Debt Flagging – Industry Code

**DOCUMENT TYPE:** Decision – Industry Code

**REFERENCE:** CER/11/181

**DATE PUBLISHED:** 23rd September 2011

**QUERIES TO:** efarrelly@cer.ie

The Commission for Energy Regulation,
The Exchange,
Belgard Square North,
Tallaght,
Dublin 24.

www.cer.ie
Abstract:

In CER/11/106, the CER decided to introduce a debt flagging facility into the change of supplier processes in the electricity and gas markets from October 2011.

As part of this decision, the CER proposed to issue an Industry Code on debt flagging to ensure customers are protected when the process is introduced.

This Industry Code specifies further details of the debt flagging process including; the grounds and conditions on which suppliers can raise a flag, customer communications, and monitoring.

Target Audience:

This draft Industry Code is for the attention of customers, the energy industry, consumer organisations and all other interested parties.

Related Documents:

CER/11/106 Decision Paper Customer Bad Debt in the Electricity & Gas Markets

For further information on this Decision Paper, please contact Elizabeth Farrelly (efarrelly@cer.ie) at the CER.
Table of Contents

1.0 Introduction .......................................................................................................................... 4
  1.1 Background Information ....................................................................................................... 4
2.0 Industry Guidelines for Debt Flagging (Interim Process) ..................................................... 5
  2.1 Applicability .......................................................................................................................... 5
  2.2 Grounds to Raise a Flag ......................................................................................................... 5
    2.2.1 Thresholds and Timings ................................................................................................. 5
    2.2.2 Additional Conditions ................................................................................................. 6
  2.3 Debt Flagging Process Rules ............................................................................................... 7
    2.3.1 Timings ......................................................................................................................... 7
    2.3.2 Actions where a flag is raised ....................................................................................... 8
  2.4 Customer Notification & Data Protection .......................................................................... 8
    2.4.1 Customer Notification .................................................................................................. 8
    2.4.2 Change of Tenancy ...................................................................................................... 9
  2.5 Dual Fuel Customers .......................................................................................................... 11
    2.5.1 Dual Fuel - Losing Supplier ......................................................................................... 11
    2.5.2 Dual Fuel - Gaining Supplier ...................................................................................... 11
  2.6 Reporting ............................................................................................................................. 12
1.0 Introduction

1.1 Background Information

In June 2011, the CER issued a decision, CER/11/106 to allow the incorporation of a debt flagging facility into the change of supplier/shipper (CoS) processes for Non Daily Metered (NDM) customers in the gas market and all customers with the exception of Large Energy Users (LEUs) in the electricity market.

The CER approved the introduction this measure in light of ongoing concerns from energy suppliers, consumer organisations that in the current economic climate, customer and industry debt levels are being exacerbated by some customers changing supplier in order to avoid paying their arrears or, to avoid disconnection. This practice of ‘debt hopping’ is considered to raise costs for energy suppliers, and consequently for all consumers, and further compounds an individual’s debt situation making it more difficult to manage in the long run.

The decision paper issued in June 2011 set out a number of decisions with regard to how the debt flagging process would be implemented but also noted that an Industry Code on debt flagging would be published to set out the details of how the processes will work in practice and to ensure customers are protected.

The CER has engaged with the Office of the Data Protection Commissioner and the gas and electricity market participants in developing this Code. This document contains the CER’s debt flagging Code and is an ancillary document to the debt flagging process documentation issued by Gaslink and Bord Gáis Networks on behalf of the gas market and the Retail Market Design Service, (RMDS) a function of ESB Networks on the behalf of the electricity market.
2.0 Industry Guidelines for Debt Flagging (Interim Process)

2.1 Applicability

- The implementation of a debt flag by a losing supplier will be incorporated as a mandatory step in the CoS processes in the gas and electricity retail markets for all customers with the exception of the very large industrial and commercial customers only.

- Debt flagging will not be applicable to Daily Metered (DM) and Large Daily Metered (LDM) customers in the gas market and to Large Energy Users - LEUs (DG 7-10 and Transmission Connected) in the electricity market.

2.2 Grounds to Raise a Flag

2.2.1 Thresholds and Timings

- A monetary and timing threshold will be used to form the basis on which the losing supplier is permitted to raise a flag.

