



Commission for Energy Regulation
An Coimisiún um Rialáil Fuinnimh

Electricity & Gas Customer Disconnections Report January – December 2011

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Executive Summary

There are various measures in place within the energy industry to ensure that the disconnection of a customer's energy supply, for non-payment of account, is always the last resort. However in the current difficult economic climate where many consumers are struggling to balance their household budgets, some energy customers are falling into arrears with their utility bills. Without direct engagement with their supplier to address outstanding arrears, some customers may face disconnection from their service. The CER is continuing to monitor the impact on energy customers by looking at the trends in the number of customer disconnections, specifically for non payment of account.

This report sets out the data for the period to January to December 2011 and gives an update on a number of industry initiatives. The CER has published previous reports on disconnections data in July and October 2011. We have made some amendments to the format of the data presentation to improve the clarity of the report. In general the data shows that the level of electricity disconnections in 2011 has increased slightly from 2010, while gas disconnections are down slightly. Key points of the data are set out below

Electricity Data

- Total Electricity disconnections for 2011 were 17,794. This represents approximately 0.8% of all electricity customers. This is just under a 7% increase on the same period last year.
- The increase was common across both domestic and non-domestic customer disconnections at just under 7% above the figures for 2010, to 14,508 and 3,286, respectively. The split between domestic and non-domestic remains unchanged at approximately 80:20 in 2010 and 2011.
- To put this data in context, evidence from both suppliers and network operators suggests that in a given period of disconnection, there are a significant number of properties which are in fact vacant. It is difficult to ascertain definitively for all disconnections if a property is vacant. Therefore CER has asked the network companies to estimate the level of vacant premises based on proxy information, looking at the number of subsequent reconnections that takes place within a given timeframe – as if a premises is not reconnected, then it is probable that there is no longer anyone living or working in it. This proxy data suggests that the level of vacant premises could be as high as 30% of disconnections for domestic electricity customers and 63% of disconnections for business electricity customers.
- The disconnections data shows a slightly later peak, in September 2011, than the previous summer, although this is not as high as 2010 and a fall in disconnections over the last 3 months of 2011.
- Suppliers show different monthly rates of disconnections when compared on a market share basis; in absolute terms, Electric Ireland shows the highest total number of disconnections for both domestic and non domestic customers. Looking at proportion based on market shares, Airtricity has the

highest level of domestic disconnections per 10,000 customers and Bord Gáis the highest for non domestic customers per 10,000 customers for the period January to December 2011.

Gas Data

- The total number of gas disconnections¹ completed year on year from 2008 to 2011 has been decreasing gradually.
- Total gas disconnections¹ in 2011 were 5,039, this represents nearly 0.8% of gas customers and is down 3.7% on the 2010 figures; domestic disconnections down just over 14%.
- The trend in 2011 gas disconnections¹ shows the numbers rising from the start of the year, peaking in August and then declined to the end of the year.
- The split between domestic and non-domestic is approximately 85:15 in 2011 with 4,243 domestic disconnections¹.
- As with electricity, evidence suggests that there are a significant number of properties which are vacant. These figures increase to 50% and 70% respectively for domestic and business gas customers, although this might not be as strong a proxy as in the case of electricity.
- There was a decrease in the total of domestic disconnections from August 2011 to December 2011 which coincides with an increase in the number of pay as you go meters installed during the period.
- As with electricity, suppliers show different monthly rates of disconnections when compared on a market share basis. Total disconnections² show Bord Gáis Energy having the highest number of disconnections for both domestic and non domestic customers. When examined on a market share basis, per 10,000 customers, Flogas has the highest rate of domestic disconnections, and with Bord Gáis Energy having the highest for non domestic customers. This is based on the period January to December 2011.

Debt Flagging

In October 2011 the gas and electricity markets introduced a process of debt flagging into the change of supplier processes. The first few months of operation show that the number of electricity Change of Supplier (COS) orders flagged increased from about 1% to 3% but the share of debt flags accepted by gaining suppliers rose significantly from 30% to 80%. In gas the number of COS orders flagged fell from over 1% to under 0.6%, while the share of debt flags accepted by a gaining supplier rose slightly from 40% to 50%. While it is too early to draw any real conclusions, it does not appear to have had any negative effect on switching rates.

Pay As You Go Meters

¹ This data refers all credit locks (CLs) and all disconnect meters (DMs)

² These figures include all 3 types (CLs, DMs and street isolations) of gas disconnection and with confirmation from suppliers on DMs and street isolations that are npa.

The CER has been working with Industry to facilitate the rollout of electricity and gas Pay As You Go meters free of charge for those customers who are experiencing financial hardship. As per the code of Practice on disconnections, suppliers are required to offer customers a pre-payment option prior to moving to disconnection. Protocols to install gas Pay As You Go meters have been operational for some time and as of the end of December 2011 there are 25,911 gas Pay As You Go meters installed.

ESB Networks commenced the rollout of electricity Pay As You Go meters in October 2011 and had installed 711 meters by the end of December 2011. Suppliers have noted that some customers are not keen to accept these meters. CER will continue to work with customers and suppliers to address customer concerns. It seems possible that the fall in overall gas disconnections numbers in 2011 as compared to the rise in electricity may be due to increased rollout of these meters. Accordingly, increased availability and customer acceptance of electricity Pay As You Go meters may reduce disconnections figures in the future.

Disconnections Code of Practice Audit

During November and December the CER carried out an audit to see if suppliers were in compliance with the guidelines for customer disconnection. The audit examined suppliers' Codes of Practice on Disconnection and established that all suppliers have implemented the published guidelines and are meeting the requirements set out by the CER. The CER notes that, in the case of all domestic customer accounts audited, suppliers had exceeded the CER's minimum contact requirements prior to moving to disconnect the customer.

Review of the Costs of Disconnections

The range of initiatives outlined above such as debt flagging and Pay As You Go meters provides suppliers with tools to minimise the number customer disconnections that take place. The 2010 decision to impose a requirement on suppliers which means that they can only pass on 50% of the cost of a disconnection or reconnection has also provided an effective additional incentive on suppliers on to minimise disconnections.

Given the very difficult economic circumstances facing many consumers, the CER does not consider it appropriate to change its policy at this time, as it could worsen the arrears situation for a customer already experiencing financial hardship. It reduces the incentive on suppliers to request disconnection before all other options have been exhausted. On this basis, it is proposed to extend the policy that suppliers can only pass on 50% of the charge for a disconnection or reconnection for reason of non payment to the affected customer for a further 12 months to 31st December 2012. The CER will review this decision in December 2012.

The CER will continue to monitor the retails markets, looking specifically at the issues of customer debt and disconnections over the coming months. The CER

is planning to consolidate the various retail electricity and gas reports (market shares, change of supplier, disconnections) over the coming months into a single quarterly retail report to be published in April 2012. The CER would encourage customers facing difficulties paying their bills to contact suppliers at an early stage to discuss how best to manage the situation. Suppliers are required to offer a payment plan to customers before moving to disconnect anyone, and the CER will continue monitor supplier behaviour to ensure that they all adhere to the supplier Codes of Practice in their treatment of their customers.

1 Introduction

1.1 Legislative Background

The Commission for Energy Regulation ('the CER') is the independent body responsible for overseeing the regulation of Ireland's electricity and gas sectors. The CER was initially established and granted regulatory powers over the electricity market under the *Electricity Regulation Act, 1999*. The enactment of the *Gas (Interim) (Regulation) Act, 2002* expanded the CER's jurisdiction to include regulation of the natural gas market, while the *Energy (Miscellaneous Provisions) Act 2006* granted the CER powers to regulate electrical contractors with respect to safety, to regulate to natural gas undertakings involved in the transmission, distribution, storage, supply and shipping of gas and to regulate natural gas installers with respect to safety. The Petroleum (Exploration and Extraction) Safety Act, 2010, expanded the CER's safety functions into the upstream petroleum sector. The *Electricity Regulation Amendment (SEM) Act 2007* outlined the CER's functions in relation to the Single Electricity Market (SEM) for the island of Ireland. This market is regulated by the CER and the Northern Ireland Authority for Utility Regulation (NIAUR). The CER is working to ensure that consumers benefit from regulation and the introduction of competition in the energy sector.

S.I. No. 630 of 2011, European Communities (Internal Market in Natural Gas and Electricity) Regulations, 2011 outlined the functions of the CER in relation to the monitoring and regulation of natural gas and electricity retail markets.

