



The Consumer Council

Elizabeth House,
116 Holywood Road,
Belfast BT4 1NY
Tel 028 9067 2488
Fax 028 9065 7701
e mail info@consumercouncil.org.uk

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Ref: PD20090268

Elena Ardines
Northern Ireland Authority for Utility Regulation
Queens House
14 Queen Street
Belfast
BT1 6ER

Dear Elena,

Re: Energy Retail Competition Work Programme: General Overview and Rationale Consultation.

The Consumer Council is a Non-Departmental Public Body set up in legislation to safeguard the interests of all consumers, and particularly the vulnerable and disadvantaged. The Consumer Council is an independent organisation which operates to promote and protect the consumer interest.

We welcome this opportunity to comment on NIAUR's Energy Retail Competition Work Programme. The Council welcomes and it's on exploring how competition in the energy sector can best benefit the consumer.

We look forward to working with the Unit, to ensure the consumers voice is fully heard within its work programme.

There are a number of specific areas within the Work Programme, in which we believe we can work together to further the consumer interest and in doing so utilise the Council's expertise:

- Supply price controls completed transparently and to facilitate competition where necessary.

As a statutory body, we would be keen to be involved at an early stage in any consideration of price controls, as they ultimately decide the final price that consumers pay.

- Ensure accuracy and transparency of tariff approvals.

Building on the good work already undertaken in partnership with NIAUR, the Council are keen to continue in working closely at an early stage to ensure accuracy and transparency within the reviews.

- Review and implement Supplier Standards of Performance to ensure that they meet best practice.

The Council welcomes this opportunity to reinforce best practice amongst suppliers and would be keen to be involved at an early stage of this work.

- Assess and deliver optimum way forward in relation to a branding of incumbent business.

The Council has previously discussed this issue with NIAUR, and would be keen to participate at an early stage on the way forward.

- Assess and deliver best-practice operation of supplier marketing procedures to customers in a competitive environment.

The Council has previously worked with the Regulator and Suppliers to develop a marketing code of practice. We would be keen to continue this work with both the Regulator and Suppliers, to ensure that the code remains relevant and appropriate to the needs of a competitive domestic energy market.

Competition

The Consumer Council believes that in order for competition in the energy sector to be viable it must improve the customer experience for all consumers in Northern Ireland, and it will only do this by:

- Providing lower prices to the consumer;
- Providing better customer service;
- Being available to all classes of consumers, and;
- Providing increased and targeted protection to vulnerable consumers;

At present, the Council believes that there is no comprehensive evidence to suggest that competition will deliver consumers all these benefits. It is therefore the Council's view that competition should not be pursued at any cost, and that whilst comparative research of the benefits/disadvantages of competition in different countries is useful, we would ask that in going forward any proposals take in to account the unique nature of the energy market in Northern Ireland.

The Council believes that further work is needed to better understand the benefits/disadvantages that competition can bring to consumers within Northern Ireland. This should include:

- Examining both best practice and competition failure in other energy markets;
- Undertaking a cost benefit analysis of bringing retail competition to Northern Ireland consumers;

- An analysis of the unique factors of the Northern Ireland energy market;
- Undertake consumer research to fully understand the views and needs of the customer.

Other comments

In this response, the Council would like to make some further observations:

- A high level of investment has already occurred in developing systems to encourage competition. The Council is concerned that the Northern Ireland consumer is being expected to pay for more costs with no certainty that competition in the domestic energy market in Northern Ireland is actually attainable.
- We believe that the development of the Retail Unit presents a real opportunity for the Regulator to develop a consistent over-arching cross utility approach to regulation and the development of competition. For example, the development of a dual fuel tariff could be a benefit from this overall holistic approach.
- We would like to see further research undertaken into the attitude of Northern Ireland consumers to competition. The Consumer Council would be keen to be involved with this research.
- The Council would welcome further research being undertaken by the Regulator on the mutualisation model. In his Independent Report into Electricity, Mr Douglas McIlldoon says of mutualisation:

“I agree that this topic merits further examination – especially in the context of most of the island’s energy infrastructure being in some form of public ownership whether through mutualisation or ownership by the state - and would agree that it would clearly be in the interests of customers to finance transmission and distribution infrastructure at a lower cost of capital if they could do so without assuming additional risks”.

- Market segmentation has been a feature of the GB market following the introduction of competition. Within this, pre-payment meter customers have unfortunately paid higher prices than other customers and there is evidence that companies have ‘cherry-picked’ customers and possibly taken advantage of customers who are not financially savvy enough to switch. The Retail Unit’s work programme quite rightly highlights the need to protect low income and vulnerable consumers in a competitive environment both on price and the customer service aspect, and the Council looks forward to supporting the Retail Unit on this work.

If you would like any clarification on any of the issues raised in this response please contact me.

Yours Sincerely,

Richard Williams
Senior Consumer Affairs Officer