

Question 1

Flogas is in favour of option (B). We view option (A) as a non starter in that it would most definitely result in a high level of bad debts. Under option (A) customers will be motivated to move to a new supplier with a view to avoiding any arrears of debt with their existing supplier. Commercially suppliers could be motivated to promote switching in the knowledge that while they would be ensured of receiving payment the previous supplier would be stuck with the debt.

Option (B) ensures that both the incoming supplier and the exiting supplier are treated fairly and benefits the customer in avoiding legal action by the exiting supplier to recover the arrears of debt.

Question 2

We are in favour of the proposal whereby the arrears of debt are transferred to the meter.

When the customer vends the cash needs to be allocated between the old debt and available credit for current gas usage. As we understand it the current split is 70% against debt and 30% against current gas usage. We believe that this allocation is appropriate and should be retained. The CERs suggestion that 70% should be allocated to current gas usage would mean that it would on average take about 3 years for the arrears of debt to be paid. This is totally excessive and would leave suppliers with no option but to pursue the debt legally.

It is essential that 100% of the debt continues to be paid. If this were not the case there would be an encouragement for consumers to debt hop to avoid part of the debt. We see no rationale for anything other than a 100% payment.

The back office provider would need to allocate the cash vends by supplier and settle the debts on a monthly or quarterly basis. Any longer period would not be acceptable. We do not see the UK DAP arrangements as being suitable in the Irish market due to the difference in scale between the two markets and the very tight supplier margins in Ireland.

It is absolutely essential that there is a moratorium on introducing change of shipper facilities to the PPM market until the necessary debt management functionality is in place. If this is not done there will be chaos in the market and bad debts will escalate.

It is clear at the moment that all participants in the PPM solution are in a learning mode. It is vital that all systems are properly consulted on and properly tested before implementation.