



Electricity Supply Board

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CONSULTATION PAPER
Supplier of Last Resort in Electricity

Dear Kenny,

ESB Customer Supply (ESBCS) is pleased to have this opportunity to respond to this consultation on the Supplier of Last Resort (SoLR) in Electricity. As you are probably already aware, the Commission for Energy Regulation (CER) issued decision papers in 2006¹ and 2007² on the same subject for the Republic of Ireland (RoI). ESBCS was appointed as the SoLR for the RoI.

The Utility Regulator's consultation paper requests stakeholders to respond to a set of 11 questions/issues which we do so below. Our response is made in the context of the decisions made for the RoI and in regard to the overall aim for harmonisation and consistency in policy and processes in both jurisdictions of the RoI and Northern Ireland (NI).

The process for handling customer transfers under a SoLR direction is not within scope of the consultation paper. However, it is worth pointing out that this is a key element of a SoLR event. An efficient Retail Market Process for the handling of a change of supplier for many customers within a short timeframe and agreed working practices for dealing with meter reading issues and outstanding meter works processes will assist greatly in

¹ Supplier of Last Resort in Electricity Decision Paper and Response to Comments CER/06/006 February 2006.

² Supplier of Last Resort in Electricity under the Single Electricity Market CER/07/171 17th October 2007

providing a successful outcome. Discussions have been ongoing in the RoI since 2006 regarding the introduction of new IT based market processes to deal with a SoLR event and it is hoped that these will be finally in place by mid-2010.

Questions/Issues Raised in the Consultation Paper

1. Should any Last Resort Supply Direction apply to all customer classes or just domestic and small enterprises as stated in the Directive?

The SoLR Direction should apply to all customer classes. It is logical for the SoLR to take responsibility for all customers from the effective SoLR date. In any event, following communication by the SoLR to affected customers they should have the choice to move to another supplier within a certain time period. The change of supplier date of effect should also be the SoLR effective date irrespective of the customer's choice of supplier.

2. Should the SoLR direction be used in all instances or if only a small number of customers are involved should these customers be given an opportunity to find another supplier and transferred manually?

The SoLR direction should apply in all cases regardless of the size of the defaulting supplier or the size of the customer being served.

3. Are the duties of the SoLR relevant and are there any other duties the SoLR should perform?

The duties are similar to those specified in RoI.

4. Is the five day window for notifying customers sufficient and is it reasonable to try and secure a meter reading within 14 days?

It is assumed that the stated 5 and 14 days are working/business days rather than calendar days.

The reasonableness of the 5 day notification period is dependent on how soon the SoLR can be advised of the contact details (name/address etc) of the defaulting supplier's customers and also the volume of customers that have to be notified. If the process is automated by transferring CSV data files via e-mail to the SoLR or other IT related processes there should be no difficulties with the 5 day limit. Timelines should be specified for the transfer of required data to the SoLR to facilitate adherence to the 5 day limit i.e. required data to be transferred on day 1 of the SoLR effective date.

It is not normally the responsibility of Suppliers to secure meter readings and it will be difficult to obtain readings within the timescale outlined. Some readings could be secured, as outlined in the consultation paper, via media advertising encouraging customers to provide readings. The communications letter issued to the defaulting supplier's customers could also request them to provide meter readings. However, a significant level of estimation is likely to be required. A separate working practice should be developed to provide guidelines on how to handle disputed, inaccurate or poorly estimated readings. Similarly guidelines regarding how to handle outstanding meter works relating to the defaulting supplier's customers should also be developed.

5. Should there be a customer opt-out period? How long should it last?

In the RoI the opt-out period is 14 working days – in the interest of harmonisation the Regulators should agree a common approach to be applied in both jurisdictions.

6. Should there be a lock-in period? How long should it last?

In the RoI the lock-in period is 3 months from the SoLR effective date – in the interest of harmonisation the Regulators should agree a common approach to be applied in both jurisdictions.

