will be dealt with.

8	<p>The potential SoLR should have shown that they have the ability to provide pre-payment arrangements to customers acquired as part of a last resort supply direction by explaining the arrangements that the potential SoLR will put in place for prepayment meter customers including how arrangements will be made to:</p> <ul style="list-style-type: none"> (i) Enable the provision of emergency credit; (ii) Deal with the provision of new prepayment meter devices; (iii) Ensure the customer's meter will be updated to apply the Licensee's deemed contract tariff rate for customers whose meter has been programmed to collect a proportion of debt.
9	The potential SoLR should have provided details of the number of PAYG customers to which they currently supply gas.
10	The potential SoLR should have provided details of the licensee's arrangements to source and supply gas to customers of the failed supplier as well as continuing to supply gas to its existing customers.
11	The potential SoLR should have provided details of network agreements including any contraventions of any of these network codes during the past 12 months, including whether there have been any failures to pay invoices.
12	The potential SoLR should have provided evidence that the Licensee would have the financial ability to purchase gas for its current customers and the customers of the failed supplier.
13	In particular, if the potential SoLR has/have confirmed that they would have to obtain additional credit to supply the customers of the failed supplier they should have shown how they would obtain this credit, how quickly the additional credit could be obtained, their current credit limit and that by obtaining additional credit this would not cause the potential SoLR to exceed its credit limit. In addition the potential SoLR should have confirmed their current level of indebtedness and details of any failures to pay invoices in the past 12 months.
14	The potential SoLR should have outlined the tariffs available to each category of existing domestic and non-domestic customer and the tariff that would be applied to each category of domestic and non-domestic customers of the failed supplier if directed to supply gas to domestic gas customers.
15	The potential SoLR price should have shown that any difference between its deemed contract prices in normal circumstances and those proposed under a last resort supply direction reflect no more than the reasonable additional costs of supply the customers of the failed supplier (including costs attributable to the purchase of gas at short notice). The potential SoLR should have explained in detail how the prices they propose to charge the customers of the failed supplier were calculated.
16	The SoLR should have provided the requested information within the time limit set by the Utility Regulator.
17	The potential SoLR should have confirmed they will comply with the Data Protection Act 1998.
18	The potential SoLR should have confirmed whether they wish to volunteer to be a SoLR.
19	The Utility Regulator's duty to promote competition will also be taken into consideration.

Once a supplier has been designated Supplier of Last Resort by the Authority, it will be expected to immediately begin to manage the transfer of the outgoing gas supplier's customers and maintain normal conditions of supply for these customers. This will ensure continuity of gas supply for domestic and non-domestic customers connected to the gas network. In addition to this general overarching duty it will be expected for the designated supplier to adhere to the specific duties outlined in Table 2 below.

Table 2: Supplier of Last Resort Duties

1	Manage the process for transferring and communicating with affected customers;
2	Notify in writing all affected customers within five days of the direction that the supplier/suppliers of last resort mechanism has been initiated, and why, providing the customer with the information in Table 4;
3	Maintain normal conditions of supply to those affected customers for six months or until they transfer to another supplier if this is sooner than six months;
4	In purchasing any additional gas in order to supply the newly acquired customers the SoLR should take all reasonable steps to do so as economically as possible in the given circumstances.
5	Determine the tariff for affected customers and how long it applies (in consultation with the Utility Regulator).
6	Any customer information that a SoLR may receive from the Utility Regulator must only be used for the purpose of supplying gas as a result of a last resort supply direction. The SoLR must comply with the data protection principles set out in the Data Protection Act. The Utility Regulator will liaise with the failing company or the receiver (if appointed) for the failed supplier to ensure that customer information is made available for the use of the SoLR.
7	The SoLR shall use all reasonable endeavours to secure a meter reading for the failed supplier's former customers as follows: <ul style="list-style-type: none"> (i) Daily metered customers within 2 working days of SoLR being appointed. (ii) For customers burning between 25,000 to 75,000 therms the SoLR should read the meter within 1 week; (iii) For customers burning between 2,500 to 25,000 therms the SoLR should read the meter within 1 month; (iv) For customers (domestic and industrial and commercial) burning less than 2,500 therms the SoLR should record the latest actual meter reading taken by the failed supplier and then to take a subsequent meter reading in line with their own meter reading policy and the conditions outlined in their gas supply licence;
8	The SoLR will, after a maximum of six months, transfer the remaining SoLR customers who have not already transferred to another supplier or tariff onto a regular tariff that is appropriate to their customer category.

