

Consultation on the implementation of Energy Supplier Codes of Practice

Power NI's Response

28th July 2014

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Introduction

Power NI welcomes the opportunity to respond to the Utility Regulator's (UR's) consultation on the implementation of energy supplier Codes of Practice.

Power NI is committed to providing the highest levels of customer service and has over the years since privatisation implemented numerous process, policy and documentation changes to improve customer service. As a result of our continuous focus on service delivery Power NI consistently has the lowest levels of recorded Consumer Council Complaints per 100,000 customers served.

For example, it can be concluded from the latest CCNI's report (2013/14¹) on formal complaints (Stage 2) the following complaints performance (per 100,000 customers served):-

- Budget Energy, 20
- SSE Airtricity, 14.4
- Power NI, 1.2

Codes of Practice are important service commitments given by a retail electricity supplier. Power NI has and continues to place great importance both on the wording of such a commitment but also the intention behind the documents.

Since the establishment of Codes of Practice, Power NI has refreshed and updated the documents to ensure they are always relevant, clear and concise. The documents have evolved over time from a single, lengthy document to more consumer friendly "Quick Step Guides". This evolution has been undertaken by Power NI following customer research and feedback; both crucial elements of any service delivery business. The evolution and improvement in Power NI's Codes of Practice has not been in response to regulatory mandate.

Mandate aside, Power NI considers the exercise undertaken by the UR as an opportunity to review and update the Codes of Practice utilising feedback from a wider cross section of stakeholders that may not ordinarily have the opportunity to contribute. Power NI therefore welcomes both the review undertaken by the UR and will engage positively with the process.

¹ http://www.consumer council.org.uk/filestore/documents/Enquiries_and_Complaints_Report_2013-14.pdf

General Comments

In undertaking a review of the Codes of Practice the UR must seek to strike a targeted, proportionate and balanced outcome.

A failure to require Codes of Practice to be in place or the absence of monitoring could potentially leave customers exposed to poor practice. At the opposite end of the spectrum, excessively prescriptive requirements can be costly to implement and remove room for competitive differentiation.

Within the consultation paper the UR has highlighted its statutory duty to protect consumers. The UR should be cognisant that the interpretation of protection should include customers not being subject to either poor practice or excessive implementation cost.

Power NI believes that any monitoring regime implemented by the UR should be consistent. In the electricity market in particular, competition is active in all sectors it would therefore be remiss of the UR to monitor some but not all customers within a specific category e.g. domestic. What justification could there be for the UR effectively ignoring some customers?

Power NI welcomes the UR highlighting to stakeholders that the Codes of Practice are in addition to and in no way circumvent existing consumer protection legislation. Statutory protection ensures that all customers are protected. The Codes of Practice place an additional layer of service standards on suppliers.

Power NI, while supportive of the Codes of Practice does have a number of concerns in relation to specific clauses. Further information is provided in response to the appropriate question however at a summary level –

- In the electricity market the process for changing Keypad tariffs has been in place for a considerable period and Power NI believes its customers are fully aware of its operation.

Power NI originally developed the process and has consistently written to all customers significantly in advance of the effective date. This is subsequently followed with the issuance of the change code between 14 and 20 days in advance of the applicable time.

The proposal contained within the UR's consultation paper mandates that the change code should be made available "on and not before the 7 day period before the change in rate actually takes effect".

Such a mandate will create an ineffective tariff change process and adversely affecting customers when tariffs reduce. Trends in customer vending have indicated that customers tend to vend for higher amounts less often with Mondays being a particularly high transaction date. Power NI has always looked to ensure that 2 Mondays are included in the issue

period prior to the effective date so that the majority of customers have obtained the code prior to the effective date.

- Power NI strongly believes that the requirement in relation to the provision of special controls is unreasonable, impractical and erroneously remains in suppliers licences. In all probability the clause is a legacy aspect of the old public electricity licence which applied to the monopoly generation, distribution and supply business that existed in the early 1990's.

It is unclear as to what special controls and adaptors the UR is referring to. If a series of requests are received how is a supplier supposed to source or pay for such equipment? Power NI believes it is unreasonable to require commercial organisations to incur costs by essentially giving away equipment. In relation to price controlled suppliers is the UR prepared to authorise a pass through of costs?

