RETAIL MARKET MONITORING
Quarterly Transparency Report NOV 2012

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 our 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 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 customers in October 2012. The domestic segment still remains supplied exclusively by one incumbent company, and it is 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	Nov 10: firmus entered this market segment.
Non-domestic	Four active gas suppliers since 2007: AGS[3] (Airtricity Gas Supply), firmus energy, Energia and VAYU.
Gas (10 Towns)[4]	
Domestic and non-domestic small users	Apr 2015
Large non-domestic Users	Oct 2012

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/

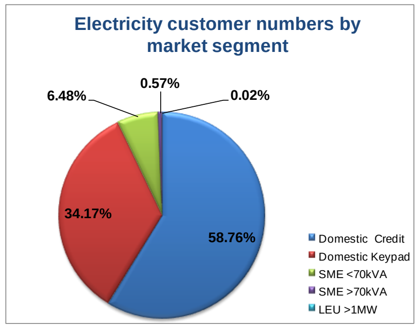
[1] http://www.decc.gov.uk/en/content/cms/statistics/publications/prices/prices.aspx
[2] The Greater Belfast area, including Holywood, Bangor, Newtownards, Belfast, Newtownabbey, Carrickfergus, Lisburn and Larne
[3] Formerly called Phoenix Supply Ltd (PSL)
[4] In 2005 firmus energy was awarded a licence 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

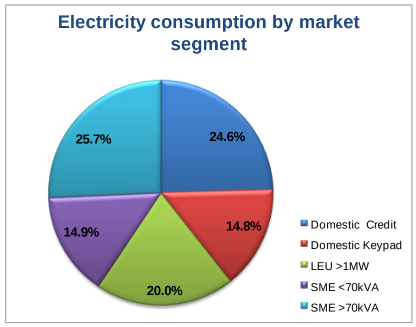
Year	2012
Month	Q3

Market segments	Customer Numbers
Domestic Credit	495,883
Domestic Keypad	288,325
SME <70kVA	54,669
SME >70kVA	4,807
LEU >1MW	189
Total	843,873



Year	2012
Month	Q3

Market segments	Consumption (GWh)
Domestic Credit	466.3
Domestic Keypad	280.5
LEU >1MW	379.7
SME <70kVA	282.6
SME >70kVA	487.6
TOTAL	1,896.6



- The charts show the NI electricity market segments by (a) customer numbers and by (b) total consumption.
- The number of domestic credit customers continues to decrease in comparison to prepayment customers.
- The I&C (non-domestic) customers represent 7% of NI by customer numbers, but more than 60% of NI based on consumption.

Gas - Greater Belfast area

Year	2012	
End of quarter	Q3	

Market segments	Connections	Consumption (therms)
Domestic & Small I&C	148,931	6,349,271
I&C > 73,200 kWh	3,218	11,167,659
Total	152,149	17,516,930

Gas - 10 towns area

Year	2012	
End of quarter	Q2	

Market segments	Connections	Consumption (therms)
Domestic	13,492	735,982
I&C	1,717	10,810,820
Total	15,209	11,546,802

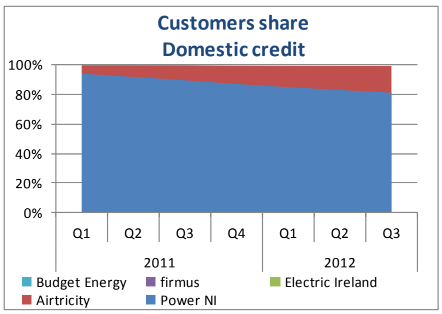
- The tables show the NI gas market by area for each segment by number of connections and by total consumption.
- In the Greater Belfast area, the market segments are split following the Distribution Code:
  - Domestic and Small I&C (<73,200 kWh, or <2,500 Therms/annum), which represents 98% of the connections and 36% of the consumption.
  - I&C (>73,200 kWh, or >2,500 Therms/annum), representing 2% of the connections in this area, and 64% of the consumption.
- Note the latest figures for the 10 Towns area are for Q2. Competition in the I&C segment opened in this area in October 2012.
- Currently there are a total of 15,209 connections in 10 towns. From those, 89% are to domestic premises, representing 6% of the consumption in this area. In the 10 towns there are 1,717 I&C connections and these represent 93% of the total consumption.

