



Date: 20 March 2009

Alison Farr
Social & Environmental Branch
Queen's House
14 Queen Street
Belfast
BT1 6ER

Dear Alison

Re: The Utility Regulator's Social Action Plan 2009 - 2014

Thank you for providing firmus energy with this opportunity to respond to the above.

firmus energy is committed to working closely with the Utility Regulator to develop and deliver against its social obligations over the next 5 years and beyond.

The natural gas industry now plays a key role within the Northern Ireland energy scene. With the construction of two CCGT power plants, over 100,000 gas consumers in Greater Belfast and the ongoing development of the 10 urban areas along the North-West and South-North gas transmission pipeline, the local energy landscape is rapidly evolving.

Against this backdrop, we feel more could be done to promote the development of the natural gas industry in Northern and we would be keen to work with the statutory bodies, including the Utility Regulators office, to promote the development of the gas industry.

One way this could be achieved it to ensure that oil consumers are fully conversant with the range of services that the gas utilities offer as well as the overall environmental and financial benefits of natural gas.

However, to set the local energy market in context, it is disappointing to see that the oil industry, which services over 70% of households, continues to "side step" offering its customer base the range of services offered by the gas and electricity companies.

Therefore, we feel that it would be appropriate for statutory bodies to place social obligations on the oil industry so that NI consumers are being offered a fair deal.

We would welcome a discussion with the Utility Regulator to explore regulatory approaches and policy frameworks that could be tailored to Northern Ireland's gas, electricity and oil market needs.

We recognise that there are two main strands to this consultation.

The first is the provision of special services for utility customers who may need additional assistance for example, pensioners, the chronically sick and / or disabled.

firmus energy offers the following services under the auspices of the firmuscare scheme.

These include:

- **password scheme**

firmus energy representatives carry a company identity card which can be displayed to give added peace of mind. In order to offer additional reassurance to older customers or those who are visually impaired, we can arrange for a pre-agreed password to be used when any of our staff visit their home.

- **special controls and adaptors for gas appliances**

Special controls and adaptors can be made available to make it easier for customers who experience dexterity problems. If appliances are suitable for these adaptors, we will fit them free of charge.

- **talking bill service**

For customers who are visually impaired or find it difficult to read their bill, we ask one of our staff to phone them each quarter and provide details on their latest bill.

As well as our online billing service, we can produce bills in braille, large print or audio format.

- **nominee scheme**

If customers have difficulty reading their bill or there is someone, not living at the customer's address, who looks after their finances, firmus energy can arrange for the gas bill to be sent to them.

- **free gas service**

firmus energy also carries out a free gas boiler service to firmuscare customers who own their own home. This is free and is arranged annually by us.

- **minicom facilities**

If firmuscare customers have hearing difficulties and have a minicom they can contact us using the following numbers:

for general enquiries: 08456 03 10 88

in the event of an emergency:0800 7314 710

- **meter reading**

If customers find it difficult to read their meter, we can let them know what their reading is.

- **moving the gas meter**

If customers have difficulty getting access to their meter we can arrange a free visit from an engineering representative who will undertake a survey to consider if it is possible to move the meter to a more convenient location.

- **extra help**

We have trained representatives (we also use Heatsmart staff for site surveys) who can visit homes to advise on the most efficient use of the gas heating system.

The second strand to this consultation focuses on financial vulnerability by promoting competition in energy markets and encouraging more efficient use of energy and highlighting the different suppliers approach to debt management.

Taking each of these in turn;

- Promoting competition in energy markets:

In theory, the Belfast market is fully open to supply competition. However, there are a number of issues that we feel would need to be reviewed before the benefits of full and effective competition can become a reality.

firmus energy is playing an active role within the Gas Market Opening Group. The following issues have been highlighted by us and will require corrective action before we feel an open market is achievable.

We feel the customer switching process needs to be revised. Currently, the incumbent's ability to object to a customer switching supplier up to D-8 is wholly unsatisfactory. Therefore, firmus energy has sought a network code modification that will benefit customers planning to switch supplier and enable suppliers to switch customers more easily.

We are currently awaiting the outcome of this code modification proposal.

