



The Utility Regulator's Social Action Plan 2009 - 2014

Phoenix Energy Holdings Limited

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March 2009

Phoenix Energy Holdings Limited Executive Summary

- The provisions adopted by Phoenix Natural Gas Ltd. (PNG) and Phoenix Supply Ltd. (PSL) ensure that all vulnerable customers are adequately protected in the event of a disruption to natural gas supplies. However we welcome the outcome of this consultation should respondents bring forward specific medical conditions or life saving medical equipment that require a constant supply of natural gas.
- PSL offers customers three different payment methods – standard credit, direct debit and pay-as-you-go (PAYG). The company also offers quarterly credit customers the use of the Phoenix Energy Saver Card which allows customers to pay regular amounts towards their next bill. These flexible payment methods facilitate customers budgeting towards their gas consumption and are more flexible than payment methods for some other fuels.
- PSL has developed an efficient debt collection process based on its knowledge of the Northern Ireland natural gas consumer. Whilst PSL has standard debt collection provisions, where requested, the company will try to make suitable repayment arrangements with individual customers based on their personal circumstances and ability to pay. It is therefore inappropriate for PSL to give up this flexibility in favour of a harmonized cross-utility approach. In addition, regulated suppliers are subject to price controls which contain differing efficiency targets and we do not see that a harmonised debt collection process is either necessary, desirable or possible.
- Regulation ensures that regulated utilities only pass on efficiently and properly incurred costs to customers. Generally PSL will not be aware if a customer is entering into financial hardship and does not have enough up-to-date information to identify customers liable to disconnect because of this. It could be argued that oil customers experiencing similar financial hardship also self-disconnect if they are unable to afford the upfront purchase cost of oil. Phoenix believes that self-disconnection should be dealt with across all energy suppliers and is therefore an issue for Government to resolve e.g. increasing winter fuel payments for those on specific benefits or fuel vouchers to ensure that payments are used heat homes.
- PSL actively promotes its Energy Care Scheme by providing information on its website, on the back of bills, through its contact centre etc. The Scheme provides additional services for people with disabilities and older people. The number of registered customers has almost doubled since the end of 2006.
- PNG works closely with NIE Energy when developing its schemes under the Northern Ireland Energy Efficiency Levy. PNG aims to target one of these at customers more vulnerable to fuel poverty and actively promotes such Schemes.



- A number of issues should be addressed before considering social tariffs e.g. how suppliers can confirm eligibility, who bears the cost given that vulnerable customers may actually consume more energy and therefore targeting high consumption consumers may defeat the purpose. In addition there is a competitive issue in that natural gas is competing with oil in order to expand the natural gas network and there are clear competitive issues associated with a social tariff.

Phoenix Energy Holdings Limited Response to Consultation Questions

The Phoenix Natural Gas Group is made up of Phoenix Natural Gas Ltd, Phoenix Supply Ltd and Phoenix Energy Services. Phoenix Energy Holdings Ltd (Phoenix) is the holding company of the Phoenix Natural Gas Group.

Chapter 2: Background

Question 1

Respondents are asked to comment on the impact of this paper with regard to equality of opportunity and good relations.

Phoenix believes that any proposal which adversely impacts on prices to consumers may have a detrimental impact on some of the Section 75 Groups and recommends that a full Section 75 equality impact assessment is undertaken in such circumstances.

Chapter 3: Defining the Problem

Question 2

Respondents are asked their views as to whether we have considered all the characteristics that may contribute to or intensify vulnerability.

Phoenix believes that Table 1 of the consultation details the main characteristics that may contribute to or intensify vulnerability.

Chapter 4: Protecting Vulnerable Customers: Part 1 – Special Services

Question 3

Respondents are asked to what extent they believe critical care provision could be improved. In particular respondents are asked to what extent similar emergency provisions in the event of a disruption to supply are required for gas. In responding, it would be useful if specific improvements could be detailed and in particular details of medical conditions or life saving medical equipment that require a constant supply of gas could be given.

Table 4 provides a useful summary of the provisions within the Phoenix Supply Ltd. (PSL) licence to protect the interests of its vulnerable customers.

Table 5 provides an adequate summary of the special provisions on offer by PSL for its older customers or those with a disability or chronic illness.

As these provisions relate to supplying natural gas to customers, conveyance licences (e.g. the Phoenix Natural Gas Ltd. (PNG) licence) do not contain such conditions. However all natural gas suppliers can provide PNG with a list of their vulnerable domestic customers i.e. pensioners or those who are chronically sick or disabled and who do not share their home with any person who is not a pensioner, chronically sick, disabled or a minor. PNG's licence contains a provision to ensure that such customers will not be deprived of adequate heating and cooking facilities where the conveyance of natural gas to their homes has been disconnected for the purpose of averting danger to life or property.

Phoenix believes that these provisions ensure that all vulnerable customers are adequately protected in the event of a disruption to natural gas supplies. However we welcome the outcome of this consultation process should respondents bring forward specific medical conditions or life saving medical equipment that require a constant supply of natural gas and which are not adequately covered under current procedures.

We note the comments on the provision of information in other languages and again welcome the outcome of this consultation process to ascertain whether there is an appropriate means of conveying this information given the size and maturity of the natural gas market in Northern Ireland.

Chapter 5: Protecting Vulnerable Customers: Part 2 – Financial Vulnerability

Question 4

Respondents are asked to comment on whether they believe all customers have sufficient access to different payment methods offered by the utility suppliers. Respondents should list the barriers they perceive as preventing some vulnerable customers from accessing all payment methods.

