



Commission for Energy Regulation

An Coimisiún um Rialáil Fuinnimh

Domestic Disconnections for Non-Payment of Account February 2014

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1.0 Introduction

It is the CER's statutory obligation to ensure a high standard of protection for final customers in the electricity and gas markets. In compliance with the Code of Practice on Disconnections, suppliers must ensure that disconnection is always the last resort.

The [Supplier Handbook](#) sets out the minimum service levels that electricity and gas suppliers must provide to their customers; including in the areas of disconnections and PAYG meters. In dealing with customers that are in arrears, suppliers must take a number of steps prior to disconnecting a property. The disconnection of a customer's energy supply should always be the last resort and all suppliers are required to offer a payment plan and a PAYG to customers in arrears in advance of proceeding to disconnect. Suppliers must also facilitate a customer that wishes to nominate a third party to represent them.¹

While suppliers are adhering to the minimum standards set out in the code of practice², domestic disconnections in 2013 were 5,895 in gas and 10,122 in electricity. The CER, in conjunction with industry, reviewed the market processes to ascertain if more could be done in further reducing disconnections. While this work was ongoing the CER imposed a moratorium on the disconnections, which was lifted on 20th February. While the CER currently monitors disconnections on an ongoing basis, the CER is moving to monthly reporting of disconnections which will provide updates on the trends in disconnections and the actions that are being taken by individual suppliers. It is believed that a significant number of disconnected properties are in fact vacant. ESNB and BGN are introducing a new process by which deemed vacant sites will be identified during the disconnection process and the next monthly report will contain such data. The CER's work in the area of compliance and in undertaking audits of compliance will continue alongside the monitoring of disconnections.

This note provides a summary of the level of disconnections in January and February 2014 and the trend in domestic disconnections in the full year 2013. This will set the backdrop for future notes which will analyse 2014 disconnections on a monthly basis. The disconnections in this report refer only to disconnections for non-payment of account (NPA).

¹ e.g. money advisor including MABS, a recognised charity or Social Welfare Representative.

² See the CER's recent Disconnections Audit: [CER 13/248](#), Audit of Compliance with the Code of Practice on Disconnections for the Domestic Market, 11 November 2013.

2.0 Trend in Domestic Disconnections

This section outlines the trend in domestic NPA³ disconnections in recent years and looks at the trends at supplier level in 2013.

2.1 Overall Trend

Year	Domestic Electricity	Domestic Gas
2012	14,650	7,006
2013	10,122	5,895
% change 2012-2013	-30.91%	-15.8%

Table 1 Domestic NPA Disconnections Over time

Domestic disconnections have declined in both gas and in electricity in 2013 compared to 2012, by 15.86% and 30.86%, respectively. It is likely that the decline, particularly in electricity, can be attributed to some extent to the increase in the installation of PAYG meters for financial hardship (see appendix A for 2012 and 2013 data on the installation of PAYG meters).

While the number of vacant premises affects the overall number of disconnections (see section 2.1.1), the trend may remain the same regardless of the separate identification of disconnected vacant sites given that there is likely to be little change in the proportion of vacant disconnections over time⁴.

2.1.1 Factors Influencing Disconnections Level – Vacant Sites

Anecdotal evidence suggests that a significant number of disconnected properties are in fact vacant. ESNB and BGN are introducing a new process by which deemed vacant sites will be identified during the disconnection process by the network technician that visits the site. Both networks introduced this process at the beginning of March 2014 and the next Disconnection Report (to be published in April) will identify the proportion of disconnected sites that were deemed to be vacant in March.

While this data from Networks is not available at present, the CER has used proxy figures for vacant sites in 2013. The following outlines the proportion of domestic disconnections in 2013 that are considered vacant using these proxy figures. In electricity if a site is not reconnected within 5 weeks, it is considered to be vacant. In gas if a site is not reconnected within 6 months, it is considered to be vacant. The longer period in gas is to take account of the fact that at certain points in the year, customers may choose to disconnect gas, e.g. in the summer months.

³ This can cover customers in arrears that have been disconnected because they cannot pay due to financial hardship or disconnected customers who choose not to pay debt. Currently such customers cannot be distinguished in the data. This NPA data does not include data on self-disconnections or disconnections for reasons other than debt.

