

CER Consultation 10/241

Customer Protection in the Deregulated Electricity Market

BG Energy welcomes the opportunity to give our views on the customer protection measures that need to be in place in a deregulated electricity market. It is important that in this environment all customers have access to the information that will enable them to choose the best supplier to meet their particular needs. In addition, it is imperative that all sectors of the market, including those in receipt of the Free Electricity Allowance are given the opportunity to switch to any supplier and retain the same benefits that they would have had with their previous supplier.

2.0 Background

2.3.2 CER Codes of Practice

Disconnection

This consultation document refers to the recent decision on the changes to the Disconnection code of practice, however, the content of this consultation plus the reference made is inaccurate. The correct reference for the detail of the Codes of Practice on disconnection is “Guidelines for the Code of Practice on disconnections” (CER/10/217). This consultation references proposals contained in Customer Disconnections – Review of Cost allocation & Code of Practice (CER/10/216), however, it is the decisions contained within this decision paper together with CER/10/217 should have been referenced. The discrepancies between this decision paper and the guidelines are as follows:

- *suppliers confirm a customer’s payment plan in writing within one week of making a plan and that suppliers refer customers to MABS / St. Vincent de Paul where circumstances warrant it.*

The above statement was a proposal – below is the decision from the same paper which states:

- *Decision on Proposal 1*
The CER is proposed that suppliers should confirm a customer’s payment plan in writing and refer customers to MABS where circumstances warrant it.

And

Decision paper CER/10/217 states

- *Where a payment plan has been entered into with the customer, details of the payment plan setting out a clear explanation, in writing, of the new payment arrangement and any terms associated with it should be sent to the customer after the payment plan has been agreed.*

Secondly, the following stated requirement is incorrect where suppliers need to:

- *increase the mandatory notice of supplier disconnection from a minimum of 7 to 14 business days notice.*

The decision was as follows:

- *The CER is proposing¹ to increase the mandatory notice of supplier disconnection (for reason of non payment) from a minimum of 7 days notice to 10 business days notice. Suppliers must wait until the 10 days has elapsed before submitting the disconnection instruction to the networks company. The disconnection notice should also include the appropriate contact information for the relevant 3rd party agencies; St. Vincent de Paul and/or MABS*

Finally, we would like to note that the following stated requirement from suppliers:

- *suppliers must give a minimum of 10 business days notice in advance of requesting disconnection at premises when there is no account holder registered. Any costs associated with the disconnection should be included in the notice.*

The above requirement remained only a proposal and did not form part of the CER's decision:

- *The CER had considered respondents' comments on the proposed revisions to the Code of Practice on Disconnections. The proposed changes were specifically to address issues of domestic customer hardship therefore accepts that proposal around vacant premises should not be considered in this context.*

Q1. Respondents are invited to comment on the proposal to promote activecustomer switching in the deregulated market? Are you in favour of the proposal?

Are there alternative options, communications channels that should be considered, or specific groups which should be targeted? Outline reasons for agreement or disagreement.

The process of energy market deregulation in Ireland has been highly successful in the context of any meaningful metric. Last year Ireland had the highest switching rate in Europe. 92% of people surveyed on behalf of the RA's "in 2009/2010 research on residential and business attitudes and experience of the electricity market across the island of Ireland" found the switching process easy. Almost 70% were satisfied or very satisfied with the level of competition in the (RoI) market.

¹ "Proposal" was used in the decision document; however, the decision document itself should have referred to it as the CER's decision.

At the Workshop held on this consultation, we asked what was meant by “active customer switching” ? i.e. Is there a difference between this an ordinary switching or this there a concept of passive switching? We believe we are no wiser. The CER should clarify what is meant by this question.

Bord Gáis Energy has always been in favour of the promotion of customer switching and every effort should be made to make the process as seamless as possible for the customer. Currently, much of BG Energy’s marketing campaigns have been aimed to appeal to all – urban and rural Ireland via TV, radio, roadshow and door to door sales pitches that have been undertaken. These campaigns have been effective. Most of our electricity customers have never held gas accounts.

The development of dedicated customer education campaigns to inform domestic customers of deregulation and the competitive market would be most useful for targeted groups of customers who may be, through lack of information or fear, hesitant to change supplier.

