RETAIL MARKET MONITORING

Quarterly Transparency Report

Nov 2013



Abstract

This paper is the latest of a series of Utility Regulator (UR) reports – the Quarterly Transparency Reports (QTRs) – that provide a range of information about the retail energy market in Northern Ireland (NI).

The data relate mainly to market shares, market activity and domestic prices in the electricity and gas retail markets. Data also include information on non-domestic electricity prices.

The information shown in this report comes from network companies, suppliers, DECC and Eurostat. Some figures have been calculated internally.

These reports are released at the end of the second month after each calendar quarter (in Feb, May, Aug and Nov).

Audience

Electricity and gas industry, consumers associations, regulators, statistical bodies, suppliers, potential new market entrants, researchers, 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 against other jurisdictions.

They also allow us to monitor the retail market, and flag potential concerns – in terms of switching irregularities, suppliers' activity on specific areas, price comparisons, etc – and inform regulatory decisions. All of this directly impacts on consumers.

Contents

1 Introduction

1.1 Methodology and data sources

Monitoring the market is key in fulfilling our statutory duty to protect consumers by promoting effective competition wherever appropriate. We are developing a wider market monitoring framework known as Retail Energy Market Monitoring (REMM) which we will consult on in 2014. As we continue to progress our work in this area, we will continue to make ongoing additions to this set of Quarterly Transparency Reports (QTR's), to ensure a regular and structured flow of relevant information for our stakeholders. In addition, we also produce a series of slightly broader ranging annual Energy Retail Reports[1], the lastest of which was published earlier this month.

The main data sources for this report are as follows:

- Market shares are provided by the network companies (NIE[2] and PNG[3])
- Electricity switching analysis has been undertaken with inputs from NIE. Gas switching inputs are from PNG and firmus energy Distribution, while rates of gas quarterly switching are calculated using gas suppliers figures
- EU domestic energy prices are from DECC[4]. NI domestic prices in the EU comparison tables, for electricity and gas, are collated internally
- EU non-domestic electricity prices are from Eurostat. NI non-domestic electricity data are derived directly from suppliers and collated internally

Non-Domestic Electricity Prices

The findings shown in this section of the report are based on the analysis described in more detail in our March 2013 *information paper on NI electricity prices: data and comparisons*[5]. These results are based on the average electricity unit prices of non-domestic consumers, categorised in terms of their annual consumption, per size band.

As stated in our November 2013 *NI electricity price transparency: follow-up paper*[6] we will continue to publish updated data, and this will be done on an ongoing basis in the QTRs.

To obtain comparable data with other EU countries, we have explicitly followed DECC's format and methodology when gathering and analysing I&C[7] prices. As a result, we can easily compare NI prices to those published in DECC's Quarterly Energy Prices reports[8] and Eurostat data base[9] for Member States.

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 obtained quarterly from suppliers, in the following form:

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[1] http://www.uregni.gov.uk/publications/view/utility_regulators_annual_energy_retail_reports/
[2] Northern Ireland Electricity
[3] Phoenix Natural Gas
[4] Department of Energy and Climate Change
[5] http://www.uregni.gov.uk/publications/information_paper_on_northern_ireland_electricity_prices_data_and_compariso
[6] http://www.uregni.gov.uk/uploads/publications/Follow_up_paper_electricity_price_transparency_-_4_Nov_2013.pdf
[7] Industrial and Commercial
[8] https://www.gov.uk/government/publications/quarterly-energy-prices-december-2012
[9] http://epp.eurostat.ec.europa.eu/portal/page/portal/energy/data/database

- **volume** of electricity sold to non-domestic 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 I&C customers supplied in that particular size category.

The volume and value are used to calculate a NI quarterly average value gained per size band. This value per unit per size band is what we refer to in this paper as price. For clarity we have not received from suppliers the actual price paid by their customers. Instead we have calculated the value or revenue collected per unit in that particular size category.

We have also averaged the two relevant quarters to obtain six-month period figures, so we can readily compare NI data with those published by Eurostat for EU members twice per year.

In the graphs shown in this report, we have used unit prices which include Climate Change Levy (CCL)[10] but exclude VAT, as VAT is a refundable expense for many businesses.

Finally, we have amalgamated the two largest categories of annual consumption (large and very large customers) to avoid confidentiality issues in sectors where there are a very small number of customers and suppliers involved.

1.2. 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 (those consuming over 732,000 kWh per annum) in October 2012. The domestic and small I&C segments still remain supplied exclusively by one incumbent company, due to open to competition in April 2015.

The table below details 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: 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

[10] The Climate Change Levy (CCL) is a tax on electricity, gas and solid fuels delivered to non-domestic consumers. Its objective is to encourage businesses to reduce their energy consumption or use energy from renewable sources. The rate changes every year.

Gas (Greater Belfast and Larne area)[11]	
Domestic	Incumbent supplier since Sept 1996: AGS[12] July 10: firmus entered this market segment
Non-domestic	Incumbent supplier since Sept 1996: AGS Nov 06: Energia entered the daily metered I&C market Sep 08: firmus energy entered the I&C market Mar 09: VAYU entered the small I&C market May 13: Electric Ireland entered the daily metered I&C market
Gas (10 Towns)[13]	
Domestic and non-domestic small users	Due to 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 NI, please visit:
http://www.uregni.gov.uk/publications/utility_regulators_annual_energy_retail_reports/

[11] The Greater Belfast area, including Holywood, Bangor, Newtownards, Belfast, Newtownabbey, Carrickfergus, Lisburn and Larne

[12] Formerly called Phoenix Supply Ltd (PSL)

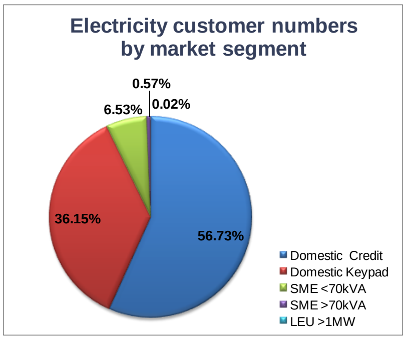
[13] In 2005 firmus energy was awarded a licence to develop the natural gas network in 10 towns across NI, from L'Derry to Ballymena, and from Antrim to Newry.

