An Coimisiún
um Rialáil Fóntas
Commission for
Regulation of Utilities

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**Commission for Regulation of Utilities**

# Supplier of Last Resort in Prepayment Electricity Consultation Paper

**Consultation Paper**

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# Executive Summary

## Background

The Supplier of Last Resort (SoLR) forms part of the Commission for Regulation of Utilities' (CRU) customer protection framework. It ensures that if an electricity or gas supplier leaves the retail market, a customer's supply will continue. A SoLR is required because from time to time, companies in competitive markets fail. This applies as much in relation to the gas and electricity supply markets as it does to other markets. The difference between energy and other sectors of the economy is that gas and electricity supply are services that are generally regarded as essential. It is for this reason that the CRU, in conjunction with other bodies where appropriate, takes all reasonable steps to address the consequences of suppliers failing. Not every failure will require regulatory intervention – the business may be sold in a trade sale. However, it is for the CRU to take all reasonable steps within its available powers to secure continuity of supply for all customers; a concept that is broadly understood as providing the right to "universal service". As described in the next section, this paper focuses on the electricity prepayment sector and, in particular, the interaction between the SoLR and third party supported prepayment offerings that have emerged over recent years.

## Growth in Electricity Prepayment Sector

Prepayment offerings in the electricity market are similar to prepaid mobile phone offerings, and see customers purchasing credit / top up to pay for their electricity use in advance. Over recent years, more and more prepayment offerings have emerged in the domestic electricity retail market. They consist of lifestyle choice and financial hardship offerings.

### *Lifestyle Choice*

Lifestyle choice offerings can be availed by anybody, for any reason. These offerings see the supplier installing a budget controller in the customer's home. The budget controller is installed in line with the customer's electricity meter, which is owned and operated by ESB Networks. To continue to consume electricity, customers must keep their budget controller topped up with credit.

#### *Financial Hardship*

A free prepayment meter is available to assist customers in arrears and who are facing disconnection. For customers who avail of this offer, their supplier will request ESB Networks to replace their meter with a prepayment meter. To continue to consume electricity, customers must keep their prepayment meter topped up with credit. The customer is not charged for the prepayment meter and, unlike lifestyle choice offerings, there is no need for a budget controller.

For both lifestyle choice and financial hardship offerings, the CRU has put in place customer protection rules. These are set out in the CRU's Supplier Handbook, which was recently updated (CER/17/060).

With the growth in lifestyle choice prepayment offerings in the electricity retail market, the CRU considers it important to review the SoLR regulatory framework to consider whether any improvements might be made to ensure that this framework continues to be fit for purpose. In particular, the use of a budget controller may pose practical difficulties for the SoLR in ensuring continuity of supply for all customers. These difficulties relate to access to and control of the budget controller where a supplier has exited the market.

Financial hardship prepayment offerings are out of scope of the current consultation, as a budget controller is not needed for them. Rather they work off a prepayment meter owned and operated by ESBN; a licenced and regulated entity. With this, the regulation of the SoLR function, and ensuring that SoLR access to meters, can be overseen by the CRU through its regulation of ESBN. The role of the SoLR in gas is also not being considered in this consultation paper. This is because both lifestyle choice and financial hardship offerings in the gas retail market are based on prepayment meters installed and owned by Gas Networks Ireland (GNI). As such, the added complexity of budget controllers, seen on the electricity side, does not arise.

### Purpose of Paper

The purpose of this consultation paper is to consider what improvements could be made to the SoLR regulatory framework as it operates in the electricity prepayment sector. Our principle objective is to protect the interests of existing and future customers and that, in the event a supplier exiting the market, customers continue to receive a supply of electricity, irrespective of the type of service they receive from their supplier.