This would apply in particular to customers who are currently in receipt of the free electricity allowance (FEA). Switching rates in this sector of the electricity domestic market are very low. An FEA customer is at least 6 times less likely to switch than a Non-FEA customer.

Bord Gáis Energy view the system in place for the Free Electricity Allowance as not being equitable for all suppliers and would like to see a change to this scheme coming out of this review, preferably in the simplest way and in the quickest timeframe to avoid this inequity existing for any longer than it already has. Under the current scheme recipients of the Free Electricity Allowance are allocated 2,400 units of electricity per year, together with the standing charge. The value of the allocated electricity unit rates are based on the current ESB Urban 24 hour Residential Tariff. These 2,400 unit rates together with the yearly standing charge are transferred to recipients of the allowance in different ways depending on whether you are with the incumbent Electricity Supplier i.e. ESB CS or if you are with an independent supplier in the market. Recipients of the allowance who are with ESB CS receive the benefit of the allowance through credits on their bill, however, with an independent electricity supplier it is received via a monetary payment into their bank account on a periodic basis. If recipients of the allowance change supplier from ESB CS to an independent supplier, the credits that they may have built up on their account are not transferable to the new supplier. This is inherently unfair and is a clear barrier to customers switching.

Switching needs to be targeted at all customers, including the FEA customers but the inequity needs to be removed in order for these customers to have no fear of losing any credit entitlements. BG Energy has highlighted this since 2008 and feel that this situation needs to be rectified as a matter of urgency. This should be addressed as a priority if any dedicated communication campaign were to be launched so that FEA

customers can avail of more beneficial electricity rates which are available to all in the market. Information on who these customers are is easily obtainable from Department of Social Protection so targeting of this market sector would be straightforward.

Due to the high switching rates that have been seen in Ireland over the last 18 months, it is clear that supply companies are doing a very good job at informing consumers about switching and continue to do so via numerous communication channels. There is always scope for the CER in its independent role to provide extra information, especially to targeted groups who may be less likely to switch. Potentially this could be done with the assistance of the DSP.

Q2. Respondents are invited to comment on the proposal to facilitate the development of tariff comparison tools. Are you in favour of the proposal? What is the preferred model for delivery? Are there alternative options which should be considered? Outline reasons for agreement or disagreement.

There are currently 6 comparison sites active in the Irish energy market which are a mixture of sites which comment on different competitors in a blog like fashion and those which go into the detail of comparing competitors' prices based on customer annual spend on gas or electricity bills. There are certainly great advantages to such sites as they can be a one stop shop for customers to analyse all market players in one space. The disadvantages come in the fact that suppliers often give such sites referral commissions which would always add an element of bias to such sites.

This paper suggests using the approach of having an accreditation scheme in place which is structured around auditing by independent bodies. This might not be appropriate in the Irish context as there are a lot fewer market players in the Irish market and therefore, it could be run in a simpler way i.e. to follow the Comreg approach whereby consumers can go onto this independent site and compare phone and broadband costs (www.callcosts.ie). Not only do the results display costs, but they also give additional information which would influence consumers' decisions when choosing a supplier i.e. customer service opening hours, billing options (i.e. online billing available), payment options & other plan features. For energy, this approach would be informative for customers with unit rate and product terms being most informative for consumers to make the right choice. This could be run by the CER who would be able to ensure the following:

- Clear, concise comparisons on unit rates & terms of contracts
- Information is kept up to date
- No bias in information presentation
- Independence (as no commissions/referral fees received from suppliers)

BG Energy is in favour of the CER adopting an approach similar to Comreg for creating a one stop shop for energy price and product comparisons in the market. The CER must undertake to correct any mistakes pointed out by a Supplier within 3 working days.

Q3. Respondents are invited to comment on any additional measures which could be introduced to enhance the switching process, making it easier for consumers. Are there alternative options which should be considered? Outline reasons for agreement or disagreement.

