IMPLEMENTATION OF THE RETAIL ENERGY MARKET MONITORING (REMM) FRAMEWORK

FINAL DECISIONS

30 June 2015



About the Utility Regulator

The Utility Regulator is the independent non-ministerial government department responsible for regulating Northern Ireland’s electricity, gas, water and sewerage industries, to promote the short and long-term interests of consumers.

We are not a policy-making department of government, but we make sure that the energy and water utility industries in Northern Ireland are regulated and developed within ministerial policy as set out in our statutory duties.

We are governed by a Board of Directors and are accountable to the Northern Ireland Assembly through financial and annual reporting obligations.

We are based at Queens House in the centre of Belfast. The Chief Executive leads a management team of directors representing the markets, networks and corporate affairs functional areas of the organisation. The staff team includes economists, engineers, accountants, utility specialists, legal advisors and administration professionals.

Our Mission:	Value and sustainability in energy and water
Our Vision:	We will make a difference for consumers by listening, innovating and leading

Our Values:

- Be a best practice regulator: transparent, consistent, proportional, accountable, and targeted
- Be a united team
- Be collaborative and cooperative
- Be professional
- Listen and explain
- Make a difference
- Act with integrity

Abstract

The Utility Regulator (UR) is working to introduce a new Retail Energy Market Monitoring framework (REMM) for Northern Ireland. This will involve improved data flows between the regulated companies and the UR. The companies will benefit from clarity around information requirements and associated timelines for return. Consumers will benefit from better regulation capabilities within the UR based on consistent and high quality data returns, and from increased transparency of retail energy market information.

This paper provides information on our final decisions with regard to the REMM indicators, arrangements for implementation and timelines. We have published the finalised data submission templates alongside this paper. REMM reporting to the UR will be subject to compliance testing under information provision conditions within licences.

Audience

This document is most likely to be of interest to regulated supply companies and network companies in the energy industry, consumer organisations, business/industry representatives and regulatory authorities.

Consumer impact

There are four main areas of consumer impact associated with REMM:

1. There is an EU-wide legislative requirement placed on all National Regulatory Authorities to monitor retail markets effectively. Consumer benefit from this is recognised at an EU level.
2. There may be a detrimental impact to consumers if the UR fails to monitor the retail markets effectively. Without access to necessary supplier

information, the UR cannot ensure that consumers are being protected and suppliers are complying with their licences and codes of practice obligations.

3. Proactive monitoring will allow us to protect our consumers by setting policies which are based on appropriate knowledge of what is happening in the market.
4. Consumers will have increased access to comparable supplier information which will enable them to engage more actively in the energy market.

We intend our REMM framework to be a robust and useful tool for informing policy and ensuring the highest levels of consumer protection and we aim to work with all our stakeholders to ensure that it is delivered effectively.

Contents

Glossary

Name	Definition
AQ	Annual Quantity
ATR	Annual Transparency Report (previously called ERR)
CA	Competition Authority
CCNI	Consumer Council for Northern Ireland
CER	Commission for Energy Regulation
DPA	Data Protection Act
Electricity Directive	Directive 2009/72/EC concerning common rules for the internal market in electricity
Electricity Order	Electricity (NI) Order 1992
Energy Order	Energy (NI) Order 2003
Enterprise Act	Enterprise Act 2002
ERGEG	European Regulators Group for Electricity and Gas
ERR	Energy Retail Report (now referred to as ATR)
EU	European Union
Eurostat	Office of Statistics for the European Union
feDL	firmus energy (Distribution) Limited
FOIA	Freedom of Information Act 2000
Gas Directive	Directive 2009/73/EC concerning common rules for the internal market in natural gas
Gas Order	Gas (Northern Ireland) Order 1996
GB	Great Britain
I&C	Industrial and commercial (customers)
ISEM	Integrated Single Electricity Market
LEC	Levy Exemption Certificate
MRC	Market Registration Code
NI	Northern Ireland
NIE	Northern Ireland Electricity Limited
NRA	National Regulatory Authority
PNGL	Phoenix Natural Gas Limited
PSO	Public Service Obligation
Q	Quarter – in this paper Q refers to the calendar year (i.e. Q1 refers to the quarter January-March)
QTR	Quarterly Transparency Report
REMM	Retail Energy Market Monitoring
ROC	Renewables Obligation Certificate
RoI	Republic of Ireland

SMP Agreement	Supply Meter Point Agreement for the Greater Belfast Licensed Area and the Ten Towns Licensed Area
SoD	Statement of Definitions
T-codes	Tariff codes
Third Package	EU Third Internal Energy Package
UR	Utility Regulator

1. Introduction

1.1 Purpose of the paper

In January 2015 we published a consultation[1] on the implementation of the Retail Energy Market Monitoring (REMM) framework. We received feedback on our proposals in the form of consultation responses and verbal feedback through bilateral meetings. The purpose of this paper is to:

- Discuss the responses to the consultation;
- Present our final decisions on the REMM indicators (including our reasoning for any modifications since the consultation stage);
- Provide final templates for suppliers and network companies to begin implementation of REMM; and
- Detail the timeframe for implementation and testing of the REMM information submissions.

1.2 Background to REMM

1.2.1 Legislative background

National Regulatory Authorities (NRAs), including the Utility Regulator (UR), have legislative and regulatory requirements which oblige them to monitor retail markets effectively, and to understand how retail markets impact consumers. It is impossible for the UR to completely control the consumer experience of the competitive market. However, we seek to safeguard consumers by ensuring they can actively engage in energy markets while being protected where necessary. Effective market monitoring can provide us with the information we need to ensure consumers are safeguarded. Our approach to retail energy market regulation aims to strike the appropriate balance between delivering effective competition and maintaining regulatory protection.

[1] Consultation on the implementation of the Retail Energy Market Monitoring (REMM) framework: http://www.uregni.gov.uk/news/view/ur_consults_on_its_proposals_for_retail_energy_market_monitoring_remm/

Our legislative requirements to monitor markets are found in both European Community legislation and domestic legislation.

Directives 2009/72/EC (the Electricity Directive) and Directive 2009/73/EC (the Gas Directive), concerning common rules for the internal markets in electricity and gas, respectively, are the key points of reference for market monitoring in the European context. The important provisions are Article 37 of the Electricity Directive and Article 41 of the Gas Directive. These Articles set out our duties and powers with regard to market monitoring and make specific reference to the following duty:

> *"monitoring the level and effectiveness of market opening and competition at wholesale and retail levels, including on [natural gas and electricity] exchanges, prices for household customers including prepayment systems, switching rates, disconnection rates, charges for and the execution of maintenance services and complaints by household customers, as well as any distorting or restriction of competition..."*

In addition, under the Electricity (Northern Ireland) Order 1992 (the Electricity Order) and the Gas (Northern Ireland) Order 1996 (the Gas Order), the UR has the function of keeping under review and collecting information with respect to any activities connected with the generation, transmission, distribution and supply of electricity, and with the conveyance, storage and supply of gas, with a view to facilitating the exercise of its electricity and gas functions.

Finally, there are existing licence conditions in all gas and electricity licences which provide for information to be submitted to the UR in order for us to fulfil our duties, functions and consumer protection roles.

1.2.2 How REMM fits with current market monitoring

In recent years we have begun to collect retail market data on indicators such as market shares, customer switching and electricity I&C prices. REMM will enhance our current monitoring framework and provide increased transparency in retail energy markets in

NI. It will also bring benefits to suppliers and network companies by streamlining our monitoring process to coordinate the number of information submissions that most regulated companies make on a regular basis. In addition REMM will provide consistency with regard to definitions, so it is possible to compare supplier performance on an equivalent basis. This will benefit consumers and also enable suppliers to understand their own performance in the context of the industry as a whole.

REMM will also enhance our current monitoring of supplier licence compliance and ensure consistency across the electricity and gas sectors (where appropriate and possible). The REMM framework will require all active electricity and gas suppliers to provide evidence on an annual basis to demonstrate their licence compliance.

1.3 Key considerations for the REMM framework

The REMM framework was developed taking into account a number of high level considerations, including: application of good regulatory principles; disaggregation of customer groups; interpretation and publication of information; and governance and data quality. These considerations, and others, were discussed with stakeholders in bilateral meetings which were held during the development of the REMM framework and consultation document. See chapter 3 of the consultation document for further information on the high level considerations for the REMM framework.

1.4 Consultation process

In June 2014 we published an information note[2] on the REMM framework and followed this up with an information session to brief stakeholders on our initial thoughts regarding the REMM framework. At this session we discussed the high level considerations of REMM and offered suppliers and network companies the opportunity to meet with us bilaterally to discuss specific issues.

[2] REMM information note: http://www.uregni.gov.uk/uploads/publications/REMM_Information_Note.pdf

We held six bilateral meetings in September 2014, during the development of the REMM framework and consultation document. We also engaged with the Consumer Council for Northern Ireland (CCNI) during this process. At these meetings we discussed some of the general high level concerns about the overall REMM framework and any specific concerns with the indicators (as proposed at this early stage). This gave us the opportunity to deal with some initial concerns in the consultation paper.

On 28 January 2015 we published the consultation paper on the implementation of REMM framework. Alongside this paper we published draft templates for the information submissions, a draft Statement of Definitions and a methodology paper detailing how to allocate costs and revenues for the calculation of retail margins.

During the consultation period we offered to hold a workshop for interested stakeholders and invited proposals from interested parties on what we might include in the workshop. We received responses from a number of stakeholders that had specific areas of concern that they wanted to raise. For this reason we decided to hold another series of bilateral meetings. We held an additional seven bilateral meetings with stakeholders and discussed a number of specific concerns regarding the REMM proposals. There were also email and telephone exchanges with some stakeholders. All of the issues raised at the meetings and in subsequent communications have fed into our decisions on the REMM process and indicators.

Many stakeholders have commented positively about our approach to implementation of the REMM framework consultation and noted that they appreciated the pre-consultation engagement and the additional opportunities to speak to us bilaterally.

The REMM consultation closed on 2 April 2015. We received ten written responses. We appreciate the feedback from stakeholders and the time and effort spent responding to our consultation. We have considered all of the responses along with the discussions that took place during the bilateral meetings and this is reflected in our final decisions on the REMM framework.

We received responses from the following stakeholders:

- The Consumer Council for Northern Ireland (CCNI)
- The Electricity Association of Ireland (EAI)
- Electric Ireland
- Energia
- Firmus Energy
- Manufacturing Northern Ireland (MNI)
- Northern Ireland Electricity (NIE)
- Phoenix Natural Gas Limited (PNGL)
- Power NI
- SSE Airtricity

The written responses to the consultation are published alongside this decision paper. Annex 1 contains links to each of the consultation responses.

The final templates for submission of REMM information are also published alongside this decision paper. Annex 2 contains links to each of the templates.

1.5 Structure of decision paper

We thank all our stakeholders for their engagement throughout the REMM process. The REMM responses and the two rounds of bilateral meetings have provided us with a large amount of feedback. This paper aims to summarise and respond to the majority of our stakeholders' comments and concerns. However, it is not possible to detail every comment and respond to each one individually. As a result we have included those comments that are most material or those opinions that have been shared by a number of respondents.

The structure of this paper is as follows:

- Chapter 2 – this chapter addresses the general responses to the consultation, giving our feedback and detailing any high level decisions we have made.
- Chapter 3 – this chapter addresses comments that were made in regard to specific indicators. It provides feedback on the responses and details our final decisions on an indicator by indicator basis. For each of the indicators we have presented the following:
    - Summary of proposed indicator;
    - Consultation responses; and
    - UR final decision.
- Chapter 4 – this chapter focuses solely on the indicator of retail margins. Due to the amount of feedback we received on retail margins we decided to address this indicator in a separate chapter.
- Chapter 5 – this chapter responds to comments made regarding the REMM timeline and presents the updated timeline and next steps in the implementation of the REMM framework.
- Chapter 6 – this chapter concludes the paper and presents an overview of how we have amended the REMM reporting framework in response to feedback received.
- Annex 1 – links to consultation responses
- Annex 2 – links to final REMM templates
- Annex 3 – Statement of Definitions (words or phrases that appear in **purple bold** are included)
- Annex 4 – licence compliance submissions
- Annex 5 – retail margins methodology

Annexes 3-5 have been updated to reflect any changes that have been made as a result of stakeholder feedback.

1.6 Equality considerations

Section 75 of the Northern Ireland Act 1998 places a number of obligations on public authorities concerning the promotion of equality of opportunity and regard to the desirability of promoting good relations between different categories. We aim to promote equality of opportunity:

- between persons of different religious belief, political opinion, racial group, age, marital status or sexual orientation;
- between men and women generally;
- between persons with a disability and persons without; and
- between persons with dependents and persons without.

In the consultation paper we requested that respondents commented on the overall equality impact of the proposals. In particular we requested views on any areas of the consultation which may have an impact on the groups listed above, and if those impacts are likely to be positive in relation to equality of opportunity for energy consumers.

Only one respondent commented on the equality considerations with regard to the REMM framework. This respondent stated that it does not believe that the REMM proposals will have any impact on the equality of opportunity in relation to the persons listed. As no negative impacts on equality were identified we consider that the proposals have the potential to have a positive impact on equality. We completed an equality screening of the REMM proposals and we conclude that a full equality impact assessment is not required.

2. UR response to general comments received

2.1 Introduction

As mentioned above, this chapter details the general comments we received with regard to the implementation of the REMM framework.

The positive general comments include those relating to our approach, together with the level of pre-consultation engagement, the adoption of the principles of good regulatory practice and the inclusion of a testing phase within the REMM introduction process.

There were also a number of issues that were raised by respondents during the consultation process. These included concerns around the cost impact of REMM, the issue of handling sensitive information, what information will be published, the timelines for submission of information and the lack of comparability of indicators.

These are all discussed in detail below, including our final decisions where relevant.

2.2 UR approach

There was overall support for the approach we adopted to establish the REMM framework. A number of respondents commented that we provided clarity of definition and process, and that the level of detail in the consultation paper (including the statement of definitions; methodology for retail margins; and the templates for data submission) was very helpful. One supplier stated that we had taken account of similar market monitoring developments elsewhere. A respondent also noted that the framework had a consistent approach to data collection that avoided duplication. Another respondent welcomed the structured approach to monitoring.

A number of stakeholders also supported our desire to create a coherent and fit for purpose market monitoring framework to ensure consumers are able to make well informed decisions when engaging with the market.

The pre-consultation engagement was described by a number of stakeholders as meaningful and respondents were pleased to have an opportunity to engage at the early stages of the project. One respondent referred to the engagement as being genuine and others stated that the consultation paper had demonstrably responded to pre-consultation views. Another respondent commented that the consultation dealt with the most material and relevant queries in relation to the introduction of REMM.

2.3 Principles of good regulatory practice

Throughout the responses, stakeholders commented on many aspects of good regulatory practice that were evidenced in our process and also in the REMM consultation paper (proportionality, consistency, transparency and accountability). This included comments around the consistency in data collection across all the indicators which was aided by the clarity brought about by the statement of definitions. There were also positive comments on our process in terms of transparency and accountability brought about by the information session and the bilateral meetings. One respondent welcomed having a more streamlined reporting system and fully supported that it is based on the principle of proportionality.

2.4 Testing phase

The testing phase was welcomed by the majority of the respondents and it was stated that it allows adequate time for engagement on the interpretation of the data received and also time for the appropriate design, build and test planning needed for IT development. However, it was also noted by two respondents that any significant delay in the publication of the decision paper would adversely impact the ability to implement the necessary IT system changes necessary to deliver the data for the first test.

The timelines in the consultation paper included a plan to publish the decision paper by the end of May. It was our intention to hold a workshop for stakeholders during the consultation phase. However, due to feedback from stakeholders we decided that another series of bilateral meetings would be more beneficial than a workshop. Seven stakeholders requested bilateral meetings. Four of these meetings were held within the consultation phase prior to these stakeholders submitting responses. The additional three meetings were held following the consultation phase. These meetings proved to be a valuable addition to the consultation process as they allowed an opportunity for more detailed discussions around the issues that had been raised. However, the meetings did impact the drafting of the decision paper and REMM templates. Despite the short delay in the publication of the decision paper we consider the meetings to have been very beneficial and the additional engagement with stakeholders has improved the decision making process.

We do not consider the delay in the publication of the decision paper to be significant with regard to the overall implementation of the REMM framework and as such the testing phase will remain as detailed in the consultation period. Further detail on the REMM timeline is provided in Chapter 5.

2.5 Cost impact

The cost impact of the introduction of the REMM framework was a specific concern raised by stakeholders. The benefits of accurate, informative and relevant data was acknowledged by many of the respondents, but the costs of implementing such a framework and the consumer impact was a concern. It was noted that one indicator in isolation may appear reasonable but the cumulative impact of indicators need also be considered, alongside the levels of disaggregation. There were concerns around the level of detail in the information requested resulting in a significant burden on suppliers/network companies impacting their systems, their staffing and costs. Examples of additional costs included audit, introduction of appropriate controls and validation. One respondent was of the view that the UR should strike a balance between collecting adequate information to monitor the market effectively and placing an undue burden on companies.

One respondent noted that any costs brought about by an enhanced monitoring regime will ultimately be paid for by consumers and that the UR must recognise and minimise the cost of REMM by limiting the requirements to those of most benefit to us.

Another common theme throughout the responses was that information is sought proactively in relation to areas that may become a concern at a later stage in the development of the markets and competition, without consideration to the cost impact on suppliers. Respondents made references to the Review of Effectiveness of Competition report[3] that was published by the UR. This report stated that there are no issues in the operation of the NI market and that competition is working in the I&C market and therefore queried the relevance and justification of some of the indicators.

We consider it vital that REMM covers all market sectors so that effective monitoring is market-wide. We have a duty to protect all consumers and in order to do this we need to collect adequate information across all market sectors. This will also act to future-proof information requirements and regulatory scrutiny for suppliers and network companies.

There was also a demand by a small number of suppliers to increase the number of indicators from the network companies for information on behalf of the market. This was justified as reducing the supplier burden, to ensure consistency and to utilise the central reporting function.

Reference was also made to the current reporting requirements already in existence in suppliers licences, therefore REMM would be an additional burden with an additional cost.

We have considered these points and agree that the balance between collecting adequate information to monitor the market effectively and placing an undue burden on companies is a difficult one. As a result we have reviewed each indicator in detail and re-examined the purpose of the indicator (including how it will be used), collection and current reporting of each indicator (including data source and frequency of collection)

[3] Review of effectiveness of competition in Northern Ireland energy retail market: http://www.uregni.gov.uk/uploads/publications/Review_of_the_effectiveness_of_NI_retail_markets_Final_171114.pdf

and the disaggregation of customer groups for both electricity and gas. Consequently we have decreased the burden of the indictors from that previously consulted on, either in terms of the level of detail requested in an indicator or in the level of disaggregation. We have also deleted two indicators. For areas of particular concern we have changed the reporting timeline to allow more time for submissions. Chapters 3 and 4 summarise the decisions made on each indicator, and Table 2 in chapter 6 shows the changes made to each indicator as a result of our review of the consultation responses and engagement through bilateral meetings.

We are also aware that the introduction of a new framework may appear burdensome at the outset. However, much of the information that will be submitted through the REMM framework is information that is already provided to us via different channels, and in some cases in more detail than will be required under REMM. In addition, we expect that the costs should decrease over time as suppliers and network companies automate their REMM submissions.

A further argument with regard to the cost burden was presented in comments made by suppliers that are active in both NI and RoI, who gave emphasis to the fact that the Commission for Energy Regulation (CER) market monitoring framework and the UR REMM are separate reporting models with different timescales. Specifically the RoI suppliers have already begun to design and build reporting systems to meet the CER specifications. They highlighted that a similar reporting model on an island wide basis, and timeline, would have minimised the costs to suppliers (and hence consumers).

Fundamentally, NI and RoI are separate jurisdictions, each with its own separate legislation and regulatory regimes. Therefore, there are different monitoring requirements which need to be fulfilled in each jurisdiction and it has not been possible to align the reporting models. In addition, we engaged with our colleagues at the CER at an early stage in the establishment of REMM and observed their consultation and decision process and have taken learning points from it.

2.6 Risk of public disclosure

Concerns were expressed by a number of respondents on the collection of sensitive commercial data (for example retail margins) and possible disclosure of this information through use of a Freedom Of Information Act 2000 (FOIA) request. One respondent commented that the REMM proposals ask for extremely detailed information down to customer category level which could seriously impact a supplier's commercial operation if that information was made available. As a result the collection of that information could have unintended impacts creating misinformation about suppliers' operations.

We understand that confidentiality is an issue and reiterate that we do not have plans to publish any information which is deemed to be commercially sensitive. The information gathered by us will fall within the scope of the FOIA. However, it is likely that one or more of the exemptions under Part II of the FOIA would apply to certain information collected from supply companies for the purposes of REMM. We cannot state for certain whether or not an exemption will apply and it must also be noted that any exemption is subject to a public interest test. Therefore any FOIA request must be assessed on its own merits at the time of receipt.

2.7 Publication of information

There were a number of comments on the accessibility of the market monitoring information to the public and what level of detail will be published. One respondent stated that to ensure the REMM objectives are achieved, it is important that information collected via REMM is made available to consumers in an easy to access format. They also remarked that suppliers may in fact be disadvantaged if their information is not available to consumers to evaluate when assessing which supplier to choose.

However, the majority of respondents were concerned about publication and more than one respondent suggested that data should not be published without being contextualised, appropriately filtered and examined. There were also concerns around how publication could increase the levels of scrutiny for suppliers and the UR and how it might also cause confusion in terms of inappropriately representing the energy industry due to specific market irregularities.

Our view remains that transparency in retail energy markets will increase consumer confidence and trust, and enable consumers to make more informed choices about their energy suppliers. Our intentions are to publish certain elements of the REMM information in a structured way, and in a manner that allows consumers to better understand the functioning of the market. This aligns with the performance of our legal functions in relation to consumer protection and market monitoring. Publication of additional information about our energy suppliers in NI will help to ensure that consumers have transparency on how suppliers are performing and increase their awareness of our energy suppliers.

We understand that publication remains a sensitive issue with suppliers. However consumers have a right to be able to compare the performance of suppliers, easily and with confidence, and be aware of any areas where suppliers may be performing poorly. Suppliers can also benefit from the publication of performance data as they will be able to benchmark themselves against the rest of the industry. This will provide an incentive for individual suppliers to improve performance in areas where other suppliers are outperforming them.

We accept that we face a challenge to convey complex information in straightforward terms, and in a way which is useful to consumers. We will publish information that we consider is in the interest of the public to know, in a format which is easy to understand (and not simply publish information exactly as it has been submitted by companies). Publication will be accompanied with appropriate analysis and commentary.

We will not publish any new market monitoring indicators prematurely and it may be the case that we will delay publishing certain indicators until we are comfortable with the quality of the information and the best format to publish. Before we publish any additional market monitoring information we will first calibrate the data to ensure consistency, and secondly we will analyse trends in order to build up a solid data set over time. We will take into consideration any underlying drivers such as market conditions and at the same time we will not review indicators in isolation. Therefore, we have deferred the consultation and subsequent decision on publication of some indicators until the next phase of REMM.

We have taken on suppliers' comments into consideration when deciding on our strategy for publishing. In chapters 3 and 4 we have detailed how and when information will be published on an indicator by indicator basis.

2.8 Timelines for submissions

The timelines for submissions proposed in the consultation paper were viewed by a number of the respondents as being unrealistic and unachievable, mainly with regard to submission of financial information. These comments were based on internal financial reporting timelines which would mean submitting REMM information on time, post financial close, would be extremely challenging. It was reported that if the timelines were adhered to it would mean submitting information in advance of management reporting and in some cases in advance of audit. As a result more than one respondent stated that the data could be subject to revisions as there would be a greater risk of inaccuracy and adjustments.

Our consultation paper proposed a one month turnaround for quarterly information, and a two month turnaround for annual information. Specific requests from stakeholders for an increase in the timescales related to financial information ranged from six to eight weeks after the quarter end.