1.2 Background

The CER has been monitoring the impact on energy customers by looking at the trends in the number of customer disconnections, specifically for non payment of account. In parallel, the CER introduced a number of measures to ensure that the disconnection of a customer's energy supply is always the last resort.

- In December 2010 the CER published a decision³ which reduced the charges for disconnection and reconnection for both electricity and gas domestic customers.
- The decision stated that no more than 50% of the cost of a disconnection or reconnection can be passed on to a domestic customer by their supplier - to ensure that they do not move to disconnection without significant engagement with the customer.
- In addition the CER published a decision paper⁴ setting out new guidelines for the Code of Practice on Disconnection. This required suppliers to specify the conditions for the renewal and termination of

³ Customer Disconnection-Review of Cost Allocation and Code of Practice Decision [CER10216](#)

⁴ Guidelines for Code of Practice on Disconnection [CER10217](#)

- services or contract (or both) including the connection and disconnection of final customers for reason of non payment.
- In June 2011 the CER published its decision on the implementation of an industry flag for debt, which went into operation from the 17th October 2011. This measure is intended to encourage greater customer engagement regarding debt issues with their supplier and to ensure customers are facilitated in switching supplier without mounting debts with multiple suppliers in the market.
 - The CER is currently working with suppliers to extend the rollout of Pay as you go Meters in the gas and electricity markets.

1.3 Purpose of this paper

The purpose of this paper is to provide information to the public and the CER's stakeholders about the level and the trends in disconnections in both the electricity and gas retail markets.

2 Electricity Market Disconnections

2.1 Introduction

In the electricity market a customer is connected to the distribution network by ESB Networks (ESBN). The customer has a contract for electricity with a supplier and is usually billed in arrears on a monthly / bimonthly basis. If a customer falls into arrears and defaults on that contract the supplier initiates credit control proceedings, issuing reminders to the customer. At the end of that process, if the issue is unresolved, the supplier may take the decision to disconnect the customer and issue an instruction to ESBN to complete the disconnection on the supplier's behalf.

In taking the decision to cut off a customer's supply, a supplier must complete all the steps set out in its Code of Practice on Disconnection. This code is approved by the CER. The CER monitors the level of disconnections in the retail market on a monthly basis. The following data refers to the number of disconnections in the electricity market that have been requested by a supplier for reason of non payment and carried out by ESBN.

2.2 Electricity Market Disconnections

There are 2,239,085⁵ electricity Meter Point Reference Numbers (MPRNs) of which 2,022,237 are domestic customer connections. Tracking historical trends in disconnections, table 2.1 and figure 2.1 below show the number of disconnections per month from January 2007 up to the end of December 2011 for non payment of account.

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2007	857	793	759	782	1,157	1,038	1,113	1,178	976	969	1,032	268	10,921
2008	985	954	700	1,047	1,055	1,058	1,212	906	839	808	870	555	10,986
2009	820	823	569	781	708	826	992	858	888	813	998	633	9,709
2010	1,118	1,363	1,447	1,149	1,492	1,756	2,353	2,118	1,771	897	1,045	170	16,679
2011	1,160	977	1,161	1,409	1,459	1,535	2,002	2,064	2,075	1,812	1,489	651	17,794

Table 2.1 – Total Electricity Disconnections 2007 to Present

Figure 2.1 below shows trends in disconnections each year since the start of 2007. The level of disconnection was reasonably consistent during 2007 and 2008. The numbers were relatively flat across the year, averaging at about 900 per month but dipping in December. The figures dip in December because ESBN does not disconnect customers over the Christmas period, from mid December to early January. However in 2010, there was a substantial increase in the total number of electricity disconnections, peaking in July and August before falling

⁵ Data supplied by MRSO (Meter Registration System Operator) within ESB Networks and correct as at end of September 2011

over the final four months of 2010. The heavy snow experienced in the month of December in 2010, when suppliers did not initiate disconnections, would account for the very low numbers of disconnections relative to previous and subsequent years. 2011 showed an overall increase of 7% but followed a broadly similar trend to 2010, peaking later and falling slower in the last quarter.

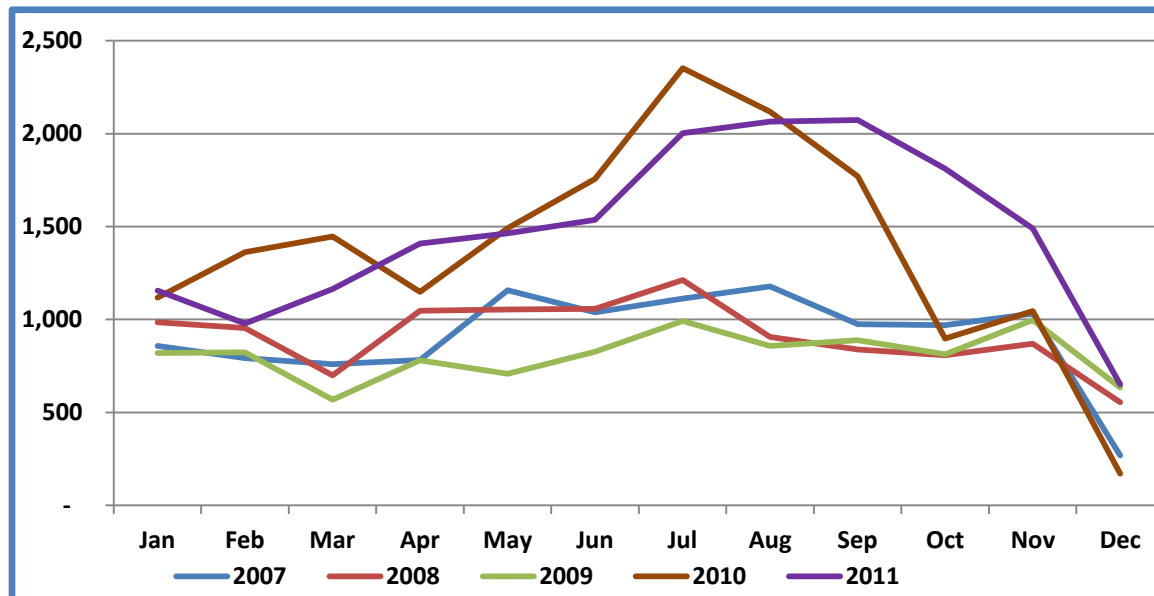


Figure 2.1 – Total Electricity Disconnections 2007 to December 2011

2.2.1 Domestic Electricity Disconnections

While the previous section shows the total number of monthly disconnections for the domestic and business markets, figure 2.2 below shows a breakdown between domestic and total customer disconnections from January 2010 up to the end of December 2011. Disconnections at domestic premises account for the vast majority of disconnections, and represented 81% of disconnections during 2011. The trends in domestic disconnections follow those in disconnections as a whole, peaking in the summers, although occurring slightly later and at a lower monthly level in 2011.

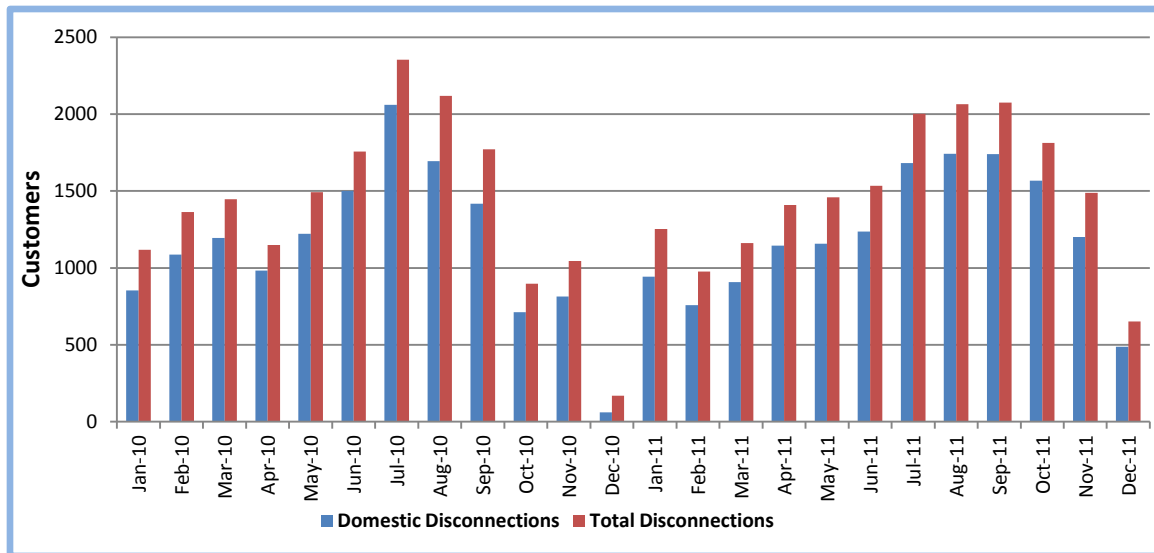


Figure 2.2 – Domestic Electricity Disconnections January 2010 to December 2011

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2010	853	1,086	1,194	983	1,222	1,500	2,060	1,694	1,417	712	815	61	13,597
2011	881	759	908	1,146	1,158	1,236	1,682	1,742	1,740	1,567	1,201	488	14,508

