



ELECTRICITY CUSTOMERS WITH MULTIPLE PREMISES IN
THE NON-DOMESTIC MARKET

AIRTRICITY RESPONSE TO
THE UTILITY REGULATOR

DECEMBER 2012

INTRODUCTION

Airtricity welcomes the opportunity to comment on the Utility Regulator's (UR) consultation paper on "Electricity Customers with Multiple Premises in the Non-Domestic Market".

Airtricity is the largest independent supplier operating in Ireland with over 790,000 customers served across both electricity and natural gas markets. Airtricity is committed to the development of competition in energy markets in Northern Ireland and to presenting its customers with choice and quality customers services.

As set out previously in our submission on the Utility Regulator's paper "Regulatory Approach to Energy Supply Competition in Northern Ireland", it has always been our belief that effective competition is the best mechanism for bringing benefits to energy consumers. However, we do not believe that competition in Northern Ireland has developed sufficiently nor have issues identified by the UR's decision paper in relation to competition development been addressed to make the changes set out in this current consultation appropriate at this time. It is clear from published market figures that Power NI retains a significant portion of SME customers and therefore remains dominant in that market. Given this is the case, it is unclear why the UR appears to be proposing to deregulate a segment of customers in order to specifically allow the incumbent supplier, Power NI, to actively compete without price regulation.

We are supportive of the original UR position that it is imperative that regulatory controls are not removed prematurely, as to do so, in Airtricity's opinion, could severely damage if not destroy the competition that has already started to develop.

GENERAL COMMENTS

Our comments are set out below in the format of the consultation.

Q1. Are there any discernible differences, for the purposes of procuring a competitive electricity supply, between a Customer with multiple premises and a Customer with single premises that both consume above the unregulated threshold? If you believe there are differences please provide the rationale for each identified variation.

Airtricity is of the view that there are a number of differences between a Customer with multiple premises and a Customer with single premises. In particular there can be differences in consumption, meter type and costs to serve. In some cases multiple sites receive separate bills and statements, there can be a higher level of contact with the customer to discuss issues across a number of sites rather than just one site.

Airtricity is concerned the UR has not addressed how the current proposal will be addressed within the context of the current Power NI price control. How would these customers be identified and removed from regulated accounts and costs allowed under the price control. In advance of any set proposal on this issue, we do not consider it appropriate to deregulate this customer segment. Without sufficient controls in place to ensure that these customers are accounted for separately to those customers still subject to regulated prices, cross subsidisation could take place allowing Power NI to compete inappropriately against independent suppliers attempting to enter this market.

Separately, in its paper on Regulatory Approach to Energy Supply Competition the Utility Regulator specifically stated

“the UR is aware that any proposal to further de-regulate the [electricity] market by consumption threshold introduces the problem of information asymmetry. Whilst the threshold is relatively high this is not an issue but as that threshold is lowered (if de-regulation is deemed appropriate) the issue worsens. This is because the incumbent has large amounts of historical consumption data for customers and can identify all those customers who would have been “de-regulated”.The UR will consider this issue carefully in the coming months after further analysis of market shares by consumption. In the meantime the UR’s retail market transparency reports (published quarterly) will continue to split the market by connection size for electricity.”

This argument also applies to customers holding multiple sites with the incumbent supplier. An independent supplier does not have access to information on which SME sites fall under the definition ‘Customer with Multiple Sites’ and which do not. This information is only held by the existing supplier and as such the incumbent could use existing information to target Customers with multiple sites and retain these customers unfairly.

Airtricity does not believe the current consultation paper provides any analysis of this issue and cannot therefore have addressed the concerns set out by the UR. In

addition, this issue is further complicated as the UR is considering deregulating a section of customers not by individual consumption but by aggregate consumption.

Airtricity is concerned that no proposal has been set out as to how this aggregate consumption would be monitored and addressed in the event that the group of sites were to reduce consumption to below 150MWh.

Q2. Do you agree that Customers with multiple premises, that in aggregate consume 150MWh or more per annum, should have the option to avail of either a non-price regulated supply offering for all sites or a price regulated tariff from Power NI for each MPRN consuming less than 150MWh per annum? If not, please explain your rationale.

As set out above, Airtricity does not accept that these customers should be deregulated and as such does not believe that these customers should be able to avail of a non-price regulated supply offering. Price regulation exists to promote the development of competition in the market ensure that dominant suppliers do not act inappropriately in this regard. At this time Power NI retains a dominant position in this market and as set out in the UR's decision paper on Regulatory Approach to Energy Supply Competition in Northern Ireland still warrants price regulation. The rationale for changing this position with respect to a certain customer segment has not been explained nor has analysis been provided.

Q3. Do you agree with the requirements and limitations, as set out in 3.5.1 to 3.5.5, which the UR considers must be satisfied in order for Power NI to offer a non-price regulated supply offering to Group Customers? If not, please explain what you believe the requirements and limitations should be.

Airtricity does not agree with the requirements and limitations set out in this section of the paper. It is our view that competition has not developed sufficiently to allow this level of deregulation to take place.

This section also neglects to address issues in relation to the monitoring of these customers and the role of UR in overseeing this aspect of Power NI business.

Airtricity does not accept that a group of sites consuming over a set level can be considered in this way and as such does not accept proposal 3.5.1.

As Airtricity does not accept 3.5.2, the ownership or leasing arrangements of these sites should not be a factor in any decision to deregulate any aspect of the market.

Airtricity does not agree that the aggregate consumption should be 150MWh on the grounds set out above. In addition, Airtricity notes that this level of consumption is not reflected in the bands currently monitored and reported on by the UR. This point was also noted by the UR previously. As such, there is no way of monitoring the impact of this measure on competition at this time, nor has the UR published figures in relation to this level of consumption.

Airtricity does not consider it appropriate that a customer decision should enter into whether a customer would be subject to price regulated tariffs or not. The market should only be deregulated when sufficient competition has been demonstrated. When this has been established deregulation should be based on full customer

segment and not based on certain customer specific billing attributes that cannot be identified as standard by all suppliers.

Q4. Are there any other issues specific to this consultation about Group Customer that have not been considered by the UR in this document?

There appear to be a number of issues, established previously by the UR in its paper on competition in the energy markets that have not been addressed sufficiently in this consultation to allow the deregulation of this customer segment.

CONCLUSION

Airtricity is of the view that this proposal has not been considered in sufficient depth to be appropriate at this time. There are a number of issues which had been previously highlighted by the UR have not yet been addressed and must be addressed in advance of any move to deregulate any aspect of the market further.

At this time, customers can avail of a competitive choice from an alternative supplier and are therefore not being disadvantaged by the continued price regulation of Power NI.