There are a number of other issues which we have around billing, meter reading, the provision of calorific values, the publication and timing of conveyance charges and the availability of code modification information which we will be bringing to the GMOG over the next number of months.

- Encouraging more efficient use of energy:

firmus energy has a licence obligation – Condition 2.10, to promote the efficient use of gas.

All firmus energy staff have been provided with City & Guilds training on energy efficiency, delivered by National Energy Action. We also work closely with installers (who have signed up to our Customer Charter) as well as the Northern Ireland Energy Agency and Heatsmart to promote energy efficiency within the residential and commercial sectors.

We promote the efficient use of gas;

- via registered (CORGI) installers. These installers are fully conversant with the latest building regulations and are charged with installing fully controlled heating systems.
 - installer certification is controlled by the Confederation of Registered Gas Installers (CORGI).
 - quality checks are randomly undertaken to audit a downstream work undertaken gas installers.
 - our sales staff are fully trained in energy efficiency measures and are able to give customers energy efficiency advice and can provide customers with energy saving tips via our customer charter booklet.
- Debt management policies:

firmus energy offer a range of debt management options to customers. These include;

1. Prepayment meters:

Prepayment meters are an excellent debt avoidance and fuel payment management facility. They enable customers to budget their gas consumption and pay for their consumption on a pay-as-you-go basis, avoiding large future bills. Unlike the case in GB, firmus energy prices its pay-as-you-go tariff in line with its direct debit tariff, i.e. pay-as-you-go customers get the best available tariff.

Given the enormous consumer benefit in the use of pay-as-you-go systems of payment, we continue to recommend that pay-as-you-go meters should be available to all users as a matter of choice rather than on the basis of artificial regulatory thresholds.

2. Variable Direct Debit:

Variable direct debit ensures that the total billed amount is debited directly from a customers account. The direct debit is sent to the bank 14 days after the bill date so that if the customer queries the bill then it can be cancelled or adjusted.

Assuming the direct debit is accepted by the customer's bank, the account is always up-to-date and never goes into credit. This scheme is not intended as a budgeting option.

3. Budget Direct Debit

Budget direct debit enables customers to control their gas payments by paying 12 equal monthly payments over the year. The customer can choose to have the payments made on either the 7th or the 21st of the month. The gas consumption is estimated for a year, priced according to the current tariff and then divided by 12 to give the monthly payment.

If a customer starts using gas in the summer then a credit balance on the account will build up to pay for higher usage during the winter. If the customer starts consuming during the winter months then they will build up a debit balance which will be cleared in the summer.

At the end of the year the account is reconciled and there may be an under- or over-recovery giving a credit or debit balance. A debit balance

will be paid back by spreading it over the next 12 months' payments or the customer can choose to pay off the balance by cheque. Similarly, a credit balance can be used to reduce the next 12 months' payments, or the customer can ask for full repayment of the credit balance by cheque.

After each monthly billing cycle, firmus energy's billing team contact any customers who have built up a substantial credit or debit on their account. If a customer has a large credit, the billing team will offer a cheque refund, or a reduction in the monthly payments, and if the customer has built up a substantial debt, the billing team will discuss increasing the monthly amount to avoid further debt build up.

If customers are struggling to pay their arrears, we will offer them a payment arrangement (preferably to be paid within 3 months).

Turning to the specifics within the consultation, we have summarised our response to some of the issues raised.

Chapter 3 - Defining the Problem:

We recognise that the primary focus of this paper is to protect vulnerable utility customers. However, the percentage living in fuel poverty (34%) in NI verses 12% in England, 23% in Scotland, and 21% in Wales is due in no small part to the prevalence of inefficient oil heating systems and the reliance on non regulated oil supplies whereby emergency oil drums are at least 3 times the average price of a 900 litre drop.

In contrast to this firmus energy weighted average unit price for credit customers (3.9p/kWh) is in line with that paid by customers using prepayment meters.

Typical firmus energy bill for a three bedroom property:

3 Bed Semi-detached	16,613 kWh	567 therms	£648 pa
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Chapter 4 – Protecting Vulnerable Customers – Special Services:

We recognise the importance of promoting special services to vulnerable customers.

