

RETAIL ENERGY MARKET MONITORING

Annual Transparency Report 2014 and Quarterly Transparency Report 2015 Q1



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

This paper merges the most recent Quarterly Transparency Report (QTR) with the first Annual Transparency Report (ATR), and replaces the annual Energy Retail Report. Both of these reports provide a range of information about the retail energy market in Northern Ireland (NI).

The data shown in these reports relate mainly to market shares, market activity, domestic prices in the electricity and gas retail markets, and industrial and commercial (I&C) electricity prices.

The information shown in this report comes from network companies, suppliers, Department of Energy & Climate Change (DECC) and Eurostat. Some figures have been calculated internally.

The QTRs are released at the end of the second month after each calendar quarter (in Feb, May, Aug and Nov). Going forward, we will aim to publish the ATRs for information related to the previous calendar year at the end of May, and alongside the relevant QTR.

Audience

Electricity and gas industry, government departments, consumer associations, regulators, statistical bodies, suppliers, potential new market entrants, researchers and journalists.

Consumer impact

This set of reports increases transparency for consumers on matters of their direct interest, such as the active suppliers in each energy market sector and NI prices compared to other jurisdictions. This information helps consumers to have increased access to comparable supplier information, which will enable them to engage more actively in the energy market.

The information used to produce these reports allows us to monitor the energy retail markets and flag potential concerns, for example switching irregularities, suppliers' activity in specific areas, etc. Proactive monitoring informs our regulatory decisions, allowing us to protect our consumers by setting policies that are based on appropriate knowledge of what is happening in the market.

The QTRs and ATRs are the reports we use to communicate some of the main indicators we currently monitor in the retail energy markets.

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1 Introduction

1.1. Purpose of this document

The purpose of this report is to deliver transparency for stakeholders and consumers, providing readers with readily accessible information on the evolution and performance of NI electricity and natural gas retail sectors.

Once the UR's new Retail Energy Market Monitoring (REMM) framework has been finalised, we will continue to use the Quarterly Transparency Reports (QTRs) as the means to publish quarterly information that we are currently monitoring. We will continue to make ongoing additions to this set of reports to ensure a regular and structured flow of relevant information for our stakeholders.

In addition to the regular QTRs, up until last year we had also produced a series of broader ranging Energy Retail Reports¹ that reported annual retail energy information. From now on, the annual Energy Retail Report (ERR) is being replaced by the Annual Transparency Report (ATR). The ATR merges the relevant quarterly information and the annual figures for the preceding calendar year, that is the summation of Q1 through to Q4 for the preceding calendar year. Once the REMM framework is in place, the ATRs and QTRs will also report on those additional indicators that are collected on an annual or quarterly basis.

As always, we welcome any comments and views in terms of how the current monitoring reports might be improved.

Comments in this respect can be sent to:

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1.2. REMM

The current retail monitoring framework for the electricity and gas sectors began in 2009. Since then, as the markets have changed, our retail market monitoring activities have developed and been enhanced, including the content of our published reports. We first published monitoring reports in 2010 and presented for the first time an insight to the regulated gas and electricity retail sectors in NI. Since 2011 we have published information on a regular basis in the form of the Quarterly Transparency Reports (QTR's).

We have continually developed our monitoring activities, and have been progressively improving and adapting those to the needs of our readers and stakeholders. These reports include a set of essential indicators also used by other National Regulatory Authorities (NRAs) in Europe, such as: consumption, market shares, number of active suppliers, market activity and prices comparisons. As a result, the annual and quarterly reports ensure a regular and structured flow of relevant information for our stakeholders. The ongoing review of the retail market and the regular

¹ http://www.uregni.gov.uk/publications/view/utility_regulators_annual_energy_retail_reports/

production of these reports have enabled us to develop a useful base dataset of retail market information which is essential to help inform our regulatory decisions.

As the number of participants to the market increases and competition develops, the need for monitoring and transparency strengthens. There is an EU-wide legislative requirement placed on all National Regulatory Authorities to monitor retail markets effectively. There may also be a detrimental impact to consumers if the UR fails to monitor the retail markets effectively.

In May 2014, the Utility Regulator (UR) published a strategy² on consumer protection and retail market regulation which aims to strike the appropriate balance between delivering effective competition and maintaining regulatory protection. REMM³ is one of three flagship projects which will combine to deliver this strategy.

The ultimate objective of REMM is to implement a coherent and fit-for-purpose market monitoring framework for all electricity and gas supply sectors in NI.

We consulted⁴ on our proposals for an enhanced framework in January 2015, we are currently reviewing consultation responses and have met with many of our stakeholders bilaterally. We plan to publish our decision paper in June 2015.

REMM will implement a proportionate but comprehensive framework that will allow us to:

- monitor the NI electricity and gas retail markets more effectively;
- identify risks in our retail markets, and address these proactively at an early stage;
- fulfill our duties on licence compliance monitoring;
- inform regulatory and energy policy; and
- continue to protect and inform consumers by promoting consumer engagement through increased transparency.

We have actively engaged with our stakeholders on the REMM proposals from an early stage, which has been extremely helpful.

1.3. Data sources, methodology and accuracy of information

The main data sources for this QTR (Q1 2015) and the ATR (2014) are as follows:

- Market shares are provided by the network companies (NIE, PNGL⁵ and feDL⁶).
- Electricity switching analysis has been undertaken with inputs from NIE. Gas switching inputs are from PNGL and feDL, while rates of gas quarterly switching are calculated using gas suppliers figures.
- EU domestic energy prices are from DECC. NI domestic prices, for electricity and gas, are collated internally.
- EU I&C electricity prices are from Eurostat. NI I&C electricity prices are derived directly from suppliers and collated internally.

One of our key concerns is to ensure that the data we receive from our sources is robust, accurate and consistent, and we spend time analysing the submissions and reviewing trend data.

² UR Strategic Approach to Energy Retail Markets and Consumer Protection – an information paper. May 2014.

http://www.uregni.gov.uk/uploads/publications/Strategic_Overarch_Paper.pdf

³ UR Approach to Retail Energy Market Monitoring – an information paper. June 2014

http://www.uregni.gov.uk/uploads/publications/REMM_Information_Note.pdf

⁴ http://www.uregni.gov.uk/news/ur_consults_on_its_proposals_for_retail_energy_market_monitoring_remm

⁵ Phoenix Natural Gas Limited

⁶ firmus energy (Distribution) Limited

To help ensure the information received from suppliers is accurate (for example the figures used to derive NI non-domestic electricity prices) we corroborate the data on supplier returns and perform cross checks where possible. Throughout the process, we also ensure our methodology is consistent with DECC/Eurostat.

We would like to thank network companies and suppliers for their continued effort in providing the necessary information. Both the information and the accuracy of the information are vital to us, as it enables us to continue to maintain the monitoring and reporting of the NI electricity and gas retail markets. It is therefore important that the figures submitted for these purposes continue to be accurate, and that they are provided in a timely fashion.

Energy prices

The data on electricity and gas domestic prices in the EU is sourced from published DECC's Quarterly Energy Prices⁷ and Eurostat⁸. NI domestic prices for electricity and gas are collated internally.

- NI electricity domestic prices are represented through the Power NI regulated tariff, applicable to 72% of the domestic electricity customers at the end of 2014⁹. By the end of Q1 2015, Power NI regulated tariff applied to 70% of the domestic customers in NI.
- Gas domestic prices in NI are represented through the SSE Airtricity regulated tariff in Greater Belfast and the firmus energy tariff for Ten Towns. SSE Airtricity regulated tariff was applicable to 72% of the domestic and small I&C connections in the Greater Belfast area at the end of 2014. This share remained unchanged at the end of Q1 2015. The firmus energy tariff applied to 100% of domestic customers in the Ten Towns area at the end of 2014.

NI non-domestic electricity prices are based on the average electricity unit prices of I&C consumers, categorised in terms of their annual consumption.

We follow DECC's format and methodology when gathering and analysing I&C prices. As a result, we obtain NI prices that are comparable with prices in other EU countries (those published in DECC's Quarterly Energy Prices reports¹⁰ and Eurostat data base¹¹).

To avoid confidentiality issues, data has been aggregated in the form of 'averages' for the total of NI (per customer size bands), with no individual supplier detail published.

The base figures are obtained quarterly from suppliers, in the following form:

- **volume** of electricity sold to I&C consumers
- the **value**, or revenue gained from the sale, split in three categories: excluding all taxes, excluding VAT, and including all taxes
- the **number** of I&C customers supplied in that particular size category

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

⁷ <http://www.decc.gov.uk/en/content/cms/statistics/publications/prices/prices.aspx>

⁸ Eurostat is the statistical office of the European Union (EU). Its task is to provide the EU with statistics at European level that enable comparisons between countries and regions http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database

⁹ We note that other suppliers may offer discounts to these regulated tariffs in NI.

¹⁰ <https://www.gov.uk/government/publications/quarterly-energy-prices-december-2012>

¹¹ <http://epp.eurostat.ec.europa.eu/portal/page/portal/energy/data/database>

Eurostat sources.

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

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

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

1.4. Development of retail competition in NI

The electricity and gas (in the Greater Belfast and Larne area) markets have been open to competition to domestic customers since 2007. However, there were no competing suppliers in the domestic market until 2010.

The Ten Towns area opened to gas competition for large I&C customers (those consuming over 732,000 kWh per annum) in October 2012. The domestic and small I&C segments opened to competition from 1 April 2015.

Figure 1 details when competition effectively started in each of the energy market segments.

Figure 1 Development of energy retail competition in NI

Electricity	
Domestic	June 10: SSE Airtricity ¹² entered the domestic credit segment Oct 10: firmus ¹³ started supplying Ulster Farmers' Union members May 11: SSE Airtricity entered the domestic prepayment segment June 11: Budget Energy entry Oct 11: Electric Ireland entered the domestic sector
I&C	Industrial electricity customers become eligible to change supplier from 1999. From 2005, small and medium businesses became eligible too. Feb 12: VAYU enters the I&C market Apr 12: LCC enters the I&C market

Gas: Greater Belfast Licensed Area ¹⁴	
Domestic	Incumbent supplier since Sept 1996: SSE Airtricity ¹⁵ July 10: firmus entered this market segment

¹² Called Airtricity until 31 January 2014.

¹³ firmus energy (Supply) Limited.

¹⁴ The Greater Belfast area, including Holywood, Bangor, Newtownards, Belfast, Newtownabbey, Carrickfergus, Lisburn and Larne (as defined in Schedule 1 of the Phoenix Natural Gas Limited conveyance licence).

¹⁵ Formerly Phoenix Supply Ltd (PSL). Change of Company Name to Airtricity Gas Supply (Northern Ireland) Limited effective from 28 June 2012 then subsequent change of company name to SSE Airtricity Gas Supply (Northern Ireland) Limited from 31 January 2014.

I&C	Incumbent supplier since Sept 1996: SSE Airtricity Nov 06: energia entered the daily metered I&C market ¹⁶ Sep 08: firmus energy entered the I&C market Mar 09: VAYU entered the small I&C market May 13: Electric Ireland entered the daily metered I&C market Aug 14: LCC Power entered the I&C gas market Dec 14: Flogas entered the I&C gas market
Gas: Ten Towns Licensed Area ¹⁷	
Domestic and I&C small users	Open to competition from Apr 2015
Large I&C Users	Open to competition from Oct 2012. Jan 13: SSE Airtricity entered this market

Source: UR

We would welcome further entry into our energy markets by other suppliers, and increasing market activity in all market segments. However, we consider that a strong regulatory framework should remain in place until we believe that all customer groups in NI can realistically benefit from effective competition. Where they do not benefit, we need to ensure that the regulatory structure continues to offer customer protection to the same level as it affords consumers today.

In July 2014 we published a review of the effectiveness of competition¹⁸ to establish the basis for assessing the current state of competition in NI. As mentioned above, this review is another one of three flagship projects which combine to deliver our strategy on consumer protection and retail market regulation. The paper formally commenced the first phase of the UR's review of the effectiveness of competition in the NI energy markets and the factors which might limit that competition. In light of the findings of phase one of the project, phase two, which is currently underway, will define the appropriate UR policy response and regulatory framework to deal with the issues identified and assess if there is any change required to the current regulatory regime.

¹⁶ To note that energia did not have gas customers from October 2013.

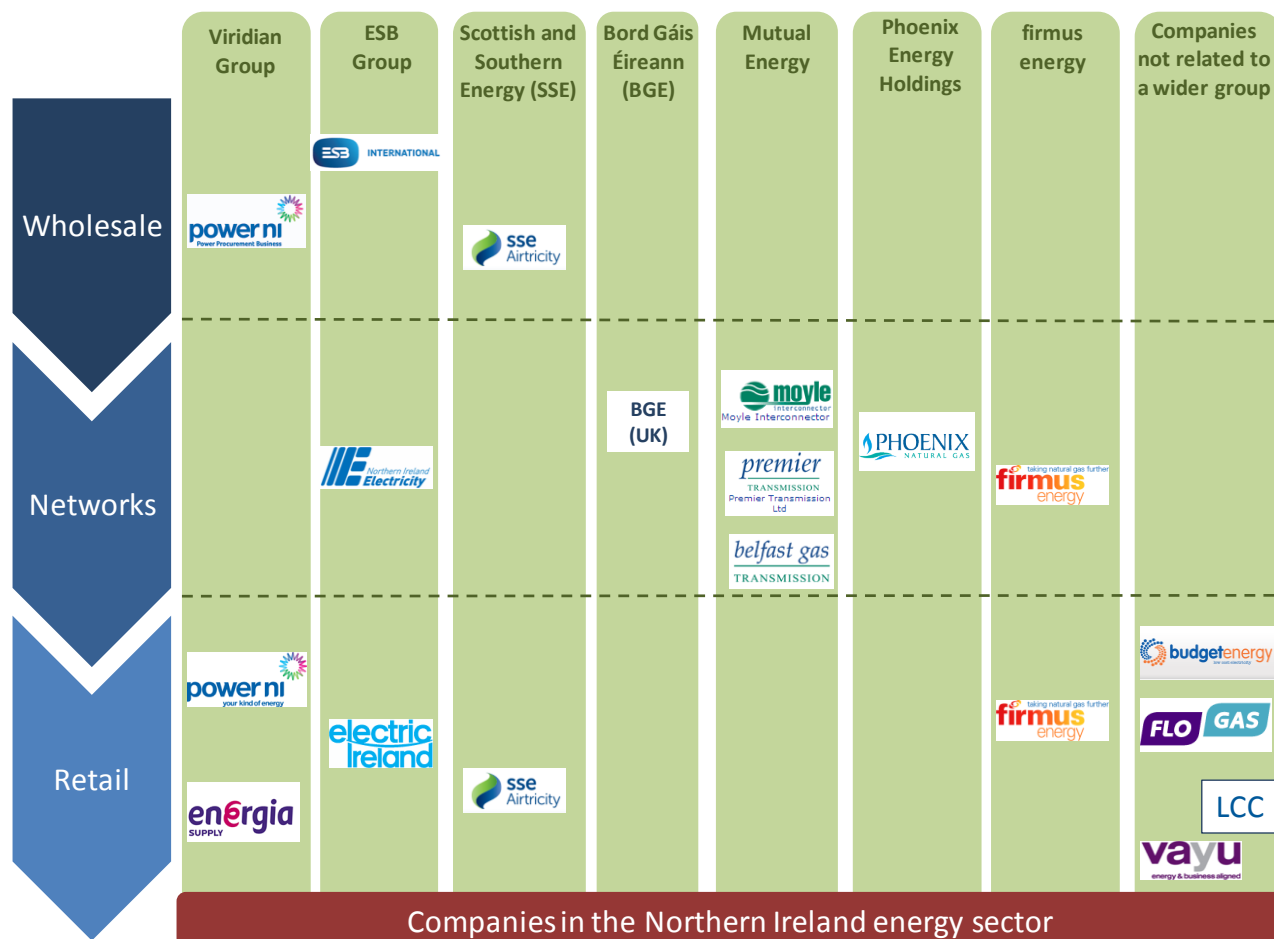
¹⁷ In 2005 firmus energy was awarded a licence to develop the natural gas network in Ten Towns across NI, from L'Derry to Ballymena, and from Antrim to Newry (as defined in Schedule 1 of the firmus energy (Distribution) Limited conveyance licence).