Cost Recovery

When a supplier has been designated Supplier of Last Resort by the Authority they will acquire a number of new customers and therefore potential commercial opportunities without any associated marketing spend. In some scenarios the benefits of acquiring these new customers may be determined to be sufficient to cover the costs involved in being the Supplier of Last Resort. However, it may be the case that in absorbing these new customers the Supplier of Last Resort will face a significant logistical challenge: additional gas purchasing arrangements and increased administrative costs etc.

Although the Utility Regulator considers that the circumstances around any Supplier of Last Resort event will vary in each case, we regard that it would be preferable for the supplier to recover any reasonable costs from the customers of the failed supplier themselves. This arrangement would benefit those customers of suppliers who had not experienced a licence revocation, as they would not have to contribute towards these costs. However, for those customers of the failed supplier, the Supplier of Last Resort may increase tariffs to cover the reasonable costs of supply (including costs attributable to the purchase of gas at short notice), together with a reasonable profit. As can be seen within the Authority's selection criteria (point 15 in Table 1 above), any applicant wishing to become the Supplier of Last Resort must explain its proposed last resort price. Furthermore, the applicant should show that any difference between its deemed contract prices in normal circumstances and that proposed under a last resort supply direction, reflects no more than the reasonable additional costs of supply to the customers of the failed supplier (including costs attributable to the purchase of gas at short notice).

While it is preferable in the Utility Regulator's view that the Supplier of Last Resort recoups any reasonable and unrecoverable costs through its tariff, there may be situations and circumstances where this will not be possible and the Utility Regulator will determine a different approach. This may take the form of a Public Service Obligation on all customers, mirroring the Supplier of Last Resort arrangements within electricity in Northern Ireland. As with all decisions made during a Supplier of Last Resort event, the Authority will act in the best interest of customers and in accordance with its statutory duties, however in determining which cost recovery option to select, the following issues will be considered specifically, namely:

- The number of Suppliers of Last Resort appointed;
- The number and category of additional customers to be supplied by each Supplier of Last Resort;
- The ability of the Supplier/Suppliers of Last Resort to purchase additional gas and their capacity to fund all costs associated with supplying the additional customers at short notice (including the administrative costs of setting up new accounts, costs of aligning systems of the failed supplier and the Supplier/Suppliers of Last Resort and any other costs associated with maintaining a gas supply to an increased number of customers);
- Whether the Supplier/Suppliers of Last Resort is currently price controlled (this will influence whether all or a proportion of the one-off costs associated with supplying gas to the customers of the failed supplier may/could be treated as pass through);
- How a Public Service Obligation to cover the upfront costs would be funded;
- The risk to customers (including vulnerable customers) of an unexpected increase in their gas tariff and the risk to the Supplier/Suppliers of Last Resort of an unexpected increase in costs (as certain costs will be upfront costs) in supplying gas to the customers of the failed supplier.

Duration

As outlined in the Gas (Supplier of Last Resort) Regulations (Northern Ireland) 2009 the supplier/suppliers of last resort will be designated as such for a period of up to six months. After this period the former customers of the outgoing gas supplier can either remain with their supplier of last resort or switch to an alternative gas supplier.

As stated above, it is preferable that the designated supplier recovers its administration costs connected with its duties under the Supplier of Last Resort arrangements from the transferred customers. However, in this circumstance it may be necessary for the Utility Regulator to allow the Supplier of Last Resort to restrict customers from switching to another supplier. This may be necessary in order to fully recover costs and to ensure that these charges can be smoothed for customers over a reasonable time period.

The length of the lock-in period will be dependent on a number of factors, the most pertinent of which will be the number of customers of the failed supplier. If the failed supplier had only a small number of customers (for example <2,000) the amount of

customers that would need transferred under Supplier of Last Resort would be quite similar to what can be accommodated under the current switching arrangements (per week) and so could be absorbed reasonably straightforwardly. With the number of customers needing to be transferred being at such small levels a Supplier of Last Resort may be able to accommodate these customers within their standard charge and perhaps without a lock-in. The Supplier of Last Resort will not face many additional costs absorbing such a small number of customers and will benefit from the additional customer revenue. However, if the number of customers at the failed supplier is more substantial (for example 50,000), then the costs of transferring such a large number of customers may more than outweigh any additional income that would accrue. Transferring such a large number of customers may require additional staff at short notice, short-term working capital and credit, gas purchase costs etc and so a customer lock-in period of 3 months or 6 months may be appropriate to ensure that the Supplier of Last Resort can recover any reasonable costs over a reasonable time frame.

