RETAIL MARKET MONITORING

Quarterly Transparency Report FEB 2013

Contents

1. Introduction

Data sources and assumptions

Monitoring the market is key in fulfilling our functions on protection of consumers and promotion of effective competition. As we continue to work in this area, we aim at making constant additions to this report from the previous quarters, to develop a regular and structured flow of relevant information for our stakeholders.

The main data sources for this report are as follows:

- Market shares are provided by the network companies (NIE and PNG).
- Electricity switching analysis has been undertaken with inputs from NIE, and gas switching inputs are from PNG and gas suppliers.
- EU domestic prices are from DECC[1] (Department of Energy and Climate Change) and Eurostat. NI domestic prices in the EU comparison are collated internally.

Retail competition in NI energy market

The electricity and gas (in the Greater Belfast and Larne area) markets have been open to competition to domestic customers since 2007. However, there were no competing suppliers in the domestic market until 2010.

The 10 towns gas area opened to competition for large I&C (industrial and commercial) customers in October 2012. The domestic and small I&C segments still remain supplied exclusively by one incumbent company, and it are due to open to competition in April 2015.

The table below shows when competition effectively started in each of the energy market segments.

Electricity	
Domestic	June 10: Airtricity entered the domestic credit segment. Oct 10: firmus started supplying Ulster Farmers' Union members. May 11: Airtricity entered the domestic keypad segment. June 11: Budget Energy entry. Oct 11: ESB/Electric Ireland entered the domestic sector.
Non-domestic	Industrial electricity customers become eligible to change supplier from 1999. From 2005, small and medium businesses became eligible too. Feb 12: VAYU enters the non-domestic market Apr 12: LCC enters the non-domestic market

Gas (Greater Belfast and Larne area)[2]	
Domestic	July 10: firmus entered this market segment.
Non-domestic	Four active gas suppliers since 2006: AGS[3] (Airtricity Gas Supply), firmus energy, Energia and VAYU.
Gas (10 Towns)[4]	
Domestic and non-domestic small users	Will open to competition from Apr 2015
Large non-domestic Users	Open to competition from Oct 2012. Jan 13: AGS entered this market

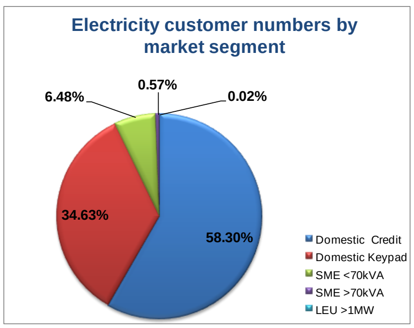
For further details on the retail energy market in Northern Ireland, please visit: http://www.uregni.gov.uk/publications/utility_regulators_annual_energy_retail_reports/

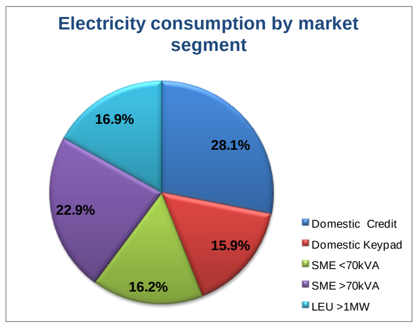
[1] http://www.decc.gov.uk/en/content/cms/statistics/publications/prices/prices.aspx
[2] The Greater Belfast area, including Holywood, Bangor, Newtownards, Belfast, Newtownabbey, Carrickfergus, Lisburn and Larne
[3] Formerly called Phoenix Supply Ltd (PSL)
[4] In 2005 firmus energy was awarded a licence to develop the natural gas network in 10 towns across NI, from L'Derry to Ballymena, and from Antrim to Newry.

2. NI customer numbers and total consumption

Electricity – customer numbers

Year	2012	
Month	Q4	
Market segments	**Customer Numbers**	**Consumption (GWh)**
Domestic Credit	492,951	633
Domestic Keypad	292,797	358
SME <70kVA	54,822	365
SME >70kVA	4,813	517
LEU >1MW	192	380
Total	**845,575**	**2,253**





- From the total customers in NI, 93% belong to the domestic sector, while the remaining 7% are non-domestic customers. This translates into 44% and 56% respectively in terms of consumption.
- The number of domestic credit customers continues to decrease in comparison to prepayment customers.
- Within the domestic sector, prepayment customers are 37% of the total customers.

Gas – Greater Belfast and 10 towns areas

Year	2012	
End of quarter	Q4	
Market segments	**Connections**	**Consumption (therms)**
Greater Belfast	**154,874**	**42,003,680**
Domestic & Small I&C	151,758	20,208,813
I&C > 73,200 kWh	3,116	21,794,867
Ten towns	**17,277**	**14,161,471**
Domestic	15,432	1,394,797
I&C	1,845	12,766,674
Total	**172,151**	**56,165,151**

- In the Greater Belfast area, the market segments are split following the Distribution Code:
  - Domestic and Small I&C (<73,200 kWh, or <2,500 Therms/annum), which in this Q4 represents 98% of the connections and 48% of the consumption.
  - I&C (>73,200 kWh, or >2,500 Therms/annum), representing 2% of the connections in this area, and 52% of the consumption.