We welcome the feedback received and we have reviewed the timelines for submission on an indicator by indicator basis. As a result we have made amendments to the following two indicators that relate to financial information: retail margins and final prices. For both of these indicators quarterly submissions will no longer be due a month after the quarter end. Instead we have significantly lengthened the time for these submissions. These indicators will be required four months after the end of the quarter. For example, Quarter 1 (Q1) information on retail margins and final prices will be due by the end of July; one month after the end of Q2 i.e. it will be provided with the REMM submission for Q2.

The timelines for the other indicators will remain unchanged. Quarterly information will be due one month after the quarter end and annual information (including the annual statement of licence compliance) will be due two months after the calendar year. For the retail margin indicator the annual reconciliation statement should be provided to us within two months of the deadline (set out in each supply licence) for submission of the annual regulatory accounts.

As mentioned above, we also acknowledge that there has been a short delay in the publication of the REMM decision paper. We reviewed the timeline, bearing in mind the short delay, and we have concluded that regarding the implementation and testing phase, we will go ahead with the dates as proposed. As the testing phase carries on until the first formal submission we consider this to be adequate time to amend processes and test systems in order to produce REMM information.

Further detail on the timeline for REMM submissions is provided in chapter 5.

2.9 Comparability of market monitoring indicators

Many of the respondents made positive comments on how we have developed the REMM project to enable comparability across suppliers and across regions. One of our key considerations in the development of the REMM framework was the definition of the indicators to ensure these were clear and unambiguous. This is crucial in order for fair and accurate comparisons to be made across suppliers and the statement of definitions was well received by stakeholders.

More than one respondent made the comment that an important benefit of a monitoring regime is to allow stakeholders to compare indicators on a like for like basis. Specific reference was made to price comparisons with RoI and it was stated that this comparison may not be straightforward because of how the two NRAs define and segment their customer groups. We have determined the customer segmentation based on the retail policy in NI. The NI retail policy differs from that in RoI so it naturally follows that the monitoring requirements which are related to policy will be different. Also the energy market in NI is different to that in RoI. The NI energy markets retain an element of price regulation which is not retained in RoI.

We have also chosen customer categories for final prices, to align our categories with those used by DECC, to enable comparisons.

2.10 An "opt out" for smaller suppliers?

There was only one response with respect to small supplier opt out. The respondent commented that an opt out should not be included for smaller suppliers based on the fact that it is essential that consumers have all the information that they need to fully evaluate their options when choosing supplier. No smaller suppliers commented with regard to a small supplier opt out.

Therefore, our position remains unchanged from the consultation. It will not be appropriate for small suppliers to submit less information than larger suppliers. In order for REMM to give us information on how the market functions as a whole, we require information on all aspects from all suppliers. In addition, we expect that the information we propose to collect is information that is, or should be, reasonably readily available to all suppliers operating effective internal business processes. The licence compliance aspects of REMM apply equally to all active suppliers and so we require this information from all suppliers, large or small.

3. Final REMM indicators

3.1. Introduction

This chapter sets out our final decisions on each of the individual indicators. The detail for each indicator includes: a summary of the indicator as proposed in the consultation; a summary of the responses received and our reply; and the final decisions made on the indicator (including a summary of the final decision in table format).

Table 1 shows a summary of all the consumer and market related indicators which are included in the REMM framework along with details of the supplementary information required for licence compliance.

Table 1. Summary of REMM indicators

Indicator group	Indicator	Data source	Frequency of collection	Section in paper
Market shares	Market shares	Network companies and gas suppliers	Quarterly (with monthly split in electricity)	3.3.1
Market shares	New connections/ registrations	Network companies	Quarterly	3.3.2
Switching	Switches requested	Network companies	Quarterly with monthly split	3.4.1
Switching	Switches completed	Network companies and gas suppliers	Quarterly with monthly split	3.4.2
Switching	Switches taking longer than 15 working days to complete	Network companies	Quarterly with monthly split	3.4.3
Switching	Sticky customers	Network companies	Annual	3.4.4
Switching	Rejected switches	Network companies	Quarterly	3.4.5
Switching	Objected switches	Network companies	Quarterly	3.4.6
Switching	Debt Contact Notifications	Suppliers	Quarterly	3.4.7

Indicator group	Indicator	Data source	Frequency of collection	Section in paper
Switching	Erroneous Transfers	Electricity network company and gas suppliers	Quarterly	3.4.8
Switching	Notional meter reads (gas specific)	Gas network companies	Quarterly	3.4.9
Switching	Meter mix ups identified during switching (gas specific)	This indicator has been removed from the REMM framework		3.4.10
Switching	Credit balances on Quantum prepayment meters when switching (gas specific)	Gas suppliers (in Greater Belfast area)	Quarterly	3.4.11
Switching	Outstanding balances on Quantum prepayment meters when switching (gas specific)	Gas suppliers (in Greater Belfast area)	Quarterly	3.4.12
Switching	Credit balances on Libra prepayment meters when switching (gas specific)	Gas suppliers	Quarterly	3.4.13
Market activity	Renegotiated contracts	Suppliers	Annual	3.5.1
Disconnections, reconnections and debt recovery	Disconnections	Network companies and suppliers	Annual	3.6.1
Disconnections, reconnections and debt recovery	Reconnections	Suppliers	Annual	3.6.2
Disconnections, reconnections and debt recovery	Debt Recovery prepayment	Suppliers	Annual	3.6.3
Complaints	Complaints	Suppliers	Quarterly	3.7.1

Indicator group	Indicator	Data source	Frequency of collection	Section in paper
Standards of Performance	Standards of Performance (SoP) (gas specific)	Gas suppliers	Annual	3.8.1
Price	Diversity of tariffs	Suppliers	Quarterly	3.9.1
Price	Final prices	Suppliers	Quarterly	3.9.2
Customer account balances	Customer account balances	This indicator has been removed from the REMM framework		3.10.1
Retail Margins	Retail margins	Suppliers	Quarterly plus Annual Reconciliation	3.11 & 4
Licence compliance	Statement of Licence Compliance	Suppliers	Annual	3.12
Licence compliance	Supplementary information on licence compliance	Suppliers	Annual	3.12

3.2. Methodology for the allocation of customers into customer groups

In order to ensure that REMM information is both comparable within suppliers and across suppliers, and also comparable over time (to produce trend data), it is desirable that suppliers and network companies disaggregate customers into customer groups in the same way, for each indicator. During the first round of bilateral meetings it was raised that there are difficulties in allocating customers into different consumption customers groups. The REMM consultation proposed a methodology for suppliers and network companies to allocate customers into customer groups for each quarterly and annual return. We asked stakeholders to provide feedback on the proposed methodologies for allocation of customers into customer groups based on consumption bands.

With the exception of feedback related to the indicator on retail margins, we did not receive any specific feedback on the methodology of allocating customers into customer groups. The feedback presented for retail margins will be discussed separately in chapter 4. For this reason we have decided to retain the methodology as proposed in the consultation paper. The final methodologies for allocation of electricity and gas customers into groups are detailed below.

3.2.1 Allocation of electricity customers into groups

To ensure consistency for reporting, **meter points** should be categorised, in all cases where possible, into the customer groups based on their previous actual 12 months consumption ending in the reporting period. Where the actual consumption is not available (for example where there have been no meter readings taken in the reporting period) the estimated consumption used for customer billing may be used. If neither of these options is available for a particular customer, the usage factor may then be used. For new connections the customer's forecast annual consumption should be used until an actual annual consumption can be extrapolated from validated meter readings. Some of the categories proposed for electricity customer groups differ to those which are already reported on by NIE in order to align the categories with those used by Eurostat.

3.2.2 Allocation of gas customers into groups

To ensure consistency for reporting, **supply meter points** should be categorised into the customer groups based on the **Annual Quantity (AQ)** of each supply meter point.

3.3 Indicator group – Market share

Market share is one of the key indicators of market competitiveness and market activity. It indicates the extent to which suppliers are competing for customers in different areas of the market. Suppliers' market shares are affected by customer switching and, to a lesser extent, by new connections.

3.3.1 Market shares

Summary of proposed indicator

Market share details the percentage of the relevant market held by a specific supplier. Market share is measured quarterly both by **connection** numbers and by consumption volume (kWh in electricity and therms in gas). We currently collect market share information for all suppliers on a quarterly basis. It is collected from network companies and gas suppliers. We publish this information in both our Quarterly Transparency Reports (QTRs) and our Annual Transparency Report (ATRs) (formerly the annual Energy Retail Report (ERR)).

The consultation proposed that electricity and gas network companies will provide market share information for new customer categories. The purpose of the proposed change in electricity categories was to enable comparability between our I&C customer categories and those used by Eurostat (with the addition of an extra category relating to the price regulated threshold). We proposed to include additional categories for gas network companies in order to provide a split between domestic and small I&C connection numbers and consumption.

Consultation responses

Five respondents commented on this indicator, with one respondent recognising the importance of collecting market share information. Two gas network companies are supportive of providing the market share data. One network company also suggested that the gas network companies (rather than both gas network companies and gas suppliers) should be responsible for this indicator in order to create more consistency and avoid duplication. However, the two gas network companies did have some concerns with the proposed customer group disaggregation in gas. These concerns were mentioned in the bilateral meetings and followed up in the consultation responses.

The area of greatest concern is the disaggregation of gas consumption information by tenure (i.e. domestic or I&C customers) as this would require significant changes to the charging models utilised by the gas network companies. We have considered these responses and decided to remove the requirement for gas network companies to provide consumption information split by tenure at this time. In order to reduce duplication as far as possible we will also remove the requirement for gas suppliers to provide market share information on the I&C market. However gas suppliers will be required to provide domestic market share information to ensure that we receive information on connections and consumption for the whole market.

One supplier did not agree with the proposed electricity customer disaggregation. The reasons for this included: complexity and cost of reporting; fluctuations in energy use may cause customers to move between categories; and categorisation based on tariff codes (T-codes), as done in RoI, would be more useful. We have considered these points, but as this information will be requested from the electricity network company we are satisfied to proceed with the market share indicator for electricity unchanged.

<u>UR final decision</u>

As mentioned above there will be a change to the provision of part of the information in the gas market. Gas network companies will provide market share information split by the customer groups proposed in the consultation with the exception that they will not be required to split gas consumption by tenure (i.e. domestic or I&C).   Gas suppliers will provide market share information for domestic customers only. We may reconsider this indicator in phase two of REMM to investigate further the possibility of gas network companies providing market share information split by tenure. The remainder of the indicator will remain unchanged.

We intend to continue to collect and publish this information, by supplier for all customer categories, on a quarterly basis.

Our final decision on this indicator is detailed below.

Indicator	Data source	Frequency of collection	Electricity categories	Gas categories	Publication
Market shares	Network companies and gas suppliers (only domestic sector)	Quarterly (with monthly split in electricity)	By supplier Domestic: ▪ credit ▪ prepayment I&C: ▪ < 20 MWh ▪ 20 - 49 MWh ▪ 50 - 499 MWh ▪ 500 - 1,999 MWh ▪ 2,000 - 19,999 MWh ▪ ≥ 20,000 MWh	By supplier Domestic: ▪ credit ▪ prepayment I&C: ▪ < 73,200 kWh ▪ 73,200 - 731,999 kWh ▪ 732,000 - 2,195,999 kWh ▪ ≥ 2,196,000 kWh	By supplier for all customer categories Quarterly

3.3.2 New connections/registrations

Summary of proposed indicator

A **new connection** refers to a new premises or site which has been connected to either the electricity or the gas network. The number of new connections is an indicator of market activity as it impacts on the market shares of suppliers. In the gas market particularly, the number of new connections gives an indication of how the gas market is growing, and links to our principle objective in gas to promote the development of the gas industry in NI. We currently collect information on new connections from network companies for both the electricity and gas markets. We receive this information from the electricity and gas network companies either on a quarterly basis (split by month) or a monthly basis.

In the consultation we proposed to continue to collect the information from network companies on a quarterly basis (split by month), showing domestic and I&C new connections per supplier. We also proposed to publish information on an annual basis showing the number of new connections in both domestic and I&C customer groups (without a supplier split), for both electricity and gas.

Consultation responses

One supplier supported the collection of the information and the proposed level of disaggregation. Another respondent welcomed our decision to publish some information on new connections in the retail energy markets.

It was suggested by one respondent that we collect information on the meter type connected and the length of time taken to facilitate a new connection for each supplier. We do not agree that requesting data on meter type is necessary. This level of disaggregation will add undue burden to network companies providing the information. With regard to the length of time taken to facilitate a connection we will not ask for this information under REMM. There are a number of different factors that determine how long it takes for a connection to be made to the electricity or gas networks and simply recording the length of time does not give a full picture of the connection process. However, if any issues arise which require further information about connection times we can request information from individual suppliers or network companies.

UR final decision

We have decided to retain the indicator as it was proposed in the consultation paper with the exception of the frequency of collection. We will require the information quarterly (as proposed) but without the monthly split. We have removed the requirement to provide the monthly split as part of our overall effort to ensure proportionality of the entire REMM framework. As proposed, we will publish information on an annual basis showing the number of new connections, split between domestic and I&C customer groups, for both electricity and gas. Our final decision on this indicator is detailed below.

Indicator	Data source	Frequency of collection	Electricity and gas categories	Publication
New connections/ registrations	Network companies	Quarterly	By supplier Domestic / I&C	Domestic / I&C Annual

3.4 Indicator group – Switching

A switch is the action through which a customer changes supplier, i.e. the movement of a customer from one supplier to another. The switching rate helps to indicate the level of customer engagement in the retail energy markets and the ease with which customers are able to move from one supplier to another.

3.4.1 Switches requested

Summary of proposed indicator

The number of switches requested represents the number of **switch requests** which are sent to the network companies from the **'new' supplier**. The number of switches requested indicates how engaged customers are in the retail energy markets. In addition, collecting this information will enable us to identify and address any problems with customer switching. Information on the number of requested switches is currently provided by network companies either monthly or quarterly (split by month).

Our consultation proposed that we will continue to collect this information quarterly (with monthly split). In addition we proposed to increase the detail of information that we receive from NIE in order to align the electricity information with the information currently provided by gas network companies. We proposed to collect the number of requested switches per supplier for both domestic and I&C customer groups. We do not currently report the number of switches requested in our QTRs or ATRs and our consultation stated that we have no plans to publish this information in the future.

Consultation responses

There was only one response related to the indicator 'requested switches'. The response was from a supplier that is supportive of the collection of the indicator and the proposed level of disaggregation. In the absence of any comments from other stakeholders we will presume that there are no issues with providing the information as requested for this indicator.

UR final decision

As mentioned above, there was no negative feedback on this indicator so we will retain the indicator as proposed in the consultation paper. We will not publish information on this indicator at this time. Our final decision on this indicator is detailed below.

Indicator	Data source	Frequency of collection	Electricity and gas categories	Publication
Switches requested	Network companies	Quarterly with monthly split	By supplier Domestic / I&C	No

3.4.2 Switches completed

Summary of proposed indicator

A **completed switch** occurs when a customer has successfully transferred from one supplier to another. A completed switch does not give any information about the nature of the switch, for example if it is a first-time switcher, or repeat switcher etc. The rate of customer switching is another key indicator of how engaged customers are within the retail energy markets. A high rate of completed switches may indicate that there is a high level of customer engagement in the market and that the market is structured to enable this.

In the consultation paper we proposed that both electricity and gas network companies will provide quarterly information (with monthly split) on the number of switches completed. We proposed that the information submitted will include the number of completed switches (based on gains and losses) for each supplier split by customer groups. Switching information is currently published in our QTRs and ATRs. However, we proposed to change the method of publication to include supplier details for both electricity and gas.

Consultation responses

There was overall support for network companies providing this information (particularly in the gas market, where suppliers currently provide this information). As gas network companies are able to provide the information required under this indicator we will remove this requirement from gas suppliers to provide completed switches for each customer group. The gas network companies do not currently record information in all the categories requested but it is possible for them to provide the information following some systems changes. We note the requirement for systems changes and will work with network companies on this during the testing phase.

In addition, one respondent highlighted a complication in relation to **incomplete switches** for prepayment customers in the gas market. If a gas prepayment customer does not take the necessary actions to complete the switching process then the customer may need to be transferred back to their old supplier. This will be recorded on the systems of each gas network company (and reported to us) as completed switches; however in reality the customer has not actually switched to the new supplier. There is currently no way of tracking this in the systems operated by the gas network companies but we have confirmed with each active domestic gas supplier that it is possible for gas suppliers to provide us with information on incomplete switches for prepayment customers (to validate the overall switching figures).

One respondent welcomed our intention to change the method of publication to include supplier details for both electricity and gas.

UR final decision

We have taken the feedback on this indicator into account and will retain the indicator as detailed in the consultation paper for gas network companies. We will remove the requirement for gas suppliers to provide completed switches by each customer group; however gas suppliers will be required to provide information on the number of incomplete switches for prepayment customers.

There will be no changes to the indicator as proposed in the consultation for the electricity network company.

We will continue to publish switching information in our QTRs and ATRs. However, we will change the method of publication to include supplier details for both electricity and gas. Our final decision on this indicator is detailed below.

Indicator	Data source	Frequency of collection	Electricity categories	Gas categories	Publication
Switches completed	Network companies and gas suppliers (for prepayment customers)	Quarterly with monthly split	By supplier Domestic: ▪ credit ▪ prepayment I&C: ▪ < 20 MWh ▪ 20 - 49 MWh ▪ 50 - 499 MWh ▪ 500 - 1,999 MWh ▪ 2,000 - 19,999 MWh ▪ ≥ 20,000 MWh	By supplier Domestic: ▪ credit ▪ prepayment - Libra ▪ prepayment – Quantum I&C: ▪ < 73,200 kWh ▪ 73,200 - 731,999 kWh ▪ 732,000 - 2,195,999 kWh ▪ ≥ 2,196,000 kWh	By customer category By supplier Quarterly

3.4.3 Switches taking longer than 15 working days to complete

Summary of proposed indicator

This indicator proposed to monitor those switches which were completed successfully, but which took more than 15 working days to complete from the date that the network company received the valid switch request. We proposed to monitor this indicator in order to ensure suppliers' compliance with EU legislation and to understand if there are any issues in the market which might cause a delay in switching. This information is currently collected from network companies either quarterly (with monthly split) or monthly. The information is provided for the total market in electricity and total market, split by supplier in gas. Our consultation proposed that both the electricity and gas information will be spilt by supplier going forward and provided on a quarterly basis (split by month). We do not currently publish any of this information and we did not propose to change this approach.

Consultation responses

Three stakeholders responded in relation to this indicator, and all were supportive of the collection of this information under the REMM framework. However, one respondent noted that its switching system is built to facilitate a switch in 15 working days and any that take longer indicate that a supplier has requested a longer timescale (and is not a result of a network company failure). We note this response and are happy for network companies to provide additional commentary alongside the data if necessary.

UR final decision

The indicator will remain as proposed in the consultation paper. We will not publish information on this indicator at this time. Our final decision on this indicator is detailed below.

Indicator	Data source	Frequency of collection	Electricity and gas categories	Publication
Switches taking longer than 15 working days to complete	Network companies	Quarterly with monthly split	By supplier Total market	No

We note that the electricity and gas network companies have an existing licence obligation[4] to provide information on the number of requested switches, completed switches and switches taking longer than 15 working days to complete. The relevant licence condition requires this information to be provided to UR by no later than fourteen days after the end of each quarter. Going forward this information will be collected under REMM. Therefore we intend to modify this licence condition in order to align the timeframe for provision of this information under licence to the timeframes determined in

[4] Licence condition "Systems to Facilitate Change of Supplier" (condition 44 in the electricity distribution licence, condition 1.23 in the PNGL and feDL gas conveyance licences and condition 1.18 in the SGN gas conveyance licence)

this paper (i.e. the relevant information must be submitted to UR no later than one month after the end of each quarter). We will issue a separate paper to consult on the licence modification (currently planned for September 2015).

3.4.4 Sticky customers

Summary of proposed indicator

Sticky customers are those customers who have never switched supplier or who are unlikely to switch in the near future. Customers that have previously switched, but not switched again during an extended period may be unlikely to switch in the future and may also be considered to be sticky customers. The proposed indicator included:

- connections that have never switched from the incumbent supplier;
- connections that have previously switched supplier, but outside of the previous three years; and
- connections that have switched in the previous three years.

We proposed that this indicator will be monitored over time alongside other market indicators to determine if there are any trends which indicate that barriers to switching exist in NI retail energy markets.

We do not currently collect information on this indicator. We proposed to collect information on this indicator from network companies on an annual basis for both electricity and gas, disaggregated by domestic and I&C customers. We proposed to publish information on the following:

- the percentage of all domestic and I&C electricity and gas customers that have never switched supplier,
- the percentage of all domestic and I&C electricity and gas customers that have previously switched supplier, but outside of the previous three years; and
- the percentage of domestic and I&C electricity and gas customers that have switched in the previous three years.

Consultation responses

Four of the respondents commented on this indicator. One network company confirmed that it is capable of producing the data, but IT system changes are required to deliver this. Two suppliers responded that the data should be collected at customer level rather than meter point level, in order to collect information about change of tenancies and not just change of supplier at the property. In addition, it was suggested that the network companies should strive to exclude vacant properties. Another respondent stated that it would be useful to further disaggregate the domestic customer group by meter type.

One respondent disagreed with the categorisation of sticky customers proposed in the consultation paper. The respondent suggested that three years is not a long enough time to determine whether or not a customer is sticky e.g. a customer that had been on a fixed deal for two years followed by one year on the standard tariff would be considered to be in the same category as a customer that had not engaged at all in three years. The respondent suggested that the best approach to determining sticky customers is to measure stickiness from the point that a customer reverts from a fixed contract on to a standard tariff, and not from the point at which the customer switches to the supplier, as this would be a better measure of engagement in the energy market.

We appreciate that different stakeholders have different views about how stickiness can be defined in energy markets. As this is a new indicator we are unable to predict what the figures for sticky customers in the NI retail energy markets might be. We understand there are a number of complexities with regard to change of tenancies and vacant premises. We also agree with the suggestion that collecting data on sticky customers at the customer level would be preferable compared to at the meter point level. In the consultation we opted for meter point level as we considered this to be the most simplistic way to monitor this indictor and therefore reduce the burden on companies providing data. Gas network companies have confirmed to us that their systems do not record vacant properties or change of tenancies. Therefore it is not possible for the gas network companies to provide the information on sticky customers at the customer level.

In order to ensure consistency between gas and electricity we will retain our approach of collecting this information from the network companies at meter point level. When publishing information on sticky customers we will be clear that the figures relate to connections, rather than customers. We may reconsider this indicator in phase two of REMM in order to investigate if it would be worthwhile collecting more detailed information from suppliers in the future.

We have considered the response with regard to the proposed three year timeframe for monitoring sticky customers. We continue to believe that three years is an appropriate timeframe as the current maximum fixed term tariffs known to us are two years contracts. This allows customers a year after exiting their fixed term tariff to switch to another supplier. If a customer has not taken action within the year to move to another supplier then we would consider these customers to be sticky. However, we note that there are many reasons for customers being sticky, including customers actively choosing to stay with their existing supplier as they are content with the service and or price they currently receive.

<u>UR final decision</u>

The indicator will remain largely as proposed in the consultation paper. However, we have reduced the reporting requirement by removing the third part of this indicator which asked for the number of connections that switched in the previous three years.

We will publish information on the following:

- the percentage of all domestic electricity and gas connections that have never switched from the incumbent supplier;
- the percentage of all I&C electricity and gas connections that have never switched from the incumbent supplier;
- the percentage of all domestic electricity and gas connections that have previously switched supplier, but outside of the previous three years; and
- the percentage of all I&C electricity and gas connections that have previously switched supplier, but outside of the previous three years.

Our final decision on this indicator is detailed below.

Indicator	Data source	Frequency of collection	Electricity and gas categories	Publication
Sticky customers	Network companies	Annual	Domestic / I&C - never switched from incumbent - have switched, but outside of the previous three years	Percentage of domestic market Percentage of I&C market Annual

3.4.5 Rejected switches

Summary of proposed indicator

A switch request may be rejected by the network company if it fails validation or is not complete. The market rules for raising a **rejection** to a switch are set out in Retail Market Procedure NI 2 (Change of Supplier Interval) in the electricity market and in the relevant **Distribution Network Code** in the gas market. This is a process related indicator which has previously been collected from network companies, at a whole market level in electricity and per supplier in gas. It is used to indicate particular supplier issues with the switching processes.