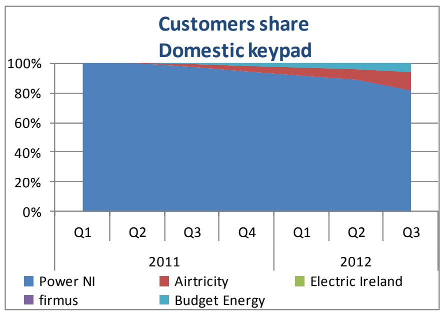
3. Market shares and market activity

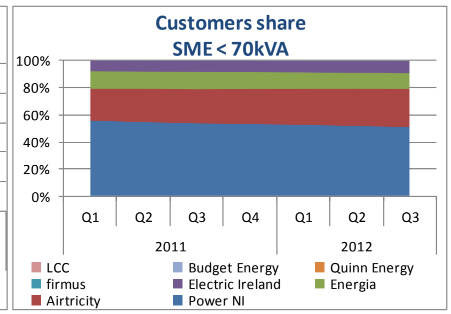
Electricity shares by customer numbers

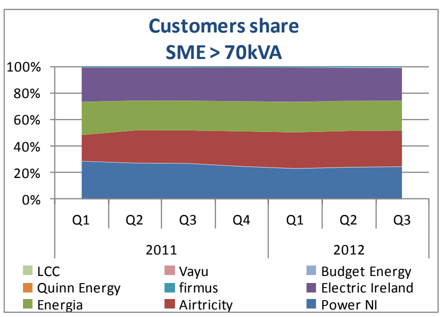
Year	2012
Month	Q3

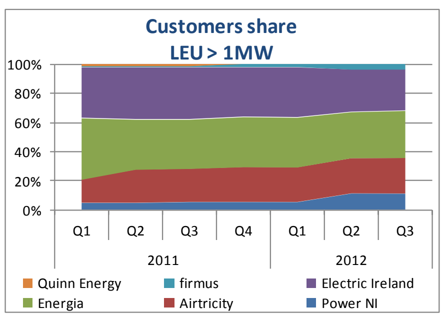
Suppliers	Domestic Credit	Domestic Keypad	SME <70kVA	SME >70kVA	LEU >1MW	Total
Cust Numbers Power NI	403,525	235,471	28,026	1,169	21	668,212
Cust Numbers Airtricity	89,587	35,623	15,190	1,312	47	141,759
Cust Numbers Energia	0	0	6,215	1,066	61	7,342
Cust Numbers Electric Ireland	206	165	5,135	1,208	54	6,768
Cust Numbers firmus	254	0	27	40	6	327
Cust Numbers Quinn Energy	0	0	0	0	0	0
Cust Numbers Budget Energy	2,311	17,066	67	2	0	19,446
Cust Numbers Vayu	0	0	0	4	0	4
Cust Numbers LCC	0	0	9	6	0	15
Cust Numbers Total Market	**495,883**	**288,325**	**54,669**	**4,807**	**189**	**843,873**