Table 2.2 – Domestic Electricity Disconnections 2010 to Present

2.2.2 Electricity Disconnections by Supplier

All suppliers are bound by the CER’s Code of Practice on Disconnections. At the same time different suppliers will have different customer profiles in terms of debt and will operate different commercial arrangements to manage debt and customer disconnection. Following feedback from industry the CER has provided additional information on suppliers’ disconnection rates, with total disconnections and the separation of domestic and non domestic customers. Figures 2.3 and 2.5 show the total disconnection rates by individual supplier for domestic and non domestic (business) customers, respectively. Figures 2.4 and 2.6 show the disconnections rates by supplier per 10,000 customers for both domestic and non domestic customers⁶, this is based on suppliers’ market share of customer numbers.⁷

⁶ For each month, the supplier’s number of disconnections is divided by the supplier’s customer numbers and multiplied by 10,000

⁷ Information on customer disconnections has been provided by ESB Networks, data on supplier customer share has been provided by the MRSO.

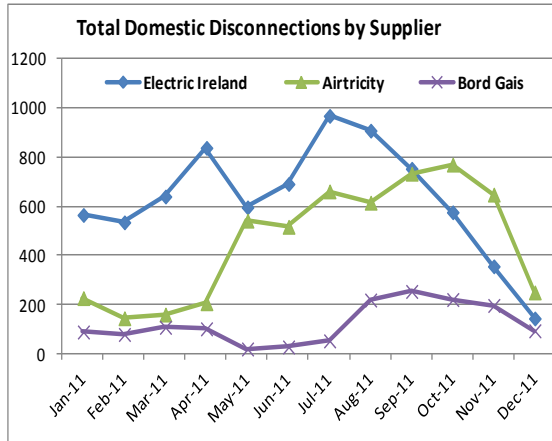


Figure 2.3

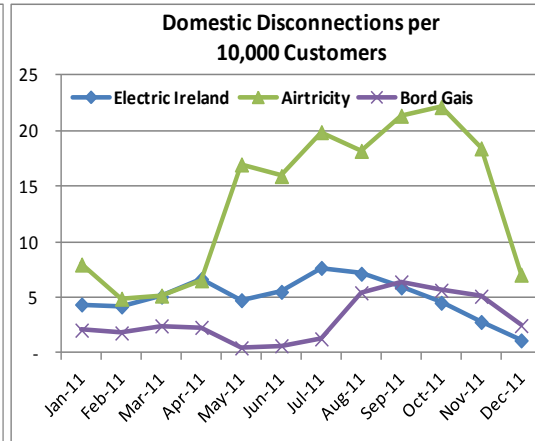


Figure 2.4

2011	Electric Ireland	Airtricity	Bord Gais
Jan-11	565	227	89
Feb-11	535	145	79
Mar-11	640	160	108
Apr-11	838	206	102
May-11	596	542	20
Jun-11	691	517	28
Jul-11	968	661	53
Aug-11	908	615	219
Sep-11	753	733	254
Oct-11	576	770	221
Nov-11	356	648	197
Dec-11	144	250	94

Table 2.3 Total Domestic Disconnections

2011	Electric Ireland	Airtricity	Bord Gais
Jan-11	4.36	7.96	2.05
Feb-11	4.18	4.88	1.79
Mar-11	5.06	5.16	2.43
Apr-11	6.66	6.54	2.30
May-11	4.74	16.97	0.45
Jun-11	5.50	15.92	0.64
Jul-11	7.65	19.87	1.26
Aug-11	7.12	18.19	5.41
Sep-11	5.90	21.35	6.39
Oct-11	4.51	22.13	5.63
Nov-11	2.78	18.41	5.10
Dec-11	1.12	7.04	2.46

Table 2.4 Domestic Disconnections per 10,000 customers

Figure 2.3 shows that from the period January to December 2011, Electric Ireland had the largest number of disconnections for domestic customers followed by Airtricity⁸, and Bord Gáis. Figure 2.4 shows that Airtricity have the highest average rate of domestic disconnections, over the period, relative to their market share of customers. They are followed by Electric Ireland and Bord Gáis.

Airtricity and Bord Gáis show an increase in domestic disconnections at the end of the period relative to the start of the year, peaking in September-October. Electric Ireland’s figures peaked in July and decreased in the following months. Overall, the total number of disconnections for all suppliers fell from September to December.

⁸ Airtricity have informed the CER that due to a legacy issue within their IT system, all market messages sent to ESB networks effectively classifies all disconnections as npa, including those that were non-npa and change of tenancy.

For non domestic customers, figure 2.5 shows that Electric Ireland has also had the largest number of disconnections, over the period, followed by Airtricity, Bord Gáis and Energia. In the non-domestic sector, figure 2.6 shows over the same period Bord Gáis have the highest average rate of disconnections, relative to market share of customer numbers. They are followed by Airtricity, Energia and Electric Ireland.

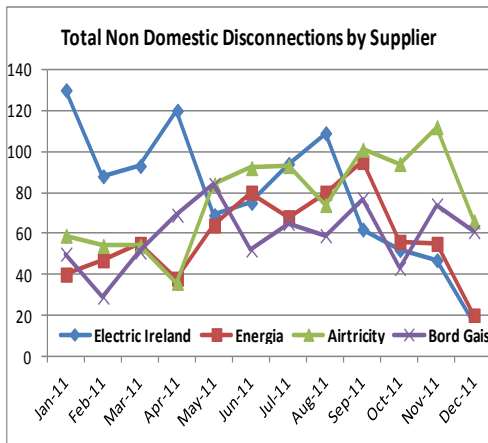


Figure 2.5

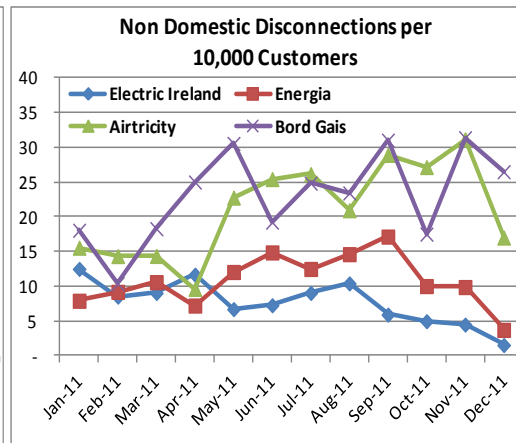


Figure 2.6

2011	Electric Ireland	Energia	Airtricity	Bord Gais
Jan-11	130	40	59	50
Feb-11	88	47	54	29
Mar-11	93	55	54	51
Apr-11	120	38	36	69
May-11	69	64	84	84
Jun-11	75	80	92	52
Jul-11	94	68	93	65
Aug-11	109	80	74	59
Sep-11	62	95	101	77
Oct-11	52	56	94	43
Nov-11	47	55	112	74
Dec-11	16	20	66	61

Table 2.5 Total Non-Domestic Disconnections

2011	Electric Ireland	Energia	Airtricity	Bord Gais
Jan-11	12.49	7.90	15.55	18.05
Feb-11	8.49	9.18	14.34	10.37
Mar-11	9.02	10.58	14.36	18.29
Apr-11	11.65	7.21	9.62	25.00
May-11	6.69	12.04	22.76	30.56
Jun-11	7.25	14.86	25.43	19.22
Jul-11	9.02	12.48	26.15	24.84
Aug-11	10.40	14.61	20.94	23.43
Sep-11	5.90	17.14	28.91	31.03
Oct-11	4.95	10.01	27.16	17.49
Nov-11	4.47	9.87	31.17	31.38
Dec-11	1.52	3.71	17.00	26.49

Table 2.6 Non-Domestic Disconnections per 10,000 customers

The trend in the above graphs shows that 3 suppliers’ (Airtricity, Energia and Bord Gáis) had monthly disconnections for non domestic customers increasing in the second and third quarters of 2011. Electric Ireland’s figures show a different trend, falling from the start to the end of the period examined. All suppliers had a drop in disconnections from November to December.

