Elizabeth Farrelly,
Commission for Energy Regulation,
The Exchange,
Belgarde Square North,
Tallaght,
Dublin 24.

15th September 2011.

RE: Response to Consultation Paper CER/11/166 Prepayment Metering in the Electricity and Gas Markets

Dear Elizabeth,

ESB Electric Ireland welcomes the opportunity to respond to the Commission's consultation on Prepayment Metering in the Electricity and Gas markets.

Our comments and responses on the issues raised in this consultation paper are provided strictly in the context of currently approved prepayment metering technologies in both gas and electricity sectors, and specifically do not apply to the existing budget controller facility operated by ESB Electric Ireland in the electricity market, nor to the impending rollout of smart metering technology in both sectors.

Response to Q1:

ESB Electric Ireland agrees with the general observations that the recent debt flagging decision has given rise to concerns in respect of inconsistency in policy and the inherent weaknesses in the debt flagging decision in the case of Pre Payment Meter (PPM) customers who are in the process of clearing a debt. Accordingly we agree that Option (A) – upholding the current arrangements for customers in debt in the change of supplier & debt flagging processes - is not the most appropriate approach in the current difficult economic environment.

ESB Electric Ireland broadly supports the Option (B) debt transfer principle whereby a PPM customer repaying a debt can participate in the change of supplier process but must continue to pay off their outstanding arrears after they switch. Such an arrangement, if correctly designed and operated, should give these customers access to the potential to avail of a switch and simultaneously provide a mechanism for the losing supplier to continue to receive payments against outstanding arrears.

It should be noted that the energy sector has already accepted that the customer in question is in need of assistance with the repayment of debt for their energy consumption and has installed technology to enable them to do so, with the costs of that solution being borne by the general body of customers by socialising the costs. It would therefore be only fair to the general body of customers that that the customer continues to utilize that technology to repay the full debt outstanding or else the costs to society will have been in vain.

Response to Q2:

ESB Electric Ireland believes that 100% of the arrears should travel with the PPM customer when they switch supplier.

As the paper did not elaborate as to how CER might envisage less than 100% of the debt travelling with the PPM customer we have provided comments in respect of some potential options:

If some portion of the arrears does not transfer with the PPM customer then the losing supplier is left with a bad debt that ultimately becomes a burden on that supplier's general body of customers (the vast majority of whom do not default on their payments). Simultaneously the switching PPM customer will inadvertently gain an additional benefit (i.e. partial debt write-off) that a credit meter customer making a similar switch would not enjoy. Such unintended additional benefits may be interpreted by some customers that the industry tolerates a certain level of debt avoidance and not assist with restricting the practice of deliberate debt hopping.

If the intention is to split the customer's arrears between losing and gaining suppliers while ensuring the customer remains responsible for 100% of the arrears then we believe this may not be in the customer's best interest as it merely introduces an additional competing demand on his/her limited resources and capability to deal with multiple debts and arrears.

Alternatively if the intention is to have 100% of the arrears transfer to the gaining supplier, but the losing supplier is rebated less than 100%, as a balance between the avoidance of write-off risk to the losing supplier and the incremental cost of collection for the gaining supplier, then we believe that while this may have some merit (as the principle of the customer paying 100% of the debt is maintained), the size of the rebate to the losing supplier needs detailed examination and agreement within the industry.

We agree with the emergency credit provision in the Gas PPM code of Practice Guidelines and concur with the Commission's minded position to approve a different ratio for recoupment of general debt and accept 30% as an appropriate upper limit on the proportion of a customer's credit which can be allocated to debt repayment each time a customer 'tops up'.

General:

ESB Electric Ireland wishes to highlight a number of matters that are not addressed in the consultation paper and which need to be given consideration in the development of a solution:

- Compliance with Legal, Financial Regulation and Data Protection requirements
- The appointment of an independent central body to administer the processes and operate a mechanism for the settlement of cash transfers between participating parties
- The establishment of an independent arbitration process
- The solution, and apportionment of debt retained, to be subject to ongoing monitoring and a 12 month review by Oct 2012.
- Consideration of the impact of smart metering technologies on prepayment solutions in both the gas and electricity markets

Given our views outlined in this response we believe that significant further discussion needs to be undertaken with all market participants to ensure that the final proposal provides an appropriate solution that satisfies the industry and all customers, and that can be implemented in a pragmatic way without significant additional costs.

Yours,

Tony Dunlea
ESB Electric Ireland