



An Coimisiún
um Rialáil Fóntas
**Commission for
Regulation of Utilities**

An Coimisiún um Rialáil Fóntas
Commission for Regulation of Utilities

Debt Flagging Review

Decision Paper

Reference:	CRU20018	Date Published:	24 March 2020	Closing Date:	N/A
-------------------	----------	----------------------------	---------------	--------------------------	-----

CRU Mission Statement

The CRU's mission is to protect the public interest in Water, Energy and Energy Safety.

The CRU is guided by four strategic priorities that sit alongside the core activities we undertake to deliver on the public interest. These are:

- Deliver sustainable low-carbon solutions with well-regulated markets and networks
- Ensure compliance and accountability through best regulatory practice
- Develop effective communications to support customers and the regulatory process
- Foster and maintain a high-performance culture and organisation to achieve our vision

Further information on the CRU's role and relevant legislation can be found on the CRU's website at www.cru.ie

Executive Summary

This paper sets out the CRU's decision on the Debt Flagging review and the proposed introduction of a Revenue Protection Flag (RP Flag).

The CRU has decided:

1. To adjust the debt flag threshold level to align with the average annual bill;
2. To maintain the existing 30-day timeframe for raising a debt flag;
3. To apply the threshold for DG5 consumption to unmetered supply for the purpose of applying a debt flag;
4. Not to introduce an RP debt flag.

Debt flagging has been operational in both the electricity and gas markets since October 2011. A debt flag is raised if a customer who is in debt with their supplier (above a set amount and over a specific length of time) chooses to switch to another supplier. The losing supplier will raise a debt flag to the new supplier, who can then accept or reject the customer who requested to switch.

The purpose of debt flagging is to reduce the levels of what is called “debt hopping”. Debt hopping occurs when a customer in debt chooses to switch supplier to avoid paying the debt that they owe to their previous supplier. This practice impacts customers by raising energy prices as the unpaid debt gets spread across all customers. Additionally, for those customers in debt, it makes their situation worse by building up debts with several suppliers and makes it more difficult to manage in the long run.

Due to nature of the market which changes over time, the CRU decided to carry out a review of the debt flagging process in late 2018.¹ At that time, the CRU consulted on proposed updates to the debt flagging process which included reviewing the debt

¹ The process of debt flagging was reviewed in 2013, resulting in revised thresholds and timings for raising a debt flag. A further review of debt flagging was carried out in 2016, in which it was decided not to change the structure or values associated with debt flagging.

threshold and timeframe for raising a debt flag. Along with a review of the debt flagging threshold for unmetered supply.

In addition to the review of the existing debt flagging parameters, the CRU consulted on the introduction of a new flag – a Revenue Protection Flag (RP Flag). The purpose of the RP Flag was to assist in addressing energy theft due to meter tampering. Meter tampering occurs when an individual interferes with a meter to limit or stop its recording of energy usage. If a customer who has debt associated with meter tampering chooses to switch supplier, the losing supplier would be able to raise an RP flag to the new supplier, who can then accept or reject the customer who requested to switch.

Outcome of Debt Flagging Review

Debt Flag Monetary Thresholds

In the consultation the CRU proposed reducing the monetary thresholds for raising a debt flag so that they were in line with the average annual bill. Respondents were generally in agreement with these proposals. Having reviewed the responses, the CRU has decided to implement these changes. This will result in a reduction in the monetary threshold for raising a debt flag by 10% to **€200** for domestic customers. This value is above the highest average annual bi-monthly bill on the market of €196, so should not significantly impact upon any particular group of customer. For business customers, the CRU's decision is to reduce the threshold by a similar percentage as outlined for domestic customers. To generate a round figure the non-domestic customer thresholds have been reduced by approximately 15% from the current thresholds to **€500** for small businesses; and **€1,000** for medium businesses.

Market Sector	Current Monetary Threshold	CRU Decision
Domestic	≥ € 225 and > 60 days from due	≥ € 200 and > 60 days from due
Small Businesses	≥ € 600 and > 30 days from due	≥ € 500 and > 30 days from due
Medium Sized Business	≥ € 1,200 and > 30 days from due	≥ € 1,000 and > 30 days from due

Table 1 Debt Flagging Monetary Thresholds

Debt Flag Timings

The Consultation Paper proposed maintaining the existing timings for raising a debt flag (debt outstanding for more than 60 days (domestic) and 30 days (business) after payment becomes due). The existing timings are based upon standard credit management systems (for billing) normally operating in 30-day cycles. The majority of respondents supported this approach.

