

## Form A – IGG Design Discussion Request

Discussion Request Number	Title	Priority
DR 150	Change of Supplier objection to Debt	High

Name of Requesting Organisation	Airtricity
Contact Name	Siobhan Leane
Date Request sent to RMDS	3 <sup>rd</sup> September 2007

Date	Version	Reason for Change
3 <sup>rd</sup> September 2007	0.1	To allow objections to be raised where the commercial customer has an aged debt or defaults on a contract.

Detail of Discussion Request
<p><b>Background:</b></p> <p>Request that the Change of Supplier objection process be amended to allow objections to be raised where the customer has an aged debt or defaults on a contract and bring the ROI processes in line with NI processes.</p> <p>Propose that the definition for Aged debt be in accordance with the contract conditions between the supplier and the customer. In the absence of contract conditions an aged debt should be defined as an invoiced amount greater than an amount to be agreed by suppliers in the future which remains unpaid after the collectively agreed terms. Said agreement will be formulated and agreed by all suppliers and confirmed with CER prior to implementation.</p> <p>Request that two new Valid Code Values be added to the Objection Reason field on the MM 012 message:</p> <ul style="list-style-type: none"> <li>• <b>DE</b> – for debt</li> <li>• <b>CD</b> – for contract default</li> </ul> <p>Request that additional validation be added to the existing validation of the MM 012 Objection message:</p> <ul style="list-style-type: none"> <li>• The MM 012 Objection message raised for aged debt or contract default should be made by the old supplier within 2 working days of receipt of the MM 110 Notification of Customer Loss message.</li> <li>• Where the Objection Reason is DE or CD then the Change of Supplier is automatically cancelled</li> </ul> <p><b>Note</b> that, if the “Change of Tenant Legal Entity” flag is set to true by the new supplier on the MM 010 Registration Request, indicating that a new tenant now occupies the site, the objection to debt or contract default should be rejected.</p>
Reason for Discussion Request
<p>The issue of debt hopping has been and continues to be a major issue for all suppliers operating in the electricity market. It also prohibits new suppliers entering the market due to over exposure to doubtful debt. All suppliers have evidence of customers hopping from one supplier to another the instant that the</p>

## Detail of Discussion Request

current supplier takes initiatives to recover debt.

In the decision paper published in 2005 *Management of Customer Payment & Arrears, Report on the Consultation and Decision Paper CER/05/060* CER outlined a number of options that it saw as being open to suppliers in the management of debt.



Management of  
Customer Payments &

These are;

- Security deposits
- Direct debiting
- Credit referencing facilities/ agencies
- Prepayment metering

The only real opportunity for suppliers to obtain a security deposit is prior to the customer transferring to the supplier. It is business common practice that a customer is given the option to either pay for goods by direct debit or pay a deposit and then by cheque/ cash. If the customer commits to pay by direct debit then the supplier does not look for a deposit. If the customer subsequently cancels their direct debit, debt accumulates and there are few avenues then open to the supplier to recover the debt. If suppliers in the electricity industry were to commence requesting both a security deposit and direct debit details then this could be viewed as being too restrictive and a barrier to entry. Suppliers predict that fewer customers would avail of the option to change supplier.

Suppliers do conduct credit checking when taking on new customers. However a customer with a good credit rating may fall into arrears subsequent to registration and again there are few options open to the supplier to recover the debt.

New tenants at a site also have associated debt risks which cannot be managed by security deposits or credit referencing. As the site is already registered to the supplier if a new tenant moves in there is no value in completing a credit check and the customer will most likely refuse to pay a deposit. The supplier cannot de-register the site with first de-energising and this is not a viable option for the customer or the supplier.

If a customer does fall into arrears the supplier can agree a payment plan with the customer or can initiate de-energisation proceedings. However if the customer changes supplier and leaves the old supplier with a debt the de-energisation process is closed to the old supplier.

The CER decision paper also refers to the use of prepayment meters. As of August 2007 Prepayment meters are still not available to electricity customers of Independent Suppliers. Indeed prepayment metering is available to PES Customers but PES also experiences customer debt hopping but to a significantly lesser degree.

By allowing customers to debt hop good paying customers are being penalised due to increased tariffs which effectively means 98% of the customer are penalised for the no paying for the 2% unwilling to pay.

The DR will also bring the ROI Objection process in line with Northern Ireland where the process works effectively and bring harmonisation to the All Ireland Market.