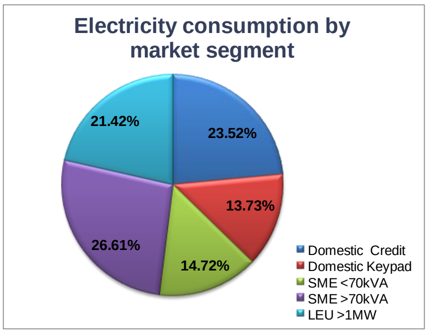
2 NI customer numbers and total consumption

2.1 Electricity

Year	2013	
Month	Q3	

Market segments	Customer Numbers	Consumption (GWh)
Domestic Credit	477,159	436.6
Domestic Keypad	304,098	254.9
SME <70kVA	54,923	273.3
SME >70kVA	4,807	494.0
LEU >1MW	192	397.8
Total	**841,179**	**1,856.5**





- From the total customers in NI, 93% belong to the domestic sector, while the remaining 7% are non-domestic customers. In 2013 Q3, this translates into 37% and 63% respectively in terms of consumption.
- The number of domestic credit customers continues to decrease in comparison to the number of prepayment customers.
- Within the domestic sector, prepayment customers are now 39% of the total customers.
- Note that long term vacant sites are not included in customer numbers.

2.2. Gas – Greater Belfast and 10 towns areas

Year	2013	
End of quarter	Q3	

Market segments	Connections	Consumption (therms)
Greater Belfast	**162,694**	**15,430,669**
Domestic & Small I&C	159,559	5,399,858
I&C > 73,200 kWh	3,135	10,030,810
Ten towns	**20,681**	**9,683,510**
Domestic	18,654	678,793
I&C	2,027	9,004,717
Total	**183,375**	**25,114,179**

- 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 Q3 represents 98% of the connections and 35% of the consumption in this quarter.
  - Large I&C (>73,200 kWh, or >2,500 Therms/annum) in Q3 represents 2% of the connections in this area, and 65% of the quarterly consumption.

- In the 10 Towns area, competition in the large I&C segment opened in October 2012.
- Total connections in 10 Towns are currently more than 20,600. In this distribution Licensed Area, domestic premises represent 90% of the connections (and 7% of consumption), while I&C sector represents the remaining 10% of connections (and 93% of consumption).

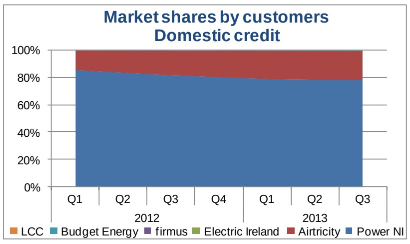
3 Market shares and market activity

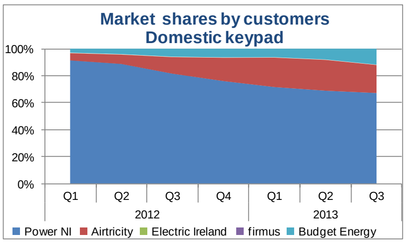
3.1 Electricity shares

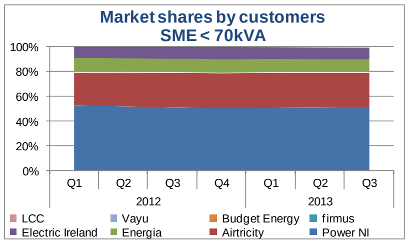
Electricity shares by customer numbers

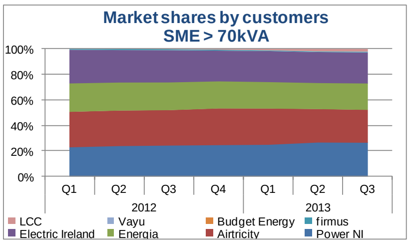
Year	2013					
Month	Q3					
Suppliers	Domestic Credit	Domestic Keypad	SME <70kVA	SME >70kVA	LEU >1MW	Total
Power NI	372,795	204,420	28,361	1,274	23	606,873
Airtricity	101,071	63,623	15,035	1,218	52	180,999
Energia	0	0	6,017	1,016	52	7,085
Electric Ireland	219	108	5,182	1,163	54	6,726
firmus	248	0	17	25	2	292
Budget Energy	2,806	35,947	117	3	0	38,873
Vayu	0	0	0	4	0	4
LCC	20	0	194	104	9	327
Total Market	**477,159**	**304,098**	**54,923**	**4,807**	**192**	**841,179**

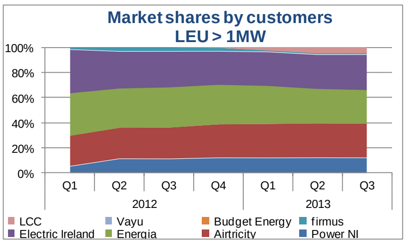
Year	2013					
Month	Q3					
Suppliers	Domestic Credit	Domestic Keypad	SME <70kVA	SME >70kVA	LEU >1MW	Total
% Power NI	78.1%	67.2%	51.6%	26.5%	12.0%	72.1%
% Airtricity	21.2%	20.9%	27.4%	25.3%	27.1%	21.5%
% Energia	0.0%	0.0%	11.0%	21.1%	27.1%	0.8%
% Electric Ireland	0.0%	0.0%	9.4%	24.2%	28.1%	0.8%
% firmus	0.1%	0.0%	0.0%	0.5%	1.0%	0.0%
% Budget Energy	0.6%	11.8%	0.2%	0.1%	0.0%	4.6%
% Vayu	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%
% LCC	0.0%	0.0%	0.4%	2.2%	4.7%	0.0%