Power NI therefore urges to UR to update Licence Condition 31, 3 (a) to reflect the current market arrangements.

In addition the UR should also look to distinguish the responsibilities of suppliers from the responsibilities of the network companies. To ensure the implementation of a comprehensive monitoring and reporting regime the network companies should also be mandated to report against defined standards. Reporting in this area has slipped in recent years.

Specific Questions

Q1. Do respondents agree that customers and suppliers will benefit from a consistent approach to interpretation of the licence conditions?

- A consistent approach from the UR is absolutely vital in enabling minimum standards are applicable to all. The UR has traditionally not applied a consistent standard to all suppliers. The electricity market in Northern Ireland in particular has changed significantly over recent years and Power NI believes that it is entirely appropriate for the UR to treat all suppliers equally.

Q2. Do respondents believe that the minimum standards guidance for Codes of Practice is the right approach? Please provide supporting information and evidence for your response.

- Minimum standards are the correct approach. The UR should be mindful that the Codes mandate Service delivery standards and that service delivery is an important supplier differentiator.

To limit a suppliers ability to compete on service delivery inhibits competition. Inhibiting competition restricts innovation, limits customer engagement and reduces choice. Mandating standards higher than the minimum increases the compliance burden for suppliers. A burden which will invariably carry an implementation cost. Increasing costs which will ultimately be paid by consumers and could reasonably have been avoided is not in the best interests of customers and further reduces scope for competition.

The UR should consider that if the aviation authorities had implemented stringent universal service standards on airline companies, low cost flights would not have developed.

Q3. Do respondents agree that this conclusion has an impact on the groups listed above, those impacts are likely to be positive in relation to equality of opportunity for energy consumers?

- Yes

Q4. Do respondents consider that the proposals need to be refined in any way to meet the equality provisions? If so, why and how? Please provide supporting information and evidence.

- No

Q5. Do respondents agree that the effective monitoring of Codes of Practice is essential? Are there any additional areas that should be covered in relation to monitoring, reporting and compliance?

- Effective, reasonable and proportionate monitoring of code compliance is appropriate and consistent with the UR's duties. Power NI therefore supports the implementation of such a regime.

In determining the metric the UR must ensure that the requirements are meaningful, used and importantly not burdensome on suppliers to implement. Power NI envisages a solution which would be automated in nature and the development of such a solution will have a lead time. Power NI welcomes the UR's statements in relation to the organised system of data collection and timetable.

It will also be important that the UR is consistent in its approach both across all suppliers and in the request itself. Constant changes in requests will lead to confusion, reduce the ability to make comparisons over time and be inefficient to implement.

Power NI would welcome the UR hosting a discussion with suppliers in relation to the metrics as a fact finding exercise, prior to any consultation. This would inform both suppliers and the UR as to the information available, potential implementation time / cost and the how meaningful the data may be.

Q6. Respondents are asked their opinion on the proposed banding for Indicators 11 and 12, Customer Debt. Some price controlled suppliers already collect and submit information at this level of detail. Respondents are asked if it is appropriate for non-price controlled suppliers to also provide information at this level of detail. We would ask respondent to provide supporting information and alternative suggestions.

- The UR has asked if this requirement should be extended from price controlled suppliers to non-price controlled suppliers. This raises an important question of consistency not just in relation to the customer debt figures but generally. Power NI believes that any monitoring regime implemented by the UR should be consistent.

In the electricity market in particular, competition is active in all sectors it would therefore be remiss of the UR to monitor some but not all customers within a specific category e.g. domestic. What justification could there be for the UR effectively ignoring some customers?

Q.7 Respondents are asked their opinion on what monitoring information should be published. We would ask respondents to provide supporting information on their proposal and be mindful of customer transparency as part of their response.

- In the first instance it will be important for the UR to gather and assess information, ensuring consistency of approach and analysing variances that may suggest genuine interpretation differences.

Once the UR is comfortable with the information that is being received publication of information should begin. A number of the Indicators will assist in highlighting the services offered by suppliers, particularly for vulnerable customers. Power NI would welcome the UR not highlighting any non-disconnection policy as such information undermines the deterrent available. Publication of general debt levels and splits of recovery rates will also be problematic in that regard.