The consultation paper proposed to continue to collect this information from network companies, with the additions of: a split per supplier in the electricity market; and a breakdown of the reason codes for the rejections (which will differ for gas and electricity). It was also proposed that we will collect the information on a quarterly basis with a monthly breakdown. We proposed that we would collect this information for internal monitoring purposes and would not publish information on this indicator.

Consultation responses

Three respondents gave feedback on this indicator. All three respondents were largely supportive of this indicator as proposed, with one respondent requesting that the indicator should be published. However, as mentioned above, this is a market process related indicator, and as such its usefulness for customers and other stakeholders is very limited.

UR final decision

We have decided to retain the indicator as it was proposed in the consultation paper with the exception of the frequency of collection. We will require the information quarterly (as proposed) but without the monthly split (as part of our overall effort to ensure proportionality of the entire REMM framework). The indicator will not be published at this time. Our final decision on this indicator is detailed below.

Indicator	Data source	Frequency of collection	Electricity and gas categories	Publication
Rejected switches	Network companies	Quarterly	By supplier Total market By reason code	No

3.4.6 Objected switches

Summary of proposed indicator

Objections are similar to rejections as they are related to the process of customer switching. The objection reasons are set out in Retail Market Procedure NI 3 (Objections and Cancellations) in the electricity market, and the **Supply Meter Point Agreement** (SMP Agreement) for the Greater Belfast Licensed Area and the Ten Towns Licensed Area for the gas market. This is another process related indicator which may help to identify systemic problems in the switching process, or problems with the operation of individual suppliers in the market.

The consultation paper proposed to align the information collected from the electricity and gas markets. We proposed to collect information on objections from network companies on a quarterly basis (split by month), including a breakdown of the number of objections per supplier and the reason codes for both domestic and I&C customers. We did not propose to publish any information on objections.

Consultation responses

Two respondents were supportive of this indicator with one requesting that the information on objections should be published. However, as with rejections, this is a market process related indicator, and as such its usefulness for customers and other stakeholders is very limited.

UR final decision

We will retain the indicator largely as proposed, with the exception of the frequency of collection. We will not require the quarterly information to be split per month in order to reduce the reporting burden on network companies and ensure proportionality of the overall REMM framework. The indicator will not be published at this time. Our final decision on this indicator is detailed below.

Indicator	Data source	Frequency of collection	Electricity and gas categories	Publication
Objected switches	Network companies	Quarterly	By supplier Domestic / I&C By reason	No

3.4.7 Debt contact notifications

Summary of proposed indicator

A **Debt Contact Notification** (DCN) is raised by a supplier losing a domestic customer that is in **debt** (as defined separately for gas and electricity in the respective 'Retailer code of practice for dealing with customers in debt wishing to switch supplier'). It is raised in order to alert the new supplier to the debt. Monitoring the number of DCNs raised by suppliers will provide us with information on the levels of domestic customers in debt that wish to switch supplier.

The consultation proposed to align the electricity and gas markets with regard to the collection of information on the number of DCNs received. We proposed to collect information quarterly (with monthly split) from suppliers on the number of DCNs received. As the DCN process relates to domestic customers only there was no need to disaggregate the information any further. We did not propose to publish any information on DCNs.

Consultation responses

Five respondents made comments on this indicator. There was overall support for the indicator, with the exception of one supplier suggesting that network companies should provide this information as a DCN is a market message flag. Another supplier stated that it does not currently collect this information, but that it would be possible to record it and report it manually. As no other suppliers have indicated an issue with providing the information on DCNs we have decided to retain this as a supplier indicator. It was also suggested by one respondent that we publish the information on DCNs. However, we do not deem information on DCNs to be useful for customers and other stakeholders at this point. We may review this decision at another time.

UR final decision

We will retain the DCN indicator as proposed, with the exception of the removal of the requirement to split the quarterly data by month. This will reduce the data provision on suppliers and help to ensure proportionality. Our final decision on this indicator is detailed below.

Indicator	Data source	Frequency of collection	Electricity and gas categories	Publication
Debt Contact Notifications	Suppliers	Quarterly	Domestic	No

3.4.8 Erroneous transfers

Summary of proposed indicator

An **erroneous transfer** occurs when a customer has been transferred to a supplier without a valid contract being in place. This may be for a number of reasons e.g. the customer provided incorrect information; or the customer cancelled the application but the cancellation was not processed. High numbers of erroneous transfers can highlight issues with the switching process and/or individual suppliers that may have a severe impact on customer confidence in the energy markets.

The consultation proposed that NIE will provide the information on erroneous transfers in the electricity market, and gas suppliers will provide information on erroneous transfers in the gas market. We also proposed to receive the information on erroneous transfers on a quarterly basis (with monthly split) broken down by customer type (domestic and I&C) and by reason for the erroneous transfer. With regard to publication, we did not propose to publish information on this indicator.

Consultation responses

There were four responses with regard to erroneous transfers. None of the respondents had any negative feedback on this indicator, with one respondent stating that it recognises the importance of collecting this information under REMM. One supplier responded that it currently records the information manually which will allow reporting on this indicator. We welcome these responses. Another respondent indicated that it should be made clear which gas supplier reports the erroneous transfer (i.e. is it the supplier that the customer has been erroneously transferred to, or the supplier that the customer is returned to at the end of the process?). In addition this respondent stated that gas network companies may also raise an erroneous transfer on behalf of a customer. In this case, the network company issues the erroneous transfer to both suppliers involved. We appreciate this feedback. We can clarify that erroneous transfers should be reported by the gas supplier to which the customer was erroneously transferred. We will ensure this is clear in the templates. For those cases that the network company raises the erroneous transfer and issues it to both suppliers, the supplier to which the customer was erroneously transferred should record the details.

UR final decision

As part of our overall review of the REMM indicators and our objective to ensure proportionality we have decided to aggregate the erroneous transfers to whole market level for the electricity and gas markets. We will also remove the requirement to provide a monthly split for the quarterly figures. This will reduce the overall reporting requirements with regard to this indicator. With the exception of these two amendments the indicator will remain as proposed (we have added clarity to the template regarding which supplier must report the erroneous transfers). We will not publish any information on this indicator at this time. Our final decision on this indicator is detailed below.

Indicator	Data source	Frequency of collection	Electricity and gas categories	Publication
Erroneous Transfers	Electricity network company and gas suppliers	Quarterly	By supplier Total market By reason	No

3.4.9 Notional meter reads (gas specific)

Summary of proposed indicator

When a gas customer switches supplier, the new supplier must take an opening meter read at the customer's property. If the supplier fails to gain a meter read within the required meter reading timeframe, (or submits a meter reading that fails validation by the network company or old supplier) the network company will provide an estimated meter read, known as a **notional meter read**. This indicator is used to monitor suppliers' compliance with their obligation under the Distribution Network Code.

The consultation proposed to continue to collect information on notional meter reads quarterly (with monthly split), from gas network companies, at a whole market level. We did not propose to publish any information on this indicator.

Consultation responses

Three responses were received in relation to this indicator. Overall the respondents were supportive of the proposals in the consultation and were content that this indicator would not be published. One respondent provided additional detail on the reasons why notional reads are produced. We welcome this useful feedback.

UR Final Decision

We will retain the notional meter reads indicator as proposed, with the exception of the frequency of collection. In order to reduce the reporting requirements and ensure proportionality we will remove the requirement for a monthly split in this information. This indicator will not be published. Our final decision on this indicator is detailed below.

Indicator	Data source	Frequency of collection	Electricity categories	Gas categories	Publication
Notional meter reads (gas specific)	Gas network companies	Quarterly	N/A	Total market	No

3.4.10 Meter mix ups identified during switching (gas specific)

Summary of proposed indicator

A meter mix-up occurs where, physically, a gas meter is supplying a different supply meter point than is recorded on the network company's IT system or the supplier's billing system. A meter mix-up can be identified during the switching process in the gas market when a supplier takes an opening read at a customer's property.

Meter mix-ups often result in a customer being incorrectly billed as the meter readings used to generate bills are not from the correct meter. Therefore it is important that we understand the number of customers that may be impacted by these mix-up issues. To date, the information provided has not indicated that there is a problem in relation to meter mix-ups within the gas market.

In the consultation we proposed to collect information on meter mix-ups on a quarterly basis (split by month) for the total market. We stated that we would use this information for internal monitoring purposes and would not publish the number of meter mix-ups identified during switching processes.

Consultation responses

There were two responses in relation to this indicator and both of these were supportive of the indicator. One respondent also stated that the information should be published to inform customers prior to making decisions about switching supplier. We do not consider it would be appropriate to encourage customers to use such information to make decisions about switching supplier because in many cases the supplier that identifies a meter mix-up during the switching process was not at fault.

UR Final Decision

Although there was general support for this indicator we have decided to remove it from the final decision as part of our overall effort to ensure proportionality of the entire REMM framework. Information on meter mix-ups is collected as part of Standards of Performance Regulations & Overall Standards (see section 3.8.1). Therefore, we have removed meter mix-ups as a separate indicator to avoid duplication.

3.4.11 Credit balances on Quantum prepayment meters when switching (gas specific)

Summary of proposed indicator

When a gas customer with a **Quantum prepayment meter** switches to a new supplier there may be credit balance left on the meter at the time of the switch. This credit has been paid to the old supplier, but the new supplier has to supply the gas to the value of credit left on the meter. Gas suppliers have established a process (documented in the SMP Agreement) through which the new supplier claims an average credit balance from the old supplier. In the consultation we proposed an indicator to monitor the actual total value of the credit balances left on Quantum meters that switch supplier and the actual number of **quantum customers** with a credit balance that switch supplier. We proposed collection of this information quarterly (with monthly split) from gas suppliers in the Greater Belfast area. This indicator is not required in the Ten Towns as Quantum meters are not used in this area. In the consultation we stated that we did not intend to publish this information.

Consultation responses

There were two responses to this indicator. One respondent supported the collection of this information and the other respondent stated that the information on this indicator should be published. We will collect this information in order to monitor the impact of compliance with the SMP Agreement on suppliers. We do this by comparing the actual credit balances with the average credit balance that is determined in the process within the SMP Agreement. This information will assist in the decision on whether or not it is appropriate to amend the average credit amount in the process within the SMP Agreement. Therefore, we do not consider it is appropriate to publish this information.

UR Final Decision

We will retain this indicator as proposed in the consultation, with the exception of the frequency of collection. In order to reduce the reporting requirements we will remove the requirement for a monthly split in this information. This indicator will not be published at this time.

Our final decision on this indicator is detailed below.

Indicator	Data source	Frequency of collection	Electricity categories	Gas categories	Publication
Credit balances on Quantum prepayment meters when switching (gas specific)	Gas suppliers (in Greater Belfast area)	Quarterly	N/A	Domestic	No

3.4.12 Outstanding balances on Quantum prepayment meters when switching (gas specific)

Summary of proposed indicator

When a gas customer with a Quantum prepayment meter switches to a new supplier there may be **debt balance** left on the meter at the time of the switch. Where the debt balance is less than £100 it is referred to as an outstanding balance and in these cases a DCN cannot be raised by the old supplier. Gas suppliers have agreed a process (documented in the SMP Agreement) for these cases which dictates that the switch will complete and the new supplier will be entitled to recover the outstanding balance from the customer. No balance is transferred between the old supplier and the new supplier.

In the consultation we proposed to collect information on the actual total value of the outstanding balances up to £100 that are left on Quantum meters that switch supplier and the actual number of quantum customers with an outstanding balance up to £100 that switch supplier. We proposed that this information would be collected quarterly (with monthly split) from gas suppliers in the Greater Belfast area. This indicator is not relevant in the Ten Towns area as Quantum meters are not used in this area. We stated in the consultation that we did not intend to publish information on this indicator.

Consultation responses

We received two responses to this indicator. One respondent noted the importance of collecting this information and the other respondent suggested that we should publish information on this indicator. As stated in the consultation, we intend to use this information for internal monitoring of trends in the actual outstanding balances to identify if the level of debt not being recouped by the old supplier might have a substantial financial impact on any particular supplier or group of suppliers. We do not think this information would be meaningful to customers or external stakeholders. Therefore we will not publish information on this indicator.

UR Final Decision

We will retain this indicator as proposed in the consultation, with the exception of the frequency of collection. We have removed the requirement for a monthly split in this information to reduce the reporting requirements for suppliers. This indicator will not be published at this time. Our final decision on this indicator is detailed below.

Indicator	Data source	Frequency of collection	Electricity categories	Gas categories	Publication
Outstanding balances on Quantum prepayment meters when switching (gas specific)	Gas suppliers (in Greater Belfast area)	Quarterly	N/A	Domestic	No

3.4.13 Credit balances on Libra prepayment meters when switching (gas specific)

Summary of proposed indicator

When a gas customer with a **Libra prepayment meter** switches to a new supplier there may be credit remaining on the meter at the time of the switch. Any credit on the meter will have been purchased from the old supplier but must be supplied by the new supplier. A process has been established, between suppliers, within the SMP Agreement to calculate a monetary amount for the credit consumption balance on the meter and to transfer that amount from the old supplier to the new supplier. In addition the process sets out how the old supplier would make a refund to the customer.

In the consultation for his indicator we proposed to collect the value of the credit balances that each supplier claims from other suppliers and the number of meters contributing to the values claimed. In addition we proposed to collect the value of refunds to customers and the number of meters contributing to the refunds. We do not currently collect information on this indicator. We proposed that gas suppliers would provide this information on a quarterly basis with a monthly split.

Consultation responses

We received three responses in relation to this indicator. One response noted the importance of collecting this information while another response highlighted a concern that delays in exchanging information between suppliers may mean that the old supplier is unable to report on customer refunds within the relevant month. This is an important point and we welcome this feedback. To resolve this issue we have updated the templates to clarify that the supplier must report on refund payments that were made during that reporting period.

The third response suggested that information on this indicator should be published. We do not agree that this information should be published as the purpose of this indicator is for internal monitoring of trends in the credit balances that are transferred between suppliers and the level of refunds that are being made to customers. This information will be used to monitor compliance with the SMP Agreement and will also assist in any decisions on amending the process within the SMP Agreement.

UR Final Decision

This indicator will remain largely as proposed in the consultation. However we have updated the templates to provide clarity on how gas suppliers should report information on this indicator. We have also removed the requirement for a monthly split in this information to reduce the reporting requirements for suppliers. This indicator will not be published at this time.

Our final decision on this indicator is detailed below.

Indicator	Data source	Frequency of collection	Electricity categories	Gas categories	Publication
Credit balances on Libra prepayment meters when switching (gas specific)	Suppliers	Quarterly	N/A	Domestic	No

3.5 Indicator group – Market activity

Switching data only gives a partial picture of customer engagement in energy markets. There is other activity which takes place in energy markets which is important to capture in order to understand how effectively the retail markets are working for consumers.

3.5.1 Renegotiated contracts

Summary of proposed indicator

Understanding market activity is more complex than simply monitoring switching figures. The **renegotiated contracts** indicator aims to collect information on customers that engage with the retail energy markets but choose not to change supplier. For example, a customer might decide to change payment method in order to reduce their energy bills, but stay with their current supplier if they are happy with the service. In the I&C market customers regularly engage with the market at the end of fixed term contracts. In some cases they decide to stay with their current supplier and renegotiate the terms of the contract. Collecting information on the number of renegotiated contracts will enable us to have a more complete picture of market activity and overall market effectiveness.

For clarity, we proposed a number of scenarios which we consider to be renegotiated contracts, and a number which we consider would not be included. We requested stakeholder feedback on the scenarios, as proposed below:

Included as renegotiated contracts

- Customers that stay with their current supplier but make an active decision to change their payment method in order to gain a more favourable tariff, for example switching from a standard credit arrangement to a direct debit arrangement.
- Customers that change their account management method in order to gain a more favourable tariff, for example switching from paper bills to online billing. Note that if customers change both their payment method and their account management method in one transaction we consider this to be one renegotiated contract. If the customer changes the payment method and the account management method in separate transactions we consider this to be two renegotiated contracts (albeit for the same customer).
- I&C customers that come to the end of a fixed term contract and decide, after a period of negotiation/tendering, to remain with their current supplier. We are aware that some customers sign up to fixed term tracker tariffs and so their tariffs change throughout the course of their contract. However, we only want to know the proportion of these customers that renegotiate with their supplier at the end of the fixed term, not those whose tariff changes as a result of being a tracker tariff.
- Some I&C customers have several premises which may be on individual contracts or on single contracts. Multiple premises may have multiple meter points. In order to align information on renegotiated contracts with other switching and market activity information, each **meter point** retained by a supplier (following negotiation) will be considered as a single renegotiated contract.

Not included as renegotiated contracts

- Customers at the end of a fixed term contract (domestic or I&C) that roll onto a standard rate without any contact with their supplier.
- Suppliers changing their standard terms and conditions (or terms and conditions for a tariff type) does not result in all affected customers having a renegotiated contract as their customers will not have made contact with their supplier to engage in renegotiation.

It was proposed that we collect information on the number of renegotiated contracts from electricity and gas suppliers on an annual basis. The consultation also proposed full disaggregation of customer groups in both domestic and I&C. In addition, we did not propose to publish any of the information on renegotiated contracts immediately; it was suggested that publication was reviewed during phase two of REMM.

Consultation Responses

Four respondents provided feedback on the indicator of renegotiated contracts. Three of these respondents made positive comments about the collection of information on renegotiated contracts. One stakeholder stated that it considers this to be a useful category which provides detail on the extent to which customers are content with their suppliers. This information can be used in conjunction with information on sticky customers to add clarity regarding customers that stay with suppliers out of choice rather than as a result of inertia. Another respondent noted that renegotiated contracts is a valid indicator to facilitate understanding of customer engagement. We agree that this indicator adds an additional level of information when looking at the functioning of the energy markets in NI.

One respondent referenced the recent report commissioned by the UR in which it was concluded that competition in the I&C sector is working. In light of this conclusion, the respondent stated that the requirement for the proposed level of information for this indicator is questionable both in general terms and with respect to the principle of proportionality. Another stakeholder (that supported the indicator in principle) did not support the level of disaggregation proposed, and stated that the level proposed is more detailed than what is required to be reported in more competitive markets including GB and RoI.

We have taken account of the responses regarding proportionality and the disaggregation of customer groups and have decided to reduce the reporting requirements in this area substantially. The requirement to provide a split between domestic credit and domestic prepayment customers has been removed and the I&C categories have been reduced for both the electricity and gas markets.

UR final decision

As mentioned above, we continue to consider renegotiated contracts as an important indicator, when reviewed in conjunction with other market indicators. We recognise that the consultation proposals required a high level of disaggregation which may not add value to the indicator as a whole. Therefore, in order to be proportionate we have decreased the reporting requirements by reducing the level of disaggregation. We will consider the publication of information on renegotiated contracts during phase two of REMM. Our final decision on this indicator is detailed below.

Indicator	Data source	Frequency of collection	Electricity categories	Gas categories	Publication
Renegotiated contracts	Suppliers	Annual	Domestic I&C: ▪ < 50 MWh ▪ ≥ 50 MWh	Domestic I&C: ▪ < 732,000 kWh ▪ ≥ 732,000 kWh	To be considered in phase two

3.6 Indicator group – Disconnections, reconnections and debt recovery prepayment meters

Disconnection of supply can take place in both the electricity and the gas markets for a number of reasons, for example: debt, meter tampering, safety reasons and customer request.

There are some policy and process differences between the electricity and gas markets with regard to disconnections; detail on these differences is not required for the purposes of this paper. With regard to the REMM framework we are interested in the numbers of disconnections and the reasons for disconnections.

3.6.1 Disconnections

Summary of proposed indicator

A disconnection occurs when a customer's energy source is either temporarily or permanently removed. In most cases (for both electricity and gas) the action of disconnection is carried out by the network company, but the request for the disconnection to be carried out often originates from the supplier. We proposed to collect annual information domestic and I&C disconnections from network companies and suppliers, including reasons for disconnection.

In the electricity market we proposed that the network company would provide the number of disconnections (split by supplier) where the disconnection took place for the following reasons:

- Revenue protection (non-payment related); and
- Health and safety (not non-payment related)

We also proposed that the electricity network company would provide the total number of disconnections for the entire market.

We proposed that electricity suppliers would report on disconnections for the following reasons:

- Debt;
- Meter tampering;
- Empty premises; and
- Other

In the gas market we proposed that the relevant gas network company would report on any disconnections where it made the decision to disconnect. We proposed that these disconnections would be reported by the following reasons, and would be split by domestic and I&C and also by supplier:

- Disconnections due to meter tampering/revenue protection;
- Disconnections due to vacant premises; and
- Other disconnections.

We also proposed that the network companies would provide the total numbers of domestic and I&C disconnections for the entire market split by supplier.

In addition we proposed that gas suppliers would report on any disconnections where they requested the disconnection. Disconnections would be split by domestic and I&C and will be reported under the following reasons:

- Disconnections due to customer debt;
- Disconnections due to meter tampering/revenue protection;
- Disconnections due to vacant premises;
- Disconnections requested by customer; and
- Other disconnections.

In the consultation we stated that, in gas, network companies and suppliers would have to report on disconnections and **permanent disconnections** separately.

In addition, our consultation document stated that we have considered some of the benefits and drawbacks of publishing information on disconnections and we welcomed views on this issue. We also noted that this is an area that we may decide to further explore during phase two of REMM when we have received some initial information from suppliers and network companies.

Consultation responses

We received six consultation responses in relation to the proposals on disconnections and we also discussed this indicator in detail during bilateral meetings. Two respondents actively supported the collection of information on disconnections. One of these respondents suggested disaggregating the domestic disconnections further to include a split by meter type. However, we do not consider that a split by meter type is necessary and we do not intend to disaggregate this indicator beyond the domestic and I&C split.

Three respondents questioned the proposal for network companies and supply companies to provide information on disconnections with two of these respondents suggesting that all information on disconnections should be provided by the network operator. Having considered these responses we continue to believe that both the network companies and supply companies should each be responsible for reporting information on disconnections where they made the decision to disconnect. We note that gas suppliers have been providing domestic disconnection figures for a number of years, and they will have information in relation to the cause of the disconnection that the network company may not have. The network company will be required to provide the total number of disconnections for the market and we can use this information to validate supplier information.

We also received feedback from three respondents in relation to the reasons for disconnection. The electricity and gas network companies provided detailed explanations in relation to how disconnections are defined within each industry. We welcome this feedback and have amended the reasons for disconnection to those suggested by the network companies.

One respondent stated that disconnection numbers and reasons should be published while another respondent stated strong opposition to the publication of revenue protection disconnections as this data could be misinterpreted. We intend to collect this information for internal monitoring initially and will consider publication of disconnection during phase two of REMM.

UR Final Decision

We will retain the disconnections indicator and have made no change to the frequency of collection or the customer group disaggregation. Therefore, we will collect electricity and gas disconnections information from network companies and suppliers on an annual basis. This information will be split by domestic and I&C. As mentioned previously, the reasons for disconnections have been updated in response to consultation comments and the final decision is set out below.

In the electricity market the network company will provide the number of disconnections (split by supplier) under the following reasons:

- NIE disconnections:
  - Health and safety; and
  - Other reasons.
- Disconnections on supplier's behalf:
  - Debt (I&C only); and
  - Other reasons.

Electricity suppliers will report on disconnections for the following reasons:

- Debt (I&C only); and
- Other reasons.

Please note that, in the electricity market, current industry processes do not permit domestic disconnection for debt reasons. Therefore, disconnections for debt reasons will only be recorded for I&C customers in the electricity market.

In the gas market the relevant gas network company will report on any disconnections where it made the decision to disconnect (split by supplier) under the following reasons:

- Disconnections due to meter tampering/revenue protection; and
- Disconnections for safety reasons.

The network companies will also provide the total number of domestic and I&C disconnections for the entire market split by supplier.

In addition, gas suppliers will report on any disconnections where they requested the disconnection. These will be split by domestic and I&C and will be reported under the following reasons:

- Disconnections due to customer debt; and
- Disconnections for other reasons.

In gas, network companies and suppliers will have to report on disconnections and permanent disconnections separately.

We will not publish information on disconnections initially; instead we will collect the information with a view to consulting on the publication of this information in phase two of REMM. Our final decision on this indicator is detailed below.

