

16th September 2011

Mr Roy Mitchell
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Guaranteed Service Standards in Gas: Consultation Proposals

Dear Roy,

Phoenix Supply Limited (**Phoenix Supply**) welcomes the opportunity to respond to the Utility Regulator's consultation on Guaranteed Service Standards in Gas. Phoenix Supply is committed to providing customer service excellence to customers, however, there are a number of issues with the proposals contained within the consultation document.

Distribution Company Service Standards

Phoenix Supply has experience of engaging with customers to ensure their supply is restored following unplanned disruption to their gas supply. We do not believe it is reasonable to expect a distribution system operator to restore the gas supply within 24 hours, as often restoration of supply requires access to the customer's downstream pipe-work. Therefore, restoration is dependent on the customer providing access. There may also be circumstances where it is not safe for the distribution system operator to restore supply and it would be perverse to penalise the company in these circumstances.

Problems with prepayment meters can often be the fault of the customer, and on occasions due to the customer's inappropriate treatment of a prepayment meter. Furthermore, not all problems with prepayment meters require a site visit. Therefore, it is not appropriate to require distribution companies to respond to problems with prepayment meters within 4 hours.

Supply Company Service Standards

A compensation amount of £25 is not appropriate for supply companies operating in Northern Ireland's relatively immature natural gas market, particularly as the compensation level in Great Britain, where the market has been mature for some time, is typically £20. Phoenix Supply's regulated margin is currently capped at 1.5%, whereas the margin of gas suppliers in Great Britain is in excess of 8% (i.e. 5 times greater than in Northern Ireland). Given this significant difference in profit levels a compensation amount of £5 (i.e. broadly one fifth of that in Great Britain) would be more appropriate, and reflects due consideration of the different levels of margin.



We do not agree with the proposal that there should be no regulatory allowance for guaranteed standards. The Utility Regulator must also take into account the limited resources of companies when setting required service standards which are consistently being reduced as part of the Price Control process. It is not practical to expect companies to meet more stringent service standards while at the same time cutting the resources in place within the company required to meet standards. Phoenix Supply struggles to meet current standards, so we do not regard it as appropriate to put in place a system with more stringent standards coupled with compensation payments. If no regulatory allowance is granted for guaranteed standards of service, the Utility Regulator is, in essence, imposing 100% service targets upon suppliers. This is unrealistic and unjust.

Supply Company Service Standards – Individual Service Standards

8 Responding to Complaints

It is not always possible to make a substantive response to a written or verbal complaint within 10 working days. Investigation of a complex complaint often takes a period greater than 10 working days (e.g. where the removal and independent external testing of a meter is involved or where third party service providers are involved). This service standard is therefore not practical nor do we believe in the interests of customers. Customers expect the company to fully investigate and respond to the issues they raise and placing an arbitrary deadline of 10 working days for a substantive response is not realistic.

10 Making Standards Payments

Phoenix Supply's current standard for making payments to customers is within 28 days. The requirement for a small business like Phoenix Supply to identify that a service standard payment is due, review and validate the payment, raise payment request, obtain internal authorisation and make payment within 10 working days is not reasonable. We would suggest this should be in line with Phoenix Supply's current payment timescales.

Supply Company Service Standards – Overall Service Standards

8 Customer Correspondence

The consultation document proposes a 100% target for this standard. This is a much more stringent standard than that currently in place, which is set at 90%. There are often genuine business reasons why it may take longer than 10 working days to respond to written correspondence. At 97% Phoenix Supply's current performance is excellent, however, presently it does not meet a 100% standard. A target of 100% is unreasonable.

9 Customer Complaints

A proposed target of 97% for complaints receiving a full response within 10 working days is not feasible. As previously noted, some complaints require a lengthy period of action and investigation prior to providing a full response to the customer. A 97% standard is therefore not achievable.





This proposed target is also significantly in excess of the current 85% target and currently at 90%, Phoenix Supply's performance is again excellent. However, Phoenix Supply presently does not meet a 97% target in this area, for the reasons already outlined. We believe that service standard targets should be realistic and achievable and it is clear the current proposed targets are not achievable.

It would be useful if the Utility Regulator might offer an explanation of their reasoning behind the target determinations outlined in the consultation paper, and the appropriateness thereof.

The implementation of these standards in early 2012 is an unrealistic timescale. The processes and procedures required to implement and administer these standards, as well as the determination and implementation of appropriate resources, will involve significant planning and review. A period of at least 12 months will be required from determination of standards to implementation.

Should you wish to discuss any aspect of this response in further detail please do not hesitate to contact me.

Yours sincerely,

Stephen English
Gas Trading Manager