

Consultation on Market Monitoring in the Electricity & Gas Retail Markets

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From: PrePayPower

PrePayPower welcomes the opportunity to comment on the market monitoring proposals from the Commission for Energy Regulation [CER].

We note this proposal is formulated on the market monitoring requirements as detailed in the SI 450 of 2010 and SI 463 to 2011.

As a general comment PrePayPower would like to see greater consultation and workshops with all suppliers in order to reach a mutually beneficial agreement. We feel that the point should be sought where the balances the burden of supplying internal company data and the minimum data which is adequate for the CER to meet its market monitoring requirements.

We welcome recognition that this proposal impacts disproportionately on small suppliers. We would additionally point out that due to the limited data sets involved that these sources are unlikely to highlight much more than the inefficiencies of operating at a small scale in a regulated low margin commodity market.

1 On the three options presented for electricity market segments? Respondents are also invited to suggest alternative market categories.

We consider the DG groups to be more than sufficient for the breaking out of electricity market segments should this be required. PrePayPower agrees with the position of other suppliers that monitoring should go no further than the 18 "Indicators" outlined by ERGEG/ACER. The granularity proposed in the consultation is technically difficult to provide and is disproportionate to the anticipated outcome.

Following the initial workshop and on the basis that option 1 (dg groups) and option 2 (eurostat) information is now likely to be sought – we would agree with any proposals for further workshops to ensure common understanding and an agreement in final requirements

2 On the three options presented for gas market segments? Respondents are also invited to suggest alternative market categories.

No opinion.

3 Whether the indicators outlined for measuring switching rates are sufficient and if not, what other methodology could be used?

No opinion.

4 Whether the indicators outlined for measuring delays in the switching process are sufficient and if not, what other methodology could be used?

PrePayPower feels that the best data producer is the holder in the centre. Any bias or skews will be consistent. As the overall intention is to pick up on trends over time rather than audited reports – the bigger information sources are more appropriate data sources than subjective reports that may be inconsistent and recast.

5 Whether the indicators outlined for measuring failed switches are sufficient and if not, what other methodology could be used?

These measures seem adequate.

6 Whether the proposals outlined for measuring renegotiations. Is there any other methodology that could be used?

PrePayPower would like to see greater consultation and workshops with suppliers on this area as it is an internal matter for a supplier and their customer. A renegotiation may indicate more than this tries to monitor – for example that the customer is reducing supply requirements or the supplier is segmenting their own customer base rather than any significant market change. This product development and marketing evolution should remain within the company as it does not impact the overall market.

7 Whether the proposals to monitor connections as part of the DSO performance report are sufficient. If not, what value would more regular monitoring of connections provide?

PrePayPower feels that the best data supplier is the primary data. Any bias or skews from individual suppliers will be eliminated and the data will be consistent. As the overall intention is to pick up on trends over time rather than audited individual segmented market product reports – the bigger information sources are more appropriate as data sources for trends. The subjective reports from individual are likely to be inconsistent and recast from time to time by suppliers which will make the data inaccurate.

8 Whether the proposals to monitor repairs through the annual reporting of CMLs and CIs for electricity and supply restoration for gas are sufficient. If not, what value would more regular monitoring provide?

No opinion.

9 Whether the proposals outlined for monitoring disconnections are sufficient. What additional information on disconnections do respondents consider would be worth publishing?

We consider disconnection data from DSO is sufficient for monitoring purposes. The data from suppliers is likely to have different internal categories and classifications making comparatives inconsistent.

10 Whether the proposals outlined for measuring debt flagging are sufficient. Is there any other related information that the CER should consider including in its monitoring framework?

PrePayPower agrees with this level.

11 Whether the level of detail on market share currently shown in the CER's quarterly reports is sufficient. If not, please state what additional information should be provided.

PrePayPower would like to see greater consultation and workshops with suppliers on this area. Any single consistently applied approach should be sufficient to achieve the stated goal of this consultation which is to demonstrate trends and, given that energy consumers are paying for this information it should explicitly meet their requirements.

12 Whether the proposal to include a list of active suppliers in each market segment?

We agree the DSO is the best source for this data. There is a clear connection between the number of active customers and, by implication active suppliers engaging in the market.

13 Whether the two measures of market concentration are the most appropriate for the Irish market. If not, what other approaches should be used?