The CRU has decided to continue to align the timeframes to standard credit management cycles.

Unmetered Supply

The CRU sought views on the appropriate threshold level for the application of debt flags to unmetered supply. Based on the responses to the consultation, the CRU has decided to set the debt flagging threshold for unmetered supply to that for DG5.

There was unanimous support from respondents for this proposal. Unmetered connection relates to DUoS groups DG3 and DG4. DG3 relates to other unmetered loads, such as traffic lights, telephone kiosks and bus shelters (associated with businesses). DG4 relates to unmetered public lighting (associated with local authorities). Thresholds for debt flagging are set to reflect the relative size of the bills. The threshold for unmetered electricity supply (DG3 and DG4) is set to match that of the DUoS group whose average consumption it is closest to. Currently, the debt flagging threshold for unmetered supply is set to that of DG5. Since 2017 the measurement of DG3 and DG4 was changed from grouped connections to equate the number of actual connections. Consequently, the average consumption in these DUoS groups has reduced significantly. However, the average consumption of unmetered connections DG3 and DG4 still lies closest to DG5 which is outlined in the table below.

DUoS Group	Average Annual Consumption (kWh)
DG1	3,364
DG2	3,467
DG3 & DG4	15,478
DG5	19,383

*Table 2 DUoS Group Average Consumption (2017)***Revenue Protection Flag (RP Flag)**

In the consultation the CRU proposed introducing an RP Flag for gas and electricity. The proposed RP Flag would only relate to debt built up as a result of meter tampering. The CRU has considered the responses carefully but has decided, on balance, not to introduce the RP flag for gas and electricity at this time. A number of factors influenced this decision including the inference of a criminal offence having taken place under the Energy (Miscellaneous Provisions) Act 2012. The offence of meter tampering can carry penalties ranging from fines to imprisonment. If it was possible to easily distinguish between customers at an energy meter and link usage to individuals, the concern with implying that that person had committed an offence could be mitigated. Unfortunately, this is not easily achieved.

Other practical factors that influenced this decision were the requirement for systemisation and meter tampering trends in the market. The gas and electricity network operators have confirmed that the introduction of an RP flag will require systemisation. The next system updates that could accommodate a new measure are scheduled for 2022 in gas and 2023 in electricity. This timeline was considered in the context of the roll-out of smart meters for gas and electricity which will be completed in 2024. Smart meters should help to mitigate the risk of meter tampering. They will also deliver a logistical and objective way of identifying meter tampering without flagging a customer. The CRU did consider introducing the RP flag for the gas market only, given it could be introduced earlier and gas smart meter capability will be available later than electricity. However, to maintain consistency in supplier requirements and treatment of customers, particularly those availing of a dual fuel product, this option was ruled out.

The CRU also examined the number of confirmed meter tampering instances to inform its decision. The numbers are quite low as a percentage of total customers as set out in the table below. It is also clear that other RP activities being undertaken by the network operators are having a positive impact as the number of cases has declined year-on-year.

Meter Tampering Detected Cases	2017	2018	2019
Electricity	950	684	599
% Total Customer Base	0.04%	0.03%	0.02%
Gas	486	316	317
% Total Customer Base	0.07%	0.05%	0.05%

Table 3 Confirmed Cases of Meter Tampering

Based on this information, the CRU has decided not to introduce an RP Flag for gas and electricity at this point in time.

Public Impact Statement

The CRU approved the introduction of Debt Flagging following concerns that some customers were changing supplier to avoid paying their energy debt, or to avoid disconnection. This practice is known as ‘debt hopping’ and can also occur with customers who build up debts associated with meter tampering. Debt hopping unfairly increases energy costs for all customers (including those customers who pay their bills). For those customers in debt, it makes their situation worse by building up debt with a number of suppliers and making it more difficult to manage in the long run. A debt flag is raised if a customer who is in debt with their supplier (above a specific amount and over a certain time) chooses to switch to another supplier. The losing supplier will raise a Debt Flag to the new supplier, who can then accept or reject the customer who requested to switch. This paper sets out the CRU’s decision on updates to the flagging process.

