19 May 2009

Seamus Fitzsimons
Energy Division
Department of Enterprise,
Trade and Investment
Netherleigh
Massey Avenue
Belfast
BT4 2JP

Dear Seamus

Thank you for providing Firmus Energy with this opportunity to respond to the "Energy Billing and Metering – Changing Customer Behaviour" consultation.

As a relatively new entrant to the Northern Ireland energy scene, we are pleased to provide an insight into what we believe will help to heighten awareness of energy usage and reduce energy consumption.

Over the last three years we have worked tirelessly to increase consumer awareness of energy usage and have helped to reduce our customers overall energy consumption by promoting the installation of "Sedbuk A" rated gas boilers. We have also worked with local gas installer businesses as well as CORGI to promote the installation of fully controlled heating systems. We recognise that improving billing and energy efficiency advice can make a significant contribution towards reducing carbon emissions. Coupled to this, we are encouraged by the fact that we have, in extending the reach of gas availability in Northern Ireland, yet to have received a single Consumer Council customer complaint and are proud to be the first utility in Northern Ireland to make a dual fuel (gas and electricity) offering to customers.

We are therefore supportive of DETI's approach to ensure that consumers are given direct access to energy usage information.

We have responded below to each of the questions outlined within the consultation document. You can contact me direct on 9442 7840, should you wish to discuss any of the points made.

Yours sincerely

Michael

Michael Scott
Business Development Manager

Background:

In 2005, Firmus Energy was awarded a conveyance and supply licence for 10 Development Areas outside Greater Belfast. To date over 420 km's of gas mains have been laid.

In early 2006, Firmus Energy applied for and was awarded a supply licence for the Greater Belfast market. We have been an active participant within the Gas Market Opening Group (GMOG) and have highlighted a number of issues namely, the customer switching process and the lack of a fully automated system to facilitate customer switching as a key barrier to market entry.

In 2008, we were granted an electricity supply licence. Having developed processes and IT systems to enable us to contract and bill electricity customers, we have now successfully contracted with a number of customers.

We recognise that the UK is committed to meeting a number of carbon reduction targets to reduce CO_2 by 80% by 2050 with real progress to be made by 2020. In making a significant contribution towards reducing carbon emissions (75,000 tonnes since 2006) we feel it is important that the wider energy market, particularly the oil sector, acts responsibly in playing its part towards addressing climate change. Without this, we feel the oil sector has the potential to "undo" the positive steps taken by the gas and electricity companies in Northern Ireland by continuing to fit and repair low efficiency oil boilers and using unregulated installers who have no energy efficiency obligations placed upon them.

Against this background Firmus Energy welcomes proposals that will help to ensure that all energy suppliers meet Article 13 of the Energy End Use Efficiency and Energy Services Directive.

We understand that the Directive requires member states to ensure that, where appropriate, energy distributors, distribution system operators and retail energy sales companies make available on bills, contracts, transactions and/or receipts in clear and understandable terms:

- Information about current actual energy prices and consumption.
    - Firmus Energy shows its current energy prices and consumption data on all bills and invoices. We have worked closely with the Consumer Council to develop bills which are informative and enable consumers to easily monitor their gas accounts.

- Comparative information showing the customer's consumption for the same period in the previous year preferably in graphical form.
    - Firmus Energy has considered this and with IT capital expenditure we feel we could show previous consumption and trend analysis on customer's bills. This additional capital expenditure would however require regulatory endorsement.

      That said, we are concerned that fuels, other than gas and electricity, would not be mandated to meet this commitment. Indeed, we do not believe that voluntary agreements by non net bound energy suppliers is sufficiently robust and still fails to address the imbalance that exists between net bound suppliers compared to non net bound companies.

- Wherever possible and useful, comparative information for an average normalised or benchmarked user in the same category.
    - Firmus Energy compiles comparative data and we share this information with domestic customers, as part of our customer "Welcome Pack". However, we would question whether benchmarked data is appropriate for commercial customers. Therefore, we would be keen to discuss this with the Department

so as to consider whether comparative information, shown on bills, would confuse customers.

- Contact information for consumer organisations etc. from which information may be obtained about energy efficiency improvement measures, comparative end user profiles and/or objective technical specifications for energy using equipment.
    - Firmus Energy already promotes the energy efficiency message on the rear of bills and we advise customers to contact the energy efficiency advice line using the 0800 512 012 number.

- The Department believes that the objectives of the Directive are best met by a phased approach to smart metering over the next 10 years.
    - Firmus Energy is currently considering a number of smart metering trials in partnership with NIE. However, it is important to recognise that any replacement of standard meters for smart meters will incur significant costs that will inevitably be borne on consumers.

(Ch3) Current billing and metering arrangements in Northern Ireland

Firmus Energy offers a full range of billing and metering options to customers:

1. Prepayment meters – these meters use a payment card which can be "topped up" at any Paypoint outlet. Customers can check their gas usage and top up the card when they need to. If a customer loses the card, they can simply go along to any Paypoint outlet and purchase a new one.

2. Variable Direct Debit - variable direct debit ensures that the total billed amount is debited directly from a customers account. The direct debit is sent to the bank 14 days after the bill date so that if the customer queries the bill it can be cancelled or adjusted.

   Assuming the direct debit is accepted by the customer's bank, the account is always up-to-date and never goes into credit. This scheme is not intended as a budgeting option.

3. Budget Direct Debit - budget direct debit enables customers to control their gas payments by paying 12 equal monthly payments over the year. Customer can choose to have the payments made on either the 7th or the 21st of the month. Gas consumption is estimated for a year, priced according to the current tariff and then divided by 12 to give the monthly payment. Firmus Energy can discuss the monthly amount with each customer individually and allow each customer an opportunity to suggest an increase or decrease to the monthly amount depending on their own estimated consumption (e.g. a customer might want to reduce the monthly amount because they live alone and work long hours, or increase the amount because they do not work and consume more gas during the day).