⁴ Current proxy data estimated by the CER over time has shown that the proportion of vacant disconnections consistently remains at 30-40% of total disconnections.

On average in 2013, it is estimated that approximately 40% of disconnected electricity sites were vacant sites as they remained disconnected 5 weeks after disconnection. In gas, it is estimated that approximately 36% of sites were vacant as they remained disconnected after 6 months after the date of disconnections.

Taking the proxy for vacant into account, the following is the estimate of NPA disconnections in 2013 excluding disconnected vacant sites.

	Electricity, 2013	Gas, Jan-June 2013
Domestic NPA disconnections excluding vacant estimate	5,911	1,678
Reported Domestic NPA disconnections	10,125	2,620
% suspected to be vacant	42%	36%

Table 2 Domestic NPA Disconnections excluding Vacant Proxy Figures

The next section looks at trends in actual disconnections at supplier level excluding any adjustment for vacant premises. It must be noted that the number of disconnections undertaken at supplier level for non-payment of bills would likely be between 30-40% lower if vacant sites were excluded. CER's next monthly report will introduce a new measure for vacant premises and will provide an estimate of the disconnections per supplier excluding vacant sites. The comparison with the trend in the previous year will not include deemed vacant data due to the gap in data in 2013. However, it is likely that the proportion of vacant sites does not vary significantly over time. This assumption can be retested/ validated when the CER has disconnection and deemed vacant information for a number of months.

2.2 Trends at Supplier Level

This section analyses domestic NPA electricity and gas disconnections at supplier level. The reasons identified by individual suppliers to explain the trends their disconnections are also outlined in this section. It must be noted that these are reasons that suppliers have identified themselves and the CER has taken all relevant reasons at face value. Where a supplier has not provided reasons, this has also been noted.

2.2.1 Domestic Electricity Disconnections

Table 3 shows that disconnections reduced across all suppliers in 2013 compared to 2012⁵.

⁵ Lifestyle prepayment suppliers are not included in the data as given the nature of prepayment meters; customers are less likely to accumulate debt with such suppliers.

	Electric Ireland	SSE Airtricity	Bord Gáis Energy
Q1 2012	693	2,326	1,158
Q2 2012	1,073	1,152	738
Q3 2012	1,707	1,259	530
Q4 2012	2,863	641	508
Q1 2013	859	860	297
Q2 2013	684	937	691
Q3 2013	1,554	920	546
Q4 2013	1,975	394	405
% Change Q4 2012-Q4 2013	-31.02%	-38.53%	-20.28%
2012	6,336	5,378	2,934
2013	5,072	3,111	1,939
% Change 2012- 2013	-19.95%	-42.15%	-33.91%

Table 3 Domestic Electricity Disconnections by Supplier, Q1 2012-Q4 2013

While Electric Ireland completed the majority of domestic disconnections, a more relevant measure of comparing disconnection levels between suppliers is their disconnection rate per 10,000 customers. This takes into account the customer numbers of the suppliers and is an accurate measure of disconnection intensity by supplier. The data reveals that all suppliers now have relatively similar rates of disconnection.