Overall, over the period examined, the average monthly number of domestic disconnections per 10,000 customers is approximately 6, while for non domestic

customers is just over 12 per 10,000. This equates to an annual disconnection rate of 0.7% for domestic customers and 1.5% for non-domestic customers.

2.3 Estimation of Vacant Premises

The data on electricity disconnections for non payment of account, provided by ESB Networks, does not identify if a premise, whether domestic or non domestic, is actually vacant. Anecdotal evidence from both suppliers and network operators suggests that in a given period of disconnection, there are a significant number of properties which are in fact vacant. However based on available data, there is no accurate means of validating this assertion with certainty. Therefore as a means of proxy, the CER has requested the networks companies to provide data on the number of disconnected premises that were reconnected, within 2 weeks or more of disconnections, to the same supplier or that have switched to a different supplier. This data covers the months of October and November 2011 and showed that approximately 31% of domestic and 63% of non domestic premises remained disconnected after 2 weeks or more of disconnection for non payment of account.

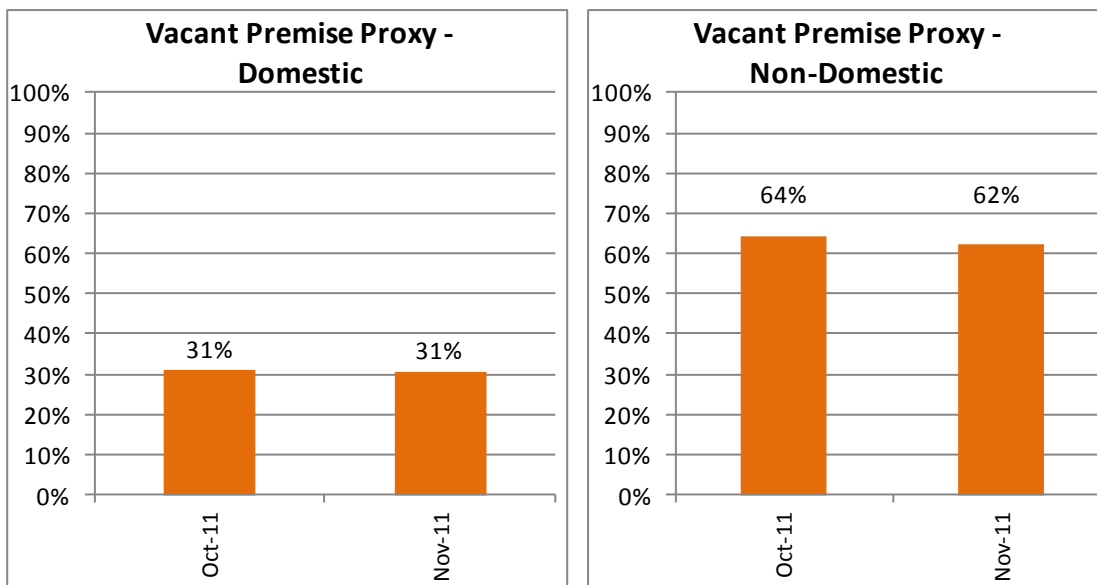


Figure 2.7 – Proxy for Vacant Domestic Premises Figure 2.8 – Proxy for Vacant Non-Domestic Premises

If this figure was considered a reasonable proxy of vacant premises within the disconnection data for all of 2011, this would mean the total disconnections for occupied premises would be approximately 10,000 domestic customers from the total of 14,570 and just under 900 non-domestic customers out of the total 3,317. If accurate this modifies the trends in disconnection and significantly reduces the levels of actual customer impacting disconnections. Preliminary analysis suggests that the most likely explanation is the impact of the current economic climate on emigration and business closure. CSO statistics indicate that emigration has increased over the last few years, with a decline in net migration, although there has been an overall population increase. On the vacant premises, the CSO preliminary figures for 2011 reports that 14.7% of the housing stock is

vacant, slightly down on the 2006 figure of 15% but an increase in absolute numbers of 27,880. The CER is continuing to monitor this issue, gathering data from suppliers and networks companies to understand the true impact of disconnections on consumers.

2.4 Electricity Pay As You Go Meters

The CER has been working with industry to facilitate the rollout of electricity and gas pay as you go meters free of charge for those customers who are experiencing financial hardship. This requires all domestic suppliers to put in place the necessary processes such that they can provide pay as you go meters to their customers, and approval to the Networks businesses to install meters free of charge to customers in financial need.

In the case of the electricity market, historically, budget controllers have been used by domestic customers. They are not meters but a device that is installed in addition to a customer's meter. Budget controllers are a less sophisticated technology than the pay as you go metering solutions in place in the Irish gas market and the energy markets in the U.K. Therefore the CER approved that ESB Networks initiate a pay as you go project to procure and implement a robust pay as you go metering solution for all domestic electricity suppliers. The CER also approved that the cost of 100,000 of these meters to be socialised via the networks charges so that they can be provided, at no cost, by suppliers for customers under the financial hardship provision

The culmination of this project took place at the end of October 2011 with the Go-Live of the new electricity pay as you go metering solution. While Electric Ireland and Airtricity are currently providing these pay as you go meters to their customers, the CER expects that all domestic electricity suppliers will be in this position by the end of February 2012.

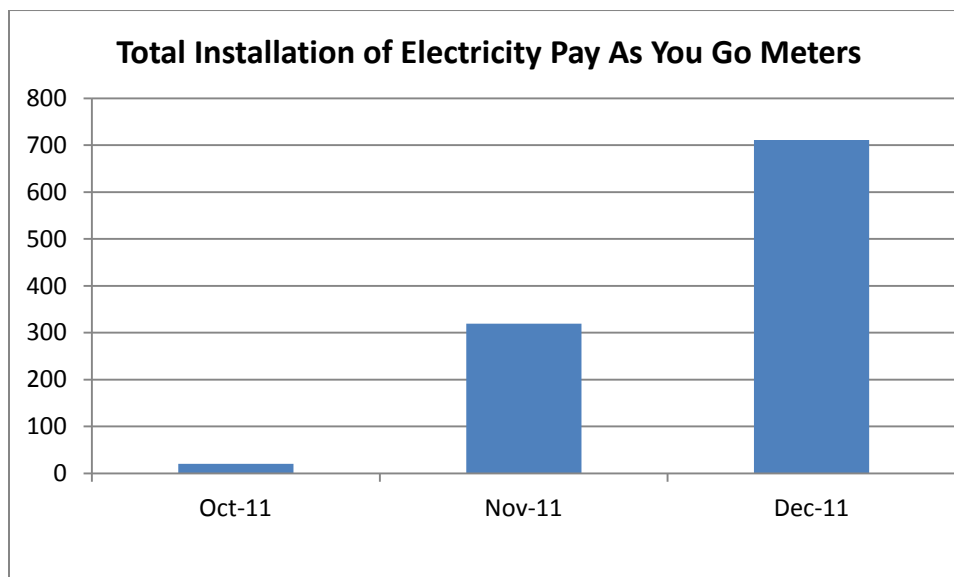


Figure 2.9 – Pay as you go Meters

Figure 2.9 shows the level of instalment of pay as you go meters from October to December 2011 when over 700 meters were actually installed.

The CER has been made aware by both suppliers and ESB Networks that customers are showing a certain resistance to accepting a pay as you go meter, even in the case where disconnection is the alternative. Currently suppliers are requesting meters to be installed at approximately 40% of the available install capacity. The CER is actively engaging with industry participants on this issue to ensure that customers in need of assistance that could benefit from the installation of a pay as you go meter can avail of one. This is in order to assist customers to manage their arrears and avoid disconnection from supply.

2.5 Electricity Debt Flagging

In recent years, suppliers and customer organisations have indicated to the CER that customers were increasingly changing supplier in order to avoid repaying their debt or a looming disconnection with their current supplier. Whilst the CER has always maintained that customers should not be inhibited from exercising their right to change supplier on any grounds, the CER acknowledged that in the current climate such a practice was contributing to substantial levels of bad debt in the industry and was also leading to a worse debt situation for the individual customers to address in the long run. On this basis, in June 2011, the CER issued a decision to implement debt flagging into the electricity and gas market change of supplier processes.