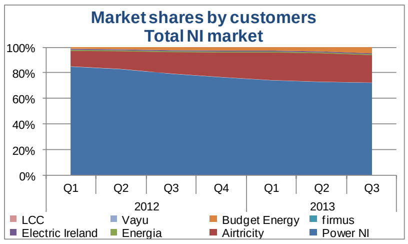










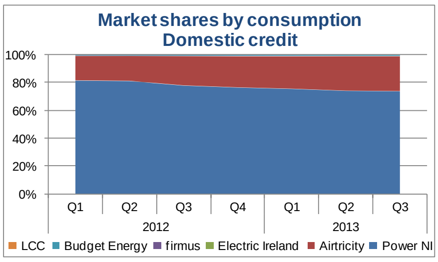


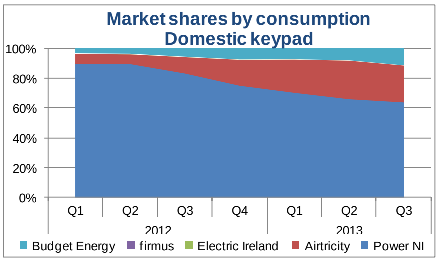
- The charts above show the trends in market shares (by customer numbers) for each active supplier in NI, by market segment from Q1 2012.
- The total number of domestic customers at the end of Q3 2013 was 781,257. There is still a large share of customers remaining with the previously incumbent supplier. This situation has been progressively changing over the last quarters, and the percentage of domestic credit (including direct debit) customers supplied by Power NI has been decreasing. However, the percentage has remained stable at 78% over Q3 compared to Q2. Power NI currently supplies 67% of keypad customers, which is a decrease from 69% from the previous quarter. The current non-incumbent share by customer numbers is 22% for credit domestic customers and 33% for keypad customers.
- Competition in the non-domestic market is more developed, and shares are more dispersed than in the domestic sector. There were eight active suppliers in Q3 2013. Based on customer numbers, four of these suppliers have shares in excess of c10% in each of the business segments.

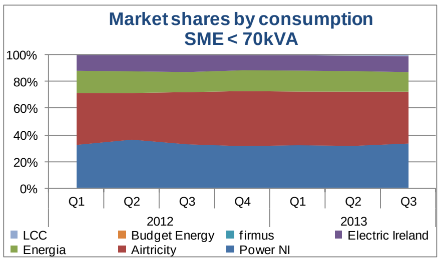
Electricity shares by consumption (GWh)

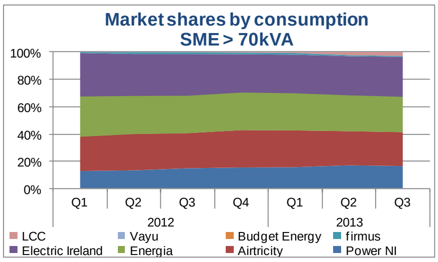
Year	2013					
Month	Q3					
Suppliers	Domestic Credit	Domestic Keypad	SME <70kVA	SME >70kVA	LEU >1MW	Total
Power NI	322.7	163.1	91.4	80.7	16.8	674.6
Airtricity	108.8	63.2	106.2	124.2	121.9	524.3
Energia	0.0	0.0	39.7	127.7	91.9	259.2
Electric Ireland	0.2	0.1	33.1	143.9	156.1	333.5
firmus	1.9	0.0	0.3	3.2	5.9	11.4
Budget Energy	2.9	28.4	0.4	0.0	0.0	31.7
Vayu	0.0	0.0	0.0	0.8	0.0	0.8
LCC	0.2	0.0	2.2	13.6	5.2	21.1
Consumption (GWh)	**436.6**	**254.9**	**273.3**	**494.0**	**397.8**	**1,856.5**

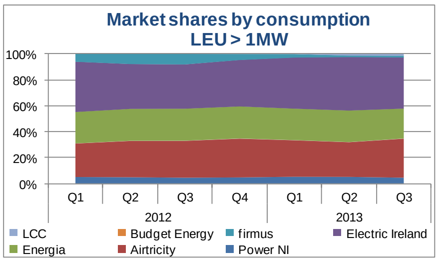
Year	2013					
Month	Q3					
Suppliers	Domestic Credit	Domestic Keypad	SME <70kVA	SME >70kVA	LEU >1MW	Total
% Power NI	73.9%	64.0%	33.4%	16.3%	4.2%	36.3%
% Airtricity	24.9%	24.8%	38.9%	25.1%	30.6%	28.2%
% Energia	0.0%	0.0%	14.5%	25.8%	23.1%	14.0%
% Electric Ireland	0.0%	0.0%	12.1%	29.1%	39.2%	18.0%
% firmus	0.4%	0.0%	0.1%	0.7%	1.5%	0.6%
% Budget Energy	0.7%	11.1%	0.1%	0.0%	0.0%	1.7%
% Vayu	0.0%	0.0%	0.0%	0.2%	0.0%	0.0%
% LCC	0.0%	0.0%	0.8%	2.7%	1.3%	1.1%

