

Summary of Responses

Maximum Resale Price Provisions 2007 - Consultation Proposal:

- That the Utility Regulator introduces a pass-through rule. That is the resale unit prices for electricity and gas will be the same as that paid by the landlord.

A pass-through rule means that landlords cannot resell gas or electricity at rates higher than they have paid for the gas or electricity. However it means that landlords are not strongly incentivised to reduce costs. Landlord's incentives will be entirely dependant on the extent of competition in the property rental market.

The Gas and Electricity Orders give the Utility Regulator the power to set the MRP for gas and electricity each year. In previous years the MRP for electricity was based on NIE's domestic tariff and the MRP for gas was based of Phoenix's domestic tariff. Market opening makes it inappropriate to continue with this policy.

Number of Responses:

There were 6 responses, from:

Help The Aged
Firmus Energy
Omagh District Council
Phoenix Natural Gas
Northern Ireland Electricity
The Consumer Council

1. **Help The Aged** advised that due to an increased number of consultation requests, the Utility Regulator's request was not prioritised.
2. **Firmus Energy** was supportive of a pass-through rule and felt that this provision will ensure that gas consumers continue to be offered an affordable, clean and controllable fuel.
3. **Omagh District Council** was supportive but sought clarification on the term "certain information" for the benefit of tenants.

"Certain information" as used on page 6, paragraph 2 of the consultation paper, refers to information that would be provided by anyone reselling gas under a direction made by the Utility Regulator. This is likely to be any excess amount

charged and interest on that amount as set out in Article 24 of the Gas (Northern Ireland) Order 1996.

4. **Phoenix Natural Gas** suggested that a maximum percentage uplift is included in the MRP that would reflect the real costs and risks of the landlord

This is a policy decision. We propose that it is inappropriate to include a maximum percentage uplift as landlords may recover any administrative costs via alternative avenues.

5. **Northern Ireland Electricity** supports the proposal although seeks clarity on whether MRP applies only to domestic electricity usage or includes commercial customers also. The company also felt that a list of situations where the MRP will and will not apply would also be beneficial.

A list of situations where the MRP does and does not apply will be published in the Utility Regulator's updated MRP leaflet. In previous years it has been restricted to domestic customers, although there is no legislative reason why this should be the case.

6. **The Consumer Council** supports the pass-through rule in principle but proposed that:
 - I. the policy is extended to include small businesses;
 - II. there should be a synergy in provision of information on electricity and gas;
 - III. the Consumer Council should arbitrate in disputes between landlords and tenants;
 - IV. houseboats should be included in the MRP as long as the fuel is not used as a means of propulsion;
 - V. There should be a promotional campaign directed at landlords and tenants to inform them of their rights and responsibilities and penalties for non-compliance of the MRP.
- I. The legislation does not limit the MRP to domestic customers only. However in previous years the Utility Regulator has limited the MRP to domestic customers only. It is a policy decision whether or not to extend the MRP to small business. It depends on the extent to which the Utility Regulator believes that domestic tenants are in more need of protection than small business. Ofgem sets an MRP of gas and electricity, which applies only to domestic customers.
- II. The Utility Regulator will produce an MRP leaflet which contains information on both electricity and gas. However it should be noted that the instruments are entirely different. That said, where it is

appropriate to do so the Utility Regulator will apply a uniform approach to the MRP of Electricity and Gas.

- III. If consumers are overcharged they can pursue the overcharge through the small claims court. The Consumer Council has stated that they should arbitrate in disputes. This suggestion is outside the scope of this consultation and is ultimately a policy decision for DETI.
- IV. The issue on houseboats is also outside the scope of this consultation but may be noted for future consultations.
- V. The Utility Regulator may place a series of advertisements in the local press before the release of the new MRP leaflet directed at those who will be affected most. The new MRP leaflet can be sent to those most likely to be affected. This includes, but is not limited to, caravan parks, Citizens Advice Bureau, student housing associations and district councils.

Proposed Way Forward

The pass-through rule will be introduced by the Utility Regulator for domestic customers. The MRP already operates this way in GB to good effect to domestic customers only. The Utility Regulator will produce a new MRP leaflet for 2007/08 and place advertisements in the local press regarding the new pass through rule and penalties for non-compliance. The leaflet will be more detailed than previous years' and will contain a list of situations where the MRP does and does not apply (Energywatch in GB have a fact sheet along similar lines). Copies of the leaflet will be circulated to those most likely to be affected. See V above.

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