¹⁸ Review of the Effectiveness of Competition in the Northern Ireland Retail Market – an information note. July 2014.
http://www.uregni.gov.uk/uploads/publications/Info_Note_-_Effectiveness_of_Competition_in_NI.pdf

1.5. Structure of NI energy sector

The NI energy sector consists of the wholesale market (in the electricity sector), the networks and the retail market. The figure below shows an overview of the main agents in the energy sectors in NI. Note that some of these are also active participants in the RoI or GB energy markets.

Figure 2 Main agents in the energy sector in Northern Ireland



Source: Companies websites and UR

ANNUAL TRANSPARENCY REPORT 2014

2 Summary of retail market indicators – annual

2014	Electricity		GAS: Greater Belfast		GAS: Ten towns	
	Domestic	I&C	Domestic and small I&C	Medium and large I&C	Domestic	I&C
Customer numbers/connections at year end	788,287	61,287	173,704	3,405	23,110	2,319
Consumption in 2014 (GWh/thousand therms)	3,132	4,804	63,919	64,615	5,941	48,902
% of prepayment customers within domestic sector	41%		64%		90%	
Number of active suppliers over this year	5	8	5	6	1	2
Market shares (by customer numbers/connections) of largest suppliers	Power NI: 72% SSE Airtricity: 21% Budget Energy: 7%	Power NI: 49% SSE Airtricity: 24% Energia: 12%	SSE Airtricity: 72% firmus: 28%	SSE Airtricity: 52% firmus: 47%	firmus: 100%	I&C < 732,000 kWh: - firmus: 100% I&C > 732,000kWh: - firmus: % - SSE Airtricity: %
Market shares (by consumption) of largest suppliers	Power NI: 69% SSE Airtricity: 23% Budget Energy: 7%	SSE Airtricity: 27% Electric Ireland: 21% Energia: 20%	SSE Airtricity: 69% firmus: 31%	SSE Airtricity: 48% firmus: 51%	firmus: 100%	I&C < 732,000 kWh: - firmus: 100% I&C > 732,000kWh: - firmus: % - SSE Airtricity: %
Annual switching rate: number of switches in 2014 as a % of customer numbers at end 2014	5.7%	10.4%	Domestic: 3.5%	All non-domestic: 4.2%		
Prices	Slightly above EU-15 median	Very small customers (0-20 MWh pa): slightly above EU-15 median Rest of I&C (more than 20 MWh pa): on the highest end of EU-15 range	Domestic: lowest in EU-15		Domestic: lowest in EU-15	

3 NI customer numbers and consumption

3.1 Electricity

By the end of 2014, there were c850,000 electricity customers in NI. Approximately 93% of these are domestic customers, while the non-domestic customers are around 7% of the total NI electricity customer base.

The breakdown of customer numbers at the end of 2014 by market segment is shown in Figure 3. Within the domestic sector, 41% of customers use prepayment meters, while 59% are standard credit and direct debit customers. In the non-domestic sector the largest number of customers is in the Small and Medium Enterprises (SME) category, which includes businesses with demand below 1MW per annum. This category further splits into those who consume less than 70 kVA (92% of non domestic customers) and more than 70 kVA (8% of non domestic customers). The LEU customers represent less than 1% of the non-domestic electricity market, 185 customers in total.

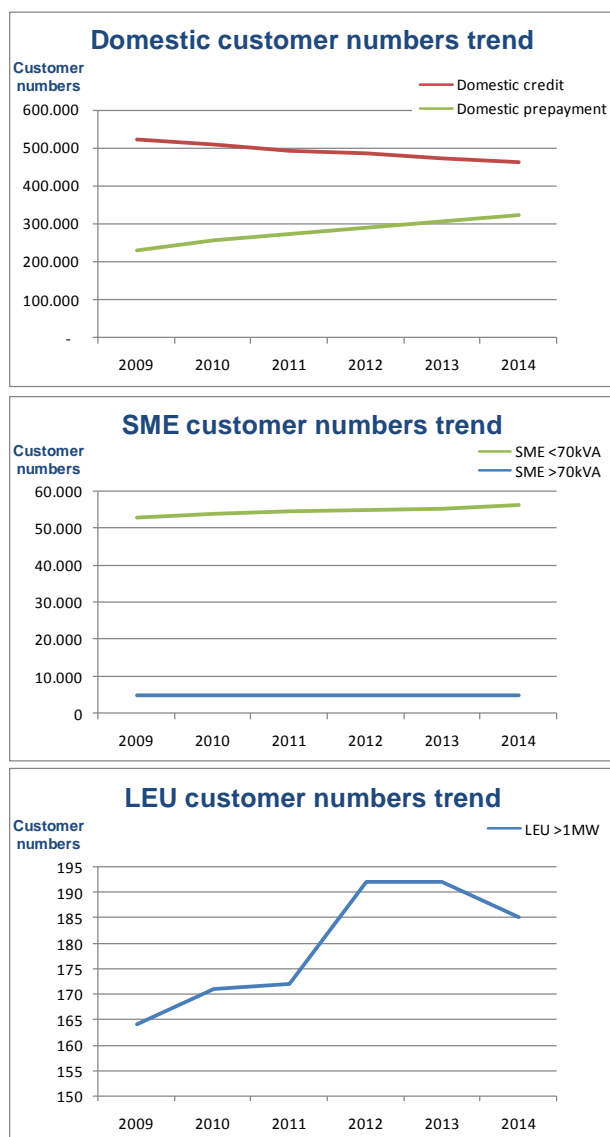
In terms of consumption, during 2014 the total electricity consumption was c 8,000GWh, 39% of which related to the domestic sector and 61% in the non-domestic sector. Within the non-domestic sector, the SME consumption <70 kVA accounts for 26% of the NI I&C volume, SME>70 kVA consumes 41% and LEU accounts for 33%.

Figure 3 Customer numbers and consumption by market segment

Market segments	Customer numbers at end 2014	Annual consumption (GWh) 2014
Domestic credit	463,810	1,958.0
Domestic prepayment	324,477	1,174.4
SME <70kVA	56,231	1,253.8
SME >70kVA	4,871	1,972.5
LEU >1MW	185	1,577.4
Total	849,574	7,936.1

Source: NIE

Figure 4 Evolution in customer numbers by market segments



Source: NIE

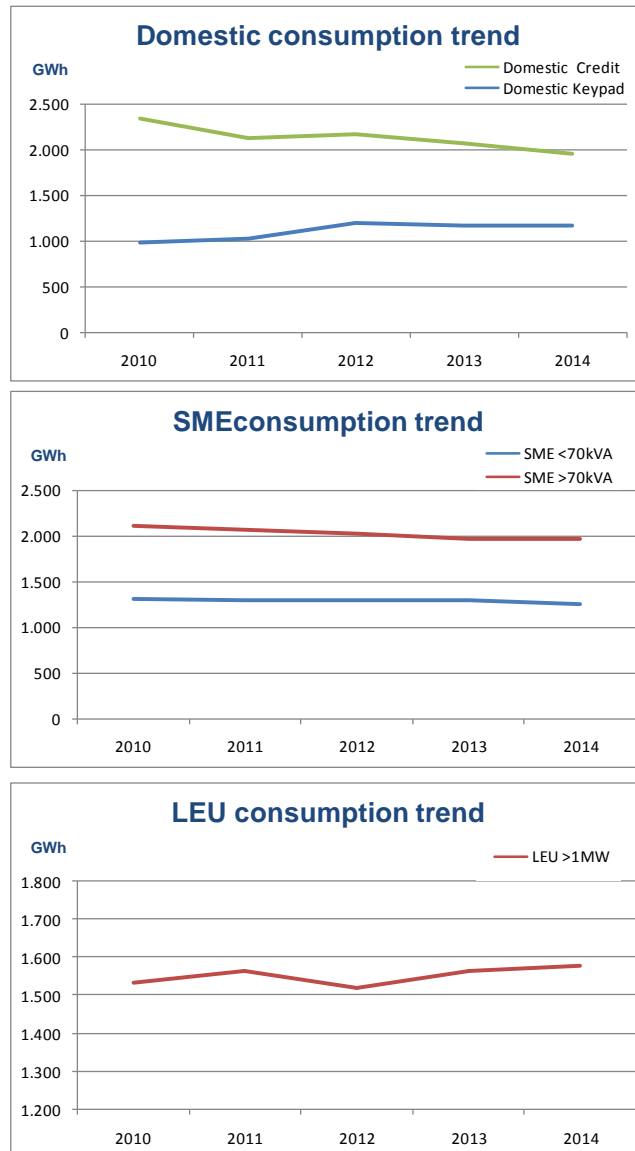
Figure 4 shows the evolution in customer numbers since 2009 in the domestic, SME and LEU markets.

The percentages by market segment have remained relatively stable over the last years. There has been a slight increase in the number of domestic meter numbers, around 1%, from 2013, and an ongoing increase in domestic prepayment customers over the other payment methods. The percentage of prepayment customers at the end of 2014 was 41% of the total domestic customers, which is an increase from 39% at the end of 2013. This method of paying for energy continues to be a popular choice for NI customers, as they can pay for their energy upfront and the information available on the display unit helps customers to manage their usage and control their costs.

The number of SME customers has increased by around 2% at the end of 2014 and over last year there has been a slight decrease in the number of LEU customers.

Figure 5 shows the evolution in electricity consumption since 2010 until end 2014 in the domestic, SME and LEU markets. The trend in annual consumption by market segment has been relatively stable throughout the years. Since 2010, around 40% of the total NI consumption is domestic, while non-domestic customers consume around 60% of the total NI volume: SME<70 kVA segment accounts for around 16% by consumption, SME>70 kVA consumes around 25%, and LEU around 19%.

Figure 5 Evolution in annual consumption by market segment



Source: NIE

3.2 Gas – Greater Belfast and Ten Towns areas

Customer numbers

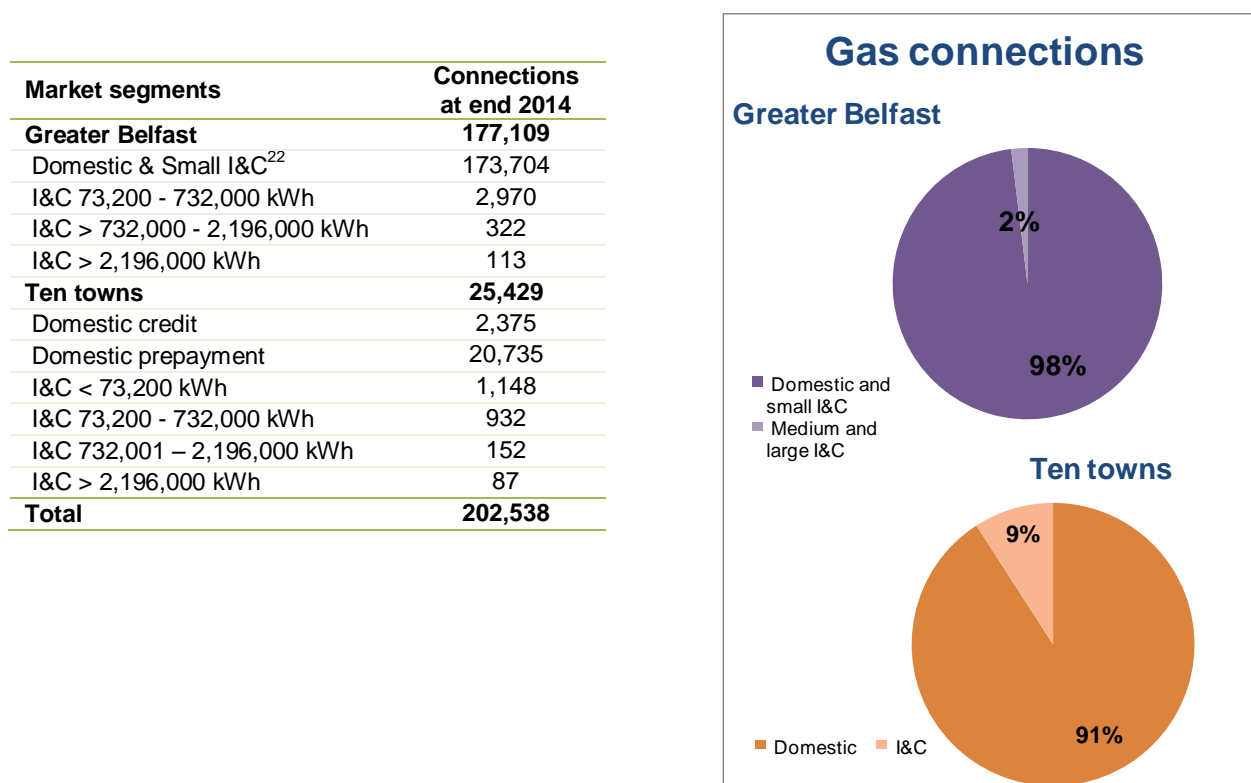
The gas market in NI is split into two geographical areas. There are two gas distribution network operators: Phoenix Natural Gas operate the network in the Greater Belfast and Larne area, and firmus energy operate the network in the Ten Towns area along the South-North Pipeline and North-West Pipeline. In the Greater Belfast area connections and consumption amounts group domestic and small I&C together (relating to those customers consuming <73,200 kWh/annum). In the Ten Towns area connections and consumption report these customers segments separately.