7. Should the same SoLR be used for all customer classes or would it be more appropriate to have different customers transfer to different SoLRs?

For ease of administration and to facilitate prompt communication with affected customers one SoLR should be appointed for all customer classes.

8. Is there any further information that the Customer Notice should contain?

Some additional information could be provided as follows:

- an e-mail address (in addition to a telephone number) could also be provided for customers to communicate with the SoLR
- a list of alternative suppliers available in the market or reference to the Utility Regulator's site where such information is provided
- include terms and conditions or refer to same via a website address

9. How should the SoLR be appointed (Obligation, Auction or case-by-case basis)? Is there any way these options can be improved? Are there any other available options?

In the RoI decision paper CER proposed to adopt a case-by-case approach but in the absence of interest from other suppliers ESBCS was appointed initially. If other suppliers express such an interest CER will appoint a SoLR on a case by case basis from a prescribed list of suppliers. In the interest of harmonisation the Regulators should agree a common approach to be applied in both jurisdictions.

10. How should SoLR costs be recovered? How should SoLR tariffs be set?

Cost recovery

In the ROI the level of non-energy related costs that a SoLR can recover together with an estimate of allowable energy costs would be fixed ex ante and approved by CER. Energy costs would be adjusted ex post where appropriate at the end of the SoLR event and approved by CER. Recovery of these additional costs from the market would be via the TUoS charge. In NI recovery of any additional costs would be recovered through the PSO.

Tariffs

In the CER decision paper in 2006 previously referred to (CER/06/006) the structure and level of SoLR tariffs would correspond with the regulated supply tariffs for the same category of customer. However the Single Electricity Market has been introduced since then and there has been some development and innovation of tariffs [e.g. Large Energy Users (LEU's) now being charged a pool-price-pass through tariff]. The application of regulated tariffs to an SoLR event is primarily dependant on whether or not the PES is chosen as the SoLR.

11. What information will be required from the defaulting supplier/NIE in respect of the customer base? What information will be required from potential SoLRs? Is the list of information in the Appendices relevant?

The ROI decision paper CER/06/006 does not specify detailed requirements required from the defaulting supplier or potential SoLR although the original SoLR consultation paper³ outlines the latter's requirements based on Ofgem's approach at that time. I note that Appendices 1 and 2 in the Utility Regulator's consultation paper are similar to those detailed in Ofgem's 'Supplier of Last Resort: Revised Guidance' published in December 2008. Below are some comments regarding appendices 1 and 2. There is no appendix 3 and appendix 4 outlines the Relevant Supply and NIE Transmission Licence conditions related to a SoLR event. These are useful references and should also be included in the final decision paper.

Appendix 1 Information from Potential SoLR's

Question 5 – Give details of arrangements the Licensee will make to manage the change of supplier process and the length of time to transfer all the customers of the failed supplier.

It seems unfair to place the onus solely on the SoLR to provide this data which may not be possible. The change of supplier is a market process and timelines depend on the quality of the process in place which is not under the control of the supplier.

Questions 10-13 under deemed contracts requesting the SoLR to provide information on prices to be charged to customers.

The requirement of this information is dependent on how SoLR tariffs will be set and whether the incumbent PES is chosen as the SoLR. Tariffs can be set at the standard regulated tariff; above the regulated tariff or as pool-price-pass through. The questions should be omitted if the first or last situation should apply. In the first case it will be known that prices will reflect regulated tariffs. In the last case the detail of pass-through tariffs will be unknown.

Appendix 2 – Information from a Failing Supplier

The first section on company structure etc which is in the Ofgem Guidance Document is not included in this appendix but this information may be useful if provided.

As a general comment, depending on the circumstances of the failure, it may not be possible to obtain the requested information as outlined but where possible it should be sought.

If you require clarification on any of the points raised above please do not hesitate to contact me.

Yours sincerely,

Gerry McDonald,
ESB Customer Supply

³ Supplier of Last Resort in Electricity and Gas Consultation Paper CER/05/072 26th April 2005