Tampering with a meter poses safety concerns for both the individual and the public. It occurs when an individual interferes with a meter to limit or stop its recording of energy usage. In the consultation, the CRU proposed to introduce a new flag – a Revenue Protection Flag to assist in addressing energy theft due to meter tampering. If a customer who has debt associated with meter tampering chooses to switch supplier, the losing supplier can raise a Revenue Protection (RP) Flag to the new supplier, who can then accept or reject the customer who requested to switch. However, the CRU is mindful that if an RP Flag is raised for a customer, it could potentially infer that that person has tampered with a meter and therefore committed an offence. On balance, the CRU has decided that it is not appropriate to introduce an RP Flag for gas and electricity at this time.

Table of Contents

Glossary of Terms and Abbreviations.....	8
1. Introduction.....	9
1.1 Purpose of this Paper.....	9
1.2 Related Documents	9
1.3 Structure of Paper	9
2. Background.....	11
2.1 Debt Flagging Process.....	11
2.1.1 Debt Flagging Process	11
2.1.2 Revenue Protection Flag	12
2.1.3 Consultation Responses Received.....	12
3. CRU Decision	13
3.1 Debt Flagging.....	13
3.1.1 Debt Flag Monetary Thresholds	13
3.1.2 Debt Flag Timing	14
3.1.3 Unmetered Supply	15
3.1.4 Debt Flagging Revised Parameters.....	16
3.2 Revenue Protection Flag.....	16
3.2.1 Threshold.....	17
3.2.2 Timeframes.....	17
3.2.3 CRU Decision on the RP Flag	17
4. Responses and Comments Received	20

Glossary of Terms and Abbreviations

Abbreviation or Term	Definition or Meaning
CRU	Commission for Regulation of Utilities
CoS	Change of Supplier
DUoS	Distribution Use of System
ESBN	ESB Networks
GNI	Gas Networks Ireland
KWH	Kilowatt Hour
RP	Revenue Protection

1. Introduction

This chapter summaries the purpose of this paper and the relevant context for Debt Flagging.

1.1 Purpose of this Paper

This paper sets out the CRU's decision on the review of the debt flagging parameters and proposed updates to those parameters. It also sets out the CRU's decision on the introduction of an RP flag. The CRU considers that debt flagging can act as useful tool to address instances of energy debt in the market. However, it is important that the requirements around debt flagging are reviewed periodically and remain appropriate for the current energy market.

1.2 Related Documents

By way of background to this proposed decision paper, the following list of documents is of relevance:

- **CRU/18/255** – Debt Flagging Review Consultation Paper
- **CER/11/106** – Customer Bad Debt in Electricity & Gas Markets
- **CER/11/181** - Debt Flagging Industry Code
- **CER/13/135** – Debt Flagging Review
- **CER/16/014** - Debt Management: Debt Transfer & Debt Flagging
- **CER/17/060** - Electricity and Gas Suppliers' Handbook April 2017

Information on the CRU's role and relevant legislation can be found on the CRU's website at www.cru.ie.

1.3 Structure of Paper

- **Section 1 Introduction** – summaries the purpose of this paper and the relevant context for debt flagging.

- **Section 2 Background** – provides a background to debt flags explaining what they are, rational for their introduction and parameters in their implementation alongside the possible requirement for a measure to address meter tampering and the CRU's proposed methods of introducing an RP Flag
- **Section 3 CRU Decision** - sets out the CRU's decision on the changes to the debt flagging arrangements and proposed introduction of a new revenue protection flag.
- **Section 3 Response and Comments Received** – summaries the comments received and sets out the CRU's response to those comments. Responses received (other than those marked confidential) are available on the CRU's website.

2. Background

2.1 Debt Flagging Process

2.1.1 Debt Flagging Process

The debt flagging process was introduced in the electricity and gas markets in 2011. A Debt Flag is raised if a customer who is in debt with their supplier (above a predetermined range and duration) chooses to switch to another supplier. The losing supplier will raise the debt flag to the new supplier, who can then accept or reject the customer who requested to switch. The CRU monitors the use of the debt flagging facility by both losing and gaining suppliers on an on-going basis.²

The rules for this process are set out in [CER/11/181](#), the Debt Flagging Industry Code. To ensure debt flagging is an effective measure the CRU periodically reviews the requirements around debt flagging. The process of debt flagging was reviewed in 2013, resulting in revised thresholds and timings for raising a debt flag.

A second review of debt flagging was carried out in 2016 ([CER 16/014](#)). It was decided in that paper not to change the structure or values associated with debt flagging. Due to changes in the market and development over time the CRU decided that a further review of the debt flagging thresholds was required.