As a consequence of this decision, from October 2011, where a customer requests to change to a new supplier, the customer's existing supplier has the ability to inform the new supplier if the customer has an outstanding debt which satisfies the industry thresholds approved by the CER. The new supplier can then choose whether to proceed with or cancel the request to switch where this 'flag' has been raised. Whilst the CER believes this measure will reduce industry bad debt levels which are exacerbated by customers who switch supplier in order to avoid paying a debt or a pending disconnection, the CER also believes that this will encourage customers to address their arrears in an upfront manner and hence prevent the accumulation of further debt and possible disconnection in the future.

As part of its market monitoring obligations, the CER monitors the use of this flagging facility by both losing and gaining suppliers on an ongoing basis to ensure that the process is being applied correctly. Figures 2.10 and 2.11 show the debt flagging activity reported to the CER by ESB Networks between Go Live of the debt flagging process up to the end of December 2011.

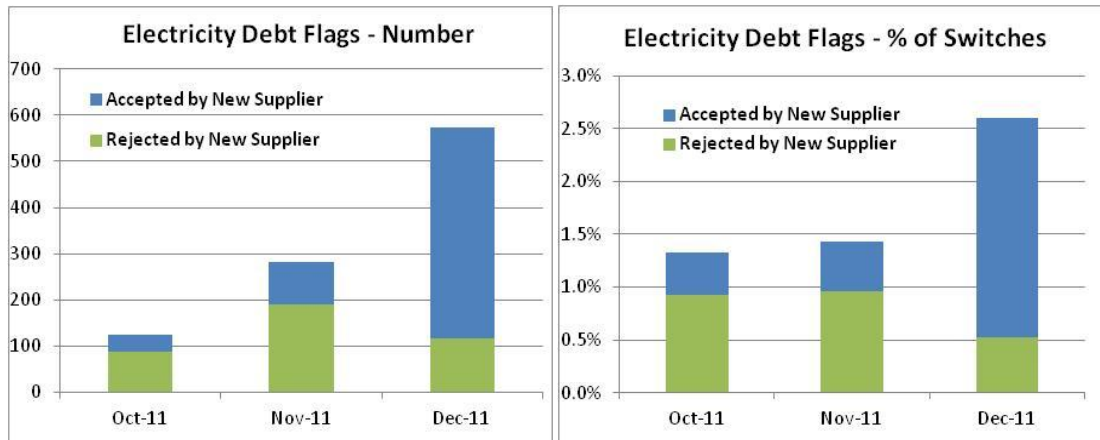
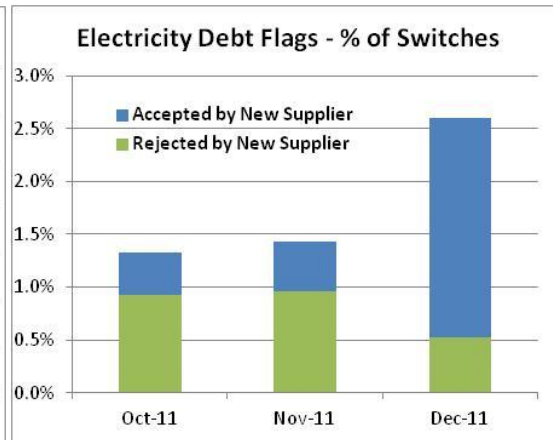


Figure 2.10

Figure 2.11



The data provided by ESB Networks shows that from October to December 2011 between 1% and 3% of all change of supplier requests had valid debt flags. The above figures show a general decline, from November to December, in the number of debt flags resulting in the gaining supplier cancelling their request to switch the customer. As per the requirements of the CER Debt Flagging Industry Code in these cases, the customer would be advised to make contact with their current supplier to discuss the status of their account and how this can be addressed so that the customer can proceed with changing supplier as soon as possible.

2.6 Summary

Electricity disconnection rates in 2011 increased, by approximately 7%, compared to 2010. Table 2.7 shows the numbers of disconnections compared to the same period last year.

Disconnections	Jan - Dec 2010	Jan - Dec 2011	Change
Domestic	13,597	14,508	6.70%
Non-Domestic	3,082	3,286	6.62%
All	16,679	17,794	6.69%

Table 2.7 – Electricity Disconnections in 2010 & 2011

- Total Electricity disconnections were approximately 7% higher for the same period last year.
- 2011 domestic and non-domestic customer disconnections were similar at just under 7% above the figures for 2010, and the split between domestic and non-domestic remains unchanged at approximately 80:20 for both years.
- To put this data in context, a proxy for the number of vacant premises shows that over the months of October and November 31% of domestic premises and 63% of non-domestic premises, remained disconnected after 2 weeks or more of disconnection. Using this estimate, the number of domestic customer disconnections would reduce to approximately 10,000 customers and non-domestic customers, to just under 900 customers, respectively.

- The data shows a slightly later peak, in September 2011, than the previous summer, although this is not as high as 2010.
- Suppliers show different monthly rates of disconnections when compared on a market share basis; in absolute terms, Electric Ireland shows the highest total number of disconnections for both domestic and non domestic customers. Looking at proportion based on market shares Airtricity has the highest domestic disconnections per 10,000 customers and Bord Gáis the highest for non domestic customers per 10,000 customers for the period January to December 2011.

3 Gas Market Disconnections

3.1 Introduction

As in the electricity market, a gas customer is connected to the distribution network Bord Gáis Networks (BGN). The customer has a contract for gas with a supplier and is usually billed in arrears on a monthly / bimonthly basis. If a customer falls into arrears and defaults on that contract the supplier initiates its credit control process by issuing reminders to the customer and notification of the next steps. At the end of that process, if the issue is unresolved, the supplier may take the decision to disconnect the customer's gas supply and issue an instruction to BGN to complete the disconnection on behalf of the supplier.

To date, in our review and reporting of gas disconnections for non payment of account (npa), Bord Gáis Networks (BGN) have provided the CER with data that has included both credit locks (CLs) and disconnect meters (DMs) for this category of disconnections. BGN included disconnect meters in their submission to the CER as they believed that these are being used for credit reasons. BGN have recently indicated to the CER that not all the data provided on DMs, may fall completely into the npa category. In addition to this BGN have advised the CER there is a third type of disconnection, street isolation that may fall into the category of non payment of account. Therefore the CER has contacted suppliers directly to determine which DMs and street isolations are related to non-payment of account. As consequence of these changes to the source of data, the data range including all three types of disconnections only goes back to November 2010. Therefore for year on year comparison this report will continue to use the old data methodology including all CLs and all DMs, but will utilise the new data set when comparing suppliers' disconnections for npa in 2011.

3.2 Gas Market Disconnections

As of the end of September 2011, there were 656,560⁹ Gas Point Registration Numbers (GPRNs), 630,864 of these were domestic connections. Table 3.1 and figure 3.1 sets out the number of disconnections (all CLs and all DMs), which have been carried out by BGN on behalf of suppliers since the beginning of 2008 to the end of 2011.

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2008	603	1,064	604	642	658	636	983	784	529	424	173	56	7,156
2009	89	498	445	565	523	604	594	500	680	707	647	296	6,148
2010	348	584	1,041	706	739	454	358	329	315	89	185	85	5,234
2011	112	260	299	323	543	564	579	839	517	491	358	154	5,039

Table 3.1 – Total CL & DM Gas Disconnections 2008 to Present

⁹ Data provided by the Gas Point Registration Operator (GPRO) within BGN.

Figure 3.1 below shows trends in gas disconnections each year since the start of 2008. Unlike electricity the monthly profile trends differ from year to year. As with electricity, all years dip in December as BGN does not disconnect customers from Christmas to the New Year. In 2010, disconnections for the first half of the year were up on 2009 levels compared to the second half of the year when they fell markedly below 2009 levels. In 2011, the levels of disconnections rose continuously until August, where they peaked, and subsequently declined until the end of the year.

