

Consultation on the Implementation of the EU Third Internal Energy Package

A NIAUR Consultation

Power NI's Response

7 October 2011

Introduction

Power NI welcomes the opportunity to respond to the NIAUR consultation on the implementation of the EU 3rd internal energy package. Power NI wholeheartedly agrees with the sentiment of the directive to put consumer interests first.

As many of the implications of the implementation of this paper (particularly in chapter 2), should they be adopted, will be borne by Power NI and its customers, we would therefore request that NIAUR adopts a common sense, proportionate approach **to ensure that changes add genuine value to customers in terms of consumer protection.**

Chapter 2 Retail and consumer issues

2.2 Universal service

Power NI agrees with the principle of a universal service for domestic customers. However we believe that condition 14 of Power NI's licence may restrict competition (for example, should a social housing provider introduce an energy brokering scheme) and therefore should be applied equally to all suppliers or removed from Power NI's licence.

2.3 Change of supplier and three week switching

The switching or change of supplier (COS) process is specified and managed by NIE Networks and performance monitored for compliance by NIAUR. Power NI suggests that NIAUR publishes the results of its monitoring (eg average days to switch and numbers of registrations that fall outside the 15 day threshold).

Switching could be delayed (or lead to a customer dispute) if there are errors with premise details, meter data and meter reading or delays in carrying out fieldwork appointments required to complete the COS. These key components of the COS process are maintained by NIE, therefore there is an important role for NIAUR in ensuring accuracy and fitness for purpose.

Poor history of meter reading could pose a problem where estimated meter reads are accepted for COS and subsequently transpire to be erroneous. This reinforces the need for NIE Common Services to provide accurate meter reading for settlement and COS and not pass the responsibility for their errors to suppliers.

A ten day cooling off period for domestic customers applies and is assumed to have taken place before the supplier processing a registration request to NIE. Therefore it should be clear that the cooling off period is not part of the switching process but rather a prerequisite before submitting a registration request.

2.4 Customer information: consumption data

Meter reading

Power NI is confused as to why the consultation refers to supplier obligations in relation to meter readings. In Northern Ireland, the market has been established so that metering

services are undertaken by NIE under a common services arrangement. Power NI would welcome the introduction of standards to be delivered by NIE including remedies for suppliers and customers which are as a result of metering reading errors. Power NI's view therefore is that it is not appropriate to introduce obligations for suppliers in relation to meter reading.

Annual statement

Credit customers: for the majority of customers, they already receive quarterly bills which provide information on consumption. We believe that the requirement for an annual statement is therefore superfluous.

Keypad: for customers with keypad, they can use the smart meter functionality to access historical consumption including information on how much was consumed in the last year. We propose that a sensible solution would be to remind customers on how to access this information from their meter on an annual basis rather than introducing an unnecessary annual statement.

Sharing data

NIE's proposed market design suggests that suppliers will be responsible for dealing with customer requests for consumption data. This is reasonable if the current supplier holds all the relevant consumption data for that customer. NIE has also suggested that the old supplier would be responsible for providing the new supplier with consumption data providing there is proof of a customer request. This seems unreasonable and Power NI would have concerns about the feasibility of sharing data between suppliers. This would entail considerable work (and cost) in terms of administration to ensure that data protection requirements are maintained.

There is a process currently in place where customers can request their data from NIE and customers can share this with suppliers (eg as part of tender process). We therefore don't see the necessity to introduce other requirements. Alternatively, the consumption data (say up to 2 years) could be included as an integral part of the market design for Change of Supplier process subject to customer agreement. It could help remove a potential and significant barrier to provision of important information to customers.

Provision of consumption data

Power NI provides this information to customers on bills based on a daily average. This method is more accurate as it enables adjustment for the actual number of days in a billing period (see further comments in section 2.7 below).

2.5 Customer information: consumer checklist

Power NI recommends that the consumer checklist sent to customers be a short and user friendly document. If necessary, a longer, more detailed version would be available on-line and in print to those who request it.

2.6 Customer information: dispute settlement rights

Power NI currently informs all monthly/quarterly billed customers of our complaints handling procedure and contact details. We also detail the role of the Consumer Council

should they require independent advice and/or help on complaint resolution. This information is detailed on the back of each bill.