On the 5 December 2018, the CRU published a Consultation Paper that sought the views of interested parties regarding proposed updates to the debt flagging arrangements such as the monetary thresholds and timings for being able to raise a debt flag. The Debt Flagging code also stipulates how and when a supplier must raise a flag and what information the supplier must provide the customer during the process – particularly during sign up and when a switch is being cancelled due to a debt flag. These remain in force and were not considered as part of the review.

² [Electricity and Gas Retail Markets Report Q2 2019](#)

2.1.2 Revenue Protection Flag

In the Consultation Paper, the CRU also proposed introducing an additional flag – a Revenue Protection Flag. This flag was proposed in response to concerns raised by energy suppliers in relation to energy theft from meter tampering. Meter tampering poses a safety risk and adds additional costs to suppliers which gets spread across their customer base. The proposed RP Flag would operate in a similar manner to a Debt Flag. However, instead of encompassing all debt, an RP Flag would only relate to debt built up as a result of meter tampering. Debt in the context of an RP flag is any debt a customer owes their supplier because of energy theft from meter tampering. The purpose of the flag would be to act as a deterrent to energy theft and to support the recovery of costs associated with unmeasured energy from those who have benefitted.

2.1.3 Consultation Responses Received

As part of the consultation process, the CRU reviewed debt flagging statistics such as the number of debt flags raised and the number of changes of supplier requests cancelled as a result of a debt flag. The CRU also reviewed responses received from suppliers and consumer stakeholder groups.

Responses were received from the following parties:

- Electric Ireland
- Energia
- Flogas
- Bord Gáis Energy
- Gas Networks Ireland
- Society of St Vincent de Paul
- Competition and Consumer Protection Commission

The responses not marked confidential are published alongside this paper.

3. CRU Decision

This section sets out the CRU's decisions on changes to the debt flagging parameters and the proposed introduction of a RP flag.

3.1 Debt Flagging

3.1.1 Debt Flag Monetary Thresholds

The threshold for raising a debt flag is based upon the average electricity bill. The current values are based upon a value derived in 2013. As set out in the Consultation Paper, the tariff rates have changed, and the average annual consumption figure reduced in 2017.³ A result of the reduced average annual consumption is that the average annual bill for consumers has lowered. Therefore, the CRU's decision is to lower the debt flagging threshold to bring it in line with these changes.

As set out in the Consultation Paper, the average electricity bi-monthly bill across all suppliers ranged from €150 – €196, with an overall average of **€169** (across standard and best available discount plans offered by all suppliers). The average bi-monthly bill across all suppliers for gas is slightly lower ranging from €117 – €136, with an overall average of **€127** (across standard and best available discount plans offered by all suppliers). The calculation of the current debt flagging threshold was based upon the value of the average electricity bill.

A 25% reduction in the threshold for the domestic sector (in line with the percentage reduction in average annual consumption) would see the threshold aligning with the overall electricity bi-monthly bill at €169. However, this does not consider the change in consumption across the year (for example higher consumption in winter), the size

³ [CER/17042 Review of Typical Domestic Consumption Values for Electricity and Gas Customers](#)

of a household or the type of house. Any reduction should consider larger households and not significantly impact on them.

For this reason and the potential large increase in the number of debt flags, the CRU's decision is that the threshold be reduced by 10% to **€200**. This value is above the highest average annual bi-monthly bill on the market of €196, so should not significantly impact upon any particular group of customer. For business customers, the CRU's decision is to reduce the threshold by a similar percentage as outlined for domestic customers. To generate a round figure the non-domestic customer thresholds are approximately a 15% reduction from current thresholds. The CRU's decision is a threshold of **€500** for small businesses and **€1,000** for medium businesses. This aligns with the proposals set out in the Consultation Paper.

3.1.2 Debt Flag Timing

The CRU's decision is not to change to the current timings for being able to raise a debt flag (debt outstanding for more than 60 days (domestic) and 30 days (business) after payment becomes due). No change has occurred to the standard credit management system operations that informed the timeline decision in the 2013 Debt Flagging Review Paper. The same rationale remains that the flagging timings should be aligned with a 30-day period or a multiple to be in line with the operation timings of the Standard Credit Management Systems.