Q.8 Respondents are asked to provide information in relation to changes in practice which may be required. In particular we will take into consideration appropriate evidence in relation to costs and benefits. It will be most beneficial if responses regarding changes in practices and associated costs and benefits first state the individual Code and particular requirement in question, secondly set out why the change in practice is required, and thirdly set out any evidence regarding costs and benefits linked to the change in practice.

- Power NI expects that there will be some changes to practice required to align with the new arrangements once concluded. It is too early to quantify the extent of such changes however it might be fair to conclude that in most cases the greatest change is likely to be proportionate to the variation of new requirements as compared to existing arrangements.

Q.9 Do respondents think that the publishing requirements outlined cover all relevant areas? Are there any further comments that respondents have with relation to publishing Codes of Practice?

- Power NI considers the publishing requirements outlined in the UR's paper as reasonable.

Q.10 Do respondents think that the section of the Code in Annex 1 relating to identifying customers in difficulty covers all relevant areas? Are there any further comments that respondents have with relation to identifying customers in difficulty?

- There is a responsibility on customers to self-identify and contact their supplier if they are experiencing difficulties. Customers must be open about their circumstances and be receptive to offers of help which may involve third party referrals. Suppliers cannot be expected to have a complete picture of a customer's circumstances or situation. Information suppliers have in relation to customers extends to their energy consumption and energy payment history only. There is a perception that

suppliers somehow have an all encompassing view of a customer which is simply not the case.

Robust credit and collection processes will help suppliers proactively identify at an early stage, customers with potential payment difficulties. Effective communication, an empathetic approach and options to signpost customers to third party advice agencies should encourage customers to engage with their supplier. Such engagement should also be encouraged by third party advice agencies that may interact with a customer on a range of topics and not just energy.

Q.11 Do respondents think that the section of the Code Annex 1 relating to payment arrangements and monitoring covers all relevant areas? Are there any further comments that respondents have with relation to payment arrangement and monitoring?

- Suppliers should have a range of payment options available, experienced staff and ability to signpost to advice agencies. Customers however must also be open and honest in relation to their ability to re-pay. Appropriate triggers will identify a default which should result in further engagement with the customer.

Power NI does not support the assertion made by the UR that credit and Direct Debit customers should “as a minimum” repay the debt over the same length of time which it has taken to accrue. While this may be appropriate in circumstances in which the debt has built up due to the Direct Debit figure being set too low by the supplier it is not appropriate in all circumstance, takes no account of a customers ability to pay and may prompt suppliers to act more swiftly at earlier stages in a process rather than adopt an empathetic approach if they will be forced to fund debt for significantly longer periods.

Power NI also does not support contacting customers if the agreed repayment plan is being kept. This may be considered offensive by the customer and is an ineffective use of resource.

Q.12 Is there any further information you wish to provide in respect of Fuel Direct or Third Party Deductions?

- Power NI does not support Third Party Deductions or Fuel Direct and will only look to this as a last resort. Due to the lack of awareness of usage it does not encourage customers to manage/reduce their energy costs effectively nor does it facilitate any meaningful engagement between the supplier and the customer.

Q.13 Respondents are asked for their opinion on the proposals for disconnection and reconnection fees. We would ask for supporting information on any comments made.

- Power NI supports the UR's assertion that customers should not be exposed to prohibitive disconnection or reconnection charges. Suppliers should be able to apply fees reflective of the costs incurred. These fees can often act as a stimulant for a customer to actively engage with a supplier rather than continue a strategy of avoidance.

It is also important for the UR to recognise that the costs incurred are not limited to the charges applied by the network businesses. Additional costs are incurred due to locksmiths, petitioning the courts, lettering and required pre visits. It would be inequitable for suppliers not to be permitted to recover the full suite of incurred cost.

Q.14 Do respondents think that the section of the Code in Annex 1 relating to methods and procedures to avoid disconnection covers all relevant areas? Are there any further comments that respondents have with relation to identifying customers in difficulty?

- Power NI considers the section in relation to the methods and procedures to avoid disconnection as comprehensive.

