

**Stuart Coleman,
Commission for Energy Regulation
The Exchange,
Belgard Square North,
Tallaght,
Dublin 24**

Friday 10 August

SVP Response to the CER Consultation on BG Increase 2102

Dear Commissioner,

Please find herewith the Society of St. Vincent de Paul (SVP) submission in response to the Commission for Energy Regulation (CER) consultation on the requested increase in the non- daily metered GAS tariff of Bord Gáis by 7.54%. This proposed increase follows a 21.72% increase in 2011.

Our response aims to highlight the increase of SVP expenditure on energy in recent years, the significant number of households in energy arrears and our concern about existing repayment options including low-take up and availability of meters. We acknowledge the external forces on costs facing Bord Gáis with regard to Gas procurement but also note the potential for tariff reductions identified by CER, suggested in the quarterly reviews of Bord Gáis tariffs in 2012.

A Looming Crisis in Household Energy Market

Since 2007, SVP has seen a significant increase in expenditure on assisting households with their energy costs. An increasing aspect of our local Conference (local branch) work involves not only the financial assistance required but also direct negotiation with energy companies – at local and national level. SVP members find themselves spending more and more time in liaison with companies and their customers. This local work on the ground is alarmingly evident in our financial accounts and has reached the extent to which we are questioning the sustainability of SVP operating in this area to this extent.

SVP Expenditure on Energy 2008-2010

2007	€3,378,000
2008	€3,786,000
2009	€5,755,000
2010	€8,848,000

While we do not have final figures, it is widely believed within SVP that a similar increase will pertain in our 2011 accounts. The dramatic increase in expenditure relates not only to the increased cost of energy but also with the increased volume of people in need approaching our organisation. In the period 2009-2011, calls for assistance to SVP's busiest regional offices increased by over 80% and the majority of the people calling us for help were reliant on a social welfare payment. Energy costs were identified as the second most requested area of assistance after food.

Recently the SVP requested energy suppliers to provide us with available information on the number of households that have entered into payment plans or have had a prepayment / Pay-As-You-Go meter due to arrears. Latest industry figures suggest that a significant proportion of households in Ireland entered into three different types of re-payment arrangements. Approximately 400,000 households had entered into a Payment Plan with their provider; around 38,000 households were

using a prepayment / Pay-As-You-Go meter and a further 22,000 Token Meters were in circulation among domestic energy users. The information relates to electricity and gas customers combined and does not disaggregate for either.

Proposed Increase in Bord Gáis Gas Tariff

Bord Gáis have requested a 7.54% rise in its residential gas tariffs to CER from October 2012. The reasons given include increased Gas commodity costs because the value of the Euro has decreased considerably against Sterling over the last year; higher financing costs for Bord Gáis Networks and a reduction in gas demand.

The Society of St. Vincent de Paul is concerned that the proposed tariff increase will negatively affect the many households identified in this submission who are struggling to make ends meet in the current economic climate. There are 11% of Bord Gáis customers who are presently in arrears for over 60 days (source: Bord Gáis). With a market share of 70%, Bord Gáis may be better placed to absorb the above costs due to economies of scale.

In its consultation document CER highlights that during the course of 2012, its quarterly reviews of Bord Gáis showed over-recovery of funds (unplanned additional revenue). This implied the possibility of modest tariff reductions by Bord Gáis. CER chose not to pass on these reductions due to the administrative costs of implementing such change and due to the seasonal aspect of the gas market. However, if in the course of 2013 quarterly reviews find potential tariff reductions it behoves CER to equally consult on potential viable reductions as it does on potential increases.

Reductions in use must be decoupled from tariff increases

CER in its consultation document suggests that the main upward cost drivers, namely sterling and network costs, are beyond the control of Bord Gáis. However, we have an issue with the third cost driver caused by the reduction of gas volumes as a result of the recession. If a critical volume of homes become very energy efficient, which is a policy objective of Government, this should result in a reduction in demand – also a policy objective of Government. Yet the third reason for the price increase sought relates directly such demand reduction, albeit caused by recession as opposed to efficiency. Reduced demand should not be used as a reason for a price increase for any utility approaching the Commission. CER must send a message to utilities to promote energy efficiency, protect unnecessary over consumption of natural resources and to support the aims and objectives of Government's own Warmer Homes Strategy for Affordable Energy in Ireland.

Timing of the Tariff Review

The timing of these reviews falls ahead of the winter season when most gas is consumed in the year. SVP questions whether there is sufficient lead-in and in particular whether households will have enough time budget accordingly in order to absorb the proposed substantial energy price increases. It is our experience that households who are struggling due to inadequate incomes live on very tight budgets and sudden fluctuations in outgoings can seriously undermine the capacity for those households to manage their budgets effectively.

Repayment Options – payment plans versus pre or pay-as-you go meters.

The staggering number of people falling into arrears with their energy bills is an unfolding crisis in the household energy market. We are convinced that increases in electricity and gas prices will exacerbate this problem. Where they can be installed, prepayment or Pay-As-You Go meters are preferable to payment plans. Payment plans are usually negotiated on the behest of the supplier and are not a secure or sustainable way to dealing with on-going arrears. The experience of SVP and others is that customers are inclined to overcommit on payment plans and are therefore more likely

to either renege on agreements with other creditors or leave inadequate resources for normal household expenses, particularly food and health related costs.

SVP is aware that there is reluctance in the market (among domestic users) to engage with pre-payment options, although this appears to be improving recently. The roll-out of Smart metering has been delayed until much later in the decade. As a result, investment in existing technology is not only required to expand it's availability but also to promote and normalise it's use among the growing target population.

Conclusion

We oppose any additional tariff increases on Bord Gáis domestic gas rates in 2012. In the context of increasing evidence of the scale of households running into arrears in the domestic energy market, every effort has to be made to assist rather than exacerbate the problem of energy affordability for such a large proportion of the population. Even at present rates of arrears there are insufficient options for households in need, particularly in relation to prepayment or Pay-As-You Go meters. In the possible event that CER grants a price increase now or in the near future, the Commission needs to mitigate the negative impact of the rise by thoroughly examining tariff reductions on a quarterly basis and ensuring that prepayment or Pay-As-You Go meters are available for those struggling with bills and that their use is seen as a normal, non-stigmatising way to pay for such a service.