It should be noted that this consultation paper does not address the issue of opening the SoLR function to other suppliers as was detailed in decision paper CER/06/006. The reason for this is that the CRU considers it prudent to undertake and complete the current review of the SoLR so as to ensure a robust framework exists in the electricity prepayment sector before considering offering the role of the SoLR to the market. The CRU is of the view that it is also in the interest of suppliers to ensure that a robust framework is in place to address the operation of the SoLR in electricity prepayment sector. It is our priority to ensure processes are in place to ensure the effective transfer of customers in a SoLR in the first instance. The CRU still fully intends to look at designating a SoLR by way of competitive process at some future date.

The proposals put forward in this paper revolve around four issues:

- What obligations should the SoLR have with regard to type of services transferred to it under a SoLR process?
- What obligations should the SoLR have with regard to any credit or debit that has been amassed by customers under the exiting suppliers?
- Are additional supply licence obligations required to support effective transfer of customers to the SoLR?
- Are there additional requirements that should be placed on suppliers where the SoLR was offered to the market?

# Public/ Customer Impact Statement

- The Supplier of Last Resort (SoLR) arrangements protect electricity and gas customers in case their supplier exits the market.
- Where appropriate, the SoLR steps in and ensures that a customer's supply continues.
- This paper looks at the emergence of prepayment offerings in the electricity market and considers whether changes to the SoLR arrangements are required to ensure that they remain fit for purpose.
- Changes are proposed for electricity prepayment offerings that see suppliers installing a budget controller in the customer's home. This device is separate to the customer's meter and must be kept topped up for electricity to continue to flow.
- The proposed changes relate to how debt and credit are treated and whether the customer's prepayment facility should be maintained in a SoLR event.
- To ensure all relevant parties assist in the effective transfer of customer to the SoLR, it is proposed to introduce additional obligations on suppliers. An example is more obligations through their electricity supply licence.
- The key aim of the proposed changes is to ensure that all customers are duly protected and can be effectively transferred to the SoLR, if a supplier exits the market.

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# Glossary of Terms and Abbreviations

| Abbreviation or Term | Definition or Meaning |
|---|---|
| **CER** | Commission for Energy Regulation |
| **CRU** | Commission for Regulation of Utilities |
| **ESBN** | ESB Networks |
| **PAYG** | Pay As You Go |
| **S.I.** | Statutory Instrument |
| **SoLR** | Supplier of Last Resort |

# 1 Introduction

## 1.1 Commission for Regulation of Utilities

The Commission for the Regulation of Utilities (CRU), is Ireland's energy and water regulator. Our mission is to regulate water, energy and energy safety in the public interest.

CRU is working to ensure that consumers benefit from regulation and the introduction of competition in the energy sector. In particular the CRU is aware of its function under section 14 of the Electricity Regulation Act 1999, which provides that "it shall be a function of the Commission to ensure that there is a high standard of protection for all final customers, including in their dealing with energy undertakings."

## 1.2 Background of Regulatory Framework of SoLR

The Supplier of Last Resort function was established in S.I. 60 of 2005, which implemented Directive 2009/72/EC and Directive 2009/73/EC. The SoLR's role is to ensure that in the event that a supplier exits the retail market (for whatever reason) that customers continue to receive gas and electricity supply.

## 1.3 The Customer Experience of the Supplier of Last Resort

The CRU would only appoint a SoLR in the event that an exiting supplier is unable to sell the business. Nonetheless, when the SoLR is appointed, its first responsibility will be to notify the customers of the exiting supplier that the SoLR is now supplying their electricity. The SoLR must provide information to affected customers about the terms and conditions of supply and their rights to transfer to other suppliers (together with the timescales involved). The SoLR must manage the change of supplier process for its new customers and issue bills to them on a timely basis. This will include meter-reading activities to complete the transfer process. The volume of customer transfers may impact on the time taken to transfer affected customers. Because the role of the SoLR is customer-facing, it is crucial that the SoLR operating in the market is supported by an effective regulatory regime which enables the SoLR to carry out its function in an effective manner.