Indicator	Data source	Frequency of collection	Electricity categories	Gas categories	Publication
Disconnections	Network companies and suppliers	Annual	Domestic / I&C ▪ From NIE: By supplier ▪ NIE disconnections: - health and safety - other reasons ▪ Disconnections on suppliers behalf: - Debt (I&C only) - Other reasons From suppliers: ▪ Debt (I&C only) ▪ Other reasons	Domestic / I&C From gas network companies: By supplier ▪ Meter tampering / revenue protection ▪ Safety ▪ Total From suppliers: ▪ Debt ▪ Other reasons	To be considered in phase two

3.6.2 Reconnection of customers previously disconnected due to debt

Summary of proposed indicator

This indicator relates only to reconnections where the meter was previously disconnected due to debt. A reconnection occurs following a customer's request to be reconnected to the network. This information assists in providing a complete picture of the suppliers' credit control procedures.

We proposed to collect the number of reconnections, where the meter was previously disconnected due to debt, annually from gas and electricity suppliers. We proposed that this indicator would be disaggregated to domestic and I&C level. In the consultation we stated that we may decide within phase two of REMM to consider publishing information of reconnections.

Consultation responses

There were three consultation responses in relation to this indicator. These responses supported the collection of information on reconnections where the customer was previously disconnected due to debt. The respondents questioned if this information should be provided by the network companies rather than by suppliers.
One respondent believes this indicator should be published.

UR Final Decision

As part of our overall review of the REMM indicators and our objective to ensure proportionality we have decided to reduce the reporting requirements of this indicator. We no longer require information on the number of reconnections of I&C customers that have previously been disconnected due to debt. Therefore, gas suppliers will only be required to report annually on the number of reconnections of domestic customers previously disconnected due to debt. As disconnection for debt reasons is not currently permitted under electricity market processes there is no requirement for electricity suppliers to provide any information. We will not publish information on this indicator initially and will reconsider publishing this information during phase two of REMM. Our final decision on this indicator is detailed below.

Indicator	Data source	Frequency of collection	Electricity categories	Gas categories	Publication
Reconnections of customers previously disconnected due to debt	Suppliers	Annual	N/A	Domestic	To be considered in phase two

3.6.3 Debt recovery prepayment meter fitted

Summary of proposed indicator

Where a domestic customer has accumulated debt through a credit meter some suppliers may fit a debt recovery prepayment meter. This can benefit both the customer and the supplier as it allows the customer to continue using gas or electricity while preventing further debt building up. At the same time the supplier can recover the payment for the existing debt through the meter over a period of time.

In the consultation we proposed to collect information on the number of domestic meter exchanges from credit meter to debt recovery prepayment meter for the purposes of recovering existing debt from a customer. We proposed that this information would be collected annually from gas and electricity suppliers. In the consultation we stated that we may consider consulting on the publication of this indicator during phase two of REMM.

Consultation responses

We received two responses in relation to this indicator. One respondent stated that it considered it appropriate to collect information on debt recovery prepayment meters fitted, but it did not consider it appropriate to publish this information. The other respondent suggested that this information should be published.

UR Final Decision

This indicator will remain unchanged from the consultation. Therefore, suppliers will be required to report annually on the number of prepayment meters fitted for the purpose of recovering debt.

In addition we have updated this indicator to include the provision of information on the debt recovery rates for prepayment meters. We did not consult on this in the REMM consultation; however we did consult on the collection of this information in the consultation on implementation of codes of practice[5] in April 2014. Within the codes of

[5] Consultation on the implementation of energy supplier codes of practice, April 2014: http://www.uregni.gov.uk/uploads/publications/Codes_of_Practice_Consultation_paper_-_April_2014.pdf

practice consultation we proposed that we would collect the number of prepayment meters installed to recover outstanding debt, split by meters set to recover the maximum repayment rate of 40% and meters set to recover amounts below the maximum. We received no negative responses on these proposals (all responses will be published along with the Energy Supplier Codes of Practice final decisions paper[6]). Therefore, in order to monitor this we wish to include the collection of this information within the REMM framework. We will collect this information on an annual basis from domestic electricity and gas suppliers. In order to simplify the reporting requirement we have determined that each supplier will report on the meters calibrated to 40% debt recovery and less than 40% debt recovery at a single point in time (i.e. 31 December each year).

We will not publish information on this indicator initially and will consider consulting on the publication of this information during phase two of REMM. Our final decision on this indicator is detailed below.

Indicator	Data source	Frequency of collection	Electricity and gas categories	Publication
Prepayment meters fitted for debt recovery	Suppliers	Annual	Domestic - Prepayment meters fitted to recover debt during year - Prepayment meters set to recover max of 40% - Prepayment meters set to recover <40%	To be considered in phase two

3.7 Indicator group – Complaints

Customer satisfaction is a crucial indicator of the health of retail markets. In a healthy retail market, competition should deliver on both price and customer satisfaction. One indicator of how satisfied customers are in retail energy markets is the number of complaints received by energy companies.

[6] See our website for Energy Codes of Practice: final decisions www.uregni.gov.uk

3.7.1 Complaints

Summary of proposed indicator

As mentioned in the consultation paper, the definition of **complaint** was part of another piece of work to implement energy supplier codes of practice. The definition was consulted on in April 2014 and the decision will be published at the end of June 2015. The final definition of complaint for the purposes of monitoring the implementation of codes of practice is:

> *"The expression (through various possible channels: letter, email, phone call, physical claim) or a person's dissatisfaction".*

The reasons for arriving at this definition have been documented in the decision paper on the energy supplier codes of practice.

Please note, as previously stated, the definition of complaint was not consulted on as part of the REMM consultation. The REMM consultation solely focused on: the classification for reporting types of complaints; the categories for the resolution time for complaints; and the disaggregation of customer groups.

The consultation paper proposed that all complaints should be classified into the following types:

- Bills/statements
- Tariffs
- Debt issues/credit management
- Account management
- Selling/marketing – doorstep
- Selling/marketing – face-to-face
- Selling/marketing – telesales
- Selling/marketing – phone/online
- Selling/marketing – marketing literature
- Selling/marketing – other

- Disconnections/reconnections
- Switching/account set-up
- Prepayment
- Customer service
- Metering & site-works
- Meter reading
- Quality of supply
- New connections
- Customer care register
- Other
- Total (this total should be equal to a summation of all other categories)

In addition, we consulted on a proposal to collect information on the resolution of complaints. The consultation proposed the following categories for the resolution of complaints:

- Category 1 – resolved by the supplier at the first stage of customer contact (i.e. the customer does not need to contact the supplier a second time);
- Category 2 – resolved by the supplier at a second (or further) stage of customer contact, and solved through the companies own procedures, but <u>within three months</u> of the complaint being received;
- Category 3 – complaints where resolution took more than three months from the date the complaint was received.

The summation of categories 1, 2 and 3 should equal the total number of complaints resolved in the quarter.

In addition we also proposed to collect the following:

- Category 4 – referred to CCNI for resolution – this is separate group of complaints that are referred to CCNI by the customer (but may also be deemed to be resolved or closed by the supplier);
- Category 5 – number of complaints received.

We do not currently collect any information on complaints made to energy suppliers. Instead we review data produced by CCNI on an annual basis. However, this data only includes those complaints which have been referred to CCNI and not the complaints that the company has managed to resolve with the customer.

We proposed to collect information on both domestic and I&C complaints from suppliers on a quarterly basis. We also proposed to publish information on customer complaints on an annual basis, by company (using normalised data) and by resolution time.

Consultation responses

Five respondents provided feedback on our complaints indicator. Two respondents made reference to the definition of complaint. These comments reflected other comments made in response to the consultation on the implementation of supplier codes of practice. Therefore, we will not address these comments in this paper as the reasons for the final definition is fully documented in the codes of practice decision paper.

One respondent was very positive about our proposal to collect information on customer complaints and particularly welcomed the comprehensive categorisation of the indicator. Another respondent supported the publication "on an x complaints per x customers basis" (in order to ensure no bias due to customer size). We appreciate this support for the indicator. Other respondents were more critical of the structure of the complaints indicator. The comparable comments were largely related to the number (and types) of categories and the omission of network company complaints. These are discussed below.

Some suppliers noted that the proposed classification did not align with categories which they currently use to monitor complaints. System development may be required in some cases to facilitate the use of the proposed categories and this has associated complications, added cost and will require additional staff training. One respondent stated that our proposals requested a significantly higher level of detail on complaints than either GB or RoI. We are aware that suppliers have different systems and complaint types for reporting complaints data, and these do not necessarily align with the REMM categories. However, it is important that the complaints information provided under the REMM framework is comparable between suppliers. For this reason it is necessary for us to decide on a number of specific complaint types. We have reviewed the complaint types proposed in the consultation paper and have significantly reduced the number based on feedback from stakeholders. This will reduce the reporting requirements for this indicator and help to ensure proportionality of the overall REMM framework. The revised list of complaint types is included in the section below.

With regard to complaints relating to the network companies, three respondents commented that these complaints should not be included as complaints against suppliers under the REMM framework. Respondents stated that network related activity significantly impacts supplier and customer activity, and its impact on customers and competition must be clearly addressed. Network complaints need to form a clear part of monitoring in order to identify customer issues and drive improvements. We understand the concerns of stakeholders with regard to the inclusion of network related complaints. However, we consider it important to include this element of complaints reporting under REMM. As the definition of complaint is broad and includes "any expression of dissatisfaction", it is important for us to understand the total number and nature of complaints which are made to suppliers, even if they fall under the responsibility of the network company. Whilst these complaints will show up in the suppliers' overall complaints figures, the classification of these complaints will enable us to identify complaints where the supplier may not have been at fault. To ease the burden on suppliers with regard to network related complaints we have grouped the network related complaint types together (see section below). Complaints made directly to the network companies about network related activities will not be collected under the REMM framework.

One supplier stated that the power to collect, for example, complaints information relates only to household customers under the Third Package Directive, and that we have extended this requirement to include I&C customers. It was also stated that suppliers should only be required to incur costs of implementation and ongoing reporting on domestic complaints. Whilst we agree that the Third Package only requires us to monitor complaints related to domestic customers, we consider it important to ensure that issues raised in the I&C markets are addressed. Monitoring complaints is one way of ensuring that this happens. We also expect suppliers to have systems and processes in place to ensure that I&C customers are given the same level of service as domestic customers. In addition, suppliers also have a licence condition that requires them to have a code of practice for complaint handling which covers both domestic and I&C customers. Furthermore, both Ofgem and CER also include I&C customers in complaints monitoring.

Another aspect of the complaints indicator that one respondent was concerned with was the level of disaggregation that was proposed for publication. This respondent suggested that a detailed level of disaggregation could create an artificial view of good/bad behaviour e.g. if one supplier uses particular selling techniques other suppliers do not use, any complaints of that type will be benchmarked against suppliers not operating in that area. It could give the impression that, for example, competing suppliers are poor compared to incumbents, which is unfair as it is not a like-for-like comparison. This respondent suggested that narrative should be included to support data being published to ensure understanding of the data. We understand the concerns relating to the comparability of data between suppliers, particularly with regard to anything that is published. We are committed to ensuring that the data published is fair and accurate and will work with suppliers in this regard. We will not publish any data on complaints until we are confident that the data is accurate and is comparable across suppliers. Complaints data will be published in a normalised format in order to ensure there is no bias based on the market share of the supplier.

With regard to the resolution categories, one stakeholder commented, at a bilateral meeting, that we should not request information on complaints that have been referred to CCNI. It was suggested that we request this information directly from CCNI. We agree that CCNI is the most appropriate source for this information. In addition, during our review of the indicator as a whole, we decided to reduce the reporting burden on suppliers by amending the complaints resolution categories. We consider these categories to be more straightforward and easier for suppliers to record data against.

They will also be more useful for us when analysing the information we receive. The updated resolution categories are as follows:

- Category 1 – the total number of complaints received during the relevant quarter.
- Category 2 – of the category 1 complaints, the number of complaints resolved by the supplier at the first stage of customer contact (i.e. the customer does not need to contact the supplier a second time).
- Category 3 – of the category 1 complaints, the number of complaints resolved by the supplier at a second (or further) stage of customer contact, and less than ten working days from the complaint being received.

In addition, we will collect information on any complaints that took more than three months to resolve as part of the licence compliance element of REMM (this requirement is now included in the licence compliance template).

UR final decision

Following our review of the consultation responses and our discussions with stakeholders during the bilateral meetings we have amended the monitoring requirements for the complaints indicator. We have significantly reduced the number of types of complaints and also amended the resolution categories as shown below. This will reduce the reporting requirements on suppliers with regard to this indicator and ensure proportionality of the REMM framework. In an effort to reduce the reporting requirements we have also removed the requirement for gas suppliers to report complaints separately for each of the distribution network areas (i.e. Greater Belfast and Ten Towns areas). Our final decision on this indicator is detailed below.

If a specific supplier's complaints submission highlights any area(s) for concern we will investigate this further with the supplier. For example, if there are types of complaints with particularly high numbers we may request further details on the nature of these complaints. We expect suppliers to be able to provide a further breakdown of the reasons for complaints in each complaint type if this information is requested.

Our final decision on this indicator is detailed below.

Indicator	Data source	Frequency of collection	Electricity and gas categories	Publication
Complaints	Suppliers	Quarterly	Domestic / I&C <u>Complaint types</u> ▪ Bills, payments and accounts ▪ Tariffs ▪ Debt issues, disconnections and reconnections ▪ Selling/marketing– doorstep and face-to-face ▪ Selling/marketing –other ▪ Switching ▪ Prepayment meter issues ▪ Customer service ▪ Network company related ▪ Other <u>Resolution categories</u> Category 1 – total number of complaints received during the relevant quarter Category 2 – of the category 1 complaints, the number of complaints resolved by the supplier at the first stage of customer contact (i.e. the customer does not need to contact the supplier a second time) Category 3 – of the category 1 complaints, the number of complaints resolved by the supplier at a second (or further) stage of customer contact, and in less than 10 working days from the complaint being received <u>Supplementary information for licence compliance</u> the number of complaints received during the year that: (a) took three months or longer to resolve (b) are still ongoing after three months	Domestic complaints to be published per supplier, per 1,000 customers Publication of I&C complaints to be considered in phase two

3.8 Indicator group – Standards of Performance (gas specific)

Gas suppliers are required to comply with the Gas (Individual Standards of Performance) Regulations (Northern Ireland) 2014[7] and the Overall Standards of

[7] Gas (Individual Standards of Performance) Regulations (Northern Ireland) 2014, 1 April 2014: http://www.uregni.gov.uk/uploads/publications/2014-03-03_The_Gas_Individual_Standards_of_Performance_Regulations_Northern_Ireland_2014.pdf

Performance for Gas Conveyors and Gas Suppliers[8]. These Regulations and Overall Standards aim to protect consumers in terms of the service offered by gas suppliers and network companies. No such regulations cover electricity suppliers in NI at present.

3.8.1 Standards of Performance Regulations & Overall Standards (gas specific)

Summary of proposed indicator

The Regulations referred to above set out individual standards of performance measures which gas companies must provide for their consumers and the compensation payable to consumers where the company falls short of the required standards. The Overall Standards referenced above are the general targets for the gas companies to achieve on certain standards.

This indicator proposed to collect information annually from gas suppliers on compliance with the individual Regulations and compensation payments made to customers. We also amended the existing standards of performance template which is a requirement under supply licence condition 2.15 to include the collection of information on the overall standards. The consultation proposed that we would collect this information split by domestic and I&C customers. We proposed to publish information on performance on an annual basis.

Consultation responses

We received two consultation responses in relation to this indicator. One respondent recognised the importance of collecting this information under REMM and the other respondent stated that information on the indicator should be published.

In November 2014 suppliers were provided with templates for reporting their individual standards of performance and an updated standards of performance template to include the collection of overall standards information. These templates were completed for the

---

8 Overall Standards of Performance for Gas Conveyors and Gas Suppliers, April 2014; http://www.uregni.gov.uk/uploads/publications/2014-03-03_Overall_Standards_of_Performance.pdf

period April 2014 to December 2014 and provided to us in March 2015. Within this reporting process suppliers had an opportunity to respond directly to us on this indicator and raise any concerns they had with the collection of the data. During this reporting process we received some supplier feedback in addition to that received from the REMM consultation process. We welcome this feedback and have made some minor amendments to the reporting templates in order to provide clarification.

UR Final Decision

This indicator will remain largely as proposed in the consultation, however as noted above we have made some minor amendments to the reporting templates in accordance with the feedback received from suppliers outside the REMM consultation process. Gas suppliers will provide this information annually, split by domestic and I&C customers. In an effort to reduce the reporting requirements we have also removed the requirement for gas suppliers to report on standards of performance separately for each of the distribution network areas (i.e. Greater Belfast and Ten Towns areas).

In relation to publishing information on Standards of Performance, the Energy Act (Northern Ireland) 2011 (the Energy Act) allows us to publish information on the Overall Standards. However, each individual gas supplier has an obligation under their gas supply licence[9] to publish its Standards of Performance report which sets out performance against the overall standards. We currently consider it sufficient that this information is published by the suppliers on each of their websites; however we may revisit this decision at a later stage and decide to publish information on Standards of Performance as set out in the Energy Act. Our final decision on this indicator is detailed below.

Indicator	Data source	Frequency of collection	Electricity categories	Gas categories	Publication
Standards of Performance Regulations and Overall Standards (SoP)	Gas suppliers	Annual	N/A	Domestic / I&C	No

[9] Gas supply licence condition 2.15: Standards of Performance.

3.9 Indicator group – Price

Tariffs and end-user prices are two of the biggest factors considered by energy customers when they engage with the markets. These indicators are essential to understand whether or not competition is working and if customers are being offered options in energy markets.

3.9.1 Diversity of tariffs

Summary of proposed indicator

Tariffs range from simple flat rate tariffs (with and without **standing charges** or **minimum consumption charges**) to complex multi-rate tariffs with standing charges and fixed term discounts. When selecting a tariff there may also be additional factors for customers to consider such as **security deposits** and **termination fees**.

Suppliers currently offer a number of different types of tariffs to customers. It is important for us to understand the diversity of tariffs available, and the spread of tariff rates. This will enable us to ensure that customers have a range of tariffs to choose from, but are not confused by tariffs being overly complex. It is also important to determine how many customers are on various legacy tariffs, and the price per unit of these tariffs in comparison to tariffs that are available to new customers.

The consultation proposed that we will collect information on all existing published domestic and I&C tariffs. This includes all tariffs which are:

- Available to customers at a certain point in time;
- Unavailable to new customers (or customers wishing to switch tariffs with their current supplier) at the same point in time, but still serving existing customers;
- Standard evergreen tariffs (even if no customers are served by this tariff at the same point in time).

For each existing tariff (as described above) we proposed to collect the following information:

- Name of tariff
- Customer category (e.g. domestic or I&C)
- Customers able to avail of tariff (e.g. available to new customers, existing tariff etc)
- Tariff type (e.g. standard evergreen, fixed term)
- Payment methods available for tariff
- Security deposit (if applicable)
- Termination fee (if applicable)
- Standing charge (if applicable)
- Minimum consumption charge (if applicable)
- Unit rate(s) of tariff
- Direct debit discount (if applicable)
- Number of customers on each tariff
- Number of domestic customers on each tariff that are also on the **Customer Care Register**
- Volume of energy supplied per tariff (kWh)

We also stated that we require suppliers to confirm and demonstrate to us (as per licence requirement) that any difference in or between the domestic tariffs relating to the choice of payment method is on a basis which reflects the costs to the supplier of providing the different payment methods (i.e. the tariff differentials between payment methods are cost-reflective).

We currently collect most of the information required on tariffs from electricity suppliers on a quarterly basis. As part of the REMM consultation, we proposed to continue collecting information on tariffs on a quarterly basis from electricity suppliers. The information which we proposed to add to this indicator for electricity is:

- Customers able to avail of tariff
- Customer category
- Minimum consumption charge (if applicable)
- Direct debit discount (if applicable)

- Number of customers on each tariff
- Number of domestic customers on each tariff that are also on the customer care register
- Volume of energy supplied per tariff (kWh)

Currently we collect information on all published tariffs for domestic electricity customers. We proposed to continue to collect this information and also collect information on published tariffs for domestic gas customers, I&C gas customers and I&C electricity customers.

The information on tariffs is used for internal monitoring purposes. We do not currently publish any information on this indicator. We did not propose to publish all of the information we receive for this indicator. However, we stated in the consultation paper that we might choose to publish some information on individual tariffs which is already available in the public domain, for example, maximum and minimum tariffs for different payment methods or comparisons of different published tariffs. We may decide to consult on publishing additional information during phase two of REMM.

<u>Consultation responses</u>

We received four responses on this indicator. One respondent was supportive of the proposal to extend the collection of tariff information. Other responses questioned the need for collecting I&C tariff information and asked for clarification on how the volume of energy should be derived for each tariff. We considered this indicator and the feedback received and in an effort to reduce the reporting requirements we have removed the requirement for volume information to be provided for each tariff. We have also removed the requirement for I&C customer tariffs to be provided as the majority of suppliers do not publish I&C tariffs and therefore this indicator could not have provided a view of the tariffs for the entire I&C market.

<u>UR final decision</u>

As mentioned above, tariff information will now be required for the domestic market only and suppliers will no longer be required to provide the volume of energy used for each tariff. This will reduce the reporting requirements for this indicator and help to ensure the overall proportionality of the REMM framework.

As stated in the consultation, we may publish some information on tariffs that is already available publicly. We will not publish information on the number of customers on each tariff type at this time. During phase two of REMM we may revisit the option of publishing more information on this indicator. Our final decision on this indicator is detailed below.

Indicator	Data source	Frequency of collection	Electricity and gas categories	Publication
Diversity of tariffs	Suppliers	Quarterly	**<u>For gas and electricity</u>**: Domestic For each existing tariff: ▪ Name of tariff ▪ Customers able to avail of tariff (e.g. available to new customers, existing tariff etc) ▪ Tariff type (e.g. standard evergreen, fixed term) ▪ Payment methods available for tariff ▪ Security deposit (if applicable) ▪ Termination fee (if applicable) ▪ Standing charge (if applicable) ▪ Minimum consumption charge (if applicable) ▪ Unit rate(s) of tariff ▪ Direct debit discount (if applicable) ▪ Number of customers on each tariff ▪ Number of customers on each tariff that are also on the Customer care register In addition, suppliers to demonstrate compliance with cost reflectivity: are required to present and explain the maximum percentage differential between two payment methods within one tariff type	To be considered in phase two

3.9.2 Final prices

<u>Summary of proposed indicator</u>

The **final price** is the average rate a customer is paying per unit of energy in a particular customer group. This final price is derived from data obtained on volumes of energy supplied (kWh) and associated value (£) which is then used to calculate a value per unit (of energy supplied) for each customer group. The method employed is the same method used to produce comparable Eurostat price information.

The final price is an important indicator for enabling us to compare the average prices in the NI energy markets with prices elsewhere in Europe. We also provide information on final prices (on request) to external parties such as the Enterprise, Trade and Investment Committee; manufacturing groups and other third party organisations.

In the electricity market we have been collecting information on final prices for I&C customers since 2012, and in 2014 we began collecting information on domestic final prices in the same manner. In the gas market we began collecting information on domestic and I&C final prices in 2014. The information is currently submitted quarterly by suppliers and disaggregated using the Eurostat customer categories in both the electricity and gas markets (to enable European comparisons to be made). The prices are currently submitted in three categories: excluding all taxes; excluding VAT; and including all taxes. The REMM consultation proposed to continue to collect all information on final prices as is currently collected.

Information on final prices and EU comparisons is currently published for the electricity I&C market in our QTRs for the second category listed above (excluding VAT). The information is published at an aggregated level (not by supplier). We stated in the consultation that we expect to publish the equivalent information for the domestic electricity market and the full gas market in our QTRs before REMM is fully implemented (as we are already receiving the information). As per our current reporting in the QTR we will average the two relevant quarters to obtain six-month period figures. This enables us to compare NI data with data published by Eurostat for EU members twice per year.