The CER decision paper CER/11/106 approved that suppliers could raise a flag when a sum of money equal or greater to the monetary threshold for the customer category had been outstanding 42 days from when it had fallen due. In a presentation to industry on a draft Code in August 2011, a number of suppliers raised concerns recently identified with regard to the implementation of the 42 day period. These suppliers indicated that as standard credit management systems operate in 30 day cycles i.e. 30, 60, 90 days, and that it would be substantially less complex to implement debt flagging into supplier systems in the timeframe required by the CER if the flagging timings were to be aligned with a 30 day period or a multiple thereof.

The CER has noted supplier concerns and regarding the thresholds. Therefore the CER has decided to amend the decision on thresholds to 60 days from due in the case of domestic customers and 30 days from due in the case of business customers.
<table>
<thead>
<tr>
<th>Customer Category</th>
<th>Customer Category</th>
<th>Debt Value &amp; Duration Threshold</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic</td>
<td>Electricity/Gas</td>
<td>≥ €250 for &gt; 60 days from due</td>
</tr>
<tr>
<td>Small Business</td>
<td>Electricity (LV-NonMD/DG5) Gas (NDM &lt; 73MWh)</td>
<td>≥ €750 for &gt; 30 days from due</td>
</tr>
<tr>
<td>Medium Sized Business</td>
<td>Electricity (LVMD/DG6) Gas (&gt;73MWh NDM &lt; 5.5 GWh)</td>
<td>≥ €1,500 for &gt; 30 days from due</td>
</tr>
<tr>
<td>Large Energy Users</td>
<td>Electricity (DG7-10, TCons) Gas (DM &amp; LDM)</td>
<td>n/a</td>
</tr>
</tbody>
</table>

Table 1 Debt Thresholds

- The timing threshold of 60 days for domestic and 30 days for businesses from when the amount falls due is taken to mean the number of days after the date at which the bills states that payment is due by and not the number of days from the date on which the bill was sent. For example where a supplier allows the standard credit period of 14 days to its domestic, this would mean that this supplier could not flag a domestic for 74 days after the bill was sent.

- ‘Days’ are taken to mean calendar days unless otherwise specified.

### 2.2.2 Additional Conditions

- These thresholds apply to a customer’s debt position at a given point in time i.e. in relation to a specific CoS request. A customer cannot be flagged indefinitely.

- Outstanding deposits cannot be taken into account when determining whether a customer has reached the monetary amounts prescribed above.

- Suppliers must adhere to the monetary thresholds and timing stipulated in this Code.

- A supplier will be required to issue a flag where the relevant criterion per customer category has been satisfied.

- The losing supplier cannot raise a flag in the instance where the customer at the site is pursuing a complaint in relation to the amount owed using the complaint handling procedures specified by the supplier.


2.3 Debt Flagging Process Rules

Bord Gáis Networks and Gaslink on the behalf of the gas market and the Retail Market Design Service, (RMDS) a function of ESB Networks on the behalf of the electricity market have proposed processes for the implementation of debt flagging from 17th October 2011 into the market procedures and systems.

2.3.1 Timings

- The implementation of debt flagging introduces two new decision points into the CoS processes for gas and electricity markets to allow for;
  
a) the issuance of a flag by the losing supplier on receipt of notification of a pending customer loss, where the debt thresholds & timings have been satisfied, and
  
b) the decision by the incoming supplier on the next steps, to either:
    
    (i) proceed with the switch or
    
    (ii) cancel the switch.

- For the electricity market, the timings for a) and b) are constrained given the manual nature of this interim process. As a result, the timings for a) and b) will be as per Appendix B of RMDS’s Working Practice 0020 Debt Flagging which sets out that;
  
  - For a), the losing Supplier will submit a list of Meter Point Registration Numbers (MPRNs) which they wish to flag to the MRSO twice weekly – close of business on Mondays and Wednesdays.
  
  - For b) the gaining supplier must decide whether to cancel or proceed with CoS request within 2 business days of the debt flag being raised.

- For the gas market;
  
  - the losing supplier should have up to 2 business days to raise a flag after notification of a pending customer loss.
  
  - the gaining supplier must decide whether to cancel or proceed with CoS request within 3 business days of the debt flag being raised.

- The timings have been approved based on feedback from industry. Should major issues with the timings in either the electricity or gas market processes be identified when the process becomes operational, the CER will review the timings at the industry fora.
2.3.2 Actions where a flag is raised.

