

TOPIC FOR DISCUSSION AT DISTRIBUTION WORKSTREAM

Topic:

Disconnection Timescales

Issue:

Provision of credit between suppliers and customers is increasingly becoming an issue in the current economic environment. The MEUC has a group looking at measures that can be taken under existing rules to ensure that customers can gain access to appropriate credit for energy supply. One issue raised in this group is where a customer is not eligible for open credit arrangements, often suppliers require credit for at least 3 month period on the basis that this is the minimum period 'at risk'.

The 'at risk' period runs from when the customer takes gas to when the supplier can cut supply:

Customer takes gas ----
(one month)
Customer is billed for gas ---
(30 days)
Customer defaults ----
(6 week inc. court warrant process)
Customer is isolated

Suppliers therefore argue that they are simply reflecting in their credit terms the risk they face through the existing market norms.

Customer representatives suggested that the industry should look at whether it is possible to have a regime where an I&C customer would volunteer for a process that would allow a customer to be cut off via a quicker process and to pay on a shorter timescale. This would therefore subject the supplier to less of a 'at risk' period which could be reflected in lower credit requirements.

The new regime could look something like this:

Customer takes gas ----
(one week)
Customer is billed for gas ---
(one week)
Customer defaults ----
(2 week process)
Customer is temp cut off

This regime would therefore allow suppliers to ask for reduced credit.

Comment:

Given the issues some mid/large I&C customers are having with credit arrangements it appears worthwhile to pursue some initial discussions on the viability of such a solution. This will allow the industry to engage more effectively with customers in discussion of such a proposition.

This is all at a very early stage and CE recognise that ultimately such a regime may not prove possible in the current regulatory/statutory environment.