It should be noted that the timing threshold is taken to mean the number of days outstanding after the date stated on the bill that payment is due by, not the number of days after the date on which the bill was sent. The supplier will first be able to debt flag a non-paying domestic customer 60 days after that customer's bill becomes due for payment. Bills are generally issued every two months with two weeks given to the customer to pay. Therefore, over 4 months will have passed before a customer can be debt flagged upon energy usage they have not paid for (if the customer is billed every month, then the debt flag could be raised a month earlier).

3.1.3 Unmetered Supply

The consultation proposed aligning the debt flagging threshold for unmetered supply to that of DG5. Unmetered connection relates to DUoS groups DG3 and DG4. DG3 relates to other unmetered loads, such as traffic lights, telephone kiosks and bus shelters (associated with businesses). DG4 relates to unmetered public lighting (associated with local authorities). Unmetered supply may have loads up to 2kVa, which falls below the minimum loads associated with the higher DUoS business groups. Such an anomaly is not present on the gas side, where all customers bar Large Energy Users are covered by debt flagging (note there are no unmetered sites on the gas side).

Debt flagging will apply to all electricity and gas customers from domestic, up to, but not including Large Energy Users. The debt flagging of unmetered electricity supply will continue. Thresholds for debt flagging are set to reflect the relative size of the bills.

Currently, the debt flagging threshold for unmetered supply is set to that of DG5. Since 2017 the measurement of DG3 and DG4 was changed from grouped connections to equate to the number of actual connections. Consequently, the average consumption in these DUoS groups has reduced significantly. Nonetheless, as outlined in the table below, the average consumption of unmetered connections (DG3 and DG4) still lies closest to DG5.

DUoS Group	Average Annual Consumption (kWh)
DG1	3,364
DG2	3,467
DG3 & DG4	15,478
DG5	19,383

Table 4 Average Annual Consumption DG1 - DG5

The CRU has decided to maintain the debt flagging threshold for unmetered supply at that of DG5.

3.1.4 Debt Flagging Revised Parameters

Market Sector	Current Threshold	CRU Decision
Domestic	≥ € 225 and > 60 days from due	≥ € 200 and > 60 days from due
Small businesses	≥ € 600 and > 30 days from due	≥ € 500 and > 30 days from due
Medium Sized Business	≥ € 1,200 and > 30 days from due	≥ € 1,000 and > 30 days from due

*Table 5 Debt Flagging Revised Parameters***3.2 Revenue Protection Flag**

The consultation proposed the introduction of an RP Flag for gas and electricity. The purpose of the flag would be to act as a deterrent to energy theft and to support the recovery of costs associated with unmeasured energy from those who have benefitted. This measure was considered in response to concerns raised by energy suppliers in relation to energy theft from meter tampering. Meter tampering poses a safety risk and adds additional costs to suppliers which is spread across their customer base. In some cases, the customer at the address may not have tampered with the meter but benefitted by consuming energy that they did not pay for. In these situations, the customer would be in debt for the time that they benefitted from the tampering.

For an RP flag to be raised the relevant network operator would have identified meter tampering and would issue a market message to the supplier. Once an RP read is issued by the network operator⁴ to the supplier, the supplier would issue a bill to the customer with the amount outstanding.

Once a customer has been issued a bill, they still have the option to switch. Where an RP flag has been raised and the customer chooses to switch supplier, the losing supplier would be able to raise an RP flag visible to the gaining supplier. The gaining supplier would then be in the position to either accept or reject the new customer

⁴ ESBN or GNI will only issue an RP read once they have visited the site, tested the meter and confirmed that tampering had taken place.

based on taking the RP flag and related debt which has been associated with meter tampering into consideration. It was proposed that this measure could be introduced for both domestic and non-domestic customers.

3.2.1 Threshold

In the Consultation Paper, the CRU proposed aligning the minimum threshold values for raising an RP Flag with that of a debt flag. Many suppliers were of the view that having a monetary threshold (i.e. for domestic customers the debt would have to be in excess of €200) for raising a debt flag is irrelevant as all cases would be in excess of the proposed monetary thresholds due to the time it takes to identify meter tampering.

3.2.2 Timeframes

Minimum timeframe

The consultation proposed that no minimum timeframe would apply before an RP Flag could be raised. Once a supplier had received an RP Read⁵ and a change of supplier request has commenced, the losing supplier could raise an RP Flag. Respondents were strongly in favour of this approach.

Maximum Timeline for Issue

The CRU had proposed that an RP flag could only be in place for a maximum of one year after the supplier had received a RP read. After that, the supplier would not be able to raise a RP Flag if a change of supplier request commenced, but they would be able to issue a Debt Flag if the customer has debt above in the industry thresholds.

