



مكتب التنظيم والرقابة لقطاع الكهرباء و المياه  
RSB FOR ELECTRICITY & WATER

**REGULATORY AND SUPERVISORY BUREAU  
FOR THE ELECTRICITY AND WATER SECTOR**

**CONSULTATION ON MEASURES THAT DISTRICT COOLING  
PROVIDERS AND BILLING AGENTS CAN TAKE AGAINST CUSTOMERS  
IN ARREARS**

## Version control

#	Modification	Created	Approved
0.1	First Draft	J. Grinnell	G. Sims
1.0	Issued for consultation	J. Grinnell	G. Sims

## Introduction

The RSB is an independent office of Dubai's Supreme Council of Energy (SCE), established by Executive Council Resolution (2) of 2010 with the purpose of regulating Dubai's electricity and water sector. Its primary activities have been to licence independent water and power producers, but in addition to that the RSB has supported the SCE's Demand Side Management Strategy. Within that strategy the RSB has played a key role in the building retrofit programme, developing Dubai's ESCO accreditation scheme and monitoring and reporting on energy savings by accredited firms. In addition, the RSB has led on the DSM's efficient cooling programme, which aims to raise the efficiency of Dubai's' cooling sector. Its work in this area has resulted in the recent promulgation of ECR (6) of 2021 which provides a regulatory regime for district cooling.

The regulatory framework is designed to incentivise district cooling providers to improve the energy efficiency of their plant (whilst the technology is already recognised as an efficient solution in urban areas, there is a wide range in performance between different systems in Dubai), and to make the service provided more attractive to developers and consumers, thus encouraging a greater uptake of this solution.

Article 4 (5) of ECR (6) requires the RSB to prescribe measures that may be taken by a permit holder (a district cooling service provider or a billing agent) against any customer who fails to pay his or her bills. The SCE approves those measures. Closely linked to this is Article 9 (6), which places an obligation on permit holders to establish processes and procedures for handling complaints and obtain the RSB's approval of those.

This consultation will be open until Thursday 26<sup>th</sup> August, after which the RSB will consider the responses received and submit a proposal to the SCE for approval.

The RSB welcomes views from all interested parties, so this consultation is open to anyone who wishes to express an opinion. It will be published on our website and we have issued the consultation to all our known district cooling stakeholders.

## Non-payment and its impact on the sector

As with any business, permit holders require payment to finance their functions. Customers who do not to pay for the services they receive drive up the cost of operations which, in turn, may result in higher prices for all customers.

To encourage greater uptake of district cooling solutions, it is important that district cooling is offered at competitive prices. Appropriate policies for instances where customers get into arrears with their cooling payments can play a role in furthering this objective.

## Current Market Practice

In preparation for this consultation, we asked district cooling providers and billing agents to provide their current policies and procedures in respect of handling customers in arrears. We sought to understand the range of measures taken and how long after a bill becomes overdue companies wait before taking such measures.

We also sought to understand how and when companies escalate measures in their efforts to encourage customers to pay their bills.

We found a high level of consistency in the initial stage of the billing cycle. Most companies provide a 14-day window from the date of issuing the invoice to the due date. However, measures that companies take after the due date vary greatly from company to company and even from building to building.

Measures taken to encourage customers to settle their bills include:

- Chasing e-mails/SMS messages reminding the customer to settle the bill and alerting them to the potential consequences of non-payment.
- Applying a late payment fee on the day after the bill becomes due.
- Issuing warnings that, unless the bill is settled, services may be suspended or disconnected.
- Drawing down on a security deposit to settle the bill.
- Suspension or disconnection of services.
- Legal proceedings through the civil courts or through the Rental Disputes Settlement Centre, if applicable

From publicly available information we have reviewed the measures taken by UAE utilities and utilities elsewhere in the region. We found that utilities in Dubai and Abu Dhabi provide customers with more opportunity to settle their bills compared to those in other areas in the Gulf, and that the policies of district cooling providers and billing agents operating in Dubai are broadly consistent with those utility service providers in the way they escalate efforts to recover debt. The table below summarises policies of a number of utilities in the Gulf region.

