



VIRIDIAN

Power & Energy

**Response by Viridian Power & Energy to
CER Consultation Paper CER/10/241**

***Customer Protection in the Deregulated
Electricity Market***

February 2011

1. Introduction

Viridian Power and Energy (VPE) would like to take this opportunity to respond to this consultation paper on customer protection in the deregulated electricity market. This consultation paper is considered timely both with respect to future developments in the market as outlined by the Roadmap for Deregulation (Electricity), and the full transposition and subsequent compliance with the provisions of the EU Third Package of energy legislation.

One issue that is somewhat unclear from the consultation paper is the universality of these proposals and whether, and in what circumstances, the proposals will relate to business customers, given the apparent focus of the paper on the residential market. As stated in VPE's response to the Customer Disconnections paper, the characteristics and dynamic of the business and residential markets are very different. It is therefore important to ensure, where appropriate, that these differences are acknowledged and attempts are not made to implement universal solutions that were principally designed for one market (residential) inappropriately in the business market.

In summary, VPE is broadly supportive of all of the proposals forwarded in the consultation paper. However, in relation to a number of the proposals there is insufficient detail at this time to allow for a comprehensive response to the proposals. In such instances high level comments are provided and issues that remain to be addressed are highlighted. The remainder of the response provides comments on the specific questions on the proposals contained in the consultation paper.

2. Detailed response to consultation questions

Q1. Respondents are invited to comment on the proposal to promote active customer 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.

VPE is broadly supportive of this proposal for CER to actively promote customer switching in the residential market. From the examples provided in the consultation paper of experiences in other countries, this should afford a good opportunity to CER to consider the effectiveness of these approaches and suitably decide on the means by which this proposal should be forwarded.

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.

VPE supports the proposal for the development of a tariff comparison tool. This is considered to be particularly important for the residential market with the need for such a product considered to diminish as you move to greater volume user customer categories. In order to minimise customer confusion, the objective of the end solution is likely to be best facilitated through one central accredited site. This approach would also facilitate increased awareness of the tool. However, from the proposal it is unclear how CER are proposing to create this tool and what person/body would be responsible for its administration. The reference to the GB market indicates an outside body (from OFGEM), but no proposals of this kind are forwarded in the paper.

An additional problem likely to be encountered in the development of this tool is selecting a relevant benchmark tariff from suppliers, frequency of update and how to facilitate changing products while continuing to ensure the benchmark product of each supplier is relevant as a comparator in the market. The experience in the GB market has seen multiple new products and tariffs launched by each supplier on a monthly basis. The retail electricity market is dynamic and it will be important in the development of any such tool that can in fact achieve its objective of informing customers on tariffs and not bring about the opposite outcome.

In terms of the means of communication, the benefits of such a tool should be available to all customers and arrangements should be made to ensure this is the case.

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.

VPE considers the switching process in place in the market presently to adequately facilitate customer switching. At this time we have no further suggestions from a customer perspective. However we note that the three week window can be difficult for suppliers to adhere to as a result of delayed meter readings from ESB Networks.

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.

VPE is aware of and upholds best practice standards in relation to the sale of electricity and gas. Notwithstanding this, and cognisant of the issue CER is trying to address, VPE broadly supports the proposal to develop a standard checklist that doorstep sellers would provide to customers.

There are some practical issues that the CER may need to further develop in relation to this proposal, principal among which are the treatment of the cooling off period and the means by which customers would indicate their satisfaction that the checklist was adhered to, as well as the process for investigating complaints.

VPE also notes that under the EU Third Package of energy legislation Article 3(16) and Article 3(12) of the Electricity (2009/72/EC) and Gas (2009/73/EC) Directives, respectively, requires a checklist to be provided to customers with practical information relating to their rights.

Article 3(16). "The Commission shall establish, in consultation with relevant stakeholders including Member States, the national regulatory authorities, consumer organisations, electricity undertakings and, building on the progress achieved to date, social partners, a clear and concise energy consumer checklist of practical information relating to energy consumer rights. Member States shall ensure that electricity suppliers or distribution system operators, in cooperation with the regulatory authority, take the necessary steps to provide their consumers with a copy of the energy consumer checklist and ensure that it is made publicly available."

In considering the approach to similar matters in GB, industry has been at the forefront of improving customers' experiences with their suppliers through the Energy Retail Association (ERA). The ERA has agreed Codes of Practice governing this and many more issues that all member have signed up to and working alongside OFGEM the Association has led the change in these areas. In this context it may be appropriate to consider such an approach to this and more general issues in Ireland.

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.

Again VPE is broadly supportive of this proposal to provide customers with annual information on price and consumption data. In order to ensure avoidable costs are minimised, such a statement should be included annually to customers in conjunction with regular billing correspondence.

Although the consultation paper includes multiple references to the requirement in other countries, the specifics of the proposal are not outlined for implementation in Ireland. There are aspects of similar practices in GB and elsewhere that are not considered to be appropriate or consistent with achieving their stated objectives. Examples of this include the provision by suppliers of forecasts to customers for the upcoming 12 months fuel prices and the requirement on suppliers to flag to customers the potential cost/benefit of switching. Both of these measures are likely to lead to increased customer confusion and potentially adversely affect the customer's experience of the market.

Furthermore, VPE notes the developments being made in relation to Smart Metering and possible developments in relation to pre-payment meters. Both of these market developments are likely to greatly increase a customer's awareness of both their energy consumption and tariffs.

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.

VPE supports this proposal.

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.

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.

VPE is not an active supplier in the residential market in Ireland and as such does not have vulnerable customers, as defined. Nevertheless, VPE is broadly supportive of Proposal 7 as forwarded in the consultation paper. In relation to Proposal 6, the proposal to expand the definition of vulnerable customers, it is imperative that the definition used in the market is agreed, definitive, stable and appropriate for correctly identifying vulnerable customers in the marketplace .

Specifically on this proposal to expand the definition of vulnerable customers, we note that no arguments for this proposal are forwarded by CER in the consultation paper. Considering this from another perspective, CER have not advanced reasons as to why the current definition of vulnerable customers in the market is not sufficient and/or requires expansion.

Furthermore, given the presence of a working definition of vulnerable customers in the market that is agreed and definitive, there are potentially significant implications for other energy market policies that similarly rely on the previously agreed definition.

The Disability Act (2005) definition is considered to be too broad a definition to ensure a workable solution in the market. Additionally, the proposed wording of the proposal is considered too vague and does not satisfy the criteria set out in the consultation paper of a clear, transparent and definitive definition.