

CUSTOMER PROTECTION

COMMENTS IN RESPONSE TO THE ERGEG BEST PRACTICE PROPOSITION

Introduction

Eurogas has been pleased to have had the opportunity of contributing to the work of the ERGEG Customer Focus Group during 2005, and has considered the report on Customer Protection produced by ERGEG in September 2005.

We recognise the importance of suitable safeguards for domestic (household) customers in retail energy markets, as set out in Article 3 and Annex A of the Directive 2003/5/EC. We agree that the lead-up to full market opening in July 2007 is an appropriate time to review approaches to the provision of these safeguards and based on this review to put forward best practice proposals in this area.

Eurogas very much welcomes the best practice proposals which we generally support. We would wish to comment further on the following topics:

- Scope of the proposals
- Safeguards for vulnerable customers
- Connection/disconnection
- Dispute settlement mechanisms

Some other issues mentioned in this consultation are covered in our responses on transparency and customer switching processes.

Scope of the proposals

As noted in paragraph 2 of this proposition, Annex 3 to the Gas Directive refers to measures on consumer protection to be applied to at least household customers.

Eurogas so far has been focusing on the needs of household customers only, with particular attention being given to the needs of vulnerable customers. We believe that ERGEG's best practice proposals should be confined to domestic (household) customers, where there is a common requirement for consumer protection.

Safeguards for vulnerable customers (paragraphs 7 – 14)

We would note that in a competitive market, suppliers are naturally incentivised to provide good quality service for their customers, since failure to do so will lead to adverse publicity and loss of customers.

However, while care must be taken to avoid unnecessary regulatory intervention, which could distort competition, Eurogas readily accepts that it is appropriate to have specific consumer safeguards targeted on socially disadvantaged customer groups, who are particularly vulnerable.

The way in which such customers are identified rightly varies from country to country, as do the measures taken. It may be worth adding a comment (e.g. to paragraph 14) that where it is not covered directly by state social assistance, the cost of meeting social obligations should be socialised among all customers, e.g. via regulated network tariffs.

Connection/disconnection

We accept the importance of ensuring that in areas where there is already a suitable gas network readily available, customers should be able to be connected by the network within a reasonable time. However in a competitive market, activation should only happen once the customer has agreed to the terms and conditions offered by his chosen supplier. We believe that paragraph 20 should make this clearer.

ERGEG's proposition goes on to refer to the service provider's right to suspend or terminate a connection contract or a supply contract where the customer has violated his/her obligations under the contract, provided that the customer has had reasonable time to remedy the breach.

Eurogas welcomes this acknowledgement. Gas suppliers naturally wish to maintain supply wherever possible in their own commercial interest. We would wish to reassure ERGEG that while supply contracts may be terminated for a number of contractual reasons, physical disconnection of domestic customers who do not pay their bills is seen as a last resort, when all other routes have been tried and have failed.

Gas suppliers, as well as regulators and other industry players, recognise that disconnection process has to take into account the fact that while some customers may be poor payers, others are in genuine hardship. For this reason, suppliers' debt management policies are generally tightly defined, with clearly specified stages in the process. The customer is made aware, often through a number of contacts both written and in person, that they run the risk if disconnection, and must have every opportunity to avoid disconnection e.g. through the offer of special payment arrangements.

Dispute settlement mechanisms

As ERGEG's previous report showed, member states have different approaches to the resolution of complaints between energy suppliers and their customers. In some cases a dispute is referred directly for resolution by the regulator or an office linked to the regulator. In others a dispute can be escalated to a board or agency, either specific to the energy or utility market or a more general consumer mediation service. Boards and agencies differ in their formal powers, constitutions and funding. There are also differences in whether decisions are binding.

Whatever form may be adopted, Eurogas believes that a properly designed dispute resolution service can offer advantages to both customers and suppliers.

- customers who have tried and failed to obtain a satisfactory answer from their supplier have another route to pursue their complaint;
- suppliers who are faced with a customer who continues to pursue a complaint despite reasonable efforts having been made to close the issue on a fair basis have a means by which the case can be referred to a third party for a final decision.

Key characteristics of a settlement service are, in our view,

- independence (i.e. independent of the regulator, supplier and consumer);
- transparency in information gathering, decision making etc;
- speed i.e. the service must be quicker (and therefore cheaper) than, for example, recourse to the courts;
- accessibility.

Eurogas supports the inclusion of dispute settlement mechanisms in these best practice proposals and welcomes initiatives to establish such dispute resolution schemes where they do not already exist.