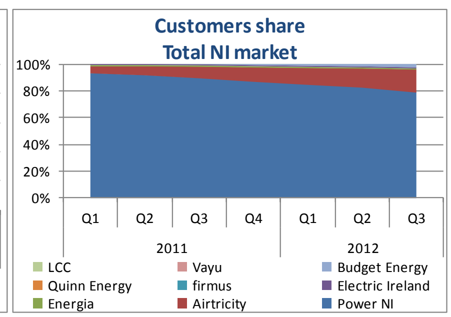










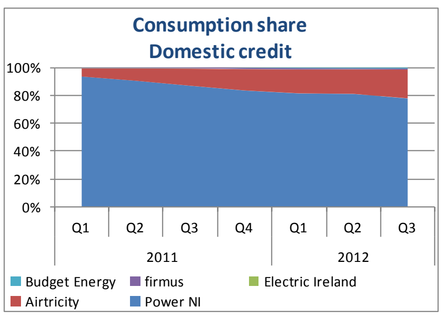


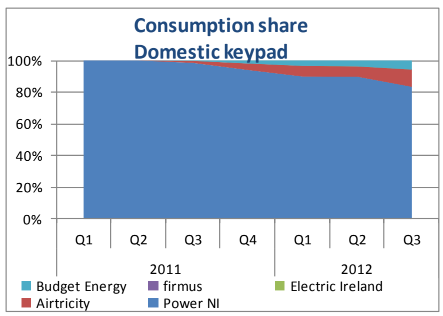
- The charts above show the trends in market shares (by customer numbers) for each active supplier in NI, by market segment from Q1 2011.
- In the domestic sector, there is still a big share of customers remaining with the previously incumbent supplier. However, this situation is progressively changing, and the percentage of domestic credit (including direct debit) customers supplied by Power NI has been decreasing. In Q3 2012, this percentage was 81% which is a decrease from 83% in the previous quarter. PowerNI currently suppliers 82% of keypad customers, which is a decrease from 89% from the previous quarter. The current non-incumbent share by customer in Q3 2012 is 19% for credit customers and 18% for keypad customers.
- Competition in the non-domestic market is more developed. There were 8 active suppliers in Q3 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.

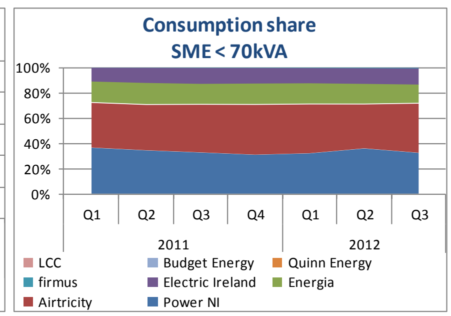
Electricity shares by consumption (GWh)

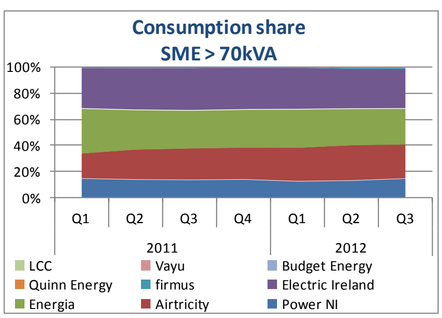
Year	2012
Month	Q3

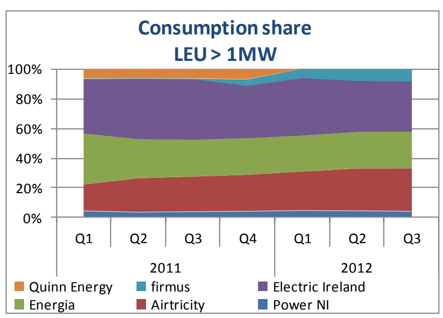
Suppliers	Domestic Credit	Domestic Keypad	LEU >1MW	SME <70kVA	SME >70kVA	Total
Consumption Power NI	363.7	234.1	16.0	92.8	71.7	778.4
Consumption Airtricity	97.7	30.8	109.8	110.6	127.0	475.9
Consumption Energia	0.0	0.0	93.9	42.0	133.2	269.2
Consumption Electric Ireland	0.2	0.2	128.5	36.5	148.2	313.6
Consumption firmus	2.2	0.0	31.4	0.4	6.2	40.2
Consumption Quinn Energy	0.0	0.0	0.0	0.0	0.0	0.0
Consumption Budget Energy	2.5	15.4	0.0	0.3	0.0	18.1
Consumption Vayu	0.0	0.0	0.0	0.0	1.1	1.1
Consumption LCC	0.0	0.0	0.0	0.1	0.1	0.2
Consumption (GWh)	**466.3**	**280.5**	**379.7**	**282.6**	**487.6**	**1,896.6**