Ease of switching in the Irish energy market has not proven to be of concern due to Ireland having one of the highest switching rates in Europe (VaasaETT Report 2010). It is in suppliers' interests to keep this process as simple, easy and fast as possible in order to encourage the switching process. BG Energy has already flagged processes that could be improved via the Industry Governance Group, in particular the objection to change of supplier process where the old supplier objects to the change of supplier if a customer informs them that they do not want to switch. The issue is as follows:

- There is no incentive for the "New Supplier" to cancel the CoS process i.e. no implications if the objection to CoS is ignored by the New Supplier

The result of this would be that the customer is switched even when they have indicated to their old supplier that they do not want to make such a move.

The process could be enhanced by allowing all objections go through unless they are rejected by the new supplier. The onus would be on the suppliers to retain evidence of the customer's request with sanctions imposed (by CER) for foul play if the process were to be abused in the market.

As noted above, the biggest barrier in the FEA market is the inequity between suppliers whereby ESB can allocate the FEA to its customers via credits on their bills, and the inability of customers to carry over unused credits to other suppliers if they choose to switch.

A useful contribution to ease of switching for some customers would be to flag to vulnerable customers the importance of updating the priority services form when switching to ensure that they will continue to get the same protections with their new supplier.

Q4. Respondents are invited to comment on the proposal to develop a standard checklist that doorstep sellers would provide to customers, which would facilitate CER in monitoring good practice? Are you in favour of the proposal? What information should be included? Are there alternative options which should be considered? Outline reasons for agreement or disagreement.

Doorstep selling is a widely used effective selling mechanism and it is always in a supplier's best interest to make sure that their field sales agents are acting appropriately at all times otherwise it would create negative publicity for that supplier in the public domain.

A standard checklist is a positive way of making sure that all potential customers are given the same information. The key to this checklist is that it is kept clear, concise, easy to understand and adaptable for all customer types. There should be flexibility in the presentation of checklists with customers having the option if it being read out to them at the doorstep by the field sales agent and then being able to sign a PDA to accept that they have understood it (this would avoid embarrassment for anyone who

may have literacy difficulty) or having the option of being given the checklist in written form for them to read themselves.

Key information to be contained in the checklist would be

- Ask for ID from the salesperson to verify they are acting on behalf of the company they say they are.
- Confirm that they are responsible for paying the energy bills in the property
- Notification that they understand that they are switching their supplier of gas/electricity by signing the document
- Notification that they are entitled to a 7 day cooling off period (S.I. No. 224/1989 — European Communities (Cancellation of Contracts Negotiated Away From Business Premises) Regulations, 1989)
- Confirmation that they understand the checklist of information that has been presented to them

Q5. Respondents are invited to comment on the proposal to develop an industry standard annual statement to price and consumption data? Are you in favour of the proposal? Are there alternative options which could facilitate customers to manage their consumption and assess competing offers? Outline reasons for agreement or disagreement.

The suggestion that suppliers should now provide additional information in the form of a statement to customers on top of the 6 -12 bills already sent to customers containing the same information is not only needlessly imposing adding additional costs to the supply business but wasteful as customers can easily see consumption and price information on their current bills either online or in the paper formats that they receive.

The ability for customers to be able to carry out cost comparisons based on their own usage could be met in 2 ways:

1. Suppliers providing a clear table of average yearly house/apartment consumption online & on the back of bills so that customers can align themselves to their own annual profile type in order to make comparisons.

The advantage of this method would be that it would provide customers with a standard kWh consumption that they could use on a consistent basis when comparing suppliers in the market. If a standard 3 bed semi-detached annual consumption of 13,000 kWh was used by such customers in comparisons, this would be a number that would be remembered a lot more easily than their actual consumption in the last 12 month period i.e. 13,654 kWh. We must not forget the aim of the exercise being to facilitate ease of switching.

In addition, there may be more confidence in the market using annual average consumptions due to

- Changes in annual and seasonal temperatures

- Changes in personal/family activities within the households
- Inability to get an actual read at a property in the last 12 months
- Using this method, even customers who are with their current supplier for less than 12 months would be able to carry out a comparison. Such customers should not be excluded.

By providing this solution, customers would in fact have better information available to them – i.e. they could look at their last 6-12 bills for their actual usage AND compare costs in the market by using annual averages for their house/apartment type.

2. Providing a running total of consumption on bills

The advantage of providing a one line running total of consumption for a 12 month period on bills would also address the requirement for customers to have their own consumption to hand. The only risk here was addressed above where a customer who is with their supplier for less than 12 months would not have the same information to hand.