- Where a debt flag is raised and the gaining supplier chooses to proceed with the switch;
  - no other action is required and the CoS request will be processed.
  - If the gaining supplier proceeds with the CoS request subject to additional conditions of supply such as a higher security deposit, the customer must agree to these conditions before the switch is processed.

- Where a debt flag is raised and the gaining supplier chooses to cancel the switch request;
  - The gaining supplier must issue a notification in writing to the affected customer within 5 business days to advise them;
    (i) that their CoS request has been cancelled and the grounds for this cancellation.
    (ii) that the customer should in the first instance make contact with their current supplier to discuss the status of their account and how this can be addressed so that the customer can proceed with changing supplier as soon as possible.
    (iii) (for domestic customers) if they need independent advice on this or other budgeting matters contact the Money Advice and Budgeting Service (MABS) or other support agencies (MABS Helpline 076 107 2000)

- Where the switch is cancelled and the customer is referred back to their original supplier, suppliers must continue to comply with the CER’s Guidelines on the Codes of Practice for Billing\(^1\), regarding Arrears & Arrangements.

2.4 Customer Notification & Data Protection

This content of this section is informed by advice received from the Office of the Data Protection Commissioner (ODPC).

2.4.1 Customer Notification

Section 2.4.1 applies to sign up processes for domestic customers.

\(^1\) [CER/11/168a](#) CER Electricity & Gas Supplier Handbook
At point of registration/sign up, the customer must be made aware that debt flagging is in operation in the electricity and gas markets and that the supplier currently registered to this GPRN/MPRN will alert the proposed new supplier that there is a debt² outstanding on this GPRN/MPRN account at this time, in line with industry agreed thresholds.

- It is insufficient to include a reference to debt flagging in suppliers’ standard customer terms and conditions of supply only.

- The sign up form or application which the customer completes when they choose to be switched to a new supplier (whether it is the physical page or online form) should contain the relevant wording in a ‘prominent’ position, which clearly outlines that there are debt flagging processes in operation in the electricity and gas markets and what this infers.

- It is necessary for a tick box to be included so that the customer confirms that they have read and understood this notice.

- Where the customer initiates the CoS process over the phone, the supplier agent must inform the customer verbally about the debt flagging arrangements in operation and what this infers and capture the customer’s agreement.

- The recommended wording for this notice has been approved by the ODPC for use by suppliers:

  When your request to switch is processed, your current supplier will notify us if you are in arrears for more than levels set for all customers by the Commission for Energy Regulation. If we decide not to carry out the switch because of arrears, we will tell you in writing. (Arrears - an overdue payment that has not been paid.)

- Should a supplier choose not to use this wording for the notice, this supplier must ensure that their alternative wording meets the requirements of the ODPC.

- Suppliers must be able to demonstrate that they have advised customers that debt flagging arrangements are in operation and acquired their consent to proceed to switch.

2.4.2 Change of Tenancy

Section 2.4.2 applies to both domestic and business customers.

² As per the approved industry thresholds in Table 1.
Where a change of tenancy/legal entity (CoLE) occurs in conjunction with a CoS request i.e. where a new tenant moves into a property and then requests to change supplier, the losing supplier cannot flag this site on the basis of a debt accrued by the previous tenant. For the interim process implemented from the 17th October 2011, this will be addressed as follows in the electricity and gas markets.

**Electricity Market**

- Where a pending loss notification from the Meter Registration System Operator (MRSO) contains a CoLE identifier; the losing supplier cannot raise a flag in relation to this site.

- The pending loss notification to old supplier does not indicate CoLE where it is an inferred CoLE. This could result in the old Supplier submitting a debt flag where there is a CoLE. As an interim process, the MRSO will compare all debt flagged MPRNs with the CoLE identifier on receipt from the old supplier before passing to gaining supplier, and will not pass the inferred CoLEs to the gaining supplier.

- MRSO will advise the losing supplier which flagged MPRNs were not communicated to the gaining supplier because of the CoLE identifier. All suppliers must be vigilant in ensuring switches are submitted accurately to reflect the correct customer data to reduce the number of inferred CoLEs.

**Gas Market**

- In the gas market, as the pending loss notification message does not currently contain an identifier to signal a change of tenancy/legal entity. The following interim solution will apply:
  
  - During the sign up process the customer is asked to indicate if they are a new tenant and have not registered with any supplier since they moved into the premise.
  
