



CONSULTATION ON THE IMPLEMENTATION OF THE RETAIL
ENERGY MARKET MONITORING (REMM) FRAMEWORK

SSE AIRTRICITY RESPONSE TO
THE UTILITY REGULATOR OF NORTHERN IRELAND

2015

INTRODUCTION

SSE Airtricity welcomes the opportunity to comment on the utility regulator's paper "Consultation on the implementation of the retail energy market monitoring (REMM) framework".

SSE Airtricity is the largest independent supplier operating in Ireland with over 800,000 customers served across both electricity and natural gas markets. In Northern Ireland, SSE Airtricity is in a unique position of being the largest competitor to the incumbent electricity company, while also being the incumbent gas supplier in the Greater Belfast area. SSE Airtricity is committed to the development of competition in energy markets in NI and to presenting its customers with choice and quality customer services.

SSE Airtricity recognises the importance of monitoring key indicators within the energy markets to ensure that customers are adequately protected and that competition is developing appropriately, however we have concerns with a number of the proposals in the current consultation on REMM.

GENERAL COMMENTS

SSE Airtricity welcomes the utility regulator's consultation paper and the recognition given by the utility regulator to the importance of retail energy market monitoring. However, SSE Airtricity considers it essential that the introduction of REMM in NI is done in a proportionate and appropriate way that does not lead to unnecessary excessive obligations and cost being placed on suppliers and ensures that useful information is produced to inform the UR.

It is clear from legislation that there is a requirement for the energy markets to be monitored by the UR.

These are clearly set out in Directive 2009/72/EC which set out the 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 distortion or restriction of competition..."

While SSE Airtricity recognises that the UR may be able to use a number of aspects of both legislation and licensing to request information, the use of those powers should not be in a disproportionate way. We note that while the powers which underpin the REMM project come from the EU directives, the intention with respect to collection of some aspects is clear in the directives as linked to household customers only. SSE Airtricity notes the UR has chosen in a number of these areas to extend these requirements to high levels of detail in I&C markets which is not a requirement of the directives including, prices, margins and complaints. These provide for additional cost of market participation not needed to meet the directives' requirements.

SSE Airtricity supports the UR own 'ideal' vision for a future electricity and gas supply consumer environment

- *Well informed consumers that have access to clear and easily understood information and are aware of different suppliers, products and tariff/service choices.*
- *Consumers that benefit from competition as much as possible, but are also protected by ongoing regulatory action.*
- *An effective market monitoring framework for the retail energy markets. This will enable us to ensure that the energy markets operate effectively and that consumers are protected.*
- *Adequate protection for consumers, especially vulnerable ones, in NI retail energy markets.*

SSE Airtricity questions whether a number of measures set out in the consultation are proportionate and appropriately targeted given the scale of the market and level of competition development that has taken place or is likely to take place. The UR has stated within its consultation paper that it considers its proposals to be proportionate, SSE Airtricity questions whether this can be the case. In a number of cases the UR is proposing requirements in far greater detail and placing far greater cost and obligation on suppliers in NI than is required in either ROI or GB, both of which are considerably larger markets than NI and are also at a far greater level of competition development. The cost of implementing regulatory requirements are also spread over far greater numbers of customers in these markets.

It appears that the UR has decided to proactively seek information in relation to areas that may become a concern at later stage in the

development of competition without full consideration of the cost to meet these requirements and impact on suppliers.

The UR has sited issues in the GB market as a basis for implementing the level of detail in its own REMM proposals. Although SSE Airtricity understands that it is important to learn from any issues that may have arisen in the GB market, it is important to understand the differences between the NI and GB market, in particular the scale of the NI market. In NI the majority of customers still sit within markets that are directly subject to price regulation which effectively provides a benchmark for suppliers to compete against. This means that there is an effective cap on retail margins in those markets. The Cornwall Report recently commissioned and published by the UR into the effectiveness of retail markets in NI identified no issues with respect to the operation of the retail market and in fact signalled that it is unlikely that competition will ever develop to the levels experienced in GB due to the size of the market and scope for entry.