## 1.4 Purpose of this Consultation Paper

Competition continues to develop in the deregulated electricity and gas markets. This has seen new market entrants and new product offerings being launched. To ensure that its customer protection rules keep pace with these changes the CRU has recently completed a review of its Supplier Handbook. The Supplier Handbook sets out minimum service standards that suppliers must provide to their customers. The review introduced new rules, such as the introduction of a prompt to inform customers of their option to switch. Details can be found at – **CER/17/059**.

With the continued development of competition and the launch of new product offerings the CRU has also considered whether changes to its SoLR policies are required. Since the CRU's SoLR policies were established, prepayment offerings have emerged in the electricity market that are based around the installation of a supplier device in the customer's home. This device is generally referred to as a budget controller and must be kept topped up for the customer to continue to consume electricity. It is separate to the customer's electricity meter that is owned and operated by ESBN. Where a supplier exited the market and the SoLR had to step in, challenges may arise as to gaining access and gaining control of to this device.

This paper puts forth proposals as to changes in the SoLR policies to take account of identified challenges relating to these prepayment offerings in the electricity market.

## 1.5 Response Details

Responses to this Consultation paper should be sent by close of business on 26 January 2017 to Elaine Gallagher preferably by email to egallagher@cru.ie or by post to Elaine Gallagher, The Grain House, The Exchange, Belgard Square North, Tallaght, Dublin 24, D24 PXW0.

# 2 Background

## 2.1 SoLR Regulatory Framework

The SoLR function is governed by a complex legal and regulatory framework, the main elements of which are contained within S.I. 60 of 2005 in implementing Directive 2003/54/EC and Directive 2009/72/EC.

For the purposes of both Directives, "universal service" is understood as the right to be supplied with electricity of a specified quality within their territory at reasonable, easily and clearly comparable and transparent prices. To ensure the provision of universal service, Member States may appoint 'a Supplier of Last Resort (SoLR)'. The CRU has developed specific obligations, requirements and guidelines for the SoLR, reflected in several documents such as the gas and electricity supply licences and Decision Papers CER/06/005 with respect to the gas market and Decision Paper CER/06/006 with respect to the electricity market. More specifically, the role of the SoLR includes: providing a facility for all customers of exiting suppliers; managing the process for transferring customers; maintaining supply to customers until they transfer to an alternative supplier; providing the opportunity for customers to switch to other tariffs; and providing a clear separation between SoLR and other parts of its business. Currently Electric Ireland is designated as the SoLR in the electricity market and Bord Gáis Éireann (BGE) is designated as the SoLR in the gas market.

### 2.1.1 Legislation

Regulation 21 of S.I. 60 of 2005 sets out the legislative framework for the operation of a SoLR in Ireland. Under S.I. 60 of 2005, the SoLR must supply electricity to certain customers in three situations.

i. Firstly, where a supplier ceases or fails to supply electricity to final customers in accordance with its contractual obligations[1].
ii. Secondly, in certain cases, the CRU has the discretion[2] to direct the SoLR to supply electricity to a final customer where it is of the opinion that circumstances warrant such a direction.
iii. In circumstances where a supplier's licence is being revoked, the CRU may also issue a Supplier of Last Resort Direction.[3]

[1] Regulation 21(2)(a) of S.I. 60 of 2005
[2] Regulation 21(2)(b) of S.I 60 of 2005
[3] Regulation 21(2) and Supply Licence Condition 22

Regulation 21(3) requires the CRU to include in the SoLR designation[4] any terms, conditions or requirements considered necessary by the Commission in respect of the functions of the supplier of last resort. The CRU has used this power over the years to make provision for the SoLR in the Single Electricity Market (SEM) (CER/07/171) and deregulation of the electricity supply market (Decision CER/11/060). The CRU may also use this power to specify particular functions of the SoLR with regard to prepayment services for electricity customers. The SoLR legislation does not place specific obligations of the SoLR and confers the power on the CRU to make regulations regarding the SoLR obligations and terms and conditions of the designation.

