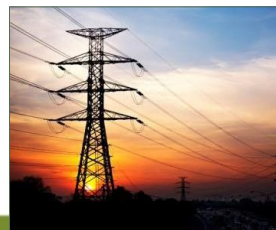


# **RETAIL MARKET MONITORING**

## **Annual Transparency Report 2015**

**Published 05 August 2016**



# About the Utility Regulator

The Utility Regulator is the independent non-ministerial government department responsible for regulating Northern Ireland's electricity, gas, water and sewerage industries, to promote the short and long-term interests of consumers.

We are not a policy-making department of government, but we make sure that the energy and water utility industries in Northern Ireland are regulated and developed within ministerial policy as set out in our statutory duties.

We are governed by a Board of Directors and are accountable to the Northern Ireland Assembly through financial and annual reporting obligations.

We are based at Queens House in the centre of Belfast. The Chief Executive leads a management team of directors representing the markets, networks and corporate affairs functional areas of the organisation. The staff team includes economists, engineers, accountants, utility specialists, legal advisors and administration professionals.

## Our Mission:

Value and sustainability in energy and water

## Our Vision:

We will make a difference for consumers by listening, innovating and leading

## Our Values:

Be a best practice regulator: transparent, consistent, proportionate, accountable, and targeted

Be a united team

Be collaborative and cooperative

Be professional

Listen and explain

Make a difference

Act with integrity

## Abstract

The Annual Transparency Report (ATR), provide a range of information about the retail energy market in Northern Ireland (NI) for the preceding calendar year.

The data shown in these reports relate mainly to market shares, market activity, domestic prices in the electricity and gas retail markets, and industrial and commercial (I&C) electricity prices.

The information shown in this report comes from network companies, suppliers, Department of Energy & Climate Change (DECC) and Eurostat. Some figures have been calculated internally.

## Audience

Electricity and gas industry, government departments, consumer associations, regulators, statistical bodies, suppliers, potential new market entrants, researchers and journalists.

## Consumer impact

This set of reports increases transparency for consumers on matters of their direct interest, such as the active suppliers in each energy market sector and NI prices compared to other jurisdictions. This information helps consumers to have increased access to comparable supplier information, which will enable them to engage more actively in the energy market.

The information used to produce these reports allows us to monitor the energy retail markets and flag potential concerns, for example switching irregularities, suppliers' activity in specific areas, etc. Proactive monitoring informs our regulatory decisions, allowing us to protect our consumers by setting policies that are based on appropriate knowledge of what is happening in the market.

The Quarterly Transparency Reports (QTRs) and ATRs are the reports we use to communicate some of the main indicators we currently monitor in the retail energy markets.

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# 1 Background

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## 1.1. Purpose of this document

The purpose of this report is to deliver transparency for stakeholders and consumers, providing readers with readily accessible information on the evolution and performance of the Northern Ireland (NI) electricity and natural gas retail sectors.

The framework in which the Annual Transparency Report (ATR) is set within is called Retail Energy Market Monitoring (REMM). The REMM project was introduced in July 2015 following consultation and engagement with stakeholders. The ultimate objective of introducing this enhanced framework was to develop the current monitoring of retail indicators, and to provide increased transparency in the retail energy markets in NI.

The ATR merges the relevant quarterly information from the Quarterly Transparency Reports (QTRs) and is the summation of Quarter 1 (Q1) through to Quarter 4 (Q4) for the preceding calendar year (2015). We will continue to make ongoing additions to this annual report based on the data collected through the REMM project.

As always, we welcome any comments and views in terms of how the current monitoring reports might be improved.

Comments in this respect can be sent to:

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14 Queen Street  
Belfast  
BT1 6ED  
[sean.murphy@uregni.gov.uk](mailto:sean.murphy@uregni.gov.uk)

## 1.2. Introduction

Protecting consumers is at the heart of the Utility Regulator (UR's) role and our statutory duties. This role is particularly important for the UR in relation to energy retail markets, where the industries we regulate directly interface with consumers. Like energy regulators in other jurisdictions, the UR is charged with the protection of energy consumers through effective regulation and developing effective competition where appropriate. The retail energy market in NI continues to evolve and develop as competition advances.

During 2015 the NI energy market key trends were the following:

- There were a number of new market entrants in both the gas and electricity supply markets during 2015 (domestic and non domestic).
- In terms of prices and the overall context of a falling wholesale market, this led to electricity and gas price decreases during the year. We review electricity pricing data in more detail in section 3.6 and 3.7, with gas pricing discussed in section 4.7.
- The UR has continued to promote transparency with customers and tried to enhance customer engagement in the retail market. During the year in the electricity market there were increased levels of switching in both the domestic and I&C electricity market (this is

outlined in detail in section 3.3). Competition in the NI gas supply market is not as mature, gas switching data is outlined in sections 4.4 and 4.5.

- The UR continues to develop a robust regulatory framework cognisant of the recently concluded investigation by the Competition and Markets Authority (CMA) of the energy market in GB. We have actively monitored the progress made by the CMA to ensure that we capture any relevant lessons learnt in the NI retail market.

### 1.3. Key Retail Market Flagships

As outlined in the UR's Forward Work Programme for 2015-16, we deliver our objectives of promoting effective and competitive markets and promoting the long-term interests of business and domestic consumers through a number of flagship projects within the Retail and Consumer Protection directorate. In 2015 these included the following:

- Retail Energy Market Monitoring (REMM)<sup>1</sup> which was formally implemented during 2015 and is outlined in further detail in section 1.4.
- The review of effectiveness of competition<sup>2</sup> in the retail electricity and gas market which is currently ongoing and will give due consideration to the Competition and Markets Authority (CMA's) findings and the implications for our regulatory framework. We anticipate that a decision paper on this will be in place for the end of 2016.
- The Consumer Protection Strategy<sup>3</sup> for the next 5 years which officially launched in February 2016.

### 1.4. REMM

The current retail monitoring framework for the electricity and gas sectors began in 2009. Since then, as the markets have changed, our retail market monitoring activities have developed and been enhanced, including the content of our published reports. We first published monitoring reports in 2010 and presented for the first time an insight to the regulated gas and electricity retail sectors in NI. Since 2011 we have published information on a regular basis in the form of the QTR's.

We have continually developed our monitoring activities, and have been progressively improving and adapting those to the needs of our readers and stakeholders. These reports include a set of essential indicators also used by other National Regulatory Authorities (NRAs) in Europe, such as: consumption, market shares, number of active suppliers, market activity and prices comparisons. As a result, the annual and quarterly reports ensure a regular and structured flow of relevant information for our stakeholders. The ongoing review of the retail market and the regular production of these reports have enabled us to develop a useful base dataset of retail market information which is essential to help inform our regulatory decisions.

As the number of participants to the market increases and competition develops, the need for monitoring and transparency strengthens. There is an EU-wide legislative requirement placed on all National Regulatory Authorities (NRAs) to monitor retail markets effectively. There may also be a detrimental impact to consumers if the UR fails to monitor the retail markets effectively.

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<sup>1</sup> [http://www.uregni.gov.uk/uploads/publications/REMM\\_decision\\_paper\\_-\\_final\\_amended.pdf](http://www.uregni.gov.uk/uploads/publications/REMM_decision_paper_-_final_amended.pdf)

<sup>2</sup> [http://www.uregni.gov.uk/uploads/publications/Review\\_of\\_Effectiveness\\_of\\_Competition\\_Phase\\_II\\_-\\_consultation\\_paper\\_-\\_221215.pdf](http://www.uregni.gov.uk/uploads/publications/Review_of_Effectiveness_of_Competition_Phase_II_-_consultation_paper_-_221215.pdf)

<sup>3</sup> [http://www.uregni.gov.uk/uploads/publications/Consumer\\_Protection\\_Strategy\\_final.pdf](http://www.uregni.gov.uk/uploads/publications/Consumer_Protection_Strategy_final.pdf)

In June 2015 we published our decision paper<sup>4</sup> for the finalised (REMM) framework.

REMM implements a proportionate but comprehensive framework that allows us to:

- monitor the NI electricity and gas retail markets more effectively;
- identify risks in our retail markets, and address these proactively at an early stage;
- fulfill our duties on licence compliance monitoring;
- inform regulatory and energy policy; and
- continue to protect and inform consumers by promoting consumer engagement through increased transparency.

We actively engaged with our stakeholders on the REMM proposals from an early stage, which was extremely helpful. Following the publication of the decision paper, we had a six month testing period which enabled engagement on the REMM indicators and interpretation of the data received. Going forward we will continue to engage with suppliers and network companies as we consider how and when the new REMM indicators will be published.

## **1.5. Data sources, methodology and accuracy of information**

The main data sources for this ATR (2015) are as follows:

- Connections, consumption and market shares information was provided by the NI network companies:
  - Northern Ireland Electricity Networks (NIEN) for electricity data; and
  - Phoenix Natural Gas Limited (PNGL) and firmus energy (Distribution) Limited (feDL) for gas data.
- Market activity information was provided by the network companies listed above and also gas suppliers.
- Information on meter types for payment methods was provided by the NI network companies and GB information was sourced from the Department of Energy & Climate Change (DECC).
- Information on bill breakdowns is sourced from the regulated gas and electricity suppliers.
- EU domestic and I&C electricity prices are from Eurostat. NI domestic and I&C electricity prices are derived directly from data submitted by suppliers.
- EU domestic gas prices are from Eurostat. GB and ROI domestic gas prices are derived from tariffs published by relevant suppliers. NI domestic gas prices are derived from the tariffs published by NI suppliers.

The quality and accuracy of the information received under REMM is crucial to its success. As a result we require annual signoff from both Suppliers and Network Companies from an appropriate level (CEO/Managing Director) with a statement that guarantees that the processes and systems are in place to produce high quality and accurate data on a quarterly basis for the coming year. As stated under Article 63 of the Energy Order, Article 46 of the Gas Order and Section 117 of the Enterprise Act 2002 it is an offence to supply false or misleading information.

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<sup>4</sup> UR Final Decisions for REMM, June 2015:  
[http://www.uregni.gov.uk/news/view/retail\\_energy\\_market\\_monitoring\\_remm\\_final\\_decisions\\_published/](http://www.uregni.gov.uk/news/view/retail_energy_market_monitoring_remm_final_decisions_published/)

To help ensure the information received from suppliers is accurate (for example the figures used to derive NI I&C electricity prices) we corroborate the data on REMM returns and perform cross checks where possible. Throughout the process, we also ensure our methodology is consistent with DECC/Eurostat.

We would like to thank network companies and suppliers for their continued effort in providing the necessary information. Both the information and the accuracy of the information are vital to us, as it enables us to continue to maintain the monitoring and reporting of the NI electricity and gas retail markets. It is therefore important that the figures submitted for these purposes continue to be accurate, and that they are provided in a timely fashion.

## 1.6. Active Suppliers during 2015

The electricity and gas (in the Greater Belfast area) markets have been open to competition to domestic customers since 2007. However, there were no competing suppliers in the domestic market until 2010. Annex 1 includes further detail on the supplier entry into the NI retail markets.

The Ten Towns area opened to gas competition for large I&C customers (those consuming over 732,000 kWh per annum) in October 2012. The domestic and small I&C segments opened to competition from 1 April 2015.

Figure 1 below displays which suppliers were active in the gas and electricity markets during 2015.

Figure 1 Active suppliers in the retail markets during 2015

2015						
Supplier	Electricity		Gas Greater Belfast		Gas Ten Towns	
	Dom	I&C	Dom	I&C	Dom	I&C
Budget Energy	💡	💡				
Click Energy	💡	💡				
Electric Ireland	💡	💡		💧		
Energia		💡				
firmus energy	💡	💡	💧	💧	💧	💧
Flogas				💧		💧
Go Power <sup>5</sup>		💡		💧		💧
Open Electric	💡					
Power NI	💡	💡				
SSE Airtricity	💡	💡	💧	💧		💧
Vayu		💡		💧		
<b>Suppliers</b>	<b>7</b>	<b>9</b>	<b>2</b>	<b>6</b>	<b>1</b>	<b>4</b>