  - In the instance that the losing supplier raises a flag due to debt associated with the previous tenant, the new supplier will ignore this flag and proceed with the CoS request because they are aware the customer is new to the site.

---

3 An inferred CoLE occurs where the original change of supplier request issued by the gaining supplier does not explicitly signal a CoLE but the market system identifies that the customer name associated with the MPRN in the CoS request is different to the name which had been registered by the losing supplier.
2.5 Dual Fuel Customers

This section deals with dual fuel accounts where a customer has both their electricity and gas with the same supplier at the time they request to switch to another supplier. The customer may be switching one fuel to an alternative supplier or both fuels to an alternative supplier.

2.5.1 Dual Fuel - Losing Supplier

- Where a customer has a dual fuel account, the status of the customer’s electricity and gas accounts must be treated separately, i.e. the supplier can only raise a flag on the electricity and/or gas account where that account meets the industry criteria.

- Where the debt thresholds have been met with regard to one account but not the other e.g. a customer’s gas account but not its electricity account (or vice versa), the following rules will apply:
  - In the event that such a customer is switching both services (electricity and gas accounts), the losing supplier can only raise a flag against the account in debt (where that account meets the industry criteria). The supplier cannot raise a flag for both.
  - In the event that a dual fuel customer is switching only one service e.g. electricity, the supplier can only raise a flag for the service where that account meets the industry criteria, the supplier cannot raise a flag on one service in lieu of the other.

- Where a customer has a dual fuel account and has requested to switch supplier, but only one service has been switched as a result a debt flag being raised. The losing supplier must inform the customer of the consequences, if any, of moving from a dual fuel to a single fuel product e.g. changes in tariffs, terms & conditions etc.

2.5.2 Dual Fuel - Gaining Supplier

This section deals with the situation where a customer has requested to switch to a new supplier for a dual fuel product. At the time of the switch the customer may currently be availing of a dual fuel product with another supplier or may have their electricity and gas account with different suppliers.

- Where a gaining supplier registers a customer for a dual fuel offering and in the process of switching one of the customer’s accounts is flagged by the losing supplier, and the other is not, the gaining supplier may decide to proceed with the CoS requests for both fuels, neither fuels or just one.
• If the gaining supplier decides not to proceed with switching the flagged account at that time, the gaining supplier can only proceed with the CoS request for other fuel account if the customer has been made aware that they will not be able to avail of the dual fuel tariff/product as requested. The customer must agree to switch the single product only. The gaining supplier must inform the customer of the consequences, if any, of taking a single fuel product only e.g. different tariffs, terms & conditions etc.

• If the customer does not agree to switch the non-flagged product only, the gaining supplier must cancel both the electricity and gas CoS requests. This is to avoid customer confusion where the customer has requested a dual fuel tariff/product but would not be getting the dual fuel tariff/product if the supplier proceeds with the switch for only one fuel.

• Further to the requirements in section 2.3.2, when issuing the notification to the customer of the cancellation of a dual fuel CoS request, the gaining supplier must state that the CoS request for both fuels has been cancelled on the basis of a flag for the flagged account only. This notification should clarify that the customer can request to change supplier for the non-flagged tariff/product if they wish until such a time as the debt on the flagged account has been addressed with the current supplier.

2.6 Reporting

• The CER will review debt flagging as part of the Retail Market Monitoring framework.

• The CER will conduct a specific review of debt flagging processes after 12 months of its operation. This review will inform any revisions to the process.

• Should major issues with the timings in either the electricity or gas market processes be identified when the process becomes operational, the CER will review the timings at the industry fora.

• The CER will monitor the use of this flagging facility by both losing and gaining suppliers on an ongoing basis to ensure that the process is being applied correctly.

  - On a monthly basis receive from the DSO’s in both the electricity and gas markets:
    o the number of CoS requests which were flagged by losing suppliers
    o the number of CoS requests which were then subsequently cancelled by gaining suppliers.
    o in the case of the electricity market,
- The number of CoS requests which signalled a CoLE.
- The number of debt flags which were not issued to the gaining supplier by the MRSO on the basis of an inferred CoLE.

- The CER will conduct quarterly spot checks where suppliers will be required to demonstrate compliance with the industry code for the application of a debt flag to a customer’s account.