The number of connections in both areas increases every year. Figure 6 shows the number of

connections (other than the power plants) by market segments in both gas networks by the end of 2014.

The gas network in NI continues to be extended. In January 2013 the NI Executive Committee agreed to assist the extension of the NI natural gas network to the largest towns in counties Tyrone, Fermanagh and South Derry¹⁹. In February 2014, UR launched a competitive licence application process to extend the gas network in Northern Ireland. In August 2014, UR consulted on the preferred applicants and in November 2014 the UR published its final decision²⁰ that the preferred applicants for the high pressure and low pressure licences were Northern Ireland Energy Holdings (Mutual Energy Ltd) and Scotia Gas Networks respectively. In February 2015 conveyance licences were granted by UR to the preferred applicants²¹. The UR is currently working with and encouraging suppliers to prepare to supply gas in the new gas area.

Figure 6 Gas connections in NI by distribution Licensed Area at the end of 2014



Source: PNGL and firmus energy

In the gas market, the domestic and small I&C sector (<73,200 kWh/annum) represents the largest share of the total number of connections in PNGL's distribution Licensed Area, with 98% of the total gas connections at the end of 2014. The percentage of domestic connections in the firmus

¹⁹ These towns being: Dungannon including Coalisland, Cookstown including Magherafelt, Enniskillen including Derrylin, Omagh, and Strabane.

²⁰ Gas to the West Licence Applications Final Decisions, 18 November 2014:

http://www.uregni.gov.uk/uploads/publications/2014-11-18_G2W_Determination_FINAL.pdf

²¹ Gas to the West final decision paper and licences:

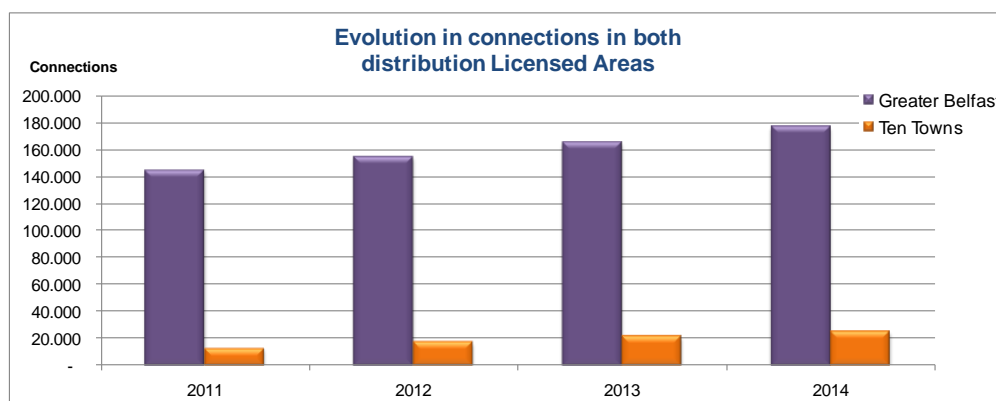
http://www.uregni.gov.uk/news/gas_to_the_west_final_decision_paper_and_licences

²² The domestic and small I&C gas market relates to those customers consuming <73,200 kWh/annum.

energy's Licensed Area was 91% at the end of 2014.

Figure 7 shows the trend of growth in the number of connections in NI by each distribution Licensed Area. By the end of 2014, the total number of connections increased to 177,109 in the PNGL's Licensed Area (an increase of 7% over the number of connections at the end of 2013) and 25,429 (an increase of 18% from the number of connections at the end of 2013) in the firmus energy's Licensed area.

Figure 7 Evolution of gas connections in NI by distribution Licensed Area

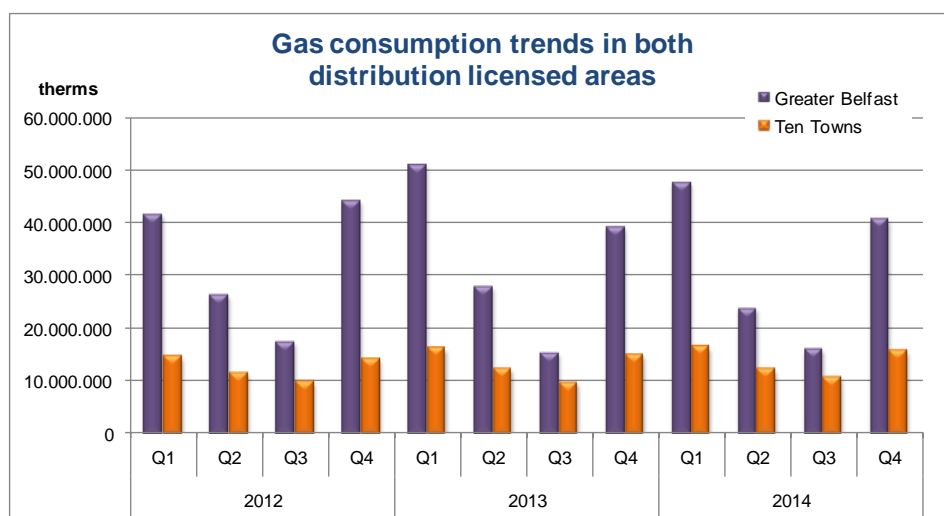


Source: PNGL and firmus energy

Natural gas in NI is consumed by final gas customers and also by Ballylumford and Coolkeeragh power stations. In this report, we refer only to the natural gas that is distributed and used by final gas customers. During 2014 this represented approximately 38% of the total gas that enters NI.

Quarterly gas consumption, from the start of 2012 to the end 2014, in both distribution Licensed Areas is shown in Figure 8. Due to seasonality, consumption is considerably lower over the second and third quarters of the year, with increases in the winter months (Q4 and again in Q1 of the following calendar year).

Figure 8 Evolution of gas consumption in both Licensed Areas



Source: PNGL and firmus energy

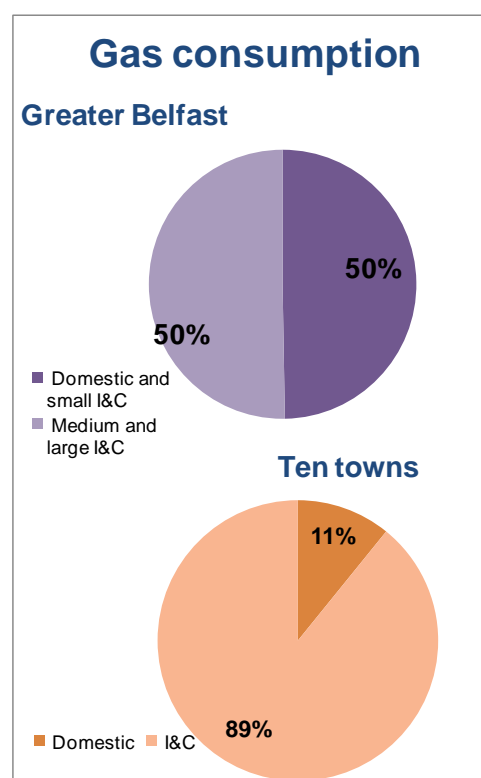
Consumption by market segment is shown in Figure 9 in both Licensed Areas. In PNGL's area, the total consumption in 2014 was over 128 million therms, which represents a decrease of almost 4% from the previous year.

In the firmus energy's Licensed Area, total consumption in 2014 was nearly 55 million therms, representing an increase in consumption of 3% from 2013.

In terms of market segment split, the domestic and small I&C sector (<73,200 kWh, or <2,500 Therms/annum) consumes about 50% of the total gas in the PNGL's Licensed Area, while the remaining non-domestic sector (over 73,200 kWh) consumes the other 50%. In the firmus energy's Licensed Area, the domestic sector accounts for 11% and the non-domestic sector accounts for 89% of the consumption in the Area.

Figure 9 Gas consumption during 2014 in NI by distribution Licensed Area

Market segments	Annual consumption (therms) 2014
Greater Belfast	128,533,793
Domestic & Small I&C ²³	63,918,929
I&C 73,200 - 732,000 kWh	18,392,603
I&C > 732,000 - 2,196,000 kWh	10,824,745
I&C > 2,196,000 kWh	35,397,517
Ten towns	54,842,514
Domestic credit	812,738
Domestic prepayment	5,127,852
I&C < 73,200 kWh	740,657
I&C 73,200 - 732,000 kWh	5,974,799
I&C 732,001 – 2,196,000 kWh	5,601,076
I&C > 2,196,000 kWh	36,585,393
Total	183,376,307



Source: PNGL and firmus energy

²³ The domestic and small I&C gas market relates to those customers consuming <73,200 kWh/annum.

4 Active suppliers

4.1 Electricity

There are 16 electricity supply licences currently granted and, as per the prior year, eight suppliers were active in the electricity retail market at the end of 2014.

The active electricity suppliers, and the markets they operate in are listed in Figure 10 below. These suppliers all operate in the I&C electricity market, while five of them are also active in the domestic sector.

Figure 10 Active suppliers in the electricity supply market

Suppliers	Domestic sector	I&C sector
Power NI	✓	✓
SSE Airtricity	✓	✓
Energia		✓
Electric Ireland	✓	✓
firmus energy	✓	✓
Budget Energy	✓	✓
Vayu		✓
LCC		✓

Source: UR and NIE data

4.2 Gas

Active suppliers in Greater Belfast

There are currently 11 granted licences for the supply of gas to final gas customers in NI, however only six suppliers were active in the PNGL's Licensed Area at the end of 2014.

The names of the active gas suppliers, and the markets they operate in, are in Figure 11 below. All these suppliers are active in the non-domestic gas market, while two of them are also active in the domestic sector.

Figure 11 Active suppliers in the gas supply market

Suppliers	Domestic sector	I&C sector
SSE Airtricity ²⁴	✓	✓
firmus energy	✓	✓
Electric Ireland		✓
Vayu		✓
LCC		✓
Flogas		✓

Source: UR, PNGL, firmus energy and gas suppliers

²⁴ SEE Airtricity, formerly called Airtricity Gas Supply (was previously called Phoenix Supply Ltd)

Active suppliers in Ten Towns

Until the end of March 2015, firmus energy retained the exclusive rights to supply gas to customers below 732,000 kWh per annum (the domestic and small-medium I&C segments) in the Ten Towns licensed area. From 1 April 2015 there has been full competition in the domestic and non-domestic (small to medium users segment). The large non-domestic users market opened to competition in October 2012, and during 2014 two suppliers – firmus energy and SSE Airtricity – were active in the large non-domestic users segment in the Ten Towns.

5 Methods of payment

Electricity and gas suppliers are obligated, under their supply licence, to offer their domestic customers a choice of three payment methods²⁵. Therefore, domestic customers in NI are able to avail of one of the following methods to pay for their energy:

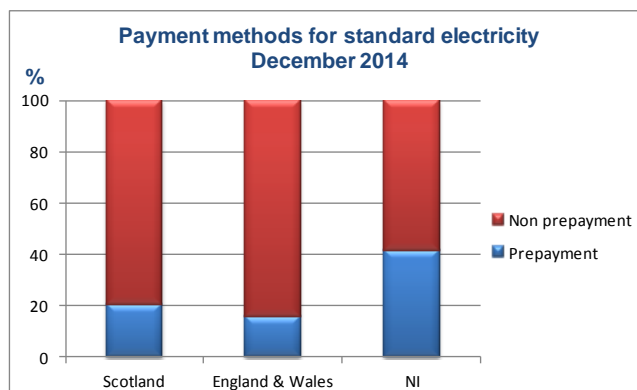
- Prepayment where customers can top-up their energy as they foresee their short-term consumption.
- Standard credit, where for example the supplier charges the customer each quarter with an amount equal to the quarterly bill.
- Direct debit, where a direct debit mandate is established instructing the supplier to debit the customer's bank account for a fixed amount at regular intervals, based on the expected annual cost of the bill (or on estimated reads in electricity), or debit the customer's bank account after each bill is issued with the amount equal to the billed amount.

5.1 Electricity

Figure 12 below shows the percentage of payment methods, prepayment and non-prepayment (standard credit and direct debit) for standard electricity by UK regions.

²⁵ Paragraph 14 in condition 27 – in electricity supply licences – and in condition 2.18 – in gas supply licences – on Terms and Conditions, state that the Licensee shall ensure that its standard terms and conditions provide domestic customers with a choice of payment methods, including as a minimum making payment: (a) in arrears (at such frequency as is set out in the terms and conditions); (b) by direct debit (at such frequency as is set out in the terms and conditions); and (c) in advance through a prepayment meter.

Figure 12 Payment methods UK comparison in the electricity domestic sector



Source: DECC's Quarterly Energy Prices (December 2014) and NIE

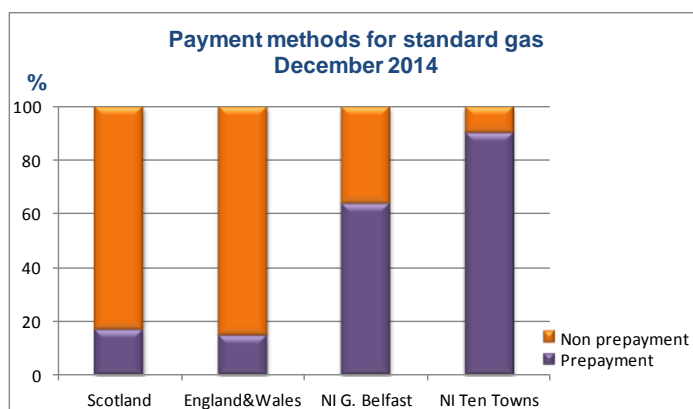
England and Wales have the lowest percentage of electricity prepayment meters, being 16% at the end of 2014, in comparison to 20% in Scotland. As in previous years, NI has the highest percentage of prepayment customers in the UK, being 41% at the end of 2014 (39% at the end of 2013), and consequently the lowest percentage of customers paying by direct debit or standard credit.

