Energy for generations

URNI Consultation: Maximum Resale Price (MRP) for electricity and its application to Ultra Low Emission Vehicles

ESB ecars response

23/12/2019

Introduction

ESB ecars welcomes the Utility Regulator Northern Ireland's public consultation "*Maximum Resale Price (MRP) for electricity and its application to Ultra Low Emission Vehicles".* ESB ecars welcome that the consultation paper clarifies that a charge point operator can charge a customer for the electricity and the service they receive using the existing MRP Direction.

The consultation paper sets out to determine whether the MRP is a barrier to the provision of EV charging and is required to be removed or whether it is adequate in its current form. ESB ecars believe that it is essential that the MRP is removed to allow new customer propositions to develop and ensure barriers to market entry are minimised. By treating EV charging similar to that in Great Britain and Ireland, it will ensure that charge point operators can easily expand their networks into Northern Ireland using existing processes and I.T. systems. Furthermore, it will allow for new and innovative customers propositions to develop similar to other markets. This will have a much more beneficial impact for customers than retaining the MRP. We will outline why ESB ecars believe it should be removed in more detail below.

ESB ecars electric vehicle charging network in Northern Ireland

ESB ecars operates a network of electric vehicle charge points across Northern Ireland. This includes circa 150 Standard AC chargers (300 charge points) and 17 Rapid chargers. These chargers are installed at a range of locations such as council car parks, on-street and service stations across all counties of Northern Ireland. The operation of the network includes the provision of a Charge Point Management and Billing System, 24-hour customer service centre, proactive and reactive maintenance and communications channels, all of which is overseen by a specialist engineering and operations team. As ESB ecars operates an electric vehicle charging network across Ireland also, it allows for a seamless charging experience using a single access method for EV drivers across both jurisdictions.
In addition, ESB has already developed charging networks in both London and Coventry in England and is expanding into other cities in the near future.

Current position with pricing for use of ESB EV charging infrastructure

The network in Northern Ireland has remained free to use since it was developed. ESB ecars began operating the network in 2015 and since then has subsumed all costs associated with providing charging services, including the cost of electricity, and maintaining the network in Northern Ireland. This has resulted in substantial costs being borne by ESB ecars.

In order to put the charging network on a sustainable footing in Ireland, ESB has recently introduced a pricing structure for use of its fast/rapid charging infrastructure and this will be followed by pricing for the Standard AC chargers in 2020. It is intended that this will enable the future development and expansion of the network and it has been broadly welcomed by EV drivers.
ESB entered the Great Britain market in 2017 and since then has developed over 110 rapid chargers across London and Coventry with more planned in the coming years. Pricing for use of these chargers was implemented immediately on commencing operation of the chargers there.

Fees for use of the network in England and Ireland are based on an energy rate which contributes towards the costs of providing the service, such as electricity, electricity network charges, capital investment, routine maintenance, 24/7/365 call centre and supporting I.T Systems including Charge Point Management and Billing system. For people who use the network regularly a subscription

offering is available where the customer can pay a small monthly amount and receive a discounted energy rate.

Responses to the questions in the consultation document

Option 1 – Exemptions for ULEVs within the UR Direction

1. Do respondents consider that removal of the MRP restriction in relation to ULEVs is required or will more easily enable charge point operators to charge for development and maintenance of ULEV infrastructure? Please provide an explanation for your answer.

Yes, ESB ecars believe that lifting the MRP restriction will more easily enable charge point operators to charge for the development and maintenance of ULEV infrastructure. There are several reasons for this:

Similar regulatory environment for EV charging across Northern Ireland, Great Britain and Ireland will create cost efficiencies and remove barriers to entry

Given the geographic proximity of Great Britain and Ireland to Northern Ireland, it is likely that any charge point operators who wish to provide charging services in Northern Ireland will also be operating in one or both other markets. For this to happen easily the MRP should be removed.

Charge point operators generally install chargers across a wide geographic area and should apply similar processes and fees across all chargers despite geographic area. This has happened across Wales, England and Scotland and ESB applies a similar approach across its networks in Ireland and England. This allows for efficiencies to be gained across the value chain, including Charge Point Management Systems, billing and payment and apps. These efficiencies are essential in what is a difficult, low margin business, particularly in small markets such as Ireland and Northern Ireland. Any additional costs associated with conforming the MRP direction specifically for the Northern Ireland market is likely to be passed on to customers.

Furthermore, we believe that diverging from Great Britain and Ireland by including the MRP in Northern Ireland will delay investment by charge point operators who will instead invest in locations where their Charge Point Management and Billing systems are already compliant and do not require a tailored solution such as that for Northern Ireland market.

In addition, a consistent approach across all three markets would provide clarity for customers of charge point operators, who wish to use their networks across multiple regions. This is particularly important across GB, Northern Ireland and Ireland where vehicles are likely to circulate across these regions.

Allow for Innovative Customer Offerings

In 2014, Ofgem provided a derogation from the MRP for EV charging in Great Britain, thus allowing a robust and competitive market to develop which now has multiple operators providing competitive offerings for consumers. Those offers are structured in different ways, including by time spent at a charger, by energy used, subscription fee and bundled offering with other products - such as free charging when you purchase your vehicle. These innovations within the GB market have been enabled by the derogation from the MRP. For instance, Tesla include free charging as part of the sale of some of their vehicles, the MRP would inhibit this and make it confusing for a customer by providing a value for the electricity that they have received despite no cost to them. Similarly, other companies are bundling several products in one fixed monthly fee which allows for free public charging on certain networks.

It is difficult to see how the MRP would work in the current system where, for instance, a customer pays a monthly subscription fee, but the amount of kWh changes each month. How should the specific electricity cost be calculated for the customer and what assistance would providing the electricity element of the cost of the service be for the customer? This is true across a number of existing models such as time-based charging, subscription fees, free charging allowance etc. Given the innovations that have taken place in the last number of years, it is hard to predict the business models which may emerge in the coming years.