The CRU decision on the SoLR in electricity predates the presence of PAYG offerings in the market. The CRU is therefore examining the existing SoLR obligations to identify whether these SoLR duties will suffice to ensure delivery of the SoLR function to customers with 'budget controllers' installed. In addition it is important to consider whether the licence obligations imposed on all suppliers need to be amended to reflect requirements to facilitate a smooth transfer of customers who are availing of prepayment lifestyle choice offerings to the SoLR.

#### 2.1.2 Licences

The Electricity Supply Licence contains a number of provisions relating to the SoLR. Specifically Condition 22 states:

1. The SoLR shall undertake its duties, where designated, in accordance with the terms and conditions of that designation and the relevant Regulations.
2. The Licensee shall comply with a Supplier of Last Resort Direction in so far as it applies.
3. The Licensee shall assist, in the transfer of its Customers to the designated Supplier of Last Resort.
4. The Commission may issue a Supplier of Last Resort Direction in respect of the Licensee where:
    a) the Licensee fails to supply electricity in accordance with its contractual obligations;
    b) the Commission is of the opinion that circumstances exist which warrant such a Supplier of Last Resort Direction;
    c) the Licensee's Licence is in the process of being revoked.

In particular, licence Condition 22 of the electricity supply licence, obliges the licensee "to assist [...] in the transfer of its Customers to the designated Supplier of

[4] under Regulation 21(1)

Last Resort." There are no further specific obligations on suppliers exiting the market.

The CRU has examined whether or not these general obligations are sufficient to facilitate the smooth transfer of all impacted customers to the SoLR.

In particular, the CRU has examined whether the existing licence conditions are sufficient to address specific concerns about the continuity of supply to customers who use "budget controllers", in the event that their supplier exits the market. Further detail on these issues is contained in Sections 3 and 4 of this consultation paper.

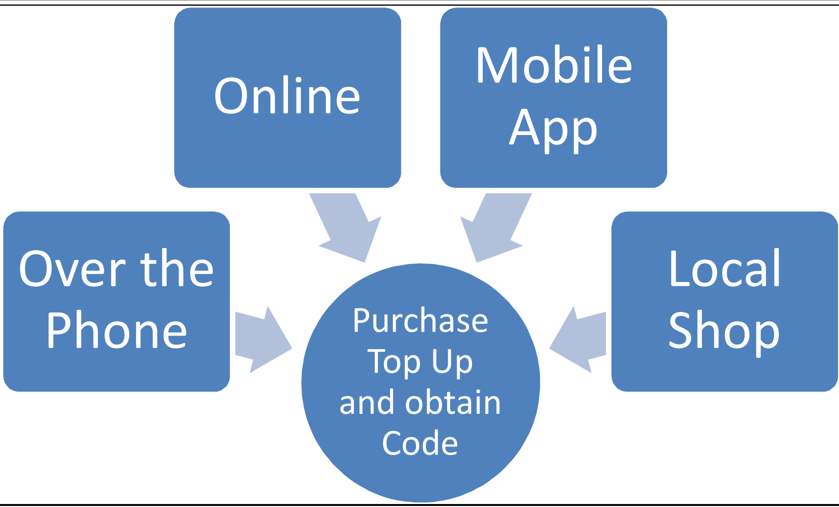
## 2.2 Prepayment Services

Lifestyle choice prepayment offerings are based around a device installed by the supplier in the customer's home. These devices are commonly referred to as "budget controllers" and operate in conjunction with a meter supplied by ESBN. Prepayment services are provided by suppliers through the support of external vendors who manage the process of receiving payments from customers and placing credit onto the budget controller. Budget controllers are installed in the customer's homes and work with the meter of record (which is installed by ESBN). While the supplier owns the budget controller, the back-end systems that support both credit and payment services are provided by Secure Meters/ Liberty, while the front office systems are provided by different service providers (be that Payzone, Paypoint, Postpoint or some combination). Customers must keep budget controllers topped up for electricity to continue to flow. This is done by making a payment, receiving a code from the front office service provider and entering that code into the budget controller. The front office providers receive the payments from customers, and transfer these payments to the supplier. They also interact with the back-end provider to provide the top up codes to the customers. See Figure 1 for an overview of the top up process.