Source: UR

<sup>5</sup> LCC Power Limited changed its name to Go Power on 1 August 2015



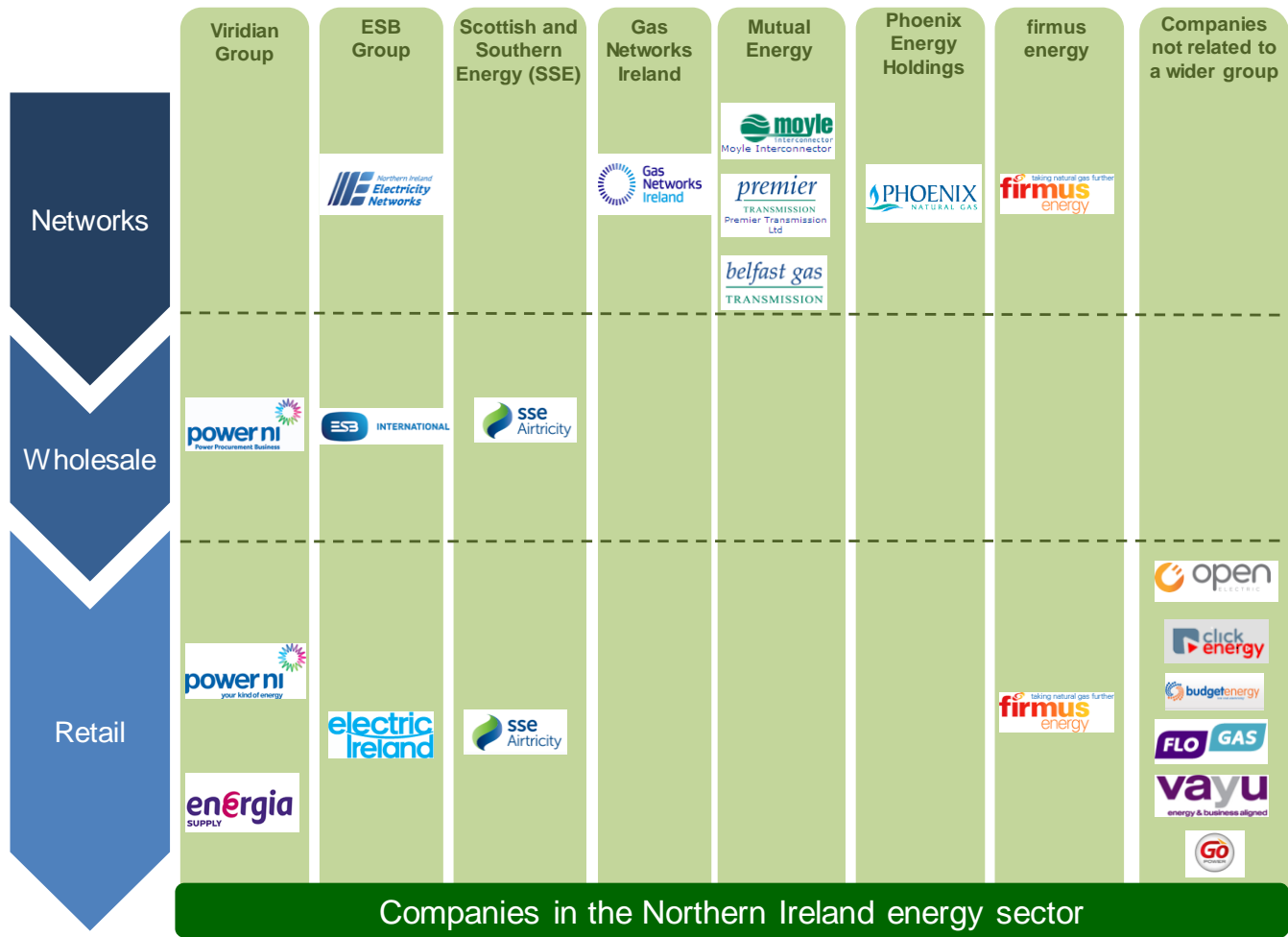
In summary there were **ten** active suppliers in the electricity market during 2015, however firmus energy exited the domestic and I&C electricity market during 2015 and there are currently nine active suppliers. In the gas markets there were **six** active suppliers during 2015 although not all of these suppliers are certified to operate in all sectors.

For more information about the retail energy market in NI, please visit:  
<http://www.uregni.gov.uk/retail/>.

### 1.7. Structure of NI energy sector

The NI energy sector consists of the wholesale market (in the electricity sector), the networks and the retail market. The figure below shows an overview of the main agents that were active in the energy sectors in NI during 2015. Note that some of these are also active participants in the RoI or GB energy markets.

Figure 2 Main agents in the energy sector in Northern Ireland during 2015



Source: Companies websites and UR

## 2 Summary of retail market indicators – annual

Table 1 Summary of retail market

2015	Electricity		Gas – Greater Belfast		Gas – Ten Towns	
	Domestic	I&C	Domestic and Small I&C <sup>6</sup>	Medium and Large I&C <sup>7</sup>	Domestic and small I&C <sup>6</sup>	Medium and Large I&C <sup>7</sup>
Number of active suppliers in this year	7	9	5 <sup>8</sup>	6	4 <sup>9</sup>	4
Connections at end of 2015	785,887	70,254	183,703	3,017	26,771	1,139
Market shares of largest suppliers (by connections at end of 2015)	Power NI 66% SSE Airtricity 25% Budget Energy 8%	Power NI 51% SSE Airtricity 21% Go Power <sup>10</sup> 12%	SSE Airtricity 73% firmus energy 27% Go Power 0.3%	SSE Airtricity 41% firmus energy 33% Go Power 15%	firmus energy 99.7% Flogas 0.2% Go Power 0.1%	firmus energy 82% Flogas 14% SSE Airtricity 2%
Market shares of largest suppliers (by consumption during 2015)	Power NI 64.99% SSE Airtricity 27.06% Budget Energy 7.54%	SSE Airtricity 23.40% Go Power 21.85% Power NI 19.20%	SSE Airtricity 68% firmus energy 31% Flogas 0.4%	firmus energy 45% SSE Airtricity 43% Go Power 8%	firmus energy 99.6% Flogas 0.3% Go Power 0.04%	firmus energy 88.3% SSE Airtricity 9.3% Flogas 2.2%
Annual switching rate	11.2%	12.8%	Domestic 0.9%	All I&C 13.9%	Domestic 0%	All I&C 10.9%

<sup>6</sup> The domestic and small I&C sector relates to any customers using less than 73,200 kWh per annum.

<sup>7</sup> The medium and large I&C sector relates to any customers with annual consumption that is greater than or equal to 73,200 kWh per annum.

<sup>8</sup> Of these five active suppliers in the domestic and small I&C sector in the Greater Belfast area, only two were active in the domestic market.

<sup>9</sup> Of these four active suppliers in the domestic and small I&C sector in the Ten Towns area, only one was active in the domestic market.

<sup>10</sup> LCC Power Limited changed its name to Go Power on 1 August 2015

## 2.1 Key Retail Market developments during 2015

<p>1. Domestic prices are now reported in the ATR and QTR for all suppliers in NI using DECC's methodology. For Semester 1 2015 (S1 - January to June) the average domestic price for medium customers (consuming 2,500 – 4,999 kWh) per annum) was 16.6p/kWh. In Semester 2 (S2 - July to December) the average domestic price for medium customers decreased to 15.7p/kWh. As of S2 2015 NI domestic prices were lower than the EU-15 median, GB and Rol.</p>
<p>2. Regulated domestic and small I&amp;C gas prices in both the Greater Belfast and Ten Towns areas fell during 2015. The price drops were attributable to the falling wholesale costs. As in the previous year, domestic gas prices in NI remain low relative to the EU-15 median.</p>
<p>3. Electricity prices for NI Industrial and Commercial (I&amp;C) customers as a whole retain their position against the EU comparators similar to 2014. The very small category which represents two thirds of business connections in NI, fell from 2014 to 2015. These prices are marginally above the EU median but they are lower than the Rol. For the largest I&amp;C customers prices are down to 8.2p/kWh in 2015. These prices are high relative to the Rol position, but are lower when compared to the UK.</p>
<p>4. The UR, together with statutory partners such as CCNI continue to promote transparency for customers, and to seek ways to make sure customers are better informed about energy retail issues. Switching in the electricity sector continues to increase. In 2015 in total there were 96,795 switches in the electricity market, this is nearly doubled when compared to the switching activity from the previous year (51,078 switches in 2014).</p> <p>Domestic switching in the gas market decreased in the Greater Belfast area significantly during 2015, while I&amp;C switching in the Greater Belfast area increased when compared to 2014.</p>
<p>5. The retail markets continue to grow and become more mature. Two new suppliers – Click Energy and Open Electric entered the domestic electricity market in October 2015. Click Energy is also certified in the I&amp;C market. firmus supply exited the electricity supply market in 2015.</p> <p>Flogas and Go Power entered the Ten Towns I&amp;C gas market in 2015.</p>

## 3 Electricity

### 3.1 NI connection numbers and consumption

By the end of 2015, there were c855,000 electricity connections in NI. Approximately 91.8% of these are domestic, while the I&C customers are around 8.2% of the total NI electricity customer base. At the end of 2014 there were c850,000 electricity connections in NI.

The breakdown of connections at the end of 2015 by market segment is shown in Figure 3. Within the domestic sector, 42.6% of customers use prepayment meters, while 57.4% are standard credit and direct debit customers. In the I&C sector the largest number of customers is in the Small and Medium Enterprises (SME) category, which includes businesses with demand below 1MW per annum. This category further splits into those who consume less than 70 kVA (92.6% of I&C customers) and more than 70 kVA (7.4% of I&C customers). The LEU customers represent less than 1% of the I&C electricity market, with 202 connections in total.

In terms of consumption, during 2015 the total electricity consumption was c 7,800 GWh (a decrease from 7,936 GWh in 2014), 37% of which related to the domestic sector and 63% in the I&C sector. Within the I&C sector, the SME consumption <70 kVA accounts for 28% of the NI I&C volume, SME>70 kVA consumes 40% and LEU accounts for 32%.

Figure 3 Connection numbers and consumption by market segment

Market segments	Number of connections at end 2015	% share of connections in market sector	Annual consumption (GWh) 2015	% share of consumption in market share
Domestic Credit	451,031	57.4%	1,738.9	60.3%
Domestic Prepayment	334,856	42.6%	1,144.6	39.7%
<b>Total Domestic</b>	<b>785,887</b>	<b>100%</b>	<b>2,883.5</b>	<b>100%</b>
Combined Tariffs	7,886	11.2%	152.0	3.1%
SME <70kVA	57,213	81.4%	1,252.5	25.4%
SME >70kVA	4,953	7.1%	1,944.7	39.4%
LEU >1MW	202	0.3%	1,586.6	32.1%
<b>Total I&amp;C</b>	<b>70,254</b>	<b>100%</b>	<b>4,935.9</b>	<b>100%</b>
<b>Total</b>	<b>856,141</b>		<b>7,819.4</b>	

Source: NIEN

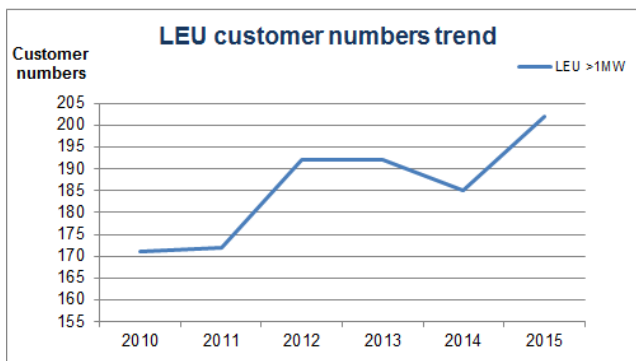
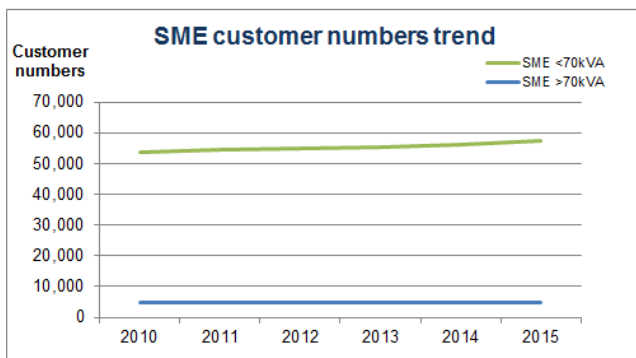
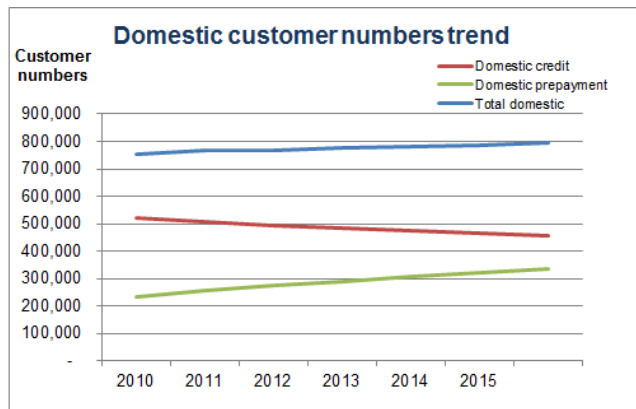
Figure 4 shows the evolution in connection numbers since 2009 in the domestic, SME and LEU markets.

The percentage of prepayment customers at the end of 2015 was 43% of the total domestic customers, which is a minimal increase from 41% at the end of 2014. This method of paying for energy continues to be a popular choice for NI customers, as they can pay for their energy upfront and the information available on the display unit helps customers to manage their usage and control their costs.

The number of SME customers has increased by around 2% at the end of 2015 and there was a 9% increase in the number of LEU customers.