Phoenix believes that the range of payment methods offered by PSL, firmus energy and NIE Energy offer all customers sufficient access to different payment methods.

We note that the comprehensive range of payment options offered by all regulated energy suppliers is not offered by all oil distributors and we would welcome any moves which can be taken by the Department to make these flexible payment methods available to all energy users.

Question 5

Respondents are asked to consider what measures, if any, need to be taken to ensure that pre-payment customers benefit equally from the introduction of retail competition in Northern Ireland.

Both PNG and PSL are involved in the Smart Metering Steering Group and PNG is actively involved in research into pre-payment customer switching to ensure that

there are no barriers to entry once there is effective competition in the domestic gas supply market.

Question 6

Respondents are asked to comment on the merits of a harmonized approach in relation to helping vulnerable customers to avoid debt and to manage their way out of debt.

PSL strongly opposes any suggestion that managing debt is dealt with on a cross-utility basis.

PSL has developed an efficient debt collection process based on its knowledge of the Northern Ireland natural gas consumer and such processes may not be transferable to the electricity sector and vice versa.

Whilst PSL has standard debt collection provisions, PSL advises customers to contact them if they feel that they cannot manage the repayment amount. Such customers are asked to complete a Proof of Income form from which PSL can review their ability to pay. PSL will then try to make suitable repayment arrangements with the customer based on their individual circumstances and ability to pay. It would therefore be inappropriate for PSL to move away from its current process where it has the ability to review a customer's debt repayment arrangements on an individual basis in favour of a harmonized cross-utility approach. In addition, regulated suppliers are subject to price controls which contain differing efficiency targets and we do not see that a harmonised debt collection process is either necessary, desirable or possible.

Question 7

The Utility Regulator acknowledges the concerns of stakeholders around self-disconnections. Respondents are asked to comment on what should be done to prevent vulnerable customers self-disconnecting for reasons of financial hardship.

Regulation ensures that electricity and natural gas utilities only pass on efficiently incurred costs to customers. PSL has also recently passed on a reduction in its tariff following the fall in wholesale gas costs. Customers can therefore be assured that in the absence of effective competitive domestic natural gas and electricity markets, the current tariffs in Northern Ireland are competitive. The average natural gas consumer in Greater Belfast is able to heat their home for around £10 per week.

The consultation infers that most households that disconnect do so for reasons other than financial hardship. Tariffs reflect only efficiently and properly incurred costs and generally PSL does not have details of a customer's income or financial status and will not necessarily be aware if a customer is entering into financial hardship. In our opinion suppliers do not have enough up-to-date information to identify customers

liable to disconnect because of financial hardship and therefore are not best placed to offer a solution.

It could be argued that oil customers experiencing financial hardship also self-disconnect if they are unable to afford the upfront purchase cost of oil. Phoenix therefore believes that self-disconnection affects all energy suppliers, not just regulated energy suppliers, and is an issue for Government to resolve. This may be in the form of increasing winter fuel payments for the most vulnerable e.g. linking this to certain benefits to ensure that only those most vulnerable qualify or in the form of a fuel voucher to ensure that recipients use the payments to help heat their homes.

Chapter 6: Key Issues Going Forward

Question 8

Respondents are asked to comment on what measures should be undertaken to raise awareness, and which organisation(s) should take the lead on these measures.

PNG and PSL provide a number of services to help vulnerable customers.

PSL actively promotes its Energy Care Scheme e.g. by providing information on its website, on the back of bills etc. This provides additional services for people with disabilities and older people. In fact the number of customers registered on the Scheme has almost doubled since the end of 2006. PSL plans to re-launch the Energy Care Scheme with a publicity drive in 2009 in an aim to increase overall awareness of the Scheme and its benefits.

PNG works closely with NIE Energy when developing its schemes under the Northern Ireland Energy Efficiency Levy. Each year PNG aims to target one of its schemes at customers more vulnerable to fuel poverty. The Schemes are publicised in local newspapers and promoted by our Energy Advisors etc. however funding is limited and therefore places are allocated on a first-come first-served basis.

We note the findings of the Consumer Council report in 6.11 and make the following comment:

- We note that customers may perceive the direct debit discount to unfairly penalise those who do not have a bank account and/or those with pay-as-you-go meters. PSL advises that:
 1. PSL offers a direct debit discount to reflect the reduced administration costs compared to the standard credit billing process reflecting its efficiency in administering the direct debit scheme.
 2. The PSL tariff is designed to ensure that PAYG customers pay the same rate as a standard credit customer therefore these customers are not unfairly treated.

- We also note the preference towards a social tariff for offering help to those struggling with fuel bills and advise that there are a number of issues that should be addressed should social tariffs be considered:
 1. How will suppliers confirm eligibility?
 2. Who pays? – vulnerable customers may actually consume more energyWe have therefore provided an alternative suggestion in our response to question 7 that would be more transparent and target only those most in need.

In addition there is a competitive issue in that natural gas is competing with oil in order to expand the natural gas network and there are clear competitive issues associated with a social tariff.

Question 9

Respondents are asked to comment on whether there are any other key issues that should be considered.

We believe that the consultation addresses the key issues regarding the protection of vulnerable customers.

Chapter 7: Forward Work Plan

Question 10

Respondents are asked to comment on this future work plan.

We welcome this opportunity to comment on the Utility Regulator's Social Action Plan. The Forward Work Plan will ultimately provide clarity for the forthcoming period and we believe that by adopting a transparent strategy, the Utility Regulator will ensure that the most prevalent issues faced by vulnerable customers in the energy sector are prioritised.