Response by Energia to Commission for Energy Regulation Consultation Paper CER/11/166

Prepayment Metering in the Electricity & Gas Markets

15 September 2011

1. Introduction

Energia welcomes the opportunity to respond to this consultation paper on prepayment metering in the electricity and gas markets as issued by the Commission for Energy Regulation (CER). Energia considers the introduction of prepayment metering and debt flagging to be necessary and overdue steps taken by the CER to responsibly address the important issue of debt in both the electricity and gas markets. These two measures, along with the CER's revised disconnections policy, provide for an appropriate and multifaceted approach to ensure the best outcome for customers both in light of and extending beyond the challenging economic environment encountered today.

Also looking to the future, we urge CER to be cognisant of progress towards retail market harmonisation in electricity (and in time one assumes gas) and that the arrangements put in place facilitate rather than frustrate a harmonised approach.

The remainder of this relatively brief response concentrates on the two specific questions posed in the consultation paper.

2. Response to consultation questions

Question 1. Respondents are invited to comment on Option A and Option B as outlined in this section. Are you in favour of either of these proposals? Outline reasons for agreement or disagreement.

Acknowledging the difference between a credit meter and a prepayment meter (PPM) with respect to the risk to suppliers of customers accumulating debt, it is Energia's considered view that the treatment of PPM customers ought to be different from the status quo as it applies to credit meter customers. In that regard, and following the argument forwarded by CER in the consultation paper for not favouring Option A, Energia similarly does not support the extension of the status quo to PPM customers with debt.

In consideration of Option B (amend current switching processes for PPM customers in debt), it is Energia's considered view that, in principle, debt accumulated with a specific supplier can be due to a number of reasons and it should not be the responsibility of a new supplier to take on such a debt but we remain committed to the requirement to see all debt in the market repaid. In furtherance to this position, Energia consider another alternative option to be more appropriate than that proposed in the paper. The proposal is for PPM customers in debt to apply to a new supplier to switch, should the new supplier decide for commercial reasons to accept the new customer, that customer switches to the new supplier with their PPM meter but the split, yet to be decided by CER, with respect to energy consumption/debt repayment would be applied and a continuing stream of revenue forwarded to the old supplier in respect of the previous debt until such time as the debt is fully repaid.

This proposed approach would minimise the concern expressed by CER of the solution facilitating debt blocking in the market, instead it would facilitate greater switching and competition in the marketplace, while also respecting the need for repayment of an accumulated debt a customer may have with a supplier.

Clearly there are a number of issue with respect to this proposal that require further consideration, notably the technical requirements and whether such an approach can be facilitated, also situations where customers may have debts with a number of suppliers in the market. This second issue (debt with multiple suppliers) is also an issue under the CER “minded to” proposal (Option B).

Question 2. The CER has outlined a number of additional aspects which would need to be considered or reviewed subsequent to the approval of Option B. Respondents are invited to comment on the considerations and highlight any additional points which would need to be reviewed if the CER decided to approve Option B.

Under the proposal forwarded herein to allow PPM customers switch but for their debt to remain with their previous supplier who would continue to be in receipt of the debt repayment proportion of each purchase, it would seem reasonable that 100% of that debt be transferred and a 70%-30% split be applied (energy consumption / debt repayment) in general cases. This arrangement would not preclude the previous supplier from offering an incentivisation structure to the customer in order to encourage more timely repayment of the outstanding debt, similar to that proposed in cases where the proportion of the debt to travel would be less than 100%.