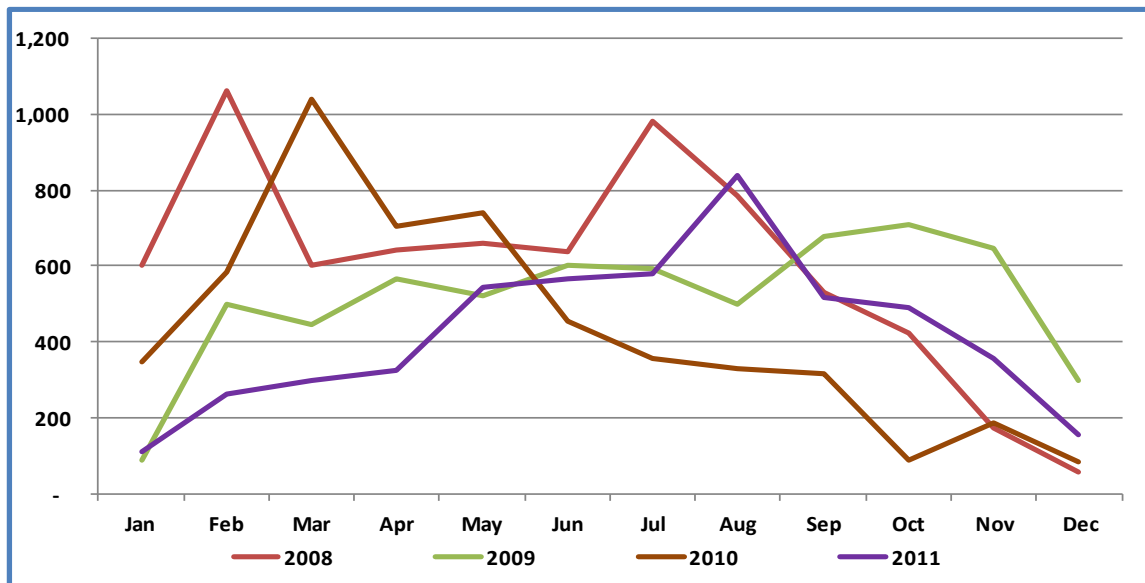


Figure 3.1 – Total CL & DM Gas Disconnections 2008 to Present

3.2.1 Domestic Gas Disconnections

While the previous section shows the number of monthly disconnections for the whole market, figure 3.2 below shows a breakdown between domestic and non-domestic gas customer disconnections from January 2010 up to the end of 2011. Disconnections at domestic premises account for the majority of gas disconnections, representing 84% of disconnections from January to December 2011.

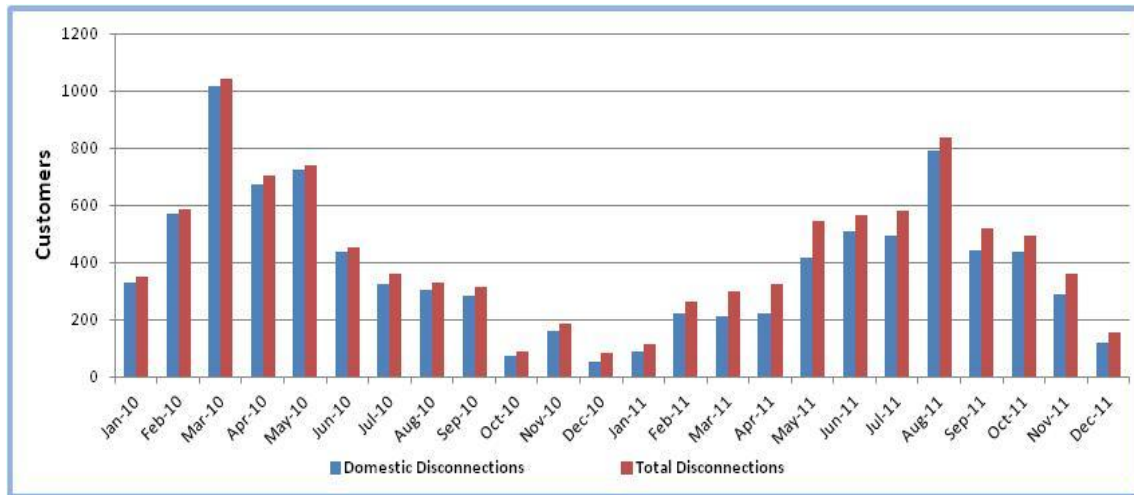


Figure 3.2 – Total & Domestic Gas (CL & DM) Disconnections January 2010 to December 2011

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2010	329	571	1018	675	725	436	325	302	282	72	161	52	4,948
2011	88	219	212	223	416	510	494	792	444	438	287	120	4,243

Table 3.2 – Domestic Gas (CL & DM) Disconnections January 2010 to Present

3.2.2 Estimation of Vacant Premises

As with electricity, it is important to note that a proportion of the total number of disconnections may represent vacant properties. As is the case with the electricity market, information is not available to the CER to determine the share of total disconnections associated with vacant premises. The CER has received data from BGN on the number of disconnected premises (CLs and DMs) that have been reconnected from January to December 2011, and this suggests that approximately 50% of domestic disconnections have not been reconnected over this period. For business customers this equivalent figure is over 70%.

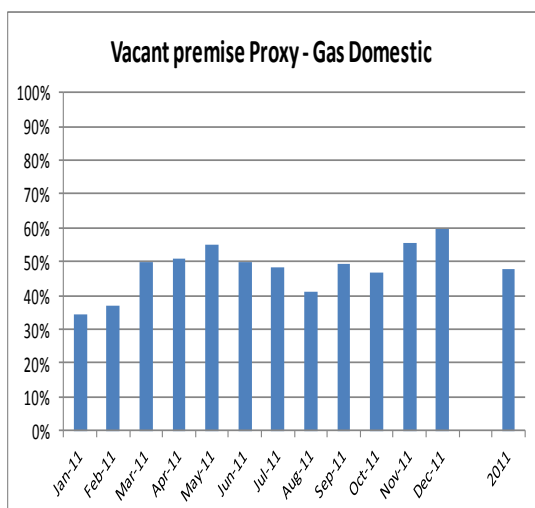


Figure 3.3

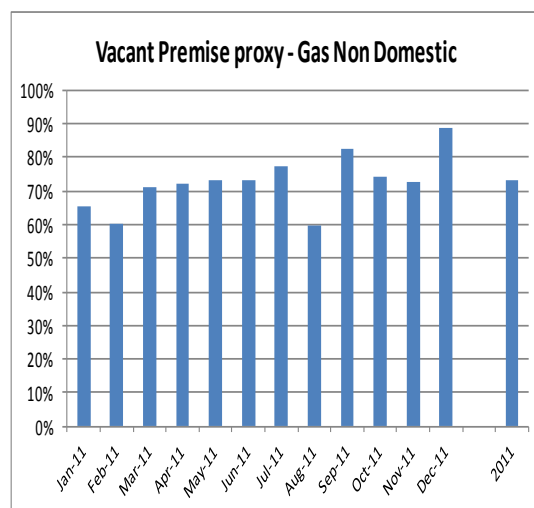


Figure 3.4

These figures are much higher than the estimate used for electricity, and may represent an over-estimate of the number of vacant premises that are part of the total disconnections.

3.2.3 Gas Disconnections by Supplier

As discussed in section 2.2.2, while all suppliers are bound by their Code of Practice on Disconnection, different suppliers will have different customer profiles in terms of debt and operate different commercial arrangements to deal with customer debt and disconnection. The data used here is different to that used in the previous sections, as outlined in the introduction, including all 3 types of gas disconnection and with confirmation from suppliers on DMs and street isolations that are npa. The following figures show both the domestic and non domestic as well as total and disconnections per 10,000¹⁰ customers for each supplier.¹¹

Figure 3.5 shows that on Bord Gáis Energy have the largest number of disconnections of domestic customers in the period January to December 2011. They are followed by Flogas and Airtricity, while Electric Ireland had only one disconnection. Figure 3.6 shows that when examining domestic disconnections per 10,000 customers Flogas have the highest rate of disconnections from January to December 2011, peaking in the summer. They are followed by Bord Gáis Energy, Airtricity and Electric Ireland.

