



CUSTOMER PROTECTION IN THE DEREGULATED
ELECTRICITY MARKET (CER/10/241)

AIRTRICITY RESPONSE TO
COMMISSION FOR ENERGY REGULATION

FEBRUARY 2011

GENERAL COMMENTS

It has always been our belief that effective competition is the best mechanism for bringing benefits to energy consumers. This competition will hopefully bring with it improved product innovation, choice, quality and effective competitive consumer pricing.

While these competitive markets are developing we believe that the aim of regulation is to correct for instances of market failure. However once competition is deemed to be well established in a market we envisage that the role of a regulator should move from that of revenue and tariff setting to one of conduct regulation and compliance monitoring within the market.

In previous responses we have highlighted our belief that the CER should lay out a clear vision of what these competitive markets, which are starting to develop, will look like and what regulatory structures need to be put in place to support them.

While this current consultation goes somewhat to addressing the high level issues around consumer protection within these markets, we believe that further consultation is required on the detail of how these proposals will be implemented.

We believe that the CER should use this opportunity to align gas and electricity requirements as closely as possible; as such our comments are intended to apply to both the retail gas and electricity markets.

Our responses to the proposals set out in the consultation document follow below.

PROPOSAL 1. CUSTOMER EDUCATION CAMPAIGN

We welcome the proposal to develop a dedicated customer education campaign informing domestic customers of deregulation and the competitive market that is developing, and also promoting active switching.

We believe that this campaign should address the issues that may inhibit a customer from switching supplier.

From our experience to date one of the main issues that inhibits customers from switching supplier are safety concerns around the treatment they will receive from the network operators once they have switched away from the incumbent supply business.

The campaign should ensure that customers are made aware of the equality of service, particularly from a safety perspective, which they will receive no matter which supplier they are supplied by.

This brings up the issue of branding in relation to both the ESB and Bord Gáis supply businesses. It is well established that from a consumer perspective, within the Irish retail electricity and gas markets, that these brands are household names and are synonymous with the supply and transportation of electricity and natural gas respectively. In particular there is a clear association from a customer's perspective between these brands and safety. For most consumers there is little or no understanding of the separation, which has already taken place, of the constituent parts of the ESB and Bord Gáis groups and the different brands associated with each.

As stated in previous responses we believe it is essential that both of the incumbent supply businesses be rebranded.

The information campaign should also inform customers of the steps to change supplier and the information that they may require when completing the switching process. For example the customer requires their MPRN to switch, and they should provide a closing meter read to their old supplier as well as opening read to the new supplier to ensure accurate closing and opening bills.

This campaign should utilise multiple communications channels, such as print and visual media, online communications etc. to ensure that all consumers are made aware of the benefits of the competitive markets that are developing.

It is important that the campaign focuses on both the qualitative measures as well as the lower cost that may come with switching supplier.

In designing this campaign we believe the CER should work with representative consumer bodies/agencies and suppliers to take advantage of their knowledge and experience of consumers within the domestic markets.

PROPOSAL 2. PRICE COMPARISON TOOLS

We support the proposal to develop of price comparison tools for the Irish domestic electricity and gas markets.

Any tools that are developed should be independent in nature. This will help to ensure that consumers have confidence in the information that is provided.

It is our belief that the simplest and most efficient method for delivering these tools in this manner would be through the regulators website, either the main CER.ie or energycustomers.ie websites. Suppliers in turn could then place links to these tools on their own websites.

The information that is provided via these tools should be based on standardised consumption figures and should be updated quarterly. This would ensure that the information provided is accurate and also easily understood by consumers.

PROPOSAL 3. DOORSTEP CHECKLIST

We are supportive of the principal of having a standard checklist for doorstep sellers. However we are concerned about the potential for the additional paperwork to cause customer frustration and act as a barrier to customer switching.

We, and as far as we are aware other suppliers, already employ door step checklists as part of their quality assurance process. If the CER were to introduce a further checklist we believe it would only act to frustrate and confuse the customer.

We would suggest that if there are particular questions that the CER feel should be included as part of the doorstep checklist; they work with suppliers to incorporate these questions into the suppliers current questionnaires. This would ensure that the relevant information is captured without further paperwork/hassle for the consumer.

PROPOSAL 4. ANNUAL STATEMENT OF PRICE COMPARISON AND CONSUMPTION

We are concerned by the proposal to develop an annual statement to be provided to customers.

The information proposed within this annual statement is already provided to customers, through their regular electricity and gas bills, and we fail to see where any added value arises from this new proposal.

This proposal that suppliers issue an additional yearly statement would add extra cost to the industry with questionable benefit and lacks any environmental impact assessment. For example it could potentially result in an additional 2m extra A4 pages/year being printed and posted for the electricity industry alone.

Any proposal to provide information such as this to customers' should take account of e-billing and the general move towards paper-free and mobile account management.

For example all of our customers are issued with an online account, which provides them access to detailed information on their historic consumption and costs. This information can also be provided over the phone for customers who don't have access to the Internet.

We would also have concerns that this proposed statement could act to confuse customers who may believe that this statement is in fact another bill/invoice from their supplier.

Finally given the relatively new nature of switching and the high switching rates within the market a new supplier is highly unlikely to have full annual consumption figures for a customer.

The network operators on the other hand would always have a full history of the consumption of all customers and would be able to provide this information to customers as required.

PROPOSAL 5. COMMUNICATIONS WITH CUSTOMERS

We agree with the CER's desire to try and ensure that all consumers are able to access the front line services that are provided by suppliers within the retail electricity and gas markets.

We believe that where appropriate suppliers should make best endeavours to apply the principles of universal design when designing their front line services for customers.

PROPOSAL 6. EXPANDED DEFINITION OF VULNERABLE CUSTOMERS

We welcome the CER proposal to try and set out an appropriate definition of what constitutes a vulnerable customer.

Notwithstanding this the definition provided in the consultation is too ambiguous and is open to interpretation, which may result in individual suppliers having different sets of criteria when determining vulnerability. This is obviously not the desired result.

As currently proposed the definition is not specific enough and is too broad in its scope. Any definition needs to be both practical and workable. "Need" should be the key issue when framing any definition, as broad categorisation is neither useful nor necessarily welcomed by non-vulnerable individuals caught within the classification.

For example, in Northern Ireland customers over 60 have strongly objected to the patronising assumption that they are, by definition, incapable of reading their own meters and affluent households do not become vulnerable just because they include children under the age of 16.

Any definition must be specific in nature and clearly set out the instances under which a customer may be considered vulnerable. We would be happy to work with the CER and DCENR on agreeing a suitable definition.

PROPOSAL 7. ADDITIONAL PROTECTIONS FOR VULNERABLE CUSTOMERS

With this proposal we assume the CER are trying to ensure that vulnerable customers are not unduly disadvantaged, by nature of being defined as being "vulnerable". We entirely agree with this sentiment

However we offer different discounts for customers depending on their payment method and bill type, i.e. cheque, direct debit, online, post, the largest discount associated with paying by direct debit and receiving an online bill.

We also offer different discounts based on our dual fuel product offerings that would not be available to a customer only receiving one service from us.

Therefore we believe that the CER direction should be that suppliers must ensure that the "vulnerable" customer is offered/purchasing the supplier's most economic domestic tariff suited to their bill type and payment method.