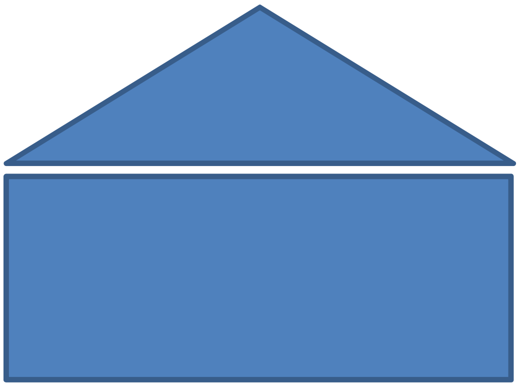
The prepayment function of the budget controller can also be switched off through a unique code, provided by Liberty/Secure Meters, as part of the service they provide to suppliers. Once switched off, electricity will continue to flow regardless of whether the customer has purchased any credit.

*Figure 1:  Top-up Process in Electricity Retail Market*

**Customer purchases top up via Payzone, Paypoint or Postpoint and obtains a code to enter into their budget controller.**




**Customer at home tops up their budget controller by entering the purchased code**



**Budget Controller**

**The above processes are supported by systems operated by a third party – currently Liberty Client. These so called back end systems (so called as they are not customer facing) generate the codes that allow the customer to top- up their budget controller.**

# 3 Prepayment Services and SoLR Event

With the continuing development of lifestyle choice prepayment offerings in the retail market, the CRU considers it timely to review the SoLR function and process. A number of practical and legal issues arise in the operation of the SoLR function when a supplier exits the market and where a prepayment service with a budget controller is in place. Once a supplier exits the market, and the SoLR function is activated, the SoLR is required to facilitate the transfer of customers from the exiting supplier. The current SoLR designation does not differentiate between types of services and hence requires the SoLR to provide continuity of supply even where a customer has a budget controller. This transfer of customers is complicated by the fact that there are third parties, namely the front-office and back-end service providers, that are affected by the SoLR event. The CRU must, therefore, consider an appropriate approach to SoLR regulation where a budget controller is in use and where the customer can, potentially, no longer use their existing mechanism to make top-up payments to ensure access to electricity supply.

## 3.1 The Role of Codes in the Top-Up Process

As described in Section 2, for electricity to continue to flow, the customer must keep its budget controller topped up with credit. To facilitate top-ups, codes specific to individual budget controllers are generated as part of the service provided by Secure Meters/ Liberty Client.

These third parties are not licenced by CRU, and are merely contractually bound to the supply licencees. A number of practical and legal issues, therefore, arise regarding the treatment of the lifestyle choice prepayment sector, in the event that a SoLR has to step in.

First, in order for the customer to continue to receive electricity supply, it is necessary for the budget controller to be topped up and to continue to function. Therefore there is a specific role for the exiting supplier, who has offered services using a budget controller, to facilitate the transfer of customers to the SoLR and universal service of electricity. Where customers are transferred, normal conditions of supply are contingent on the generation of codes by back-end systems operator Secure Meters/Liberty. These codes can do one of two things: (i) allow the customer to either continue to top up as normal (via a third party vendor) or alternatively (ii) turn the prepayment function of the budget controller off so that it does not cut off power supply, if credit cannot be purchased. The SoLR does not have access to the system that generates these codes, which are generated solely by Liberty/Secure Meters. Without these codes, the budget controller may cut off power supply. When a SoLR event occurs, one of two approaches could be adopted:

a) All aspects of the budget controller could be transferred to the SoLR including the ability of the customer to continue to top up via the existing vendors; or
b) The transfer of customers to the SoLR takes place while the budget controller is in credit mode.