Therefore, it is important to recognise the relatively small size of the NI market, the possibility of competition development and the impact that requiring such high levels of detail and information will have on suppliers when making their decisions on products, market entry and the costs in relation to reporting. In a number of areas the UR appears to be proposing the introduction of permanent and ongoing monitoring of particular areas, simply to assess if issues that may be happening in the GB market are happening in NI. This is not a proportionate approach to monitoring and SSE Airtricity believes the level of detail required in particular around financial reporting should only be required in the event of an investigation being required, based on actual concerns in the market.

The management and reporting of customer information is a central function for all suppliers and the issues associated with monitoring is an ongoing focus of attention for our company. SSE Airtricity therefore supports the UR in its monitoring role but believes that more consideration should be given to aligning indicators with the way in which suppliers operate rather than artificially creating reporting requirements that do not reflect normal operation.

SSE Airtricity is also concerned that in collecting and publishing a wide range of information, the UR may inappropriately represent the energy industry due to specific market limitations and irregularities. Therefore narrative is essential to provide explanation of any information that is published.

POTENTIAL UNINTENDED IMPACTS

While SSE Airtricity recognises that it is not the URs intention to impact supplier businesses, we believe there are a number of potential unintended impacts that the level of detail and requirements may have on supplier activity:

1. Creating a barrier to entry – SSE Airtricity believes that introducing such a level of onerous requirement for suppliers creates a direct barrier to entry due to the cost of implementation and ongoing resource requirement. The level of detail required is unwarranted in such a small market, being higher than requirements in either GB or ROI. This is exacerbated in the treatment of the retail gas market where the UR proposes to collect data separately in each retail area. This effectively means a supplier proposing to enter into all gas markets (following completion of gas to the west), under current proposals, could find they have to produce effective p&l financial reporting under 18 different categories to support less than 200,000 customers. SSE Airtricity does not believe this could be considered a needed or proportionate approach to retail market monitoring.
2. Reducing innovation - We note the UR is proposing to separate financial reporting for domestic customers by contract type, creating higher levels of requirement for suppliers choosing to enter into markets and offer different or more innovative contracts to customers. This means that suppliers trying to compete against regulated tariffs with low margins will now experience higher levels of cost and system set up than incumbent suppliers if they choose to offer a different type of contract. SSE Airtricity believes this may actively influence the choice of offering suppliers make to customers in order to reduce cost in meeting regulatory reporting. This would be seen as a direct negative impact of REMM on the development of competition and we consider this to be an inappropriate outcome of an exercise that is designed to monitor markets and support competition development for the benefit of customers.
3. Creating misinformation – SSE Airtricity believes that under the proposed indicators for complaints and retail margins in particular, the URs proposals will lead to misinformation being created about supplier operations that will create an inaccurate view of supplier behaviour and also will not be useful to inform decision making and policy development. This is due to suppliers being required to create a level of

detail in a way that supply businesses do not generally operate. This is discussed further in these particular indicators.

4. Collecting confidential financial information – SSE Airtricity notes the UR has been unable to give confirmation that the information submitted by suppliers will remain confidential due to its requirements around FOI. The UR is asking suppliers to provide an extremely detailed level of information down to customer category level which could seriously impact a supplier's commercial operation if that information was to be made available. We also note that the NI market is small and staff move between utilities on a regular basis so providing this level of detail could lead to unintended knowledge sharing through people movement. SSE Airtricity does not believe that having this level of detail is a requirement for effective retail market monitoring. This is evident in the fact that neither the CER or Ofgem have opted to collect this level of detail from suppliers despite being far larger and more competitive markets and being governed in their roles by the same European Directives as the UR. We note that Ofgem have reviewed their reporting requirements on a number of occasions since introduction in 2010, most recently in December 2014, and have maintained their requirement for information only at a domestic/non-domestic level.