Utility	Reminders	Late payment fees	Disconnection (days after due date)	Reconnection
DEWA	3		14	4 hours
SEWA	-	Yes	>1	
ADDC	2		21	3 hours
FEWA			4	
KSA			Y*	
Oman	3		10**	
Kuwait	1		Y***	
Qatar	2		Y***	

\*Disconnection if the bill is over SR400 in value

\*\* Disconnection may be carried out 10 days after the disconnection notice

\*\*\* The time to disconnection is not specified

### Options for handling customers in arrears

#### Setting the due date

All companies allow at least two weeks from the date of invoicing for customers to settle their bills before taking any action beyond a courteous reminder. If the bill is not settled within this period, the customer is deemed to be in arrears.

Establishing a minimum timeframe for customers to settle their bills will help provide consistency across Dubai in respect of cooling services.

**We think allowing customers at least 14 days to settle their bills is reasonable, given that all district cooling providers currently offer this.**

## Reminders

We recognize that some companies send courteous reminders before the due date as a matter of good communication. We are supportive of this as it reduces the chances of the customer simply forgetting to pay his/her bill.

We are, however, concerned where service providers escalate measures without having first reminded the customer that his/her bill is overdue and having given them a reasonable time to respond to the reminder.

**We therefore propose to require permit holders to issue reminders to customers and allow them seven days to respond to each reminder, before taking any other measures to recover cooling charges.**

## Penalty charges

We recognize the role that penalty charges can play in incentivizing customers to pay their bills. However, the size and timing of such charges vary significantly between service provider and geographic area.

We consider the penalty charge to serve two functions. Firstly, it acts as an incentive for the customer to pay the bill before the penalty charge is applied (so long as he/she is aware of such an impending charge). Secondly, it reflects the reasonable cost of the service provider in having to make additional effort to recover the charges, beyond the billing process.

The size of penalty charges in Dubai (where applied), range from as little as AED20 to over AED500. We do not see the justification for such a range. Ultimately, the penalty charges will be approved by the SCE in accordance with ECR (6) of 2021, so we are not consulting on these at this stage.

**We propose that no penalty charges may be applied to an account until at least seven days after the due date, and so long as a minimum of one reminder has been issued giving the customer at least seven days to settle his/her bill to avoid such a penalty charge being applied.**

## Use of the deposit

The measures taken by providers of cooling services, beyond issuing penalty charges, vary greatly. Some companies told us they move straight to initiate a disconnection process to prevent the debt getting higher. Others told us they provide additional reminders or take the outstanding amount from the deposit of the customer.

Deducting the value of outstanding dues from the security deposit at this stage in the process does not provide any incentive for the customer to pay. Indeed, we believe there may be a perverse incentive at work in which the customer is less inclined to pay taking comfort from the security deposit which is being used more as a buffer than a security deposit. Nor do we believe that such action would reduce costs to service providers in managing debt.

**We therefore take the view that the security deposit should remain intact until the contract is terminated.**

## Offering payment plans

Some service providers told us they offer payment plans, where the customer commits to a set of monthly payments allowing them to catch up with their cooling charges. This can be particularly useful when customers struggle to pay high summer cooling bills, enabling them to smooth the payments over winter months. We recognize the uptake of such plans depend on the service provider's communication of them to customers and the customer's willingness to accept and commit to them.

Customers of limited financial resources are more likely to take up offers of payment plans and because of this, payment plans incorporating deferment charges that increase the cost of cooling for the customer are somewhat counter-productive.

On balance, we think interest free payment plans offer a useful, customer focused approach that can benefit provider and customer alike.

**We support the use of payment plans in the debt collection process.**

## Suspension of services

All service providers that responded to our request for information said they included in the terms and conditions of their supply agreements a clause that permits them to suspend services when debts are overdue.

We understand that the issue of suspending cooling services is a contentious one. It has been the subject of a quarter of all the complaints received at the RSB over the past six years. Living in an apartment or villa without cooling during the summer months would be unbearable, so it is no surprise that suspending services creates a very strong incentive to settle bills and restore the cooling service.

In developing the regulatory framework, we aim to ensure that customers are afforded due care and protection whilst enabling service providers to adequately finance their functions. It is therefore an unfortunate necessity to consider suspension of services in the case of non-payment as one of the last resorts a service provider has available to recover debts. We note that service suspension is common practice in Gulf utility markets.