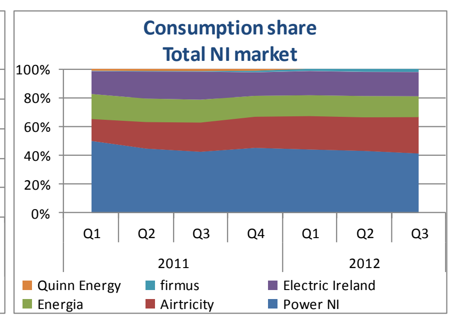






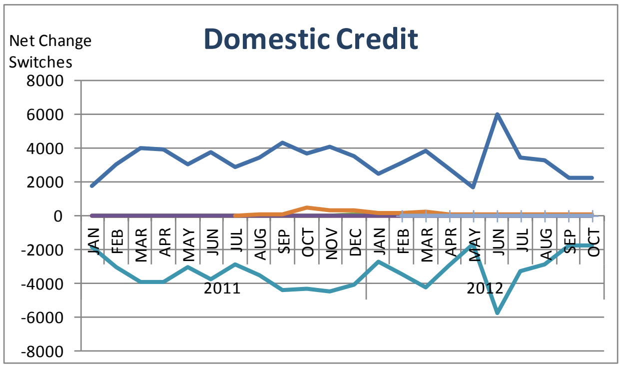


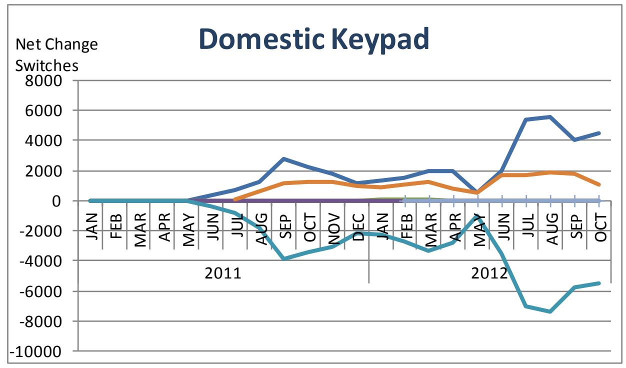


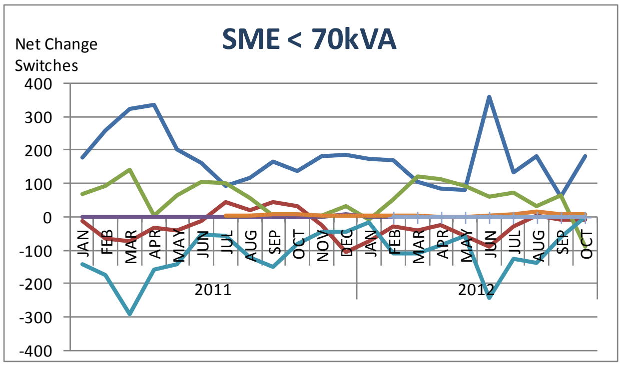


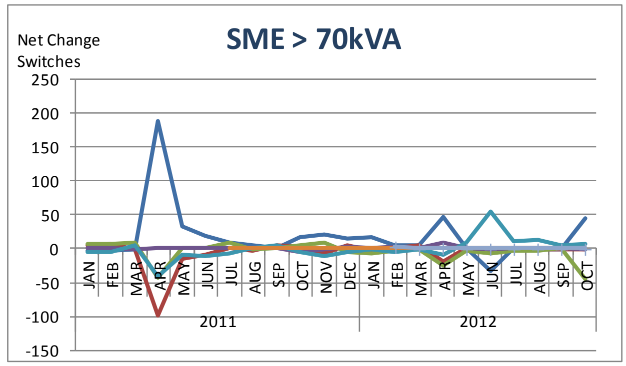
- These charts reflect the market share of each active supplier in NI by consumption (sales units in GWh).
- Competition in the total NI market is more relevant when examining shares by consumption than by customer numbers.
- Power NI's share is 41% of the total NI electricity market by consumption. Non-incumbent market shares are split between Airtricity with 25%, energia 14%, Electric Ireland retains 17% and firmus has the remaining 2%.
- In this Q3, there has been a noticeable increase in the shares of Airtricity and Budget Energy in the credit market, increasing from 7% and 4% in Q2 to 11% and 6% respectively. Power NI share in this market segment has decreased from almost 90% in the previous quarter to 84% in Q3.