SPECIFIC COMMENTS

Impacts on equality

Q1. In order to assist with equality screening of the proposals contained within this consultation paper, we request that respondents provide any information or evidence in relation to the needs, experiences, issues and priorities for different groups which they feel is relevant to the implementation of any of the proposals. We welcome any comments which respondents might have in relation to the overall equality impact of the proposals. In particular we would like to know our stakeholders' views on any areas of the consultation which may have an impact on these groups, and if those impacts are likely to be positive in relation to equality of opportunity for energy consumers. In addition we are interested in receiving information on why and how we may refine the proposals if stakeholders consider that they do not currently meet the equality provisions.

SSE Airtricity does not believe that any of the proposals contained within this paper will have any impact on the equality of opportunity in relation to the persons listed in section 75 of the Northern Ireland Act.

Data submission process

Q2. We currently collect retail market monitoring data from both network companies and energy suppliers. REMM will integrate our current retail-related monitoring programme with the new monitoring indicators discussed in this paper. We intend to enhance the process through which we collect all information under the REMM framework. This will add clarity for network companies, suppliers and us, and ensure a consistent approach is taken to data collection for both the gas and electricity retail markets. As previously mentioned in section 3.2 the SoD will also add clarity and consistency to the REMM indicators as we have defined all appropriate terms which are used in the description of indicators

SSE Airtricity supports a consistent approach to data collection and the avoidance of duplication. Where possible SSE Airtricity believes that network companies should provide information on behalf of the industry to reduce the need for suppliers to set up individual reporting requirements. SSE Airtricity notes the UR move to collect data for the electricity market in line with Eurostat bands. If this is to be pursued SSE Airtricity suggests that DUoS bands should be aligned to reduce the complexity for suppliers in trying to report against bands that do not exist at this stage in systems/industry.

Statement of Definitions

Q3. The UR want to know if any supplier has any issue with statement of definitions as contained in Annex 1

SSE Airtricity supports the majority of proposed definitions. However, SSE Airtricity believes the definition of 'margins' should firstly be amended to 'retail margins' for clarity. In addition SSE Airtricity believes the definition of retail margin should be an explanation of what is meant by the term rather than a reference to an appendix or an equation.

Proposed REMM indicators

Q4. For each of the indicators we welcome comments from stakeholders and specific

- **feedback on the following:**
- **the purpose of the indicator;**
- **collection of the indicator;**
- **disaggregation of the customer groups;**
- **proposals for publication of the information (where applicable);**
and
- **in particular for suppliers and network companies: when you comment on the capability of your current systems to deliver REMM obligations, please be specific about any potential limitations of your systems, and the modifications required in order to provide the data in the requested format. If there are costs associated with any required changes to your systems please provide detail of these costs in your response.**

Market Shares

SSE Airtricity recognises the importance of collecting information on market share for the purpose of REMM. As set out above, we believe it may be appropriate to align industry categories to assist in reporting and reduce complexity and cost.

New Connections/Registrations

SSE Airtricity supports the collection of this information and the proposed level of disaggregation.

Switches Requested

SSE supports the collection of this information and the proposed level of disaggregation.

Switches Completed

SSE Airtricity recognises the importance of collecting this information, however there are issues regarding the collection of information with respect to certain gas prepayment meters. Due to the industry design and set up, if a customer changes supplier using certain prepayment meters, the switch will not complete until a secondary code has been inputted into the meter. In scenarios where a customer neglects to follow the correct process and input the code, the premise will remain with the original supplier but commence billing on the gaining suppliers billing system. In terms of market monitoring it may show up as two switches as the customer has gone through the designated switching process and system twice. We support

clarification around recording and reporting this information in the REMM decision.

Switches taking longer than 15 days to complete

SSE Airtricity recognises the importance of collecting this information as part of REMM.

