

CONSULTATION ON TRANSACTIONAL CHARGES

SSE AIRTRICITY RESPONSE TO
THE UTILITY REGULATOR OF NORTHERN IRELAND

2015

INTRODUCTION

SSE Airtricity welcomes the opportunity to comment on the Utility Regulator's transactional charges consultation.

SSE Airtricity is the largest independent supplier operating in Ireland with over 800,000 customers served across both electricity and natural gas markets. In Northern Ireland, SSE Airtricity is in a unique position of being the largest competitor to the incumbent electricity company, while also being the incumbent gas supplier in the Greater Belfast area. SSE Airtricity is committed to the development of competition in energy markets in NI and to presenting its customers with choice and quality customer services.

SSE Airtricity recognises the importance of putting in place a robust revenue protection regime to ensure the safety and ongoing operation to the NI energy industry.

COMMENTS

SSE Airtricity recognises that revenue protection is a growing concern in the energy industry in NI. In particular the use of devices that are virtually undetectable with respect to the physical meter. As this is the case, there are a number of areas which require addressing to ensure clear understanding and guidance with respect to addressing the matter with energy customers. Firstly, SSE Airtricity believes it is important to establish the principle that the customer/ property owner is responsible for the meter at the property and will be held accountable for any activity at that meter point. It is essential that the correct parties are held accountable and charges follow correctly. The choice to act illegally lies with the property owner/customer and is not something a supplier, NIE or a regular customer should be held liable for.

It is important that when considering these issues that costs remain balanced for those trying to compete in the competitive energy markets as the issue of meter tampering sits outside the competitive market and is a matter of illegal activity which impacts the industry. Where possible, costs should be passed through to and recovered from the customer who has benefited from the tamper and where this is not possible the cost should be

recovered from network charges which are spread equally across all suppliers/customers.

SSE Airtricity would like to draw attention to the obligation on NIE to provide meters to customers that are fit for purpose. At this time, it appears that the meters being supplied are no longer fit for purpose as they are now being interfered with on a wider scale and more regular basis. In the first instance, NIE should be replacing these meters with appropriate technology and SSE Airtricity welcomes the meter replacement programme that forms part of the NIE price control. SSE Airtricity believes that this programme should progress placing priority of meter replacement in areas where there are high levels of suspected meter tampering.

SSE Airtricity notes the discussion of 'proof' of meter tampering in the UR paper and would like to highlight the absence of any clear definition of 'proof'. Given the type of technology being used to tamper with meters, SSE Airtricity believes an industry definition of proof should be developed looking at the type of information that is available to make this type of an assessment. In the absence of clear understanding in this area, it is unclear how any decision could be made by a supplier or NIE with respect to activity at a property or to make a meter exchange. There would be no basis for taking action at the property at all.

SSE Airtricity believes it is important to highlight the obligation on customers with respect to ensuring no tampering or interference with their meter, the safety issues that arise due to meter tampering and the illegality of this activity. It is essential that consumers are aware of these issues and their liability in the event of meter tampering at their property. SSE Airtricity believes it is reasonable to assume that where tampering has occurred, that the customer is aware of this as the customer is the only beneficiary of such activity. It is unclear why or how tampering would occur at a property without the knowledge of the customer, with the exception of where a property has exchanged hands and it is clear from evidence the tamper impact began before the property exchange.

Question 1. Respondents are asked to provide any information or evidence they have which relates to the equality impact of the proposals in this paper.

All customers are treated as individuals and with respect. We as suppliers follow the guidelines and rules as set out by the regulator. Many of these are in place to support vulnerable customers. The discovery process and

costs involved in righting the situation don't distinguish or classify according to circumstances and are therefore equal to all.

SSE Airtricity believes it is important that all customers are treated as equal in the development of revenue protection processes.

Question 2. Respondents are asked for their views on whether it is appropriate to levy a transactional charge with supporting reasons provided. In addition, respondents are asked for their views on which party should be liable for such a transactional charge and in which circumstances, with supporting reasons provided.

NIE is currently contracted on behalf of suppliers to provide meters.