<u>Consultation responses</u>

We received three responses in relation to this indicator. Two respondents commented on publishing this information. One of these respondents suggested that this information should be published, while the other respondent stated that the information should be aggregated for the larger customer categories as direct publication would allow clear access to the pricing of larger customers. We note these comments and give comfort that we do not intend to publish commercially sensitive pricing information. Therefore, as stated in our consultation, we will aggregate customer categories before publishing.

UR final decision

We have made no changes to the final prices indicator for the final decision. Electricity and gas suppliers will provide this information on a quarterly basis. However we have changed the timeframes in which suppliers must submit this information due to concerns raised during the consultation process. In the consultation we proposed that the final prices indicator would be submitted within one month following the quarter to which it relates (e.g. Q1 information would be provided by end April). We have decided to extend the timeframes for submission of this indicator and therefore suppliers will now be required to provide the final prices within four months following the quarter to which it relates (e.g. Q1 information will be provided by end July and with Q2 information for other REMM indicators). Our final decision on this indicator is detailed below.

Indicator	Data source	Frequency of collection	Electricity categories	Gas categories	Publication
Final prices	Suppliers	Quarterly (within four months of the end of the reporting quarter)	Domestic: ▪ < 1,000 kWh ▪ 1,000 – 2,499 kWh ▪ 2,500 – 4,999 kWh ▪ 5,000 – 14,999 kWh ▪ ≥ 15,000 kWh I&C: ▪ < 20 MWh ▪ 20 – 49 MWh ▪ 50 – 499 MWh ▪ 500 – 1,999 MWh ▪ 2,000 – 19,999 MWh ▪ 20,000 – 69,999 MWh ▪ 70,000 – 149,999 MWh ▪ ≥ 150,000 MWh	Domestic: ▪ < 5,557 kWh ▪ 5,557 – 55,556 kWh ▪ ≥ 55,557 kWh I&C: ▪ < 278,000 kWh ▪ 278,000 – 731,999 kWh ▪ 732,000 – 2,776,999 kWh ▪ 2,777,000 – 27,776,999 kWh ▪ 27,777,000 – 277,776,999 kWh ▪ 277,777,000 – 1,111,111,999 kWh ▪ ≥ 1,111,112,000 kWh	Yes. Quarterly (updated every 6 months) Average unit price per category (no supplier detail and customer categories will be aggregated where required)

3.10 Indicator group – Customer account balances

Suppliers are required to manage customer account balances through payment collection and credit control processes. The balance on a customer account can be a credit, a debit or a zero balance at any point in time and this is heavily dependent on the customer's payment choice. Issues have been highlighted in GB whereby suppliers have retained credit balances on customer's accounts.

3.10.1 Customer account balances

Summary of proposed indicator

When developing the REMM indicators we had also begun to investigate supplier processes on how they manage customer account balances (specifically for domestic budget/fixed direct debit customers) and closed accounts. This investigation was undertaken in response to concerns raised in GB energy markets relating to: the amount of monies held by suppliers (where customer accounts are in credit); the process by which suppliers refund money to customers in credit; and suppliers retaining credit balances on closed accounts unless the customer specifically requests a refund.

We requested this information under the Licence condition "Provision of information to the Authority" (Condition 10 in electricity supply licences and Condition 1.4 in gas supply licences). However, we proposed that the information provided would become part of the REMM framework.

Information has been submitted by electricity and gas suppliers in relation to their processes and the levels of credit and debit account balances. We proposed to continue to collect this information from suppliers on a quarterly basis. With regard to customer disaggregation we proposed to collect information for domestic customers only for budget/fixed direct debit balances, and for both domestic and I&C customers for closed accounts. The consultation paper stated that we may decide to publish information related to our initial investigation before REMM is fully implemented, and we may continue to publish information on account balances on a regular basis in the future.

Consultation responses

Four respondents provided comments on this indicator. One respondent believed that information regarding customer account balances should be published as it would be useful for consumers to have access on information to indicate the extent to which suppliers keep their customers in credit or debit. Another stakeholder responded that it is unclear what the information on balances would be used for, and that only a small percentage of customers are billed on the absolute quarter end date, so to accurately provide an account balance an unbilled value would have to be added. Other respondents noted that the structure of the indicator does not provide comprehensive detail on customer account balances; and there is no benefit to the development of competition or customer protection by publishing the data.

We have analysed the information that was provided by suppliers to the information request, and taken on board the comments made by respondents and have decided that this indicator will be removed from the REMM framework. We will publish a separate paper detailing our findings from the information gathering exercise, in the coming months. At this point we envisage that we may request further information on closed account balances and/or direct debit levels in the future. However, we do not think that it is necessary to collect this information on a regular and ongoing basis.

UR final decision

As stated above, we have decided to remove this indicator from the REMM framework.

3.11 Indicator group – Retail margins

As discussed in section 1.5, we decided to dedicate a full chapter to the discussion of retail margins. See chapter 4 for the responses and decisions on the retail margins indicator. However, for completeness and ease of reference, our final decision on this indicator is also included below.

Indicator	Data source	Frequency of collection	Electricity categories	Gas categories	Publication
Retail Margins	Suppliers	Quarterly (within four months of the end of the reporting quarter) plus Annual Reconciliation (to be submitted two months after the submission of regulatory accounts)	Domestic: ▪ standard evergreen tariff ▪ non-standard tariff I&C: ▪ < 50 MWh ▪ 50 – 499 MWh ▪ ≥ 500 MWh	Domestic: ▪ standard evergreen tariff ▪ non-standard tariff I&C: ▪ < 73,200 kWh ▪ 73,200 – 731,999 kWh ▪ ≥ 732,000 kWh	To be considered in phase two

3.12 Licence compliance

Summary of licence compliance requirements

As stated in the consultation paper[10] (chapter 4) the REMM framework will include electricity and gas supply licence compliance monitoring. Going forward, all **active electricity suppliers** and **active gas suppliers** will be required to provide evidence on an annual basis to demonstrate compliance with their licences. The consultation paper detailed the information that suppliers are required to submit as part of the annual REMM submission. Suppliers must submit the following:

- An annual Statement of Licence Compliance to confirm formally to us their overall compliance with their licence; and
- Supplementary information on compliance with regard to certain conditions within the licence.

[10] Consultation on the implementation of the Retail Energy Market Monitoring (REMM) framework: http://www.uregni.gov.uk/news/view/ur_consults_on_its_proposals_for_retail_energy_market_monitoring_remm/

Please note that if a supplier holds two separate supply licences (e.g. for two different supply areas) we expect to receive two individual licence compliance submissions. As mentioned in the consultation paper we will investigate any instance of non-compliance and take appropriate enforcement action. In addition, if any areas of non-compliance are discovered at any time during the regulatory year we expect to be notified immediately, as is currently the case. Suppliers must not wait until the annual compliance review to inform us of non-compliance.

Consultation responses

Four stakeholders provided feedback on the licence compliance requirements. One respondent stated that the information provided on licence compliance should be published. One supplier stated that it did not believe the requirements to be burdensome; and another stated that it had no issues with the categories proposed and should be able to report on it. In addition a respondent noted that condition 2.25 on meter inspections was a critical obligation for gas suppliers and suggested that further monitoring of this obligation should be considered. They suggested that information provided by the gas network company could be used in the future to monitor meter inspections further. We welcome this feedback and will consider this further in phase two of REMM.

At one of the bilateral meetings it was stated that the requirements under licence compliance would be difficult to implement alongside the other requirements within the REMM testing phase. In addition, it was mentioned that the requirement for sign off for compliance at CEO/MD level adds a new level of governance that may not already be in place for some suppliers. It was requested that we reconsider the timeline for licence compliance to allow suppliers the opportunity to implement the REMM indicators before the licence compliance aspects of REMM. We acknowledge these statements but the requirements and timeframes for licence compliance will remain as they were laid out in the consultation paper. It is the responsibility of supplier to ensure they are compliant with all aspects of their licence at all times, and as such we expect that the appropriate governance and reporting processes are already in place.

UR final decision

Monitoring of licence compliance will remain as detailed in the consultation paper with the exception of one addition to the supplementary information that suppliers are required to provide. Suppliers will be required to report the number of complaints received during the year that took three months or longer to resolve, and those complaints that are still ongoing after three months (at the time of reporting). The annual statement of licence compliance and the template for the submission of supplementary information on licence compliance are included with the annual templates, alongside this decision paper.

4. Retail Margins

As mentioned in section 3.11 we have created a separate chapter for this indicator as we understand that this is an important area to our stakeholders and to recognise the detailed consultation responses received in relation to retail margins. Throughout this chapter we have summarised the comments and feedback on retail margins into key areas of concern and have provided our final decision on each area.

We have updated the retail margins methodology to reflect any changes that have been made and add further clarification where required. The final retail margins methodology is included in Annex 5.

4.1 Introduction

Retail energy **margins** can be an indicator that sheds some light on the state of competition in the energy markets, when considered in conjunction with other indicators such as market shares and levels of customer switching. Information on retail margins will help enable us to:

- Improve our understanding of how retail energy businesses operate and what pricing strategies are employed to respond to changes in the markets;
- Understand whether or not profit levels are acting as a signal to encourage new entrants to the retail energy markets;
- Identify if there is significant cross-subsidisation between customer groups; and
- Identify if there are restrictions to competition or anti-competitive behaviours in the markets.

We are aware that suppliers provide financial information to us in the regulatory accounts on an annual basis. However, we do not think that the information provided in these accounts is detailed enough for the purposes of adequately monitoring the retail energy markets and fulfilling our statutory duties.

Collection of information on retail margins was discussed at length in the bilateral meetings and remained an area of concern for suppliers throughout the consultation process. We accept the need for careful handling of retail margin information, and understand that there are a number of issues to be considered in the collection and interpretation of information on retail margins. We remain of the view that the most value can be obtained by looking at the margin indicators as they trend over time, between consumer groups, and across suppliers. Collecting this information will enable us to monitor margin levels over time which will give us a better insight to market issues, if they arise.

In overall terms stakeholders were supportive in that there should be a framework for monitoring retail margins (and a methodology for the calculation of same).

The main issues that were raised by respondents concerned:

- technical points on the calculation methodology itself;
- the timing of and timescales for the reporting process including the risk of inadvertent breach of accounting standards, financial reporting or investor covenants;
- increased regulatory burden and operational aspects, particularly the time and cost of development, ongoing implementation and whether the framework represents a distortion of the market or barrier to entry;
- the proposed customer segmentation; and
- the accessibility of the information including ease of comparison with neighbouring jurisdictions.

This section provides detail on the responses received concerning these issues and concludes with our final decisions on any changes or enhancements to the retail margins methodology. The final retail margins methodology is included in Annex 5 which sets out assumptions on revenue and cost allocations.

The provision of a standard methodology provides assurance that all suppliers are providing data based on the same assumptions and that any margin of error will be the same for all suppliers. It will also ensure that the margin information determined provides a “common-best-estimate” across time and between suppliers.

4.2 Calculation methodology

The methodology paper on retail margins was welcomed and found to be helpful by a number of respondents. One supplier stated that it provided much needed clarity and was essential to ensure consistency of application. A respondent commented that we had correctly characterised the margin requirement as the area of greatest concern for suppliers and acknowledged that we had clearly recognised the difficulties experienced in other jurisdictions and member feedback in this area during the pre-consultation stage.

The consultation views on the proposed calculation methodology reflected three broad themes as follows:

a) formula enhancements and clarifications;
b) the need for the methodology to be tested and results interpreted; and
c) that in applying an allocation methodology results can only ever be approximate (rather than an exact reference point).

(a) Formula enhancements and clarifications

Consultation responses

Five enhancements to the calculation formulas were suggested by different respondents as follows:

- collateral costs should also be included in relation to electricity Public Service Obligation (PSO);
- the costs of electricity resettlement need to be clearly identified and included in the appropriate element of revenue;

- allowance should be made for the K factor (for the companies subject to supply price controls);
- clarity required on volumes to be used to calculate unbilled volumes, specifically for gas and the treatment of shrinkage and theft; and
- allocating suppliers' operating costs by volume sold as well as customer numbers would yield a better split of their costs between the domestic and I&C sectors.

The respondents also sought clarity on the term 'non-regulated activities' (in the context of excluding non-regulated activities from the operating cost calculations) and queried the treatment of profits from trading renewables certificates.

<u>UR final decision</u>

We acknowledge that the margin calculations will lead to an approximation of margin, rather than an exact measure which is attributable to the assumptions that are involved in the calculation. It is also accepted that the quarterly calculations for the margins of the price regulated suppliers may be different to the allowed levels (per their price control) of 1.5% for gas and 2.2% for electricity.

The annual reconciliation to the regulatory accounts will be important in providing insight on how the quarterly trends evidenced by REMM margin reporting translate to compliance with the annual price control.

We have considered these views and as a result have made the following enhancements to the calculation formulas (references are to the detail included in the retail margins methodology in Annex 5):

- an explicit allowance for collateral costs in relation to electricity PSO obligations has been introduced (pg 8 Figure 5). Suppliers should allow for these costs as incurred;
- an allowance has been made (on a quarterly basis) for resettlement costs which occur when new information is used to revise initial volumes on which wholesale costs are allocated in the electricity market (pg11 Figure 7);

- an additional quarterly reconciliation will be allowed for those price-regulated suppliers who wish to show the impact of the level of k factor on the margin calculation. This may include k factor within the revenue collected, or within the costs incurred, or both (pg14 section 8.1);
- the sales volume calculations have been revised to exclude gas shrinkage and theft. The assumption for theft should be based on the supply companies best estimate and should form part of the return (pg 5 Figure 2)[11] ; and
- as concern was expressed from respondents that allocating operating costs based on revenue could balance suppliers own internal operating costs too much towards larger users, suppliers are to specify their own allocation methodologies for their operating costs with supporting assumptions provided. Adopting this approach is intended to reflect as accurately as possible the choices companies will make in committing operating costs to particular customer groups for various reasons e.g. costs incurred in order to increase or maintain market share, and also reflects the resource intensive nature of certain customer groups (section 6.5.1 p12).

In relation to the request for clarity on the term 'non-regulated activities' (in the context of excluding non-regulated activities from operating costs), we have clarified in the methodology that non-regulated activities are any activities not associated with the NI electricity or gas supply licences.

In response to the query on the treatment of profits from trading electricity Renewables Obligation Certificates (ROCs) and Levy Exemption Certificates (LECs), any profits that occur from speculative trading (buying and selling not related to complying with the respective obligations arising from the certificates) should be excluded from the calculation. However, any profits or losses that may arise from the difference between what a supplier includes in a customer's bill for the cost of ROCs and the actual price

[11] Theft is not currently recognised as an explicit cost in the electricity market. Instead its costs are effectively smeared over all non half hourly metered suppliers through the application of the settled net demand loss factor and the resettlement process.

the supplier purchases those ROCs for, should be included in the margin calculation (as that profit or loss is directly associated with the sale of energy).

(b) Need for testing and interpretation

Consultation responses

Some of the respondents raised both the need for testing of the calculation results and meaningful interpretation of the data over time. A respondent made a comment that while the methodology paper provided much needed clarity, it will also be important to work with suppliers through the test phases in detail. They also stated that it would be important to gather margin information over a significant time period before reaching any conclusions and in order to be in a position to fully understand or comment on the retail margin. They suggested that such factors that may influence how the margins may fluctuate include seasonality, long term hedging, spot price fuel movements, contracting rounds and suppliers marketing campaigns.

UR final decision

We are committed to continuing the collaborative approach with suppliers as the REMM framework is implemented. We will analyse all information on retail margins carefully and provide feedback to energy suppliers during and subsequent to the testing phase. Likewise we will seek views from suppliers on their experiences from applying the calculation methodology and seek to make improvements as required or necessary.

Our goal is to establish a good quality data set, over a period of time. In review of the data we will not only take into consideration any underlying drivers such as market conditions but we will also review other indicators in tandem, as we will not review any indicators in isolation.

(c) Concerns about approximation

Consultation responses

One supplier expressed concerns about the use of an allocation methodology for reporting based on customer groups as there would not be automatic harmony with the company's annual accounts. The supplier agreed that a high level method for allocating costs would be favourable but noted that operating costs would not agree to year end accounts due to the fact that the methodology clearly states that certain costs should be excluded. The respondent also noted potential inconsistencies with reporting for price control compliance. They argued that providing net margin by customer category would be an exercise in estimation and would not provide enough value for the level of work that would be required. Their preference was for a gross margin approach, although stated that it may still be too granular on a customer category basis.

Another supplier wanted to highlight concerns around collecting information that presents margins for customer groups rather than an actual overall company margin. Further to this another supplier commented that the margin calculation will vary greatly dependent on the size and customer base of each supplier.

A respondent expressed concern that the retail margin required detailed allocations across a large number of line items, broken down by tariff group. They argued that suppliers' costs are not incurred on this basis and as a result more detailed cost allocation methodologies will need to be developed internally.

UR final decision

We understand respondents concerns regarding allocations and approximations. We recognise that the margin figure resulting from the calculations will not be a completely true calculation of the margin within each customer group. However we do consider that is will be a useful tool to analyse trends and understand supplier behaviour. It is our intention that the methodology developed will provide data that is reliable, useful and comparable in a way that poses a minimum burden on suppliers. By combining data already available from billing systems and other established sources, with formula based allocations, the approach is designed to balance the detail of information against the burden on suppliers and cost to consumers. We understand that as a result of this methodology that customer margins will be approximate rather than completely accurate. However we consider that the consistent approach across customer groups, across time and across suppliers will enable us to build up a strong data set and allow us to review trend data.

The purpose of collecting retail margin information is to gain insight into the profit margin of each supplier. The gross margin includes supplier's internal costs and is therefore not a true reflection of profit. Therefore, each supplier will be required to provide net margin information as proposed in the consultation.

As noted earlier the testing phase of the implementation of REMM will allow time to test the data with suppliers, interpret the results and provide feedback to them. This will be an important part of the process and will provide the opportunity for any necessary changes or enhancements to be made.

4.3 Frequency and timescales

Consultation responses

Several suppliers addressed the proposed frequency of, and timescales for, providing retail margin data under the proposed REMM framework.

Three suppliers stated that the proposed REMM reporting requirements could mean they risk breaking the financial reporting requirements under which they operate. One supplier commented that suppliers may be in a position of refusing to report certain data, as to do so may contravene certain financial covenants and duties to the company and its shareholders. The respondent also suggested that the timeline for data submission should respect constraints on suppliers in terms of reporting sensitive commercial information.

Another supplier asked that the quarterly submission requirement be revisited as the bond and stock markets have strict rules in relation to the availability and reporting of commercially sensitive information. They also stated that the submission timetable in relation to margin would be in breach of the various insider trading rules and regulations. One suggestion was that the timetable for REMM submission should be adjusted to in excess of 60 days after the quarter in question. They noted that this timeline would avoid any compliance issues and also be more realistic in terms of providing adequate time to compile and apply the necessary governance around the reported figures.

One supplier noted a serious concern that the UR would seek ongoing disclosure of commercially sensitive data in an unaudited form within financial year. The supplier suggested any information requirement in this area should be aligned with annual financial reporting timeframes, taking into account the supplier's financial year, and also giving a reasonable timeframe to disaggregate data to the requirements.

A number of industry participants also expressed concern about the resource burden of providing the data and in particular the cumulative impacts of the proposals. One supplier added that the UR should be cognisant of the reporting requirements which already exist in supplier's licences and the reporting obligations expected to be implemented in the planned review of the codes of practice.

One supplier stated concerns that the timelines for submission are overly constrained due to internal financial close timelines and requested that consideration is given to extending the submission deadline to six to eight weeks following the quarter end.

UR final decision

In determining the appropriate reporting timescales for REMM we considered in detail a number of options including (i) six monthly reporting, (ii) annual reporting by calendar year, (iii) annual reporting by financial year and (iv) quarterly reporting by financial year including the production of an annual reconciliation to the regulatory accounts. We consider that the only option to enable consistent reporting of costs across time and across suppliers was quarterly reporting. Quarterly reporting allows the following:

- comparisons of financial performance across companies over matching time periods as it removes the possible distortions caused by suppliers having different financial years[12]. If suppliers reported on an annual basis by financial year the results would be incomparable as they would relate to different time periods and each of these time periods would be affected by different underlying factors (such as wholesale market changes, seasonality etc). Annual reporting on a calendar year is comparable over the same time period; however this is not readily reconcilable with regulatory accounts due to the different accounting periods of suppliers. This would also be the case for a six month reporting period.
- ability to identify and analyse emerging trends more readily than with annual or biannual reporting. If suppliers provided margin information on an annual basis (following publication of the regulatory accounts) this would mean that the first information would not be submitted until 15 months after Q1[13]. There would be additional delays in analysing the information due to waiting for other suppliers with different financial years to report their margin information and it could therefore be more than 21 months before any comparable information is received. Long gaps between information submissions would not allow us to fulfil our objectives under the REMM framework and could therefore hamper effective regulation and customer protection;

In addition quarterly information provides the following benefits over the other submission timelines that were considered:

- more timely monitoring of margins achieved overall and by sector for measuring the performance of price controls and whether margins have moved over time between customer groups (for example between smaller and larger I&C customers or in the domestic market between those on different tariffs);

[12] For example Power NI has an April to March financial year set out in their supply licence. firmus energy and SSE Airtricity Gas Supply have a calendar financial year set out in their supply licences.
[13] Companies have six months after the end of the financial year to file their regulatory accounts with UR. Therefore for a company with a financial year of January to December the information for 2015 would not be available until the end of June 2016. It would be October 2016 before this information was comparable with suppliers whose financial year was April to March.

- ability to monitor how margins change when suppliers alter their prices to consumers, particularly if they act in response to major changes in commodity markets or other costs such as networks; and
- improved information on financial performance. This is in terms of the market as a whole as well as the individual companies within it, as underlying conditions change, for example fluctuations in the wholesale market or with the arrival of a new entrant to the supply market. Improved financial information would better prepare us for any interventions for example in consideration of new price controls.

In addition to these arguments for quarterly margin information, we already receive regular information on pricing and competition trends from all suppliers. Also, one company is already providing financial information on a quarterly basis.

It is not intended that REMM margin reporting on a quarterly basis should cause companies to breach their financial reporting requirements. We understand that a number of the companies have internal financial reporting requirements that require internal sign off on data before it can be used externally. We also accept that it is necessary for companies to comply with other governance around reported figures. As a result we have increased the timescale for submission of the quarterly margin information to be submitted by three months (an additional quarter). REMM margin information will therefore be required from suppliers four months after the end of the reporting quarter. For example, Q1 information will be due by the end of July, one month after the end of Q2 (i.e. it will be provided with the REMM submission for Q2).

In addition, the annual reconciliation will continue to be a requirement under the REMM framework. The annual reconciliation statement (to the regulatory accounts) should be submitted within two months of the submission deadline of each company’s regulatory accounts (as set out in each supply licence).

4.4 Operational aspects

Several suppliers commented on the operational aspects of an increased regulatory burden as a result of the retail margin, including:

a) its set up and ongoing operating costs;
b) it may make the market operate more inefficient by inhibiting suppliers' ability to compete;
c) its requirement for interpretation should different accounting standards be employed by companies; and
d) the desirability of a reconciliation process between companies' annual statutory accounts and the quarterly REMM reports.

(a) Set up time and operating costs

Consultation responses

Several respondents commented on the set up time and operating costs of producing the retail margin which will result in any cost ultimately being paid by consumers. In particular one supplier believed that in implementing the retail margin reporting this could not be supported from within their existing financial systems, as these cover business activity across a number of its businesses, and that a separate system for financial reporting would therefore be required.

UR final decision

We accept that suppliers will incur costs as a result of implementing and maintaining the REMM framework, including the production of information for retail margins. However, the margin reporting methodology has been designed so that it can be operated using common assumptions, applies to a relatively small number of items of data and is taken from readily accessible sources such as from suppliers' billing systems.

We are also of the view that the introduction of a new framework may appear burdensome at the outset, but once submissions become automated the subsequent costs should decrease over time.

(b) Lead to market inefficiency

Consultation responses

One supplier had concerns that the collecting of retail margins information could inhibit the operation of the market by creating higher levels of requirement for suppliers choosing to enter into markets and offer different or more innovative contracts to customers. They noted that suppliers trying to compete against regulated tariffs with low margins could now experience higher levels of cost and system set up, than the incumbent suppliers if they choose to offer a different type of contract. As a result they believed this would be an example of a negative impact of REMM on the development of competition, which they stated was an inappropriate outcome of an exercise designed to monitor markets and support competition development for the benefit of customers.