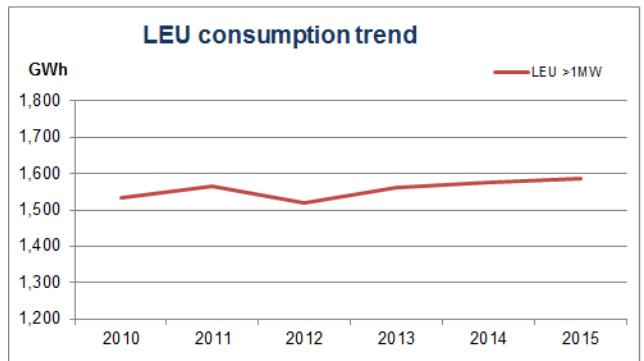
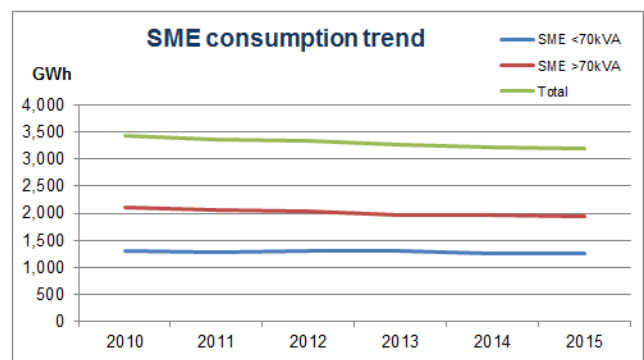
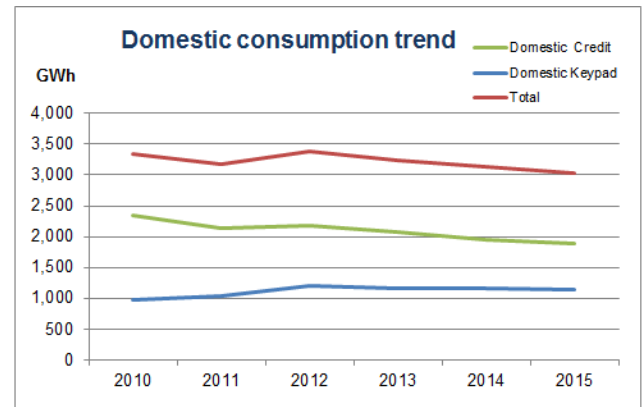
Figure 5 shows the evolution in electricity consumption since 2010 until end 2015 in the domestic, SME and LEU markets. The trend in annual consumption by market segment has been relatively stable throughout the years. Since 2010, around 40% of the total NI consumption is domestic, while I&C customers consume around 60% of the total NI volume: SME<70 kVA segment accounts for around 18% by consumption, SME>70 kVA consumes around 25%, and LEU around 20%.

Figure 4 Evolution in customer numbers by market segments



Source: NIEN

Figure 5 Evolution in annual consumption by market segment



Source: NIEN

## 3.2 Electricity market shares

The tables below show suppliers' absolute and relative market shares by customer numbers at the end of 2015, and by annual consumption over 2015<sup>11</sup>, per market segment.

Figure 6 Total NI retail electricity market shares, by customer numbers and consumption

Suppliers	Customer numbers at end 2015	Market share (customers)	Annual consumption (GWh) 2015	Market share (consumption)
Power NI	555,511	64.89%	2,823.1	36.10%
SSE Airtricity	213,243	24.91%	1,935.8	24.76%
Energia	7,307	0.85%	770.4	9.85%
Electric Ireland	6,939	0.81%	954.8	12.21%
firmus energy <sup>12</sup>	0	0.00%	20.2	0.26%
Budget Energy	61,086	7.14%	222.5	2.85%
Vayu	23	0.003%	12.7	0.16%
Go Power <sup>13</sup>	8,761	1.02%	1,078.4	13.79%
Open Electric	96	0.37%	0.1	0.00%
Click Energy	3,175	0.01%	1.4	0.02%
<b>Total Market</b>	<b>856,141</b>	<b>100%</b>	<b>7,819.4</b>	<b>100%</b>

Source: NIEN

At the end of 2015, there were nine active suppliers in the electricity market. In volume terms, four of those suppliers had a market share higher than 10% of the whole electricity retail market and the total market share based on consumption of the three largest suppliers was 75%.

Power NI's market share has continued to decrease. In terms of customer numbers, their share was 65% at the end of 2014 (compared to 69% at the end of 2014). In 2015 the second largest supplier (by customer numbers) was SSE Airtricity, with a share of 25%.

In terms of consumption, Power NI's total market share in 2015 was circa 36% (38% in 2014) while SSE Airtricity, Electric Ireland and Energia enjoyed market shares of 25%, 12% and 10%. Go Power's share has grown significantly from 7% (by consumption) in 2014 to 14% at the end of 2015.

Figure 7 Domestic credit market shares by customer numbers and consumption

Suppliers	Customer numbers at end 2015	Market share (customers)	Annual consumption (GWh) 2015	Market share (consumption)
Power NI	340,336	75.42%	1,251.9	72.00%
SSE Airtricity	104,604	23.18%	466.7	26.84%
Electric Ireland	2,185	0.48%	5.7	0.33%
Budget Energy	3,378	0.75%	14.1	0.81%
Open Electric	78	0.02%	0.05	0.003%
Click Energy	450	0.10%	0.2	0.01%
<b>Total Market</b>	<b>451,031</b>	<b>100%</b>	<b>1,738.9</b>	<b>100%</b>

Source: NIEN

At the end of 2015 there were six active suppliers in the domestic electricity market. Data for customer numbers and consumption in the domestic credit market are presented in Figure 7, which reflects similar trends in market share. The domestic credit market is still very concentrated, and Power NI's share by customer numbers has remained stable at 75% (78% in 2014).

Power NI also retains a large share of the domestic credit market in terms of volume, with around 72% of market share by consumption (compared to 74% in 2014). Whilst SSE Airtricity retains

<sup>11</sup> 2014 annual figures relate to NIEN D4 data.

<sup>12</sup> firmus energy exited the electricity market in 2015 and therefore have no connections recorded for the end of the year.

<sup>13</sup> LCC Power Limited changed its name to Go Power on 1 August 2015

27% domestic credit market share (by consumption).

Despite the developing competition from other suppliers, Power NI remains very dominant in the domestic credit sector, and hence the UR retains the price controls on Power NI's domestic tariffs.

Figure 8 Domestic prepayment market shares by customer numbers and consumption

Suppliers	Customer numbers at end 2015	Market share (customers)	Annual consumption (GWh) 2015	Market share (consumption)
Power NI	179,250	53.53%	623.5	54.47%
SSE Airtricity	94,087	28.10%	314.3	27.46%
Electric Ireland	1,399	0.42%	2.2	0.19%
Budget Energy	57,377	17.13%	203.5	17.78%
Click Energy	2,725	0.81%	1.1	0.10%
Open Electric	18	0.01%	0.0	0.00%
<b>Total Market</b>	<b>334,856</b>	<b>100%</b>	<b>1,144.6</b>	<b>100%</b>

Source: NIEN

The level of concentration in the domestic prepayment sector of the market is changing at a significantly faster rate than in the credit segment, as Power NI's share (in terms of customer numbers) was 61% at the end of 2014 and decreased to 54% in 2015. There has been a resultant increase in prepayment customer shares for SSE Airtricity and by the end of 2015, SSE Airtricity held 28% of the prepayment customers (21% in 2014). The new market entrants Click Energy and Open Electric are also developing their respective businesses within the domestic prepayment sector.

In terms of market shares based on consumption, Power NI's share of the prepayment market in 2015 was around 54%, SSE Airtricity was 27% and Budget Energy had 18% of the total prepayment market.

Figure 9 SME < 70kVA market shares, by customer numbers and consumption

Suppliers	Customer numbers at end 2015	Market share (customers)	Annual consumption (GWh) 2015	Market share (consumption)
Power NI	34,738	53.36%	535.8	38.17%
SSE Airtricity	13,528	20.78%	323.4	23.03%
Energia	6,323	9.71%	178.0	12.67%
Electric Ireland	2,600	3.99%	121.9	8.68%
firmus energy	0	0.00%	4.5	0.32%
Budget Energy	323	0.50%	4.7	0.34%
Vayu	13	0.02%	0.2	0.01%
Go Power	7,574	11.63%	236.0	16.80%
<b>Total Market</b>	<b>65,099</b>	<b>100%</b>	<b>1,404.6</b>	<b>100%</b>

Source: NIEN

Competition in the I&C electricity market is much more mature than in the domestic sector.

There were eight active suppliers in the small I&C (less than 70kVA) market in 2015, of which four of these had a share of more than 10% by volume: Power NI, SSE Airtricity, Energia and Go Power.

Energia is owned by the same ultimate controllers as Power NI, which is relevant when considering market power. The combined market share in 2015 for the suppliers who belong to the Viridian Group (Power NI and Energia), was 63% by customer numbers and 51% by consumption in the SME < 70 kVA market segment (which is a relatively unchanged from 2014).



Figure 10 SME > 70kVA market shares, by customer numbers and consumption

Suppliers	Customer numbers at end 2015	Market share (customers)	Annual consumption (GWh) 2015	Market share (consumption)
Power NI	1,159	23.40%	301.6	15.51%
SSE Airtricity	991	20.01%	398.2	20.48%
Energia	951	19.20%	418.9	21.54%
Electric Ireland	710	14.33%	474.8	24.42%
firmus energy	0	0.00%	10.2	0.52%
Budget Energy	8	0.16%	0.1	0.01%
Vayu	9	0.18%	9.2	0.47%
Go Power	1,125	22.71%	331.7	17.06%
<b>Total Market</b>	<b>4,953</b>	<b>100%</b>	<b>1,944.7</b>	<b>100%</b>

Source: NIEN

In 2015 there were eight active suppliers in the I&C segment where customers consumed over 70 kVA. Absolute and relative shares for each of these suppliers are shown in Figure 10 above.

Over 2015, the shares of the main suppliers (Power NI, SSE Airtricity, Energia, Electric Ireland and Go Power) are broadly similar in terms of customer numbers, ranging from 14% to 23%. This spread considerably increases when referring to the market shares by consumption (ranging from 16% to 24%) as customer usage is naturally much higher in this category.

Go Power significantly increased its market share in this sector in 2015, in terms of customer numbers they have 23% of the market in 2015 (10% in 2014) and more than 17% by consumption (7% in 2014).

Figure 11 LEU > 1 MW market shares, by customer numbers and consumption

Suppliers	Customer numbers at end 2015	Market share (customers)	Annual consumption (GWh) 2015	Market share (consumption)
Power NI	28	13.86%	110.4	6.96%
SSE Airtricity	33	16.34%	433.1	27.30%
Energia	33	16.34%	173.5	10.94%
Electric Ireland	45	22.28%	350.1	22.07%
firmus energy	0	0.00%	5.3	0.34%
Budget Energy	0	0.00%	0.0	0.00%
Vayu	1	0.49%	3.4	0.22%
Go Power	62	30.69%	510.6	32.19%
<b>Total Market</b>	<b>202</b>	<b>100%</b>	<b>1,586.6</b>	<b>100%</b>

Source: NIEN

In 2015, the LEU market segment represented 0.02% of the total customer base in NI, with 202 customers. Although this is a small amount of customers, by number, their total consumption was 20% of the total NI electricity consumption.

There were eight active suppliers in this market segment in 2015. Two of the suppliers, Electric Ireland and Go Power had shares of over 22% based on customer numbers. The shares of those two suppliers in terms of volume range from 22% to 32%. As per the other I&C consumption categories Go Power has over doubled its market share and has now has the largest number of customers (31%) and volume (32%).



### 3.3 Electricity market activity

A switch is a movement of a customer from one supplier to another, following a free and active choice by the customer. Switching activity is defined as the number of switches in a given period of time. A switch can include any of the following:

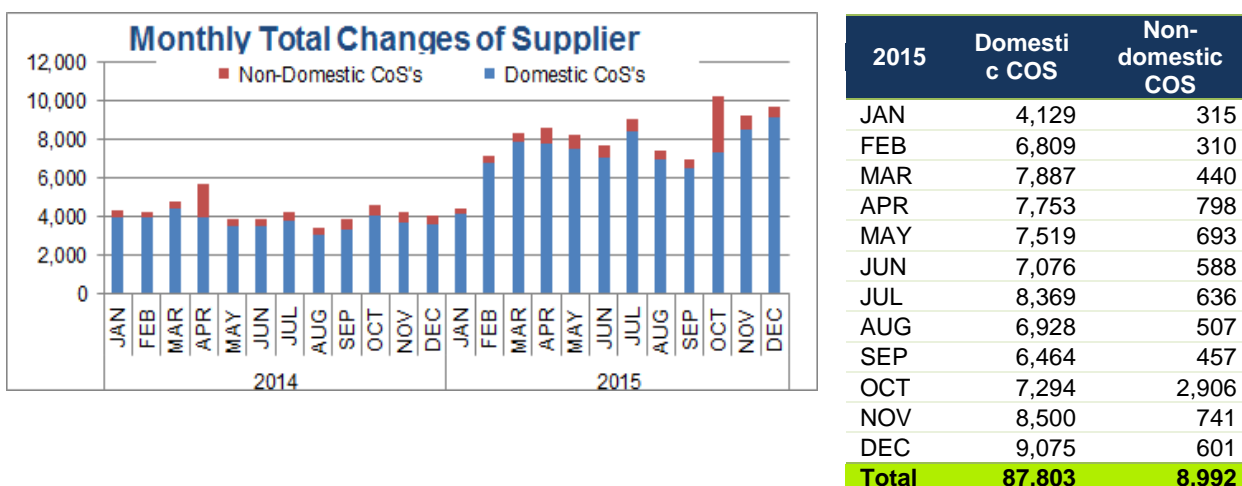
- A switch to a competitive company of the incumbent and vice versa
- A re-switch: when a customer switches for the second or subsequent time, even within the same measured period of time
- A switch-back: when a customer switches back to his/her former or previous supplier

A change of tariff with the same retailer is not classified as a switch (for example moving from a fixed term contract to a flexible contract with the same supplier). Figure 12 shows the changes of supplier (CoS) on a monthly basis in the whole market in NI for the last two years, split by domestic and I&C market.

In total for the year there were 96,795 CoS in the market in 2015, this is a nearly doubled when compared to the switching activity from the previous year (51,078 CoS in 2014).

At the domestic level, switching has increased significantly from the previous year, from 44,765 switches in 2014 to 87,803 switches in 2015. The number of I&C switches has also increased in 2015 from 6,313 CoS in 2014 to 8,992.