- In the 10 Towns area, competition in the large I&C segment opened in October 2012.
- Currently there are 17,277 connections in 10 Towns (this is an increase of 14% from the previous quarter). Domestic premises represent 89% of the connections and 10% of the consumption. I&C represent 11% of the connections and 90% of the consumption.

3. Market shares and market activity

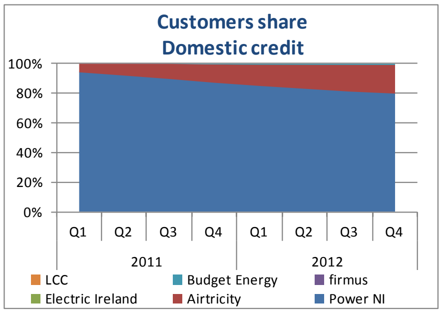
Electricity – shares by customer numbers

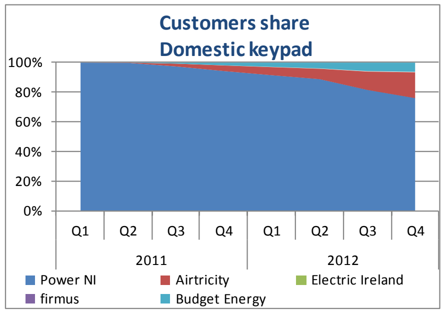
Year	2012
Month	Q4

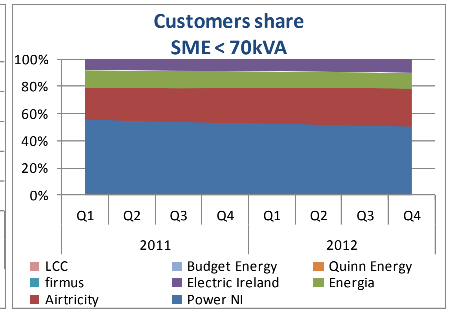
Suppliers	Domestic Credit	Domestic Keypad	SME <70kVA	SME >70kVA	LEU >1MW	Total
Cust Numbers Power NI	394,486	222,927	27,786	1,186	23	646,408
Cust Numbers Airtricity	95,581	50,932	15,325	1,362	51	163,251
Cust Numbers Energia	0	0	6,178	1,044	61	7,283
Cust Numbers Electric Ireland	185	139	5,403	1,154	51	6,932
Cust Numbers firmus	254	0	21	36	5	316
Cust Numbers Budget Energy	2,439	18,799	87	3	0	21,328
Cust Numbers Vayu	0	0	0	4	0	4
Cust Numbers LCC	6	0	22	24	1	53
Cust Numbers Total Market	**492,951**	**292,797**	**54,822**	**4,813**	**192**	**845,575**

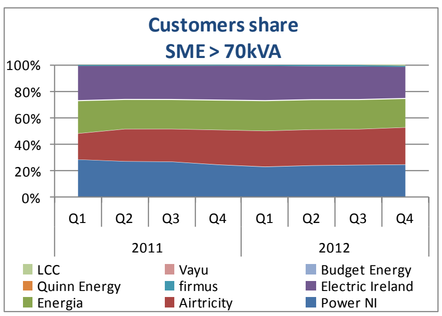
Year	2012
Month	Q4

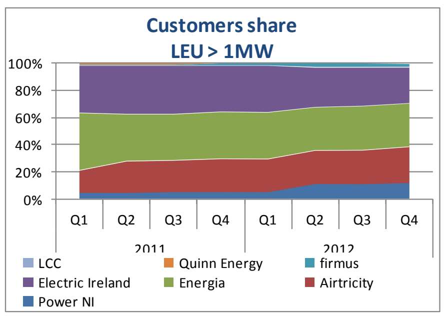
Suppliers	Domestic Credit	Domestic Keypad	SME <70kVA	SME >70kVA	LEU >1MW	Total
% Cust numbers Power NI	80.0%	76.1%	50.7%	24.6%	12.0%	76.4%
% Cust numbers Airtricity	19.4%	17.4%	28.0%	28.3%	26.6%	19.3%
% Cust numbers Energia	0.0%	0.0%	11.3%	21.7%	31.8%	0.9%
% Cust numbers Electric Ireland	0.0%	0.0%	9.9%	24.0%	26.6%	0.8%
% Cust numbers firmus	0.1%	0.0%	0.0%	0.7%	2.6%	0.0%
% Cust numbers Budget Energy	0.5%	6.4%	0.2%	0.1%	0.0%	2.5%
% Cust numbers Vayu	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%
% Cust numbers LCC	0.0%	0.0%	0.0%	0.5%	0.5%	0.0%