The same supplier also commented that disaggregating domestic customer information between contract type could influence suppliers' strategies and actually lead to a reduction in innovation to avoid incurring additional regulatory reporting costs.

UR final decision

It is not the intention of REMM that the costs of implementation would be substantial for suppliers to the extent that it alters how they compete in the retail energy.

We are unclear as to why it has been suggested that disaggregating domestic customer information between contract type could influence suppliers' strategy and lead to a reduction in innovation. The margin reporting requirement in REMM will be for the margin in a supplier's domestic customer business to be split into margin from those customers on standard tariffs and those on any other type of offering. This should not inhibit innovation in non-standard offerings as the margin information for non-standard offerings will be on an aggregate basis.

(c) Different accounting standards

Consultation responses

One supplier pointed out the potential for companies to apply different accounting standards, as they operate under the IFRS, and that this could compromise the ability of the UR to make like for like comparisons. One example noted was how financial derivatives are disclosed and whether they are taken to the profit and loss account. Differences in treatment by different companies could result in volatility in margins in customer groups across a short period of time.

UR final decision

We request that suppliers specify clearly the standards under which their accounts are prepared. If costs for future hedging are included in suppliers' costs, they should be disclosed in the annual reconciliation statement.

(d) Annual reconciliation

Consultation responses

In terms of the annual reconciliation which forms part of the retail margin submission, one supplier made the comment that as a reconciliation has been requested, there is an implicit understanding that the quarterly submissions will not automatically reconcile to the regulatory accounts.

UR final decision

We are aware of the underlying factors that will require a reconciliation to be done between the retail margin quarterly submissions and the margin amount reported in the regulatory accounts. Examples include accounting treatment adjustments, such as cost adjustments and release of accruals, and other factors such as resettlement, theft and back billing.

As a result of these factors the annual reconciliation statement is an integral part of REMM margin reporting. We see quarterly information as a best estimate of costs to aid in its ongoing work. As a minimum, suppliers will be required to reconcile the cumulative margin figure for the four quarters with the margin figure from the regulatory accounts and set out in detail the reconciling items.

4.5 Customer segmentation

Four consultation responses addressed the customer segmentation proposed in the consultation paper. The following issues were raised:

a) the appropriateness of applying the segmentation at all to the I&C sector;
b) whether the segmentations proposed were unduly onerous (particularly for the I&C sector); and
c) whether use of system codes might be used as a means of segmenting electricity and gas customers rather than the tariff type (for domestic) and volume-based (for I&C) metrics proposed.

(a) Appropriateness of segmentation for I&C sector

Consultation responses

One supplier questioned the application of the retail margins information to the I&C sector as the UR has previously published a report[14] that concluded that competition in the I&C sector is working. Therefore the supplier commented that reporting for the I&C market could not be justified and did not align with the principles of the consultation as

[14] Review of effectiveness of competition in Northern Ireland energy retail market: http://www.uregni.gov.uk/uploads/publications/Review_of_the_effectiveness_of_NI_retail_markets_Final_171114.pdf

set out previously by the UR. Another supplier made reference to the previous report on competition in the market and stated that they were unclear why sub-categories based on consumption within the I&C sector were being proposed. They felt this would be disproportionate and place an undue burden on suppliers.

<u>UR final decision</u>

We have a statutory duty to protect all consumers and collect the information necessary to do so. It is important that we are able to keep a view of margins being earned across the entire retail electricity and gas markets to ensure that they are appropriate in all sectors. This is especially the case as each market contains both price-controlled and non-price-controlled sectors and we want to be aware of margin differentials across customer segments.

In addition segmenting the I&C market will help inform a view on how competition is working in each segment of the market. Furthermore in any future changed regulatory environment we will still want to monitor the levels of margin between customer segments, for example non-standard tariff domestic customers compared to standard tariff domestic customers. Our previous work on competition in the I&C sector was not definitive in the smaller I&C sectors; and in any event was at a point in time. Changing circumstances require ongoing market monitoring in I&C sectors.

After carefully considering all representations from respondents, in writing and in various bilateral meetings, and weighing up supplier concerns against the need for both the domestic and I&C markets to be segmented for margin reporting, our decision is that the retail margins indicator will continue to collect information split by domestic and I&C customers as proposed in the consultation. Information on domestic customers will be split by standard tariffs and non-standard tariffs. We have reconsidered how I&C customer information should be segmented and made the following changes from the consultation:

- Electricity I&C market segmentation will be as follows: 0-49 MWh, 50-499MWh and greater than or equal to 500MWh. Whilst this is a change to the proposal consulted upon we do not envisage it should be in any way more onerous as this segmentation splits the I&C electricity market into three sectors (as originally proposed).

- Gas I&C market segmentation has been amended to amalgamate the two largest bands so the categories for reporting will now be into three sectors: 0-73,199kWh, 73,200 – 731,999kWh and greater than or equal to 732,000kWh. This segmentation split is less onerous than had originally been proposed.

(b) Disaggregation of customer groups and level of detail

Consultation responses

Two suppliers were of the opinion that the proposed I&C market segmentations were unduly onerous. A respondent commented that this was a significant burden on suppliers and was concerned that the UR required disaggregated information with no clear reason or purpose.

Another supplier argued that the retail margins information would be extremely challenging for a supplier who competed in all current gas and electricity market segments in Northern Ireland as they would have to produce effectively 17 different profit and loss reports on a quarterly basis. The supplier also made the following assertions:

- that this type of detail would only be expected normally if there was an investigation, such as the current Competition and Markets Authority review in Great Britain;
- the level of detail is unnecessary given that the majority of customers in NI are served by markets subject to price regulation which provides an effective margin cap if a supplier wishes to compete in the market; and
- that Ofgem reviewed their reporting requirements on a number of occasions (more recently in December 2014) since these were introduced in 2010 and have maintained their requirement for information only at a domestic/I&C level.

UR final decision

It is recognised that provision of retail margins information will pose some initial set up requirements for suppliers. However it will also bring benefits to consumers as we will be better able to monitor the effectiveness of the market arrangements and fulfil its regulatory and consumer protection roles more effectively. Having retail margin information segmented by different domestic and I&C customer groups will, for example, allow us to observe if competitors in the regulated markets are able to earn sustained higher margins than the price controlled companies. Such a circumstance might suggest the scope for tightening the price control in future periods to the benefit of consumers.

We have reviewed the comments and decided that the retail margins indicator will apply to the domestic and I&C sectors as originally proposed with the domestic sector being split into two customer groups and the I&C sector being split into three customer groups as previously mentioned.

(c) Use of network charging codes

Consultation responses

As part of the responses to the consultation, it was suggested that electricity tariff codes rather than the proposed volume bands should be used to segment users in this market. This respondent maintained that a split based on consumption, as proposed, would introduce additional complexity in terms of tracking specific customers and reporting consistently on these customers.

A gas supplier also suggested using network charging codes as they considered that network charging codes would be a reasonable compromise that would provide the vast majority of the information required for market monitoring.

UR final decision

We reviewed the use of network charging codes for reporting of retail margin and accept that the use of network charging codes to segment customer groups may prove helpful to suppliers as they seek to comply with the REMM reporting framework. However this methodology also has disadvantages. In neither the electricity nor the gas market do network charging codes exactly match the determined customer groups:

- in electricity the 50MWh/500MWh threshold is not recognised by the distribution T-codes;
- in gas the network charging codes do not recognise the split between domestic and I&C customers for consumption under 73,200 kWh per annum; and
- in both electricity and gas, the network charging codes do not recognise the proposed split between standard and non-standard tariffs for domestic customers.

As a result the use of network charging codes will not be wholly appropriate. This is because it is important for us to be able to monitor the retail margins for different segments of domestic and I&C customers, including differences between regulated and non-regulated I&C customers.

As previously mentioned, the final decision is therefore to continue to request retail margins information for domestic and I&C customers as follows:

- the domestic segment in electricity and gas is to be split by standard tariff and non-standard tariff customer groups;
- the electricity I&C segment will be split into three sectors: 0 - 49 MWh, 50 - 499MWh and greater than or equal to 500MWh; and
- the gas I&C segment will be split into three sectors: 0 - 73,199kWh, 73,200 - 731,999kWh and greater than or equal to 732,000kWh.

4.6 Information accessibility

Consultation responses

Several suppliers expressed concern about the commercial sensitivity of the data they would have to report under REMM and commented on the potential for information to be published by the UR. These responses, which are described in section 2, are particularly relevant to retail margins as this is deemed to be commercially sensitive information.

Concerns about whether information reported under REMM would be subject to the FOIA were raised by several suppliers. They feared that the UR could be forced to publish commercially sensitive information on their businesses as a result of requests made by members of the public under the Act.

As well as concerns about FOIA, another supplier commented that as the UR had been unable to provide any guarantee of confidentiality of information in the consultation that they should therefore not be requesting information that could have a direct and considerable impact on a business if it was disclosed through error or FOI.

A small number of responses addressed the accessibility of information to the public, especially retail margins, as it could expose the suppliers to increased levels of scrutiny. One supplier agreed that margin figures should not be placed in the public domain.

UR final decision

We understand that confidentiality is an issue and reiterate that we do not have plans to publish any information which is deemed to be commercially sensitive. The information we gather will fall within the scope of the FOIA, however it is likely that one or more of the exemptions under Part II of the FOIA could apply to certain information collected from supply companies for the purposes of REMM. We cannot state for certain whether or not an exemption will apply and it must also be noted that any exemption is subject to a public interest test. Therefore any FOIA request must be assessed on its own merits at the time of receipt.

We have taken on suppliers' comments into consideration when deciding on our strategy for publishing. Before we publish any information on retail margins we will first calibrate the data to ensure consistency, and secondly we will analyse trends in order to build up a solid data set over time. We will take into consideration any underlying drivers such as market conditions and at the same time we will not review indicators in isolation. We have therefore deferred the consultation and subsequent decision on publication of retail margins until the next phase of REMM.

5. REMM timeline

5.1 REMM timeline

Section 2.8 discussed the responses received with regard to the REMM timeline and noted our decisions regarding the submission of some of the indicators relating to financial information. This chapter provides more information on the REMM timeline.

The REMM consultation paper included details on the proposed timeline for REMM phase one, from the consultation period until the end of 2016. This included the implementation and testing phase for REMM and highlighted the proposed submission deadlines for test information (Quarterly information: October 2015 and January 2016; and Annual information: February 2016). The timeline proposed that the first formal submission of REMM information, after the test phase, would take place in April 2016 (for Q1 of 2016). We noted in the consultation paper that all monitoring information that is currently submitted on a quarterly basis must continue to be submitted until the REMM testing phase is complete.

In the consultation paper we stated that the REMM decisions would be finalised by the end of May 2015, with a testing period running from June 2015 to February 2016. It was proposed that during this period suppliers and network companies will review the final templates and proceed with any system or process changes required to facilitate the provision of the required information. We also proposed that suppliers and network companies would submit two test returns of quarterly data and one test return of annual data.

We proposed to work with companies during the test period to ensure the accuracy of the test data, with the aim to agree finalised data for each test submission. We assured suppliers and network companies that we would not publish any of the test data (that is additional to data we currently publish).

5.1.1 Testing phase

With regard to the implementation of the REMM framework we acknowledge that there has been a slight delay in the publication of the REMM decision paper. As mentioned earlier we offered the option of a workshop to stakeholders during the consultation period. However, due to feedback from stakeholders we decided to hold another series of bilateral meetings. We were unable to fit all of these meetings in before the consultation period ended, and meetings ran into mid-June (due to scheduling issues with stakeholders). It was important for us to hear the views of those stakeholders that had requested to meet with us, so we took the decision to delay the release of the decision paper by a few weeks.

We reviewed the timeline, bearing in mind the short delay, and we have concluded that regarding the implementation and testing phase, we will go ahead with the dates as proposed. As the testing phase carries on until the first formal submission we consider this to be adequate time to amend processes and test systems in order to produce REMM information. The testing phase will proceed as follows:

- October 2015 – submission of test quarterly data from Q3 2015 (July – September)
- January 2016 – submission of test quarterly data from Q4 2015 (October – December)
- February 2016 – submission of test annual data from 2015 (January – December)

As stated in the consultation paper, we strongly recommend that suppliers and network companies submit complete test data for two periods. However, we understand that there may be particular indicators that companies will not be ready to test in October 2015 (first test). If any supplier or network company is unable to test any particular indicator(s) it must provide us with a statement detailing the reasons for not being able to test the indicator(s) and the plans that are in place to ensure the indicator(s) will be tested at the January 2016 test phase. We will work with the regulated companies during the test period on the accuracy of the data submissions, and aim to agree finalised data for these test periods. Please note that once the test data is validated, we do not intend to publish the data in the new REMM format as the current monitoring (with the current publications) will work in parallel to ensure external reporting is updated.

We are willing to hold a workshop with suppliers and/or network companies to discuss the implementation and testing of the REMM templates if this will be of benefit. If any supplier or network company would like to attend a workshop, please let us know.

We anticipate that suppliers and network companies will have further queries during the testing phase of REMM, for example, clarification of a definition or a request for further assistance in completing a template. Any clarification that is requested from a supplier or network company will be communicated to all other market participants if appropriate, in order to ensure transparency throughout the testing process (clarifications related to commercially sensitive information will not be shared). We have set up a central email address for all REMM related enquires and submissions (refer to section 6.2).

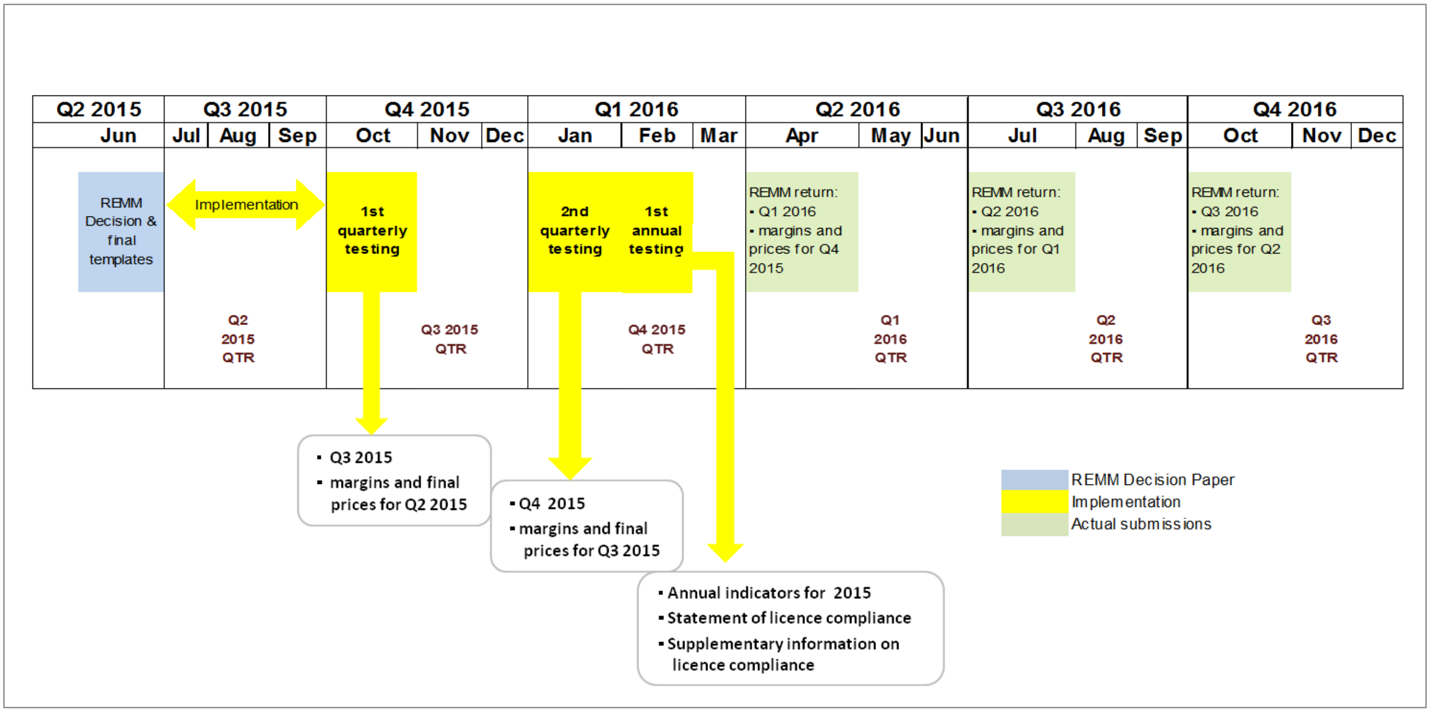
5.1.2 Quarterly and annual REMM submissions

As discussed in section 2.8, we have made some changes to the REMM timeline following the bilateral meetings and our review of the consultation responses. These changes relate specifically to indicators containing financial information i.e. retail margins and final prices. These indicators will now be required four months after the end of the reporting quarter (instead of one month as in the consultation proposal). For example, Q1 information on retail margins and final prices will be due by the end of July; one month after the end of Q2 i.e. it will be provided with the REMM submission for Q2.

The timelines for the other indicators will remain unchanged. Quarterly information will be due one month after the quarter end and annual information (including the annual statement of licence compliance) will be due two months after the calendar year. For the retail margin indicator the annual reconciliation statement should be provided to us within two months of the deadline (already set out in each supply licence) for submission of the annual regulatory accounts.

Figure 1 below shows the final timeline for implementation and testing of the REMM framework, along with submission deadlines for the quarterly information in 2016.

Figure 1. Summary of REMM timeline



In addition, on an annual basis we require suppliers to provide an annual REMM assurance letter. This letter is the formal CEO/Managing Director level signoff of the annual REMM submission. It will include:

- A declaration that the company is compliant with its licence in accordance with the Statement of Licence Compliance (suppliers only); and
- A statement which guarantees that the processes and systems are in place to produce high quality and accurate data on a quarterly basis for the coming year.

The first REMM assurance letter is required at the start of 2016. This letter will guarantee that the processes and systems are in place to produce the required data for the quarterly submissions in 2016.

5.1.3 Annual retail margin reconciliation

As discussed in chapter 4 there is also a requirement for suppliers to perform an annual retail margin reconciliation to their finalised regulatory accounts. The timing of this will depend on the accounting period for the regulated accounts. However the reconciliation must be submitted within two months of the deadline (set out in the supply licence) for submitting the regulated accounts to UR. This reconciliation must include an analysis and explanation for all reconciling items between the two margin figures (a) the summation of the four REMM quarterly margin submissions and (b) the margin information per the regulated accounts. The first one of these reconciliations will be due for the regulated accounts that are finalised in relation to the calendar year 2015.

5.2 Licence modifications

As previously mentioned in section 3.4.3 electricity and gas network companies have an existing licence obligation[15] to provide information on the number of requested switches, completed switches and switches taking longer than 15 working days to complete. We intend to modify these licence conditions in the electricity distribution licence and the gas conveyance licences in order to align the timeframe for provision of information to the timeframes determined in this paper. We plan to issue a consultation paper on the proposed licence modification in September of 2015.

5.3 REMM phase two

The consultation paper highlighted that there will be a second phase to the REMM project. This phase will consult on: indicators to monitor the operation of the marketing code of practice; any indicators which may be developed during the second phase of the review of effectiveness of competition; and the publication of indicators which have

[15] Licence condition “Systems to Facilitate Change of Supplier” (condition 44 in the electricity distribution licence, condition 1.23 in the PNGL and feDL gas conveyance licences and condition 1.18 in the SGN gas conveyance licence)

been decided on to monitor the supplier codes of practice. We expect to begin to scope phase two of REMM in Q3 of 2015.

6. Conclusion

As stated previously, REMM is one of our three flagship projects which will combine to deliver our strategy on consumer protection and retail market regulation. Through this strategy we aim to deliver effective competition while maintaining regulatory protection.

REMM will enable us to:

- Monitor the NI retail energy markets (electricity and gas) effectively;
- Identify risks in our retail market and address these proactively;
- Fulfil our duties on licence compliance monitoring;
- Develop regulatory and energy policies; and
- Protect and inform consumers.

6.1 How REMM delivers good regulatory practice

As mentioned throughout the paper, we engaged with stakeholders throughout the pre-consultation and consultation process. In the development of our REMM framework we have been mindful of the key principles of effective regulation (consistency, transparency, accountability and proportionality).

We reiterate our intention to review and calibrate all data to ensure consistency, and to analyse trends in particular indicators in order to build up a solid data set over time. In addition, we have provided definitions where necessary, and a methodology for calculating retail margins in order to ensure comparability of data between suppliers and over time.

As stated in the consultation paper, we want to assure suppliers and network companies that it is our intention to keep the REMM framework as consistent as possible, once implemented. However, we anticipate that during the first few years of REMM we will review the indicators with suppliers and network companies to determine if the indicators are providing us with data that is truly representative of how the markets are operating. If there are any areas which can be improved we will work with suppliers and network companies to enhance the REMM framework in these areas.

Transparency is another key principle of REMM. We have been transparent with stakeholders throughout the development of the REMM framework. In addition we believe that consumers will benefit from the increased transparency in retail energy markets that REMM will deliver. However, we will not publish any new market monitoring indicators prematurely and it may be the case that we will delay the publication of certain indicators until we are comfortable with the quality of the information and the most appropriate format for publication. In addition, we will not review indicators in isolation and will take any underlying drivers, such as market conditions, into account when making any decisions or policies based on REMM information.

The success of REMM is dependent on the quality and accuracy of the information submitted. In order to ensure that suppliers and network companies are accountable for the information submitted we require high level sign off within their companies, for all REMM submissions. This must be factored in when suppliers and network companies are developing their REMM reporting processes.

We understand that stakeholders expect the approach to REMM to be proportionate, in line with the principles of good regulation. We consider that we have demonstrated our commitment to proportionality by the revisions we made following the bilateral meetings and our review of the consultation responses. Table 2 provides a clear picture of the changes we have made to the indicators from the proposals in the consultation paper.