PrePayPower would like to see greater consultation and workshops with suppliers on this area as these are publicly available on the company's own websites and customers in various categories are regularly canvassed and sold to by the suppliers

in a particular category. We agree with any NEAI members who suggest that the trading focus of each supply business is already highlighted on their websites. These websites also clearly solicit business in the sectors where they are active. it seems redundant.

14 Whether the proposals for retail margins are sufficient. Is the proposal outlined above sufficient? If not, what other approaches should be used?

PrePayPower would like to see greater consultation and workshops with suppliers on this area and exemption for electricity who do not generate; as all costs listed are already completely transparent. Duos and Tuos revenues are calculable from DSO returns. Also the profit statement from Annual report delivers profitability transparently as it is audited independently. It is also a primary source which is the best indicator of trends.

The paper proposes that large suppliers provide information to the CER which in many instances is already in the public domain. E.g. Tariffs and Contracts are already on Suppliers websites for all household customers as are End User prices and penalty clauses. From this information it is possible to calculate price spreads.

We also did not note a reference to the need for price/contractual information on non-household contracts to be provided in the third directive, SI 450 or the ERGEG guidelines. The ERGEG specifically separates non household customers in this respect.

15 Whether the proposals for monitoring the diversity of tariffs are sufficient. If not, please state what additional measures should be undertaken?

PrePayPower would like to see greater consultation and workshops with suppliers on this area regarding the demand and customer categories; this is an internal company segmentation decision.

Additional difficulties are imposed on some suppliers regarding Free Electricity Allowance recipients. This is kept confidential due to the market systems in place ensure only Electric Ireland knows how many of their customers.

16 Whether the proposals for monitoring end user prices are sufficient. If not, please state what additional measures should be undertaken?

PrePayPower would like to see greater consultation and workshops with suppliers on this area and as a monthly tariff update seems excessive in a market with annual and semi-annual published price changes. The existing obligation to contact customers of a tariff change and publish it on their websites should be more than adequate for the CER monitoring purposes rather than a monthly report, especially given the bimonthly nature of the meter reading cycle.

17 Whether the proposals for monitoring the spread price are sufficient. If not, please state what additional measures should be undertaken?

PrePayPower would like to see greater consultation and workshops with suppliers on this area as we consider market works by offering alternatives which are often not monetary differences.

The customer makes a choice based on their perception of value. Value to a consumer is often greater than simply monetary value; an eight year supply contract with strict and costly maximum demand restrictions cannot be compared to a fixed price eight week "all you can consume" supply contract. The two may easily have the same price.

Tariff setting in a competitive market allows suppliers to try different and innovative offers that render the "expensive and cheapest" tariff concept unusable.

18 Whether the proposals outlined for measuring arrears are sufficient. Is there any other related information that the CER should consider including in its monitoring framework?

While the PrePayPower business model does not feature arrears, we would join our colleagues in the industry in viewing credit policy and the issue of credit generally to be a competitive issue. We feel it is an internal management issue, and enforcement their particular policy reflects a business choice.

We support their concern that information being sought within the monitoring consultation would be subject to new confidentiality clauses within the proposed Electricity Supply License. This request for confidentiality is a clear case of *Quis custodiet ipsos custodes?* in respect of expanding the reporting detail without reference to the data owners.

19 Whether the proposals outlined for measuring penalty clauses are sufficient. Is there any other related information that the CER should consider including in its monitoring framework?

PrePayPower would like to see greater consultation and workshops with suppliers on this area and as we feel it is an internal management issue generally. The priority, application and enforcement of customer care policy is a choice made by management.

20 Whether the proposals for monitoring customer complaints are sufficient. If not, please state what additional measures should be undertaken?

PrePayPower would like to see greater consultation and workshops with suppliers on this area and a completely separate work stream developed for this and the

enquiries aspect. As a general perspective we consider this to be an internal company matter.

The market will always demonstrate publicly those companies with the poorest customer satisfaction. The consumers clearly already know how to switch – 40% changed suppliers in 18 months. There is a demonstrable trade-off between low prices and service satisfaction in other regulated industries. Dissatisfaction is best measured in the round comparing perceptions over *Stakhanovite* measuring of absolute volumes. For a small supplier with a low profile every customer enquiry based from literature or website can be construed as a complaint.