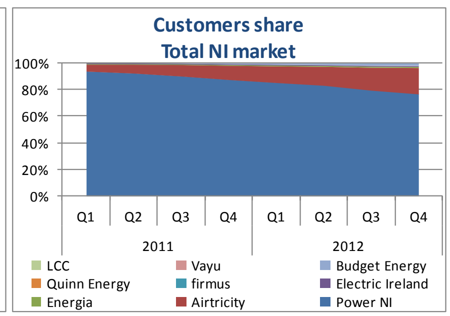












- The charts above show the trends in market shares (by customer numbers) for each active supplier in NI, by market segment from Q1 2011.
- The total number of domestic customers at the end of 2012 Q4 was 785,748. This represents 93% of the total customers in NI. There is still a big share of customers remaining with the previously incumbent supplier. However, this situation is progressively changing, and the percentage of domestic credit (including direct debit) customers supplied by Power NI has been decreasing. In Q4 2012, this percentage was 80% which is a decrease from 81% in the previous quarter. Power NI currently suppliers 76% of keypad customers, which is a decrease from 82% from the previous quarter. The current non-incumbent share by customer in Q4 2012 is 20% for credit domestic customers and 24% for keypad customers.
- Competition in the non-domestic market is more developed. There were 8 active suppliers in Q4 2012, and shares are more dispersed than in the domestic sector. Based on customer numbers, 4 of these suppliers have shares of more than 10% in each of the business segments.

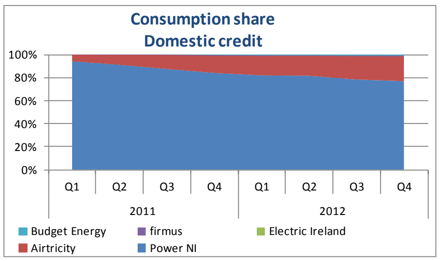
Electricity – shares by consumption (GWh)

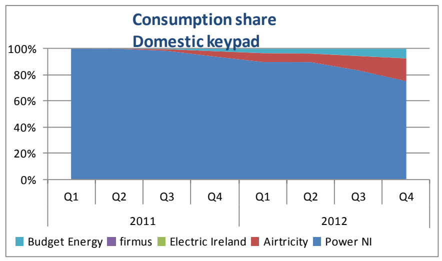
Year	2012
Month	Q4

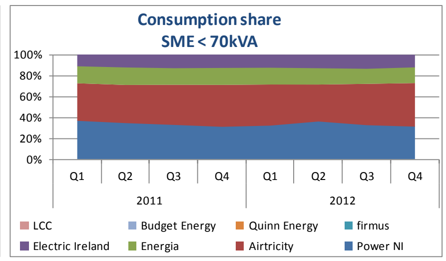
Suppliers	Domestic Credit	Domestic Keypad	SME <70kVA	SME >70kVA	LEU >1MW	Total
Consumption Power NI	485.0	269.2	114.9	78.9	16.9	965.0
Consumption Airtricity	140.7	62.3	150.7	143.2	115.6	612.6
Consumption Energia	0.0	0.0	56.4	141.8	94.2	292.4
Consumption Electric Ireland	0.3	0.2	42.2	144.2	135.3	322.2
Consumption firmus	3.8	0.0	0.4	6.1	18.0	28.4
Consumption Budget Energy	3.5	26.0	0.4	0.0	0.0	29.9
Consumption Vayu	0.0	0.0	0.0	1.0	0.0	1.0
Consumption LCC	0.0	0.0	0.2	1.4	0.2	1.8
Consumption (GWh)	**633.3**	**357.8**	**365.3**	**516.8**	**380.1**	**2,253.2**

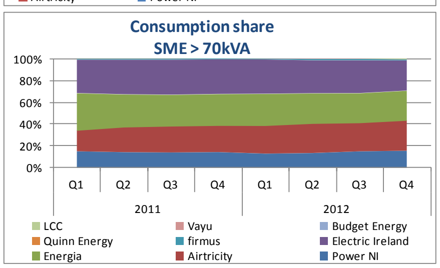
Year	2012
Month	Q4

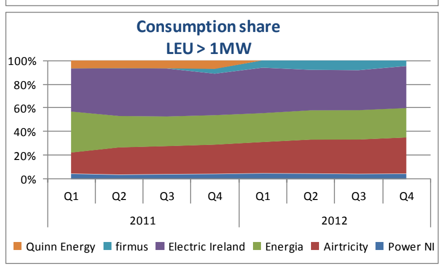
Suppliers	Domestic Credit	Domestic Keypad	SME <70kVA	SME >70kVA	LEU >1MW	Total
% Consumption Power NI	76.6%	75.2%	31.5%	15.3%	4.4%	42.8%
% Consumption Airtricity	22.2%	17.4%	41.3%	27.7%	30.4%	27.2%
% Consumption Energia	0.0%	0.0%	15.4%	27.4%	24.8%	13.0%
% Consumption Electric Ireland	0.0%	0.1%	11.6%	27.9%	35.6%	14.3%
% Consumption firmus	0.6%	0.0%	0.1%	1.2%	4.7%	1.3%
% Consumption Budget Energy	0.6%	7.3%	0.1%	0.0%	0.0%	1.3%
% Consumption Vayu	0.0%	0.0%	0.0%	0.2%	0.0%	0.0%
% Consumption LCC	0.0%	0.0%	0.0%	0.3%	0.0%	0.1%