Power NI's Code of Practice on complaint handling also details this information and is available on-line or hard copy.

2.7 Customer information: transparency of information

Power NI welcomes enhanced transparency for customers, particularly in relation to customers signing up for introductory offers and current lack of transparency when that offer ends. However, the question of information transparency requires a balance to be struck between inundating the customer with data and the simplicity of presentation. The provision of data has cost implications which will ultimately be borne by the customer; therefore careful consideration is required of the potential benefits of the information to be provided. NIAUR should be mindful of the additional costs which will arise from placing new requirements on suppliers and be conscious that not all consumers have the same desire for detailed levels of information.

In Section 2.7.7 NIAUR suggest a number of information requirements which should be included on or with each bill. While the majority of the suggestions are straightforward to implement Power NI would like to take this opportunity to question the detail behind the consumption comparison contained within sub-section iv.

Currently a considerable number of Power NI customers are billed on a quarterly basis following an actual meter read. Reading cycles however are not always consistent and a customer is not always billed for the same number of days. The typical meter reading cycle is 91 days however the common services provider has a +/- 5 days threshold, to take account for holidays, weekends etc. A customer therefore can in reality have a Power NI bill for anything from 81 to 101 days. To simply take the consumption for the period last year either is misleading (due to inconsistent bill periods) or would involve considerable development for a supplier to generate an unbilled estimate (again creating a degree of inaccuracy) to bring the timeframes in line.

Power NI strongly advocates the average daily consumption approach for the period in question. This approach provides a reasonable indication of the typical daily consumption by the customer both in the current period and the same period in the previous year. Power NI believes that this information is at least as useful to consumers as a high cost estimation routine, given the reality that consumers are looking at this information in terms of trends and not absolute billing period comparisons. Furthermore, other suppliers use a two month billing cycle so the presentation of data on a daily average basis is more meaningful to customers and useful for comparison.

Additionally Power NI has a number of concerns regarding the fuel mix disclosure requirements as contained in the recent consultation paper. The central concern is that the proposals do little to aid transparency but rather create new "allocation markets" which will generate additional costs which again will eventually be borne by consumers with little benefit value.

Having a requirement to tell customers that they can switch supplier and how to do this is a strange one. Power NI would object to the introduction of such a requirement on the grounds of conflict with our approach of being a customer focused supplier which endeavours to provide excellent customer service and encourage brand loyalty.

In relation to transparency of information therefore, Power NI is generally supportive of the principles behind this consultation and does agree that the provision of tariff information would enable the customer to make informed decisions. Once again however caution should be exercised by NIAUR in not imposing excessive and costly requirements on to a supplier which would push additional cost to consumers and be beyond the requirements of the majority.

2.8 Enhanced consumer protection provisions

Codes of practice

Power NI is supportive of consistency of codes of practice throughout energy suppliers and welcomes the development of a marketing code of practice and would be keen to be involved in the development of this.

Debt issues

In relation to debt repayment, Power NI would recommend an approach to calibrating repayment linked to ability to repay (ie repayments set below the normal level if a customer can provide evidence of limited income, and above the normal level if justified on an ability to pay basis). We suggest that the default level be 40%.

The consultation paper doesn't address the issue of fraud in the use of electricity and suppliers should be able to adopt a firm approach, particularly as considerable safety issues may arise.

On the issue of disconnections, Power NI has adopted a voluntary approach of not disconnecting domestic customers at any time of the year. However we would wish to ensure that any new requirements brought forward by NIAUR do not create opportunities for customers to 'game' the system eg not paying during the winter months and switching between keypad and credit to avoid repaying the amount due.

2.9 – 2.11 Energy supply contracts

Transparency requirements

In Section 2.10.5 NIAUR proposes a compensation arrangement in relation to inaccurate or delayed billing.

Power NI would question the need for such a requirement in a competitive market as it is clearly in a suppliers own best interests to ensure that bills issued to their customers are correct. To retain that customer, should an error occur, the supplier will look to rectify this as soon as possible in a customer friendly and professional manner.

