



The Consumer Council

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Lesley Robinson
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Ref: PD20010833

10 August 2011

Dear Lesley,

Re: Consultation on the 'Minded to' Position on Price Control for Phoenix Supply Ltd (PSL)

The Consumer Council welcomes the opportunity to respond to this consultation.

The Consumer Council is an independent consumer organisation set up in legislation to safeguard the interests of Northern Ireland consumers, particularly the vulnerable and disadvantaged. We work to promote and protect consumer interest and bring about change to benefit consumers. Our aim is to make the consumer voice heard and make it count.

We represent consumers in the areas of transport, water and energy. We also have responsibility to educate consumers on their rights and responsibilities and to equip them with the skills they need to make good decisions about their money and manage it wisely.

The Consumer Council welcomes this Price Control that balances the need for PSL to recover all its reasonably incurred costs with the need to keep the final cost to the consumer as low as possible. This is particularly relevant in the current economic climate that is challenging for all consumers and due to the fact that the latest government statistics show that 44 per cent of households¹ in Northern Ireland that are in fuel poverty.

¹ House Conditions Survey 2009, Housing Executive 2010

Energy prices are of significant concern to consumers. A recently published Consumer Council report² shows that Northern Ireland consumers pay on average £350 per year more than households in GB.

We have the following comment to make on the consultation paper.

Scope

We wish to reiterate our previously stated view that the Regulator must monitor this market closely, and set out its vision for a competitive natural gas market in Northern Ireland, clearly setting out the milestones on how this will be achieved.

Such a roadmap should include a indication on the percentage of market share that the incumbent will need to lose in order to trigger the end of price regulation in the Great Belfast licence area.

Network Maintenance

This element includes tackling meter tampering. Meter tampering is an illegal activity that puts at risk all consumers and is paid for by all consumers.

The Consumer Council believe that with the enhanced powers in the Energy Bill 2011, PSL has the opportunity to reduce this. To maximise this opportunity, PSL should look to positively engage with community representatives and stakeholders including the Consumer Council to tackle this important issue.

Manpower

We note the inclusion of an allowance for additional credit control personnel and expect to see a consequent reduction in the overall level of bad debt carried by PSL.

Bad debt

The Consumer Council believe that with 60% of domestic customers on Pre-Payment meters and 21% of customers on Direct Debit PSL should be able to reduce its level of bad debt.

We note the inclusion of an extra £100,000 annual allowance, ring-fenced for activities to reduce bad debt. We expect to see PSL take this opportunity to engage with the consumer/debt advice agencies and other organisations that provide support for consumers who are struggling with their gas bills.

² The Price of Being poor. Consumer Council June . www.consumerCouncil.org.uk/newsroom/726/.

PSL needs to be innovative in its approach to tackling bad debt and should consider how it will voluntarily implement recommendations made in the Utility Regulators report into its Social Action Plan Customer Debt Project³. This report highlights how preventing customer debt through pro-active measures is the key to reducing customer debt.

It is essential that the Regulator monitors closely this area of activity to ensure that PSL do not adopt a more aggressive 'after the event' debt collection activity, such as increasing customer disconnections, increasing repayment levels and using debt collection agencies.

Meter Reading

We welcome the inclusion of four meter reads per year for Direct Debit customers. The Consumer Council has argued for this for a number of years, as we believe that it is essential that customers can actively monitor their gas use and prevent the accumulation of debt.

Wholesale gas costs

It is important that the Price Control is used to provide an incentive to PSL to increase the efficiency of their business and reduce the price to the end user. We are therefore disappointed that the Regulator has not included an incentive mechanism for the purchasing of gas in its 'Minded to' paper and would urge them to reconsider this.

The end price consumers pay for gas is dependent upon, among other things, the efficiency which PSL exercises when purchasing gas. Currently the Regulator is not prescriptive and only monitors the strategy which PSL uses to purchase gas. While the Consumer Council appreciate PSL seek independent advice when devising their strategy, we believe that it is in the interests of consumers for PSL to be given an incentive to purchase efficiently and for them to incur a penalty if they fail to do so. It is essential within this that there is an equitable distribution of risk between consumers and PSL – currently we believe too much risk is sitting with the consumer.

Incentives can keep costs down, and that is for the benefit of supply companies and consumers. To draw a parallel in the Northern Ireland context, NIE Energy has a licence requirement to purchase electricity economically, (the Economic Purchasing Obligation). Consideration should be given to creating a mechanism that can be enforced against PSL if need be.

³ Utility Regulator- Customer Debt Project, April 2010.

Customer Service

The Consumer Council believe that Utility Regulator should consider a mechanism of incentives and penalties within the Price Control based on agreed customer service standards. For example the number of complaints received and resolved within a specified period.

Such a system would complement the Guaranteed Services Standards that are soon to be introduced in the gas industry in Northern Ireland.

I hope this response is useful. Please contact me if you require further information.

Yours sincerely,



Richard Williams
Senior Consumer Affairs Officer