3.2.3 CRU Decision on the RP Flag

The CRU has decided on principal not to introduce an RP for gas and electricity at this time. A number of factors influenced this decision. Overall, respondents were in

⁵ An RP Read is a market message which is set from the network operator to the supplier confirming that meter tampering has occurred.

favour of introducing an RP Flag. However, one respondent raised concerns, that in the case of rented accommodation, a network operator may be able to link a ‘moving in’ customer to a tampered meter, when they have not, in fact, tampered with a meter. The CRU is particularly mindful of this concern and the inference of a criminal offence having taken place under the Energy (Miscellaneous Provisions) Act 2012. The offence of meter tampering can carry penalties ranging from fines to imprisonment. If it was possible to easily distinguish between customers at an energy meter and link usage to individuals, the concern with implying that that person had committed an offence could be mitigated. Unfortunately, this is not easily achieved. The CRU considers that the potential harm in individual cases outweighs the overall benefit of this proposed measure.

Other practical factors that influenced this decision were the requirement for systemisation and meter tampering trends in the market. The gas and electricity network operators have confirmed that the introduction of an RP flag will require systemisation. The next system updates that could accommodate a new measure are scheduled for 2022 in gas and 2023 in electricity. The CRU has considered this timeline in light of the full roll-out of smart meters for gas and electricity which will be completed in 2024. Smart meters should help to mitigate the risk of meter tampering. They will also deliver a logistical and objective way of identifying meter tampering without flagging a customer. The CRU did consider introducing the RP flag for the gas market only given it could be introduced earlier and gas smart meter capability will be available later than electricity. However, to maintain consistency in supplier requirement and treatment of customers, particularly those availing of a dual fuel product, this option was ruled out.

The CRU also examined the number of confirmed meter tampering instances to inform its decision. The numbers are quite low as a percentage of total customers as set out in the table below. It is also clear that other RP activities being undertaken by the network operators are having a positive impact as the number of cases has declined year-on-year.

Meter Tampering Detected Cases	2017	2018	2019
Electricity	950	684	599
% Total Customer Base	0.04%	0.03%	0.02%
Gas	486	316	317
% Total Customer Base	0.07%	0.05%	0.05%

Table 6 Number of confirmed meter tampering cases in gas and electricity

The CRU is not condoning meter tampering and would encourage the network operators and suppliers to continue their positive work in this area.

4. Responses and Comments Received

This section summaries the comments received and sets out the CRU's response to those comments. Responses received (other than those marked confidential) are available on the CRU's website.

1. Do you have any comments on the CRU's proposed changes to the monetary thresholds for raising a Debt Flag?

In general, respondents supported the proposed changes to the monetary thresholds for raising a debt flag. However, one respondent proposed lowering the thresholds to closer to the average suppliers' bill, while another proposed the introduction of debt transfer. It was also pointed out, that it was important to be considerate of low-income houses with higher consumption levels, such as those at home during the day (e.g. older people, persons who have a disability / chronically ill) larger families or those in energy inefficient homes who are at a higher risk of arrears and reaching the threshold.

CRU Response

The CRU is of the view that the proposed thresholds for raising a debt flag strike a balance by being slightly above the highest average annual bi-monthly bill (€196) on the market. Lowering the thresholds further could significantly impact a specific customer group. The CRU has taken into consideration larger households and notes that lower income households could be negatively impacted if the thresholds were lowered further. The process of debt transfer is not being considered by the CRU in this paper.

2. Do you have any comments on the CRU's proposal to maintain the current timings for raising a Debt Flag?

Overall suppliers and the networks operators supported the CRU's proposal to maintain the current timings for raising a Debt Flag. However, two respondents felt shorter timings were more appropriate in consideration with supplier billing periods. In contrast, it was pointed out that if the timings for raising a debt flag gets too short,

there could be many more debt flags being raised for routine final bills regarding Change of Supplier actions.

CRU Response

The CRU agrees that if the timings are too short there could be debt flags raised for routine bills which defeats the purpose of raising a debt flag. This could unduly prohibit a customer from switching.

3. Do you have any comments on the CRU's proposal to set the debt flagging threshold for unmetered supply to that of DG5?

There was unanimous support from suppliers and networks for the CRU's proposal to set the debt flagging threshold for unmetered supply to that of DG5.