Q.15 Do respondents think that the section of the Code in Annex 1 relating to providing accurate and timely bills covers all relevant areas? Are there any further comments that respondents have with relation to providing accurate and timely bills?

- The provision of accurate and timely bills is a core energy retailer activity. It is clearly in both the customers and the retailer best interests to ensure that accurate bills are issued on time and retailers go to great lengths to ensure that the bill they provide is of high a quality as possible.

Power NI supports the sentiment expressed by the UR in seeking to encourage suppliers to produce bills which are correct and a customer can easily understand.

The issue of network company performance in this area cannot be overlooked. Northern Ireland unlike GB operates under a common services model. While this model provides efficiency benefits to the Northern Ireland market it does make suppliers dependent upon network company performance. The regulatory approved industry agreements which tie a supplier to the network company i.e. Distribution Use of System Agreement (DUoS) and Market Registration Code offer the supplier little recourse in relation to poor meter reading or meter data quality.

Power NI would welcome the UR strengthening the provisions within industry contracts aimed at improving network company performance in this area. For some considerable time Power NI has advocated a 13 month long term adjustment cut off in relation to DUoS billing which would effectively incentivise NIE in this case to improve meter data quality by imposing a recovery cut off. Unfortunately Power NI has had little regulatory support in this endeavour. Given the feedback in relation to this topic Power NI hopes the UR will revisit this area with the network companies.

Q.16 Are there any other areas which the Code on Payment of Bills should cover?

- Accurate, timely and understandable billing should be a cornerstone of any suppliers' customer proposition. Given the competitive market which exists in the electricity industry should a supplier fail to deliver the supplier is conscious that there are alternatives available to the consumer. This creates competitive pressure to ensure that bills are of high a quality as possible. It is therefore not necessary for the UR to be excessively prescriptive in this area.

Q.17 Do respondents agree that a consistent definition of debt across suppliers, for the purpose of the Code of Practice on the Payment of Bills, should be established?

- Power NI believes a consistent definition of debt will be helpful in effectively monitoring the Northern Ireland energy market.

Q.18 Respondents are asked their opinion on the proposed definition of debt with regards to the Code of Practice on Payment of Bills or suggest an alternative definition which may be used across all suppliers. We would ask respondents to provide supporting information as to why a specific definition would be appropriate and be mindful of monitoring procedures as part of their response.

- Power NI supports the use of the definition proposed.

Q.19 Respondents are asked to provide any additional comments on the attached draft Code minimum content, which they feel will help to improve the Code.

- Power NI has no further comments in relation to this Code at this time.

Q.20 How could suppliers monitor self-disconnection and self-rationing in prepayment customers?

- Monitoring self-disconnection and rationing is a laudable ambition, unfortunately, despite the suggestion put forward at the UR's workshop that suppliers should be able to do this as a matter of course, this is in effect currently impossible to effectively complete.

Vending patterns in relation to prepayment meters can change for a variety of reasons. Customer holidays, weather changes, living arrangements, changes to the property, efficiencies and tariff changes are just some of the reasons why a customer's vend patterns may change. Analysis of vending patterns also relies heavily on a build-up of data which is not possible if a change of tenancy or of supplier takes place.

With only a quarterly meter reading or estimate it is even more difficult to determine circumstances affecting consumption.

Only with the advent of SMART meters where half hour by half hour real time information is available will such a determination be able to be accurately made. Until such technology is available a supplier will be completely dependent upon a customer actively highlighting their particular circumstances.

Q.21 Do respondents think that the section of the Code in Annex 2 relating to the services provided covers all relevant areas?

- Power NI strongly believes that the requirement in relation to the provision of special controls is unreasonable, impractical and erroneously remains in suppliers licences. In all probability the clause is a legacy aspect of the old public electricity licence which applied to the monopoly generation, distribution and supply business that existed in the early 1990's.

It is unclear as to what special controls and adaptors the UR is referring to. If a series of requests are received how is a supplier supposed to source or pay for such equipment? Power N believes it is unreasonable to require commercial organisations to incur costs by essentially giving away equipment. In relation to price controlled suppliers is the UR prepared to authorise a pass through of costs?