Sticky Customers

SSE Airtricity supports the collection of information on sticky customers and recognises its importance in assessing whether customers are engaging with the market. However, SSE Airtricity does not agree with the URs proposal in its current format. Normally a 'sticky' customer is considered to be a customer who has ceased engaging with the market and continues to remain on the suppliers default tariff. We believe that the measurement of a sticky customer should begin from the point that a customer is on the supplier's default tariff rather than the point a customer switches to the supplier. This is because a customer who is on a fixed term contract/discount should be considered engaging with the market and would not normally consider engaging with the market again until their contract has expired. In its current form the indicator would consider a customer who had taken a two year fixed contract/discount followed by one year on standard rate to have the same level of engagement as someone who has been on standard for three years. SSE Airtricity does not believe this is comparing like with like and reaching a useful assessment of engagement. SSE Airtricity also believes this assessment must take place at the customer level rather than connection level as measuring the length of time a connection is with a supplier does not reflect customer engagement and in many cases customers may be changing but the same supplier remains at the connection. SSE Airtricity would like to suggest the following as a possible alternative:

- Customers that have never switched from the incumbent supplier
- Customers that have remained on a suppliers default/standard tariff for more than three years

SSE Airtricity believes that in the event the UR proposes to publish this information, that only information regarding customers that have never switched from the incumbent supplier should be published or that information should be published in aggregate only where there are three or more suppliers in a particular market. Information published in aggregate as

part of REMM should not lead to the ability to identify specific supplier data. This would be possible using the incumbent figures against the aggregate figures if only 2 suppliers exist in the market.

We have provided a number of scenarios in the table below to assist in demonstrating engagement/sticky customers under the proposed changes:

	Year 1	Year 2	Year 3	Year 4	Outcome
Customer 1	Standard Tariff	Standard Tariff	Standard Tariff	Standard Tariff	Sticky Customer
Customer 2	1 year contract	Standard Tariff	Standard Tariff	Standard Tariff	Sticky Customer
Customer 3	1 year contract	Standard Tariff	Standard Tariff	New Contract	Not Sticky
Customer 4	1 year contract	Standard Tariff	New 1 year contract	Standard Tariff	Not Sticky
Customer 5	2 year contract	2 year contract	Standard Tariff	New 1 year contract	Not Sticky

Rejected Switches

SSE Airtricity supports the collection of this data.

Objected Switches

SSE Airtricity recognises the importance of collecting this data as part of REMM.

Debt Contact Notifications

SSE Airtricity recognises the importance of collecting this data as part of REMM.

Erroneous Transfers

SSE Airtricity recognises the importance of collecting this data as part of REMM.

Notional Gas Meter Reads

SSE Airtricity recognises the importance of collecting this data as part of REMM.

Meter Mix Ups identified during switching

SSE Airtricity recognises the importance of collecting this data as part of REMM.

Credit Balances on Quantum PPM

SSE Airtricity recognises the importance of collecting this data as part of REMM.

Outstanding Balances on Quantum PPM

SSE Airtricity recognises the importance of collecting this data as part of REMM.

Credit Balances on Libra PPM

SSE Airtricity recognises the importance of collecting this data as part of REMM.

Renegotiated Contracts

SSE Airtricity recognises that considering the number of renegotiated contract is valid in the context of REMM and understanding customer engagement. However, SSE Airtricity is concerned that the UR appears to be proposing to only measure renegotiated contracts where a customer has a more favourable tariff as the outcome. There are a number of reasons why a customer may renegotiate their contract including cost, convenience and suitability for their needs. All of these are valid reasons and should be recorded as they all represent customer engagement.

SSE Airtricity supports the exclusions proposed by the UR.

SSE Airtricity does not support the level of disaggregation proposed by the UR in this category. We note this is a far higher level of disaggregation than is required in other more competitive markets, including GB and ROI. SSE Airtricity believes that information for I&C customers should not need to be

broken down to this level of detail and these should be aggregated to reduce implementation and ongoing support costs for this indicator.

Disconnections

SSE Airtricity recognises the benefit in monitoring levels of disconnection within the context of REMM. However, we believe that this information should be network driven using market messaging codes or the request processes in place. This will ensure there is only one record of disconnection being presented to the UR and that record is presented by the bodies who undertake the disconnections. If required, a validation exercise could be undertaken by suppliers in relation to the network data to provide an explanation for the actioned disconnections. This would reduce industry cost of implementation as only one report would need to be developed for each industry by one party rather than network operators and each supplier having to develop individual reports. A similar arrangement is in place in ROI where suppliers validate the reasons for disconnection against the network operators report on a regular basis.