4. Do you have any other general comments on the CRU's proposed structure or values associated with debt flagging?

Suppliers were of the view that debt flagging was inadequate or at least of limited effectiveness. One respondent proposed that SMEs (who make up a larger commercial group) are exempt from debt flagging. Some of the submissions also suggested introducing debt blocking which is in place in the UK and the introduction of debt transfer.

CRU Response

The CRU monitors the number of debt flags raised in the electricity and gas market. It also monitors the number of Change of Supplier requests cancelled as a result of a debt flag see details in Appendix 1. The CRU acknowledges suppliers views and hence considers it important that the debt flagging requirements are reviewed periodically to ensure that debt flagging can act as a useful tool to address instances of energy debt in the market. The introduction of a process for debt transfer and/or debt blocking is not being considered by the CRU at this time.

5. Do you have any comments on the CRU's proposal to introduce an RP Flag for both the electricity and gas market?

Overall respondents were in favour of the introduction of an RP Flag and its potential to provide additional information to suppliers to inform their decision on whether to take on a customer or not. It was highlighted by one respondent that the safety concerns associated with meter tampering provide an additional reason for these cases to be flagged and dealt differently to a normal debt flag. One respondent raised concerns that a network operator may be able to link a 'moving in' customer to a tampered meter, when they have not, in fact, tampered with the meter and therefore not committed an offence under the Energy (Miscellaneous Provisions) Act 2012. Another respondent stated that they had no objections to the introduction of a RP flag but noted the limited reference in the Debt Flagging Consultation Paper to vulnerable customers. Highlighting that the Supplier Handbook which currently does not apply the code of practice in cases of meter tampering.

CRU Response

The CRU considered the view of respondents in coming to its decision on the RP flag. As set out in Section 3, the CRU has decided not to introduce an RP Flag at this time.

The CRU was particularly mindful that if a supplier receives an RP Flag for a customer, it could potentially infer that a person has tampered with a meter and therefore committed an offence. As noted by one respondent, this may be the case in rented accommodation, whereby, a supplier may be able to link a new tenant to a tampered meter when they have not, in fact, tampered with a meter. The offence of meter tampering can carry penalties ranging from fines to imprisonment. If it was possible to easily distinguish between customers at an energy meter and link usage to individuals, the concern with implying that that person had committed an offence could be mitigated. Unfortunately, this is not easily achieved.

In addition, the timeframe for the introduction of an RP flag into the market systems informed our decision. The gas and electricity network operators have confirmed that the introduction of an RP flag will require systemisation. The next system updates

that could accommodate a new measure would 'go-live' in 2022 and 2023 for gas and electricity respectively. The CRU has considered this timeline in the context of the roll-out of smart meters for gas and electricity which will be completed in 2024. Smart meters should help to mitigate the risk of meter tampering. They will also deliver a logistical and objective way of identifying meter tampering without flagging a customer. The CRU did consider introducing an RP flag for the gas market only given it could be introduced earlier and gas smart meter capability will be available later than electricity. However, to maintain consistency in supplier requirement and treatment of customers, particularly those availing of a dual fuel product, this option was ruled out.

The CRU also examined the number of confirmed meter tampering instances to inform its decision. The numbers are quite low as a percentage of total customers. This indicates that other RP activities being undertaken by the network operators are having a positive impact as the number of cases has declined year-on-year. It should be noted that suppliers retain lists of both vulnerable and priority customers. The individual needs of vulnerable or priority customers will be considered in the case of meter tampering.

6. Do you have any comments on the CRU's proposal to align the minimum threshold value to raise an RP flag with that of a debt flag?

Many respondents were of the view that a monetary threshold is irrelevant due to the time it takes to identify tampering, which can take months. At this point customers would more than likely be in excess of the monetary threshold. It was also noted that a monetary threshold could send the wrong signal. One respondent was of the view that aligning the monetary threshold for an RP flag with a debt flag was appropriate, but the threshold should be lowered in line with the average (supplier) bill.

CRU Response

As stated above, the CRU has decided not to introduce a RP Flag at this time for the reasons outlined in response to Question 5.

7. Do you have any comments on the CRU's proposal to have no minimum time threshold for a supplier to be able to raise a RP Flag on a customer?