Table 2. Changes made to indicators following consultation

Indicator	Changes made to indicators following consultation
Market shares	- Gas network companies – no longer required to report gas consumption by tenure (i.e. domestic or I&C) - Gas suppliers – no longer required to report on all customer categories – market share information to be provided for domestic companies only - Electricity network companies – required to provide market shares for revised customer categories
New connections/ registrations	- Electricity and gas network companies – monthly split has been removed from quarterly data
Switches requested	- Electricity and gas network companies – no change from consultation
Switches completed	- Gas suppliers – no longer required to provide completed switches by each customer group - Gas suppliers – now required to provide information on the number of incomplete switches for prepayment customers
Switches taking longer than 15 working days to complete	- Electricity and gas network companies – no change from consultation
Sticky customers	- Electricity and gas suppliers – no longer required to provide information on the number of connections that switched in the previous three years
Rejected switches	- Electricity and gas network companies – monthly split has been removed from quarterly data
Objected switches	- Electricity and gas network companies – monthly split has been removed from quarterly data
Debt contact notifications	- Electricity and gas suppliers – monthly split has been removed from quarterly data
Erroneous transfers	- Electricity network company and gas suppliers – no longer required to report domestic and I&C separately (aggregated to whole market level) - Monthly split removed from quarterly data
Notional meter reads (gas specific)	- Gas network companies – monthly split has been removed from quarterly data
Meter mix ups identified during switching (gas specific)	- Gas suppliers – indicator has been removed in its entirety from the REMM framework

Indicator	Changes made to indicators following consultation
Credit balances on Quantum prepayment meters when switching (gas specific)	- Gas suppliers – monthly split has been removed from quarterly data
Outstanding balances on Quantum prepayment meters when switching (gas specific)	- Gas suppliers – monthly split has been removed from quarterly data
Credit balances on Libra prepayment meters when switching (gas specific)	- Gas suppliers – monthly split has been removed from quarterly data - Templates have been updated to provide clarity in the reporting of this indicator
Renegotiated contracts	- Electricity suppliers – eight customer categories reduced to three - Gas suppliers – six customer categories reduced to three
Disconnections	- Electricity and gas network companies and suppliers – Reason categories for disconnections have been updated to align more easily with network and supplier systems
Reconnection of customers previously disconnected due to debt	- Electricity suppliers – requirement to report on this indicator has been removed - Gas suppliers – requirement to report on I&C sector has been removed
Debt recovery prepayment meter fitted	- Electricity and gas suppliers – indicator amended to include the collection of information on: ○ the number of prepayment meters set to recover 40% per vend ○ the number of prepayment meters set to recover less than 40% per vend
Complaints	- Electricity and gas suppliers – the number of types and resolution categories have been reduced significantly to align more easily to suppliers' systems (complaint types reduced from twenty to ten and resolution categories reduced from five to three) - Gas suppliers – requirement to report complaints separately for each of the distribution network areas has been removed

Indicator	Changes made to indicators following consultation
Standards of Performance (SoP) Regulations & Overall Standards (gas specific)	- Gas suppliers – minor amendments made to reporting templates to aid clarity based on feedback received from suppliers outside the REMM consultation process - Requirement to report SoP separately for each of the distribution network areas has been removed - Overall standards to be provided as per active licence
Diversity of tariffs	- Electricity and gas suppliers – requirement to report volumes based on tariff type has been removed - Requirement to report tariff information for any published I&C tariffs has been removed
Final prices	- Electricity and gas suppliers – timeframes for collection of information have been extended by three months e.g. Q1 information (01 January to 31 March) is due by the end of July (consultation proposed end of April)
Customer account balances	- Electricity and gas suppliers – indicator has been removed in its entirety from the REMM framework
Retail margins	- Electricity suppliers – I&C categories have been revised to align more easily with supplier systems - Gas suppliers – I&C categories have been reduced from four to three - Electricity and gas suppliers – retail margins methodology has been updated to clarify certain issues following consultation feedback - Timeframes for collection of information have been extended by three months e.g. Q1 information (01 January to 31 March) is due by the end of July (consultation proposed end of April)
Supplementary information to licence compliance	- Electricity and gas suppliers - an additional requirement for the provision of information on complaints that have taken more than three months to resolve (pursuant to the licence) has been included

6.2 Next steps

We have published the final templates for suppliers and network companies to use for the submission of their REMM information. We expect that companies will now commence internal work on the delivery of REMM to the timeline specified in chapter 5. The first submission of test data is required before the end of October 2015.

As mentioned above, we will be available to answer any queries or make any clarifications which arise during the REMM testing phase. The email address for suppliers and network companies to use is: REMM.Reporting@uregni.gov.uk

As discussed earlier, we are also willing to hold a workshop on the implementation and testing of the REMM templates if it will be of benefit. We encourage suppliers and network companies to contact us if they would like us to run a workshop.

Finally, we appreciate the engagement from all stakeholders throughout the REMM consultation phase and we look forward to continuing to work collaboratively with you to ensure the effective delivery of the REMM framework.

Annex 1 – Responses to the consultation

We have also published each of the responses to the draft determination and these are available at the following links:

The Consumer Council for Northern Ireland (CCNI)	http://www.uregni.gov.uk/uploads/publications/Response_to_REMM_Consultation_-_CCNI.pdf
The Electricity Association of Ireland (EAI)	http://www.uregni.gov.uk/uploads/publications/Response_to_REMM_Consultation_-_EAI.pdf
Electric Ireland	http://www.uregni.gov.uk/uploads/publications/Response_to_REMM_Consultation_-_Electric_Ireland.pdf
Energia	http://www.uregni.gov.uk/uploads/publications/Response_to_REMM_Consultation_-_Energia.pdf
firmus energy	http://www.uregni.gov.uk/uploads/publications/Response_to_REMM_Consultation_-_firmus_energy.pdf
Manufacturing Northern Ireland	http://www.uregni.gov.uk/uploads/publications/Response_to_REMM_Consultation_-_MNI.pdf
NIE	http://www.uregni.gov.uk/uploads/publications/Response_to_REMM_Consultation_-_NIE.pdf
Phoenix Natural Gas Limited	http://www.uregni.gov.uk/uploads/publications/Response_to_REMM_Consultation_-_PNGL.pdf
Power NI	http://www.uregni.gov.uk/uploads/publications/Response_to_REMM_Consultation_-_Power_NI.pdf
SSE Airtricity	http://www.uregni.gov.uk/uploads/publications/Response_to_REMM_Consultation_-_SSE_Airtricity.pdf

Annex 2 – REMM templates

The final templates for the REMM submissions have been published along with this paper and are available at the following links:

Electricity templates	
Electricity suppliers quarterly template	http://www.uregni.gov.uk/publications/remm_final_template_electricity_supply_companies_-_quarterly
Electricity suppliers annual template	http://www.uregni.gov.uk/publications/remm_final_template_electricity_supply_companies_-_annual
Electricity network company template	http://www.uregni.gov.uk/publications/remm_final_template_electricity_network_company
Gas templates	
Gas suppliers quarterly template	http://www.uregni.gov.uk/publications/remm_final_template_gas_supply_companies_-_quarterly
Gas suppliers annual template	http://www.uregni.gov.uk/publications/remm_final_template_gas_supply_companies_-_annual
Gas network company template	http://www.uregni.gov.uk/publications/remm_final_template_gas_network_companies

Annex 3 – Statement of Definitions

	Electricity	Gas
Active electricity suppliers	any and all suppliers who are active and supply electricity to consumers under the terms of their licences	N/A
Active gas suppliers	N/A	any and all suppliers who are active and supply gas to consumers under the terms of their licences
Annual Quantity (AQ)	N/A	As defined within Section F.3 of the PNGL and feDL Distribution Network Codes
Chosen supplier	N/A	As defined in the PNGL and feDL Memorandum of Understanding – New Connection Process for I&C customers
Commissioning supplier	N/A	As defined in the PNGL and feDL Memorandum of Understanding – New Domestic Connection Process
Completed switch	Means the completion of a Change of Supplier process (as documented in MP NI 1). The New Supplier receives a 105 market message and the Old Supplier receives a 105L market message	As defined in Section L.6 of the PNGL and feDL Distribution Network Codes, a completed switch is where a "SMP Confirmation" becomes effective
Customer	As defined in condition 1 of the electricity supply licence	As per the definition of "consumer" within condition 1.1 of the gas supply licence

Customer care register	Means the register that suppliers are required to establish and maintain under condition 31 of the electricity supply licence	Means the register that suppliers are required to establish and maintain under condition 2.11.5 of the gas supply licence
Debt	As defined in MP NI 115	As defined in the Retailer Code of Practice for Dealing with Customers in Debt wishing to Switch Supplier within the SMP Agreement
Debt balance	N/A	As per the definition of "outstanding balance" in the Retailer Code of Practice for Dealing with Quantum Customers wishing to Switch Supplier within the SMP Agreement
Debt Contact Notification (DCN)	As defined in MP NI 115	As defined in the Retailer Code of Practice for Dealing with Customers in Debt wishing to Switch Supplier contained within the Supply Meter Point Agreement
Default supplier	As defined in the Schedule 1 of the Market Registration Code	As defined in the PNGL and feDL Memorandum of Understanding – New Connection Process for I&C customers
Disconnection	Referred to as "de-energise" in Market Registration Code – as defined in MP NI 39	As per the definition of "isolation" within Section L.11 of the PNGL and feDL Distribution Network Codes

Distribution Network Code	N/A	Means the respective documents prepared by PNGL and feDL and approved by UR in accordance with condition 2.5 in the PNGL conveyance licence and condition 2.4 in the feDL conveyance licence. Condition 2.3 in the gas supply licence requires suppliers to comply with the provisions in the Distribution Network Code
Domestic customer	As defined in condition 1 of the electricity supply licence	As per the definition of "domestic consumer" within condition 1.1 of the gas supply licence
Erroneous transfer	This occurs when a customer has switched to a new energy supplier without consent and without a valid contract being in place. This can happen due to a genuine mistake (for example meter mix up or mix up about a property's address or inaccurate customer information)	As defined in the Procedure for Resolution of Erroneous Transfers in the Northern Ireland Gas Market within the Supply Meter Point Agreement
Final price	This is the tariff charged to a consumer (and is recorded inclusive or exclusive of VAT)	This is the tariff charged to a consumer (and is recorded inclusive or exclusive of VAT)
Greater Belfast Area	N/A	As defined in Schedule 1 of the PNGL conveyance licence
Incomplete switch	N/A	As defined in the Retailer Code of Practice for Dealing with an incomplete switch for Libra PAYG Customers within the Supply Meter Point Agreement

Incumbent supplier	Means the former monopoly supplier (NIE Energy Limited – Power NI)	Means the former monopoly supplier (i.e. SSE Airtricity Gas Supply (NI) Limited in the Greater Belfast Area and firmus energy (Supply) Limited in the Ten Towns Area
Industrial & Commercial (I&C) Customer	Defined as “non-domestic customer” in condition 1 of the electricity supply licence	Means any “consumer” that is not a “domestic consumer” as defined within condition 1.1 of the gas supply licence
Libra prepayment meter	N/A	As defined in the Retailer Code of Practice for Dealing with Libra Pay As You Go Customers wishing to Switch Supplier
Margins	As defined in the Margin Formula set out in Section 1 of Annex 5 to the REMM decision paper – ‘Retail margins – methodology final decisions’. The elements which make up the margin formula are further defined in this technical annex	As defined in the Margin Formula set out in Section 1 of Annex 5 to the REMM decision paper – ‘Retail margins - methodology final decisions’. The elements which make up the margin formula are further defined in this technical annex
Market Registration Code (MRC)	The Market Registration Code means the code of that title approved by the UR pursuant to condition 29 of the NIE distribution licence. This code provides terms for licensed suppliers and NIE to operate in the market and fulfil their obligations under their respective licences	N/A

Meter Point	As defined in the Market Registration Code: (a) (for supplies other than unmetered supplies) the point where all or part of a supply or electricity from the NIE System to the premises of a Customer is metered by Metering Equipment; and (b) (for unmetered supplies) means the notional point at which the supply to one or more physical connections which have been grouped together for the purposes of registration, is quantified	Refer to definition of Supply Meter Point below
Minimum consumption charge (gas)	N/A	Some suppliers may apply a charge to customers who consume less than the minimum consumption level. This means that for customers using less than the minimum consumption level worth of gas, their bill will be rounded up to a certain value. This must be clearly stated in the supplier's terms and conditions. The minimum consumption charge is often applied to cover the fixed costs associated with providing energy supply, for example meter reading, maintenance and the cost of keeping customers connected to the network

New connection	Where the property had not previously been connected to the network	As per the definition of: • "new connection" in the PNGL and feDL Memorandum of Understanding – New Connection Process for I&C customers • "new domestic connection" in the PNGL and feDL Memorandum of Understanding – New Domestic Connection Process
New supplier	As defined in MP NI 115	As per the definition of "Proposing User" within the PNGL and feDL Distribution Network Codes
Notional meter read	N/A	As defined in Section M.3 of the PNGL and feDL Distribution Network Codes
Objection	When an existing supplier objects to an application by a New supplier (by sending a 012 market message) and this is validated and processed as an objection in accordance with MP NI 3	Means an objection raised by a supplier in response to a SMP Confirmation as defined in Section L.6 of the PNGL and feDL Distribution Network Codes and in accordance with the SMP Objection Code for Domestic Consumers and the SMP Objection Code for Non-Domestic Consumers within the SMP Agreement
Old supplier	As defined in MP NI 39	As per the definition of 'withdrawing user' within the PNGL and feDL Distribution Network Codes
Permanent disconnection	N/A	As per the definition of "Permanent Isolation" within the PNGL Revenue Protection Procedure

Preferred supplier	N/A	As defined in the PNGL and feDL Memorandum of Understanding – New Domestic Connection Process
Prepayment meter	This type of meter is operated by the use of cards which are used to pay for the energy in advance. In electricity these are referred to as keypad meters	This type of meter is operated by the use of cards which are used to pay for the energy in advance. In gas these are referred to as Quantum prepayment meters and Libra prepayment meters
Previous Supplier	N/A	As defined in the Retailer Code of Practice for Dealing with an incomplete switch for Libra PAYG Customers within the Supply Meter Point Agreement
Quantum customer	N/A	As defined in the Retailer Code of Practice for Dealing with Quantum Customers wishing to Switch Supplier within the SMP Agreement
Quantum prepayment meter	N/A	As defined in the Retailer Code of Practice for Dealing with Quantum Customers wishing to Switch Supplier within the SMP Agreement
Reconnection	Referred to as “re-energise” in Market Registration Code – as defined in MP NI 39	Means where a supply meter point is reinstated to the gas network following an isolation, as set out in the PNGL and feDL Distribution Network Codes

Rejection	When the network company cancels a switch, as the switch request is not complete or fails validation. As per MP NI 1, a 102R market message is sent to the New Supplier	Means a rejection raised by the network company in response to a SMP Confirmation as defined in Section L.6 of the PNGL and feDL Distribution Network Codes
Renegotiated contract	This relates to a customer who makes an active decision with their current supplier to sign up to a new contract with their supplier. Specific examples are given in section 3.5.1 of the REMM decision paper and in the REMM template for renegotiated contracts.	This relates to a customer who makes an active decision with their current supplier to sign up to a new contract with their supplier. Specific examples are given in section 3.5.1 of the REMM decision paper and in the REMM template for renegotiated contracts.
Security deposit	As defined in Condition 1 of the electricity supply licence	As defined in condition 1.1 of the gas supply licence
Standing charge	Standing charges may be charged by energy suppliers (often on a daily basis) for the fixed costs associated with providing energy supply, for example meter reading, maintenance and the cost of keeping customers connected to the network	Standing charges may be charged by energy suppliers (often on a daily basis) for the fixed costs associated with providing energy supply, for example meter reading, maintenance and the cost of keeping customers connected to the network
Supply meter point	Refer to definition of Meter Point above	As per definition of "Supply Meter Point" within Section A.2 of the PNGL and feDL Distribution Network Codes
Supply Meter Point Agreement	N/A	Means the agreement made between gas suppliers as required under condition 2.26 of the gas supply licence and entitled the Supply Meter Point Agreement for the Greater Belfast Licensed Area and the Ten Towns Licensed Area

Switch request	Where a supplier (New supplier) wishes to register a Meter Point that is currently registered to another Supplier (Old Supplier). The New Supplier sends a change of supplier registration request to the network company (010 market message) as per MP NI 1.	Where a supplier (New supplier) wishes to register a Supply Meter Point that is currently registered to another Supplier (Old Supplier). The New Supplier sends a "Supply Meter Point Confirmation" to the network company as defined in Section L,6 of the PNGL and feDL Distribution Network Codes
Ten Towns Area	N/A	As defined in Schedule 1 of the firmus energy (Distribution) Limited conveyance licence
Termination fee	Also referred to as an exit fee, as detailed in customer terms and conditions, this is the amount of money that must be paid by a customer if they choose to abort the contract with their supplier, before the contract is due to expire	Also referred to as an exit fee, as detailed in customer terms and conditions, this is the amount of money that must be paid by a customer if they choose to abort the contract with their supplier, before the contract is due to expire

Annex 4 – Licence compliance submissions

Statement of Licence Compliance for electricity suppliers

Electricity licence condition	Title	Compliance status C = Compliant N = Non-compliant N/A	Comments (if necessary)
1	Interpretation and Construction		
2	Separate Accounts for Separate Businesses		
3	Compliance with the Grid Code and Distribution Code		
4	The Market Registration Framework Agreement		
5	Modification of the Single Electricity Market Trading and Settlement Code and Cancellation of contracts		
6	Security Arrangements		
7	Compulsory Acquisition of Land		
8	Powers to Carry out Road Works etc		
9	Health and Safety of Employees		
10	Provision of Information to the Authority		
11	Payment of Fees		
12	Prohibition of Cross-Subsidies		
13	Not Used		
14	Prohibition of Discrimination in Supply		
15	Duration of Discrimination Conditions		
16	Duty to offer Terms for Meter Provision		
17	Procedures for the Detection and Prevention of Theft, Damage and Meter Interference		
18	Licensee’s Apparatus on Customers’ Side of Meter		
19	Provision of Information to Transmission System Operator and Market Operator		
20	Single Electricity Market Trading and Settlement Code		
21	The PSO Agreement		
22	Supplier of Last Resort		
23	Claims for Last Resort Supply Payments		
24	Standards of Performance (applicable to suppliers of domestic customers only)		
25	Classification of Premises		

26	Duty of offer terms		
27	Terms and conditions of electricity supply contracts		
27A	Security deposits		
28	Deemed contracts		
29	Approval of the Authority to the licensee's arrangements		
30	Code of Practice payment of bills (applicable to suppliers of domestic customers only)		
31	Code of Practice provision of services pensionable age or disabled or chronically sick (applicable to suppliers of domestic customers only)		
32	Code of Practice efficient use of electricity		
33	Code of Practice Complaints Handling Procedure		
34	Code of Practice on services for prepayment meter customers (applicable to suppliers of domestic customers only)		
35	Preparation, revision of and compliance with Codes of Practice		
35A	Customer protection: modification of conditions		
36	Report on performance		
37	Relations with the General Consumer Council		
38	Provision of information to customers		
39	Security and safety of supplies		
40	Marketing of electricity		
41	Fuel mix disclosure		
42	Wholesale contracts and electricity derivatives		
43	Facilitating supplier transfers		
44	Provision of information to electricity suppliers		
45	Business separation		

Supplementary information to licence compliance for electricity suppliers

Indicator or licence condition	Market segment	Evidence	To be completed:
Annual REMM assurance letter	Supply business	Completed Statement of Licence Compliance	**Insert attachment of the REMM assurance letter**
Separate accounts for separate businesses: P&L Condition 2 (4)	Supply business	Date of submission of Interim P&L statements to the UR	**Insert date of submission to the UR**
Separate accounts for separate businesses: auditor report Condition 2 (4)	Supply business	Regulatory accounts and auditor's report to the UR	**Insert date of submission to the UR**
Payment of fees Condition 11	Supply business	Fees paid pursuant to licence condition	**Insert date of payment**
Terms and Conditions Condition 27 (4) (d)	Domestic	If there have been any changes during the year to the Terms and Conditions of the contract with a domestic customer (terms include any tariff change), submit copy of supporting information highlighting relevant changes (i.e. copy of the customers Ts&Cs highlighting the changes, and a copy of anonymised letter to customer notifying the change(s)).	Has there been a change to the Ts&Cs of a contract with a domestic customer (including any tariff changes)? **Yes/No** **If the answer is Yes please submit evidence as requested**
Terms and Conditions Condition 27 (5)	Domestic	Up to date copy of each set of standard Ts&Cs published and accessible from the Licensee website	**Insert weblink to each set of standard Ts&Cs on website**
Terms and Conditions Condition 27 (7)	Domestic	Each set of standard determined Ts&Cs for domestic customers shall be fair and shall include the requirements as specified in the licence condition: copy of each set of standard Ts&Cs, highlighting compliance with each of these minimum requirements	**Please submit evidence for each set of standard Ts&Cs**

Terms and Conditions Condition 27 (8)	Domestic	Pursuant to the licence a domestic customer has the right to withdraw from and cancel a contract within ten working days of entering into the contract	**Insert number of customers (meter points) that have not been given the ten day cooling off period**
Terms and Conditions Condition 27 (12) (b)	Domestic	Domestic customers on a fixed term contract should be notified of the expiry date of the contract as per licence condition, submit a copy of supporting information highlighting compliance with this licence condition (i.e. copy of anonymised letter to customer notifying them of the expiry date and unit rates etc)	Do you have domestic customers on a fixed term contract? **Yes/No** **If the answer is Yes please submit evidence as requested**
Deemed Contracts Condition 28	Domestic and I&C	The licensee must make a scheme for determining the Ts&Cs of their deemed contracts in accordance with the requirements set out in this licence condition. The scheme must be published on the licensee's website as required under the Energy Act (Northern Ireland) 2011.	**Insert weblink to where the scheme(s) are published on your website** **Insert number of customers that are on a deemed contract (as at 31 December)**
Code of Practice on Complaints Handling Procedure Condition 33 (3) (a)	Domestic and I&C	The complaints procedure established and operated by the Licensee in accordance with the Code of Practice shall as a minimum: (a) specify the period, which may differ for different types of complaint but which shall not be longer than three months, within which it is intended that complaints will be processed and resolved.	**State the number of complaints received during the year that:** **(a) took three months or longer to resolve;** **(b) are still ongoing after three months.** **Provide details of any such complaints**

Statement of Licence Compliance for gas suppliers

Gas licence condition	Condition Title	Compliance status C = compliant N = non-compliant N/A	Comments (if necessary)
1.1	Interpretation and Construction		
1.2	Separate Accounts for Separate Businesses		
1.3	Provision of Information to the Authority		
1.4	Consultation with the General Consumer Council		
1.5	Powers of Entry		
1.6	Authorisation of Persons		
1.7	Exercise of Powers of Entry		
1.8	Modifications		
1.9	Assignment of Licences		
1.1	Transfer of Business		
1.11	Payment of Fees to the Authority		
1.12	Notices		
2.1	Deemed Contracts		
2.2	Security and Continuity of Supply		
2.3	Use of the Network		
2.4	Charges for Gas and Other Terms for the Supply of Gas		
2.5	Undue Discrimination and Undue Preference		
2.6	Facilitating Supplier Transfers		
2.7	Supply and Inspection of Meters		
2.8	Code of Practice on Complaints Handling Procedure		
2.9	Code of Practice on Services for Prepayment Meter Consumers (applicable to suppliers of domestic customers only)		
2.1	Code of Practice on the efficient use of gas		
2.11	Code of Practice on Provision of Services for persons who are of Pensionable Age or Disabled or Chronically Sick (applicable to suppliers of domestic customers only)		
2.12	Code of Practice on payment of bills (applicable to suppliers of domestic customers only)		
2.13	Preparation, Revision Of and Compliance with Codes of Practice		
2.14	Emergencies		

2.15	Standards of Performance (applicable to suppliers of domestic customers only)		
2.16	Provision of Information Requested by Other licence or Exemption Holders		
2.17	Maintenance of Records		
2.18	Terms and Conditions of Gas Supply Contracts		
2.19	Provision of Information to Consumers		
2.2	Approval of the Authority to the Licensee's Arrangements		
2.21	Marketing of Gas		
2.22	Security Deposits		
2.22A	Consumer Protection: Modification of Conditions		
2.23	Report on Performance		
2.24	Safety of Supplies		
2.25	Reading, Inspection and Testing of Meters		
2.26	The Supply Meter Point Agreement		
2.27	Wholesale Contracts and Gas Derivatives		
2.28	Provision of Information to gas suppliers		
2.29	Business Separation		
3A.1	Interpretation And Construction		
3A.2	General Conditions Applicable To The Licence Holder In Relation To Postalisation Charges		
3A.3	Credit Committee		
4.1	Disposal of relevant assets		
4.2	Restriction on Use of Certain Information		

Supplementary information to licence compliance for gas suppliers

Indicator or licence condition	Market segment	Evidence	To be completed:
Annual REMM assurance letter	Supply business	Completed Statement of Licence Compliance	**Insert attachment to REMM assurance letter**
Separate accounts for separate businesses Condition 1.2(7)	Supply business	Regulatory accounts and auditor's report to the UR	**Insert date of submission to UR**
Payment of fees Condition 1.11	Supply business	Fees paid pursuant to licence condition	**Insert date of payment**
Deemed Contracts Condition 2.1	Domestic and I&C	The licensee must make a scheme for determining the Terms and Conditions (Ts&Cs) of their deemed contracts in accordance with the requirements set out in this licence condition. The scheme must be published on the licensee's website as required under the Energy Act (Northern Ireland) 2011.	**Insert weblink to where the scheme(s) are published on your website** **Insert number of customers that are on a deemed contract (as at 31 December)**
Code of Practice on Complaints Handling Procedure Condition 2.8	Domestic and I&C	The licensee must establish and operate a complaints procedure specifying the period within which it intends to process and resolve complaints. The period specified must not be longer than three months.	**State the number of complaints received during the year that:** **(a) took three months or longer to resolve;** **(b) are still ongoing after three months.** **Provide details of any such complaints**
Standards of Performance Condition 2.15	Domestic	The licensee must complete a Standards of Performance report (for each active licence held) and submit to UR and the Consumer Council and make the report public. Note that the standard format for the report has been determined by UR in accordance with paragraph 4 of this condition and is available within the templates	**Insert weblink to where the report has been published on your website**
Terms and Conditions condition 2.18(5)	Domestic	Up to date copy of each set of standard Ts&Cs published are accessible from the Licensee's website	**Insert link to each set of standard Ts&Cs on website**

Terms and Conditions Condition 2.18(7)	Domestic	Each set of standard determined Ts&Cs for domestic customers shall be fair and shall include the requirements as specified in the licence condition: copy of each set of standard Ts&Cs, highlighting compliance with each of these minimum requirements	**Please submit evidence for each set of standard Ts&Cs**
Terms and Conditions condition 2.18(8)	Domestic	Pursuant to the licence a domestic customer has the right to withdraw from and cancel a contract within ten working days of entering into the contract	**Insert number of customers (meter points) that have not been given the ten day cooling off period**
Terms and Conditions Condition 2.18(11)	Domestic	If there have been any changes during the year to the Ts&Cs of the contract with a domestic customer (terms include any tariff change), submit copy of supporting information highlighting relevant changes (i.e. copy of the customers Ts&Cs highlighting the changes, and a copy of anonymised letter to customer notifying the change(s)).	Has there been a change to the Ts&Cs of a contract with a domestic customer (including any tariff changes)? **Yes/No** **If the answer is Yes please submit evidence as requested**
Terms and Conditions condition 2.18(12)(b)	Domestic	Domestic customers on a fixed term contract should be notified of the expiry date of the contract as per licence condition, submit a copy of supporting information highlighting compliance with this licence condition (i.e. copy of anonymised letter to customer notifying them of the expiry date and unit rates etc)	Do you have domestic customers on a fixed term contract? **Yes/No** **If the answer is Yes please submit evidence as requested**
Provision of Information to Consumers Condition 2.19.3	Domestic and I&C	The licensee must use all reasonable endeavours to take an actual meter reading for each consumer on at least an annual basis.	**Insert number of supply meter points where an actual meter reading has not been taken within the last year.**
Reading, Inspection and Testing of Meters Condition 2.25	Domestic and I&C	The licensee must use all reasonable endeavours to ensure that an inspection of the meter and associated installation is completed at each premises at least once every two years. The licence condition details the tasks that must be included in the inspection.	**Insert number of supply meter points, as at 31 December, where an inspection of the meter and associated installation has not been completed within the previous two years.**

Annex 5 – Retail margins methodology

The following document has been produced by Cornwall Energy and details the methodology to calculate the net margins of NI suppliers in different customer groups.