### We do not think service suspension should occur unless:

- a. At least two reminders were issued with one week between each of them.
- b. A payment plan was offered as an alternative to suspension of service.
- c. A final notice that services will be suspended is given no earlier than 14 days after the due date and at least 72 hours before such act.

Some service providers make considerable efforts to avoid resorting to suspending services. The proposals set out above require all companies to take alternative actions before suspending services. They aim to ensure that customers have been provided ample opportunity to engage with their service provider to manage debt and that suspension of service must not come as a surprise to any customer. Using this process, the earliest a customer could have cooling services suspended would be 17 days after the due date, or 31 days after the invoice date.

In addition to the above limitations, we have considered requiring all service providers to obtain a court order before suspending services to customers in the absence of payment. We are concerned that such an approach will drive up the costs of managing debt. However, we are minded to require that



service providers refrain from suspending services for residential customers between June and September inclusive, unless they have obtained a court order permitting them to do so.

In addition, of course, permit holders should not suspend service where this is not allowed as a matter of law. For example, where billing agents are acting on behalf of a landlord, suspension is likely to be prohibited by Article 34 of Law 26 of 2007, which governs the landlord-tenant relationship.

### **Suspending services to commercial customers**

A wide range of residential, commercial and mixed-use buildings are customers of service providers. The discussion above has focused on residential customers and consideration of an alternative approach for commercial customers is warranted.

The welfare of a commercial business is a matter for business owners and it is for them to ensure their businesses continue to operate as a going concern. If a business fails, service providers will probably have to write off debts, in the same way as any other supplier. This raises the question of whether a commercial customer should be treated the same as a residential customer. When registering accounts, commercial customers are often required to place deposits with the service provider, sufficient to cover a reasonable period of cooling costs. This limits the exposure of the service provider to the risk of bad debt.

**We are minded to require service providers to follow the same processes for commercial customers in arrears as they would for residential customers. However, to limit the service provider's exposure, if the overdue debt is equal to or more than the value of the deposit held, service providers should not be constrained from suspending services so long as 3 working days' notice has been provided. In addition, commercial customers would not benefit from the restriction on disconnection during June to September.**

### **Legal action**

Besides considering a court order to suspend cooling services, the problem of recovering the debt remains. Pursuing non-payment through the courts is a costly and time-consuming process that can take many months so the decision of whether or not to pursue debt through the courts depends on the value of the outstanding debt.

All companies that shared their approaches for handling customers in arrears told us that they reserve the right to court action to recover debts.

## A summary of our proposals on which we invite your views

1. Do you agree that allowing customers at least 14 days to settle their bills is reasonable, given that all district cooling providers offer this?
2. What are your views on our proposal to require permit holders to issue reminders to customers and allow them seven days to respond to each reminder, before taking any other measures to recover cooling charges?
3. We propose that no penalty charges may be applied to an account until at least seven days after the due date, and so long as a minimum of one reminder has been issued giving the customer at least seven days to settle his/her bill to avoid such a penalty charge being applied. Do you think this strikes the right balance?
4. The security deposit should remain intact until the contract is terminated. Do you agree?
5. We support the use of payment plans in the debt collection process. Do you think we should make them mandatory or is this sufficient?
6. We do not think service suspension should occur unless:
  - a. At least two reminders were issued with one week between each of them.
  - b. A payment plan was offered as an alternative to suspension of service.
  - c. A final notice that services will be suspended is given no earlier than 14 days after the due date and at least 72 hours before such act.

Do you think this strikes the right balance between customers and service provider's needs?

7. Do you agree that service disconnection should be prohibited between June and September?
8. Do you agree that commercial customers should, in general, be subject to the same processes as residential customers, save where the amount outstanding exceeds any security deposit?
9. Do you agree that commercial customers should not benefit from this restriction on disconnection during the summer months?
10. Are there any other comments or views you would like to provide concerning this consultation?

## How to respond to this consultation

You are welcome to respond to this consultation by sending your comments to [DCPermitting@RSBDubai.gov.ae](mailto:DCPermitting@RSBDubai.gov.ae) by the 26<sup>th</sup> August 2021.