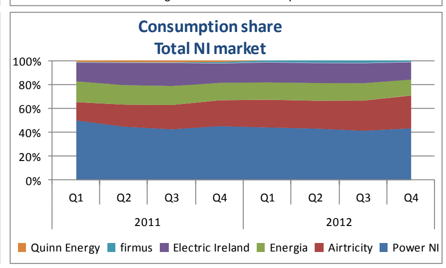






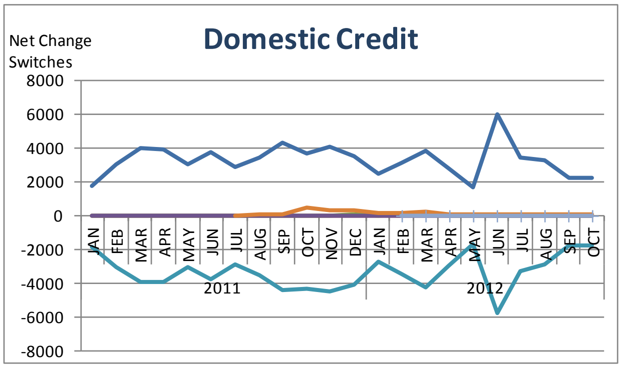


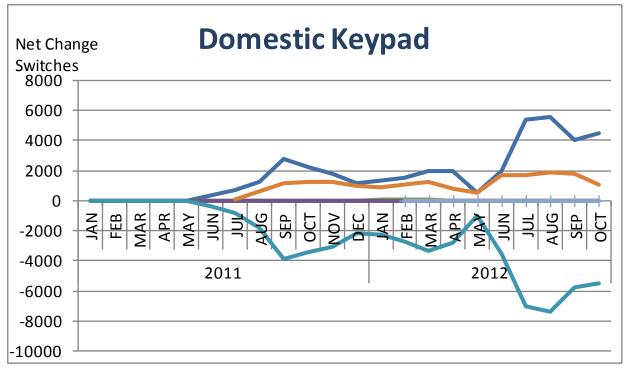


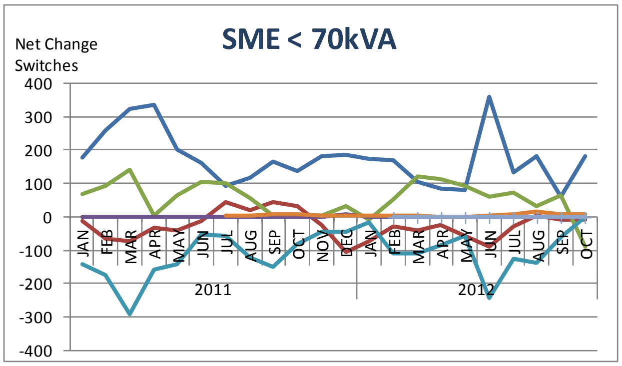


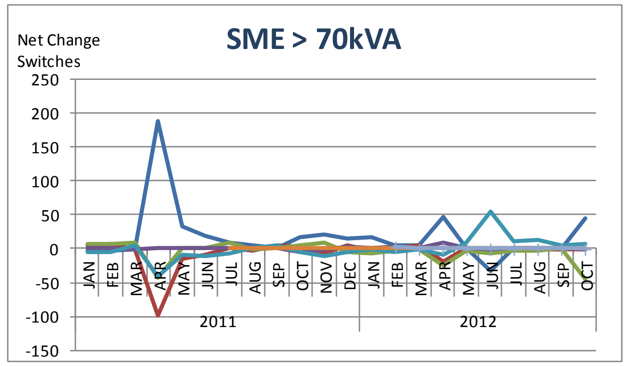
- These charts reflect the market share of each active supplier in NI by consumption (sales units in GWh).
- Competition in the total NI market is more relevant when examining shares by consumption than by customer numbers.
- Power NI's share is 43% of the total NI electricity market by consumption. Non-incumbent market shares are mainly split between Airtricity with 27%, energia 13%, and Electric Ireland retains 14%.
- In this Q4, there has been a noticeable increase in the shares of Airtricity and Budget Energy, based on consumption, in the domestic keypad market, increasing from 11% and 5% in Q3 to 17% and 7% respectively. Power NI share in this market segment has decreased from 83% in the previous quarter to 75% in Q4.