The prepayment option is popular in NI as it allows customers to pay for energy as it is consumed which helps household short term budgeting. Prepayment tariffs in England and Wales are also the most expensive option, whilst in NI the standard credit tariffs are higher.

5.2 Gas

Figure 13 shows the percentage of gas domestic customers with prepayment and non prepayment (standard credit and direct debit) meters per UK region.

Figure 13 Payment methods UK comparison in the gas domestic sector



Source: DECC's Quarterly Energy Prices (December 2014) and NI gas suppliers²⁶

As in the electricity sector, England and Wales have the lowest percentage of gas prepayment

²⁶ The terminology on meters has been homogenised for simplicity when comparing type of meters in both areas.

meters, being 15% at the end of 2014 and 17% in Scotland. The percentage of gas prepayment meters in NI is the highest in comparison to the other UK regions for both licensed distribution areas.

In the NI PNGL's distribution Licensed Area (Greater Belfast and Larne), the percentage of prepayment meters at the end of 2014 was 64% (63% in 2013). For the same period the percentage of prepayment meters at the end of 2014 in the Ten Towns Area was 90% (89% in 2013).

6 Market shares and market activity

6.1. Electricity market shares

The tables below show suppliers' absolute and relative market shares by customer numbers at the end of 2014, and by annual consumption over 2014²⁷, per market segment.

Figure 14 Total NI retail electricity market shares, by customer numbers and consumption

Suppliers	Customer numbers at end 2014	Market share (customers)	Annual consumption (GWh) 2014	Market share (consumption)
Power NI	589,470	69.38%	3,003.6	37.85%
SSE Airtricity	180,736	21.27%	2,044.4	25.76%
Energia	7,523	0.89%	983.4	12.39%
Electric Ireland	7,535	0.89%	1,016.2	12.80%
firmus	296	0.03%	62.4	0.79%
Budget Energy	60,576	7.13%	233.4	2.94%
Vayu	18	0.00%	14.1	0.18%
LCC	3,420	0.40%	578.5	7.29%
Total Market	849,574	100%	7,936.1	100%

Source: NIE

In 2014, there were eight active suppliers in the electricity market. In volume terms, four of those suppliers had a market share higher than 10% of the whole electricity retail market. The total market share based on consumption of the three largest suppliers was 76%, which implies that the market in 2014 remains reasonably concentrated.

Power NI's market share has continued to decrease. In terms of customer numbers, their share was 69% at the end of 2014 (compared to 71% at the end of 2013). In 2014 the second largest supplier (by customer numbers) was SSE Airtricity, with a share of 21%.

In terms of consumption, Power NI's total market share in 2014 was around 38% (39% in 2013) while SSE Airtricity, Electric Ireland and Energia enjoyed market shares of 26%, 13% and 12%. LCC's share has grown significantly from 1% (by consumption) in 2013 to 7% at the end of 2014.

Figure 15 Domestic credit market shares by customer numbers and consumption

²⁷ 2014 annual figures relate to NIE D4 data.

Suppliers	Customer numbers at end 2014	Market share (customers)	Annual consumption (GWh) 2014	Market share (consumption)
Power NI	360,915	77.82%	1,452.8	74.20%
SSE Airtricity	98,491	21.24%	474.0	24.21%
Energia	0	0.00%	0.0	0.00%
Electric Ireland	1,183	0.26%	5.2	0.27%
firmus	237	0.05%	10.0	0.51%
Budget Energy	2,852	0.61%	14.1	0.72%
Vayu	0	0.00%	0.0	0.00%
LCC	132	0.03%	2.0	0.10%
Total Market	463,810	100%	1,958.0	100%

Source: NIE

Data for customer numbers and consumption in the domestic credit market are presented in Figure 15, which reflects similar trends in market share. The domestic credit market is still very concentrated, and Power NI's share by customer numbers has remained stable at 78%.

Power NI also retains a large share of the domestic credit market in terms of volume, with around 74% of market share by consumption (very similar to the prior year). Whilst SSE Airtricity retains 24% domestic market share (by consumption).

Despite the developing competition from other suppliers, Power NI remains very dominant in the domestic sector, and hence the UR retains the price controls on Power NI's domestic tariffs.

Figure 16 Domestic prepayment market shares by customer numbers and consumption

Suppliers	Customer numbers at end 2014	Market share (customers)	Annual consumption (GWh) 2014	Market share (consumption)
Power NI	198,510	61.18%	700.5	59.65%
SSE Airtricity	68,139	21.00%	255.6	21.77%
Energia	0	0.00%	0.0	0.00%
Electric Ireland	256	0.08%	1.2	0.11%
firmus	0	0.00%	0.0	0.00%
Budget Energy	57,572	17.74%	217.0	18.48%
Vayu	0	0.00%	0.0	0.00%
LCC	0	0.00%	0.0	0.00%
Total Market	324,477	100%	1,174.4	100%

Source: NIE

The level of concentration in the domestic prepayment sector of the market is changing at a faster rate than in the credit segment, as Power NI's share (in terms of customer numbers) was 65% at the end of 2013 and decreased to 61% in 2014. There has been a resultant increase in prepayment customer shares for SSE Airtricity and Budget Energy. By the end of 2014, SSE Airtricity held 21% of the prepayment customers (19% in 2013) and Budget Energy had 18% (15% in 2013).

In terms of market shares based on consumption, Power NI's share of the prepayment market in 2014 was around 60%, SSE Airtricity was 22% and Budget Energy had 18% of the total prepayment market.

Figure 17 SME < 70kVA market shares, by customer numbers and consumption

Suppliers	Customer numbers at end 2014	Market share (customers)	Annual consumption (GWh) 2014	Market share (consumption)
Power NI	28,844	51.30%	411.1	32.79%
SSE Airtricity	12,989	23.10%	382.5	30.51%
Energia	6,527	11.61%	184.6	14.72%
Electric Ireland	4,919	8.75%	142.7	11.38%
firmus	23	0.04%	1.4	0.11%
Budget Energy	150	0.27%	2.3	0.18%
Vayu	7	0.01%	0.1	0.01%
LCC	2,772	4.93%	129.0	10.29%
Total Market	56,231	100%	1,253.8	100%

Source: NIE

Competition in the non-domestic electricity market is much more mature than in the domestic sector.

There were eight active suppliers in the small I&C (less than 70kVA) market in 2014, of which five of these had a share of more than 10% by volume: Power NI, SSE Airtricity, Energia, Electric Ireland and LCC.

Energia is owned by the same ultimate controllers as Power NI, which is relevant when considering market power. The combined market share in 2014 for the suppliers who belong to the Viridian Group (Power NI and Energia), was 63% by customer numbers, and 47% by consumption in the SME < 70 kVA market segment. These shares were very similar in 2013.

Figure 18 SME > 70kVA market shares, by customer numbers and consumption

Suppliers	Customer numbers at end 2014	Market share (customers)	Annual consumption (GWh) 2014	Market share (consumption)
Power NI	1,181	24.25%	325.9	16.52%
SSE Airtricity	1,073	22.03%	446.4	22.63%
Energia	957	19.65%	482.7	24.47%
Electric Ireland	1,128	23.16%	528.1	26.77%
firmus	32	0.66%	29.4	1.49%
Budget Energy	2	0.04%	0.1	0.00%
Vayu	9	0.18%	9.8	0.50%
LCC	489	10.04%	150.2	7.62%
Total Market	4,871	100%	1,972.5	100%

Source: NIE

In 2014 there were eight active suppliers in the I&C segment where customers consumed over 70 kVA. Absolute and relative shares for each of these suppliers are shown in Figure 18 above.

Over 2014, the shares of the four main suppliers (Power NI, SSE Airtricity, Energia and Electric Ireland) are broadly similar in terms of customer numbers, ranging from 20% to 24%. This spread considerably increases when referring to the market shares by consumption (ranging from 16% to 27%) as customer usage is naturally much higher in this category.

LCC increased its market share in this sector in 2014, in terms of customer numbers they have 10% of the market in 2014 (4% in 2013) and more than 7% by consumption (2% in 2013).

Figure 19 LEU > 1 MW market shares, by customer numbers and consumption

Suppliers	Customer numbers at end 2014	Market share (customers)	Annual consumption (GWh) 2014	Market share (consumption)
Power NI	20	10.81%	113.4	7.19%
SSE Airtricity	44	23.78%	485.9	30.80%
Energia	39	21.08%	316.1	20.04%
Electric Ireland	49	26.49%	338.9	21.49%
firmus	4	2.16%	21.7	1.37%
Budget Energy	0	0.00%	0.0	0.00%
Vayu	2	1.08%	4.2	0.27%
LCC	27	14.59%	297.2	18.84%
Total Market	185	100%	1,577.4	100%

Source: NIE

In 2014, the LEU market segment represented 0.02% of the total customer base in NI, with 185 customers. Although this is a small amount of customers, by number, their total consumption was 20% of the total NI electricity consumption.

There were seven active suppliers in this market segment in 2014. Three of the suppliers, SSE Airtricity, Energia and Electric Ireland, had shares of over 21% based on customer numbers. The shares of those three suppliers in terms of volume range from 21% to 31%. The rest of the active suppliers in this segment held a smaller share. LCC held a market share of 15% by customer numbers (19% by volume) and Power NI held a share of 11% by customer number (7% by volume).

6.2. Electricity market activity

A switch is a movement of a customer from one supplier to another, following a free and active choice by the customer. Switching activity is defined as the number of switches in a given period of time. A switch can include any of the following:

- A switch to a competitive company of the incumbent and vice versa
- A re-switch: when a customer switches for the second or subsequent time, even within the same measured period of time
- A switch-back: when a customer switches back to his/her former or previous supplier

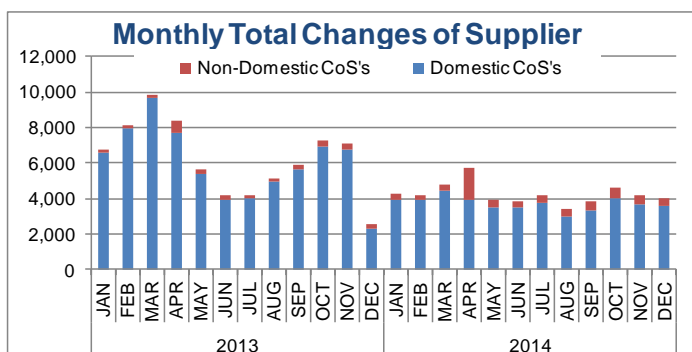
A change of tariff with the same retailer is not classified as a switch (for example moving from a fixed term contract to a flexible contract with the same supplier). Figure 20 shows the changes of supplier²⁸ (CoS) on a monthly basis in the whole market in NI for the last two years, split by domestic and non-domestic market.

In total for the year there were more than 50,000 CoS in the market in 2014, this is a decrease in the switching activity from the previous year (75,224 CoS in 2013) of 33%.

At the domestic level, switching has decreased significantly from the previous year, from almost 72,000 switches in 2013 to 44,765 switches in 2014. The number of I&C switches has increased by almost double in 2014 from 3,263 switches in 2013 to 6,313 CoS in 2014.

²⁸ Changes of Supplier (CoS) reflect the gains less losses of different suppliers in the market (net effect). They do not include new registrations.

Figure 20 Domestic and non-domestic electricity switches



2014	Domestic COS	Non-domestic COS
JAN	3,940	350
FEB	3,982	247
MAR	4,453	306
APR	3,958	1,751
MAY	3,471	426
JUN	3,481	360
JUL	3,739	458
AUG	3,024	432
SEP	3,350	480
OCT	4,046	568
NOV	3,704	524
DEC	3,617	411
Total	44,765	6,313

Source: NIE

The NI electricity switching rate for 2014 for both domestic and non-domestic is measured as the number of CoS in the year by the number of customers at the end of the year and was 6% in 2014. This is a decrease from a 9% switching rate in 2013.

At the domestic level the switching rate for 2014 was 5.7%, compared to 9.2% for 2013. The non-domestic switching rate for 2014 was 10.4%, compared to 5.4% for 2013.

6.3. Gas market shares – Greater Belfast area

In the PNGL's distribution Licensed Area, competition started in 2006 and 2010 in both non-domestic and domestic segments respectively. Competition in this area is still immature, as the incumbent supplier retains a major share in terms of the number of connections and the total volume consumed.

The tables below show absolute and relative numbers for connections at the end of 2014 and annual consumption over the year, per market segment and per supplier as follows:

- Domestic and small I&C: where less than 73,200 kWh or 2,500 Therms/annum is consumed
- I&C more than 73,200 kWh: where more than 73,200 kWh or 2,500 Therms/annum is consumed

Figure 21 Domestic and small I&C market shares in PNGL's distribution Licensed Area

Suppliers	Connections at end 2014	Market share (customers)	Annual consumption (therms) 2014	Market share (consumption)
SSE Airtricity	125,404	72.19%	43,937,670	68.74%
firmus	48,231	27.77%	19,965,151	31.24%
VAYU	13	0.01%	11,402	0.02%
Electric Ireland	0	0.00%	0	0.00%
LCC Power	13	0.01%	2,527	0.004%
Flogas	43	0.02%	2,179	0.003%
Total Market	173,704	100%	63,918,929	100%

Source: PNGL

In 2014 there were five active suppliers in this market, although the shares of the main supplier, SSE Airtricity, were still quite high with 72% by number of connections and 69% in terms of volume consumed. The shares have slightly decreased from the end of 2013 (73% and 72% respectively at the end of last year).

Figure 22 I&C > 73,200kWh market shares in PNGL's distribution Licensed Area

Suppliers	Connections at end 2014	Market share (customers)	Annual consumption (therms) 2014	Market share (consumption)
SSE Airtricity	1,738	51.04%	30,855,316	47.75%
firmus	1,580	46.40%	32,757,118	50.70%
VAYU	10	0.29%	49,037	0.08%
Electric Ireland	1	0.03%	879,777	1.36%
LCC Power	29	0.85%	57,771	0.09%
Flogas	47	1.38%	15,846	0.02%
Total Market	3,405	100%	64,614,865	100%

Source: PNGL

There were six active suppliers in the medium and large non-domestic market (those customers using more than 73,200 kWh per annum) during 2014. However, four of them, had a very small portion of the market, while SSE Airtricity and firmus held 51% and 46% of the connections share respectively.