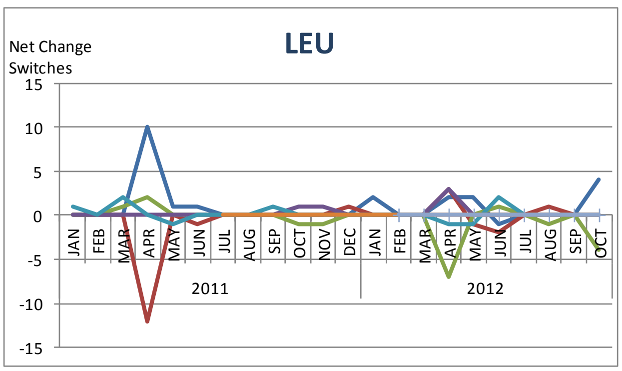
Electricity market activity and new customer registrations

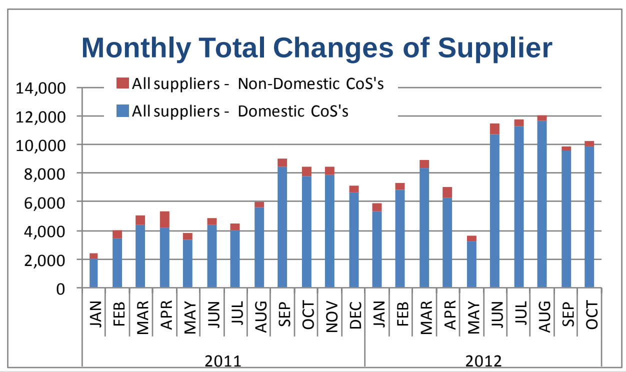










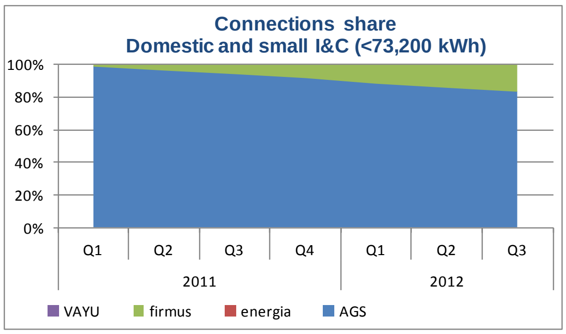


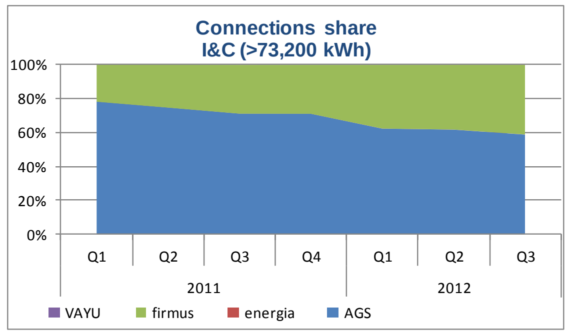
	% Domestic switching	% Non-Domestic switching	% Total switching
2011			
Q1	1.3%	2.8%	1.4%
Q2	1.5%	3.6%	1.7%
Q3	2.4%	2.1%	2.3%
Q4	2.9%	3.0%	2.9%
Year 2011	2.0%	2.9%	2.1%
2012			
Q1	2.7%	2.8%	2.7%
Q2	2.6%	3.0%	2.6%
Q3	4.1%	1.9%	4.0%

- 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.