It should be noted, measuring vacant properties has been the subject of much discussion in ROI and has proven very difficult to monitor accurately unless a customer or network operator has specifically identified the property as vacant through a request or site visit, therefore this may be a category that requires further consideration.

Reconnections

SSE Airtricity recognises the benefit in collecting this information as part of REMM, however believes this information should be provided by the network operators on behalf of the industry as the network operators hold this data for all participants. This will reduce the cost of implementation for the industry rather than all suppliers having to separately develop this report.

Debt Recovery PPM

SSE Airtricity considers it appropriate to collect this information in the context of REMM. However, do not believe this information should be published.

Complaints

SSE Airtricity notes that the requirements of the EU directives to monitor complaints are with respect to household customers only and therefore

believe suppliers should only be required to incur the costs of meeting any implementation or ongoing requirements with respect to complaints for household customers only.

“The expression (through various possible channels: letter, email, phone call physical claim) of a person’s dissatisfaction”

As set out in SSE Airtricity’s response to the ongoing consultation on codes of practice, we have serious concern with respect to the broad definition of a complaint proposed by the UR. If the purpose of the indicator/definition is to inform the UR with respect to issues in the market then only complaints which represent true issues within the market should fall within the definition. These, in the view of SSE Airtricity, are complaints which directly relate to the operation of a customer’s account or the supplier within the energy industry and require some level of consideration, action or follow up on the part of the supplier. A customer would not normally be considered to be making a complaint if they make an expression of dissatisfaction that is not related to something the supplier has responsibility for. In the event that all expressions of dissatisfaction are included in monitoring requirements this will lead to an artificially high level of complaints being recorded against suppliers and not provide a useful indicator of any trend or issues in the retail market and in fact could serve to mask genuine issues.

With respect to the level of detail being requested by the UR, SSE Airtricity notes that the UR is requesting a significantly higher level of detail than is required in either the GB or ROI markets and that implementation of this level of detail will require significant changes to systems and training for staff members.

At this time, recording of complaints within SSE Airtricity is designed to support customer services and identify customer issues in line with business operation. This allows clear improvements to be made if identified as necessary. The definition of complaint proposed by the UR, if implemented to existing systems, will render records inappropriate for this purpose as ‘any expression of dissatisfaction’ will mask real issues. Therefore, in the event that the proposed definition is retained, a secondary parallel recording system will have to be developed to meet the REMM requirements. SSE Airtricity considers this to be an onerous requirement for suppliers to meet and highly costly to implement.

Separately, the categories proposed by the UR do not reflect how we would always classify complaints. Again, in addition to requiring a second

recording system, this would require two different ways of recording each complaint received. This is difficult to implement and will lead to a far higher level of internal compliance monitoring to support and ensure that agents are correctly logging each contact in two different ways. SSE Airtricity believes the UR should reconsider its definition and consider collecting data under slightly broader headings which would allow suppliers to use their existing reporting categories in a similar fashion to the arrangements required by the CER in ROI. (There is no category breakdown requirement in GB) In the event that an issue appeared to be arising, further detail could be requested at that stage from the individual supplier involved or all suppliers, as necessary, rather than requiring such a level of change and reporting on an ongoing basis.

SSE Airtricity would also like to flag concern that network driven complaints are not clearly identified in the URs proposals nor is information being collected from the network operators. Network related activity significantly impacts supplier and customer activity and should form part of REMM to ensure that any issues with network activity and its impact on customers and competition are also clearly identified and addressed within the URs activity. SSE Airtricity has experienced customer perception that a reduction in service regarding meter reading had occurred following switching in the electricity market when in reality that service is provided by the network operator to all suppliers equally. Under current reporting that could signal a supplier issue and create a poor impression of a supplier when in reality the issue is network driven with little control possible for the supplier.