In this sector of the market with larger customers, competition is more noticeable. Although the shares of the main supplier, SSE Airtricity, are still over 50% in terms of connections and 48% by volume, they have decreased from the prior year, when market share in terms of connections was 52% and 53% by volume.

6.4. Gas market activity – Greater Belfast area

The switching rate for the domestic market in Greater Belfast for 2014 was 3.5% (9% in 2013), while the rate for the non-domestic segment was 4% (5% for 2013). These percentages are calculated using the number of Supply Meter Point switches in 2014 as a percentage of the number of Supply Meter Points in the market segment at the end of year.

The total number of supplier switches in 2014 as detailed in Figure 22, for both domestic and non-domestic customers, was over 6,000. This is a significant decrease of 58% from over 14,400 confirmed switches in 2013.

Figure 23 shows the number of gas Supply Meter Point monthly switches confirmed, split by market segment, in the domestic and non-domestic markets, for 2014.

Figure 23 Switching activity in the gas sector (by number of switches)

2014	Domestic switches	Non-domestic switches
JAN	809	9
FEB	775	15
MAR	826	12
APR	681	38
MAY	534	6
JUN	611	25
JUL	210	109
AUG	184	24
SEP	179	21
OCT	223	45
NOV	270	7
DEC	298	113
Total	5,600	424

Source: PNGL and gas suppliers

6.5. Gas market shares and market activity – Ten Towns area

In the Ten Towns area, competition opened in October 2012 for the large I&C market (>732,000 kWh), and in April 2015 for the domestic and small I&C (<732,000 kWh) market.

SSE Airtricity entered the large I&C market in January 2013, and as at end 2014, 33 supply meter points had switched from firmus to SSE Airtricity. This equates to 14% market share of the large I&C market (consumption over 732,000 kWh) in terms of connections at the end of this quarter, and 9% market share in terms of consumption during 2014 in the same market segment.

Figure 24 below shows absolute and relative numbers in this area.

Figure 24 Gas market shares in Ten Towns area

Year	2014			Year	2014		
Suppliers	Domestic	I&C	Total	Suppliers	Domestic	I&C	Total
SSE Airtricity	0	33	33	% connections			
firmus	23,110	2,286	25,396	SSE Airtricity	0.0%	1.4%	0.1%
Total connections	23,110	2,319	25,429	firmus	100.0%	98.6%	99.9%
SSE Airtricity	0	4,477,973	4,477,973	% annual consumption			
firmus	5,940,590	44,423,952	50,364,541	SSE Airtricity	0.0%	9.2%	8.2%
Total annual consumption (therms)	5,940,590	48,901,924	54,842,514	firmus	100.0%	90.8%	91.8%

Source: feDL.

7 Domestic prices

We directly regulate the electricity and gas prices of suppliers who are in a dominant market position in the domestic and small business sectors of the NI market.

We act on behalf of consumers to ensure costs and prices are as low as they can be, while allowing regulated companies a specified supply margin in order to run their businesses.

The last Power NI price control was put in place through the December 2013 decision paper²⁹ for a period of three years scheduled to run from April 2014 until March 2017. Within that price control, the UR decided to reduce the Power NI regulated threshold to 50 MWh annual consumption in the non-domestic market. There was no change to the scope and coverage of the domestic market where all the PowerNI tariffs are regulated.

In the gas industry, we price control SSE Airtricity as the dominant supplier in the Greater Belfast Licensed area for customers using up to 732,000 kWh per annum. The SSE Airtricity price control was determined³⁰ in November 2011 and runs from 1 January 2012 to 31 December 2016.

From 1 April 2015 we have imposed a price control on firmus energy (Supply) Limited as the

²⁹ The 2014 Power NI Supply Price Control. Decision Paper (19 December 2013)

http://www.uregni.gov.uk/uploads/publications/Power_NI_Price_Control_Decision_paper_v20.pdf

³⁰ Utility Regulator Determination on Phoenix Supply Price Control, 2012-2016, (November 2011):

http://www.uregni.gov.uk/uploads/publications/PSL_PC03_Determined_to_Position_Table_26_blanked_for_website2.pdf

dominant supplier in the Ten Towns Licensed area for customers using up to 732,000 kWh per annum. The decision paper³¹ on this price control was published in December 2014 and runs from 1 April 2015 to 31 December 2016.

7.1 Electricity domestic prices

For consumers who consume less than 50,000 units (equal to 50 MWh) per year, Power NI publishes a range of tariffs, which have to be approved by the UR. Other active suppliers in the market compete for customers against these published tariffs.

We take an active role in scrutinising and approving these retail tariffs in consultation with the Consumer Council and Department of Enterprise. This is when the maximum final price is decided, and it sets what domestic customers of Power NI would pay for their electricity. This process is normally carried out on a yearly basis, unless there is a need to increase or decrease tariffs mid-year. The outcome of the most recent tariff review³² was the decrease of 9.2% on Power NI Standard Home Energy tariff from 1 April 2015. The UR continues to monitor wholesale costs on a monthly basis and will act as appropriate.

Electricity retail tariffs, in terms of what customers pay, are made up of a number of components that are subjected to regulatory scrutiny. Several of these components, such as market operator charges, System Support Service (SSS) charges, PSO levy, use of system charges, transmission and distribution charges, are common across all suppliers. As a result, the customer must pay these components regardless of who their supplier is.

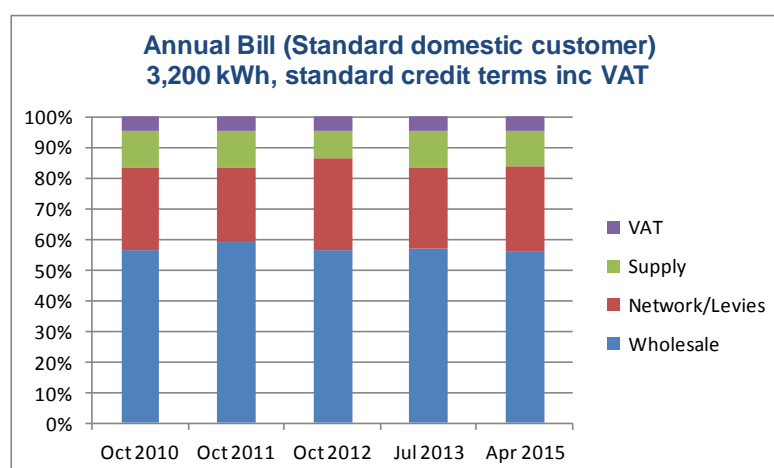
These costs are regulated because they represent parts of the industry which remain under monopoly ownership and therefore not open to competition. Independent suppliers are free to enter the market and purchase power. However, they include these cost components of the tariffs before setting the final price to sell to customers.

The relative importance of the various elements that make up final bills is shown in Figure 25, which illustrates the percentage components of the electricity bill for regulated customers. It specifically relates to the required revenues of Power NI for all of its regulated domestic customers (for the last tariff years). Note the relative importance of generation/wholesale costs in the final regulated prices, which has accounted for around 57% as an annual average every year from October 2010. The costs of the actual supply companies themselves (operating costs and margin) average around 11% in the last tariff reviews.

³¹ Final Determination on Price Control for firmus energy (Supply) Ltd, 1 April 2015 – 31 December 2016 (15 December 2014) http://www.uregni.gov.uk/uploads/publications/2014-12-15_Supply_Price_Control_final_determination.pdf

³² Utility Regulator's Review of the Power NI Ltd Maximum Average Price (February 2015) http://www.uregni.gov.uk/uploads/publications/April_2015_Electricity_Tariff_Briefing_Paper.pdf

Figure 25 Make-up of domestic electricity bill in NI



Source: UR and Power NI

Domestic electricity prices comparison with GB

Historically, electricity prices in NI have tended to be higher than GB. This differential could be due to higher energy transport costs, smaller economies of scale in NI, or the different fuel mix in GB (i.e. NI has a reliance on gas while GB's generation mix is spread between nuclear, gas and coal).

The average annual standard bills³³ for a typical electricity domestic customer (assuming an annual consumption of 3,800³⁴ kWh and including VAT) by different payment methods for the UK countries in 2014 is shown in Figure 26.

Figure 26 Average annual domestic standard electricity bills for UK countries (£)

	England & Wales	Scotland	Northern Ireland
Standard credit	616	623	685
Direct debit	568	571	645
Prepayment	621	617	662

Source: DECC Quarterly energy prices

In 2014, any of the payment options were more expensive in NI than in the rest of the UK. As discussed earlier, while the prepayment option was more expensive in England and Wales, compared to the standard credit, in NI the prepayment option is cheaper than paying by standard credit.

Domestic electricity prices comparison with EU

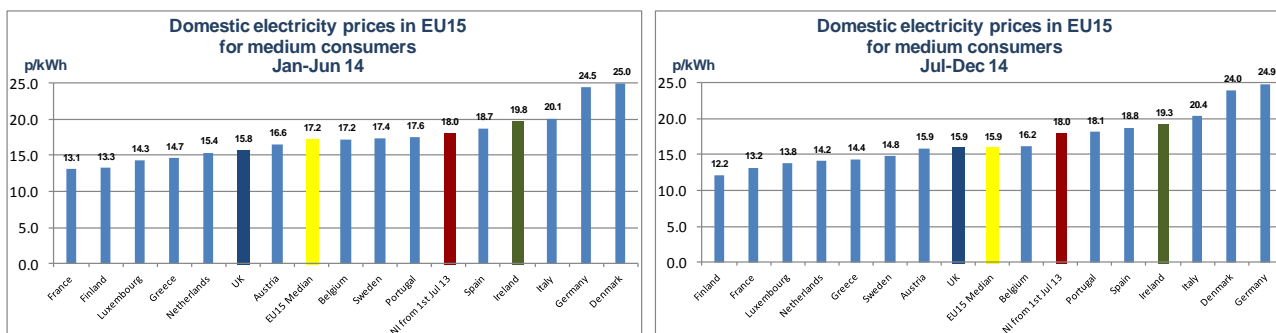
Figure 27 compares Power NI regulated tariff with unit prices for other countries in Europe, (including taxes). For the whole year of 2014, the NI regulated tariff was 18.04 p/kWh, and was above the EU15 median.

³³ These bills relate to the total amount charged during the year, rather than a bill based on the latest prices.

³⁴ Note that the estimated domestic average annual consumption has increased from 3,300kWh to 3,800kWh due to changes made by DECC in 2013.

Comparative data for the EU members has been sourced from Eurostat, for medium sized consumers (2,500 – 4,999 kWh consumption per annum). Figure 27 shows the comparison NI vs EU-15 for the two 6-month periods of 2014.

Figure 27 Domestic electricity price comparison at EU level (inc VAT) for 2014



Source: Power NI and DECC (Eurostat)

7.2 Gas domestic prices

In the Greater Belfast market we directly regulate SSE Airtricity by price control as they are in a dominant position within the domestic and small business sectors. In this area, the SSE Airtricity tariffs are regulated for customers using less than 732,000 kWh (25,000 therms) per annum, as we do not consider that this section of the market is sufficiently protected by competition.

Until now, a price control has not existed for the firmus energy supply tariff as the company was still in the early stages of its development, focused on growing their business and attracting as many new customers as possible. A necessary requirement in achieving this is to price as competitively as possible against alternative fuels (e.g. home heating oil). Also, firmus energy was incentivised through the distribution price control to maximise volume throughout the control period, and to achieve this, firmus energy had to price competitively in order to win new customers and increase the demand for gas flowing through its distribution network.

In June 2014 we published a consultation³⁵ which proposed that we would apply a price control to firmus energy in the Ten Towns area from 1 April 2015 when the full market opens to competition. In December 2014 we published the final determination³⁶ on this price control. This price control applies to the domestic and small business sectors (customers using less than 732,000 kWh per annum).

When implementing price controls, we act on behalf of consumers to ensure costs and prices are kept as low as they can be, while allowing regulated companies a supply margin in order to run their businesses.

In the gas sector, the components of the tariff differ somewhat from those in the electricity sector, and are made up of gas costs, transmission and distribution charges, supply operating costs, “k” factor (the over/under recovery from previous tariffs) and the allowed profit margin.

The relative importance of the various elements that make up final bills is shown in Figure 28, illustrated by reference to the percentage components of the gas bills. This graph relates only to the regulated tariff in the Greater Belfast licensed area, therefore the breakdown of the gas bill

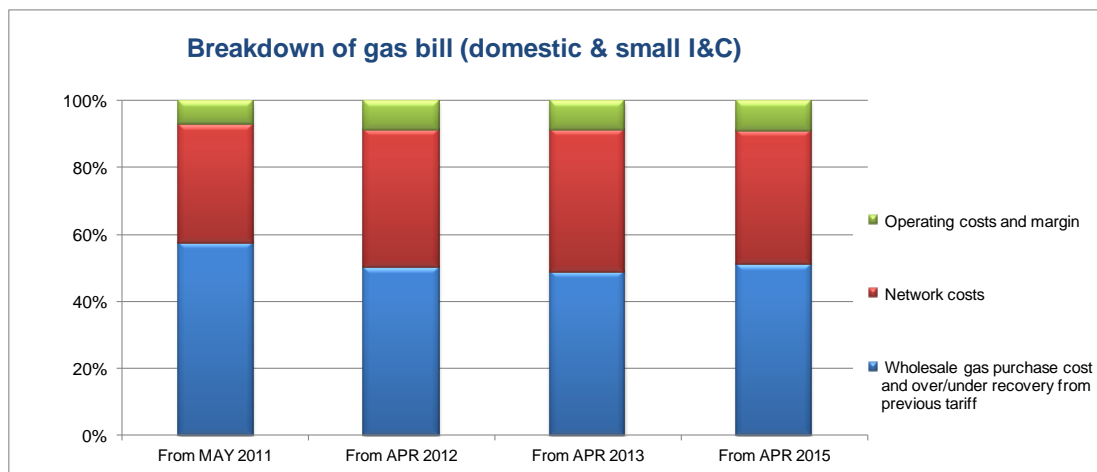
³⁵ Initial consultation on price control for firmus energy (Supply) Ltd, June 2014:

http://www.uregni.gov.uk/uploads/publications/2014-05-07_Initial_Consultation_fe_supply_price_control.pdf

³⁶ Final Determination on Price Control for firmus energy (Supply) Ltd, 1 April 2015 – 31 December 2016 (15 December 2014) http://www.uregni.gov.uk/uploads/publications/2014-12-15_Supply_Price_Control_final_determination.pdf

corresponds to all SSE Airtricity regulated customers over the relevant periods. The graph shows the relative importance of wholesale gas costs in the final regulated prices (on average these account for nearly 50%) compared to the actual supply costs (operating costs and margins) of around 9% of the final price. The remaining costs relate to network costs.