Table 3: Cost Recovery and Associated Lock-in

Number of Customers	How Costs are to be Recovered	Length of Lock-in Period
<2,000	Standard Tariff	None
2,001 – 10,000	Costs Built into SoLR Tariff	3 Months
>10,001	Costs Built into SoLR Tariff or Public Sector Order (across all gas customers) or both	6 Months

Table 3 above provides potential cost recovery solutions and related lock-in periods which could be used by the Supplier of Last Resort to recover any reasonable costs associated with becoming the designated supplier. It should be noted however that as potential Suppliers of Last Resort will be assessed on what they can deliver for customers, it is self evident that the Authority will look at applicants with lower projected costs and therefore a lower tariff and a shorter lock-in period favourably in selecting the Supplier of Last Resort. In addition, other related circumstances will also affect the price of the tariff and the length of lock in and so these will also be considered.

Customer Notification

The Utility Regulator considers that the information expected to be conveyed to customers is as a minimum rather than an exhaustive list – the company can provide more information to the customer if they believe that it would be helpful and informative.

As outlined above, as part of the designated supplier's duties, the Supplier of Last Resort is expected to notify in writing all affected customers within five days of the direction that the supplier/suppliers of last resort mechanism has been initiated. In addition to this, the Utility Regulator expects the Supplier of Last Resort to also state to customers why the transfer is taking place - namely that the failed supplier's licence has been revoked and that the supplier sending the letter has been designated Supplier of Last Resort. As it is important the customer is informed of their rights under the arrangements and in order to promote competition and consumer choice, there is also a requirement for the Supplier of Last Resort to provide terms and conditions of supply and also confirm that customers can switch. However, as seen below, in order for the scheme to work economically and effectively it may be necessary to lock-in customers with the Supplier of Last Resort for a relatively short period of time. In this circumstance the Supplier of Last Resort should specify the date that the Supplier of Last Resort arrangements expire and that normal switching arrangements apply from this date.

The minimum information that should be conveyed in writing within the designated timeframe is outlined in Table 4 below. In addition to this it should also be noted that the Utility Regulator and other public bodies such as the Consumer Council will also endeavour to reassure and advise customers through the usual channels.

Table 4: Information to be Supplied to Customers of a Supplier of Last Resort

1	Confirmation that the failed supplier will no longer be the respective customer's gas supplier and why this is the case (specifying the date the existing supplier ceased supplying the customer)
2	Confirmation of the name of the supplier/suppliers of last resort appointed to provide gas supply to the customer, the SoLR e-mail address, postal address and telephone number;
3	Confirmation that the supplier/suppliers of last resort is deemed the gas supplier since the date of the direction;
4	A clear and comprehensive list of tariffs provided by the gas supply company who has been appointed supplier/suppliers of last resort. Details of the tariff which the customer of the failed Supplier will be placed on and for how long;
5	Terms and Conditions of Supply;
6	If applicable, confirmation that the customer can switch to an alternative gas supplier if they so wish; details of other relevant suppliers should be listed;
7	Information on how the SoLR will obtain a meter reading and when the first meter reading will take place i.e. within one month, or advise customers on how they can obtain their own meter readings.

Concluding Arrangements

The Supplier of Last Resort) Regulations (Northern Ireland) 2009 state that the supplier/suppliers of last resort can be only designated as such for a period of up to six months. Once any lock-in period has expired, the customer concerned will become a standard customer of the supplier and will have standard terms and conditions. If applicable, this will include the right to switch supplier.

Appendix 1: Information from a Failing Supplier

The information requested may vary depending on circumstances of the failure.

Company structure, contractual arrangements and financial position

1. Provide details of the current ownership of the licensee (including any parent companies and any significant shareholdings in the licensee) and any parent companies.
2. A copy of the standard contract entered into by the licensee with customers.
3. Provide a description of the financial position of the company at the date of response, including a statement as to whether, were the licensee company to be wound up by its members, such winding-up would be an insolvent or solvent winding up.
4. Provide details of any gas network companies with whom the licensee has made contractual arrangements.