Under option (a), the customer would continue to vend with the existing front-end service providers. Those service providers would transfer the payments to the SoLR, rather than to the exiting supplier. In addition, the back-end service provider would be required to interact with the SoLR with regard to issuing codes to customers, to correspond to the level of meter credit accrued, and to switch on or off the budget controller functionality. Essentially, this option would mean that the SoLR would be responsible for administering the debt or credit on the budget controller relating to the exiting supplier. This would require that suppliers, the SoLR and third parties to enter into a parallel set of commercial arrangements either in advance of a SoLR event, or when the SoLR is informed that the SoLR event has occurred.

Absent such a set of arrangements, any obligations third parties owe under contract in relation to generation of codes, are owed only to suppliers with whom they have contracted. These contracts are enforceable only by parties privy to the contract. CRU is concerned that the service provider and / or supplier could refuse or neglect to generate or to provide the codes in particular circumstances, to ensure continuation of supply. While the advantage of option (a) is that the customer could continue to receive the same type of service from the SoLR; however, given the likely short timeframes available to transfer customers in a SoLR event, it is unlikely that these commercial arrangements could be agreed between the third parties and the SoLR, within a timeframe to ensure continued supply.

Under option (b), the exiting supplier facilitates the conversion of the budget controllers into credit mode. This may require the back-end service provider to issue a code for each budget controller, and to co-ordinate with the SoLR, in order to transfer the customer account details. When the budget controller is switched to credit-mode, the customer no longer pre-pays for their electricity consumption, and the SoLR would provide service under credit terms and conditions. This option has the potential advantage of being faster to implement, and fewer commercial arrangements to be put into place.

These options are discussed section 4.1 in the context of the looking at the types of services that the SoLR should offer.

# 4 Proposed Options for Consultation

There are four central questions that must be addressed in considering whether the SoLR is sufficiently robust in the prepayment space.

**Question 1** - What obligations should the SoLR have with regard to type of services transferred to it under a SoLR process?

**Question 2** - What obligations should the SoLR have with regard to any credit or debit that has been amassed by customers under the exiting suppliers?

**Question 3 -** Are additional supply licence obligations required to support effective transfer of customers to SoLR?

**Question 4 -** Are there additional requirements that should be placed on suppliers where the SoLR was offered to the market?

## 4.1 What obligations should the SoLR have with regard to type of services transferred to it under a SoLR process?

In the event that a SoLR event occurs, the CRU needs to define the scope of obligations that the SoLR must provide to the customers that it acquires. Two options are considered here by the CRU.

As the function of the SoLR is specified as the obligation to ensure that the customer continues to receive electricity supply, it is the opinion of the CRU that the customer's election of using a pre-payment approach be facilitated is not strictly necessary to comply with the designation of the SoLR. As such, the SoLR would be able to provide electricity supply to customers that it acquired under a SoLR process on the basis of credit terms and conditions rather than prepayment.

Under such a circumstance customers would be transferred to the SoLR with their prepayment facility removed. Once with the SoLR, the customer could ask the SoLR to place them on one of their own prepayment products. Alternatively they could switch to another supplier offering a prepayment product. Either way it is likely that a new budget controller would have to be installed. The SoLR should advise the customer of these options.

If the SoLR is obliged to continue to offer prepayment services with the installed budget controller for that subset of customers, the existing contractual relationships with third parties would need to be transferred to the SoLR in some form.

If every function of the budget controller was transferred to the SoLR including the ability to vend and top-up, this is likely to be complex, and difficult to complete in the timeframe during which a SoLR Direction is given by the CRU, and the need to ensure continuity of supply to customers. This approach could potentially be very burdensome on the SoLR and may not be practical to implement.

For the reasons indicated above, the CRU proposes not to expand the obligation of the SoLR to offer particular types of services to customers that transfer to it, under a SoLR event. The CRU welcomes feedback from respondents.