Equally outdated is the requirement in relation to reposition meters. This type of adjustment is carried out by the network company following an interaction between the customer and the network company directly. Suppliers are not involved. Repositioning meters may incur significant cost and require movement of underground cables or overhead lines. The customer should also be aware that movements in meter position may often require rewiring inside their homes. An activity which neither a supplier nor NIE is authorised or qualified to carry out.

In addition to the safety concerns there is the practicality of carrying out the work and the potential liability it incurs.

Power NI therefore urges to UR to update Licence Condition 31, 3 (a) to reflect the current market arrangements.

In relation bill redirection procedures, Power NI would welcome further consideration of to the guidance the UR has provided in relation to ensuring the nominated person has agreed to receive the copy bills. Flexibility in approach is the key to ensuring this is practically implemented and suppliers should be afforded the ability to take a considered risk in attempting to facilitate a vulnerable customer's request.

Q.22 Do respondents think that the section of the Code in Annex 2 relating to disconnection of customers who are of pensionable age, disabled or chronically sick covers all relevant areas? Are there any further comments that respondents have with relation to disconnection?

- While Power NI does not disconnect domestic premises the ability to do so should exist to prevent such a position being exploited. Power NI therefore welcomes and supports the UR's position on defining the times and periods of permitted disconnection.

Q.23 Do respondents think that the section of the Code in Annex 2 relating to raising awareness of service provision covers all relevant areas? Are there any further comments that respondents have with relation to awareness raising?

- Power NI has no further comment on the section relating to raising awareness at this time.

Q.24 Are there any other areas which the Code of Practice on provision of services for persons who are of pensionable age or disabled or chronically sick should cover?

- In relation to the provision of services to persons who are pensionable age, disabled or chronically sick it is important for the UR to recognise that a "one size fits all" approach is not appropriate. Levels of need and desire for assistance differ from person to person. Suppliers do not have perfect vision of the customers they serve. A duty to promote and have services available is absolutely appropriate however customers must wish to avail of such a service and self-identify.

Q.25 Do respondents agree that a consistent definition of a complaint for all suppliers, for the purpose of the Code of Practice on Complaints Handling Procedure, should be established?

- Power NI agrees that a consistent definition would be useful.

Q.26 Respondents are asked their opinion on the proposed definition of a complaint with regards to the Code of Practice on the Complaints Handling Procedure or suggest an alternative definition which may be used across all suppliers. We would ask respondents to provide supporting information as to why a specific definition would be the most appropriate and be mindful of monitoring procedures as part of their response.

- Providing a clear definition of a complaint is a difficult undertaking. Power NI notes some of the comments made at the UR's workshop that the term dissatisfaction could both encompass issues such as logo or name changes but also be useful in distinguishing from an enquiry. Both of these positions are understandable and valid.

There is undoubtedly an argument to be made that a complaint should be by the contracted person and not "any person" however carers etc. should be able to complain on behalf of vulnerable people.

Power NI was somewhat surprised that the UR's definition goes beyond Ofgem, CCNI and the CER definition. For the reasons stated above it may not be possible to simply have a standalone definition and therefore Power NI would welcome either the UR revisiting the definition e.g. dropping any person and/or perhaps providing clarifying footnotes in relation to specific scenarios e.g. a carer can make a complaint in behalf of a vulnerable customer; dissatisfaction in relation to logos, colour schemes or tariff announcements should not be defined as complaints.

Q.27 Do respondents think that the section of the Code in Annex 3 relating to the accessibility of complaints handling procedures covers all relevant areas? Are there any further comments that respondents have with relation to accessibility?

- Power NI concurs with the UR's view that there should be no barrier that would discourage a person from making a complaint.

Q.28 Do respondents think that the section of the Code in Annex 3 relating to the transparency of complaints handling procedures covers all relevant areas? Are there any further comments that respondents have with relation to transparency?

- Power NI agrees that suppliers should have a clear complaint handling procedure.

Q.29 Do respondents think that the section of the Code in Annex 3 relating to the promptness of complaints handling procedures covers all relevant areas? Are there any further comments that respondents have with relation to effectiveness?