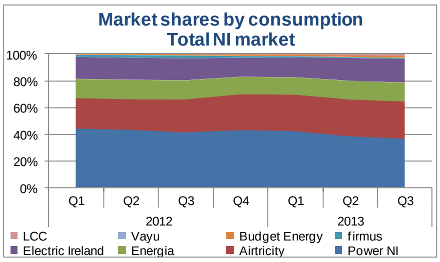






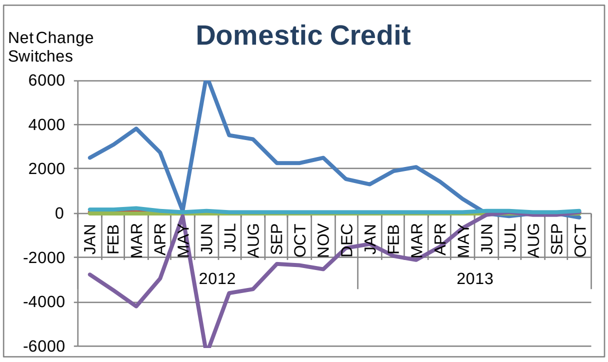


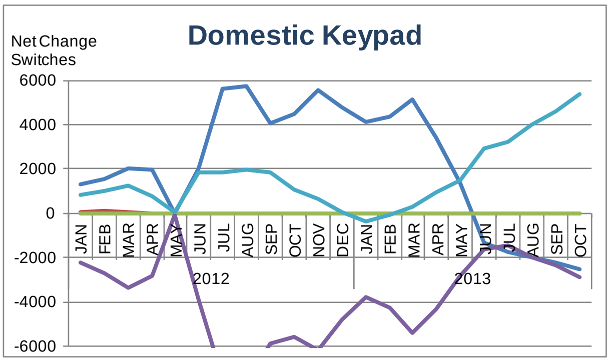


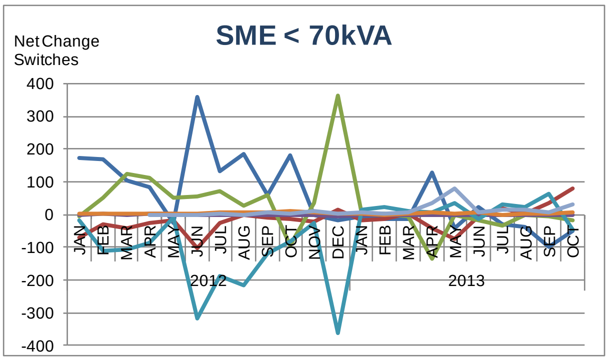


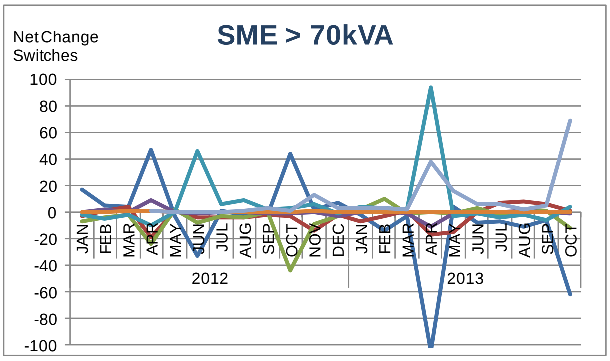
- These charts reflect the market share of each active supplier in NI by consumption (sales units in GWh).
- Power NI, the previously incumbent supplier, has 36% share of the total NI electricity market by consumption. This is a decrease from 38% share in the previous quarter. Power NI retains a large market share by consumption in the domestic credit market of around 70%.
- The non-incumbent suppliers have currently 64% of the total NI electricity market by consumption. This percentage is mainly split between Airtricity with 28%, Energia with 14%, and Electric Ireland with 18%.
- Source: NIE

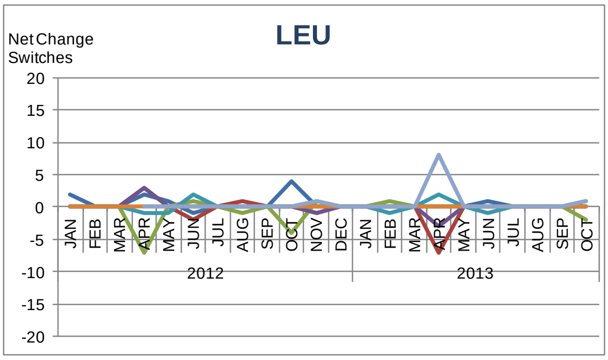
3.2. Electricity market activity

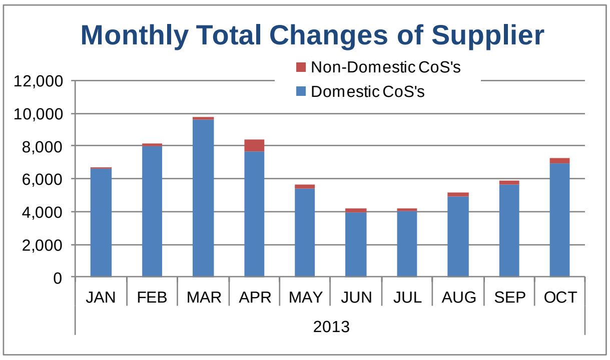












	% Domestic switching	% Non-Domestic switching	% Total switching
2013			
Q1	3.1%	0.8%	2.9%
Q2	2.2%	2.0%	2.2%
Q3	1.9%	1.1%	1.8%

- The first five charts above reflect the net change of customer numbers (customer gains less losses), per market segment and anonymised 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 number of monthly domestic switches had been decreasing in the previous quarter, however from August 2013 the monthly total has increased to nearly 7,000 by October 2013. Non-domestic switches have been increasing slightly, in the month of October there were over 300 switches.
- The table above shows % rates of quarterly switching. These percentages are calculated using the number of actual switches over the number of actual customers in the relevant market. It shows a slight decrease in the number of domestic switches from Q2 2013, and a stronger decrease in the non domestic market in the last quarter. This table does not reflect October figures when switching rates increased in both sectors.