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| What obligations should the SoLR have with regard to the type of services transferred for lifestyle choice prepayment customers? Particularly, do you agree with the proposal that the prepayment functionality would not be continued in a SoLR event and in transferring over to the SoLR the impacted customers would be placed on a non-prepayment product? Please provide rationale for your opinion. |

Although the above proposal may simplify the transfer of lifestyle choice prepayment customers to the SoLR, it will still be necessary to switch the budget controllers to ‘credit mode’. Credit mode turns off the prepayment functionality and the customer no longer needs to keep topping up to consume electricity. In order to turn on “credit mode”, a code must be generated by the exiting supplier.

To ensure that this code is issued, it is proposed that these necessary steps to support the effective transfer of customers to the SoLR be captured in an updated condition of suppliers’ licence to supply electricity. This proposal is presented in section 4.3.

## 4.2 What obligations should the SoLR have with regard to any credit or debit that has been amassed by customers under the exiting suppliers?

A prepayment customer may have built up credit or indeed debt with their supplier, when this supplier exits the market, triggering a SoLR event. Customers with positive balances on the budget controller are likely to be unsecured creditors of the exiting supplier. Accordingly, outstanding credit balances would be treated along with other creditors in an insolvency and would therefore be a matter for any examiner or receiver appointed.

Under the above context the CRU does not consider it appropriate to put an obligation on the SoLR to honour any outstanding credit balances for customers that transfer to it from an exiting supplier. Similarly with regard to debit balances that may be associated with a budget controller, any debt owed to the exiting supplier means that the customer is a debtor of the exiting supplier. Any such debts would be recoverable under the insolvency process, and the customer would be treated as an unsecured debtor of the exiting supplier.

In light of the above, the CRU is proposing not to impose an obligation on the SoLR to honour outstanding credit balances, nor to act as the conduit for any outstanding debt recovery for a customer that transfers to the SoLR. Respondents are asked to comment on this proposal approach to outstanding credit and debit balances.

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| What obligations should the SoLR have with regard to any credit or debit that has been amassed by customers under the exiting suppliers? Particularly, do you agree with the proposal that credit and debt accrued under the exiting supplier would not be transferred over to the SoLR? Please provide rationale for your opinion. |

## 4.3 Are additional supply licence obligations required to support effective transfer of customers to the SoLR?

The existing mechanism for regulating the transfer of customers in a SoLR event is by way of a licence condition on all suppliers. A general licence condition exists obliging all suppliers to cooperate with the SoLR in transferring customers. SI 60 of 2005 also provides for specific terms and conditions in any SoLR designation. This means that, if required, the CRU could specify in a separate designation decision additional terms and conditions under which the SoLR would function under licence. Nonetheless, this specification in itself may not be sufficient to ensure that customers are effectively transferred, given that the flow of electricity via a budget controller requires the services of unlicensed parties.

It is for this reason that the CRU proposes to revisit licence conditions under section 14 of the Electricity Regulation Act 1999. The CRU proposes imposing additional licence conditions on all suppliers to ensure that where they have contracted with third parties for prepayment service (not licensed by the CRU), that the contracting supplier transfers an obligation on these third parties to facilitate a transfer of customers to the SoLR. It is essential that the unlicensed third party is contractually bound to facilitate the transfer of customers to a SoLR where such an event arises. In this way the market can be assured that the existence of third party commercial relationships does not impact on the transfer of customers to the SoLR, and that the customer is protected.

We invite comments on the proposal to update all electricity supply licences to ensure that suppliers contractually oblige third parties to facilitate and not frustrate the transfer of customers to the SoLR. Please provide rationale for your comments and any supporting evidence (e.g. current terms and conditions with third parties).