There was strong agreement among respondents that there should be no minimum time threshold. One respondent suggested raising an RP flag once tampering is suspected before an RP read is received. Clarity was requested on timescales for provision of an RP read, and it was noted that this typically takes longer in gas. One respondent is of the view that it should be possible to raise an RP flag when the network operator confirms the tampering rather than when the supplier issues the bill for the related consumption otherwise electricity customers may have the opportunity to debt hop while the supplier waits for the bill to issue from the network operator. The process for implementing an RP flag and whether a new market message would be required was also raised. One respondent queried how the RP read would work and whether a new market message would be required.

CRU Response: As stated the CRU has decided not to introduce a RP Flag at this time for the reasons outlined in response to Question 5.

8. Do you have any comments on the CRU's proposal to have a time limit of one year for a supplier to be able to raise an RP Flag on a customer?

There was unanimous agreement among respondents that there should be no time limit as it would take more than a year for revenue protection debt to be recovered. Several respondents were of the view that an RP flag should be raised up until the point of full repayment. With many suppliers pointing out that receiving suppliers post 1 year would be oblivious to the fact of outstanding theft debt, severely limiting their ability to detect tampering. Some suppliers mentioned that if a time limit is required then further discussion and a more suitable time limit is required. It was pointed out that a time limit of one year could create a loophole for avoiding payment of meter tampering debt. It was also noted that it could result in suppliers forcing customers to repay within 1 year regardless of the amount or their ability to repay.

CRU Response

The CRU has decided not to implement an RP Flag at this point in time. In coming to this decision, the CRU was cognisant of the inference that could be drawn from

applying such a flag to a meter point. The CRU considers that the roll-out of Smart Meters for gas and electricity and increased activities by the network operators to address long term no access sites should mitigate the risk of meter tampering cases which have been reducing year on year.

9. Do you have any comments upon the suitability of maintaining the Debt Flag as a suitable deterrent to meter tampering?

There was unanimous agreement among suppliers and networks that debt flagging is not a suitable deterrent to meter tampering. One respondent was of the view that debt blocking is the most suitable deterrent to meter tampering.

CRU Response

The CRU acknowledges respondents views and considers that Smart Meters will act as an objective method to mitigate the risk of meter tampering and the subsequent build up debt. This is evidence that the introduction of debt flags has had an impact on the level of debt in the market. It is also clear that suppliers often choose to ignore the flag and accept the customers switch request. This is an informed decision taken by a supplier.

10. Do you have any other proposals upon measures that could be introduced to reduce the levels of meter tampering?

Suggestions made by respondents included:

- Anti-energy theft awareness campaigns
- Incentive schemes for meter readers to identify tampering
- Revisit and re-evaluate debt flagging and revenue protection flags again in the future
- Incorporate a review into the Supplier Handbook

CRU Response

The CRU welcomes the proposals put forward by respondents and will consider some of these measures as a method of reducing the levels of meter tampering.

Appendix 1

<i>Electricity</i>												
Debt Flags	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Total Debt Flags	578	664	503	470	491	523	575	476	436	644	548	453
Total Debt Flags as % of Overall Switches	0.74%	0.90%	0.63%	0.57%	0.61%	0.64%	0.74%	0.52%	0.51%	0.84%	0.67%	0.57%
Debt Flagged CoS Requests Cancelled	235	240	168	164	156	161	150	147	150	198	144	86
% of Debt Flagged CoS Requests Cancelled	41%	36%	33%	35%	32%	31%	26%	31%	34%	31%	26%	19%
Debt Flagged CoS not cancelled	343	424	335	306	325	362	425	329	286	446	404	367
% of Debt Flagged CoS Requests not cancelled	59%	64%	67%	65%	68%	69%	74%	69%	66%	69%	74%	81%

Table 1 - Electricity Debt Flag Figures

Gas												
Debt Flags	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Total Debt Flags	317	440	398	305	321	549	614	339	371	623	604	262
Total Debt Flags as % of overall Switches	1.0%	1.4%	1.3%	1.0%	0.9%	1.6%	1.8%	1.0%	1.1%	2.1%	1.9%	0.95%
Debt flagged CoS requests cancelled	126	197	146	99	125	254	294	148	198	383	256	65
% of Debt Flagged CoS Requests Cancelled	40%	45%	37%	32%	39%	46%	48%	44%	53%	61%	42%	25%
Debt Flagged CoS not cancelled	191	243	252	206	196	295	320	191	173	240	348	197
% of Debt Flagged CoS Requests not cancelled	60%	55%	63%	68%	61%	54%	52%	56%	47%	39%	58%	75%

Table 2 - Gas Debt Flag Figures