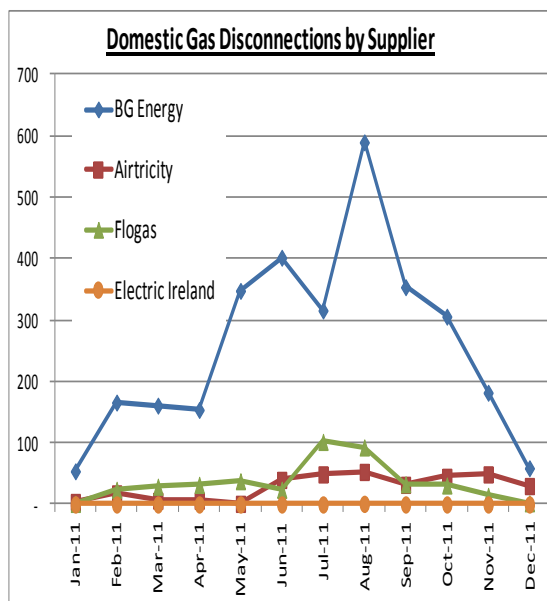


Figure 3.5

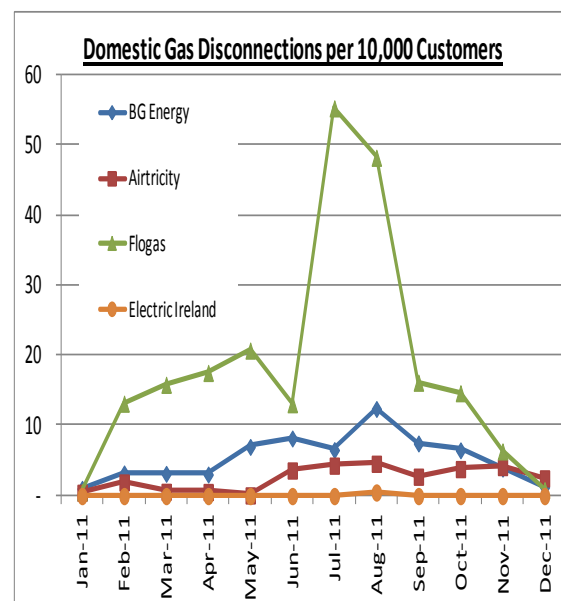


Figure 3.6

¹⁰ For each month, the supplier's number of disconnections is divided by the supplier's customer numbers and multiplied by 10,000.

¹¹ Gas Disconnections data has been provided to the CER by BGN. Data on customer numbers is provided to the CER by the GPRO.

2011	BG Energy	Airtricity	Flogas	Electric Ireland
Jan-11	54	4	1	0
Feb-11	166	18	24	0
Mar-11	161	6	29	0
Apr-11	154	6	32	0
May-11	348	1	38	0
Jun-11	402	40	24	0
Jul-11	316	49	102	0
Aug-11	590	53	93	1
Sep-11	354	32	33	0
Oct-11	306	45	31	0
Nov-11	182	49	14	0
Dec-11	59	30	2	0

Table 3.3 Domestic Gas Disconnections by Supplier

2011	BG Energy	Airtricity	Flogas	Electric Ireland
Jan-11	1.04	0.46	0.56	-
Feb-11	3.23	1.93	13.19	-
Mar-11	3.17	0.60	15.89	-
Apr-11	3.07	0.58	17.58	-
May-11	7.02	0.09	20.78	-
Jun-11	8.22	3.65	13.12	-
Jul-11	6.57	4.34	55.36	-
Aug-11	12.43	4.61	48.31	0.51
Sep-11	7.51	2.76	16.19	-
Oct-11	6.53	3.85	14.69	-
Nov-11	3.91	4.14	6.38	-
Dec-11	1.28	2.53	0.87	-

Table 3.4 Domestic Gas Disconnections per 10,000 customers by Supplier

The disconnections for non domestic customers as shown in Figure 3.7, show that Bord Gáis Energy has also the largest number of total disconnections. They are followed by Energia, Flogas, Airtricity, while Vayu and Electric Ireland did not have any disconnections over the period. For non domestic customers, shown in figure 3.8, Bord Gáis Energy the highest average rate of disconnections per 10,000 customers, over the period. They are followed by Energia, Airtricity, and Flogas.

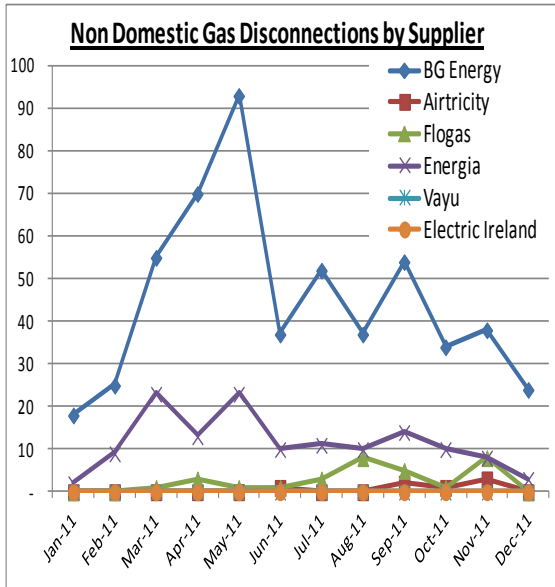


Figure 3.7

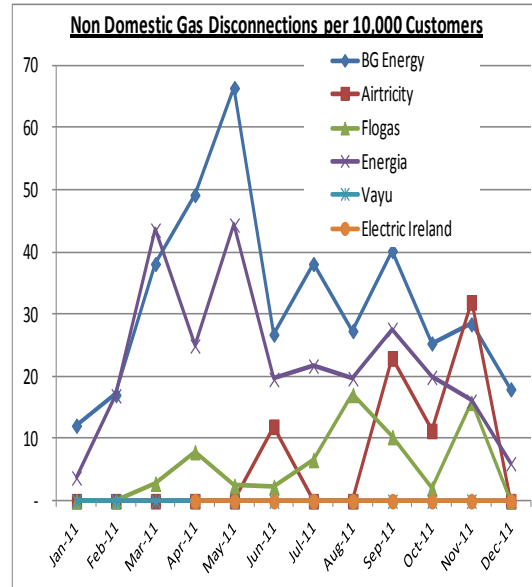


Figure 3.8

2011	BG Energy	Airtricity	Flogas	Energia	Vayu	Electric Ireland
Jan-11	18	0	0	2	0	0
Feb-11	25	0	0	9	0	0
Mar-11	55	0	1	23	0	0
Apr-11	70	0	3	13	0	0
May-11	93	0	1	23	0	0
Jun-11	37	1	1	10	0	0
Jul-11	52	0	3	11	0	0
Aug-11	37	0	8	10	0	0
Sep-11	54	2	5	14	0	0
Oct-11	34	1	1	10	0	0
Nov-11	38	3	8	8	0	0
Dec-11	24	0	0	3	0	0

Table 3.5 Non-Domestic Gas Disconnections by Supplier

2011	BG Energy	Airtricity	Flogas	Energia	Vayu	Electric Ireland
Jan-11	12.14	-	-	3.74	-	-
Feb-11	17.08	-	-	16.95	-	-
Mar-11	38.16	-	2.82	43.59	-	-
Apr-11	49.24	-	7.90	24.97	-	-
May-11	66.46	-	2.46	44.41	-	-
Jun-11	26.80	11.98	2.31	19.59	-	-
Jul-11	38.15	-	6.64	21.73	-	-
Aug-11	27.37	-	17.10	19.72	-	-
Sep-11	40.24	22.96	10.32	27.64	-	-
Oct-11	25.37	11.30	2.02	19.92	-	-
Nov-11	28.45	31.98	15.84	16.08	-	-
Dec-11	17.99	-	-	6.04	-	-

Table 3.6 Non-Domestic Gas Disconnections per 10,000 customers by Supplier

3.3 Gas Pay As You Go meters

As noted in section 2.4, the CER has been working with both electricity and gas domestic suppliers to ensure that they have put in place the necessary processes such that they can provide pay as you go meters to their customers, and approval to the Networks businesses to meters install free of charge to customers in financial need.

In the case of the gas market, a full pay as you go solution has been operational since Q4 2008. While the solution is fully available for use by all domestic suppliers currently only Bord Gáis Energy and Airtricity are operational in this space. In light of the requirements of the Disconnection Code of Practice the CER has required that all domestic suppliers who are not yet providing pay as you go meters make the necessary arrangements with BGN to enter this market as soon as feasibly possible. Bord Gáis Networks has been working with suppliers to progress their entry into the pay as you go market over the last number of months. The CER expects that all suppliers will be ready to supply pay as you go meters to their gas customers in Q2 2012.

As of the end of December 2011, there were 25,911 pay as you go meters installed.