Non-domestic Supply Meter Points (SMPs)

The licensee should provide:

5. The total number of non-domestic SMPs by EUC category and gas distribution network (at the close of business on the day before the start of the report).
6. The total number of non-domestic SMPs by EUC category and gas distribution network in the process of registration (at the close of business on the day before the start of the report).
7. The total number of non-domestic SMPs by EUC category and gas distribution network in the process of transferring away (at the close of business on the day before the start of the report).
8. Non-domestic supply point portfolio report by SMP reference Number to include:
 - Customer name and telephone number
 - Billing address

- Site address
- Meter Asset Manager
- Annual Quantity
- Emergency contact details
- Details of whether the SMP is daily metered or interruptible

Domestic Supply Meter Points (SMPs)

The licensee should provide:

9. The total number of domestic SMPs by EUC category and gas distribution network (at the close of business on the day before the start of the report).
10. Number of vulnerable customers.
11. The total number of domestic SMPs in the process of registration.
12. The total number of domestic SMPs in the process of transferring away.
13. Domestic supply point portfolio report by SMP Reference Number to include:
 - Customer name and telephone number;
 - Billing address;
 - Site address;
 - Meter Asset Manager;
 - Annual Quantity;
 - Emergency contact details;
 - Meter Type (Prepayment (Libra 100 or Quantum), or Standard Credit);
 - If the domestic customer has been identified as a vulnerable customer.

Appendix 2: Information from Potential Supplier or Suppliers of Last Resort

This is the information that the Utility Regulator is likely to request from potential Supplier or Suppliers of Last Resort at the time of a Supplier or Suppliers of Last Resort event. *The information requested may vary depending on the circumstances of the failure.*

Data protection

1. If appointed as a supplier of last resort or one of a number of suppliers of last resort to some or all of the customers of **[name of failed supplier]**, the Utility Regulator will provide to the Licensee any information it has obtained on those individual customers to which the Licensee is appointed as supplier of last resort or one of a number of suppliers of last resort. Please provide confirmation that, unless appointed as supplier of last resort or one of a number of suppliers of last resort to some or all of the customers of **[name of failed supplier]**, the high-level portfolio information provided with this request will only be used for the purposes of making a decision about whether to volunteer for the role of supplier of last resort or one of a number of suppliers of last resort and for providing the information requested in this request.
2. Please confirm that, if appointed as supplier of Last resort or one of a number of suppliers of last resort, the Licensee will comply with the data protection principles set out in Schedule 1 of the Data Protection Act 1988, and that the data disclosed by the Utility Regulator will only be used for the purpose of providing information to the Utility Regulator or for the purpose of supplying gas pursuant to a last resort supply direction.

General information

3. Confirm whether the Licensee wishes to volunteer to be a supplier of last resort for domestic customers and non-domestic customers and also if required to be one of a number of suppliers of last resort for domestic customers and non-domestic customers.

Change of supplier process

4. Give details of the time that would be required to transfer all the customers of the failed supplier. Outline the arrangements the Licensee will make to manage the change of supplier process (including arrangements to overcome difficulties which may arise if the customer information etc. held by the failed supplier has been recorded on a different IT system to that employed by the licensee).
5. The licensee should explain how they will assimilate customer information, issue bills and deal with customer enquiries without undue delay for the customers of the failed supplier and without impacting adversely upon the service provided to their existing customers. In particular the licensee should explain:
 - i) How customers of the failed supplier will be informed about what has happened.
 - ii) How the Licensee will ensure that customers of the failed supplier will receive a timely and accurate bill.
 - iii) How customers of the failed supplier will be made aware of their options to sign up to a contract with the Licensee or another supplier.
 - iv) How customers of the failed supplier written and telephone enquiries will be dealt with.
6. The potential supplier or suppliers of last resort should demonstrate its ability to meet its obligations to existing and additional customers in accordance with consumer protection requirements.

Prepayment meter customers

7. Explain the arrangements that the Licensee will make for prepayment meter customers of **[name of failed supplier]**, including:
 - i) How arrangements will be made to enable the provision of emergency credit;
 - ii) How arrangements will be made to deal with the provision of new prepayment meter devices;

- iii) How arrangements will be made to ensure the customer's meter will be updated to apply the Licensee's deemed contract tariff rate for customers whose meter has been programmed to collect a proportion of debt.
8. The licensee should provide details of the number of prepayment customers to which they currently supply gas.