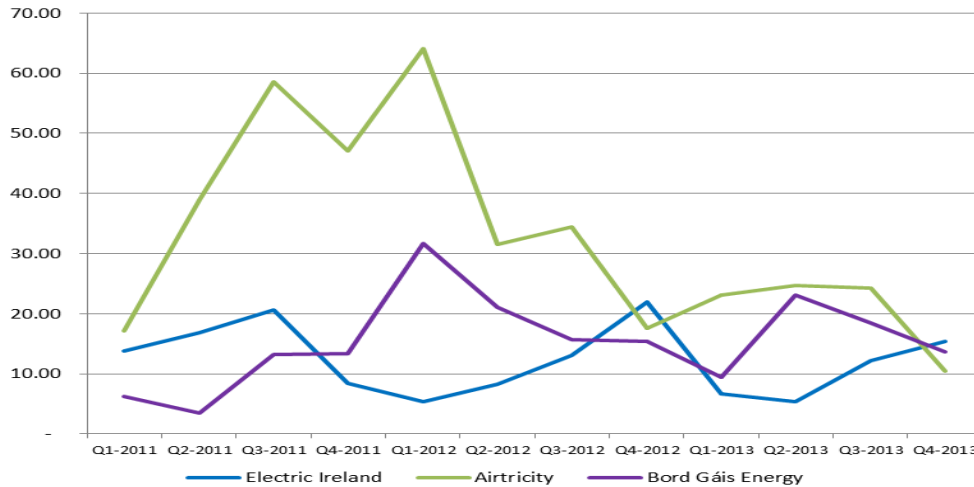


Figure 1 Domestic Electricity Disconnections per 10,000 Customers, Q1-12 - Q4-13

	Electric Ireland	SSE Airtricity	Bord Gáis Energy
Q1 2012	5.39	64.04	31.70
Q2 2012	8.30	31.59	20.99
Q3 2012	13.12	34.50	15.67
Q4 2012	21.94	17.56	15.46
Q1 2013	6.61	23.16	9.36
Q2 2013	5.35	24.65	23.11
Q3 2013	12.17	24.25	18.42
Q4 2013	15.57	10.54	13.69
<i>% Change Q4 2012 - 2013</i>	<i>-29.1%</i>	<i>-40.0%</i>	<i>-11.5%</i>

Table 4 Domestic Electricity Disconnections per 10,000 Customers, Q1-12 - Q4-13

Table 4 shows that Electric Ireland had the highest disconnection rate in Q4 2013. The disconnection rate of all suppliers reduced compared to Q4 2012.

Suppliers have identified various reasons for the change in disconnections between Q4 2013 and Q4 2012, and in the full year 2013.

Bord Gáis Energy has attributed the decline in its disconnections in Q4 to the mild weather which resulted in a lack of arrears accumulating for customers.

While Electric Ireland has seen a drop of 20% in electricity disconnections in 2013, Electric Ireland has stated that its continued efforts to reduce the level of disconnections has seen a drop of 30% in Q4 when compared with the corresponding quarter in 2012. Electric Ireland has stated that a significant number of electricity and gas PAYG meters have been installed since the commencement of the rollout of this technology in Q4 2011. Electric Ireland has also pointed to the fact that over 200,000 payment plans have been agreed with its customers in arrears. Electric Ireland also notes that around 40% of the Electric Ireland properties disconnected for non-payment are deemed to be vacant premises.

SSE Airtricity has stated that the reduction in disconnections is due to the availability and acceptance of PAYG meters by customers. SSE Airtricity considers that PAYG meters are beneficial in avoiding disconnection and are attributed to a direct reduction in SSE Airtricity's electricity disconnection figures.

The following table shows the most recent data on domestic electricity disconnections, for January and February 2014.

2014⁶	Electric Ireland	SSE Airtricity	Bord Gáis Energy	Total Domestic
Jan-14	0	0	0	0
Feb-14	130	54	23	207

Table 5 Domestic Electricity Disconnections by Supplier, Jan-Feb 2014⁷

⁶ The 2014 data is not compared to 2013 as there was a moratorium on disconnections at the start of 2014 which makes comparisons with 2013 inaccurate.

The CER introduced a moratorium on disconnections of domestic customers for NPA which was in place from January until 20th February 2014. This meant that there were no disconnections of domestic customers for reasons of non-payment of account in January 2014 and for most of February.

2.2.2 Domestic Gas Disconnections

Domestic gas NPA disconnections made up over 93% of total gas disconnections in 2013, and declined by up 15.8% compared to 2012 (see table 1). Increases were experienced by SSE Airtricity and Electric Ireland, while Bord Gáis Energy and Flogas had a lower level of domestic disconnections in 2013 compared to 2012.