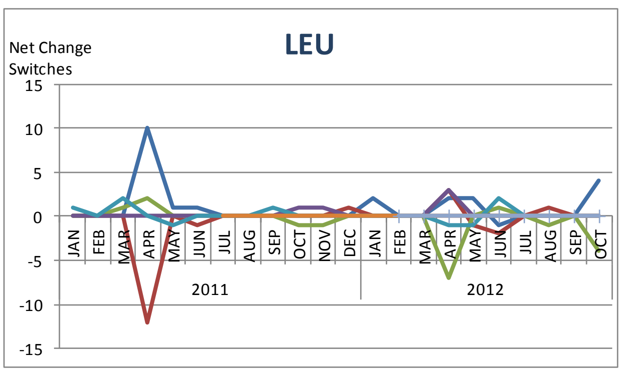
Electricity – market activity and new customer registrations

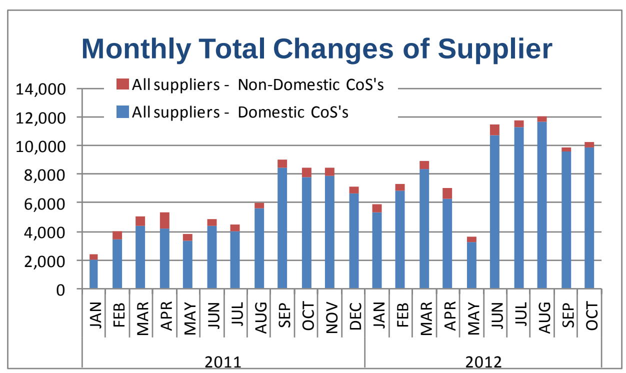












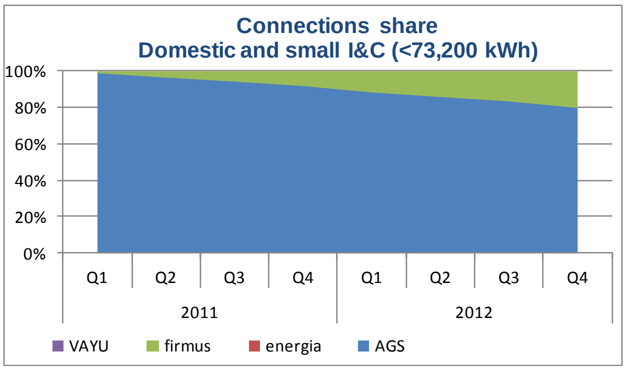
	% Domestic switching	% Non-Domestic switching	% Total switching
2011			
Q1	1.3%	2.8%	1.4%
Q2	1.5%	3.6%	1.7%
Q3	2.4%	2.1%	2.3%
Q4	2.9%	3.0%	2.9%
Year 2011	2.0%	2.9%	2.1%
2012			
Q1	2.7%	2.8%	2.7%
Q2	2.6%	3.0%	2.6%
Q3	4.1%	1.9%	4.0%

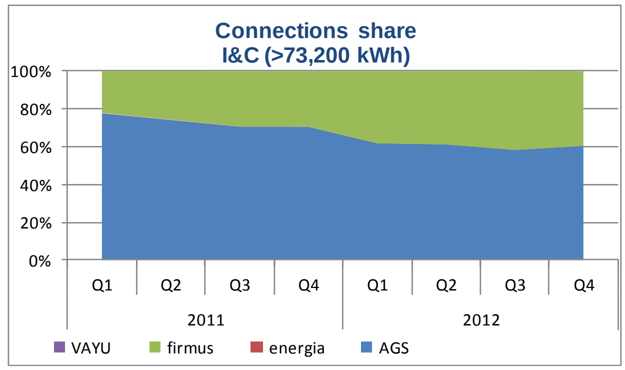
- The first five charts above reflect the net change of customer numbers (new registrations plus gains less losses), per market segment and supplier.
- The bar graph shows the changes of supplier (CoS) on a monthly basis in the whole market in NI, split by domestic and non-domestic market.
- The drop of CoS over May 2012 is due to the Enduring Solution switching system going live on the 21st May. This process has removed switching constraints for domestic customers. Since then, the CoS have increased to a current average of more than 10,000 per month.
- The table on the left shows % rates of quarterly switching. These percentages are calculated using the number of actual switches over the number of actual customers in that market segment.
- Information on this is currently only available until Q3 2012.

Gas – Greater Belfast area – shares by connections

Year	2012		
End of quarter	Q4		
Suppliers	**Domestic & Small I&C**	**I&C > 73,200 kWh**	**Total**
Connections AGS	121,277	1,889	123,166
Connections energia	0	2	2
Connections firmus	30,468	1,215	31,683
Connections VAYU	13	10	23
Connections total market	**151,758**	**3,116**	**154,874**

Year	2012		
End of quarter	Q4		
Suppliers	**Domestic & Small I&C**	**I&C > 73,200 kWh**	**Total**
% Connections AGS	79.9%	60.6%	79.5%
% Connections energia	0.0%	0.1%	0.0%
% Connections firmus	20.1%	39.0%	20.5%
% Connections VAYU	0.0%	0.3%	0.0%