3.3. Gas – Greater Belfast area: shares

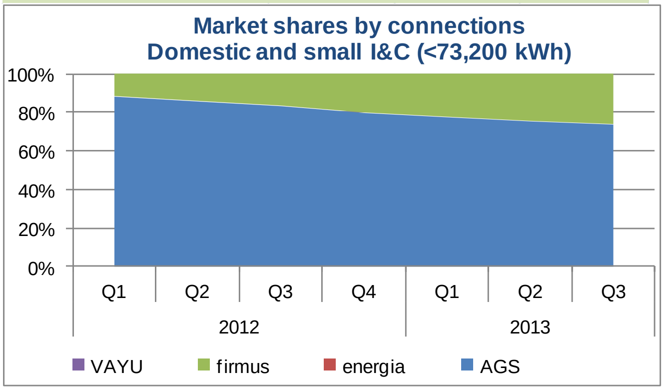
Shares by connections

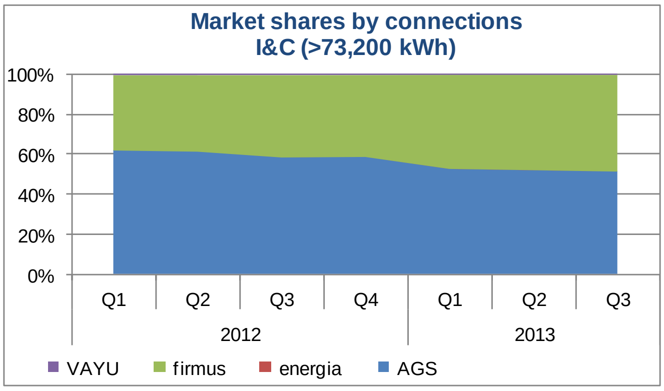
Year: 2013
End of quarter: Q3

Suppliers	Domestic & Small I&C	I&C > 73,200 kWh	Total
Connections AGS	117,900	1,614	119,514
Connections energia	0	2	2
Connections firmus	41,645	1,510	43,155
Connections VAYU	14	8	22
Connections Electric Ireland	0	1	1
Connections total market	**159,559**	**3,135**	**162,694**

Year: 2013
End of quarter: Q3

Suppliers	Domestic & Small I&C	I&C > 73,200 kWh	Total
% Connections AGS	73.89%	51.48%	73.46%
% Connections energia	0.00%	0.06%	0.00%
% Connections firmus	26.10%	48.17%	26.53%
% Connections VAYU	0.01%	0.26%	0.01%
% Connections Elec. Ireland	0.00%	0.03%	0.00%





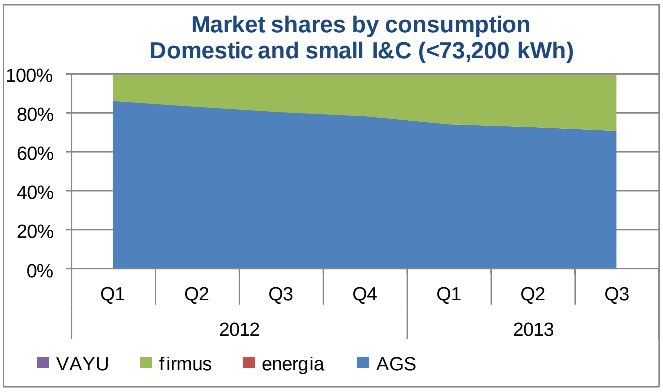
Shares by consumption (therms)

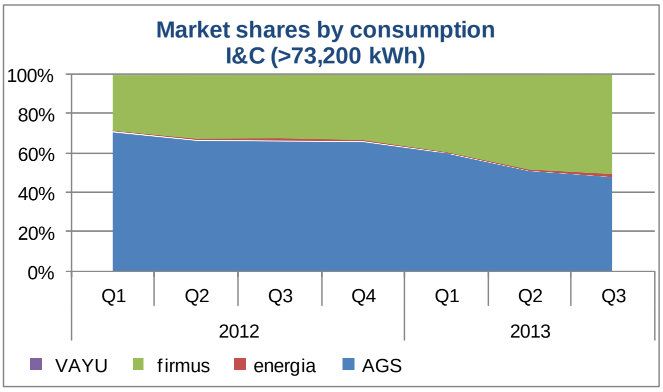
Year: 2013
Quarter: Q3

Suppliers	Domestic & Small I&C	I&C > 73,200 kWh	Total
Consumption AGS	3,819,322	4,708,110	8,527,432
Consumption energia	0	172,339	172,339
Consumption firmus	1,579,442	4,974,703	6,554,145
Consumption VAYU	1,094	4,474	5,568
Consumption Electric Ireland	0	171,185	171,185
Consumption (therms)	**5,399,858**	**10,030,810**	**15,430,669**

Year: 2013
Quarter: Q3

Suppliers	Domestic & Small I&C	I&C > 73,200 kWh	Total
% Consumption AGS	70.73%	46.94%	55.26%
% Consumption energia	0.00%	1.72%	1.12%
% Consumption firmus	29.25%	49.59%	42.47%
% Consumption VAYU	0.02%	0.04%	0.04%
% Consumption Elec. Ireland	0.00%	1.71%	1.11%



