



The Consumer Council

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Ref: PD20010797

Neil Bingham
Utility Regulator
Queen's House
14 Queen Street
Belfast
BT1 6ED

Dear Neil,

Re: Consultation on the gas Supplier of Last Resort: guiding Considerations for Implementation

The Consumer Council welcome the opportunity to respond to this consultation on gas Supplier of Last Resort.

With the level of fuel poverty in Northern Ireland at 44 per cent and many households struggling to adequately heat their homes, it is important that the Regulator, as well as energy companies, take every opportunity to drive down the cost of energy to consumers.

The Consumer Council supports the principle of having a Supplier of Last Resort in natural gas and we are pleased to see that the process for achieving this is being consulted on. For many households and businesses in Northern Ireland natural gas is an essential service that if interrupted will have a serious impact on them.

The Consumer Council believe that is important that both domestic and small business customers can be confident that their supply will continue even if a supplier has their licence revoked.

The Consumer Council believe that the prime objective of the Gas Supplier of Last Resort is to minimise the impact to the consumer in the event of the

failure of a supply company. In order to achieve this the process needs to ensure that there is:

- No interruption to supply;
- No deterioration in the standard of service;
- No limit on choice or the ability to exercise it;
- No increase in cost;
- Full protection of vulnerable customers;
- The provision of accurate and timely information;
- No supplier receiving an unfair competitive advantage or disadvantage as a result of the process.

Overall the Consumer Council considers the Regulator's Guiding Considerations and Principles to be an appropriate approach. However, there are a number of points that we wish to raise in response to the consultation questions.

Response to consultation questions

1. Respondents are asked to comment on the proposed duties of the supplier of last resort.

Bullet point two. The duty placed upon the Supplier of Last Resort to write to all affected customers within five days should require further information than just informing them that the Supplier of last Resort direction has been initiated. The further information that the Supplier of last Resort should provide is discussed in our answer to question 2.

Bullet point five. The length of time that the Supplier of Last Resort tariff will last should be determined in advance by the Regulator. Bullet point eight does appear to limit this to six months.

Bullet point seven. As there may be a change in tariff and the cost of gas will need to be apportioned between the old supplier and the Supplier of Last Resort the accuracy of billing is very important. We do not believe that the proposed meter reading duties for customers below 25,000 therms will provide sufficient accuracy. The Supplier of last Resort should be obliged to secure a meter reading for all customers below 25,000 therms within 14 days or implement measures to obtain actual meter reads, e.g. advising customers how they can provide their own readings. This should not exclude the Utility Regulator (the Regulator) and other interested parties from reiterating this message through the media. As a customer facing organisation the Consumer Council would want to play a part in communicating this.

The Consumer Council believes that these duties should be a licence condition.

2. Respondents are asked to consider whether there is any further information that should be supplied to customers.

The Consumer Council is pleased to see that a number of our suggestions on information provision made in the 2009 consultation on electricity Supplier of Last Resort, are proposed within this consultation. We suggest that a brief statement is also made on why the change of supplier necessary. The customer may have made a positive choice in choosing their supplier or rejecting another and is entitled to know why the transfer has been deemed necessary.

Also, it should be made clear that the customer can transfer to a different tariff of the Supplier of Last Resort at any time.

In addition there are a number of consumer questions that will need to be publicly answered if it becomes necessary to implement the Supplier of Last Resort arrangements. These will include:

- How will credit or debt on a prepayment meter be dealt with?
- What will happen to credits on an easy payment card?
- How will a current complaint with the old supplier be dealt with?
- Will there be a final bill from the old supplier?
- How will Direct Debit payments be dealt with?
- How will payments on a debt repayment plan be dealt with?

The Consumer Council would welcome the opportunity to work with the Regulator on developing a list of consumer questions and publicising the answers at the appropriate time.

3. Respondents are asked to consider if there should be a lock in period and if so for how long?

The Consumer Council believe that there should not be a lock in period as it is not compatible with consumer choice and the ability to exercise it. We believe that the current gas switching system does not require a lock in period and to have one will not serve the best interests of the consumer.

4. Respondents are asked to consider the criteria for appointing the supplier/suppliers of last resort.

The requirement to be able to secure a meter reading should be to do so within 14 days in the case of customer below 25,000 therms.

The Regulator has a specific duty to have regard to the interests of vulnerable customers. Full consideration should be given to providing additional protection for this group. As the Supplier of Last Resort may charge a higher tariff than the failed supplier, vulnerable customers should be given price protection until they are able to switch supplier or transfer to a different tariff. This is especially important with the increasing levels of fuel poverty in Northern Ireland.

Any information that is provided to customers must be presented in a manner that is clear, accessible and appropriate to all customers. There should be a duty on the Supplier of Last Resort to provide information and services for vulnerable customers.

5. Respondents are asked to consider how the costs of carrying out the role of supplier of last resort should be recovered.

Tariffs should be capped at the level which the Supplier of Last Resort charges its existing standard tariff customers. A mechanism needs to be in place to allow the Supplier of last resort to recover any shortfall that could arise between the amount received from the new customers and the Supplier of last Resort's costs in supplying them. This mechanism must not simply pass on these costs to consumers. It must be kept in mind that there is an asset transfer in moving a customer base to the Supplier of Last Resort and this must be taken into account when evaluating any shortfall that could arise.

Other considerations

Time scales

To achieve minimum disruption to affected customers, in particular to ensure continuation of supply, as much notice as possible for all parties will be needed. The procedure will need to consider at what point the Regulator will contact the company facing revocation of its licence to request information and the Supplier of Last Resort to request and supply information and inform customers.

Appointment of the Supplier of Last Resort

It is the Consumer Council's view that it would be preferable if a company volunteers for the role of Supplier of Last Resort. A reluctant participant is less likely to deliver on price or customer care for a group of customers that it does not want. Whilst an auction system would draw out the lowest cost, it is important that the criteria are not based on price alone. We believe that a tendering process could be used where the company demonstrates its ability to be a capable Supplier of Last Resort based on the criteria in section six of the consultation paper.

I hope that these comments are helpful and are given due consideration. Please contact me if you require any clarification.

Yours Sincerely,



Richard Williams
Senior Consumer Affairs Officer