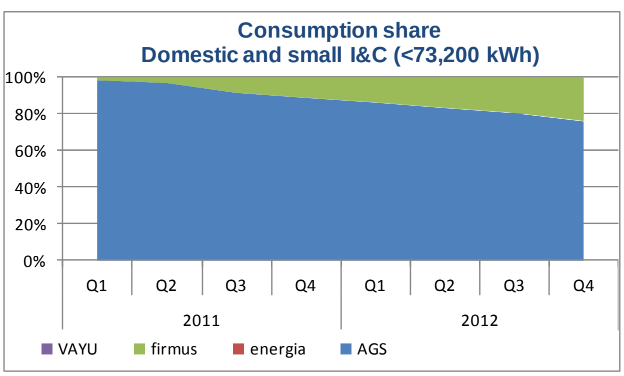


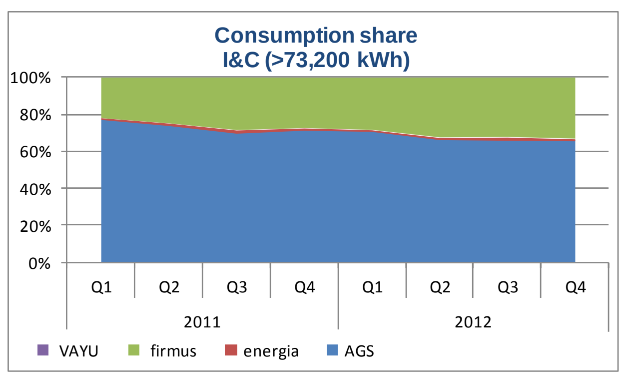


Gas – Greater Belfast area – shares by consumption (therms)

Year	2012		
Quarter	Q4		
Suppliers	**Domestic & Small I&C**	**I&C > 73,200 kWh**	**Total**
Consumption AGS	15,343,501	14,331,006	29,674,507
Consumption energia	0	226,455	226,455
Consumption firmus	4,860,773	7,215,189	12,075,962
Consumption VAYU	4,539	22,217	26,756
Consumption (therms)	**20,208,813**	**21,794,867**	**42,003,680**

Year	2012		
Quarter	Q4		
Suppliers	**Domestic & Small I&C**	**I&C > 73,200 kWh**	**Total**
% Consumption AGS	75.9%	65.8%	70.6%
% Consumption energia	0.0%	1.0%	0.5%
% Consumption firmus	24.1%	33.1%	28.7%
% Consumption VAYU	0.0%	0.1%	0.1%

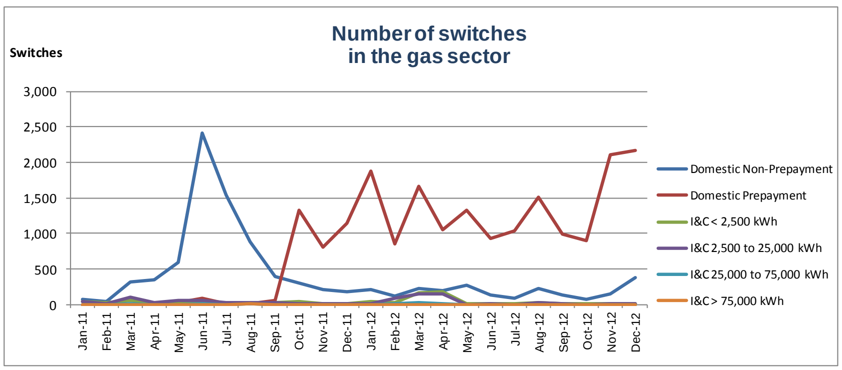




- The information above, on connections and consumption relates to the Phoenix Natural Gas Ltd Distribution Licensed Area.
- Market shares shown in terms of connections are as at end December 2012.
- Market shares shown in terms of connection relate to consumption during Q 4 2012.
- There are 3 active suppliers in the domestic and small I&C (<73,200 kWh) gas market, and 4 active suppliers in the larger I&C segment (>73,200 kWh). At the end of Q4, AGS's share by connections in the total gas market had decreased to 79.5% (from 83% in Q3), remaining at around 71% in terms of consumption. Correspondingly, firmus' share in this area has increased to 20% (in terms of connections) and 29% (in terms of consumption) (from 17% and 28% in Q3).

Gas – Greater Belfast area – market activity

- The information below relates to the Phoenix Natural Gas Ltd Distribution Licensed Area.
- Switching activity shown is as at end December 2012.
- The graph on number of switches shows requested switches until March 2012, and confirmed switches from April 2012 onwards.
- The table below on the right shows the switching rate for the domestic and non-domestic markets in Greater Belfast. These percentages are calculated using the number of Supply Meter Point switches as a percentage of the total number of Supply Meter Points in the market segment.
- Source: Phoenix Natural Gas and gas suppliers.