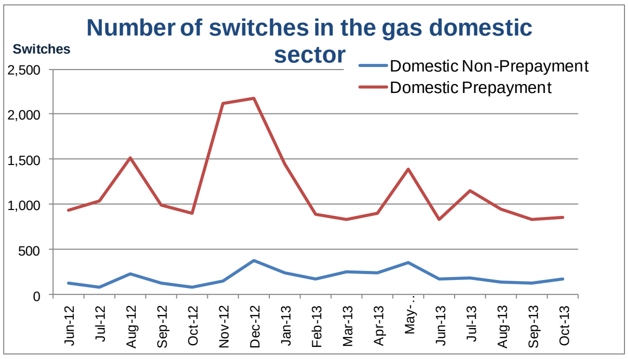


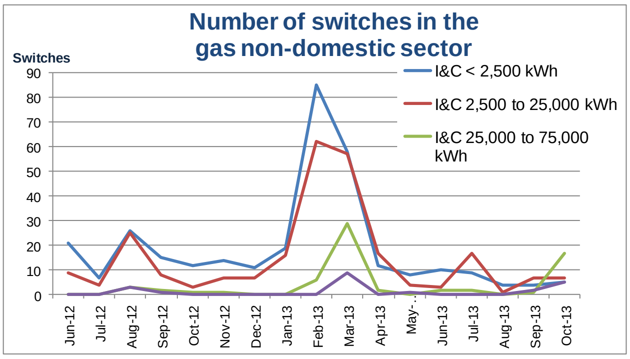
- The information above, on connections and consumption, relates to the Phoenix Natural Gas Ltd distribution Licensed Area.
- Market shares shown in terms of connections are as at end-Sep 2013.
- Market shares shown in terms of consumption relate to consumption during Q3 2013.
- At the end of Sep 2013, there were three active suppliers in the domestic and small I&C (<73,200 kWh) gas market, however only two of these suppliers are active in the domestic market. There are five active suppliers in the larger I&C segment (>73,200 kWh) at the end of Sep 2013.
- At the end of Q3 2013, AGS's share by connections in the total gas market had decreased to 73% (from 75% in Q2 2013), while their share by consumption for Q3 was around 55%. Correspondingly, firmus' share in this area has increased to 27% (in terms of connections) and 42% (in terms of consumption).
- Source: Phoenix Natural Gas.

3.4. 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-October 2013, and reflects completed switches.
- The table below shows the switching rate for the domestic and non-domestic markets in Greater Belfast area. 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.
- Within the domestic sector, there has been a decrease in prepayment and non-prepayment switching in this quarter, with a slight recovery for both payment methods in October. The quarterly average switching figures in the domestic sector have decreased slightly from the previous quarter.
- The switching activity in the non-domestic sector has remained at the same levels as the previous quarter, with a slight decrease.
- Source: Phoenix Natural Gas and gas suppliers.

	% Domestic switching	% Non-Domestic switching	% Total switching
2013			
Q1	2.6%	3.4%	2.7%
Q2	2.6%	0.6%	2.5%
Q3	2.2%	0.5%	2.1%



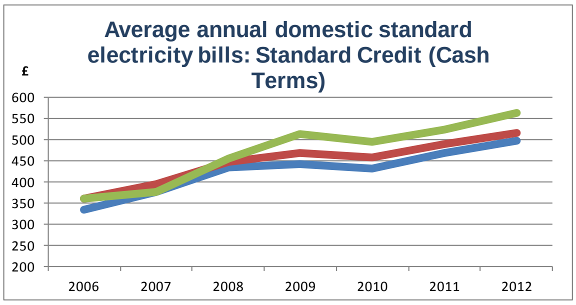


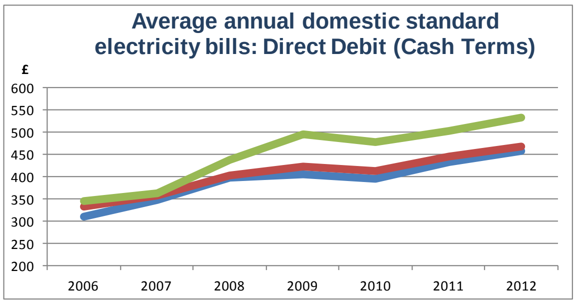
3.5. Gas – 10 towns area: shares and market activity

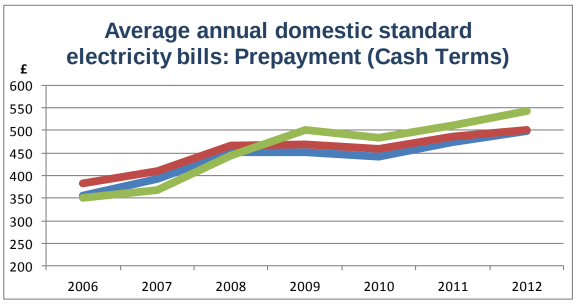
- Competition opened in the 10 towns large I&C market (>732,500 kWh) in October 2012.
- AGS entered the large I&C market in January 2013, and as at end August 2013, nine supply meter points had switched from firmus to AGS (an increase from six supply meter points in the previous quarter). This equates to 4% market share of the large I&C market (consumption over 25,000 Therms) in terms of connections, and 10% market share in terms of consumption during Q3 2013.
- The remainder of the market (i.e. small I&C and domestic market) will open to competition from April 2015.