Figure 28 Make-up of regulated gas bill in the Greater Belfast area



Source: UR and SSE Airtricity

The outcome of the most recent SSE Airtricity tariff review³⁷ was an average decrease of 7.8% off the unit rates for customers in the Greater Belfast area from 1 April 2015.

Also, the UR initiated a review of the maximum average price with firmus energy supply³⁸ in January 2015, to ensure that customers pay no more than the costs of purchasing and supplying gas plus a pre-determined allowance for the operating costs of the business and an agreed profit margin. The review of the maximum average price resulted in no change to the firmus tariffs for domestic and small business customers in the Ten Towns area from 1 April 2015.

Gas price comparison with GB and Rol

Historically NI prices have been higher than in GB, mainly attributable to the fact that the NI gas infrastructure has been built quite recently. There are also other explanatory factors, such as extra costs of gas transportation from Scotland, etc. This trend changed in 2009 as a result of the almost immediate pass through to customers of the fall in prices from the price control in NI. Since then, SSE Airtricity tariffs showed a strong increase (39.1%) in 2011, followed by a 8.5% decrease in 2012 and then a 8.7% increase in 2013. There was no change to the SSE Airtricity tariffs in 2014 and in April 2015 SSE Airtricity tariffs decreased by 7.8% on average.

Figure 29 compares domestic gas prices based on average annual consumption of 13,500 kWh. It

³⁷ Utility Regulator's Review of the SSE Airtricity Gas Supply (NI) Ltd Maximum Average Price in the Greater Belfast area (February 2015). http://www.uregni.gov.uk/uploads/publications/SSE_Airtricity_gas_tariff_review_briefing_paper_-_Feb_2015.pdf

³⁸ Utility Regulator's Review of the firmus energy (Supply) Ltd Maximum Average Price in the Ten Towns area http://www.uregni.gov.uk/uploads/publications/Briefing_paper_on_firmus_tariff_review_-_March_2015.pdf

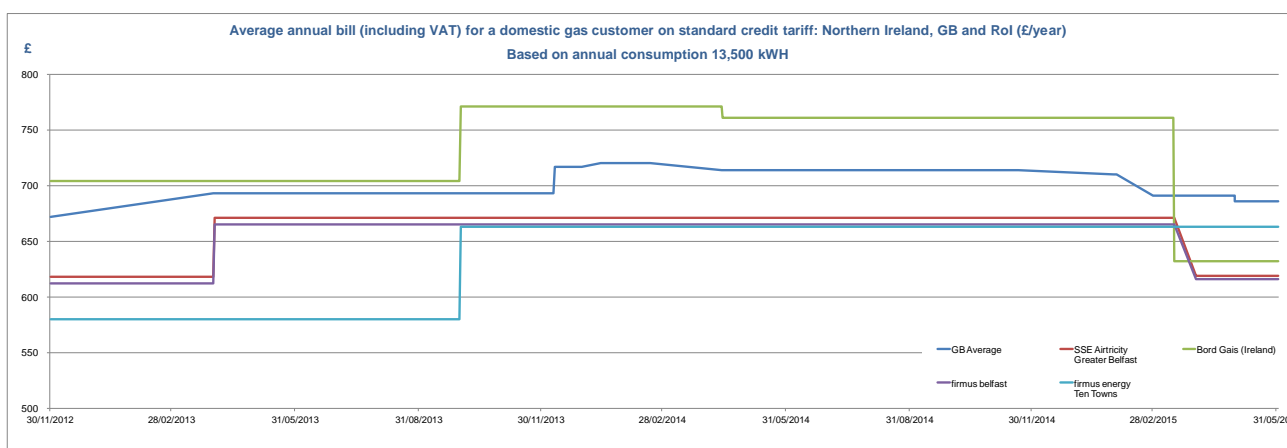
shows a comparison against Bord Gais in ROI and the average of the 'Big Six' suppliers³⁹ in GB. The tariffs used for comparison purposes are the standard tariff rates for domestic credit customers excluding any discounts available for payment by direct debit, viewing bills online, etc.

During 2014 there was no change to the SSE Airtricity regulated gas prices in the Greater Belfast area, nor was there any change to the firmus energy tariffs for domestic and small I&C customers in the Ten Towns area. However, five of the Big Six suppliers in GB increased their tariffs between late November and early January 2014. As a result the gas price for domestic customers in NI, in both distribution Licensed Areas, was below gas prices in RoI, and below the average of the big six suppliers in GB during 2014⁴⁰.

Subsequently in 2015, each of the Big 6 Suppliers in GB has decreased their tariffs between January and April. These decreases ranged from 1.3% to 5.0%. In RoI, Bord Gais decreased its gas tariffs by 3.5% from 16 March 2015. This decrease is included in this graph but is displayed as a much larger decrease. This is due to exchange rate fluctuations, for the purposes of this tariff comparison we convert the RoI tariff from euro to pound sterling using the exchange rate applicable at the time of each tariff change.

SSE Airtricity decreased its domestic tariff in the Greater Belfast area by 7.8% on average from 1 April 2015. The firmus energy tariffs in the Ten Towns area have remained constant since October 2013.

Figure 29 Average annual bill for a gas customer on standard credit tariff:
Northern Ireland, GB and RoI (£/year)



Source: UR internal data

Price comparison at EU level

The comparison between NI domestic gas price with the most recent available prices for other countries in Europe over 2014 is shown in Figure 30.

The figures used for NI are based on the SSE Airtricity tariffs for a customer consuming 13,500 kWh per annum (including VAT) that applied in 2014. The SSE Airtricity credit tariff applying from April 2013, relates to a customer on a standard tariff consuming 13,500 kWh per annum (6.957p/kWh for first 2000 kWh, then 4.629p/kWh).

Figure 30 also shows the credit tariff for 10 Towns customers for a customer consuming 13,500

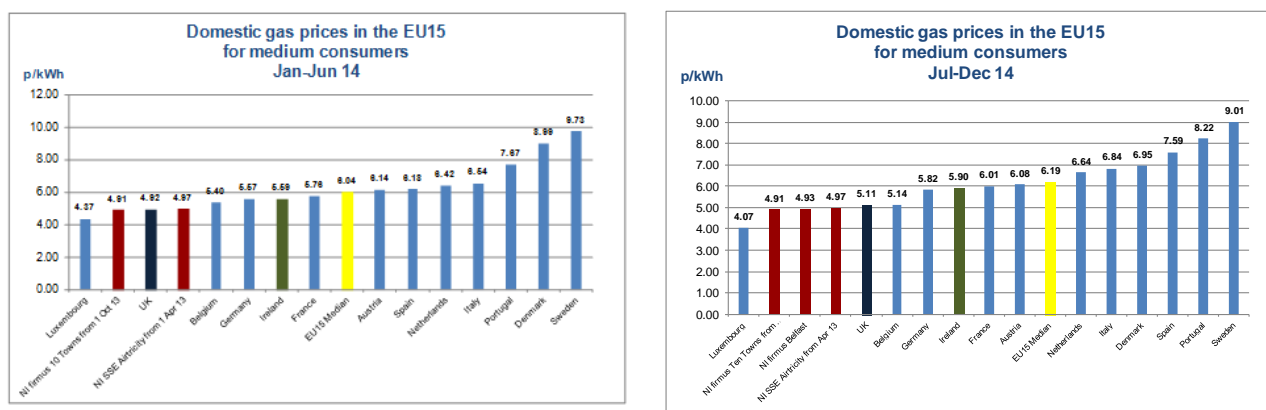
³⁹ The larger energy suppliers in GB (often called the 'Big Six') are the companies that hold supply licences and supply most of the energy to domestic households in the GB market. They are: British Gas, E.on UK, Scottish and Southern Energy (SSE), npower, EDF Energy and Scottish Power.

⁴⁰ This comparison is based on domestic prices for standard gas tariffs and does not include discounts available for online billing, payment by direct debit etc.

kWh per annum (including VAT) from 1 October 201 (6.804 p/kWh for first 2000 kWh, then 4.586 p/kWh).

Comparable data from EU members has been obtained from Eurostat, for medium consumers consuming 5,557 – 55,556 kWh per annum. This data relates to the two semesters in 2014 (January–June and July–December).

Figure 30 Domestic gas price comparison at EU level including taxes. Jan-Jun and Jul-Dec 2014



Source: UR and DECC Quarterly energy prices

8 Electricity I&C prices

8.1. Price comparison with EU⁴¹

At present, all business customers who consume more than 50 MWh per year can obtain an individual quotation from NI active electricity suppliers as the majority of electricity prices in this sector are individually agreed between customers and suppliers. Many of these customers, especially the larger sized customers, follow a tender exercise and subsequently agree individual contracts with their supplier, often with unique terms and conditions (including price). Due to the bilateral nature of the agreement, electricity non-domestic prices are not published by suppliers.

NI electricity prices comparisons for the electricity I&C sector have now been available in our reports since 2013, and these comparisons are regularly updated in the QTR's.

When calculating I&C electricity unit average prices from NI suppliers' inputs, we follow DECC's format and methodology, as explained earlier in section 1.3. As a result, we can easily compare NI prices to those collected and published by DECC and Eurostat⁴² per Member State.

The percentage of non-domestic customers in each of the size bands per the EU categorization are detailed in Figure 31, including the percentage by consumption.

⁴¹ This section covers electricity I&C prices only, as to date gas I&C prices have not been collected in NI.

⁴² <http://epp.eurostat.ec.europa.eu/portal/page/portal/energy/data/database>

Figure 31 Consumption size bands for non-domestic electricity customers

Size of consumer	Annual consumption bands (MWh)	% of I&C customers	% of I&C consumpt.
Very small	< 20	65.20%	7%
Small	20 - 499	33.12%	35%
Small/Medium	500 - 1,999	1.24%	16%
Medium	2,000 - 19,999	0.41%	30%
Large + Very Large	> 20,000	0.02%	12%

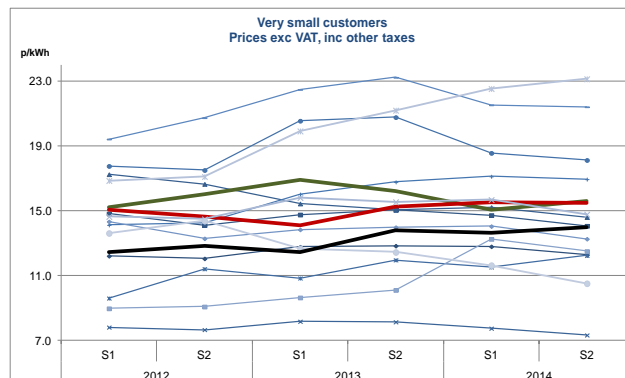
Source: NI suppliers and UR calculations

Figure 31 shows that in NI the number of non-domestic customers are very heavily grouped in the EU-standardised smallest size band (consuming less than 20 MWh per annum). At the end of 2014, these customers accounted for 65% of the total customers in the I&C sector, while they represent approximately 7% of the total I&C consumption (similar levels to 2013). The large and very large category account for 0.02% of the total customers, but they consume 12% of the total consumption for I&C.

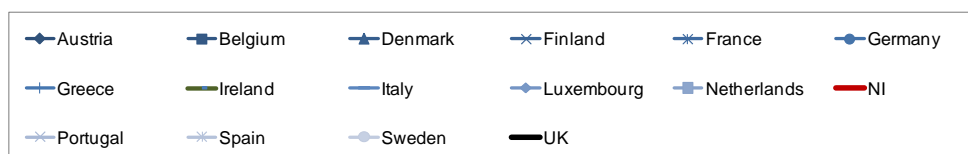
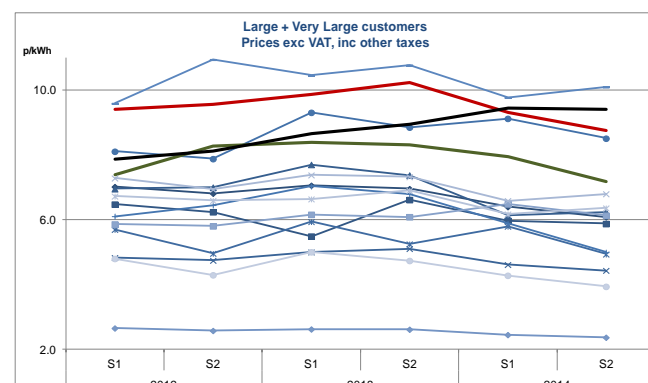
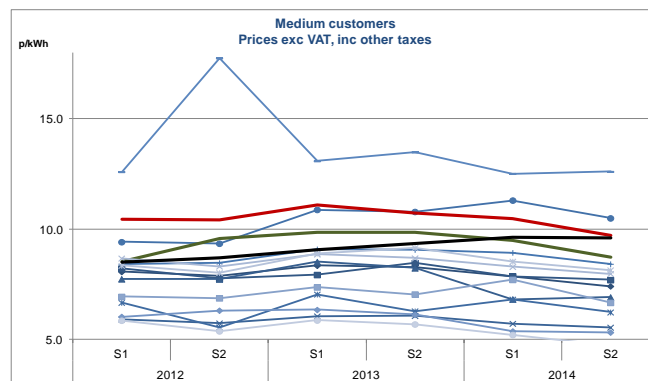
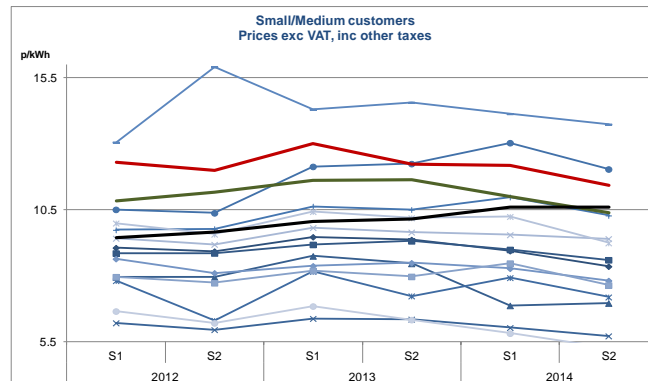
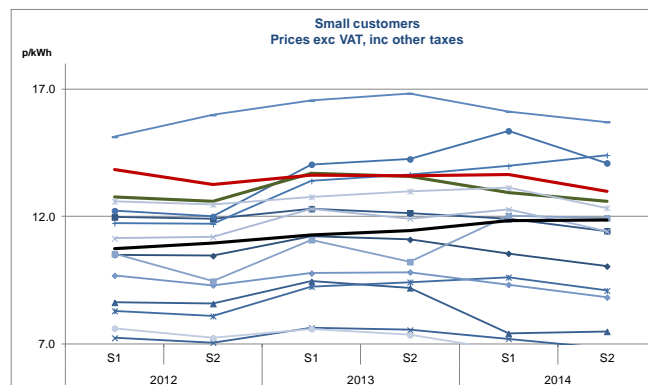
The graphs in Figure 32 show non-domestic average unit prices trends, including Climate Change Levy (CCL)⁴³ but excluding VAT. As VAT is a refundable expense for many businesses, excluding VAT means that the values are more representative of the actual energy costs for businesses.