IMPLEMENTATION OF THE RETAIL ENERGY MARKET MONITORING (REMM) FRAMEWORK

RETAIL MARGINS METHODOLOGY

30 JUNE 2015



Contents

1 Margin Overview

This document sets out the methodology for the calculation and allocation of revenue and costs to calculate a margin figure for electricity and gas supply under the Utility Regulator's (UR) Retail Energy Market Monitoring (REMM) framework.

Margin is to be calculated using the basic formula as set out in Figure 1 below. Information is to be provided to UR in arrears as outlined below.

Figure 1: Calculation of Revenue

$$M = R - C$$

$$C = (NC + PC + WC + SC)$$

M = Margin

R = Revenue

C= Costs

NC = Network Costs

PC = Policy Costs

WC = Wholesale Costs

SC = Supply Operating Costs

Each element of this margin formula is set out in more detail later in this paper. The assumptions required in the calculation and allocation of revenue and costs are set out below so they can be consistently applied by all suppliers over time. This will result in the margin of error being the same for all suppliers.

The calculation and allocation methodologies set out in this paper should be reviewed along with the supplier templates for provision of the margin information.

2 Disaggregation of margin information

The information will be disaggregated on the basis of customer groups whereby companies report energy sales revenues and costs segmented by main customer groups as set out below.

2.1 Electricity customer group segmentation

The electricity customer group segmentation is:

- domestic meter points on a standard evergreen tariff[1];
- domestic meter points on a non standard evergreen tariff;
- I&C meter points with annual consumption below 50MWh;
- I&C meter points with annual consumption between 50MWh and 499MWh; and
- I&C meter points with annual consumption greater than or equal to 500MWh.

[1] For the avoidance of doubt domestic standard evergreen tariffs are a requirement under condition 2.18 of the gas supply licence and condition 27 of the electricity supply licence

To ensure consistency for reporting in electricity, I&C meter points should be categorised into the customer groups based on their previous 12 months consumption ending in the reporting period. Where the actual consumption is not available (no meter reading in the reporting period) the supplier's estimated consumption used for customer billing may be used. If neither of these options is available for a particular customer, the Usage Factor may then be used. For new connections the customer's forecast annual consumption should be used until an actual annual consumption can be extrapolated from validated meter readings.

2.2 Gas customer group segmentation

The gas customer group segmentation for gas is:

- domestic supply meter points on a standard evergreen tariff[1];
- domestic supply meter points on a non standard evergreen tariff;
- I&C supply meter points with annual consumption below 73,200 kWh;
- I&C supply meter points with annual consumption between 73,200 and 731,999 kWh; and
- I&C supply meter points with annual consumption greater than or equal to 732,000 kWh.

To ensure consistency for reporting in gas, I&C supply meter points should be categorised into the customer groups based on the Annual Quantity (AQ) of each supply meter point (for example an I&C supply meter point with an AQ of 700,000 kWh would be categorised in the 'I&C supply meter points with annual consumption between 73,200 and 731,999 kWh' customer group.

3 Collection of Information

Margin information will be collected on a quarterly basis, reported by quarter in order to establish a trend of margins over time. The UR will expect the information provided to be reconciled to management accounts on a quarterly basis. This information will be collected one month after the end of the quarter following the reporting quarter. So, for example, quarter 1 information will be due at the end of July which is one month after the end of quarter 2. The UR will use the quarterly information to produce a rolling 12 month margin.

In addition the UR requires an annual return for margin information whereby the quarterly reported supply margins should be reconciled to the supply margins published in the regulatory accounts at the end of the accounting period. This is explained further in Section 8 of this paper.

4 Information on Cost Drivers

Suppliers should provide information on energy sales revenues and costs as set out in detail in Sections 5 and 6 of this paper. In addition suppliers should provide information on the following cost drivers:

- number of supply meter points at the end of the reporting period; and
- energy volume during the reporting period. The energy volume will be calculated as the billed volume during the period plus an estimate of the unbilled volume during the period:
  - unbilled electricity volumes should be adjusted for changes that the supplier may expect to be applied through the resettlement process and the settled net demand loss factor. Supporting assumptions should be provided;

- unbilled gas volumes should be net of shrinkage, theft and an estimate of bad debt. Supporting assumptions of the % level of theft and % level of bad debt should be provided.

Companies should provide to UR their assumptions of theft of gas on a percentage of total volume basis.

The number of supply meter points and the energy volume will be split into the required customer groups using the segmentations set out in Section 2.

5 Energy Sales Revenues

Below is the methodology for how gas and electricity revenue should be calculated and allocated into the customer groups set out in Section 2.

The revenues reported must only relate to energy sales. Revenue from other items (e.g. payments received from customers for siteworks charges) must be excluded.

The methodologies for calculating revenue for electricity and gas are inherently the same; the difference is in the allocation of the revenue into the customer groups.

5.1 Calculation of electricity and gas revenue

Energy sales revenue information should be derived from billing systems with allowance for unbilled volumes, gas shrinkage and theft and bad debts. Revenues should be presented exclusive of VAT. Estimates of revenues for unbilled volumes and bad debts should be consistent with those used for management accounts. Figure 2 illustrates.

Figure 2: Calculation of Energy Sales Revenue

$$R = BR + (UR - DR)$$

R = Sales revenue for the fuel in question

BR = Billed revenue from billing system

UR = Estimate of unbilled revenue as per management accounts (including allowance for theft and shrinkage for gas)

DR = Estimate of bad debt costs

5.2 Allocation methodology for electricity revenue

Billed electricity revenue information from the billing system should be extracted and allocated to the electricity customer groups set out in Section 2.

Unbilled electricity revenue should be estimated for each of the customer groups on the basis of historical usage. The unbilled revenue should be reduced for the estimated bad debt level.

Where the company has separate businesses, they must apportion revenue between those businesses in line with the requirement for separate accounts for separate businesses in licence condition 2 of the electricity supply licence.

5.3 Allocation methodology for gas revenue

Billed gas revenue information from the billing system should be extracted and allocated to the customer groups set out in Section 2. Unbilled gas revenue should be estimated for each of the customer groups on the basis of historical usage. The estimation of unbilled volumes should be net of shrinkage and theft of gas. The unbilled revenue should also be reduced for the estimated bad debt level. In addition suppliers should provide to UR their assumption, in percentage form, of theft and bad debt levels.

Where the company has separate businesses, they must apportion revenue between those businesses in line with the basis of apportionment provided to the UR under condition 1.2.5 of the gas supply licence.

6 Costs

Costs to suppliers should be separated into the following categories:

- network costs;
- policy costs;
- wholesale costs; and
- supply operating costs.

Where costs can be directly allocated to a customer group they should be. Allocation methodologies are detailed below in cases where direct cost allocation is not possible.

Where the company has separate businesses, they must apportion costs between those businesses in line with the requirement for separate accounts for separate businesses in licence condition 2 of the electricity supply licence and the basis of apportionment provided to the UR under condition 1.2.5 of the gas supply licence.

6.1 Network Costs

6.1.1 Calculation of electricity network costs

Electricity network costs should be allocated from the billed charges from the respective service providers covering:

- transmission as levied according to the statement of charges published by SONI[2] and the various usage parameters used for charging;
- distribution as levied according to the statement of charges published by NIE[3] and the various usage parameters used for charging; and
- credit costs as levied by the transmission and distribution companies.

Figure 3 provides an overview of the calculation of electricity network costs.

[2] See for example http://www.soni.ltd.uk/media/documents/Customers/TUOS/Final%20TUoS%20Statement%20of%20Charges%202014-15.pdf

[3] See for example http://www.nie.co.uk/documents/Regulatory-documents/DUoS-Statement-Oct14-Sept15.aspx

Figure 3: Calculation of electricity network costs

$$NCe = Te + De + \text{Ce}$$

NCe = total electricity network costs for the period

Te = published transmission costs for the period for electricity (including the Collection Agency Income Requirement tariff)

De = published distribution costs for the period for electricity

Ce = credit costs relating to electricity transmission and distribution

6.1.2 Allocation methodology for electricity network costs

Suppliers should allocate electricity distribution charges by the main distribution tariff types to the customer groups set out in Section 2.

Electricity transmission charges by customer group should be allocated using the methodology for wholesale electricity set out in Section 6.3.4 below.

Credit/collateral costs for network costs should be allocated on the basis of the resultant allocation of transmission and distribution costs.

6.1.3 Calculation of gas network costs

Gas network costs should be derived from the billed charges levied on suppliers covering:

- transmission as levied according to the statements of charges published by Premier Transmission Limited[4], BGE (Northern Ireland) NI[5], Phoenix Natural Gas Limited[6], firmus energy (Distribution) Limited[7] and National Grid[8] etc and the various usage parameters used for charging; and
- distribution as levied according to the statements of charges published by Phoenix Natural Gas Limited[9] and firmus energy (Distribution) Limited[10] etc and the various usage parameters used for charging; and
- credit costs as levied by the transmission and distribution system operators.

Figure 4 provides an overview of the calculation of gas network costs.

---

[4] See for example http://www.premier-transmission.com/

[5] See for example http://www.gasnetworks.ie/en-IE/Gas-Industry/Northern-Ireland/Transportation-services/Postalised-Tariffs/

[6] See for example http://www.phoenixnaturalgas.com/fs/doc/Transmission%20Capacity%20Charge%20for%20the%20Greater%20Belfast%20Area%2014%2015.pdf

[7] See for example http://www.firmusenergy.co.uk/media/Postalised-Capacity-Charge-Statement-10-Towns-1st-October-2014-30th-September-2015.pdf

[8] See for example http://www2.nationalgrid.com/WorkArea/DownloadAsset.aspx?id=33019

[9] See for example http://www.phoenixnaturalgas.com/help-and-advice/networks/charges/

[10] See for example http://www.firmusenergy.co.uk/about_us.aspx?dataid=507590

Figure 4 Calculation of gas network costs

$$NCg = \ Tg + Dg + Cg$$

NCg = total gas network costs for the period

Tg = published transmission costs for the period for gas

Dg = published distribution costs for the period for gas

Cg = credit costs relating to gas transmission and distribution

6.1.4 Allocation methodology for gas network costs

Gas transmission costs should be allocated on the basis of the capacity and volume figures for the period, to the customer groups set out in Section 2.

As the I&C customer groups set out in Section 2 match the I&C categories on the various distribution charging statements, suppliers should be able to allocate these charges directly to the customer groups.

Distribution charges relating to domestic customers should be allocated to the customer groups on the basis of the number of supply meters points in each customer group (i.e. standard evergreen tariff or non standard evergreen).

Credit costs for gas network should be allocated on the basis of the resultant allocation of transmission and distribution costs.

6.2 Policy Costs

6.2.1 Calculation of electricity policy costs

The relevant policy costs for electricity are:

- the electricity Public Service Obligation (PSO) charge as published by NIE[11] including collateral costs;
- the costs to the supplier of complying with the UK electricity Renewables Obligation (RO); and
- the costs of complying with the UK Climate Change Levy (CCL) for liable I&C consumption.

Figure 5 provides an overview of the calculation of electricity policy costs.

Figure 5: Calculation of electricity policy costs

$$PCe = \ PSOe + ROe + EROe + CCLe + ECCLe$$

PCe = total electricity policy costs for the period

PSOe = PSO levy costs for the period (including collateral costs)

ROe = RO levy costs for the period

EROe = Estimated RO levy costs for unbilled volumes

CCLe = CCL costs for the period (liable I&C electricity volume only)

ECCLe = Estimated CCL costs for unbilled volumes (liable I&C electricity volume only)

[11] See for example http://www.nie.co.uk/documents/PSO-Schedule-of-Charges-Oct14-Sept15.aspx

6.2.2 Allocation methodology for electricity policy costs;

Suppliers should allocate electricity policy costs by volume to the customer groups set out in Section 2.

6.2.3 Calculation of gas policy costs

Climate Change Levy is charged on liable I&C gas consumption. This figure will be calculated as the CCL costs charged for the period plus an estimate of the CCL liable to be charged on unbilled volumes.

Figure 6 provides an overview of the calculation of gas policy costs.

Figure 6: Calculation of gas policy costs

$$PCg = CCLg + ECCLg$$

PCg = total gas policy costs for the period

CCLg = Billed CCL costs for the period (liable I&C gas volume only)

ECCLg = Estimated CCL costs for unbilled volumes (liable I&C gas volume only)

6.2.4 Allocation methodology for gas policy costs

As gas policy costs are levied based on volumes, suppliers should extract information from billing systems and allocate these costs to the customer groups set out in Section 2.

Estimated CCL costs for unbilled volumes should be calculated as above for each of the customer groups based on historical usage.

6.3 Wholesale costs

6.3.1 Calculation of wholesale costs

As there are different market structures for wholesale electricity and wholesale gas, there are specific wholesale cost allocation methodologies for each fuel.

Where suppliers purchase energy for specific customers or groups of customers the supplier should allocate the cost of that energy and the associated volumes directly to the customer groups set out in Section 2.

For all other wholesale energy the allocation methodologies set out below are to be used. Suppliers should use actual trading profiles to allocate the wholesale costs to the customer groups within the period.

Should the volume allocation methodology not capture fully actual energy flows, any residual, positive or negative should be pro-rated to each customer group according to the proportion of already allocated energy purchased for that group.

6.3.2 Calculation of electricity wholesale costs

Suppliers should distinguish between the following wholesale costs:

- **contract volume**—payments made and units of energy (MWh) received under the terms of contracts made by the supplier with a counterparty ahead of delivery of the electricity, excluding credit or collateral requirements which are to be separately reported. This information should include all trades save those for SEM energy noted below (i.e. including brokered or bilateral long-term contracts);
- **credit and collateral costs**— any costs incurred posting security or securing letters of credit to allow wholesale trading;
- **contract capacity**—payments made and units of capacity (kW of capacity of electricity) received under the terms of contracts made by the supplier with a counterparty ahead of delivery of the energy;
- **SEM energy**—purchases for "balancing" volumes uncovered by contracts from the Single Electricity Market comprised of the SEM system marginal price (SMP) and the SEM capacity payments demand price;[12]
- **other SEM charges (electricity)—**covering the variable market operator price, imperfections charges and the system operator system support charge; and
- **resettlement charges—**the net cost to suppliers incurred in the quarter of this charge that reallocates initially settled volumes as more meter reading information becomes available.[13]

The calculations should be undertaken using an aggregated half hourly profile for the supplier's entire load profile. Figure 7 below illustrates.

[12] If a swap or contract for difference (CfD) contract is in place for electricity, any difference payments should fall under contract volume, any option fees should fall under contract capacity and purchases should fall under SEM energy.

[13] As more meter reading information becomes available, suppliers' wholesale electricity positions are restated by NIE triggering resettlement charges. These charges are billed three months and 13 months after the month of consumption. Suppliers should record the net cost of those bills that are paid in the quarter in question even though the adjustments will apply to electricity consumed prior to the quarter.

Figure 7: Calculation of electricity wholesale costs

$$WCe = \Sigma Whh + \Sigma Chh + \Sigma Co + Re$$

$$Whh = Vh * (SMP + Cap + Mop + I + S + CR)$$

WCe = Total electricity wholesale cost for the period

Whh = SEM-related wholesale cost for each half hour

Chh = additional contract costs that can be allocated to transactions covering a specific half hour (e.g. difference payments)

Co = other contract costs that relate to the period in question (e.g. availability payments)

Re = electricity resettlement costs

Vh = volume of electricity purchased (adjusted to customer meter for system losses and as appropriate the settled net demand loss factor)

SMP = SEM system marginal price (SMP)

Cap = capacity payments demand price

Mop = variable market operator price

I = imperfections charges

S = system operator system support charge

CR = credit costs

6.3.3 Allocation methodology for electricity wholesale costs

As stated previously, where wholesale electricity purchases have been made for specific customers or groups of customers these costs should be allocated directly to the customer groups set out in Section 2.

After separately allocating defined wholesale purchase costs for specific customers, the methodology of allocating by customer group for remaining wholesale electricity costs and credit costs is to allocate them by half hour proportionately according to the profiled consumption volume methodology outlined in Section 6.3.2.

6.3.4 Calculation of gas wholesale costs

Using aggregated meter and profile data for each day, the wholesale gas costs should be allocated as below:

- **wholesale cost of gas**—this should include the cost of forward purchases, spot purchases, exchange purchases and sales and balancing gas and relates to payments made and units of energy received under the terms of contracts made by the supplier with a counterparty ahead of delivery of the gas. This information should include all trades completed outside formal energy exchanges (i.e. including brokered or bilateral long-term contracts), whether they are for the purchase of energy or sell back of excess; and
- **credit**—any costs incurred posting security or securing letters of credit to allow wholesale trading.

The calculations should be undertaken using an aggregated daily profile for the supplier's entire load profile. Figure 8 illustrates.

Figure 8: Calculation of gas wholesale costs

$$WCg = \Sigma\,(Wdg + CRdg)$$

WCg = Total gas wholesale cost for the period

Wdg = wholesale gas cost for each day

CRdg = daily credit costs

6.3.5 Allocation methodology for gas wholesale costs

Where wholesale gas purchases have been made for specific customers or groups of customers these costs should be allocated directly to the customer groups set out in Section 2.

For the remaining wholesale gas purchases and for credit costs, the supplier should allocate costs into the customer groups proportionately according to the actual profiled consumption as described in Section 6.3.2 of this paper.

6.4 Supply Operating Costs

The calculation and allocation methodologies for supply operating costs are the same for electricity and gas. These are set out below.

6.4.1 Calculation of electricity and gas supply operating costs

Supply costs are defined as those costs incurred by the suppliers in providing energy to their customers that are not related to wholesale costs, network costs or policy costs. These are the costs which make up the operating costs section of the regulatory accounts.

Different companies will segment their businesses differently, but supply operating costs may be expected to cover functions such as:

- **customer services**—including, for example, energy trading and settlement, retail pricing, marketing and customer acquisition and retention, billing and transactional account management for larger customers, customer enquiries and complaints and debt management; and
- **business services—**including, for example, finance, HR, regulation, general management, IT, facilities and premises and insurance and rates.

Costs which do not relate directly to the sale of electricity or gas must be excluded from supply operating costs, these include, but are not limited to:

- costs for which the customer is subsequently charged such as siteworks costs;
- non regulated activities (e.g. any activity not associated with the NI electricity or gas supply licence); and
- Northern Ireland Sustainable Energy Programme (NISEP).

6.4.2 Allocation of electricity and gas supply operating costs

Operating costs should be directly allocated to the customer groups where possible. Where costs cannot be directly allocated suppliers will use their own allocation methodlogy to apportion the operating costs in the manner they consider most accurately reflects the split of these costs. In addition suppliers should provide to the UR the percentage split of operating costs across the customer groups.

Suppliers must also provide a summarised allocation methodology including a breakdown of the operating costs and the drivers used to allocate them. Where appropriate this allocation must be consistent with the methodology provided to the UR under licence. Once this allocation methodology has been provided it will only need to be updated whenever a supplier chooses to amend its allocation methodology.

7 Retail margins

Deducting the total of all costs from the revenue in each customer group will produce a retail margin value for each customer group. The retail margin figures should be reported on a quarterly basis showing their component parts by the customer groups in absolute money terms, percentage of total revenues and per unit revenue.

The retail margin figures should be reconcilable to the operating profit and profit before tax figures reported annually by suppliers in their regulatory accounts. A statement of this reconciliation should be provided by suppliers at the end of each financial year, as defined by licence.

The calculation process for the retail margin shown in Figures 9 and 10 for electricity and gas is designed to be the same for each fuel.

Figure 9: Calculation of electricity retail margin

Electricity retail margin $Me = Re - NCe - PCe - WCe - SCe$

Me = total electricity retail margin

Re = revenue from electricity sales

NCe = electricity network costs

PCe = electricity policy costs

WCe = electricity wholesale costs

SCe = supplier’s electricity supply operating costs

Presented for each customer group and in aggregate for the supply business as a whole. Reconciliation to regulatory accounts at the end of each financial year.

All values to be expressed by component in £m, percentage and £/MWh supplied.

Figure 10: Calculation of gas retail margin

Gas Retail Margin $Mg = Rg - NCg - PCg - WCg - SCg$

Mg = total gas retail margin

Rg = revenue from gas sales

NCg = gas network costs

PCg = gas policy costs

WCg = gas wholesale costs

SCg = supplier's gas supply operating costs

Presented for each customer group and in aggregate for the supply business as a whole. Reconciliation to regulatory accounts at the end of each financial year.

All values to be expressed by component in £m, percentage and £/therm supplied.

8 Reconciliation

8.1 Annual Reconciliation

Information will be provided from suppliers on a quarterly basis and will be the quarterly data for the previous quarterly period. This information should be reconciled to management accounts on a quarterly basis.

At the end of each financial year as defined by the supplier's licence, the supplier must provide a reconciliation of the previous four quarters to the regulatory accounts. UR requires a reconciliation of the margin figure to the regulatory accounts together with a detailed list of reconciling items. This margin figure will be the figure calculated on a 12-month basis from the information provided by the supplier for the previous four quarters.

8.2 K Factor

An additional below the line reconciliation is available for those regulated companies who wish to show the impact of the k factor on their regulated margin on a quarterly basis. This reconciliation will allow the price regulated suppliers to show in their price regulated margin where k factor, either included within the revenue or built up within costs, has an impact on their margin. The k factor included will be an estimate of the amount that the company will be able to recover from or will have to return to customers.

9 Submission of retail margin information

9.1 Quarterly submission

This template for quarterly retail margin information must be completed and submitted to UR within one month after the end of the quarter following the reporting quarter. So, for example, quarter 1 information will be due by the end of July, one month after the end of quarter 2.

9.2 Annual reconciliation

The annual reconciliation statement must be provided to the UR within two months of the deadline (set out in each supply licence) for submitting the annual regulatory accounts.