Figure 12 Domestic and non-domestic electricity switches



Source: NIEN

The NI electricity switching rate for 2015 for both domestic and non-domestic is measured as the number of CoS in the year by the number of customers at the end of the year and was 11% in 2015. This is an increase from a 6% switching rate in 2014.

At the domestic level the switching rate for 2015 was 11.2%, compared to 5.7% for 2014. The non-domestic switching rate for 2015 was 12.8%, compared to 10.4% for 2014.

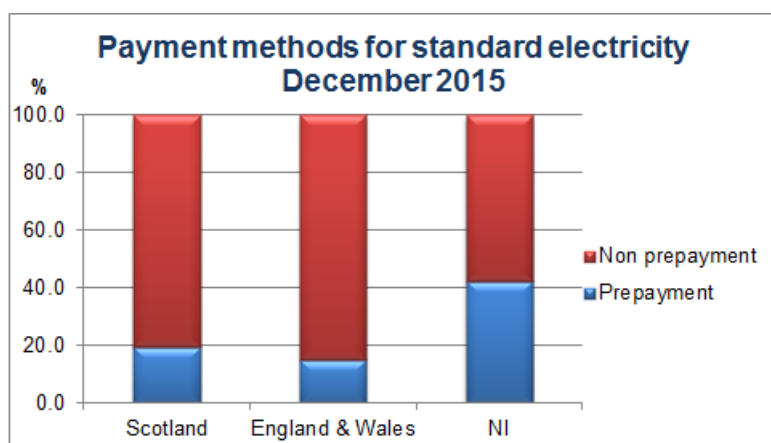
### 3.4 Methods of payment

Electricity suppliers are obligated, under their supply licence, to offer their domestic customers a choice of three payment methods<sup>14</sup>. Therefore, domestic customers in NI are able to avail of one of the following methods to pay for their energy:

- Prepayment where customers can top-up their energy as they foresee their short-term consumption.
- Standard credit, where for example the supplier charges the customer each quarter with an amount equal to the quarterly bill.
- Direct debit, where a direct debit mandate is established instructing the supplier to debit the customer's bank account for a fixed amount at regular intervals, based on the expected annual cost of the bill (or on estimated reads in electricity), or debit the customer's bank account after each bill is issued with the amount equal to the billed amount.

Figure 13 below shows the percentage of payment methods, prepayment and non-prepayment (standard credit and direct debit) for standard electricity by UK regions.

Figure 13 Payment methods UK comparison in the electricity domestic sector



Source: DECC's Quarterly Energy Prices (December 2015) and NIEN

England and Wales have the lowest percentage of electricity prepayment meters, being 15% at the end of 2015, in comparison to 20% in Scotland. As in previous years, NI has the highest percentage of prepayment customers in the UK, being 43% at the end of 2014 (41% at the end of 2014), and consequently the lowest percentage of customers paying by direct debit or standard credit.

The prepayment option is popular in NI as it allows customers to pay for energy as it is consumed which helps household short term budgeting. Prepayment tariffs in England and Wales are also the most expensive option, whilst in NI the standard credit tariffs are higher.

<sup>14</sup> Condition 27(14) in electricity supply licences state that the Licensee shall ensure that its standard terms and conditions provide domestic customers with a choice of payment method.

### 3.5 Electricity prices methodology

We follow DECC's format and methodology when gathering and analysing NI domestic and I&C electricity prices. As a result, we obtain NI prices that are comparable with prices in other EU countries (those published in DECC's Quarterly Energy Prices reports<sup>15</sup> and Eurostat data base<sup>16</sup>).

To avoid confidentiality issues, data has been aggregated in the form of 'averages' for the total of NI (per customer size bands), with no individual supplier detail published.

The base figures are all submitted on a quarterly basis from suppliers, split by domestic and non domestic. The UR performs a high level reasonableness check of these figures, but the suppliers are responsible for the accuracy of the information that is provided to the UR. The base figures are as follows:

- **volume** of electricity sold to domestic and I&C consumers
- the **value**, or revenue gained from the sale, split in three categories: excluding all taxes, excluding VAT, and including all taxes
- the **number** of domestic and I&C customers supplied in that particular size category

The volume and value are used to calculate a NI quarterly average value per size band. This value per unit (per size band) is what we refer to in this paper as "price". For clarity we do not receive from suppliers the actual price paid by their customers. Instead we calculate the value or revenue collected per unit in that particular size category. This is consistent with DECC and Eurostat methodology.

As the Eurostat figures are published on a semester basis (semester 1 (S1) January to June and semester 2 (S2) July to December) we therefore average the two relevant quarters to obtain the comparable six-month or twelve month period for NI.

For the purposes of tariff comparisons we convert the EU tariffs from Euro to GBP using the monthly average exchange rate applicable for the semester. Therefore tariff movements and comparisons between NI and the other Member states can be impacted by both an increase and decrease in tariff and also by any variation in exchange rates.

### 3.6 Electricity Domestic Prices

We directly regulate both the electricity and gas prices of suppliers who are in a dominant market position in the domestic and small business sectors of the NI market.

We act on behalf of consumers to ensure costs and prices are as low as they can be, while allowing regulated companies a specified supply margin in order to run their businesses.

The last Power NI price control was put in place through the December 2013 decision paper<sup>17</sup> for a period of three years scheduled to run from April 2014 until March 2017. Within that price control, the UR decided to reduce the Power NI regulated threshold to 50 MWh annual consumption in the non-domestic market. There was no change to the scope and coverage of the domestic market where all the PowerNI tariffs are regulated.

For consumers who consume less than 50,000 units (equal to 50 MWh) per year, Power NI publishes a range of tariffs, which have to be approved by the UR. Other active suppliers in the market compete for customers against these published tariffs.

We take an active role in scrutinising and approving these retail tariffs in consultation with the Consumer Council and Department for the Economy. This is when the maximum final price is

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<sup>15</sup> <https://www.gov.uk/government/publications/quarterly-energy-prices-december-2012>

<sup>16</sup> <http://epp.eurostat.ec.europa.eu/portal/page/portal/energy/data/database>

<sup>17</sup> The 2014 Power NI Supply Price Control. Decision Paper (19 December 2013)  
[http://www.uregni.gov.uk/uploads/publications/Power\\_NI\\_Price\\_Control\\_Decision\\_paper\\_v20.pdf](http://www.uregni.gov.uk/uploads/publications/Power_NI_Price_Control_Decision_paper_v20.pdf)

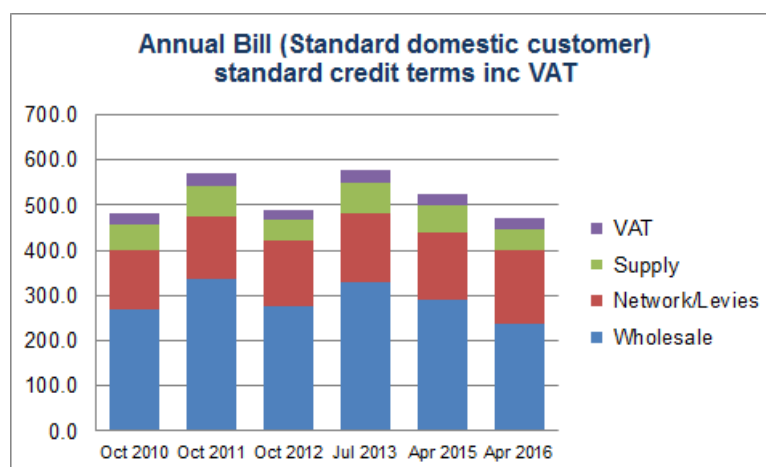
decided, and it sets what domestic customers of Power NI would pay for their electricity. This process is normally carried out on a yearly basis, unless there is a need to increase or decrease tariffs mid-year. The 2015 tariff review<sup>18</sup> brought a decrease of 9.2% on Power NI Standard Home Energy tariff from 1 April 2015. Furthermore, Power NI announced a 10.3% price drop which came into effect in April 2016. The UR continues to monitor wholesale costs on a monthly basis and will act as appropriate.

Electricity retail tariffs, in terms of what customers pay, are made up of a number of components that are subjected to regulatory scrutiny. Several of these components, such as market operator charges, System Support Service (SSS) charges, PSO levy, use of system charges and transmission and distribution charges, are common across all suppliers. As a result, the customer must pay these components regardless of who their supplier is.

These costs are regulated because they represent parts of the industry which remain under monopoly ownership and therefore not open to competition. Independent suppliers are free to enter the market and purchase power. However, they include these cost components of the tariffs before setting the final price to sell to customers.

The relative importance of the various elements that make up final bills is shown in Figure 14, which illustrates the percentage components of the electricity bill for regulated customers. It specifically relates to the required revenues of Power NI for all of its regulated domestic customers (for the last tariff years). Note the relative importance of generation/wholesale costs in the final regulated prices, which has accounted for around 57% as an annual average every year from October 2010. The costs of the actual supply companies themselves (operating costs and margin) average around 11% in the last tariff reviews.

Figure 14 Make-up of domestic electricity bill in NI



Source: UR and Power NI

### Domestic electricity prices comparison with EU

When calculating domestic electricity unit average prices from NI suppliers' inputs, we follow DECC's format and methodology, as explained earlier in section 3.5. As a result, we can easily compare NI prices to those collected and published by DECC and Eurostat<sup>19</sup> per Member State.

Comparative data for the EU members has been sourced from Eurostat for medium sized consumers (2,500 – 4,999 kWh consumption per annum) as this consumption category reflects the majority of domestic customers in NI. Figure 15 compares the average electricity price for NI

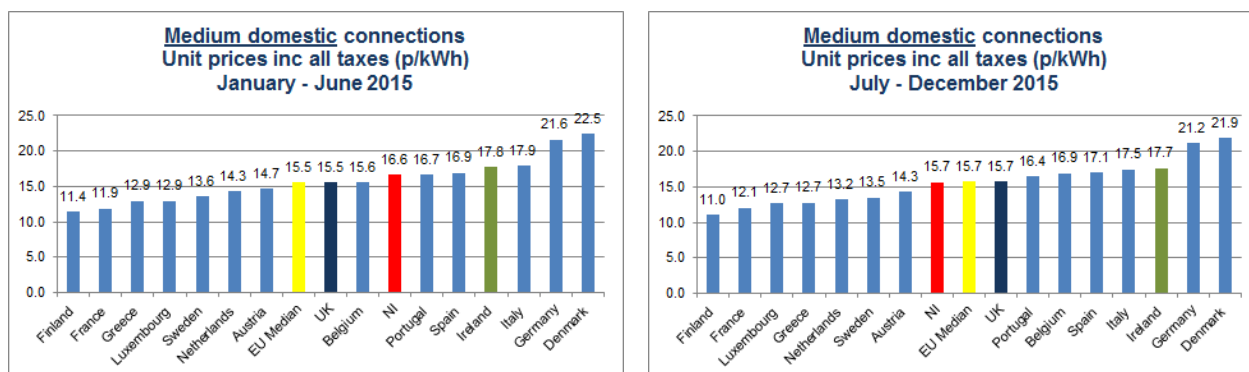
<sup>18</sup> Utility Regulator's Review of the Power NI Ltd Maximum Average Price (February 2015)

<sup>19</sup> [http://www.uregni.gov.uk/uploads/publications/April\\_2015\\_Electricity\\_Tariff\\_Briefing\\_Paper.pdf](http://www.uregni.gov.uk/uploads/publications/April_2015_Electricity_Tariff_Briefing_Paper.pdf)

<http://epp.eurostat.ec.europa.eu/portal/page/portal/energy/data/database>

(as per the DECC methodology) against the unit prices for other countries in Europe for semesters 1 and 2 in 2015. These unit prices include Climate Change Levy (CCL) and VAT as this reflects the final prices paid by domestic customers. Throughout 2015 the NI domestic tariffs are significantly lower than RoI. In semester 2 2015, the NI fell below the EU median and UK medium domestic tariff.

Figure 15 Domestic electricity price comparison at EU level (inc VAT) for 2015



Source: NI Suppliers and Eurostat

### 3.7 Electricity I&C prices and comparison with EU<sup>20</sup>

At present, all business customers who consume more than 50 MWh per year can obtain an individual quotation from NI active electricity suppliers as the majority of electricity prices in this sector are individually agreed between customers and suppliers. Many of these customers, especially the larger sized customers, follow a tender exercise and subsequently agree individual contracts with their supplier, often with unique terms and conditions (including price). Due to the bilateral nature of the agreement, electricity non-domestic prices are not published by suppliers.

NI electricity prices comparisons for the electricity I&C sector have now been available in our reports since 2013, and these comparisons are regularly updated in the QTR's.

When calculating I&C electricity unit average prices from NI suppliers' inputs, we follow DECC's format and methodology, as explained earlier in section 3.5. As a result, we can easily compare NI prices to those collected and published by DECC and Eurostat<sup>21</sup> per Member State.

The percentage of non-domestic customers in each of the size bands per the EU categorization are detailed in Figure 16, including the percentage by consumption.

Figure 16 Consumption size bands for non-domestic electricity customers

Size of consumer	Annual Consumption band (MWh)	% of I&C connections	% of I&C consumption	I&C connection numbers
Very small	<20	65.1%	6.7%	45,348
Small	20 -499	33.2%	33.4%	23,098
Small / medium	500 – 1,999	1.2%	16.3%	865
Medium	2,000 – 19,999	0.4%	27.1%	288
Large & very large	>20,000	0.03%	16.5%	21

Source: NI suppliers and UR calculations

<sup>20</sup> This section covers electricity I&C prices only, as to date gas I&C prices have not been collected in NI.