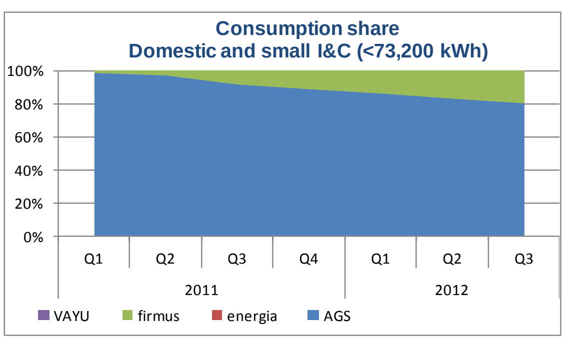
Gas shares and switching activity in the Greater Belfast area

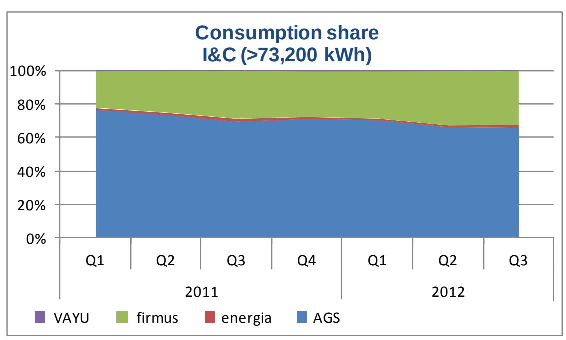
Year	2012		
End of quarter	Q3		
Suppliers	**Domestic & Small I&C**	**I&C > 73,200 kWh**	**Total**
Connections AGS	124,296	1,882	126,178
Connections energia	0	2	2
Connections firmus	24,623	1,323	25,946
Connections VAYU	12	11	23
Connections total market	**148,931**	**3,218**	**152,149**





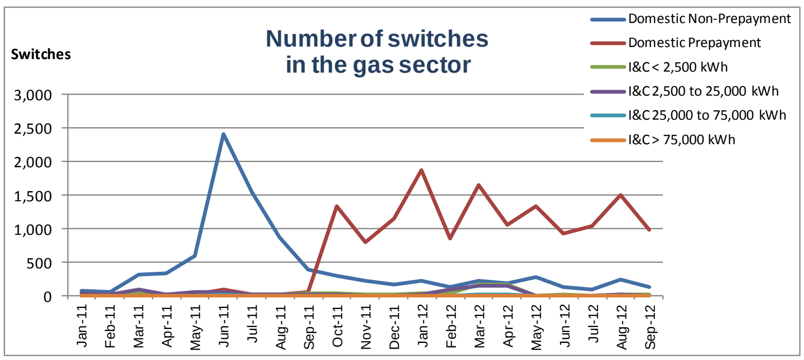
Year	2012		
End of quarter	Q3		
Suppliers	**Domestic & Small I&C**	**I&C > 73,200 kWh**	**Total**
Consumption AGS	5,106,213	7,370,510	12,476,723
Consumption energia	0	187,646	187,646
Consumption firmus	1,241,173	3,599,475	4,840,648
Consumption VAYU	1,885	10,028	11,913
Consumption (therms)	**6,349,271**	**11,167,659**	**17,516,930**





- The information above, on connections and consumption relates to the Phoenix Natural Gas Ltd Distribution Licensed Area.
- Market shares shown are as at end September 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. At the end of Q3, AGS's share by connections in the total gas market had decreased to 83% (from 85% in Q2) and to 71% (from 74% in Q2) in terms of consumption. Correspondingly, firmus' share has increased to 17% and 28% (from 15% and 26% in Q2).
- Source: Phoenix Natural Gas.

- The information below relates to the Phoenix Natural Gas Ltd Distribution Licensed Area.
- Switching activity shown is as at end September 2012.
- The graph on number of switches shows requested switches until Dec 2011, and confirmed switches from January 2012 onwards. From Jan to Sep 2012, more than 12,800 domestic customers and more than 1,000 I&C customers have switched gas supplier.
- The table 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. Information on this is currently only available until Q2.
- Source: Phoenix Natural Gas and gas suppliers.