It is taken that these meters will be fit for the purpose of recording correct consumption. The cost of providing suitable meters is NIE's and that cost is recovered through the DUoS charges. It is therefore unclear to SSE Airtricity why individual transactional charges should be passed to suppliers to replace meters that are no longer fit for purpose.

In the event that charges are levied, this should ensure that the owner of the property or responsible customer for the meter directly incurs all costs involved in normalising the situation. It is unclear how the current proposal would work in practice as it appears to be addressing meters where there is only a suspicion and no confirmation of tampering. Clear industry guidance would be needed to support a supplier taking such an approach to a customer's meter without confirmation of tampering at the property.

In terms of the level of cost associated with the charge. Meter tampering is an illegal activity and is outside normal competitive energy business. Where charges are passed through to the customer, reasonably occurred costs should also pass through to the customer where the supplier deems appropriate. To disallow a supplier from passing through costs in this way would mean that regular customers who are not acting illegally would ultimately be subsidising those who choose to act in contravention with the law. It is unclear what the basis for this position would be. It is also essential that customers receive the appropriate signals to disincentivise meter tampering activity and are therefore held fully accountable for their actions.

Question 3. Respondents are requested for feedback as to whether transactional charges should only be levied on meter tampering being proven and that no such charges are levied unless conclusive proof is obtained.

SSE Airtricity believes the answer to this question again lies in the definition of proof. In the absence of guidance on what will be considered reasonable proof then it is difficult to see how any customer would be charged. It is clear when there is physical proof of meter tampering, however given the current technology being used to tamper with meters a paper based approach to proof is also required. This is where industry guidance would be appropriate to provide bands of consumption change which would be reasonable to accept as evidence that tampering had occurred where there are no other clear changes at the property. SSE Airtricity believes confirmation should come from NIE with respect to tampering at a property based on either physical or paper based evidence.

In the absence of being able to pass through the cost of a meter exchange to the customer, it is unclear why a supplier would request this exchange in the first place.

Question 4. Respondents are asked for their views on what types of charges should and/ or could be recovered via transactional charges and the rationale. We would be grateful if respondents could include a breakdown of elements within such charges and appropriate monetary levels for unit costs.

We believe it is appropriate to recover transactional charges in full from the customer as levied by NIE in cases of confirmed RP.

Where charges are passed through to the customer, reasonably occurred costs should also pass through to the customer where the supplier deems appropriate. To disallow a supplier from passing through costs in this way would mean that regular customers who are not acting illegally would ultimately be subsidising those who choose to act in contravention with the law. It is unclear what the basis for this position would be. It is also essential that customers receive the appropriate signals to disincentivise meter tampering activity and are therefore held fully accountable for their actions. In the first instance, SSE Airtricity believes priority should be given to protecting regular legitimate customers from the activity of those who act illegally.

Question 5. We welcome views from respondents as to what measures should be taken to protect vulnerable customers in the context of meter tampering and transactional charges.

SSE Airtricity recognises the desire to ensure consumer protection for vulnerable customers and believes that this is appropriate in the context of regular energy related activity. However, it is important that no customer category is treated more favourably in the context of illegal activity. In reality, the consequences of meter tampering are the same for all customers who engage in this activity as the safety related outcomes and legal obligations are the same regardless of who the customer is. It is important that the correct signals are provided to customers to demonstrate the seriousness of meter tampering and no policy should treat any customer category more favourably in this regard.

SSE Airtricity will address any issues involving vulnerable customers sensitively and where possible assist in reaching an arrangement with the customer. However, this agreement must be made recognising the full extent of what has occurred.

Question 6. Respondents are asked for comments on how a transactional charge should be treated and/ or recovered should a customer be in the process of switching/ have switched supplier.

SSE Airtricity believes that a customer should not be allowed to switch supplier while their energy supply is under investigation or has been found to have a meter tampering at the property. On that basis, the charge would pass to the existing supplier and be charged through to the customer. If the customer is allowed to switch supplier, the charges associated with the transactional charge and revenue protection incident should pass to the new supplier and as network charges to the customer be recovered from the customer.