It is important to point out that firmus energy has decided enhance its customer service offer to vulnerable households by providing a free gas service to firmuscare customers. This is to ensure that their heating systems are running at the optimal efficiency, thereby minimising energy consumption.

We also offer quarterly billing to **all** domestic customers - not just those registered on our firmuscare register.

We also need to understand the impact of offering information to customers in other languages. In 2007, there was a population of 636,346 people living in our towns' area, of which 3,315 have been identified as immigrants – equating to 0.52%. A much smaller percentage than this are firmus energy customers.

It is also important to point out that we are not aware of our customers asking for information in other languages and with our market being relatively immature, we would question whether this is appropriate for us at this time.

Chapter 5 – Protecting Vulnerable Customers – Financial Vulnerability:

- **Northern Ireland Energy Efficiency Levy:**
We note that 80% EEL funding must be used for energy efficiency measures to help “priority customers” - considered fuel poor. We feel that greater emphasis needs to be placed on displacing not only E7, solid fuel and LPG systems but also to incentivise the replacement of old inefficient and poorly controlled oil systems which have tended to be overlooked because it was felt that oil conversions do not give the same level of carbon saving as solid fuel and E7 replacement schemes. *We feel that this needs to be reviewed.*
- **Market Redesign:**
We recognise that the suggested benefits of CAG are primarily that by creating a larger trading environment, this will encourage further investment thereby increasing security of supply and competition. This is true only if there is a larger gas market in Northern Ireland, delivered through increased connections to the gas network. As we understand it, the CAG plan to make provision for the Transmission system and has limited impact on the retail sector. Additionally, the benefits of competition will only come about if new entrants can compete on a level playing field with the incumbent supplier in each market.
- **Mutualisation:**
As a distribution network owner and operator in Northern Ireland, firmus energy would be keen to understand the Utility Regulator’s thinking with regard to applying a “mutual model to other infrastructure assets”.
- **Encouraging competition:**
We need systems and automated solutions to deliver competition as has been developed in RoI. Given our frustration and the lack of progress in opening the Greater Belfast market, we are pleased that the Utility Regulator aims to work to facilitate competition.
- **Social Tariffs**
We understand that the Utility Regulator is considering introducing social tariffs. Given the immaturity of the NI gas market and its requirement to compete with the oil sector, we understand that this will be limited to the electricity sector.
- **Growing the gas network:**
We note that the Utility Regulator is working with DETI on options to accelerate the gas roll out. One way that that could help could be the promotion of the existing gas network by the statutory bodies and by working with the companies to improve connections to the existing network. firmus energy is committed to working with the Regulator, the Department and Government on ways to realise the immediate and tangible benefits of natural gas across Northern Ireland in order that the strategy objectives established for the NW and SN pipelines can be met.

- Helping customers in debt:

See debt management policies above.

We also provide the following assistance to customers experiencing debt problems. These include;

- Pensioners do not to have their gas supply cut off in winter.
- Prepayment meters offer customers with an excellent budgeting tool.
- No premium is paid by gas consumers using prepayment meters.
- Prepayment meters offer emergency gas credit which will tide customers over for several days until they are able to credit their prepayment card.

With at least 238,000 households exposed to fuel poverty, the extension of the gas industry, will undoubtedly help to address fuel poverty in Northern Ireland by offering vulnerable households affordable, energy efficient heating plus flexible payments all within a regulated framework.

Chapter 7 - Forward Social Action Work Plan

firmus energy welcomes the move by DETI to invite voluntary agreements with all the local energy players. Indeed, firmus energy plans to become a signatory to the agreement.

We think it is now an appropriate time for the statutory bodies, including DETI and the Utility Regulator to clarify energy policy goals and how it plans to drive retail competition.

The recent switch by over 90,000 domestic electricity consumers in RoI highlights the fact that straight forward automated switching processes are central to facilitating retail competition. We would urge the Utility Regulator to do all in its power to facilitate similar market switching solutions in the Greater Belfast gas and the wider electricity market in NI.

We would also support the idea of an oil industry regulatory body, similar to the Utility Regulator, funded through a licence fee system to ensure that special arrangements were offered to vulnerable oil customers similar to those offered by the gas and electricity suppliers.

I trust you find these comments useful.

Yours sincerely

Michael

Michael Scott
Business Development Manager