



**The Consumer Council**

**Response to the Utility Regulator's  
Consultation on**

**“Prepayment Gas Meters in  
Northern Ireland”**

***Ref: PD 2009 0288***

***July 2009***

## 1. Introduction

- 1.1. The Consumer Council welcomes this opportunity to respond to the Northern Ireland Authority for Utility Regulation's (NIAUR) consultation on prepayment gas meters in Northern Ireland.
- 1.2. The Consumer Council's role is to give consumers a voice - and to make sure that voice is heard by those who make decisions that affect consumers. A Non-Departmental Public Body, the Consumer Council was set up by statute in 1985 to promote and safeguard the interests of all consumers in Northern Ireland.
- 1.3. The Consumer Council has certain specific responsibilities for energy, passenger transport, food, and water.
- 1.4. A key feature of the Consumer Council's work is the need to carry out research to determine consumer concerns and to campaign for the best possible standards of service and protection. The Consumer Council has a major role to play in educating consumers so that they will have the skills and confidence to meet future challenges.
- 1.5. The Consumer Council's *In Control* Report (copy attached) found that consumers were satisfied with their prepayment meter. We therefore welcome this review into the current limitations of the number of prepayment meters both Phoenix Natural Gas and firmus energy can install.
- 1.6. It is the position of the Consumer Council that any modification needs to fully take account of the needs of the consumer, and that it looks to build accuracy, standardisation, transparency and best practice within the ever changing energy environment.

## **2.0 Executive Summary**

- 2.1 The Consumer Council recognises that cross subsidy does exist in certain circumstances. Where it does exist, it is important that consumers are aware of this. This ensures openness and transparency.
- 2.2 The Consumer Council supports the removal to the limit on PAYG meter installations.
- 2.3 We believe that all PAYG consumers with the same supplier should be charged the same, regardless of the type of PAYG meter installed.
- 2.4 We agree that all consumers paying debt through a PAYG meter with a debt recovery facility should be on the same tariff as other PAYG consumers.

## **3.0 Removal of cap on PAYG meters**

- 3.1 A key consumer principle is choice. Already in Northern Ireland consumers are limited by the ways they can pay for their energy compared to other regions. Therefore we do not support any mechanism which restricts the available choice further. The cap on PAYG meters is one such mechanism.
- 3.2 Research<sup>1</sup> has shown that PAYG meters are a popular choice among consumers. Of those surveyed 89 per cent found that PAYG meters helped them to manage their energy consumption better and 70 per cent found no disadvantage in using PAYG meters.
- 3.3 The consultation document states that conveyance licensees can currently supply more PAYG meters than the current 33 per cent cap if

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<sup>1</sup> In Control? Report, The Consumer Council, 2005.

they cover the full cost of the meter. The Consumer Council is concerned that the proposed removal of this cap may mean that the additional cost is passed onto consumers.

3.4 We are also concerned that NIAUR considers the PAYG conveyance charge should be around £21.50, which is almost 80 per cent more than PNG's current charge of £12. We think it should also be taken into account that PAYG customers do not require bills and any debt chase which are savings to PNG. This should offset the increased conveyance charge. In addition we are concerned that this amendment will encourage suppliers to increase their charge to their customers; however we recognise that the supply company will also benefit from reduced administration and billing costs, which we hope will negate any increase passed onto consumers.

3.5 We believe that there are significant cost benefits for **both** suppliers and consumers in using a PAYG meter. Suppliers benefit as consumers pay in advance for the energy they use and are less likely to get into debt. Consumers benefit through better budgeting and managing their energy consumption.

3.6 The cost for the installation of PAYG meters over standard credit meters needs to be fully balanced by lower billing and meter reading costs, bad debt savings and debt recovery savings.

3.7 Overall the net cost / benefit of a PAYG meter is "not significantly different from a zero net cost" we can see no reason why the installation of PAYG meters should be limited, and seek the removal of the cap.

#### **4.0 Legacy PAYG Meters**

4.1 We acknowledge that Quantum meters are more expensive to install than Libra 100 meters, nevertheless we would not support **any**

increased differential in price to consumers with either a Quantum or Libra 100 meter. We fully agree with NIAUR that it would be unreasonable to treat PAYG customers differently, based on the cost of their meter when it was installed.

- 4.2 PAYG meters should be charged the same, regardless of the type of PAYG meter installed.
- 4.3 We recognise that there are benefits to Quantum meters for consumers who require remote access to the meter, and that, overall, they are more flexible in terms of setting the repayment rate than Libra 100 meters. However, we believe as Quantum meters are more expensive to install than Libra 100 meters that they should only be installed when no other meter fits the needs of the consumer. In the event of domestic competition, we do not wish this extra cost and hassle to impede consumers using Quantum meters from switching suppliers.

## **5.0 Tariff Implications**

- 5.1 A PAYG meter that recovers debt is advantageous to both the supplier and the consumer. The supplier is guaranteed a contribution toward the outstanding debt every time the consumer purchases gas and the consumer can manage their energy consumption.
- 5.2 In addition to supporting a removal to the limit of PAYG meters, we also believe the statistics presented in the consultation document support the current practice by gas suppliers in Northern Ireland to charge standard credit customers and PAYG customers the same price for their gas. GB suppliers have been criticised for charging a premium price to their PAYG customers. This clearly would be unwelcome in Northern Ireland, especially when it is estimated that more than 40 per cent of households are in fuel poverty.

- 5.3 Consumers may find themselves in debt for reasons outside of their control, for example, if their supplier has incorrectly billed them for the energy that they have used, a consumer may owe a significant outstanding balance. Some consumers may also find themselves in debt through financial hardship. Such consumers should not be penalised with the implementation of a higher tariff simply because they are in debt.
- 5.4 We do not believe that the sole responsibility for avoiding debt resides with the customer. Suppliers should have an obligation to implement policies and procedures which help consumers to avoid the build up of debt rather than implementing procedures for debt recovery. Because of this dual responsibility, on both suppliers and consumers, to reduce and manage debt levels, we do not believe any customer, PAYG or otherwise, should be expected to pay a higher than normal tariff.

## **6.0 Other Considerations**

- 6.1 NIAUR must also consider the impact smart meters may have on the outcome to this consultation. We encourage NIAUR to future proof any decision to ensure there is no doubling up of costs in the event that smart meters will be introduced in the short / medium term.