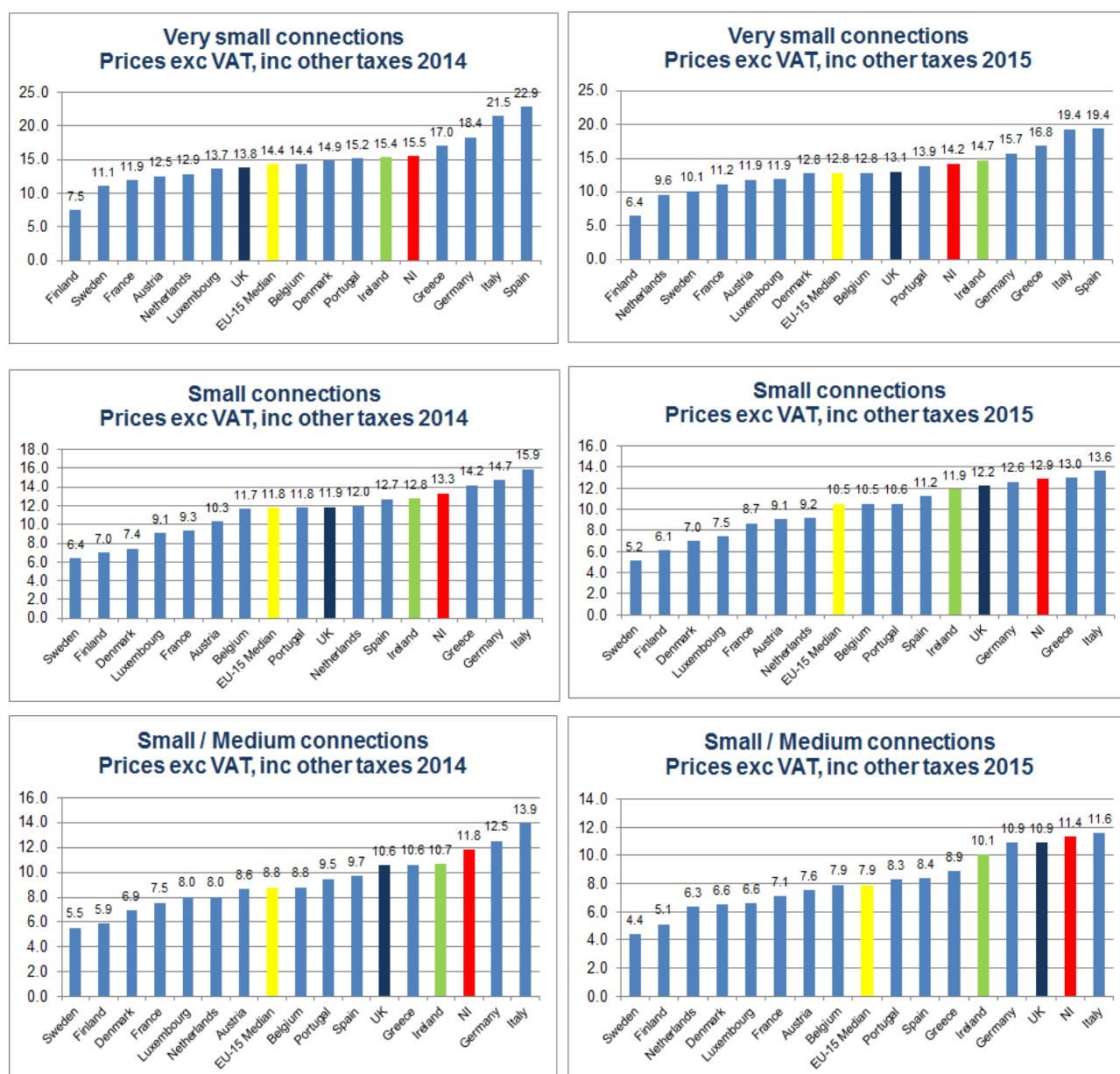
<sup>21</sup> <http://epp.eurostat.ec.europa.eu/portal/page/portal/energy/data/database>

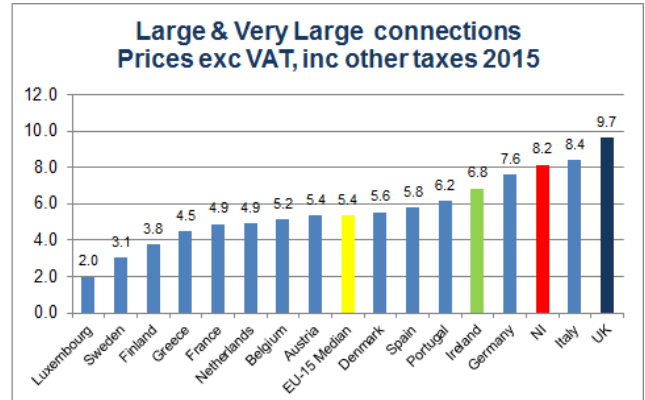
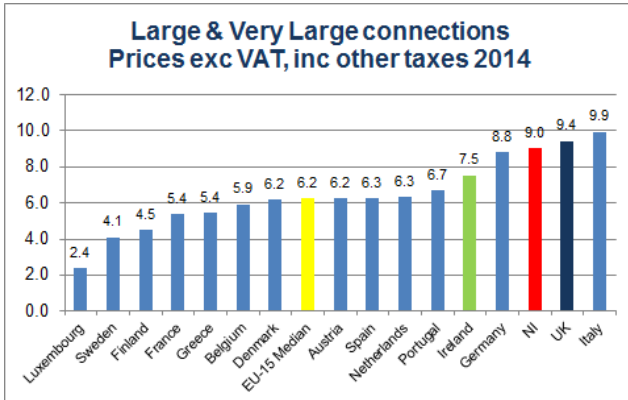
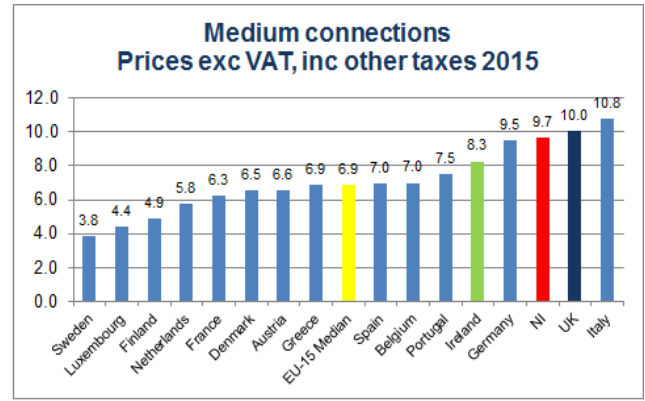
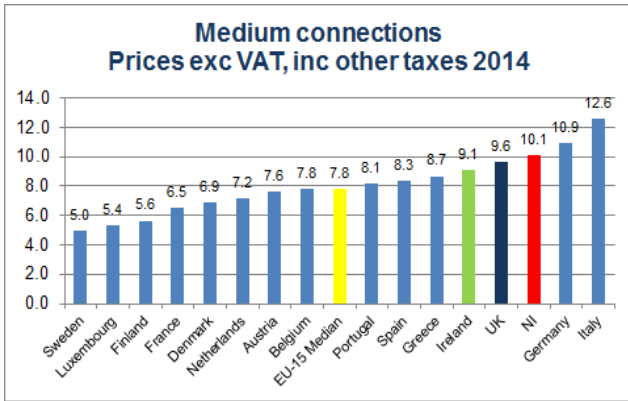
Figure 16 shows that in NI the number of non-domestic customers are very heavily grouped in the EU-standardised smallest size band (consuming less than 20 MWh per annum). At the end of 2015, these customers accounted for 65% of the total customers in the I&C sector, while they represent approximately 7% of the total I&C consumption (similar levels to 2014). The large and very large category account for 0.03% of the total customers, but they consume 16.5% of the total consumption for I&C.

The graphs in Figure 17 show I&C electricity prices in the 15 EU countries and in NI, per consumption band (following standard EU categorisation) for the year 2015 compared to 2014. The I&C graphs use unit prices which include Climate Change Levy (CCL) but exclude VAT, as VAT is a refundable expense for many businesses and excluding VAT means that the prices are more representative of the actual energy costs for businesses.

Prices for the very small non-domestic customers are around the middle of the EU range. However, prices for larger non-domestic customers sit towards the top end of the EU comparisons. The relative position of NI against RoI and UK remains similar in 2015 in comparison to 2014.

Figure 17 NI and EU members average non-domestic electricity prices for 2014 and 2015





Source: NI electricity suppliers and Eurostat



## 4 Gas – Greater Belfast & Ten Towns

### 4.1 Customer numbers and consumption - Greater Belfast and Ten Towns

#### Customer numbers

The gas market in NI is split into two geographical areas. There are two gas distribution network operators: Phoenix Natural Gas Ltd (PNGL) operate the network in the Greater Belfast and Larne area, and firmus energy (Distribution) Ltd (feDL) operate the network in the Ten Towns area along the South-North Pipeline and North-West Pipeline.

The gas network in NI continues to be extended with a third geographical area being developed for the West area<sup>22</sup>. In February 2015, the UR granted separate licences<sup>23</sup> to West Transmission Limited (Mutual Energy Ltd) and SGN Natural Gas Limited (SGN)<sup>24</sup> to build the transmission and distribution pipelines in the West area and to convey gas through these pipelines. Several existing gas suppliers have applied for extensions to their gas supply licences to allow them the opportunity to supply customers in the West area in the future. The UR is continuing to work with SGN and gas suppliers to ensure retail arrangements are in place in the West area.

Figure 18 below shows the number of connections (other than the power plants) by market segments in both distribution areas at the end of 2015.

Figure 18 Gas connections in NI by distribution area at the end of 2015

Customer category	Greater Belfast Connections		Ten Towns Connections		Total Connections	
	Number	%	Number	%	Number	%
Domestic prepayment	113,541	64.5%	22,966	89.3%	136,507	67.7%
Domestic credit	62,389	35.5%	2,761	10.7%	65,150	32.3%
<b>Total Domestic Connections</b>	<b>175,930</b>	<b>100%</b>	<b>25,727</b>	<b>100%</b>	<b>201,657</b>	<b>100%</b>
I&C < 73,200 kWh	7,773	72.0%	1,044	47.8%	8,817	68.0%
I&C 73,200 - 732,000 kWh	2,618	24.3%	894	41.0%	3,512	27.1%
I&C 732,001 – 2,196,000 kWh	296	2.7%	155	7.1%	451	3.5%
I&C > 2,196,000 kWh	103	1.0%	90	4.1%	193	1.5%
<b>Total I&amp;C Connections</b>	<b>10,790</b>	<b>100%</b>	<b>2,183</b>	<b>100%</b>	<b>12,973</b>	<b>100%</b>
<b>Total</b>	<b>186,720</b>		<b>27,910</b>		<b>214,630</b>	

Source: PNGL and feDL

In the gas markets, the domestic sectors represent the largest share of the total number of connections with 94% of the total connections in the Greater Belfast and 92% of the total connections in the Ten Towns area at the end of 2015.

Figure 19 shows the trend of growth in the number of connections in NI by each distribution area. By the end of 2015, the total number of connections increased to 186,720 in the Greater Belfast area (an increase of 5% over the number of connections at the end of 2014). In the Ten Towns area the total connections had increased to 27,910 by the end of 2015 (an increase of 9% from the number of connections at the end of 2014).

Figure 19 Evolution of gas connections in NI by distribution Licensed Area

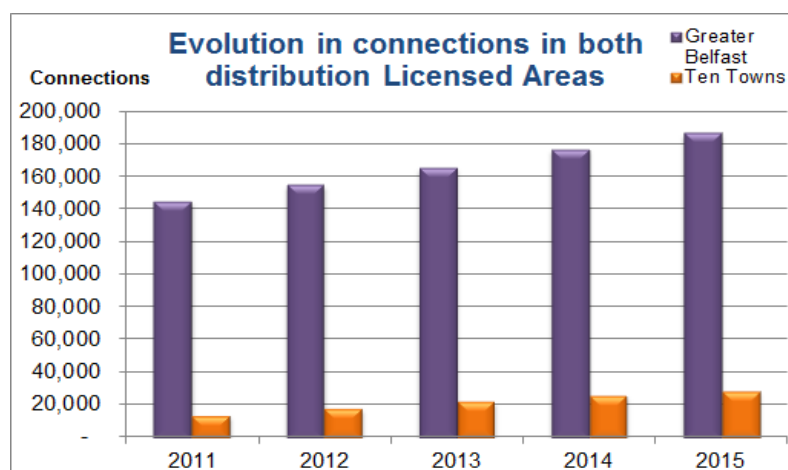
<sup>22</sup> The West area is defined in Schedule 1 of the SGN Natural Gas Limited conveyance licence

<sup>23</sup> Gas to the West final decision paper and licences:

[http://www.uregni.gov.uk/news/gas\\_to\\_the\\_west\\_final\\_decision\\_paper\\_and\\_licences](http://www.uregni.gov.uk/news/gas_to_the_west_final_decision_paper_and_licences)

<sup>24</sup> West Transmission Limited was previously known as Northern Ireland Energy Holdings Limited and SGN Natural Gas Limited was previously known as Scotia Gas Networks NI Limited.