Prices for the very small non-domestic customers are around the middle of the EU range. However, prices for larger non-domestic customers sit towards the top end of the EU comparisons.

Figure 32 NI and EU members non-domestic electricity prices since January 2012



⁴³ The Climate Change Levy (CCL), is a tax on electricity, gas and solid fuels delivered to non-domestic consumers. Its objective is to encourage businesses to reduce their energy consumption or use energy from renewable sources. The rate changes every year. From 1 April 2012, it is 0.509p/kWh.



Source: NI electricity suppliers and Eurostat

QUARTERLY TRANSPARENCY REPORT 2015 Q1

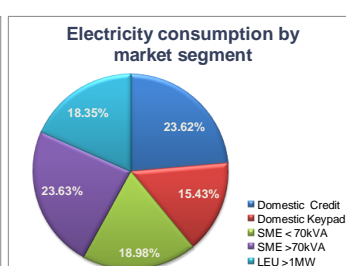
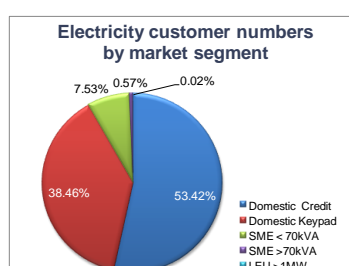
9 Summary of retail market indicators – quarterly

2015 Q1	Electricity		GAS: Greater Belfast		GAS: Ten towns	
	Domestic	I&C	Domestic and small I&C	Medium and large I&C	Domestic	I&C
Customer numbers/connections at end of quarter	781,805	69,114	176,277	3,418	23,945	2,361
Consumption in quarter (GWh/thousand therms)	834	1,301	28,479	23,759	2,345	15,263
% of prepayment customers within domestic sector	42%	-	Domestic: 64%		90%	
Number of active suppliers in this quarter	5	8	5	6	1	2
Market shares (by customer numbers/connections) of largest suppliers	Power NI: 70% SSE Airtricity: 23% Budget Energy: 7%	Power NI: 54% SSE Airtricity: 21% Energia: 11%	SSE Airtricity: 72% firmus: 28%	SSE Airtricity: 49% firmus: 45%	firmus: 100%	I&C < 732,000kWh: - firmus: 100% I&C > 732,000kWh: - firmus: 86% - SSE Airtricity:
Market shares (by consumption) of largest suppliers	Power NI: 67% SSE Airtricity: 25% Budget Energy: 8%	SSE Airtricity: 25% Power NI: 21% Electric Ireland: 20%	SSE Airtricity: 68% firmus: 32%	SSE Airtricity: 45% firmus: 49%	firmus: 100%	I&C < 732,000kWh: - firmus: 100% I&C > 732,000kWh: - firmus: 87% - SSE Airtricity:
Quarterly switching rate	2.4%	1.5%	Domestic: 0.3%	All non-domestic: 3.3%		
Prices	Slightly above EU-15 median	<u>Very small customers</u> (0-20 MWh pa): slightly above EU-15 median <u>Rest of I&C</u> (more than 20 MWh pa): on the highest end of EU-15 range	Domestic: among lowest in EU-15		Domestic: among lowest in EU-15	

10NI customer numbers and consumption

10.1 Electricity

Year	2015	
Month	Q1	
Market segments	Customer Numbers ⁴⁴	Consumption (GWh)
Domestic credit	454,536	504.2
Domestic prepayment	327,269	329.4
SME <70kVA	64,049	405.2
SME >70kVA	4,878	504.4
LEU >1MW	187	391.7
Total	850,919	2,134.9



From the total customers in NI, 92% belong to the domestic sector, while the remaining 8% are I&C customers. In this quarter, in terms of consumption, this translates into 39% and 61% respectively.

Within the I&C sector, more than 99% of the customers are small and medium enterprises (SME), 70% by consumption. The remaining are Large Energy Users (LEU), that consumed more than 18% of the total NI volume in this quarter, and more than 30% of the I&C consumption.

For this quarter, and going forward, the QTRs will include combined tariff premises within the small I&C category.

Source: NIE

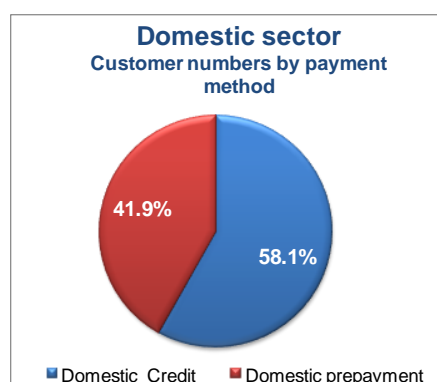
Payment split in the domestic sector

The number of domestic credit customers (standard credit plus direct debit) continues to decrease in comparison to the number of prepayment customers, which continues to grow. Prepayment meters are a popular choice for customers in NI as customers can pay for energy as they consume it. The data available via the display unit also helps customers to manage usage and control their energy costs.

At the end of this quarter, 41.9% of the total electricity domestic customers had a prepayment or keypad meter (a marginal increase from 41.2% in the previous quarter).

Source: NIE

Year	2015	
Month	Q1	
Market segments	Customers numbers	
Domestic credit	454,536	
Domestic prepayment	327,269	
Total domestic sector	781,805	



⁴⁴ Long term vacant sites are not included in customer numbers.

10.2 Gas – Greater Belfast and Ten Towns areas

Year	2015	
End of quarter	Q1	
	Connections	Consumption (therms)
Greater Belfast	179,695	52,238,075
Domestic & Small I&C ⁴⁵	176,277	28,479,049
I&C 73,200 - 732,000 kWh	2,982	7,905,429
I&C > 732,000 - 2,196,000 kWh	324	4,415,803
I&C > 2,196,000 kWh	112	11,437,794
Ten towns	26,306	17,607,497
Domestic credit	2,451	401,827
Domestic prepayment	21,494	1,942,962
I&C < 73,200 kWh	1,176	354,936
I&C 73,200 - 732,000 kWh	945	2,410,878
I&C 732,001 – 2,196,000 kWh	152	2,059,783
I&C > 2,196,000 kWh	88	10,437,110
Total	206,001	69,845,571

In the Greater Belfast area, the market segments are split following the Distribution Code:

- Domestic and Small I&C (<73,200 kWh/annum), which at the end of this quarter represents 98% of the connections and 55% of the consumption during the quarter.
- The remaining categories, medium and large I&C (>73,200 kWh/annum) in this quarter represent 2% of the connections in this area, and 45% of the quarterly consumption.

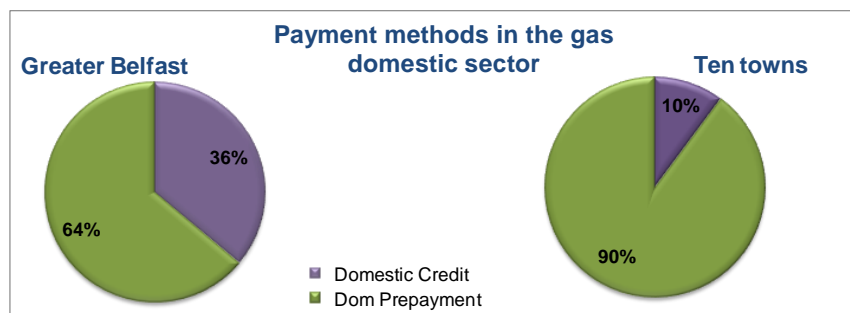
In the Ten Towns area, competition in the large I&C segment (consumption greater than 732,000 kWh per annum) opened in October 2012. From 1 April 2015 the remainder of the market opened to competition.

Total connections in Ten Towns are currently more than 26,300. In this distribution licensed area, domestic premises represent 91% of the connections at the end of this quarter (13% by consumption), while the I&C sector represents the remaining 9% of connections (87% by consumption).

Source: PNGL and feDL.

Payment split in the domestic sector

Year	2015		
End of quarter	Q1		
	Greater Belfast	Ten towns	Total NI
Domestic credit	60,770	2,451	63,221
Domestic prepayment	108,200	21,494	129,694
Total NI	168,970	23,945	192,915



Source: gas suppliers.

Within the domestic sector, prepayment customers represent 64% of the Greater Belfast distribution Licensed area, and 90% in the Ten Towns distribution Licensed area.

Prepayment meters are a popular choice for customers in NI as customers can pay for energy as they consume it. The data available via the display unit also helps customers to manage usage, and to control their energy costs.

⁴⁵ The domestic and small I&C gas market relates to those customers consuming <73,200 kWh/annum.

11 Market shares and market activity

11.1 Electricity market shares

Electricity shares by customer numbers⁴⁶

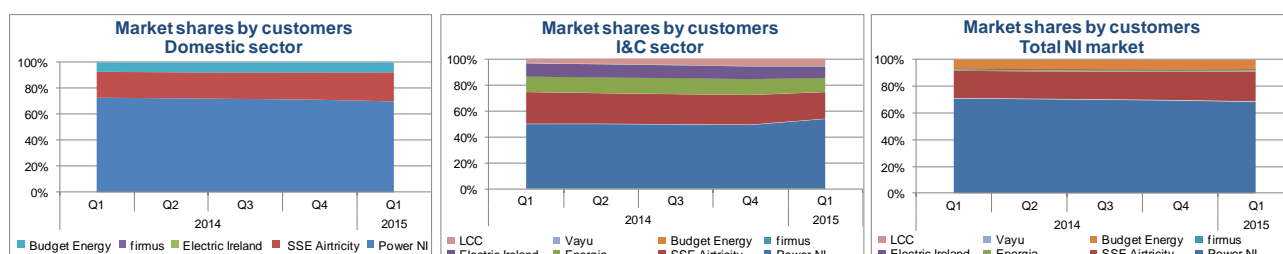
Year	2015					
Month	Q1					
Suppliers	Domestic credit	Domestic prepayment	SME <70kVA	SME >70kVA	LEU >1MW	Total
Power NI	350,796	194,094	35,881	1,181	23	581,975
SSE Airtricity	99,694	77,524	13,177	1,072	44	191,511
Energia	0	0	6,507	974	36	7,517
Electric Ireland	1,155	212	4,868	1,117	47	7,399
firmus	48	0	204	31	4	287
Budget Energy	2,774	55,439	161	2	0	58,376
Vayu	0	0	8	9	2	19
LCC	69	0	3,243	492	31	3,835
Total Market	454,536	327,269	64,049	4,878	187	850,919

Year	2015					
Month	Q1					
% cust. numbers per supplier	Domestic credit	Domestic prepayment	SME <70kVA	SME >70kVA	LEU >1MW	Total
Power NI	77.2%	59.3%	56.0%	24.2%	12.3%	68.4%
SSE Airtricity	21.9%	23.7%	20.6%	22.0%	23.5%	22.5%
Energia	0.0%	0.0%	10.2%	20.0%	19.3%	0.9%
Electric Ireland	0.3%	0.1%	7.6%	22.9%	25.1%	0.9%
firmus	0.0%	0.0%	0.3%	0.6%	2.1%	0.0%
Budget Energy	0.6%	16.9%	0.3%	0.0%	0.0%	6.9%
Vayu	0.0%	0.0%	0.0%	0.2%	1.1%	0.0%
LCC	0.0%	0.0%	5.1%	10.1%	16.6%	0.5%

The total number of domestic customers at the end of Q1 was 781,805. There is still a large share of domestic customers remaining with the previously incumbent supplier. This position has been progressively changing over the last years, and this quarter the percentage of domestic credit (including direct debit) customers supplied by Power NI was 70%. Power NI currently supplies 60% of prepayment customers, which is a decrease from 61% from the previous quarter. The current non-incumbent share by customer numbers is 23% for credit domestic customers and 41% for prepayment customers.

Competition in the I&C market is more developed, and shares are more dispersed than in the domestic sector. There were eight active suppliers in Q1 2015. Based on customer numbers, five of these suppliers have shares in excess of c10% in the largest business segments. Also, LCC continues to grow in each of the I&C market segments, increasing to 16.6% by the end of this quarter (14.6% in the previous quarter).

The charts below show the trends in market shares (by customer numbers) for each active supplier in NI by market segment from Q1 2014.



Source: NIE

⁴⁶ Market shares figures do not include de-energised nor Long Term Vacant sites.