3.4 Gas Debt Flagging

As stated in section 2.5, debt flagging has been operational in the electricity and gas market since the 17th October 2011. As part of its market monitoring obligations, the CER monitors the use of this flagging facility by both losing and gaining suppliers on an ongoing basis to ensure that the process is correctly applied

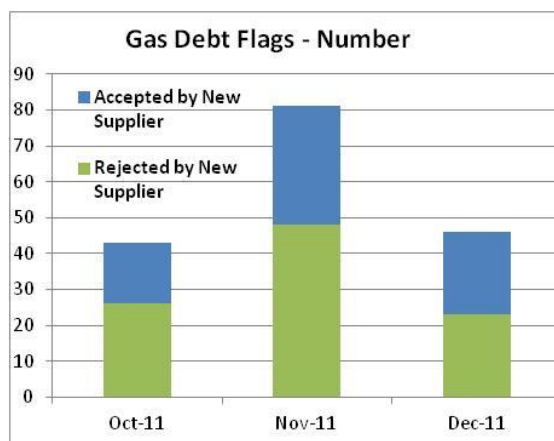


Figure 3.10

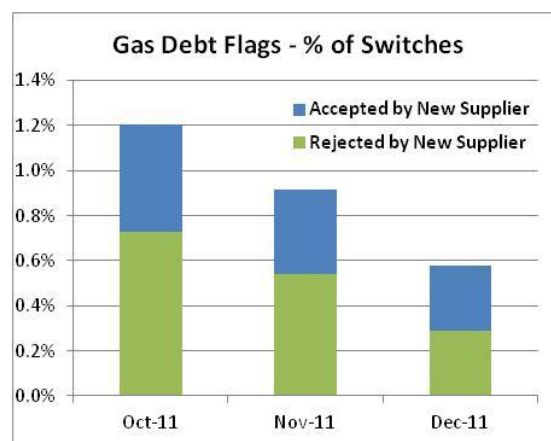


Figure 3.11

As is the case for the electricity market, a relatively low number of debt flags were raised as a percentage of total switches requested during this period, falling

from 1.2% in October to just under 0.6% in December. Unlike electricity the level of change of supplier requests with debt flags cancelled by a gaining supplier has remained proportionately unchanged, although the absolute level has fallen.

3.5 Summary

Despite the difficult economic circumstances persisting, gas disconnection rates in the twelve months of 2011 were lower, on average, than the same period in 2010. Table 3.7 shows the numbers of gas disconnections¹² (compared to the same period last year).

Disconnections	Jan - Dec 2010	Jan - Dec 2011	Change
Domestic	4,948	4,243	-14.2%
Non-Domestic	285	796	179.3%
All	5,233	5,039	-3.7%

Table 3.7 – Gas (CL & DM) Disconnections during 2010 & 2011

- The total number of gas disconnections¹² completed year on year from 2008 to 2011 has been decreasing gradually.
- Total gas disconnections¹² in 2011 were down 3.7% on the 2010 figures, domestic disconnections were down just over 14%.
- The trend in 2011 gas disconnections¹² shows the numbers rising from the start of the year, peaking in August and then declined to the end of the year. This represents nearly 0.8% of gas customers.
- The number of disconnected¹² customers, who have been reconnected in the period January to December 2011, shows that just under 50% of domestic customers were not reconnected and for non domestic customers the figure is over 70%. This would significantly impact on the actual number of customer disconnections, but may be an over estimate as these are considerably higher than the estimate used for electricity.
- Total disconnections¹³ by Supplier vary, with Bord Gáis Energy having the highest number of disconnections for both domestic and non domestic customers. When examined on a market share basis, per 10,000 customers, Flogas has the highest rate of domestic disconnections, and with Bord Gáis Energy having the highest for non domestic customers. This is based on the period January to December 2011.

¹² This data refers all credit locks (CLs) and all disconnect meters (DMs)

¹³ These figures include all 3 types (CLs, DMs and street isolations) of gas disconnection and with confirmation from suppliers on DMs and street isolations that are npa.

4 Audit of Supplier Compliance with the Disconnections Code of Practice.

4.1 Introduction

As set out in SI 463 Of 2011, all suppliers are required to prepare and publish customer Codes of Practice. The CER has published guidelines in relation to what the codes must contain, and the requirements placed on suppliers in relation to:

- Billing
- Complaints Handling
- Marketing
- Vulnerable Customers
- Pre-Payment
- and Disconnections

As part of its monitoring programme, the CER decided to carry out limited audits of supplier compliance with the published guidelines. In November and December 2011, the CER carried out an audit to determine whether suppliers had implemented the CER's requirements in the area of disconnection.

4.2 Code of Practice on Disconnection - Audit

The guidelines for the Code of Practice on Disconnection set out steps that must be followed by suppliers when moving to disconnect a customer from either natural gas or electricity, the information that must be provided to the customer, the circumstances under which a disconnection can be requested, the format and timing of the required notifications, special procedures for vulnerable customers or those in financial hardship, and requirements for reconnection.

The CER's audit involved visiting each supplier and carrying out on site audits of the process used to disconnect a number of randomly selected customers. Full details of the audit process and outcome have been published separately.

The audit showed that all suppliers had implemented the CER's guidelines and had only disconnected the customers audited in line with the CER's requirements. The audit also showed that in the case of all examined domestic customer disconnections, the suppliers had exceeded the CER's requirements in terms of the timing of communications with customers and the number of attempts made to engage with the customer prior to disconnection.

4.3 Summary

The CER's recent audit of supplier's compliance with the guidelines for the Code of Practice on Disconnection showed that all suppliers have implemented the CER's requirements and are compliant. It also showed that all suppliers have exceeded the requirements of the code in relation to domestic customers.

5 Cost allocation of Disconnections

As a result of the challenging economic climate an increasing number of households are experiencing difficulty managing payments towards their utility bills and are consequently falling into arrears with their energy supplier(s). Notwithstanding the regulated customer protection measures which were already in place in the electricity and gas markets, the CER noted an increase in the number of disconnections of domestic energy customers, particularly over 2010. Given the CER's legislative duties in the area of customer protection, the CER published a consultation paper in October 2010 which looked at a number of additional measures which could be implemented to ensure that the number of customers disconnected from supply was kept to an absolute minimum.

When a supplier requests a customer disconnection for reason of non-payment of account, a request is sent via market messages to the networks business. The occurrence of the Networks technician calling to site to carry out a disconnection at a customer's site is a chargeable event. The Networks business invoices the requesting supplier for this activity who in turn usually passes the charge on to the customer in question. As part of the suite of initiatives consulted upon in October 2010, the CER undertook a review of the cost allocation for disconnections and reconnections in order to reduce the number of disconnections taking place and also limit the cost burden on consumers that, despite endeavours, end up being disconnected.

The CER decided that for the period of 22nd December 2010 to 30th December 2011, suppliers must absorb 50% of the costs of disconnection and reconnection (as incurred from the networks company) to be levied on any domestic customer for reason of non payment. The CER took this decision on the basis that placing a proportion of the costs on the supplier would provide a greater incentive for the supplier to actively engage with the customer to agree an appropriate payment plan and tackle their debt issue. Therefore in cases of genuine financial hardship the incremental impact on their bill is reduced. The CER noted that this decision would be reviewed, with scope for extension in December 2011.

The CER has undertaken a review of its November 2010 decision in cognisance of the present economic climate and the initiatives which have been implemented by industry over the last 12 months to assist suppliers and customers in the area of increasing customer arrears, bad debt and high levels of customer disconnections.

Twelve months on, despite additional customer protection measures approved by the CER and implemented by industry, the CER considers that the debt situation for some customers remains extremely concerning. The proliferation of pay as you go meters as a result of the CER's requirement that suppliers must offer a pay as you go meters to a customer experiencing genuine financial hardship before requesting a disconnection has allowed both the customer to maintain their supply and has provided the supplier with a mechanism to recover its debt. Furthermore, the introduction of debt flagging has aided suppliers in maintaining

its relationship with customers in debt such that the customer's debt situation can be confronted and plans can be agreed between the supplier and the customer for repayment.

Despite the aforementioned measures in addition to the suite of additional supplier requirements in the revised disconnection code of practice aimed at reducing the number of disconnections taking place, it is extremely regrettable that some customers are still facing disconnection for non payment of account. Given that MABS, St Vincent de Paul and indeed suppliers have stated over recent months that the issues facing customers experiencing difficulty with energy payments is still of serious concern the CER does not consider that it is appropriate to change its current policy at this time as it would worsen the arrears situation for a customer already experiencing financial hardship and also reduce the incentive on suppliers to only request disconnection after all other options have been exhausted.

On this basis, the CER has decided that it is necessary to extend the policy that suppliers can only pass on 50% of the charge for a disconnection or reconnection for reason of non payment to the affected customer for a further 12 months to 31st December 2012. The CER will review this decision in December 2012.

6 Next Steps

The CER is planning to consolidate the various retail electricity and gas reports (market shares, change of supplier, disconnections) over the coming months into a single quarterly retail report to be published in April 2012.