Source: PNGL and feDL

## Consumption

Consumption by market segment is shown in Figure 20 in both distribution areas. Natural gas in NI is consumed by final gas customers and also by Ballylumford and Coolkeeragh power stations. In this report, we refer only to the natural gas that is distributed to and used by final gas customers. During 2015 this represented approximately 39% of the total gas consumption that entered NI.

Figure 20 Gas consumption during 2015 in NI by distribution area

Customer category	Annual consumption (therms) 2015	% share
<b>Greater Belfast</b>	<b>138,879,929</b>	<b>100%</b>
Domestic & Small I&C <sup>25</sup>	71,502,271	51.5%
I&C 73,200 - 732,000 kWh	19,826,875	14.3%
I&C > 732,000 - 2,196,000 kWh	11,397,524	8.2%
I&C > 2,196,000 kWh	36,153,259	26.0%
<b>Ten towns</b>	<b>59,608,701</b>	<b>100%</b>
Domestic prepayment	5,980,221	10.0%
Domestic credit and small I&C <sup>26</sup>	2,062,225	3.5%
I&C 73,200 - 732,000 kWh	7,722,115	13.0%
I&C 732,001 – 2,196,000 kWh	5,789,062	9.7%
I&C > 2,196,000 kWh	38,055,078	63.8%
<b>Total</b>	<b>198,488,630</b>	

Source: PNGL and feDL

In the Greater Belfast area, the total consumption in 2015 was over 138 million therms, which represents an increase of over 8% from the previous year. In the Ten Towns area, total consumption in 2015 was over 59 million therms, representing an increase in consumption of 9% from 2014.

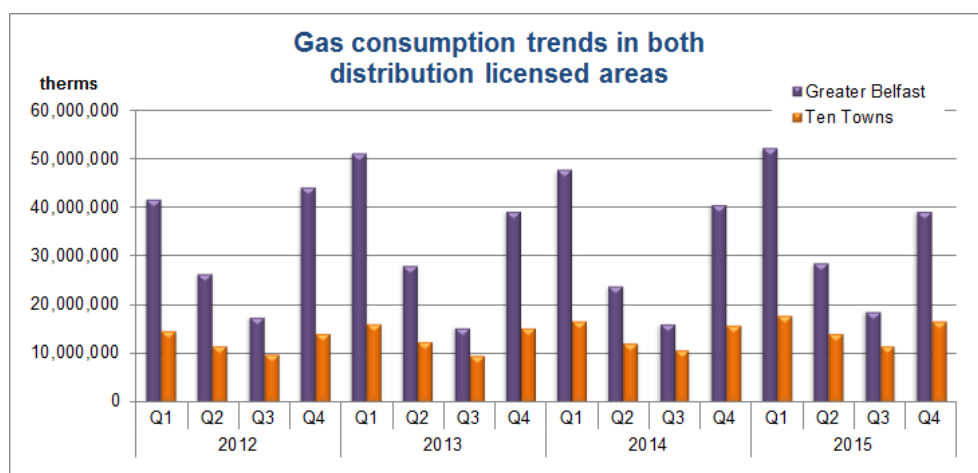
In terms of market segment split, the domestic and small I&C sector (<73,200 kWh/annum) consumes about 51% of the total gas in the Greater Belfast area, while the remaining I&C sector (over 73,200 kWh/annum) consumes the other 49%. In the Ten Towns area, the domestic sector accounts for 13% and the I&C sector accounts for 87% of the consumption.

Quarterly gas consumption, from the start of 2012 to the end 2015, in both distribution areas is shown in Figure 21 below. Due to seasonality, consumption is considerably lower over the second and third quarters of the year, with increases in the winter months (Q4 and again in Q1 of the following calendar year).

Figure 21 Evolution of gas consumption in Greater Belfast and Ten Towns

<sup>25</sup> The 'domestic and small I&C' gas market relates to those customers consuming less than 73,200 kWh/annum.

<sup>26</sup> The 'domestic credit and small I&C' category relates to those customers with a credit meter consuming less than 73,200 kWh/annum.



Source: PNGL and feDL

## 4.2 Gas market shares – Greater Belfast area

In the Greater Belfast area competition started in 2006 and 2010 in both I&C and domestic segments respectively. Competition in this area is still immature, as the incumbent supplier retains a major share overall in terms of the number of connections and the total volume consumed.

Figures 22 and 23 below show absolute and relative numbers for market shares per supplier based on connection numbers at the end of December 2015 and consumption during 2015 in the Greater Belfast area. These tables are split per market segment as follows:

- Domestic and small I&C: where less than 73,200 kWh/annum is consumed; and
- I&C more than 73,200 kWh: where more than 73,200 kWh/annum is consumed.

Figure 22 Domestic and small I&C market shares in the Greater Belfast area

Suppliers	Connection numbers at end 2015	% Market share based on connection numbers	Annual consumption during 2015 (therms)	% Market share based on consumption
SSE Airtricity	133,503	72.7%	48,913,822	68.4%
firmus energy	49,336	26.9%	22,198,178	31.0%
Vayu	13	0.01%	9,467	0.01%
Go Power <sup>27</sup>	350	0.2%	124,081	0.2%
Flogas	501	0.3%	256,724	0.4%
<b>Total</b>	<b>183,703</b>	<b>100%</b>	<b>71,502,271</b>	<b>100%</b>

Source: PNGL

During 2015 there were five active suppliers operating in the domestic and small I&C market, although only two of these companies supplied to domestic customers. Despite this the shares of the main supplier, SSE Airtricity, were still quite high with 73% by number of connections and 68% in terms of volume consumed. These shares remained relatively stable in this sector from the end of 2014 when they had 72.2% of the domestic and small I&C sector in terms of connection numbers and 68.7% in terms of consumption.

<sup>27</sup> LCC Power Limited changed its name to Go Power on 1 August 2015

Figure 23 I&C > 73,200kWh market shares in the Greater Belfast area

Suppliers	Connection numbers at end 2015	% Market share based on connection numbers	Annual consumption during 2015 (therms)	% Market share based on consumption
SSE Airtricity	1,252	41.5%	28,725,521	42.6%
firmus energy	1,007	33.4%	30,172,674	44.8%
Vayu	11	0.4%	53,975	0.1%
Electric Ireland	1	0.03%	1,139,794	1.7%
Go Power	297	9.8%	5,320,622	7.9%
Flogas	449	14.9%	1,965,073	2.9%
<b>Total</b>	<b>3,017</b>	<b>100%</b>	<b>67,377,659</b>	<b>100%</b>

Source: PNGL

There were six active suppliers in the medium and large I&C market (those customers using more than 73,200 kWh per annum) during 2015. However, two of these suppliers, SSE Airtricity and firmus energy, hold a substantial share of the market in terms of connection numbers and consumption. Go Power and Flogas have made considerable gains in this sector during 2015, now holding 9.8% and 14.9% of the market by connections respectively (compared to 0.9% and 1.4% respectively at the end of 2014).

In this sector of the market (>73,200 kWh/annum) competition was more noticeable during 2015 as the shares of the incumbent supplier, SSE Airtricity, fell by 10% in terms of connections and 5% by consumption when compared to 2014.

### 4.3 Gas market shares – Ten Towns area

In the Ten Towns area, competition opened in October 2012 for the large I&C market (>732,000 kWh/annum), and in April 2015 for the domestic and small I&C (<732,000 kWh/annum) market.

SSE Airtricity entered the large I&C market in January 2013, while Flogas and Go Power entered the I&C market in May 2015 and June 2015 respectively; however no competing suppliers entered the domestic market in the Ten Towns during 2015.

Figures 24 and 25 below shows absolute and relative numbers for market shares per supplier based on connection numbers at the end of December 2015 and consumption during 2015 in the Ten Towns area. These tables are split per market segment as follows:

- Domestic and small I&C: where less than 73,200 kWh/annum is consumed; and
- I&C more than 73,200 kWh: where more than 73,200 kWh/annum is consumed.

Figure 24 Domestic and small I&C market shares in the Ten Towns area

Suppliers	Connection numbers at end 2015	% Market share based on connection numbers	Annual consumption during 2015 (therms)	% Market share based on consumption
firmus energy	26,691	99.7%	8,011,210	99.6%
SSE Airtricity	1	0.004%	112	0.001%
Go Power	19	0.1%	3,370	0.04%
Flogas	60	0.2%	27,755	0.3%
<b>Total</b>	<b>26,771</b>	<b>100%</b>	<b>8,042,447</b>	<b>100%</b>

Source: PNGL

Figure 25 I&C > 73,200kWh market shares in the Ten Towns area

Suppliers	Connection numbers at end 2015	% Market share based on connection numbers	Annual consumption during 2015 (therms)	% Market share based on consumption
firmus energy	934	82.0%	45,552,545	88.3%
SSE Airtricity	28	2.5%	4,818,311	9.3%
Go Power	12	1.1%	51,295	0.1%
Flogas	165	14.5%	1,144,103	2.2%
<b>Total</b>	<b>1,139</b>	<b>100%</b>	<b>51,566,254</b>	<b>100%</b>

Source: PNGL

By the end of December 2015, 195 I&C connections with annual usage over 73,200kwh had switched from firmus energy to one of the competing suppliers. This means that at the end of Q4 2015 17% of this sector (based on connection numbers) in the Ten Towns were supplied by non-incumbent suppliers. firmus energy, the incumbent supplier, remains dominant in both sectors in terms of market shares by connection numbers and also by annual consumption.

#### 4.4 Gas market activity – Greater Belfast area

A switch is the movement of a customer from one supplier to another, following a free and active choice by the customer. Market activity is monitored based on the number of switches in a given period of time.

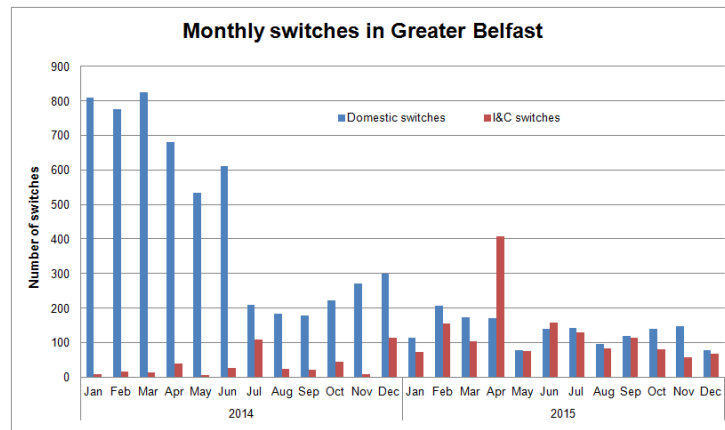
Figure 26 shows the number of customer switches on a monthly basis during 2015 in the Greater Belfast area, and Figure 27 shows the trend in switching for the last two years, split by domestic and I&C customers.

Figure 26 Number of switches in the Greater Belfast area during 2015

2015	Domestic switches	I&C switches	Total switches
JAN	113	73	186
FEB	207	154	361
MAR	174	104	278
APR	170	408	578
MAY	78	76	154
JUN	140	157	297
JUL	141	129	270
AUG	95	82	177
SEP	120	113	233
OCT	140	80	220
NOV	146	56	202
DEC	78	67	145
<b>Total</b>	<b>1,602</b>	<b>1,499</b>	<b>3,101</b>

Source: PNGL and gas suppliers

Figure 27 Switching activity in the Greater Belfast area (by number of switches)



Source: PNGL and gas suppliers

The total number of customer switches in Greater Belfast during 2015 was 3,101 (including domestic and I&C switches). This is a significant decrease from 2014 when there was over 6,000 domestic and I&C switches. The graph above clearly shows that the number of domestic switches decreased substantially in mid-2014 and the switching levels have remained at a lower level since then.

The switching rate for the domestic market in Greater Belfast for 2015 was 0.9% (3.5% in 2014), while the rate for the I&C market in 2015 was 13.9% (4% for 2014). These percentages were calculated using the number of supply meter point switches in 2015 as a percentage of the number of supply meter points in the market segment at the end of year.

## 4.5 Gas market activity – Ten Towns area

A switch is the movement of a customer from one supplier to another, following a free and active choice by the customer. Market activity is monitored based on the number of switches in a given period of time.

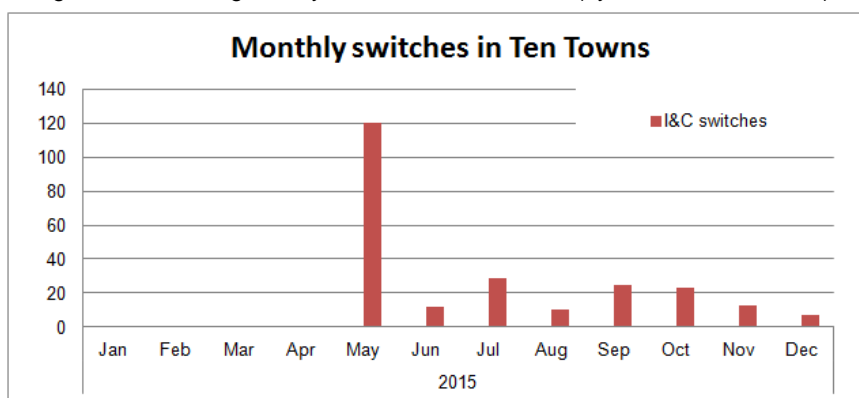
Figure 28 shows the number of customer switches on a monthly basis during 2015 in the Ten Towns area, and Figure 29 shows the trend in I&C switching for the last year.