## Market Design Documents impacted by Request

**Objection & Cancellation Process V6.0**

**Market Message M012**

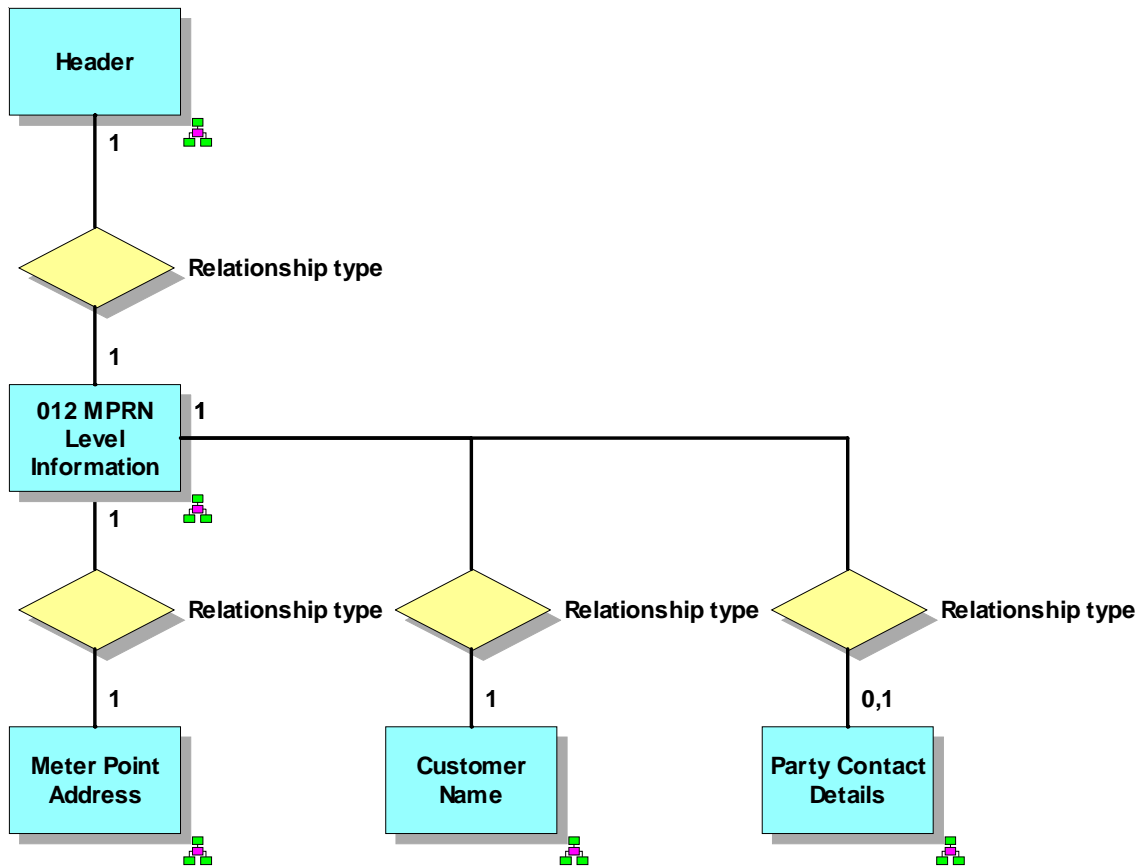
**Date of IGG where  
discussed**

Detail of Discussion Request	
Change Request xref (if applicable)	

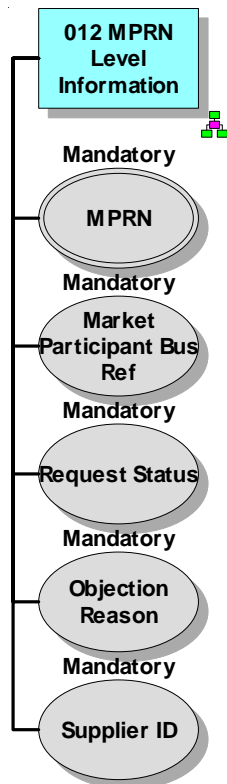
PART 2 MARKET ASSURANCE:				
Applicability				
ESB Networks	Suppliers	TSO	SSA	Generators
X	X			
Scope of Test				
Connectivity	DTT	MSA	IPT	Other
			No. Of Scenarios	

Scope of Discussion Request							
Correction to Documentation	Business Process	Market & MP Systems	MPCC	Readings Processor	Market Gateway	Schema	Web Forms
X	X	X	X				X

012 Message Structure



### 012 MPRN Level Information



### Objection Reason Field

Attributes	
Name	Objection Reason
Description	
Valid Code Values	ET Erroneous Transfer <u>Proposed Codes</u> <ul style="list-style-type: none"> <li>• DE – for debt</li> <li>• CD – for contract default</li> </ul>
Business Data Definition	Objection Reason is a code to indicate the old supplier's reason for the objection.
Length	3