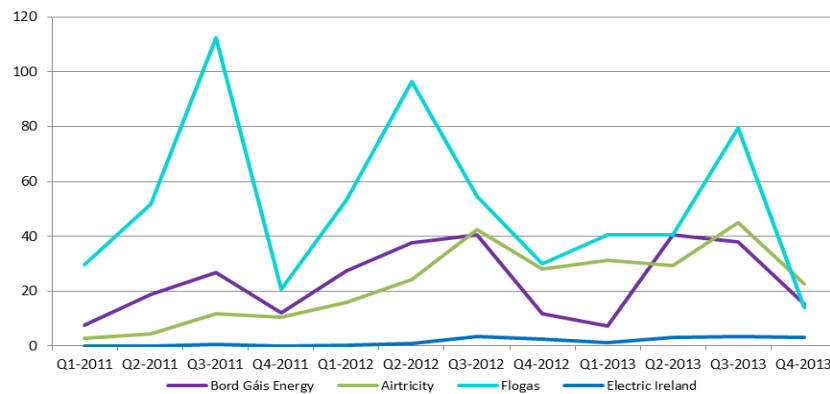
	Bord Gáis Energy	SSE Airtricity	Flogas	Electric Ireland
Q1 2012	1,217	187	137	1
Q2 2012	1,646	276	261	4
Q3 2012	1,726	471	155	22
Q4 2012	490	303	91	19
Q1 2013	288	338	127	11
Q2 2013	1,556	322	127	33
Q3 2013	1,420	494	250	39
Q4 2013	555	249	45	41
<i>% Change Q4 2012-Q4 2013</i>	<i>+13.3%</i>	<i>-17.8%</i>	<i>-50.5%</i>	<i>+115.8%</i>
2012	5,079	1,237	644	46
2013	3,819	1,403	549	124
<i>% Change 2012- 2013</i>	<i>-24.8%</i>	<i>+13.4%</i>	<i>-14.7%</i>	<i>+169.6%</i>

Table 6 Domestic Gas Disconnections⁸ by supplier, Q1 2012-Q4 2013

In analysing the disconnection levels of suppliers, it is important to examine disconnections as a proportion of customer numbers to determine the intensity of disconnections by supplier.

⁷ The data for February 2014 has yet to be validated by suppliers. The Electricity and Gas Retail Market Report for Q1 2014 (due to be published in Q3 2014) will contain validated disconnections data.

⁸ Includes all non-payment of account disconnections. This figure is primarily composed of credit locks with a small number of disconnect meters and street isolations undertaken for NPA purposes.



	Bord Gáis Energy	SSE Airtricity	Flogas	Electric Ireland
Q1 2012	27.24	15.78	53.39	0.27
Q2 2012	37.64	24.04	96.34	0.81
Q3 2012	40.42	42.47	54.41	3.53
Q4 2012	11.84	28.04	29.85	2.43
Q1 2013	7.19	31.28	40.41	1.21
Q2 2013	40.36	29.43	40.42	3.11
Q3 2013	38.05	44.84	79.36	3.31
Q4 2013	15.29	22.66	13.85	3.18
% Change Q4 2012-Q4 2013	+29.16%	-19.21%	-53.59%	+30.75%

Figure 2 & Table 7 Domestic Gas Disconnections per 10,000 Customers, Q1 2012-Q4 2013

The table shows that SSE Airtricity had the highest disconnection rate in Q4 2013. While Flogas's rate reduced significantly in Q4 2013 compared to Q3, the rates of all other suppliers also fell due to seasonal effects. A similar trend can be seen in previous years. In comparison to Q4 2012, Bord Gáis Energy's and Electric Ireland's rates increased.

In general terms it is considered that the increase in the acceptance and in the installation of PAYG meters has contributed to a decline in gas disconnections.

The installation of PAYG meters of Flogas commenced in November 2013. Prior to this, any customer that accepted a PAYG meter was put on an installation waiting list and were not disconnected for non-payment.

While the actual level of Electric Ireland gas disconnections is low, Electric Ireland previously attributed the increase in disconnections to the date of its market entry in the domestic gas market, the subsequent increase in customer numbers and the fact that relatively new customers who are in difficulty are only reaching the disconnection stage now.

Bord Gáis Energy had previously stated that the decline in its gas disconnections can somewhat be attributed to the decline in its customer numbers.

Similar to Electric Ireland, SSE Airtricity attributed the increase in disconnections to the date of its market entry in the domestic gas market. As such there has been a lag in customers building up arrears and Airtricity state that as a result there would be a slight increase in disconnections. However, Airtricity has stated that it has also seen success in gas with the availability of PAYG meters and suggests that disconnections would have been higher if the meters had not been available.

The following table shows the most recent data on gas disconnections, for January and February 2014.