SSE Airtricity would like to highlight possible confusion around descriptions on reporting on Metering & Site-works and Meter Reading. The description of the complaint categories for both Metering & Site-works and Meter Reading as contained in the templates both refer to complaints as 'non-billing related metering issues such as mix-ups, meter position, meter details, faulty meters, site works jobs (e.g. meter exchanges, meter repositioning), charges for site-works, complaints re. on-site staff etc.' We believe that these need to be defined more clearly for each category if they are to be implemented. Furthermore while there is some scope to report on these in gas, we believe that categories of this nature should be reported at a network level, in particular for electricity.

If the purpose of monitoring complaints is to drive improvements and identify issues for customers it is essential that the impact network operators have on the development of service and competition forms clear

part of the monitoring regime. This will also increase customer awareness that network operators are separate to suppliers and assist with developing competition by reducing customer's perception that network services may change if they switch supplier.

SSE Airtricity notes the URs desire to publish complaint related data in order to drive better service to customers, however we believe it is not appropriate to publish data at such a level of disaggregation as this could create an artificial view of good or bad behaviour in the market. If a supplier is not operating in a market segment or does not use a particular method of selling/marketing then a supplier who does could be benchmarked against a supplier that does not. We would suggest that the categories of Doorstep, Face-to-Face, Telesales, Phone/online, Marketing literature, and Other be grouped together under one banner of Marketing/Selling Complaints for publication. We believe that this would give a more accurate view of market activity in relation to complaints for the overall groups and we see no merit in separating these out in the way that it's presented here.

We also note that is more likely that suppliers competing against incumbents will have complaints in these categories as incumbents are less likely to undertake these activities due to their position in the market. This could create an impression that new entrant/ competing suppliers are poor relative to the incumbents which would be an incorrect assessment and not comparing like with like. Consideration should be given to the inclusion of narrative to support any proposed data for publication to ensure understanding of what is being presented.

In advance of publication, SSE Airtricity believes an exercise must be undertaken to calibrate data and ensure that all suppliers are recording and reporting in the same way. In the absence of this type of exercise, a supplier could appear to be having far more complaints than a competitor due to different standards of recording being used. We note that in GB calibration took place before publication until it was agreed that suppliers were all recording and reporting in the same way.

We believe reporting and publication of CCNI complaints should remain the jurisdiction of the CCNI and should not form part of UR publications. In our experience, the CCNI may take a complaint from a customer within a very short period of time before a supplier has had the opportunity to attempt to address an issue and resolve it. This is unlike GB and ROI where complaints are only considered by the ombudsman bodies after the supplier has been

given a minimum period of time to attempt to resolve and go through a process with the customer. Whilst we fully appreciate the role that the CCNI has in relation to resolving consumer complaints, we believe that this category will create duplications between each of the other categories unlike other jurisdictions where these type of complaints would be seen as a follow on to completion of the supplier process. In some cases we have found complaints being registered with the CCNI within 24-48 hours of the supplier being contacted. This does not reflect the level of activity or effort the supplier may have been undertaking to resolve the issue at the time.

SSE Airtricity fully supports reporting against categories to be done on an x complaints per x customer numbers bases and considers this essential to ensure no bias is created due to size of supplier.

Standards of Performance

SSE Airtricity recognises the need to report on this data as part of REMM.

Diversity of Tariffs

SSE Airtricity notes that monitoring of this level of information for I&C customers is not a requirement of the EU directives underpinning the REMM requirements and therefore believe the UR should not place additional unrequired cost and monitoring on suppliers in the absence of an issue being identified in the market.

Final Prices

SSE Airtricity recognises the need to monitor prices in the way set out by the UR, however these should be aggregated in the larger customer segments as direct publication of this data could allow clear access to pricing by suppliers to larger entities due to the small number of customers in these categories in NI. This would be inappropriate disclosure of information that would not be in the public domain.