- Clear timeframes including an expectation in relation to resolution should form part of any comprehensive complaint handling procedure. Power NI supports the UR's proposals in this area.

Q.30 Do respondents think that the section of the Code Annex 3 relating to alternative dispute resolution covers all relevant areas? Are there any further comments that respondents have with relation to alternative dispute resolution?

- Power NI agrees that the service provided by the Consumer Council should be referenced on bills and relevant literature.

Q.31 Are there any other areas which the Code of Practice on Complaints Handling Procedure should cover?

- Power NI has no further comments in relation to the Code of Practice on Complaint Handling.

Q.32 Do respondents have any comments to make on the proposed industry standard to update prepayment meters for a change in tariff? Do respondents have any comments to make on how customers can be informed to ensure they understand this process?

- In the electricity market the process for changing Keypad tariffs has been in place for a considerable period and Power NI believes its customers are fully aware of it operation.

Power NI originally developed the process and has consistently written to all customers significantly in advance of the effective date. This is subsequently followed with the issuance of the change code between 14 and 20 days in advance of the applicable time.

The proposal contained within the UR's consultation paper mandates that the change code should be made available "on and not before the 7 day period before the change in rate actually takes effect". Power NI does not support his change.

Such a mandate will create an ineffective tariff change process and adversely affecting customers when tariffs reduce. Trends in customer vending have indicated that customers tend to vend for higher amounts less often with Mondays being a particularly high transaction date. Power NI has always looked to ensure that 2 Mondays are included in the issue period prior to the effective date so that the majority of customers have obtained the code prior to the effective date.

Power NI supports the requirement to issue letters in advance of the 21 day licence requirement however would welcome the UR extending the period over which the change code is issued.

Q.33 Do respondents think that the section of the Code in Annex 4 relating to the information provision covers all relevant areas? Are there any further comments that respondents have with relation to information provision?

- Power NI believes that information provision is important and that suppliers should endeavour to provide all the necessary information in as clear and transparent a manner as possible.

Q.34 Do respondents think that the section of the Code in Annex 4 relating to the suitability of a prepayment meter covers all relevant areas?

- Power NI agrees that prepayment solutions are not appropriate in all circumstances and that suppliers should use all reasonable endeavours to ascertain if a prepayment meter is suitable.

The UR should recognise that in a common services model the positioning of a meter is an interaction between the network company and customer. The location of mains cables and the internal wiring of a customer's property are beyond the purview of a supplier.

Q.35 Do respondents think that the section of the Code in Annex 4 relating to payments for prepayment customers covers all relevant areas? Are there any further comments that respondents have with relation to payments?

- Power NI considers the section in relation communication any payments in relation to prepayment solutions covers the main areas.

Q.36 Are there any other areas which the Code of Practice on Services for Prepayment Meter Customers should cover?

- Power NI has no further comments in relation to the Code of Practice on Services for Prepayment Meter Customers.

Conclusion

Power NI welcomes and supports the UR's review of energy supplier's codes of practice. As stated above, Power NI has had codes of practice in place for a considerable period. This review provides a useful opportunity to update and refresh the documentation and any required processes.

Power NI would also welcome further engagement with the UR and the practicalities are considered as a number of the specific licence clauses are outdated and should be amended.

In undertaking a review of the Codes of Practice the UR should seek to strike a targeted, proportionate and balanced outcome.

A failure to require Codes of Practice to be in place or the absence of monitoring could potentially leave customers exposed to poor practice. At the opposite end of the spectrum, excessively prescriptive requirements can be costly to implement and remove room for competitive differentiation.

Market monitoring is an important aspect of the regulatory governance of the market place and should be implemented in a uniform manner. Requirements both in terms of content of the Codes and monitoring should look to strike an appropriate balance between cost and benefit.

A small number of specific issues have been highlighted in the above response and Power NI would welcome the UR reconsidering those specifics. In general terms however the amendments contained within the consultation paper seek to provide some much needed clarity and monitoring to the implementation of the Codes of Practice.

The only complete omission as such; appears to be in relation to network companies, who play a crucial role in the common services model in place in Northern Ireland. The UR should seek to explore what regulatory mandate exists in terms of implementing or reforming the customer standards to which those organisations have to adhere.