4 Domestic prices

4.1 Electricity domestic prices

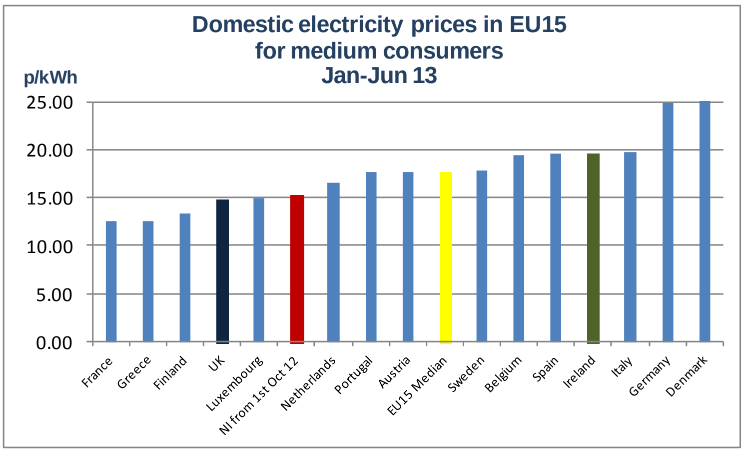






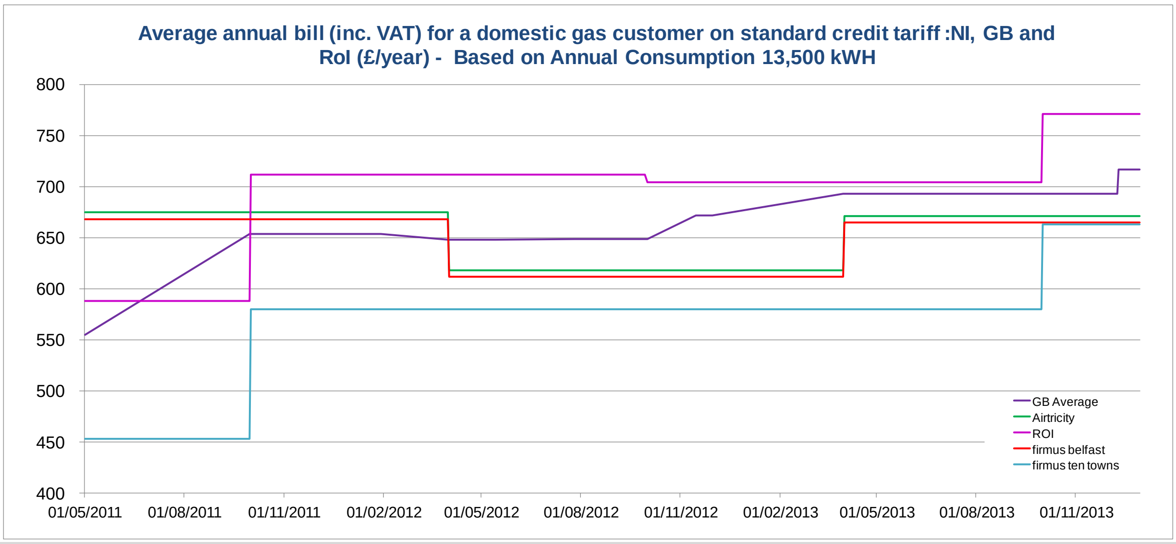
- Average domestic bills are calculated assuming an annual consumption of 3,300 kWh. Data is inclusive of VAT.
- These bills relate to the total amount charged during the year, rather than a bill based on the latest prices.
- Historically in NI, electricity prices have been higher than in GB. This is 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/organisations/department-of-energy-climate-change/series/quarterly-energy-prices).

- The graph below compares NI domestic price with the most recent available prices for other countries in Europe (including taxes).
- For an average domestic customer consuming 3,300 kWh per annum, and including taxes, the NI regulated tariff over January - June 2013 was 15.31 p/kWh.

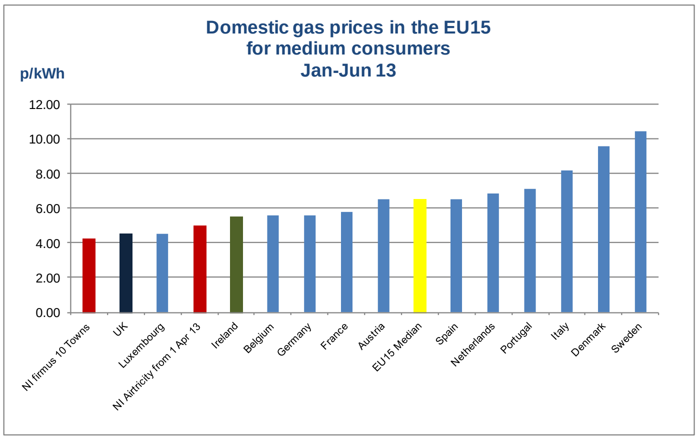


- For reference, the NI regulated tariff from 1 July 2013 is 18.04 p/kWh (this tariff is not included in the graph).
- Source: DECC Quarterly Energy Prices. Table 5.6.2. Medium consumers (2,500-4,999 KWh) including taxes.

4.2 Gas domestic prices



- The graph above compares gas domestic prices for standard gas tariffs. It shows a GB average which includes the six big suppliers. The annual usage estimate is 13,500 kWh. Note that the annual usage has changed from 16,500kWh in line with Ofgem, who have recently adjusted their average consumption to 13,500kWh (https://www.ofgem.gov.uk/ofgem-publications/84048/gastdcvdirection.pdf).
- 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.
- firmus energy increased their tariffs in the Ten Towns area by 14.4% from 1 October 2013.This increase is shown in the graph.
- Airtricity Gas Supply (NI) Ltd increased their tariffs by 8.7% from 1 Apr 2013. firmus energy also increased their supply tariff in the Greater Belfast area from 1 Apr 2013. These increases are shown in the graph.
- Five of the big six suppliers in GB have announced tariff increases which are due to take effect between 15 Nov 2013 and 3 Jan 2014. These increases range from 3.9% to 11.1%. For comparison purposes, these increases have been reflected in the graph.
- In RoI, BGE increased tariffs by 2.04% from 1 October 2013. 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.

