



PrePayPower.ie

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Maurice Stack
Commission for Energy Regulation
The Exchange
Belgard Square North
Tallaght
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23 March 2011

Response to Customer Bad Debt in Electricity and Gas Markets Ref 11044

Dear Maurice

I would like to respond to this welcome consultation on Debt Blocking in the energy sector.

PrePayPower.ie made a submission under its pre-commercial name NRGvend in CER 11044(i) to the consultation CER/09/136. In the intervening 18 months we have entered the market and are now the fastest growing supplier in the electricity sector. Therefore being so recent, we have a very clear understanding of the issues facing a new market entrant.

We remain completely opposed to Debt Blocking – in that a supplier can in some manner prevent a customer making a switch to a new supplier. We remain convinced that the losing supplier needs to have sufficiently responsive credit control procedures to manage the debt they allow their customers to build and this is simply not a matter for the Commission for Energy Regulation.

However, if a system can be created that does not transgress Data Protection rights of consumers PrePayPower.ie would be happy to see a "Debt Flag" system implemented. We recognise this would provide greater transparency for all credit issuing suppliers and the end result will foster greater competition for all customers and provide an environment for lower price points to reflect the reduced risk profile of customers.

Question 1:

a) Introduce debt blocking or debt flagging for commercial users

PrePayPower.ie remains absolutely against debt blocking in any guise and in any market as Debt Blocking is a clear barrier to entry. As to debt flagging; we recognise this would benefit competition and assist new market entrants using different a business model to our own.

b) Introduce debt flagging for domestic users

PrePayPower.ie would welcome this to help stimulate competition in the market.

Question 2: -/-

Question 3: Raising a debt block or objection

1) Objection over contract default

PrePayPower.ie believes any system for objection to transfer should have a clear, limited and precise definition. There can be no ambiguity allowed as this will create opportunities for abuse and create additional barriers to market entry.

1. Debt Thresholds

With reference to 3.3.2 d) on domestic customers the customer acquisition experience in PrePayPower.ie suggests the limit of €200 over 56 days to be, for some households a single delayed payment for a single electricity bill.

2. Low amounts of unpaid debt over a longer time frame

PrePayPower.ie would suggest if the debt amount is lower than €250 or €750 for a large user and that this sum is outstanding for longer than a single billing period prior to a Change of Supplier request - then this is indicative of customer dissatisfaction with the supplier rather than a debt issue.

3. Suggestion

The debt flag is limited to trigger a message as part of the market messaging in the Change of Supplier process when the arrears field in the losing suppliers billing system exceeds €200. This would allow suppliers to introduce proactive debt management policies to limit their bad debt exposure without impacting on the ability of new entrants to enter the market.

Question 4: Granting disclosure permission by switching customer

It should be left to the supplier switching a customer to incentivise the customer to co-operate in allowing this – this information is more significant to the acquiring company than the losing supplier. If market participants want to access this information it should be left to the participants to develop best practice and policy.

Question 5: Impact on competition

A debt "blocking" solution will deter new suppliers entering the market.

However, a debt flagging solution will have a positive effect and encourage new bill based business model suppliers by opening up a potential customer's credit history.

Question 6: Allowing customer debts to be transferred between suppliers

In principle PrePayPower.ie has no issue with transferring the debt of a customer for collection between suppliers. This should be done within bilateral commercial agreements at a market rate. A core precept of PrePayPower.ie is that Debt management is the problem of a supplier and they should take responsibility for and manage the credit facilities they extend to their customers.

We also recognise the enormous practical issues a unilateral market wide application of a "debt follows" scheme. A single scheme would require a matrix of collection and payment agreements between all the existing licensed suppliers.

Further, such a "debt follows" market wide approach would require each new market entrant to accede to these prior agreements and this has all the characteristics of being an additional barrier to market entry.

Question 7: Code of Practice for Debt Blocking or flagging process

We would welcome a simple debt flag system.

We see this as a procedure which can be applied in the electricity sector with appropriate debt trigger levels set for each Device Group and Meter Configuration Code or Maximum Import Capacity.

Finally, we look forward to working with the CER and the other market participants to help implement a debt flagging system in the electricity sector Republic of Ireland.

Yours sincerely

PrePayPower Ltd



Aidan O'Neill

Chief Executive