## 4.4 Are there additional requirements that should be placed on suppliers where the SoLR was offered to the market?

In accordance with Regulation 21 of S.I. 60 of 2005, the Commission may invite expressions of interest from licenced suppliers to act as SoLR. It should be noted that although the CRU stated in Decision CER/06/006 that it would pursue offering a competitive process to determine the SoLR, the CRU is not proposing to progress with this approach at this point in time. While the CRU remains committed to this approach, it is focussing at this point in time on policies that ensure that a robust regime is in place to ensure that the SoLR functions effectively in the prepayment sector, in the first instance.

Regulation 21(3) requires the CRU to include in the SoLR designation[5] any terms, conditions or requirements considered necessary by the Commission in respect of the functions of the SoLR. It is open to CRU to use this power to specify particular functions of the SoLR in the prepayment space going forward by way of a re-designation under specific terms. This may be necessary where additional obligations are required to ensure the SoLR functions as it should.

The decision to offer the SoLR role was made in 2006. With the emergence of lifestyle choice prepayment offerings since then, do you consider that specific additional terms, conditions or requirements should be placed on the current SoLR or any supplier undertaking the role of SoLR in the future?

Where the SoLR role was offered to the market, are there any additional terms, conditions or requirements specific to the lifestyle choice prepayment sector that should be placed on the current SoLR or any supplier undertaking the role of SoLR? Please provide rationale for your suggestions.

[5] under Regulation 21(1)

# 5 Next Steps and Recommendations

With market developments, the CRU has reviewed the policies supporting the role of the SoLR. This is to ensure that they are up to date with market developments and continue to support the effective transfer of customers to the SoLR in the case of a supplier exit. With the emergence of lifestyle choice prepayment offerings, changes to the SoLR polices are proposed in the electricity market. These lifestyle choice prepayment offerings are reliant on a budget controller, which is supported by third parties. The proposed changes reflect this and are there to ensure effective operation of the SoLR in the event of supplier exit. The proposed changes relate to how to ensure all parties facilitate this effective transfer of customers to the SoLR and, due to practical considerations, proposes that the customer's prepayment functionality would not be carried over. The treatment of debt and credit is also discussed. The CRU is seeking comments from interested parties by **26 January 2018.**

# Annex 1 – Regulation 21 of S.I. No 60 of 2005

**Regulation 21 of S.I. 60 of 2005:**

(1) The Commission may invite expressions of interest from licenced suppliers to act as supplier of last resort, that is to supply electricity in accordance with this Regulation.

(a) Following public consultation and subject to subparagraph (c), the Commission shall designate a licensed supplier to act as supplier of last resort that is to supply electricity in accordance with this Regulation.
(b) Where the Commission is of the opinion that the public electricity supplier is the most appropriate licensee to supply electricity in accordance with this Regulation, it may designate the public electricity supplier to act as supplier of last resort under subparagraph (b) as it sees fit.

(2) The supplier of last resort shall supply electricity to final customers of another licensed supplier where –

(a) a licensed supplier with whom final customers have a supply contract ceases or fails to supply electricity to those final customers in accordance with its contractual obligations; or

(b) following representations to the Commission from a licensed supplier, the Commission is of the opinion that circumstances exist which warrant a direction to the supplier of last resort to supply electricity to a final customer.

(3) The Commission shall include in the designation under paragraph (1) any terms, conditions or requirements considered necessary by the Commission in respect of the functions of the supplier of last resort.

(4) The Commission shall specify

(a) the terms and conditions under which the supplier of last resort shall supply electricity to a final customer including those in relation to –

(i) duration of supply
(ii) termination of supply; and
(iii) price

(b) the method for calculating the charges for the supply of electricity to a final customer.
(c) Any other matters which the Commission considers necessary for the purpose of the supply of electricity to a final customer by the supplier of last resort,

And the supplier of last resort shall comply with the matters so specified.

(5) Where a final customer is supplied with electricity by the supplier of last resort, a contract for the supply of electricity shall be deemed to exist between the final customer and the supplier of last resort from the date upon which the supply of electricity to the final customer by the supplier of last resort begins.

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