2014 ⁹	Bord Gáis Energy	SSE Airtricity	Flogas	Electric Ireland	Total Domestic
Jan-14	0	0	0	0	0
Feb-14	27	19	4	5	55

Table 8 Domestic Gas Disconnections (credit locks) by supplier, Jan-Feb 2014¹⁰

As an interim measure, the CER introduced a moratorium on disconnections of domestic customers for NPA. This moratorium was in place from January until 20th February 2014. This meant that there were no disconnections of domestic customers for reasons of non-payment of account in January 2014 and for most of February.

⁹ The 2014 data is not compared to 2013 as there was a moratorium on disconnections at the start of 2014 which makes comparisons with 2013 inaccurate.

¹⁰ The data for February 2014 only refers to all completed credit locks and has yet to be validated by suppliers. The Electricity and Gas Retail Market Report for Q1 2014 (due to be published in Q3 2014) will contain validated disconnections data.

3.0 Conclusions & Next Steps

This note provided a summary of the current level of disconnections and the trend in domestic disconnections in the full year 2013. This will set the backdrop for future notes which will analyse 2014 disconnections on a monthly basis.

The next domestic disconnections note, to be published in late April, will be the first of CER's monthly disconnection reports covering the number of disconnections undertaken in March 2014 and will assess the actions that have been undertaken since this note. Suppliers will be required to submit regular reports to the CER on their actions in relation to disconnections. Suppliers will also be required to identify exact reasons for any trends (increases or decreases) in the number of disconnections of domestic customers.

Appendix A - PAYG Meters

ESB Networks and BGN are responsible for installing PAYG meters for customers in financial difficulty at the request of suppliers (on foot of a customer agreeing to the installation of a meter). The table below shows that there were 26,591 electricity PAYG meters installed in 2013 (with 6,629 installed in Q4). This represents an 80.7% increase in the number of PAYG meters installed when compared to 2012.

	Q1-12	Q2-12	Q3-12	Q4-12	Q1-13	Q2-13	Q3-13	Q4-13	Cumulative total
Electricity PAYG	2,485	3,596	4,384	4,248	5,303	7,323	7,336	6,629	57,117
Gas PAYG¹¹	3,276	3,491	3,431	2,532	4,369	6,680	4,192	3,278	84,305

Table A PAYG Meter Installations Electricity and Gas, Q3 2011-Q4 2013¹²

In gas there were 18,519 prepayment meters installed in 2013 which represented a 45.5% increase compared to the number installed in 2012. Of these, 83.9% were installed for reasons of financial hardship. Some 3,278 prepayment meters were installed in Q4 2013, of which 73.5% were installed for financial hardship reasons. This proportion represents a reduction on the percentage that were installed for financial hardship in the previous quarter (84%). Similar to the situation in 2012, the number that was installed for financial hardship declined in the second half of 2013. The following chart shows the trend per quarter in the number of PAYG meters installed for financial hardship reasons.

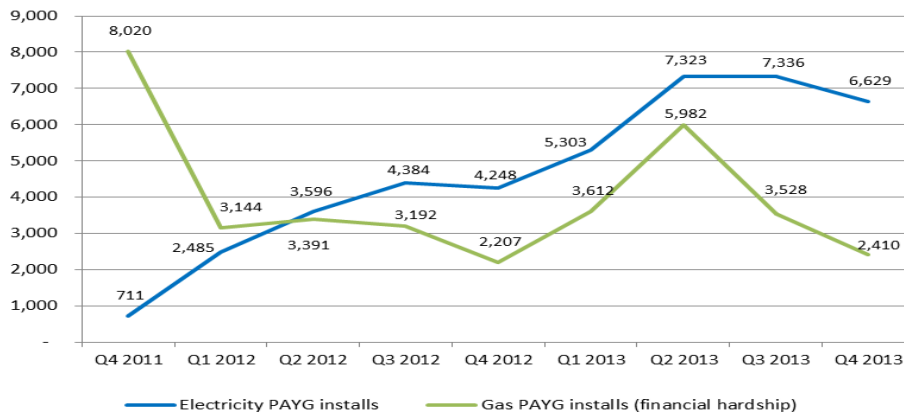


Figure A Electricity & Gas Financial Hardship PAYG Meters installed, Q4 2011-Q4 2013

¹¹ Includes financial hardship and lifestyle choice PAYG meters fitted by BGN at the request of gas suppliers.

¹² This data only includes the meters that were installed for reasons of financial difficulty. Other types of meters are not included.