

Clanwilliam House, Clanwilliam Court, Lower Mount Street, Dublin 2

Maurice Stack,  
CER,  
The Exchange,  
Belgard Square North,  
Tallaght,  
Dublin 24.

**1<sup>st</sup> April 2011**

## **ESB Electric Ireland Response to CER Consultation on Customer Bad Debt in the Electricity and Gas Markets**

**Dear Maurice,**

ESB Electric Ireland is pleased to respond to the CER's consultation on Customer Bad Debt in the Electricity and Gas Markets.

ESB Electric Ireland supports and favours the introduction of a debt blocking solution for both business and residential customers. In our response to the CER's 2009 Debt Blocking consultation (CER/09/136) we stated that the current debt management instruments (security deposits, direct debits, prepayment meters, credit checks and disconnections) were insufficient for market conditions at that time and strongly supported the proposal in respect of debt blocking for business customers. However, based on our bad debt experience since 2009 and discussions with consumer and social advocacy groups, we now see a requirement also for debt blocking in respect of residential customers. We believe that this will reduce the cost impact of bad debts on the vast majority of customers who do not default on their payments.

### **Customer Eligibility**

The problem of debt hopping is much more prevalent in the SME and domestic markets. Therefore, ESB Electric Ireland concurs with the Commission's proposal that any new debt blocking or flagging facility would not be applicable for Large Energy Users (LEU's) in the electricity market or Larger Daily Metered (LDM) or Daily Metered (DM) customers in the gas market. We agree that, given the size of these customers and the potential monies to be recovered, that such cases would be more appropriately dealt with commercially by suppliers.

### **Debt Threshold and Timing**

ESB Electric Ireland believes that it is appropriate to raise an objection on the grounds of contract default but only in the case of business customers where formal

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contracts are in place. Early termination of a fixed term contract where a supplier has forward energy power purchases in place could prove costly and this would be avoided where an objection mechanism is in place.

ESB Electric Ireland believes that the proposed debt thresholds in section b of the consultation paper are appropriate and should apply similarly for electricity and gas. We are in agreement with the timing of 28 days for business customers and we believe that the timing for residential customers should also be 28 days on the basis that at this stage the customer is in breach of standard credit terms.

ESB Electric Ireland believes that objections should be allowed for business customer debt outstanding for longer than 28 days as specified in section c of the consultation paper.

### **Data Protection**

ESB Electric Ireland recognises that there are potential Data Protection issues in respect of domestic customers but considering that Debt Blocking applies in both GB and NI where Data Protection Laws are in force we feel that these can be addressed adequately. We suggest that if a debt blocking process is introduced, then a clearly documented protocol needs to be developed and agreed between the DP Office, CER and Suppliers. We recommend that a working group be set up to develop this protocol with representatives from relevant stakeholders.

### **Impact on Competition**

We believe the introduction of a debt blocking process for business and domestic customers will assist in ensuring that the switching process is more effective and that it will reduce the problems that debt hopping causes for both the indebted customer in terms of the build up of an unmanageable accumulated debt and supplier in terms of reducing the risk of bad debts. It would promote customers settling their bills before they change supplier.

In our response to the 2009 Debt Blocking paper we referred to ERGEG's 2008 report (Ref. E08-RMF-063) which outlines that the switching process can be divided into 3 separate stages – information gathering; supplier switching procedure; and execution of the switch, delay or cancellation. The third stage ends when the customer receives a confirmation letter from the new supplier and/or the first new bill and additionally when the account with the former supplier has been settled. The introduction of a debt blocking objection would assist in the finalisation of the third stage.

We believe it is necessary and prudent to capture a balance between competition versus debt management in terms of a customer switching process that currently leaves debt and all the associated problems associated with debt accumulation behind.

### **Customer Debt Transfer between Suppliers**

ESB Electric Ireland is not in favour of allowing for customer debts to be transferred between suppliers.

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### **Code of Practice**

ESB Electric Ireland strongly agrees that any industry solution should be applied fairly to customers and not abused by suppliers. We fully support the proposal to introduce a Code of Practice relating to debt blocking. Our view is that there should be strict regulatory monitoring of the debt blocking process by CER. The proposed code should be developed in association with suppliers and customer groups and should provide for penalty payments where code breaches occur. Consideration should also be given to the inclusion of a new licence condition in the generic Supply licence regarding debt blocking, as applies in GB.

### **System Implications**

ESB Electric Ireland agrees that the introduction of a debt blocking objection process will require significant changes to central market systems and processes. If CER ultimately decide that debt blocking should be introduced there will be a requirement to assess all of the associated implications including market system requirements. The full ramifications regarding the introduction of debt blocking could be reviewed by the working group suggested above under Data Protection. Following this it should be possible to assess the IT system requirements.

**Yours sincerely,**

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**Gerry McDonald,  
Regulation,  
ESB Electric Ireland.**