PrePayPower would suggest a broader approach using the existing proven Market Research methodology used by CER rather than the proposed route of supplier reporting. The proposed definition of customer complaint as it is so wide that other routine customer matters will be scooped in to the category of complaint by the individuals handling a call. In the end the result is merely a customer call volume count. The sub categories defined, if applied across the proposed customer categories included in Annex 2 in the consultation, will require material changes to current customer handling systems and CRM systems.

21 Whether the proposals for monitoring customer enquiries are sufficient. If not, please state what additional measures should be undertaken?

PrePayPower considers this to be an internal company matter however we would like to see greater consultation and workshops with suppliers on this area and a completely separate work stream developed for the enquiries and complaints aspect.

Each element listed under enquiry is an outcome from a management decision. It reflects the deployment of resources by company management to prioritise and maximise its competitive advantage, minimise cost while operating in a dynamic market place. We also point to the web as the resolution point for many of these issues, however the outcomes from website hits will necessarily unknown and render the results of these statistics void. The CER Market research should pick up the trends better than unevenly implemented individual company reports.

22 Whether any of the potential areas for market monitoring set out in Section 9 would be of particular value.

The level of proposed market monitoring envisaged in this consultation is at risk of introducing a new barrier to entry and not conducive to encouraging market entry. A major new barrier to entry is the systems development requirement, the additional resources required to operate in a relatively small market. The monitoring detail to be supplied on pricing, complaints enquiries and profitability is not sought in a

market the size of Great Britain. To add context to that statement - the Republic's domestic electricity market is only around the size of Greater Manchester.

The question of Wholesale market liquidity is an issue that is inadequately addressed generally. As a small supplier without generation PrePayPower would prefer to see any initiatives are introduced within the Single Electricity Market [SEM] arena rather than to see it included in this Market Monitoring Consultation.

The level of detail being collected is at odds with an expectation of service and product innovation. The envisaged proposals introduce a new and added risk of public failure for any complex initiative. The risk of public failure is high enough to destroy a small business, and would definitely discourage any meaningful experimentation in a large one.

23 Whether the reporting frequency and the requirements for the initial submissions are sufficient, insufficient or excessive? Is there an alternative set of timelines that the CER should consider for collecting data?

PrePayPower considers this to be an internal company matter however we would like to see greater consultation and workshops with all suppliers on this area as it is not possible within the current consultation timeframe to cost or assess the changes in systems to allow implementation of this proposal for PrePayPower.

There is a large body of work in developing the extent of systems change, new software development required in bringing PrePayPower to the position where it could comply with just section 8 of this consultation. We question the relevance of our reporting compared to the small customer base we serve.

24 Whether the de minimis threshold is reasonable. Is there any other approach that the CER should consider for setting the de minimis threshold for reporting?

PrePayPower suggests the 1% of demand limit to be too low; the data generated would suffer from outlying biases.

We consider the requirements of section 8 to be far in excess of those borne by our larger competitors especially in cost recovery per customer for the required systems changes. Small suppliers operate within a market defined by others and are impacted by change in a bigger way than firms operating with economies of scale.

There seems little benefit in collecting and analysing the small pool of data to the same level of the large suppliers who create those market conditions. The "exceptions" are more pronounced in a small dataset and are more likely to demonstrate the inefficiencies of small scale operation, greater customer expectations than any useful data.

25 Whether the reporting form accompanying this document is clear and easy to understand. Is there any other approach that the CER should consider for collecting data?

PrePayPower considers this to be an internal company matter however we would like to see greater consultation and workshops with suppliers on this area. While at a recent workshop it was stated the reports would be automated, this is largely true.

However it does not consider the ancillary requirements that data transfer imposes on organisations - especially small ones. Principally those with non-proprietary software and without bespoke enterprise systems for the scheduling, consolidation and cleansing of data prior to despatch.

It is not possible within the current consultation timeframe to establish the costs of the significant systems integration required to export to the suggested format.

This cost will be significant as it requires a bespoke development from "black box" sources. This also requires management and resources far in excess of those required by larger suppliers. The extensive variety of requirements envisaged in the detail of Section 8 makes this implementation very costly in planning systems redesign and subsequent implementation alone.

PrePayPower would suggest that any data it would develop would suffer from excessive granularity and so it would not be fit for the CER's purpose of watching trends.

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