Meter reading

9. For the failed supplier's former customers explain what arrangements the licensee would make to secure a meter reading for:
- Daily metered customers within 2 working days of supplier or suppliers of last resort being appointed;
 - Customers burning between 25,000 to 75,000 therms within 1 week of a supplier or suppliers of last resort being appointed;
 - Customers burning between 2,500 to 25,000 therms within 1 month of a supplier or suppliers of last resort being appointed;
 - For customers (domestic and industrial and commercial) burning less than 2,500 therms the SoLR should record the latest actual meter reading taken by the failed supplier and then to take a subsequent meter reading in line with their own meter reading policy and the conditions outlined in their gas supply licence;

Industry arrangements

Sourcing gas

7. Give details of the licensee's arrangements to source and supply gas to customers of **[name of failed supplier]** as well as continuing to supply gas to its existing customers.

Network agreements

8. State which gas network codes the licensee has signed and give details of any contraventions of any of these codes during the past 12 months, including whether there have been any failures to pay invoices.

Credit cover

9. Provide evidence that the Licensee would have the financial ability to purchase gas for its current customers and the customers of **[name of failed supplier]**.

In particular, please provide the following information:

- i) Details of how quickly any required additional credit could be arranged and put into place if the licensee would have to secure additional credit in order to supply gas to customers of **[name of failed supplier]**;
- ii) Licensee's current credit limit;
- iii) Licensee's current level of indebtedness;
- iv) Details of any failures to pay invoices in the past 12 months.

Tariffs

Domestic customers

10. Complete the table below, outlining the tariffs available to each category of existing domestic customer and the tariff that would be applied to each category of domestic customers of the failed supplier if directed to supply gas to domestic gas customers. **All prices must include VAT.**

	DOMESTIC CUSTOMERS - Tariff			
	Standard Credit		PPM	
	p/kWh	Fixed Charge (please specify any minimum usage level)	p/kWh	Fixed Charge (please specify any minimum usage level)
Existing domestic gas customer				
Domestic customer of the failed gas supplier				

11. Please outline how the new pricing structures for the customers of the failed supplier have been calculated. The potential licensee should explain the difference between its deemed contract prices in normal circumstances and those proposed under a last resort supply direction. The rationale for any difference in the two pricing structures should be explained.

Non-domestic customers

12. Complete the table below, outlining the tariffs available to each category of non-domestic customer and the tariff that would be applied to each category of non-domestic customers of the failed supplier if directed to supply gas to non-domestic gas customers. **All prices must include VAT.**

	NON-DOMESTIC CUSTOMERS - Tariff	
	p/kWh	Fixed Charge (please specify any minimum usage level)
Existing non-domestic gas customer		
Non-domestic customer of the failed gas supplier		

13. Please outline how the new pricing structures for the customers of the failed supplier have been calculated. The licensee price should explain the difference between its deemed contract prices in normal circumstances and those proposed under a last resort supply direction. The rationale for any difference in the two pricing structures should be explained.
14. Please include any additional information which you may wish to add to demonstrate that the licensee would have the capability and resources (financial administrative and Information technology) to continue to supply gas to their existing customers and to supply gas to the failed supplier's customers.

Non-domestic Supply Meter Points (SMPs)

The licensee should provide:

15. The total number of non-domestic SMPs registered to the Licensee by EUC category and gas distribution network (at the close of business on the day before the start of the report).

16. The total number of non-domestic SMPs by EUC category and gas distribution network in the process of registration (at the close of business on the day before the start of the report).
17. The total number of non-domestic SMPs by EUC category and gas distribution network in the process of transferring away (at the close of business on the day before the start of the report).
18. Non-domestic supply point portfolio report by Supplier Meter Point Reference Number to include:
 - Customer name and telephone number;
 - Billing address;
 - Site address;
 - Meter Asset Manager;
 - Annual Quantity;
 - Emergency contact details;
 - Details of whether the Supplier Meter Point is daily metered or interruptible.

Domestic Supply Meter Points (SMPs)

The licensee should provide:

19. The total number of domestic SMPs registered to the Licensee by category and gas distribution network (at the close of business on the day before the start of the report).
20. Number of vulnerable customers.
21. The total number of domestic SMPs in the process of registration.
22. The total number of domestic SMPs in the process of transferring away.
23. Domestic supply point portfolio report by Supply Meter Point Reference Number to include:

- Customer name and telephone number;
- Billing address;
- Site address;
- Meter Asset Manager;
- Annual Quantity;
- Emergency contact details;
- Meter Type (Prepayment (Libra 100 or Quantum), or Standard Credit);
- If the domestic customer has been identified as a vulnerable customer.