Gaslink & BGN Response to CER/11/166 Prepayment Metering in the Electricity and Gas Markets

Gaslink & BGN recognise the importance of prepayment metering in the current economic climate, and the need to best optimise the functionality for both the consumer and the industry; and so welcome the opportunity to comment and support initiatives in this regard.

Response to specific consultation paper questions

Proposal 1 – The CER is seeking industry views on the following options for the treatment of PPM customers who are repaying of debt within the change of suppliers' process in the electricity and gas markets;
A) maintain the current arrangements whereby a PPM customer ceases repaying a debt to their old supplier upon switching to an alternative supplier and the original supplier pursues the customer separately for the recovery of the debt.
B) introduce a change to the current PPM solution in the gas market and the proposed PPM solution for the electricity market whereby a PPM customer repaying a debt can switch supplier but must continue to pay off the their outstanding arrears after they switch.
Q1. 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

BGN / Gaslink Consideration:

In terms of options A above, it is not correct to say that the old supplier pursues the customer separately for recovery of debt. At present, debt is not recovered if a customer changes shipper. Also, to clarify at the moment this is done through the debt recovery tariff and not through debt functionality on the meter.

Option B is not operationally possible in the current market arrangements where the supplier recovers outstanding debt via a higher debt recovery tariff. Option B is only a possible consideration where debt recovery functionality of the meter is being used, i.e. debt is on put onto and recovered through a register on the meter. Debt recovery functionality of the meter provides transparency and fairness to the customer, and allows the customer to monitor their repayment progress. The Gas PPM system can be configured (through a change control process) to facilitate debt transfer arrangements at time of customer switching supplier. There are several options possible by which this could be facilitated, and BGN/Gaslink could advise the more efficient and cost effective options.

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.

2.2.2.3 Additional Considerations
- Allocation of customer credit to Energy Consumption v Debt Repayment

BGN / Gaslink Consideration:

In terms of option B, the percentage of vend allocation to debt needs to be examined. There is no facility for putting the percentage at e.g. 70%/30% for emergency credit and configuring a different ratio for gas debt, as there is only one configuration option available and applicable to all. At present there is one setting - currently at 70% (debt) and 30% (available for consumption).

If debt recovery was enabled on the meter with current configuration settings, it would allocate 70% to gas debt, and the remaining 30% for emergency credit and consumption.

Re-configuration of the percentage ratio is possible, but it is strongly advised that any proposed ratio change is given careful consideration with particular regard to risks of encouraging fraudulent or other unanticipated activities.

Further consideration must also be given towards the typical periods that can reasonably allowed for the recovery of outstanding debt.

Example Scenario: At a Gas Allocation Rate (GAR) of 30%:

- If a customer vends 30 times per annum with an average vend of €16 (annual total of €480), then €160 of outstanding debt is recovered in a year.
- If the initial a debt value was €800, then it will take 5 years to recover.