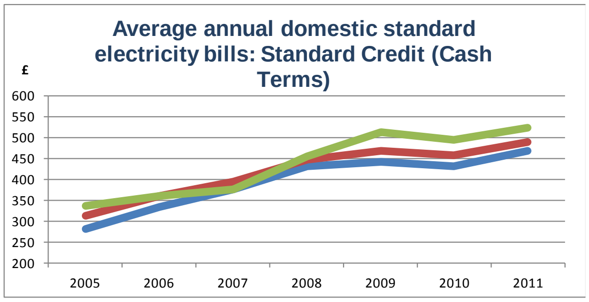
	% Domestic switching	% Non-Domestic switching	% Total switching
2011			
Q1			0.5%
Q2			2.6%
Q3	2.2%	1.9%	2.2%
Q4	2.9%	1.2%	2.8%
Year 2011			2.1%
2012			
Q1	3.6%	5.5%	3.8%
Q2	2.8%	4.0%	2.9%

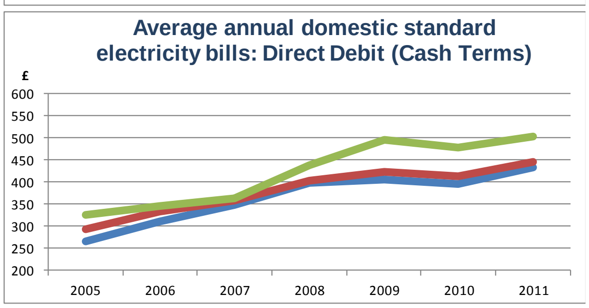
Gas shares and switching activity in the 10 towns area

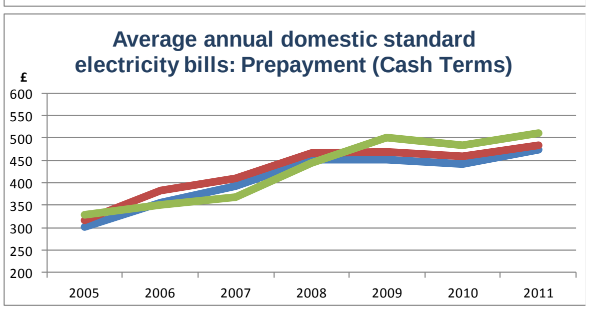
- Competition opened in the 10 towns non-domestic market in October 2012.
- There were no switches to report at end of October, and therefore firmus energy's share remains at 100%.
- In future editions, we will report separately in this section on market shares and switching activity in this area.