Figure 28 Number of switches in the Ten Towns area during 2015

2015	Domestic switches	I&C switches	Total switches
JAN	N/A	0	0
FEB	N/A	0	0
MAR	N/A	0	0
APR	0	0	0
MAY	0	120	120
JUN	0	12	12
JUL	0	29	29
AUG	0	10	10
SEP	0	25	25
OCT	0	23	23
NOV	0	13	13
DEC	0	7	7
<b>Total</b>	<b>0</b>	<b>239</b>	<b>239</b>

Source: feDL and gas suppliers

Figure 29 Switching activity in the Ten Towns area (by number of switches)



Source: feDL and gas suppliers

The Ten Towns market opened to full competition from April 2015. This sparked a noticeable rise in the number of I&C customer switches in this area as prior to April 2015 only a small number of large I&C customers were eligible to switch supplier. As stated previously there are no competing suppliers in the domestic market in Ten Towns to date.

The total number of I&C customer switches in the Ten Towns area during 2015 was 239. The

introduction of Go Power and Flogas in the Ten Towns market is beginning to drive competition with the I&C sector.

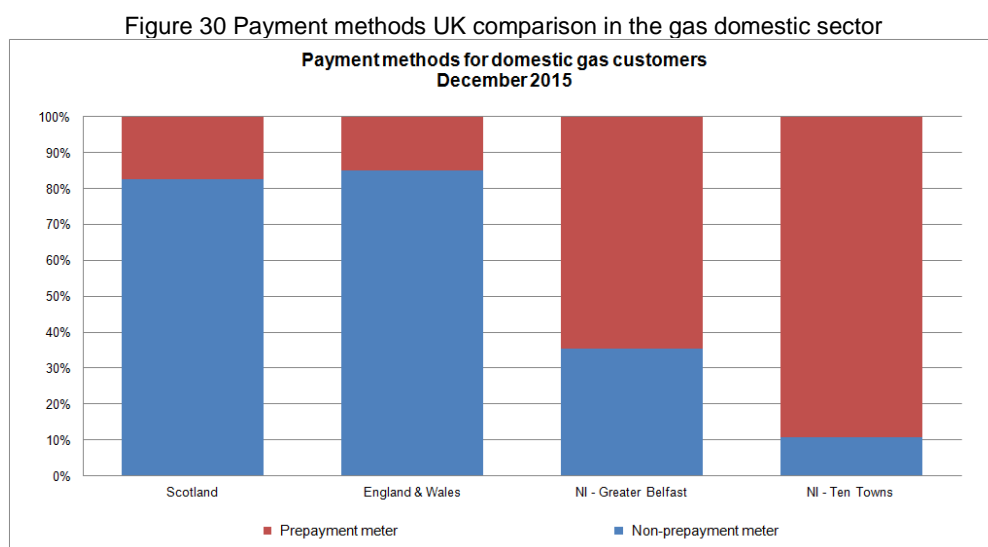
The switching rate for the I&C customer market in Ten Towns was 10.9%. This percentage was calculated using the number of supply meter point switches in 2015 as a percentage of the number of supply meter points in the market segment at the end of year.

## 4.6 Methods of payment – Greater Belfast and Ten Towns

Gas suppliers are obligated, under their supply licence, to offer their domestic customers a choice of three payment methods<sup>28</sup>. Therefore, domestic customers in NI are able to avail of one of the following methods to pay for their energy:

- Prepayment where customers can top-up their energy as they foresee their short-term consumption.
- Standard credit, where for example the supplier charges the customer each quarter with an amount equal to the quarterly bill.
- Direct debit, where a direct debit mandate is established instructing the supplier to debit the customer's bank account for a fixed amount at regular intervals, based on the expected annual cost of the bill (or on estimated reads in electricity), or debit the customer's bank account after each bill is issued with the amount equal to the billed amount.

Figure 30 shows the percentage of domestic gas customers with prepayment and non prepayment (standard credit and direct debit) meters per UK region.



Source: DECC's Quarterly Energy Prices (December 2015) and NI gas suppliers

As in the electricity sector, England and Wales have the lowest percentage of gas prepayment meters, being 15% in England at the end of 2015 and 17% in Scotland. The percentage of gas prepayment meters in NI is the higher in comparison to the other UK regions for both distribution areas.

In the Greater Belfast distribution area, the percentage of prepayment meters at the end of 2015 was 65% (64% in 2014). The percentage of prepayment meters at the end of 2015 in the Ten Towns area was 89% (90% in 2013).

<sup>28</sup> Condition 2.18(14) in gas supply licences states that the Licensee shall ensure that its standard terms and conditions provide domestic customers with a choice of payment method.

## 4.7 Gas Domestic Prices – Greater Belfast and Ten Towns

In the gas industry, we price control SSE Airtricity as the dominant supplier in the Greater Belfast area for domestic and small I&C customers using up to 732,000 kWh per annum as we do not consider that this sector of the market is sufficiently protected by competition. The SSE Airtricity price control was determined<sup>29</sup> in November 2011 and runs from 1 January 2012 to 31 December 2016.

From 1 April 2015 we have imposed a price control on firmus energy (Supply) Limited as the dominant supplier in the Ten Towns area for domestic and small I&C customers using up to 732,000 kWh per annum. The decision paper<sup>30</sup> on this price control was published in December 2014 and runs from 1 April 2015 to 31 December 2016.

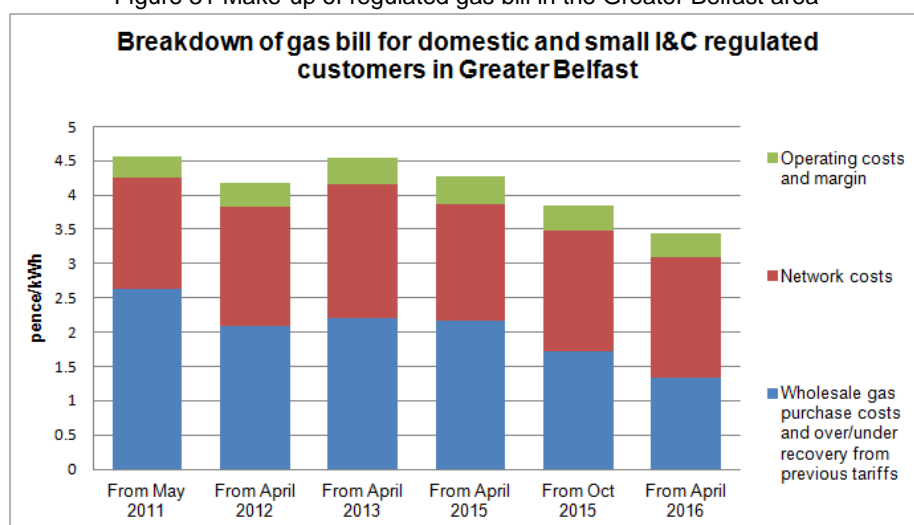
When implementing price controls, we act on behalf of consumers to ensure costs and prices are kept as low as they can be, while allowing regulated companies a supply margin in order to run their businesses.

In the gas sector, the components of the tariff differ somewhat from those in the electricity sector, and are made up of transmission and distribution charges, wholesale gas costs, “k” factor (the over/under recovery from previous tariffs), supply operating costs and the allowed profit margin.

### Greater Belfast regulated tariff

The relative importance of the various elements that make up final bills in the Greater Belfast area is shown in Figures 31. This graph represents the breakdown of the maximum average price approved by the UR in the Greater Belfast area and therefore relates to the regulated price paid by SSE Airtricity’s domestic and small I&C customers in the Greater Belfast area over the relevant periods.

Figure 31 Make-up of regulated gas bill in the Greater Belfast area



Source: UR and SSE Airtricity

During 2015 there were two reductions in the SSE Airtricity regulated tariffs in the Greater Belfast area. The regulated tariffs decreased by 7.8% from 1 April 2015<sup>31</sup> and then they decreased by a further 10% from 1 October 2015<sup>32</sup>. SSE Airtricity then announced a further tariff reduction of

<sup>29</sup> Utility Regulator Determination on Phoenix Supply Price Control, 2012-2016, November 2011: [http://www.uregni.gov.uk/uploads/publications/PSL\\_PC03\\_Determined\\_to\\_Position\\_Table\\_26\\_blanked\\_for\\_website2.pdf](http://www.uregni.gov.uk/uploads/publications/PSL_PC03_Determined_to_Position_Table_26_blanked_for_website2.pdf) (Note that SSE Airtricity purchased the Phoenix Supply business in 2012).

<sup>30</sup> Final Determination on Price Control for firmus energy (Supply) Ltd, 1 April 2015 – 31 December 2016 (15 December 2014) [http://www.uregni.gov.uk/uploads/publications/2014-12-15\\_Supply\\_Price\\_Control\\_final\\_determination.pdf](http://www.uregni.gov.uk/uploads/publications/2014-12-15_Supply_Price_Control_final_determination.pdf)

<sup>31</sup> UR’s briefing paper on SSE Airtricity tariff review effective from 1 April 2015: [http://www.uregni.gov.uk/uploads/publications/SSE\\_Airtricity\\_gas\\_tariff\\_review\\_briefing\\_paper\\_-\\_Feb\\_2015.pdf](http://www.uregni.gov.uk/uploads/publications/SSE_Airtricity_gas_tariff_review_briefing_paper_-_Feb_2015.pdf)

<sup>32</sup> UR’s briefing paper on SSE Airtricity tariff review effective from 1 October 2015: [http://www.uregni.gov.uk/uploads/publications/Briefing\\_Paper\\_on\\_SSE\\_Airtricity\\_Tariff.pdf](http://www.uregni.gov.uk/uploads/publications/Briefing_Paper_on_SSE_Airtricity_Tariff.pdf)

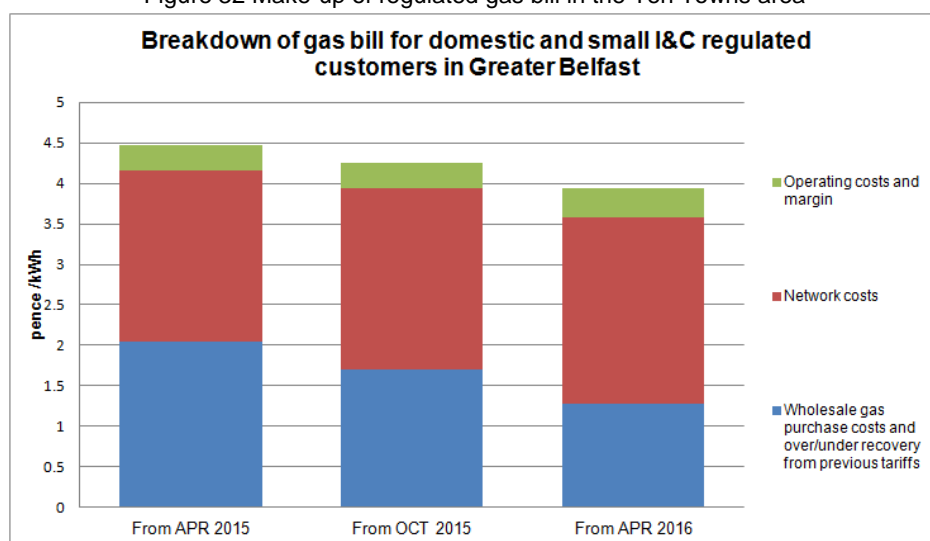


10.2% which took effect from 1 April 2016<sup>33</sup>.

### Ten Towns regulated tariff

Figure 32 shows a breakdown of the various elements that make up the final bills in the Ten Towns area. This graph represents the breakdown of the maximum average price approved by the UR in the Ten Towns area and therefore relates to the regulated price paid by firmus energy's domestic and small I&C customers in the Ten Towns area over the relevant periods. From this graph it is clear that the wholesale gas costs and network costs make up the majority of the final price.

Figure 32 Make-up of regulated gas bill in the Ten Towns area



Source: UR and firmus energy

As mentioned previously, the first regulated tariffs were introduced in the Ten Towns area in April 2015<sup>34</sup>. firmus energy announced a tariff reduction of 5% later in the year which took effect from 1 October 2015<sup>35</sup>. A further tariff reduction to the regulated tariffs in the Ten Towns of 7.7% was introduced from 1 April 2016<sup>36</sup>.

### Gas price comparison with GB and Rol

The graph in Figure 33 below compares gas domestic prices for standard gas tariffs in GB, the Republic of Ireland (Rol) and NI. It shows a GB average which includes the 'Big Six' suppliers<sup>37</sup>. The annual usage estimate used is 12,500 kWh<sup>38</sup>. The tariffs used for comparison purposes are the standard tariff rates for domestic credit customers excluding any discounts that might be available such as payment by direct debit, viewing bills online etc.