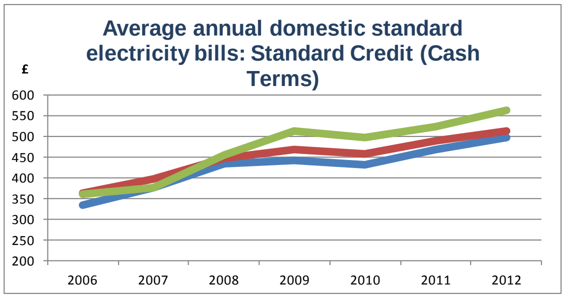
	% Domestic switching	% Non-Domestic switching	% Total switching
2011			
Q1			0.5%
Q2			2.6%
Q3	2.2%	1.9%	2.2%
Q4	2.9%	1.2%	2.8%
Year 2011			2.1%
2012			
Q1	3.6%	5.5%	3.8%
Q2	2.8%	4.0%	2.9%
Q3	2.9%	0.9%	2.8%
Q4	4.2%	0.6%	3.9%

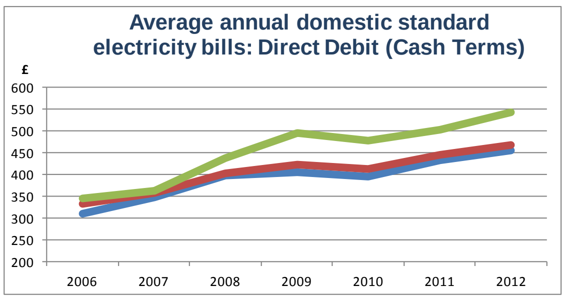
Gas – 10 towns area – shares and market activity

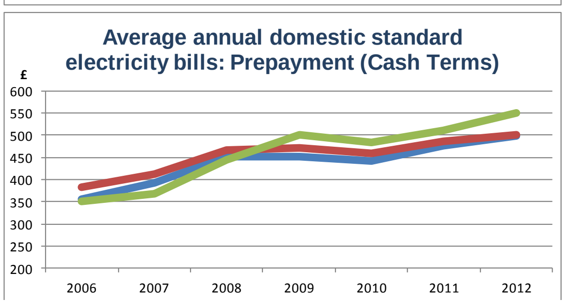
- Competition opened in the 10 towns non-domestic market in October 2012.
- There were no switches to report at end of Dec 2012, and therefore firmus energy's share remains at 100%. However, AGS started supplying large I&C customers in January 2013. These statistics will be reported in the next edition of the QTR and will include market shares and switching activity in this area.

