

**Reference: Consultation Response – CER 11/044**

01<sup>st</sup> of April 2011

Maurice Stack  
The Commission for Energy Regulation  
The Exchange  
Belgard Square North  
Tallaght  
Dublin 24

**Customer Bad Debt in Electricity & gas Markets**

Dear Maurice,

Flogas Natural Gas welcome the opportunity to address and comment on the issue of both residential and commercial customers who switch suppliers leaving debts with their previous supplier. This issue has a very direct impact on our day to day business.

Flogas would be in favour of a market solution to address the current situation whereby there is an increasing trend of customers switching supplier without paying their closing arrears. This mounting issue will undoubtedly lead to higher market costs as suppliers will need to reflect the increased bad debt costs in their individual unit price which is thus shared by the customer base as a whole.

We would feel that it would not be in the interest for any supplier to abuse any such market solution. In order to protect against this risk we would request that the relevant clauses be inserted in the suppliers license agreement. Market messaging guidelines should stipulate specifically the codes in regards to the usage of the market solution so that misinterpretation can be avoided. Testing and guidelines in relation to any such market solution should cover all possibilities to restrict the passing and use of information for limited purposes.

Flogas would favour the option to Debt Block on the commercial market. Commercial customers are quite savvy to the movement between suppliers and the added stress of mounting debts and possibility of disconnection which would hamper production can be a misguided incentive to switch supplier in the hope of "buying time" before addressing their previous supplier debt issues. If a debt blocking solution was agreed the customer would be required to address their debt issue in a constructive manner before switching supplier. It is our understanding that Debt Blocking would only relate to unpaid debt or debt without repayment plans in place, once a customer has an agreement in place with their supplier regarding their debt or indeed cleared same the customer can freely move within the market.

Flogas would also strongly support a solution for Debt flagging in the domestic market. Unfortunately there has been an increase of reported instances whereby customers actively switching supplier to avoid debt or again the possibility of supply disconnection, equally customers who have already had their supply isolated are actively looking to switch supplier to avail of the opportunity to re-institute supplies without clearing arrears with their previous supplier.

Flogas are currently not active in the Electricity market or Natural Gas DM market and therefore would not currently be in a position to comment regarding proposed solutions on same. However we would comment that the market messaging systems are unique to both markets and therefore we would request that the progression of a market solution on the gas market should not prohibit the progression on the electricity market solution and vice versa.

For the proposed objection on the basis of breach of contract Flogas would be in favour providing the industry guidelines are specifically agreed in terms of how the breach is utilised and providing the CER has examined and authorised any proposed changes in contractual terms and conditions which may be used in conjunction with same by all suppliers. The change of supplier can cause issues on the Gas NDM in particular for the FVT (fuel variation tariff) customers, in that it is generally agreed that any such customers may not change supplier without giving the outgoing supplier 28 days notice of their intention to change supplier, however currently the means to enforce same are very limited. Flogas do not currently impose fixed term contracts on residential customers and do not envisage a requirement for same.

With regards to the debt threshold and timing Flogas would be in agreement with the current monetary amounts proposed however given the difference in consumption patterns on the gas and electricity markets, Flogas would like to see the time limits for smaller debts pushed from 56 days to 180 days for both residential and commercial customers. There would be a pattern for the summer months in particular on the residential market to lead to slower payments owing to the reduced amount consumed and invoiced. We do agree that the inclusion for smaller amounts over a longer period of time should be included as this may be an issue in multiple account customers for example, builder groups or holiday homes.

Flogas would also like clarification with regards to the term overdue. We would be of the opinion that customers who have an account which is beyond terms but has an operational repayment plan outside of their previously agreed terms should not be treated in the same manner as the payment terms have now changed with the agreement of both interested parties.

Customer agreement for the passing of third party information in relation to debt can be covered in the customers terms and conditions of contract for new customers. This does not cover the current customers assigned to each supplier. The new supplier has consent to receive information but we are currently looking to confirm if the outgoing supplier has consent to provide such information as it may not be included in their historic terms and conditions of contract. Also dependent on the market solution adopted and how the processing of information is completed, it can be argued that for the debt blocking/contractual blocking of commercial change of suppliers is the incoming supplier merely informed that the request is not successful and the customer needs to revert to the outgoing supplier for further information on same.

We would not be in favour of debt transfer between suppliers, it would not be commercially beneficial for a supplier to start business with a customer on a debt. It could be seen in this instance that the supplier is acting as a recovery agent for the previous supplier. If debt was to merely move with each customer through suppliers it could also lead to the customer delaying in addressing the debt issue until it becomes unmanageable as it could accumulate with each change of supplier.

We do not believe that the debt blocking/debt flagging proposals suggested will negatively impact on competition within the gas market. Customers will still be freely able to switch. It is in the interest of all customers that gas users are not facilitated in avoiding their debts by hopping from one supplier to another.

Should you have any queries in relation to the content of this consultation response please do not hesitate to contact me.

Yours sincerely

Jennie Dockrell

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**Jennie Dockrell**  
Flogas Natural Gas