<sup>33</sup> UR's briefing paper on SSE Airtricity tariff review effective from 1 April 2016:

[http://www.uregni.gov.uk/uploads/publications/Briefing\\_Paper\\_on\\_SSE\\_Airtricity\\_Tariff\\_Review\\_-\\_Feb\\_2016.pdf](http://www.uregni.gov.uk/uploads/publications/Briefing_Paper_on_SSE_Airtricity_Tariff_Review_-_Feb_2016.pdf)

<sup>34</sup> UR's briefing paper on firmus energy's tariff effective from 1 April 2015:

[http://www.uregni.gov.uk/uploads/publications/Briefing\\_paper\\_on\\_firmus\\_tariff\\_review\\_-\\_March\\_2015.pdf](http://www.uregni.gov.uk/uploads/publications/Briefing_paper_on_firmus_tariff_review_-_March_2015.pdf)

<sup>35</sup> UR's briefing paper on firmus energy's tariff effective from 1 October 2015:

[http://www.uregni.gov.uk/uploads/publications/Briefing\\_Paper\\_on\\_firmus\\_tariff\\_review.pdf](http://www.uregni.gov.uk/uploads/publications/Briefing_Paper_on_firmus_tariff_review.pdf)

<sup>36</sup> UR's briefing paper on firmus energy's tariff effective from 1 April 2016:

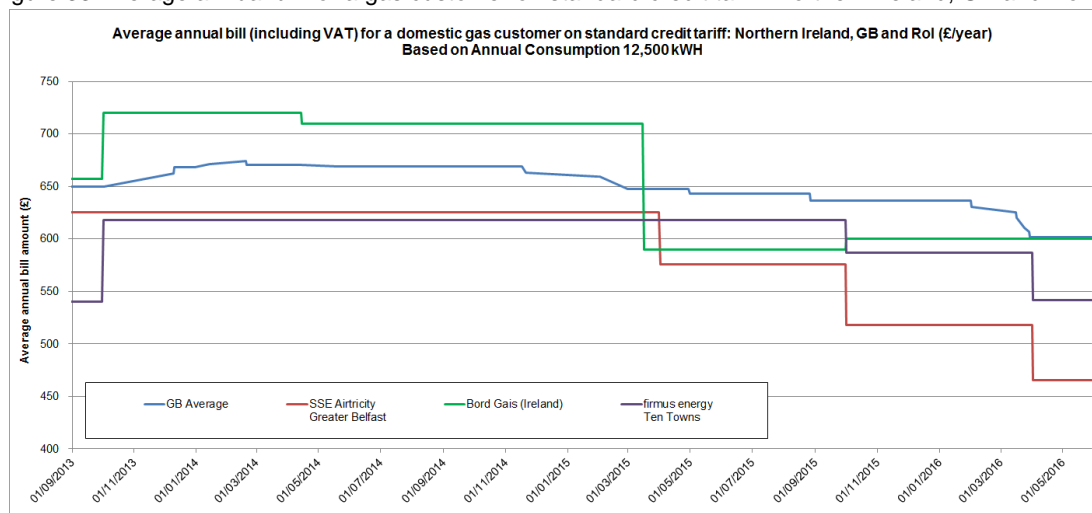
[http://www.uregni.gov.uk/uploads/publications/firmus\\_energy\\_Supply\\_Limited\\_Ten\\_Towns\\_tariff\\_review\\_briefing\\_paper\\_-\\_April\\_2016.pdf](http://www.uregni.gov.uk/uploads/publications/firmus_energy_Supply_Limited_Ten_Towns_tariff_review_briefing_paper_-_April_2016.pdf)

<sup>37</sup> The larger energy suppliers in GB (often called the 'Big Six') are the companies that supply most of the energy to domestic households in the GB market. They are: British Gas, E.ON UK, Scottish and Southern Energy (SSE), nPower, EDF Energy and Scottish Power.

<sup>38</sup> Ofgem's most recent [review](#) of the typical domestic consumption is 12,500kWh per annum.



Figure 33 Average annual bill for a gas customer on standard credit tariff: Northern Ireland, GB and Rol (£/year)



Source: Supplier websites in GB, ROI and NI collated by UR

During 2015, each of the Big 6 Suppliers in GB decreased their tariffs between January and April. These decreases ranged from 1.3% to 5%. British Gas then announced another reduction of 5% from the end of August 2015. Each of the Big 6 Suppliers announced further decreases to their domestic gas tariffs which took effect between February and March 2016. These decreases range from 5% to 5.4% and are reflected in the graph above.

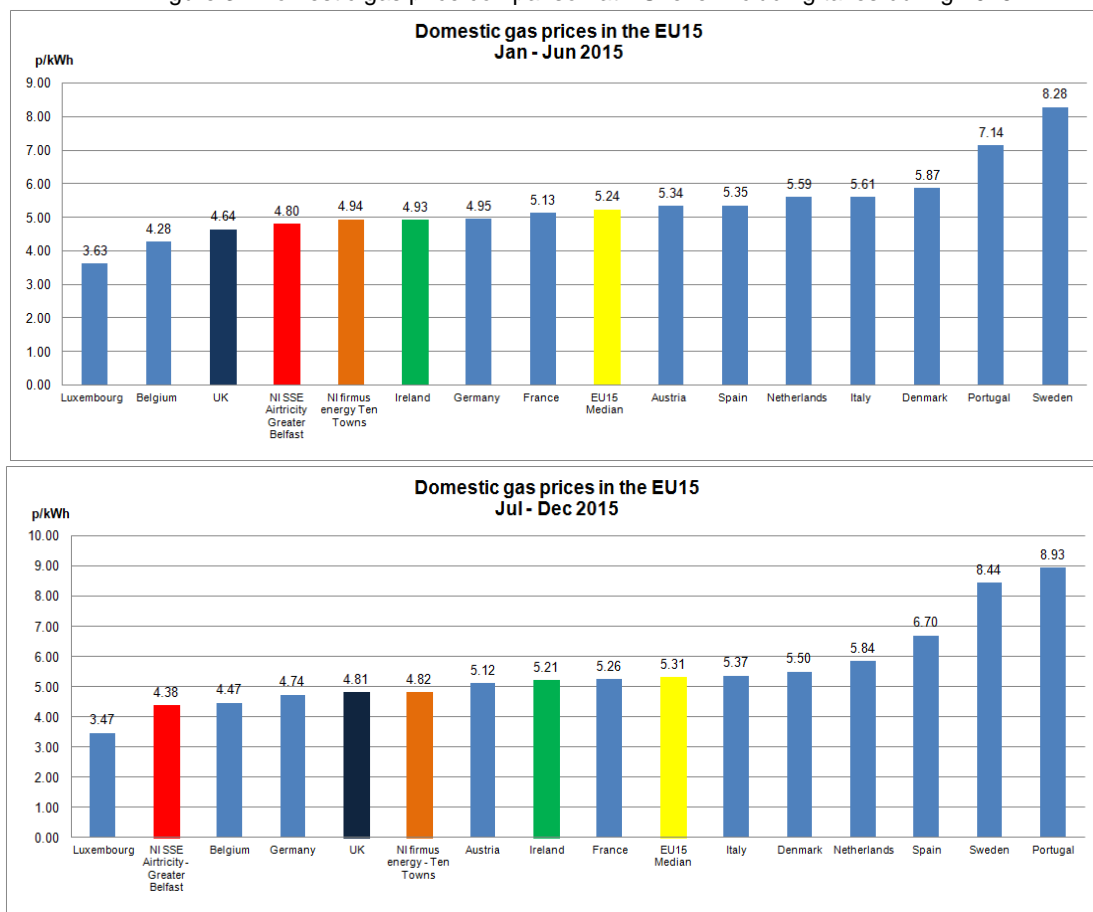
In Rol Bord Gais decreased its gas tariffs by 3.5% from mid March 2015. Bord Gais then announced further reduction of 2.5% off its gas tariffs from October 2015. These decreases are included in the figures used to plot the graph above, however the first reduction is displayed as a much larger decrease and the second reduction is displayed as an increase. This is because, for the purposes of tariff comparison, we convert the Rol tariff from Euro to Pound Sterling using the exchange rate applicable at the date of each tariff change.

As mentioned previously, there were several price decreases in the SSE Airtricity domestic tariffs in the Greater Belfast area and the firmus energy domestic tariffs in the Ten Towns area during 2015. These price decreases are reflected in the graph above.

## Price comparison at EU level

The graphs in Figure 34 below compare NI regulated domestic gas tariffs with the domestic prices for other countries in Europe during 2015. The prices shown in the graphs include taxes and VAT.

Figure 34 Domestic gas price comparison at EU level including taxes during 2015



Source: DECC and NI published tariffs collated by UR

The NI price for Greater Belfast shown in the graphs is based on the standard credit tariffs of SSE Airtricity, and the price for Ten Towns is based on the standard credit tariffs of firmus energy.

In the January to June graph the SSE Airtricity price for Greater Belfast has been calculated as an average of the two tariffs<sup>39</sup> that applied during that period. The firmus energy price for the Ten Towns was calculated based on the tariff<sup>40</sup> that applied during the period. The prices in the graph are calculated based on a domestic customer with average annual consumption of 12,500 kWh.

In the July to December graph the SSE Airtricity price for Greater Belfast has been calculated as an average of the two tariffs<sup>41</sup> that applied during that period. The firmus energy price for Ten Towns was calculated based on the two tariffs<sup>42</sup> that applied during that period. The prices in the

<sup>39</sup> The SSE Airtricity tariff that applied during the period Jan-Mar 2015 was 6.957 p/kWh for first 2000 kWh, and then 4.629 p/kWh. The tariff that applied during the period Apr-Jun 2015 was 6.261 p/kWh for first 2000 kWh, and then 4.291 p/kWh.

<sup>40</sup> The firmus energy price tariff that applied during the period Jan-Jun 2015 was 6.804 p/kWh for first 2000 kWh, and then 4.586 p/kWh.

<sup>41</sup> The SSE Airtricity tariff that applied during the period Jul-Sept 2015 was 6.261 p/kWh for first 2000 kWh, and then 4.291 p/kWh. The tariff that applied during the period Oct-Dec 2015 was 5.635 p/kWh for first 2000 kWh, and then 3.862 p/kWh (note that this is not the current SSE Airtricity tariff).

<sup>42</sup> The firmus energy tariff that applied during the period Jul-Sept 2015 was 6.804 p/kWh for first 2000 kWh, and then

graph are calculated based on a domestic customer with average annual consumption of 12,500 kWh.

The prices for the EU countries shown in the graphs above are the average domestic gas prices for medium consumers (5,557-55,556 kWh per annum) during the period from January to June 2015 and the period July to December 2015. These prices include taxes. These prices are published by the Department of Energy & Climate Change (DECC) in their Quarterly Energy Prices, Table 5.10.2.

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4.586 p/kWh. The tariff that applied during the period Oct-Dec 2015 was 6.464 p/kWh for first 2000 kWh, and then 4.357 p/kWh (note that this is not the current firmus energy tariff in the Ten Towns area).

# Glossary

ATR	Annual Transparency Report
CCL	The Climate Change Levy (CCL) is a tax on electricity, gas and solid fuels delivered to I&C consumers. Its objective is to encourage businesses to reduce their energy consumption or use energy from renewable sources. The rate changes every year.
CMA	Competition and Market Authority
CoS	Change of supplier
DfE	Department for the Economy
DECC	Department of Energy and Climate Change
ERGEG	European Regulators' Group for Electricity and Gas
EU	European Union
Eurostat	Statistical office of the EU. Its task is to provide the EU with statistics at European level that enable comparisons between countries and regions
feDL	firmus energy (Distribution) Limited
firmus energy	firmus energy (Supply) Limited
GB	Great Britain
I&C	Industrial and Commercial
kVA	Kilo volt-ampere
kWh	Kilowatt hour. Unit of energy equivalent to one kilowatt (1kW) of power expended for one hour (1h) of time. 1,000kWh = 1MWh. 1,000MWh = 1GWh.
NI	Northern Ireland
NIEN	Northern Ireland Electricity Networks
NRAs	National Regulatory Authorities
LEU	Large Energy Users
Ofgem	Office of the Gas and Electricity Markets
PNGL	Phoenix Natural Gas Limited
Q	Quarter. In this report, Q refers to the calendar year (i.e. Q1 refers to the quarter January-March).
QTRs	Quarterly Transparency Reports published by the UR at the end of the second month after each calendar quarter (at the end of Feb, May, Aug and Nov).
REMM	Retail Energy Market Monitoring
RoI	Republic of Ireland
SME	Small and Medium Enterprises
UR	Utility Regulator
VAT	Value Added Tax

# Annex A: Supplier Entry to Retail Markets

The tables below set out the dates that each supplier entered the retail market sectors.

Electricity	
<b>Domestic</b>	Incumbent supplier: Power NI June 2010: SSE Airtricity June 2009: firmus supply June 2011: Budget Energy October 2011: Electric Ireland October 2015: Click Energy October 2015: Open Electric
<b>I&amp;C</b>	Incumbent supplier: Power NI July 1999: ESB Independent Energy (NI) t/a Electric Ireland August 1999: Energia January 2008: SSE Airtricity April 2009: firmus supply <sup>43</sup> July 2011: Budget Energy February 2012: VAYU April 2012: Go Power October 2015: Click Energy

Gas: Greater Belfast Area <sup>44</sup>	
<b>Domestic</b>	Incumbent supplier since September 1996: SSE Airtricity <sup>45</sup> July 2010: firmus energy
<b>I&amp;C</b>	Incumbent supplier since September 1996: SSE Airtricity September 2008: firmus energy March 2009: Vayu May 2013: Electric Ireland August 2014: Go Power December 2014: Flogas

Gas: Ten Towns Area <sup>46</sup>	
<b>Domestic</b>	Incumbent supplier since 2005: firmus
<b>I&amp;C</b>	Incumbent supplier since 2005: firmus January 2013: SSE Airtricity May 2015: Flogas June 2015: Go Power

<sup>43</sup> Note that firmus supply left the electricity market at the end of 2015.

<sup>44</sup> The Greater Belfast area is defined in Schedule 1 of the Phoenix Natural Gas Limited conveyance licence.

<sup>45</sup> Formerly Phoenix Supply Ltd (PSL).

<sup>46</sup> The Ten Towns area is defined in Schedule 1 of the firmus energy (Distribution) Limited conveyance licence.