Customer Account Balances

SSE Airtricity are concerned with the level of ongoing requirement to report to the UR with respect to customer account balances and are unclear why this requirement is being placed on suppliers. We note the URs reference to issues recently identified in the GB market, however do not believe that issues in another market should lead to such an onerous permanent and ongoing reporting requirement in the absence of any similar issues being identified in NI. If there are concerns with respect to operation, we believe

these should be addressed by ensuring suppliers have clear processes in place rather than through permanent ongoing monitoring of financial data. This would reduce implementation costs for REMM.

SSE Airtricity can see no benefit to the development of competition or customer protection in publishing this supplier data. The only area this could possibly be of use is published in aggregate as part of a general awareness campaign.

Retail Margins

SSE Airtricity would like to express serious concerns in relation to the proposals for data collection regarding retail margins. We note that these proposals go far further than any information collected by the CER and Ofgem in GB and ROI, under the same EU directive driven requirements, despite the greater size of markets and the higher level of competition in operation in both jurisdictions. SSE Airtricity can see no reason why there would be a greater level of requirement or need for greater level of requirement in NI given the scale of the market, the level of competition currently established and the level of competition likely to develop as set out in the Cornwall report. SSE Airtricity is of the view that the proposed requirements place a significant undue burden on suppliers and will also serve as a barrier to entry and barrier to innovation, exacerbated in the gas and domestic markets.

Under current proposals, a supplier attempting to compete in all current gas and electricity market segments in NI would now have to produce effectively 17 different p&l reports on a quarterly basis for the UR with that increasing by a further 6 reports when the gas to the west project is complete. This type of detail would only be expected normally if an investigation, such as the current CMA review in GB, was being undertaken and SSE Airtricity can see no basis for this being considered a proportionate approach to ongoing retail market monitoring in NI. We also believe that this level of information is unnecessary given that the majority of customers are still served by markets subject to price regulation which provides an effective margin cap if a supplier wishes to compete in the market.

Separately, SSE Airtricity cannot see how requiring suppliers to allocate the costs of their businesses to such a level of detail, when suppliers do not operate in this way, can provide insight or meaningful understanding of supplier costs or retail margins. The more detail required the further from actual operation the calculations become. SSE Airtricity suggests that any

reporting requirements should be only be disaggregated to domestic and I&C level.

In terms of quarterly reporting, SSE Airtricity is seriously concerned that the UR would seek ongoing disclosure of such commercially sensitive data in an unaudited form within financial year. SSE is subject to strict financial requirements as a listed company and can only disclose financial information in particular ways. The UR, in its consultation paper, has been unable to provide any guarantee of confidentiality of this information and therefore should not be requesting information that could have a direct and considerable impact on a business should it be disclosed through error, FOI or due to other reasons. SSE Airtricity also does not see the benefit that quarterly reporting provides, in particular given the seasonal nature of energy use and the way in which k factor may impact regulated markets. SSE Airtricity believes any information requirement in this area should be aligned with annual financial reporting timeframes, taking into account the supplier's financial year, giving a reasonable timeframe to disaggregate data to the URs requirements.

SSE Airtricity believes the additional layer of disaggregation of domestic customer information between contract type may influence suppliers' strategy and may lead to a reduction in innovation to avoid incurring additional regulatory reporting costs. This would be a seriously negative outcome for the development of competition in particular given that REMM is designed to monitor and ensure that competition is developing appropriately.

With respect to the specific calculation proposals SSE Airtricity makes the following comments:

- Information on cost drivers - the proposal has stated that it required "...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." There is no specific treatment indicated as to what volumes should be used for unbilled. Shrinkage and theft are both factored into the assumptions of unbilled volume, so it would be helpful to understand whether assumptions should be consistent across suppliers for these elements.
- Wholesale Costs - SSE Airtricity believes a WACOG approach to wholesale costs should be adopted for reporting purposes in gas. In

electricity it is unclear how resettlement and NDA costs are proposed to be allocated.

