Elizabeth Farrelly
Commission for Energy Regulation
The Exchange
Belgard Square North
Tallaght
Dublin 24

15 September 2011

<u>cer11166 - Prepayment Metering in the Electricity and Gas Markets consultation</u>

Dear Elizabeth

PrePayPower welcomes the recent publication of consultation CER/11166.

We note that this document specifically deals with prepayment meters PPMS, in the case of the electricity market are supplied installed by the DSO and used for debt recovery. This solution is effectively imposed on customers as an alternative to deenergisation.

PrePayPower provides prepayment meters to customers based on customer preference. Installation costs are not socialised, but are borne by PrePayPower as a supplier. This brings about a whole different set of circumstances.

To avoid confusion by customers and other stakeholders we suggest that the scope of the document be specifically modified to make this distinction clear.

We note the CER has previously stated PrePayment Meters [PPMs] are only for hardship customers with debt to suppliers and it is related to the consultation CER/10215.

PrePayPower remains convinced that those suppliers offering credit should have robust credit policies and be responsible for their own debt recovery.

PrePayPower is currently the only user of the electricity PPMs and back office platform which is shortly being introduced in the Republic. While option A may appear to facilitate debt hopping, there is a range of proven debt prevention and recovery tools in use in the energy supply sector. These should be used for spreading repayments in the event a PPM customer switches supplier.

We question the practicality and fairness of Option B. If implemented a significant discount should be applied to the debt that is transferred to the new supplier to allow the new supplier mitigate its own costs of debt recovery.

We suggest the implementation needs a number of additional considerations:

a) It appears on the surface unjust. Those with the worst Credit management; who are owed the most, by most customers, now benefit most.
b) The losing supplier gains by having no transaction costs and a free debt collector.
c) All market participants and new entrants will need to enter debt collection agreements.
d) We raise specific issues around PPM customer acquisition targeting, arbitration, debt status, cost of recovery, data protection, repayment terms, bi lateral and multilateral collection and settlement agreements and these are attached to this letter on pages 3,4 and 5.

<u>As to 2.2.2.3. Allocation of customer credit to Energy Consumption v Debt Repayment;</u> PrePayPower considers this to be a “heat or eat” choice. It is prescriptive in form, restrictive in practice and unworkable in the electricity market and the reasons for this opinion are attached to this letter on page 6.

We would like to thank the Commission for the opportunity to comment on this consultation and we restate our commitment to engage fully with all the stakeholders in the industry to create a customer friendly Pay As You Go sector in the industry and generate practical policies for the benefit of all.

Yours sincerely
PrePayPower Ltd

Aidan O’Neill
Chief Executive

d) Continued – Further clarity concerning Option B, issues that PrePayPower considers addressing around the debt following consultation.

1. **PPM customer acquisition targeting:**
   a. Is this a real choice for a consumer in offering de-energisation or a PPM?
   b. Is the targeting of PPM customers, especially in the electricity market practical?
   c. How does a risk adverse supplier locate the PPMs as there is no meter category code [MCC] for PPM users in the Market Schema?
   d. Will it restrict 5% of all households from switching suppliers freely?
   e. Does it raise competition issues on restricting consumer choice?

2. **Arbitration over debt levels and recovery:**
   a. Where does authority lie to resolve issues arising between suppliers, the industry and consumers?
   b. Further questions are raised in the event of;
      i. debt dispute,
      ii. debt collection issues
      iii. service failures
      iv. settlement issues

3. **The debt status:**
   a. Is the acquiring company becoming a debt collector by assignment?
   b. Is the acquiring company liable for the previous supplier'sdebt after PPM acquisition?
   c. Can an acquiring customer write off another supplier's debt?
   d. After a subsequent Change of Supplier procedure where does the liability of an unpaid debt lie after PPM removal and reversion to a credit meter?

4. **Cost of debt recovery**

   We question the fairness of transferring 100% of ta debt to an acquiring supplier. The new supplier will encounter costs in recovering this debt that will need to be mitigated. Additionally, even with PPM technology it is by no means guaranteed that the acquiring supplier will recover all of the debt. It would seem appropriate that the customer should remain liable for 100% of the debt and some level of discounting is applied to ensure that the acquiring supplier is not out of pocket.

   a. While the cost of the PPM unit is socialised–are all transaction costs to be borne by the current power provider for each top-up?
   b. Does the acquiring supplier split the cost of debt recovery and the on-going transaction costs in the collection of a debt they did not incur?

c. Where is the cost liability for the data management and the printing and production of the additional four monthly reporting of the debt repayment?
    i. Consumer confusion is expected if previous supplier remains in contact with consumer
    ii. Restriction of customer win back
d. Will there be a factoring provision to allow recovery the cost of collection?
    i. Will it be borne by the consumer?
    ii. The losing supplier?

5. **Data protection:**
    a. Has the role of ESB Networks and the back office system suppliers been considered in this proposed debt following process?
    b. Who will retain ownership and control of the customer data in the event of change of supplier and a debt is disputed?
    c. Is the ESBN (who are implementing the back office system for electricity) ensuring that the correct debt level is applied as the system requires that the debt field is loaded on activation of a customer?
        i. Is this debt field transparent to acquiring company – to allow them to perform a debt repayment forecast?
        ii. Who communicates the level of debt being transferred to the acquiring company from the losing company?
        iii. Is a neutral party involved in setting the initial debt figure used by the acquiring supplier and is it expected to be confirmed by the debtor?

6. **Repayment terms:**
    a. Will the provision of a maximum acceptable period of debt recovery introduce barriers to entry in switching PPM customers?
    b. Are new customer agreements required when a customer changes supplier?
        i. Can a customer refuse the PPM at that point and revert to a credit meter?
    c. What provision is there to allow Suppliers vary terms of recovery, collection schemes and repayment rates?
    d. Are there Competition issues in setting debt recovery rates across the industry?
        i. Using or setting a single rate?
        ii. Using or setting a single basis?
        iii. Allowing Commercial preference by suppliers and allowing the commercially stronger to draw out the period of collection to the disadvantage of the losing supplier?

7. **<u>Bilateral and multilateral collection and settlement agreements:</u>**
    a. Is there existing scope to allow Suppliers agree individual settlement codes?
    b. Is dispute resolution likely to be made end in court?
    c. Are there Competition issues in setting up processes for new entrants and enforcement of participation in existing agreements?

2.2.2.3. Allocation of customer credit to Energy Consumption v Debt Repayment

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1. Technically impossible: In the Electricity PPM system the blanket imposition of an upper limit of 70% is impossible if the policy of no "out of hours" disconnection is to be retained.
    a. The 70% requirement to restore power is not possible to be calculated by the PPM.
    b. Bank Holiday Weekends: The inbuilt delivery of "Friendly credit" allows an unknown amount of credit to be issued, and it is not unreasonable to exceed €10 over a weekend especially the 4 fixed annual Bank Holiday Weekends.

        Bank Holiday Weekend example: the €5 is taken as emergency credit and, separately afterwards, friendly credit of €10 is taken– in order to addjust€5 in credit to the meter to use for energy on the Tuesday morning a payment of €30 is required. That is 83% of the top-up. Payment units of €10 or €20 would not restore power.
    c. Limiting “friendly credit” will leave people in the dark.

We urge that greater flexibility and other options be considered and offered.

Energy usage and debt repayment should not be linked.