   After the first year of monthly payments, the billing system will review direct debit payments on an ongoing basis. This means monthly payment is reviewed every time a new bill is generated (every 3 months). If the review results in a change to the payment amount, the change will be highlighted on the customer's bill.

   After each monthly billing cycle, Firmus Energy's billing team contact any customers who have built up a substantial credit or debit on their account.

If a customer has a large credit, the billing team will offer a cheque refund or a reduction in the monthly payments and if the customer has built up a substantial debt, the billing team will discuss increasing the monthly amount to avoid further debt build up.

4. Online billing – we offer an online account management service. This allows customers to view and pay their Firmus Energy gas bills online.

   The benefits of registering for the online account management service are that customers can:

   a. View a bill
   b. Pay a bill online
   c. Download Direct Debit mandate
   d. Provide accurate meter readings
   e. Manage multiple accounts

(Ch4) Compliance with Article 13 of the Energy End Use Efficiency and Energy Services Directive

Do consultees agree with the Departments view that no further action is required in respect of Article 13(1)?

Article 13 (1) of the Directive requires members states to ensure that consumers of electricity, natural gas, district heating/cooling and domestic hot water are provided with competitively priced meters that accurately reflect energy consumption.

Response: Firmus Energy agrees with the Departments view that no further action is required in respect of Article 13 (1).

Do consultees agree with the Departments view that no further action is required in respect of Article 13 (2)?

Article 13 (2) requires member states to ensure billing is carried out by energy suppliers on the basis of actual energy consumption so that customers can monitor their energy consumption.

Response: Firmus Energy agrees with the Departments view that no further action is required in respect of Article 13 (2).

Do consultees agree with the Departments view that no further action is required in respect of Article 13 (3) whereby we already set out current prices of energy and customer's actual consumption within their bill?

Views also sought on:-

- **the level of accuracy of existing billing arrangements**

  Response: Firmus Energy bills standard credit customers 4 times a year. We endeavour to provide bills based on actual meter reads. We also provide a self read service as well as online account management facility.

- **appropriateness of using customers own readings in meeting any requirements**

Response: Firmus Energy offers customers a self read service when meter readers are not able to access a property and we leave a self read card instructing them to provide us with their actual meter read.

- **the Proportion of meters for which an actual read might not be possible because a supplier is unable to gain access to a property and the customer also fails to provide a reading**

  Response: As outlined above, Firmus Energy offers customers a self read service so that meter readers, who are not able to access a property, are not able to access an actual meter read.

Article 13 3 (b) – Provision of comparative Information: historical consumption. Do you have views on the attached draft regulations for this policy?

The Department believes that historical comparative information on bills or statements will help customers understand their bills.

Response: We recognise that the Department is seeking to improve the information provided to customers. We believe that providing comparative data should be technically possible. However, this will inevitably incur costs to enhance our billing system.

We would be keen to understand how these costs would be recovered as we would assume that they would be recovered via Firmus Energy's Regulated Asset Base and so ultimately by customers.

Whilst DETI is not minded to require suppliers of other fuels to provide such information it invites comments on that view?

Response: Any requirement to modify our billing system could potentially incur significant cost. These costs will inevitably be borne by our customers. In a market that is directly competing against the oil, LPG and solid fuel, we feel it is inequitable to place obligations upon the net bound companies whilst not placing similar requirements on the non net bound companies.

In an energy market whereby the natural gas and electricity companies are fully regulated but "the competitors" are unregulated, we feel it is inappropriate to build on the imbalance that already exists within the Northern Ireland energy market. We feel that it is time the Department addresses the fact that there is **not a level energy playing field in Northern Ireland** *and through this legislation we are in danger of essentially tipping the balance further in favour of the unregulated companies.*

What are your views on the information to be presented?

Firmus Energy understands the Department does not intend to require suppliers to present weather corrected data or to take account of changes in household and to provide suppliers with flexibility in how the information is presented.

Response: Firmus Energy welcomes this approach.

Article 13 3 (c) – Provision of normalised or benchmarked data

We understand that the Department is not proposing at this stage to require suppliers to provide benchmark data as referred to in Article 13 3 (c)

Response: Firmus Energy welcomes this approach.

Article 13 3 (d) – provision of energy efficiency advice

We understand that Article 13 3 (d) requires contact information for consumers' organisations, energy agencies or similar bodies from which information can be obtained on energy efficiency improvement measures and we appreciate that the Department considers that no further action is required to implement this section of the Directive.

Response: Firmus Energy welcomes this approach.

Should comparative information be provided for the smallest businesses in a similar way to domestic consumers?

Response: Firmus Energy does not believe that it would be possible for businesses to show comparative data as no two businesses are the alike given their varying size, opening hours and energy demands.

Would the inclusion of contact points for energy efficiency advice be an effective way for promoting energy saving to business customers?

Response: Firmus Energy believes that one way of promoting energy saving advice to business customers could be via the Carbon Trust. However, we believe that the Carbon Trust's role should be extended to promoting energy efficiency advice to businesses within the public and private sectors.

(Ch5) The future of metering – smart meters

We recognise that the UK Government's vision is to have smart meters deployed over the next 10 years.

Response: There are financial and logistical hurdles that will need to be addressed before such an ambitious strategy could be deployed. In order to understand the technical and operational issues surrounding smart metering Firmus Energy is currently finalising arrangements to undertake a smart metering trial along with NIE.

We envisage that this trial will commence over the next few months.