Q6. Respondents are invited to comment on the proposal to require all licensed suppliers to adopt the principles of Universal Design in all communications with customers? Are you in favour of the proposal? Are there alternative options which should be considered? Outline reasons for agreement or disagreement.

AND

Q7. Respondents are invited to comment on the proposal to expand the definition of vulnerable customers? Are you in favour of the proposal? Are there alternative options which should be considered? Outline reasons for agreement or disagreement.

In relation to the 2 questions above, we could not decouple them from each other as they both encompass the definition of vulnerable customers in the Energy market and the protections that Energy suppliers need to extend to such customers.

BG Energy wholeheartedly agrees that all consumers are entitled to be able to engage with their supplier no matter what physical or mental restrictions they may have. Suppliers currently provide “vulnerable” with additional services to meet this objective.

It is worth being cautious when defining particular groups of customer as “vulnerable” in this context depending on their advanced age or physical, sensory, intellectual or mental health disability as it can often be construed negatively and result in such customers feeling stigmatised and labelled which is counter intuitive to the objective that this exercise sets out to achieve.

The definition of vulnerable customer in this consultation does not enhance the definition which was consulted on over the last couple of years for the Gas Supply Licence which defines vulnerable customers as follows:

“Vulnerable Customer” means a Household Customer who is disabled, of pensionable age or otherwise disadvantaged, vision, hearing or mobility impaired or as defined by the Commission from time to time.;

The definition presented in this consultation particularly where it references “or having any particular physical, sensory, mental health or intellectual ability or disability”, is extremely wide reaching and is lacking so much in clarity that customers could feel that they could fall into at least one of the categories and therefore be considered “vulnerable”. The suggested definition also includes that

“for some customers this may be on a temporary (episodic or periodic) or permanent basis. This may include, but is not limited to elderly and disabled customers”.

We would like to ask the CER how suppliers would be able to monitor, verify and make sure that the list of vulnerable customers was kept accurate and up to date considering the temporary nature of some of the vulnerabilities that the definition includes?

This definition needs to be re-thought with caution to the sensitivities of consumers, to avoid any risk of creating any further stigmas and with the objective of making sure that those who are truly need to be protected most, actually are. It is worth noting there are huge numbers of customers who may suffer from a physical or mental disability and would be hugely insulted by any inference being made that they would not be able to manage their energy needs for themselves.

BG Energy does not feel it is necessary to rework the clear definition of “vulnerable customers” which has already been consulted on at length over the last few years. We believe that definition now proposed would not be possible to implement on a reasonable and practical basis.

Q8. Respondents are invited to comment on the proposal to require all licensed Suppliers to offer registered Vulnerable Customers a tariff which is no higher than the standard tariff available from that supplier for that domestic customer category.

Are you in favour of the proposal? Are there alternative options that might be appropriate? Outline reasons for agreement or disagreement.

BG Energy are happy to ensure that all registered vulnerable customers have at least the “standard tariff” on offer and available for them to take up.

Conclusion

BG Energy note that the intent of this consultation is to promote switching in the de-regulated energy market, however, there are proposals above that actually create barriers to switching ie. doorstep sales checklist requirements which may in fact lengthen the switching process for the customer in terms of time taken to complete the switch, ensuring appropriate levels of understanding etc. It is still not clear why such a process is needed in the Irish context of electricity field sales.

This paper refers to regulations that have been put in place in other countries to deal with particular issues that have arisen in the market. We would like to note that the countries referenced have been operating in a much more mature market space ie. The UK has had a fully competitive residential market for the last 11 years! To decide, after a mere 18 months of deregulation in the context of the Irish Electricity market that the same regulations are required cannot be justified, especially considering the level and scale of customer switching that has been witnessed in this period of time. Is there not a risk that the CER is pre-empting issues that will never materialise in this market?

If the CER is fully committed to seeing a level and equitable playing field for all suppliers in the de-regulated electricity market, there would be equal access for all suppliers to the Free Electricity Allowance sector of the market (which makes up 17% of the residential electricity customer base – this is not insignificant). Approximately only 6% of these 380,000 customers have switched supplier. Focus and effort should begin with the CER ensuring that this market is opened up fully to all.