4. Domestic prices

Electricity domestic prices

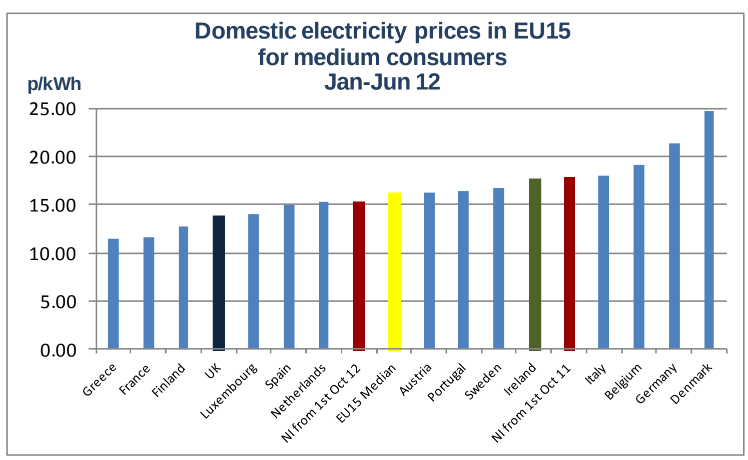




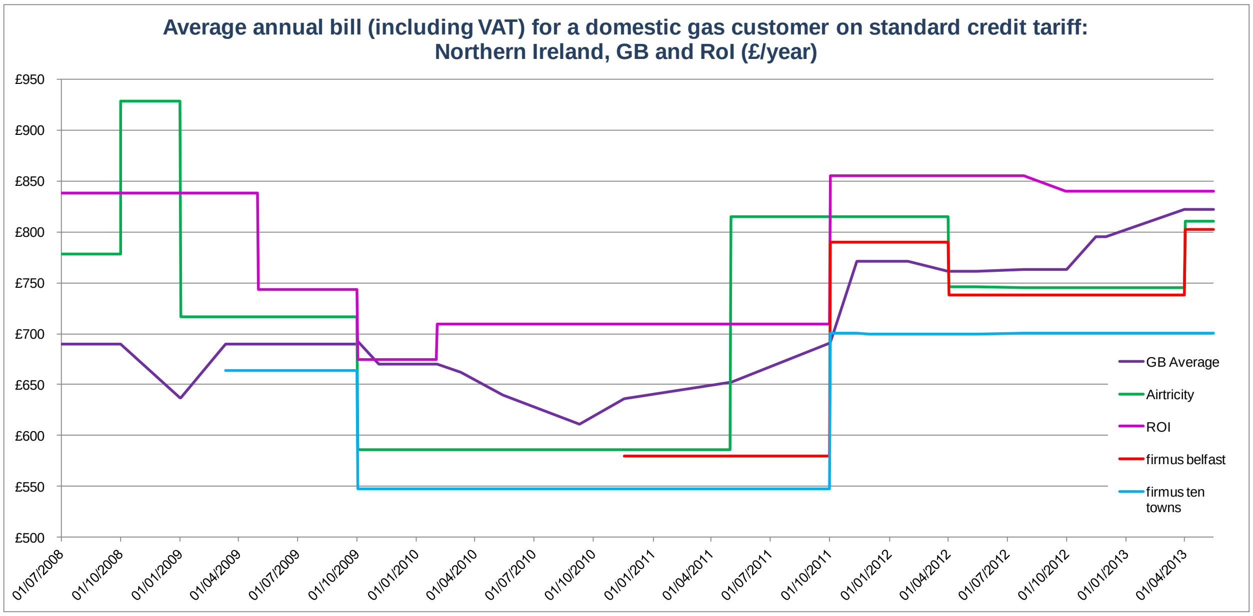


- Average domestic bills are calculated assuming annual consumptions of 3,300 kWh. Data is inclusive of VAT.
- These bills relate to the total amount charged during the year, rather than a bill based on the latest prices.
- Historically in NI, electricity prices have been higher than in GB. This is mainly because there are higher energy transport costs, small size of the market that reduces chances of economies of scale, difference in fuel mix, etc.
- The prepayment option in NI is cheaper than the Standard Credit tariff, and vice versa for the other two regions.
- Source: Table 2.2.2 on DECC last Quarterly Energy Prices (https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/65940/7341-quarterly-energy-prices-december-2012.pdf).

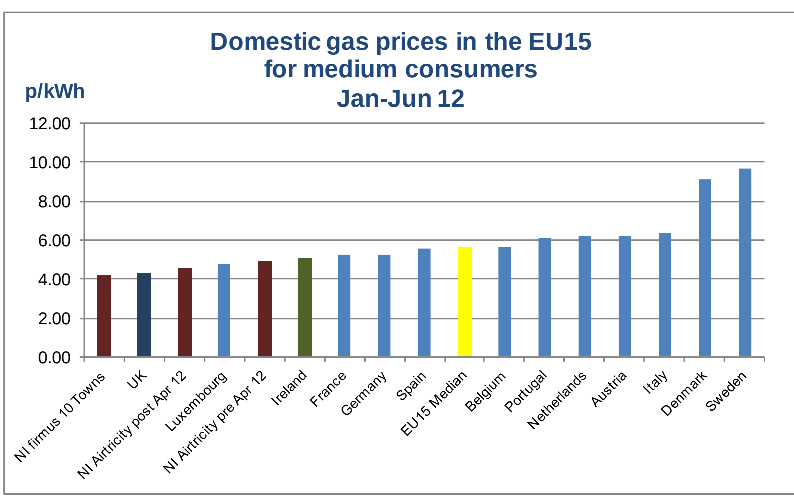
- The graph on the right compares NI domestic price with the most recent available prices for other countries in Europe (including taxes).
- The NI tariff is the regulated tariff applying from 1st Oct 2011, for an average domestic customer consuming 3,300 kWh per annum (17.82p/kWh).
- The tariff applied in NI from 1st Oct 2012 is 15.31p/kWh. It is included in the graph for completeness, but note that other chart data reflects the period Jan-Jun 2012.
- Source: Eurostat half-yearly prices (update 27/11/12). Domestic electricity prices for Band DC (medium consumers: 2,500-4,999 KWh) including taxes.
- Rate of exchange: Eurostat, average of Euro exchange rate monthly data for Jan-Jun 12.



Gas domestic prices



- The graph above compares domestic prices for a standard tariff, from July 2008. It shows a GB average which includes the 6 big suppliers. The annual usage estimate is 16,500 kWh.
- The tariffs used for comparison purposes are the standard tariff rates for domestic credit customers excluding any discounts available for payment by direct debit, viewing bills online, etc.
- AGS have announced that they will be increasing their tariffs by 8.7% from 1 April 2013. firmus energy will continue to track the AGS tariff in the Greater Belfast area, and therefore will also increase prices by 8.7% from 1 April 2013. These increases are shown in the graph.
- Each of the big 6 suppliers in GB have announced tariff increases between Sep 12 and Jan 13. These increases range from 6% to 10.8%. These increases have been reflected in the graph.
- In ROI, BGE increased tariffs by 8.5% effective from 1 October 2012. The graph however shows a slight decrease at that time. This is due to the changes in the exchange rate as the ROI tariff is converted into pound sterling for comparison purposes using the exchange rate applicable at the date of each tariff change
- Source: UR internal data.



- This graph compares NI domestic gas price with the most recent available prices for other countries in Europe (Jan – Jun 2012) including taxes.
- The NI price used is based on the actual AGS tariff pre and post April 2012, for a customer on a standard tariff consuming 16,500 kWh per annum. It also shows tariff for 10 Towns customers.
- Source: Eurostat, half-yearly prices (update 7/11/12). Domestic gas prices for Band D2 (medium consumers 5,557-55,556 kWh/annum).
- Rate of exchange: Eurostat, average of Euro exchange rate monthly data for Jan-Jun 12.