ESB currently provides kWh billing in both GB and Ireland as well as a subscription offer, which provides a discounted kWh price for a monthly fee for use of its public charger network. In addition, ESB also charges an overstay fee for cars continuing to charge beyond a certain length of time. However, the market for electric vehicles charging is evolving and customer offerings and how they are calculated (i.e. by time, subscription) may also be altered in the future to respond to changes in the market.

We believe that retaining the MRP will act as a barrier to product innovation and competitiveness which will benefit the customer.

Natural competitive forces with other fuels and with home and work charging

A concern for most markets is that there is sufficient competition to ensure a competitive price for consumers. In order to ensure that more market actors provide public charging in Northern Ireland barriers to this happening such as the MRP, should be removed.

Furthermore, consideration should be given to the competitive pressures which already exist in the Northern Ireland market, where public charging will have to compete with home and work charging (where most charging will take place) as well as the price of diesel and petrol. Operators who are not conscious of these pressures, will not have an EV market to service as they are likely to slow the market or at least push people to alternative methods of mobility or charging.

In Spring 2019, an external agency carried out one to one interview with 25 electric vehicle drivers on behalf of ESB ecars. Of the 25 that were interviewed more than 95% of them stated that fuel savings and associated costs were their principal reason for choosing an EV. This clearly demonstrates that electric vehicle drivers will tend to be price sensitive and demand for public charging is likely to be elastic if prices are not seen to be competitive with petrol, diesel and home charging.

Precedence –MRP does not apply to other every day items

The MRP was designed to protect tenants from being over charged for electricity at their rental property. It is not appropriate for electric vehicle charging as it does not fulfil its intended purpose of restricting the final price that can be charged to a customer.

Different products and services utilise electricity to make or provide them, but often as with EV charging, it is only a portion of the overall cost, however, there is no requirement for those products to declare what element of their final price to the customer is from electricity.

2. Do respondents consider that the removal of the MRP restriction for ULEVs would decrease consumer protection by introducing a lack of transparency in relation to the electricity cost?

It is not apparent how regulating one element of the costs associated with the provision of EV charging will add additional consumer protection. As mentioned previously the MRP was designed to restrict the final price passed on to the customer. This is not the case for EV charging. There are many different costs associated with EV charging which a charge point operator will look to recover and the electricity element is just a fraction of that.

The market for EVs and charging infrastructure is evolving quickly and regulatory policy needs to ensure there are no barriers to that evolution. While there is no regulation of the price that customers are charged in Great Britain, it remains very competitive. This is due to the market evolving quickly since the removal of the MRP where many actors entered the market. Secondly because there is an understanding that this is a nascent industry and that for EV charging to be sustainable there needs to be mass uptake of electric vehicles. For this reason, the cost of other transport fuels such as petrol, diesel and home charging act as a very real competitive influence on the price offered to customers for use of public charging.

In H1 2019, ESB surveyed its customer base in Ireland and Northern Ireland, receiving almost 1,800 responses. In addition, 25 EV drivers were interviewed to get their views on EV charging and their propensity to pay for it. Many of the respondents indicated that it was essential that there were worthwhile savings compared to a petrol or diesel car when ESB introduced pricing. Few respondents were concerned with the price that ESB ecars were going to pay for electricity and what part that was of the overall price.

Similarly, much of the feedback since the introduction of fees in Ireland by ESB ecars in November 2019 has been in relation to how the new pricing structure compares with the cost of fuelling a petrol of diesel car.

3. To what extent do respondents value transparency in the electricity element of the cost of charging a ULEV? Please provide detailed rationale

As per the survey referenced in the previous question, most respondents were concerned with how much savings could be made compared to a conventional car rather than what the price components were. ESB sees little value to detailing one element of the costs associated with providing the charging service when there are many.

4. Overall, how much do respondents support an exemption from MRP for the resale of electricity where it relates to the propulsion of a ULEV?

ESB fully support the exemption from the MRP and have outlined the reasons for this position in question one. It is essential to ensure that Northern Ireland is consistent with markets in other jurisdictions in close proximity to allow for investment to easily flow into the market. Furthermore, it is essential that innovative business models evolve in what is a nascent industry and one which should not be regulated like a traditional electricity business.

The removal of the MRP will benefit customers as it will enable a dynamic and competitive market to develop in Northern Ireland.

5. Are there any other factors or information the UR should take into account when considering this option? Please see response to question one and two above.

6. Do you have any other views on this Option not covered by the above questions?.

Option 2 – No Change to the current Direction

1. Does the MRP Direction as it is currently drafted act as a barrier to the development or maintenance of ULEV infrastructure in Northern Ireland?

It was ESB ecars understanding that the MRP acted as a barrier to the development and maintenance of charging infrastructure as it only allowed for the cost of the electricity to be recovered. We welcome the clarity that the public consultation paper brings on this issue. ESB ecars does believe however that the MRP should be removed to be consistent with Great Britain and Ireland and many other countries around Europe.

2. Do you believe the MRP Direction should remain in place in its current form? Please provide an explanation for your answer.
Please see answers above

3. Are there any other factors or information the UR should take into account when considering this option?

   Please see answers above

4. Do you have any other views on this Option not covered by the above questions?

The removal of the MRP in Britain and the equivalent in Ireland has a had a very positive impact on the market, with more charge point operators become active there and more EVs being sold. Their success has set a precedence for what works well for EV charging and it would seem sensible to follow the lead of both of those markets. Northern Ireland does not need a niche solution for a small market, it requires a similar approach to other successful markets, such as GB, so that it can also receive the benefits of those markets.