- Supply Operating Costs - The retail margin paper states that “non regulated activities” costs should be excluded from operating costs. It is unclear what this refers to. The suggested method to allocate operating costs is for an allocation based on revenue. Although a high level method for allocating these costs is favourable when compared to a more burdensome process, we note that operating costs will not agree to year end accounts, as the methodology clearly states that certain costs should be excluded. In addition for our gas business, the allocation will not agree with the price control reconciliation as different methodologies are being applied. We would strongly suggest that providing net margin by customer category will be an exercise in estimation and does not provide enough value for the level of work that would be required. It is also creating incorrect information as it will create the impression that far higher levels of operating cost are incurred to serve I&C customers than domestic customers which will impact future decisions incorrectly. A gross margin perspective, although still too granular on a customer category basis, would be a better representation and in turn more useful.

Statement of Licence Compliance

SSE Airtricity has no issue with the category as currently presented in the consultation and should be able to report on this.

COST & IMPLEMENTATION

The UR has asked in its consultation paper for implementation timelines and costs to be provided as part of supplier responses. SSE Airtricity is seriously concerned at the level of requirement being proposed by the UR, the timelines and the costs of implementation and ongoing maintenance that will be required to support REMM. The UR has also indicated that a phase two to REMM will be required so suppliers may face a repeat cost to implement further requirements in the near future. It should be noted that ultimately these costs will be passed through to customers in NI and therefore should be kept at a minimum. As previously stated, the proposals far exceed any requirements in ROI and GB where there is a far greater level

of competition development and a much larger customer base over which to spread the cost of implementation.

As set out in our response, where the possibility to gain data from the network operator exists this should be explored as it will reduce the overall industry cost for implementation. In the absence of full decision it is difficult to provide detailed assessment of impacts however SSE Airtricity can provide the following high level assessment to assist in informing the URs decision:

1. SSE Airtricity operates two different systems for its gas and electricity businesses therefore all systems changes will have to be implemented separately for each business and costs will be incurred twice
2. The requirements will impact systems used by approximately 300 members of staff on a daily basis, therefore training and implementation will have to cover all of these staff members on an initial and ongoing basis.
3. The level of financial reporting proposed will not be supported from within existing financial systems as these cover business activity across a number of SSE businesses, therefore a separate system for financial reporting will be required to meet the URs requirements. IT costs for this are at this time unidentified but it is expected that this will require an additional member of staff for each of the electricity and gas businesses to maintain this data and to produce the reports required.
4. Significant changes will be required to existing systems to support the operational reporting required. IT costs are unidentified at this time, however it is expected that an additional member of staff will be required to ensure ongoing compliance with new reporting requirements given the number of people that will be feeding into the changed systems on an ongoing basis.
5. Systems changes – while a full assessment of changes required cannot occur in advance of the URs decision, based on similar projects undertaken to change systems, it is expected that the costs for implementing systems changes will be at least in the region of €500,000. This will be dependent on the level of detail required in the final decision. It should also be noted that systems changes of this nature usually take at least 6 months to deliver from the point of commencement. Commencement is dependent on budget and resource availability and all aspects of changes may not be possible to implement in parallel depending on which aspect of systems are being changed.

In a number of areas, the information being requested by the UR will not be available retrospectively as it does not exist at this time and therefore will only be available for reporting purposes following systems changes, embedding and considerable work being undertaken to implement and reorganise internal operations. SSE Airtricity does not believe the timeframes for commencing submission of data to the UR are realistic or possible to meet.

CONCLUSION

In summary, SSE Airtricity recognises the importance of and supports the development of an appropriate market monitoring framework within the energy industry. However, SSE Airtricity does not consider the current proposals, in particular regarding complaints and financial information, proportionate to the scale of the NI market, level of competition currently and likely to develop and the level of cost that will be ultimately passed through to customers.

SSE Airtricity is further concerned that the UR is already considering a second phase of reporting requirements for suppliers meaning that suppliers may again face considerable further implementation costs and ongoing resource requirement in the near future.

SSE Airtricity asks the UR to reconsider the level of requirements proposed in a number of its indicators and strongly suggests that implementation of any reporting requirements are aligned and tied into similar projects if related and necessary. We would note that the UR has set out a number of other industry IT projects for 2015 and 2016 in its work programme and the impact of these should also be taken into consideration.