4. Domestic prices

Electricity domestic prices

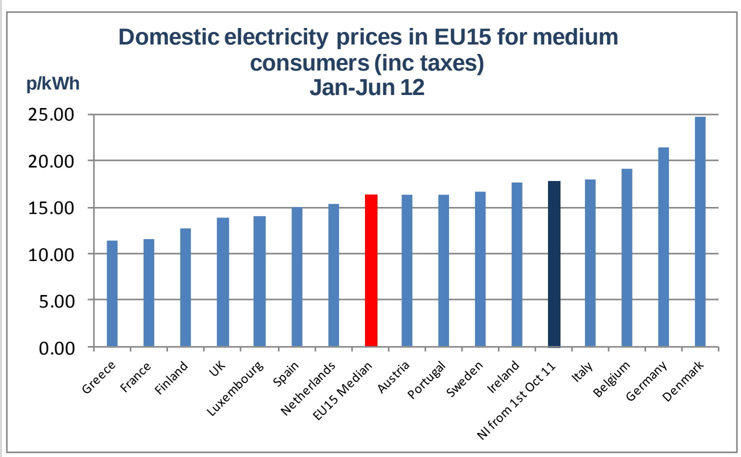




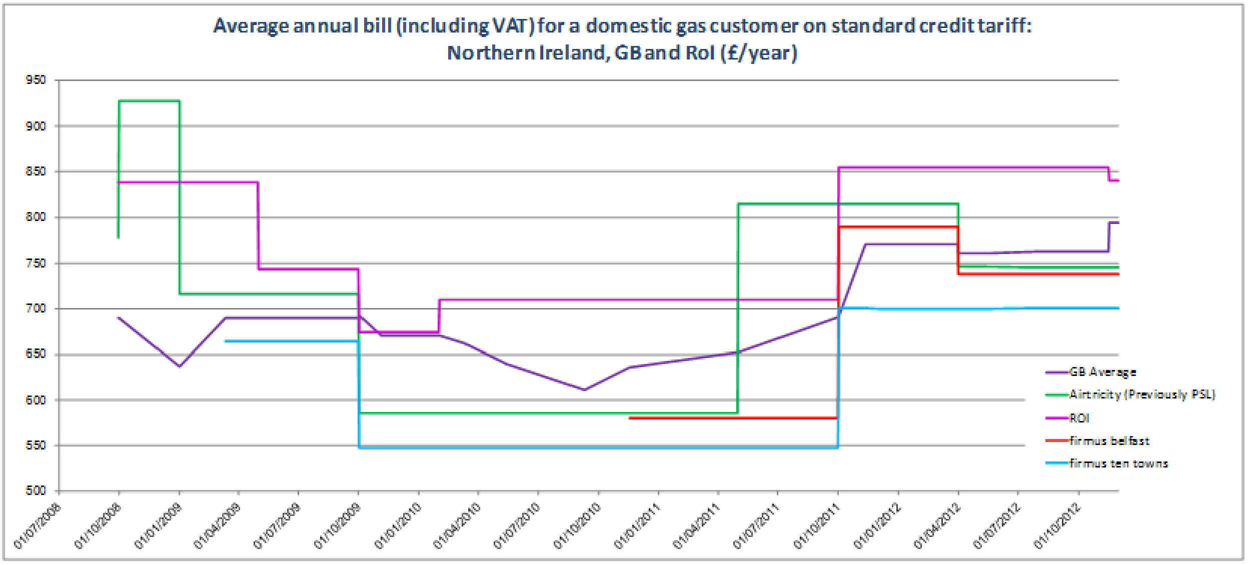


- Average domestic bills are calculated assuming annual consumptions of 3,300 kWh. Data is inclusive of VAT.
- These bills relate to the total amount charged during the year, rather than a bill based on the latest prices.
- Historically in NI, electricity prices have been higher than in GB. This is mainly 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 (http://www.decc.gov.uk/en/content/cms/statistics/energy_stats/prices/prices.aspx).

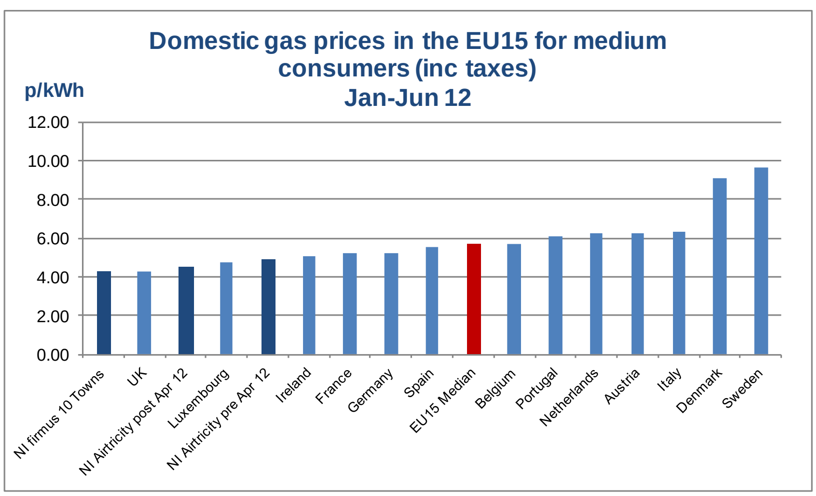
- The graph on the right compares NI domestic price with the most recent available prices for other countries in Europe (including taxes).
- The NI tariff is the regulated tariff applying from 1st Oct 2011, for an average domestic customer consuming 3,300 kWh per annum (17.82p/kWh).
- The tariff applied in NI from 1st Oct 2012 is 15.31p/kWh. It is not included in the graph as this reflects the period Jan-Jun 2012.
- Source: Eurostat half-yearly prices (update 7/11/12). 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 in GB. 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.
- The graph shows the price decreases announced by Airtricity Gas Supply (NI) Ltd (formerly Phoenix Supply) and firmus energy which took effect from 1 April 2012.
- The GB average in the graph reflects tariff increases which took effect during October and November 2012.
- 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 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.