



Eimear Smyth
Gas Supply and Distribution Division
The Utility Regulator
Queen's House
Queen Street
Belfast
BT1 6 ER

22 July 2009

Consultation on Prepayment Gas Meters in Northern Ireland

Dear Eimear,

NIE Energy Supply (NIEES) welcomes the opportunity to comment on the above consultation.

NIEES is supportive of the proposal to remove the cap on Pay As You Go (PAYG) meters and to make them generally available to customers, providing prices will not increase. We are not in a position to comment on the analysis of PAYG costs described in the paper; however, we are of the opinion, based on our own extensive experience with keypad meters, that benefits to the business should at least cover the additional costs of providing PAYG meters. For this reason, we see no reason why PAYG prices should not be the same price as for credit metered customers, irrespective of whether they are paying off a debt.

Regarding the issue of legacy Quantum meters NIEES supports the view that all PAYG customers should be treated the same and that legacy Gas PAYG meter costs should be bundled together along with lower cost meters (i.e. Libra 100) to provide a single charge for PAYG Gas meters.

We note NIAUR are currently considering a proposal from Phoenix Natural Gas which will enable their PAYG customers to switch supplier. NIEES would encourage NIAUR, in the development of a competitive Gas market in Northern Ireland, to ensure that there are no barriers to the introduction of alternative PAYG Gas meters and arrangements for customers, providing prices to customers will not increase and that a simple method of switching is maintained. We would welcome an opportunity to share our ideas for a Dual Fuel PAYG solution that could create additional benefits for PAYG customers in Northern Ireland.

In response to specific questions raised in the consultation we would make the following comments.

Question 1. Do respondents agree that the cap on the percentage of PAYG meters in the licences should be removed?

Providing PAYG Gas meters can meet customer expectations for managing their usage and that prices will stay in line with standard credit we believe it is appropriate to remove the cap on installations.

However, NIEES believe that the consultation's remit should have extended beyond the current licence condition of reviewing the capping percentage of gas meters and should have also assessed whether the current PAYG Gas meters serve the best interests of customers. We believe NIAUR should have sought to understand broader customer views regarding Gas PAYG meters and to capture their opinions and attitudes in terms of whether they provide sufficient benefits such as information to help them manage their usage. This broader view could have also included a discussion on options for dual fuel.

Question 2. As the costs of PAYG meters have reduced is it acceptable to charge all PAYG metered customers the same on the basis that legacy Quantum meters are largely functioning solely as PAYG meters?

NIEES strongly believe that all PAYG Gas customers should be treated the same and that bundling of costs is an acceptable means for dealing with legacy PAYG Gas meters. However, for this proposal to work successfully there should be complete transparency of these costs to stakeholders. It is also important for NIAUR to acknowledge the key role that suppliers have in determining future meter requirements for their customers and that any future operating model for the competitive Gas market in Northern Ireland should encourage participation of suppliers in selecting metering requirements.

Question 3. Do respondents agree that customers who are paying off debt through a PAYG meter with a debt facility should be on the same tariff as other PAYG customers?

It is suggested in your consultation paper that PAYG Gas meters are usually installed into homes that may have slipped into debt at some point, to help them manage their debt and their budget more effectively.

NIEES's experience of Electricity PAYG meters is somewhat different with approximately 4% of customers having debt and the remaining customers

opting for PAYG as a lifestyle choice. The following are some of the benefits to NIEES customers on PAYG electricity meters;

- Functionality to monitor and help manage electricity usage. This includes access to real time consumption information and historical patterns of usage for up to 13 months.
- Time of use tariff option.
- No surcharges.
- No standing charges.
- No estimated meter reads, paper bills or reconciliation issues

Furthermore, NIEES PAYG customers receive a discount compared to standard credit, reflecting a lower cost to serve. We believe this discounted price combined with excellent functionality offers customers an attractive PAYG value proposition to match their needs.

NIEES are not in a position to comment on the analysis of costs for PAYG Gas meters described in the consultation paper but on the basis of our extensive experience of PAYG meters we believe that the benefits to suppliers in terms of cost to serve should at least offset the additional costs of providing these meters.

Should you wish to discuss our response in more detail please do not hesitate to contact me.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'E. Maguire'.

Eugene Maguire
Strategic Development Manager
NIE Energy