The unique market set up in Northern Ireland also does not naturally lend itself to such an arrangement. The common services arrangements mean that suppliers are not responsible for meter reading, reading accuracy, estimation or meter configuration. A supplier in Northern Ireland in good faith simply passes on or uses the information provided to them by Northern Ireland Electricity (in their role as common services provider). Issues derived from errors in meter configuration set up (multiplier, dial, meter number issues etc) inaccurate estimates / reads or simple failure to read are failures by the common service provider and will appear to the customer on their suppliers bill. It is

inequitable therefore to impose a compensation arrangement on suppliers without a commensurate (pass back recourse) scheme applied to the common services provider.

Within the consultation paper NIAUR states that “no supplier has yet made a deemed contract scheme”, this is incorrect. Power NI implemented a deemed or default scheme in August 2008 which continues to be in effect.

Contract variations

Contract variations and in particular price changes are an emotive issue particularly if it affects the general domestic customer base. Pricing changes are widely reported through the general press and therefore Power NI advocates a simple, clear (and importantly low cost) message by suppliers regarding price.

Additional letters carry significant printing and postage costs therefore concise, clear messages through billing leaflets, web sites and press releases would be a sensible approach. In addition, the logistics of managing a mailing to the majority of homes in NI would present a challenge to the postal infrastructure.

Therefore Power NI recommends that NIAUR be mindful of introducing a requirement to provide written individual notice which will place additional costs on the customer when there are other lower costs means of informing customers of any changes (ie media, normal billing cycle, web etc).

2.11 Energy supply contracts: choice of payment methods

The discussion of energy supply contracts and the choice of payment methods relates to pricing differentials. Power NI agrees that due to the nature of alternative products, the underlying cost to serve and therefore price offered may differ. This is a normal and expected outcome. Power NI further agrees that differences in the terms and conditions should be clear and differentials should be set on a cost reflective basis.

2.12 Dispute settlement procedures

As above.

2.13: Unbundling distribution and supply: communications and branding

Power NI agrees that there should be clear brand separation and unbundling between distribution and supply businesses. Power NI, although not vertically integrated, is following the spirit of the Article.

Clarification is needed around what ‘does not create confusion’ means. We would see this meaning distribution and supply businesses should not share a common name (or element of a name) or other brand mark.

The suggested threshold of more than 100,000 connected customers is too high in the context of Northern Ireland with the limited number of connections to the gas network. We feel that there should be no lower limit.

In addition, there needs to be a two way prohibition to vertically integrated distribution and supply businesses using the same name or brand mark.

2.14 Fuel mix information

Power NI has responded to the separate specific consultation on fuel mix disclosure (see section 2.7).

2.15 Record keeping – wholesale contracts

Power NI expects that organisations would retain records for purposes such as audit. Power NI therefore has no objection on the provision to retain information.

Conclusion

As competition develops, particularly in the domestic sector, consumer protection becomes increasingly relevant. Power NI welcomes the goals of the IME3 Directive and will continue to actively engage with NIAUR to seek its successful implementation.

Transparency underpins the IME3 directive. The implementation of information transparency requires a balance to be struck between inundating the customer with data and the simplicity of presentation. The provision of data has cost implications which will ultimately be paid for by the customer. Careful consideration is therefore required of the potential benefits resulting from the information provided. Throughout the IME3 review NIAUR should be mindful of the additional costs which will arise from placing onerous new requirements on suppliers without a clear cost benefit assessment.

With regard to IME3 and other government energy policy NIAUR is the conduit for delivery. It is important to recognise that many elements will only be achievable through expenditure and NIAUR should be aware that significant additional requirements may become a barrier to entry.

Within the recent consultation paper on competition and during IME3 considerations, NIAUR appears concerned regarding the percentage of customers who have not switched in GB. While the statistics are useful NIAUR should be mindful that the goal is an effective market with well informed, protected consumers who are aware of the option to switch. Switching per se will not necessarily achieve greater protection, service or price (particularly post any introductory offer) for a consumer. This is especially the case in a market where the incumbent is an efficient, price competitive supplier providing excellent customer service. To advocate switching suggests that the NIAUR is recommending one supplier over another and therefore seeking to unduly influence the operation of the market.