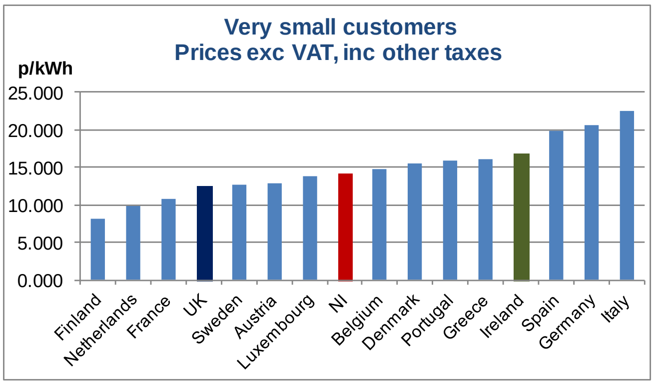


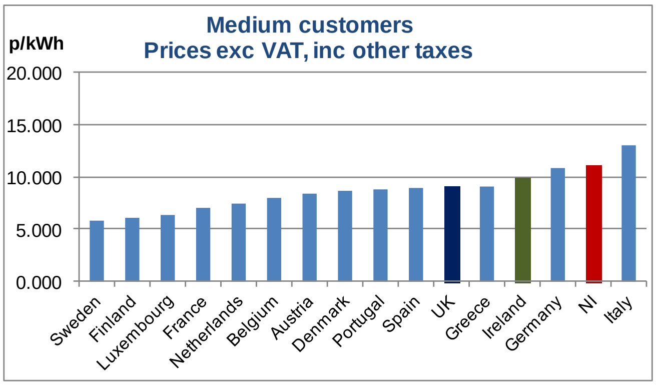
- The graph compares NI domestic gas price with the prices for other countries in Europe including taxes for the period Jan-Jun 2013.
- The NI price used is based on the AGS credit tariff applying from April 2013, for a customer on a standard tariff consuming 13,500 kWh per annum (6.957p/kWh for first 2000 kWh, then 4.629p/kWh). It also shows the credit tariff for 10 Towns customers (6.804 p/kWh for first 2000 kWH, then 4.586 p/kW).
- Source: DECC Quarterly Energy Prices. Table 5.10.2. Medium consumers (5,557-55,556 kWh/annum). Including taxes.

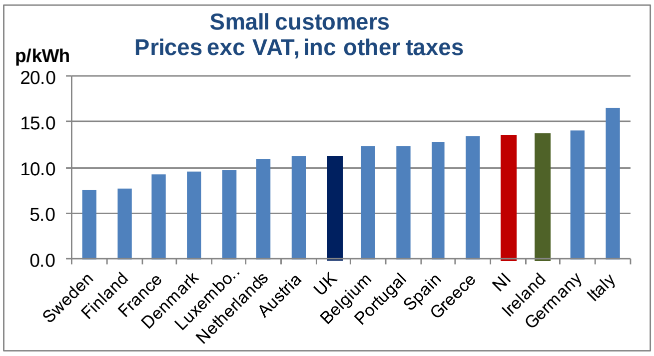
5 Electricity non-domestic prices

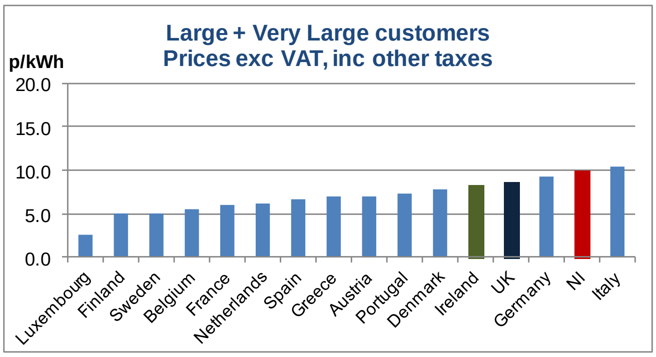
5.1. Price comparison with EU

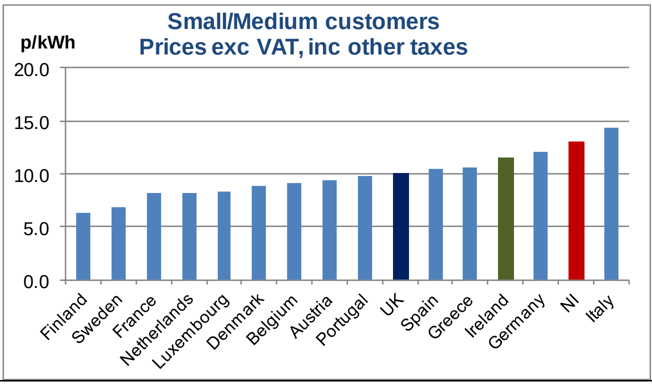
Jan-Jun 2013











Size of consumer	Annual consumption bands (MWh)	% of I&C customers	% of I&C consumpt.
Very small	0 - 20	65.55%	8%
Small	20 - 499	32.57%	36%
Small/Medium	500 - 1,999	1.40%	16%
Medium	2,000 - 19,999	0.45%	27%
Large + Very Large	20,000 - 150,000	0.03%	13%

Source: NI electricity suppliers, Eurostat and UR internal calculations

- The graphs above show non-domestic electricity prices in the 15 EU countries, in comparison with NI prices, per consumption size bands (following EU categorisation).
- Prices for the very small 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 table above shows percentages of NI non-domestic customers at the end of Q2 2013, and the consumption over Jan-Jun 2013 in each of those consumption categories.
- NI non-domestic customers are very heavily grouped in the smallest size band (consuming less than 20 MWh per annum). These customers account for 66% of the total customers in the I&C sector, while they represent approximately 8% of the I&C consumption.