Electricity shares by consumption (GWh)

Year	2015					
Month	Q1					
Suppliers	Domestic credit	Domestic prepayment	SME <70kVA	SME >70kVA	LEU >1MW	Total
Power NI	366.7	189.2	159.0	80.8	30.3	826.1
SSE Airtricity	131.7	79.2	93.6	108.5	118.5	531.4
Energia	0.0	0.0	52.9	120.4	57.5	230.8
Electric Ireland	1.6	0.3	38.7	135.6	84.5	260.6
firmus	0.1	0.0	3.4	6.6	3.5	13.6
Budget Energy	3.7	60.7	0.6	0.0	0.0	65.0
Vayu	0.0	0.0	0.0	2.4	1.4	3.9
LCC	0.4	0.0	56.9	50.2	96.0	203.6
Consumption (GWh)	504.2	329.4	405.2	504.4	391.7	2,134.9

Year	2015					
Month	Q1					
% consumption per supplier	Domestic credit	Domestic prepayment	SME <70kVA	SME >70kVA	LEU >1MW	Total
Power NI	72.7%	57.4%	39.2%	16.0%	7.7%	38.7%
SSE Airtricity	26.1%	24.0%	23.1%	21.5%	30.2%	24.9%
Energia	0.0%	0.0%	13.1%	23.9%	14.7%	10.8%
Electric Ireland	0.3%	0.1%	9.5%	26.9%	21.6%	12.2%
firmus	0.0%	0.0%	0.8%	1.3%	0.9%	0.6%
Budget Energy	0.7%	18.4%	0.2%	0.0%	0.0%	3.0%
Vayu	0.0%	0.0%	0.0%	0.5%	0.4%	0.2%
LCC	0.1%	0.0%	14.0%	10.0%	24.5%	9.5%

During the first quarter of 2015 the electricity consumption in NI was over 2,130 GWh.

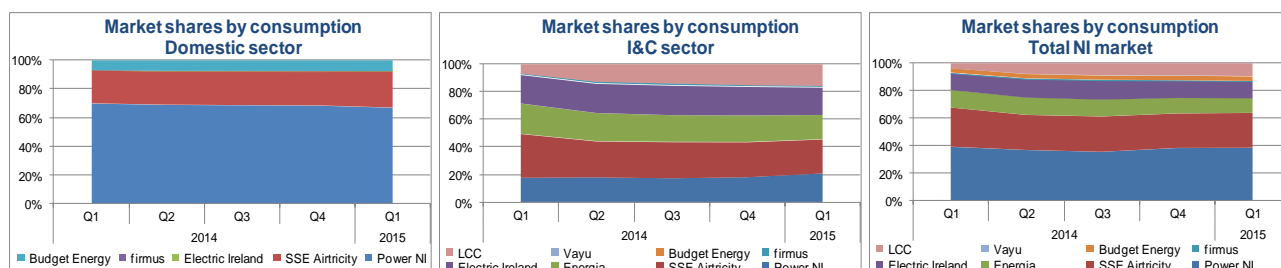
In Q1, Power NI's share of the total market by consumption was 39%, as in the previous quarter. This supplier retains a market share by consumption in the domestic market (credit and prepayment) of around 67%.

In the I&C market, the main suppliers are SSE Airtricity (25%), Power NI (21%), Electric Ireland (20%) and energia (18%). LCC share by consumption in the I&C sector has continued to increase, and reached 15.6%, from 15.1% last quarter.

The electricity figures represented here now include combined tariff consumption within the small I&C category (previously this had been included in the domestic category).

During Q1 2015, the non-incumbent suppliers by consumption were 61% of the total NI electricity market. This percentage is mainly split between SSE Airtricity with 25%, Electric Ireland with 12% energia with 12% and LCC with 9%.

The charts below reflect the trends in market share of active suppliers by consumption (sales units in GWh) in the domestic and I&C electricity sectors, and in the total NI market, from Q1 2014.

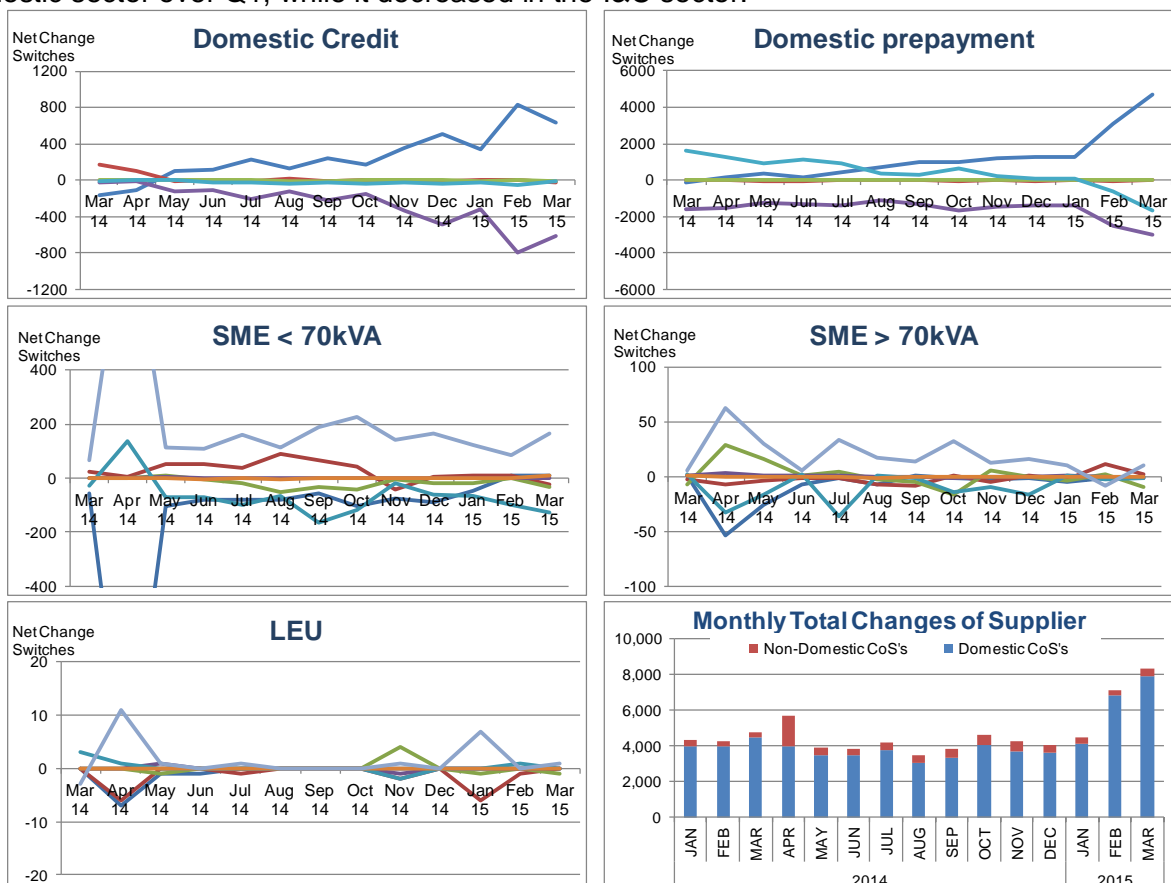


Source: NIE

11.2 Electricity market activity

The line charts below reflect the net change of customer numbers (customer gains less losses), per market segment and anonymised supplier. The bar graph shows market activity through changes of supplier (CoS) on a monthly basis in the whole NI market, split by domestic and I&C markets.

The market activity (measured as net change of customer numbers) increased significantly in the domestic sector over Q1, while it decreased in the I&C sector.



The number of domestic switches over this quarter has substantially increased, with an average of around 6,200 switches per month (there were around 3,800 domestic switches per month in the last quarter).

The I&C sector shows a significant decrease in the number of CoS during Q1 2015, with an average of circa 350 switches per month (there were c500 switches per month in the last quarter).

	% Domestic switching	% I&C switching	% Total switching
2014			
Q1	1.6%	1.5%	1.6%
Q2	1.4%	4.2%	1.6%
Q3	1.3%	2.3%	1.4%
Q4	1.4%	2.5%	1.5%
2015			
Q1	2.4%	1.5%	2.3%

The table above shows % rates of quarterly switching. These percentages are calculated using the number of quarterly switches over the number of customers at the end of the quarter in the relevant market. Following the CoS movements in the graphs above, the table shows an increase in the rate of domestic switching from 1.4% to 2.4% from 1.4% in the last quarter. The I&C switching rate decreased from 2.5% to 1.5% in this quarter.

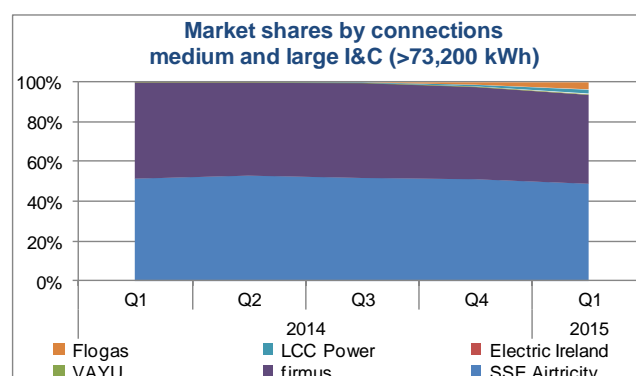
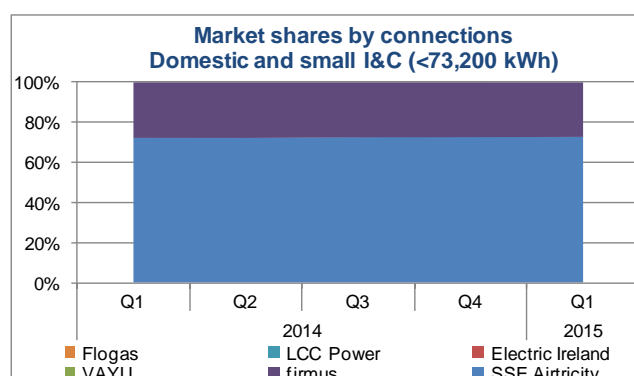
Source: NIE.

11.3 Gas market shares – Greater Belfast area

Shares by connections

Year	2015		
End of quarter	Q1		
Suppliers	Domestic & Small I&C ⁴⁷	I&C > 73,200 kWh	Total
SSE Airtricity	127,429	1,667	129,096
firmus	48,639	1,527	50,166
VAYU	14	10	24
Electric Ireland	0	1	1
LCC Power	34	71	105
Flogas	161	142	303
Connections	176,277	3,418	179,695

Year	2015		
End of quarter	Q1		
% Connections per supplier	Domestic & Small I&C	I&C > 73,200 kWh	Total
SSE Airtricity	72.29%	48.77%	71.84%
firmus	27.59%	44.68%	27.92%
VAYU	0.008%	0.293%	0.013%
Elec. Ireland	0.000%	0.029%	0.001%
LCC Power	0.019%	2.077%	0.058%
Flogas	0.091%	4.154%	0.169%



The information on connections above relates to the Phoenix Natural Gas Ltd distribution Licensed Area. Market shares in terms of connections are as at end March 2015.

LCC Power entered the gas market in August 2014, and Flogas in December 2014. Since then, there have been five active suppliers in the domestic and small I&C market (only two of them active in the domestic market), and six active suppliers in the medium and large⁴⁸ I&C market.

At the end of Q1, SSE Airtricity had 72% share of connections in the total gas market, which is around the same as last quarter. Their share in the domestic and small I&C market was also 72%, while the share in the larger I&C market (over 73,200 kWh/annum) was 49%. At the end of Q1 firmus has a total share by connections of 28% in domestic and small I&C and 45% in the larger I&C market.

While the share by connections for the remaining suppliers is less than 1% of the market, LCC Power and Flogas shares by connections are growing at a steady rate, particularly in the medium and large I&C sector. LCC's share in this sector in the current quarter grew to 2.1% (from 0.9% in the previous quarter), and Flogas' share grew to 4.2% from 1.4% in 2014 Q4.

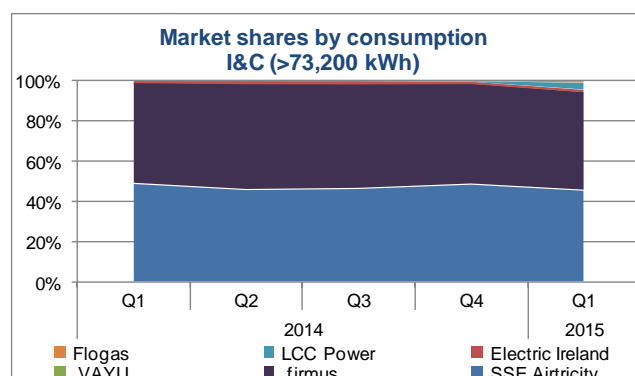
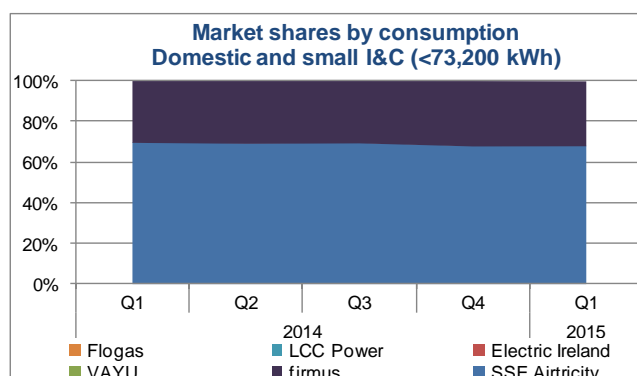
Source: PNGL.

⁴⁸ The domestic and small I&C gas market relates to those customers consuming <73,200 kWh/annum.

Shares by consumption (therms)

Year	2015		
Quarter	Q1		
Suppliers	Domestic & Small I&C ⁴⁹	I&C > 73,200 kWh	Total
SSE Airtricity	19,296,901	10,806,385	30,103,285
firmus	9,132,975	11,537,105	20,670,080
VAYU	3,636	21,179	24,815
Electric Ireland	0	292,142	292,142
LCC Power	9,999	867,901	877,901
Flogas	35,538	234,314	269,851
Consumption (therms)	28,479,049	23,759,026	52,238,075

Year	2014		
Quarter	Q1		
% Consumption per supplier	Domestic & Small I&C	I&C > 73,200 kWh	Total
SSE Airtricity	67.76%	45.48%	57.63%
firmus	32.07%	48.56%	39.57%
VAYU	0.01%	0.09%	0.05%
Electric Ireland	0.00%	1.23%	0.56%
LCC Power	0.04%	3.65%	1.68%
Flogas	0.12%	0.99%	0.52%



The information on consumption above relates to the Phoenix Natural Gas Ltd distribution Licensed Area. Market shares in terms of consumption relate to consumption during Q1 2015.

SSE Airtricity total market share by consumption during Q4 was 58%, very similar to their share last quarter. firmus retains 40% of the share by consumption in the total market, while the remaining active suppliers have a share below 3% of the market (LCC's share was 1.68%).

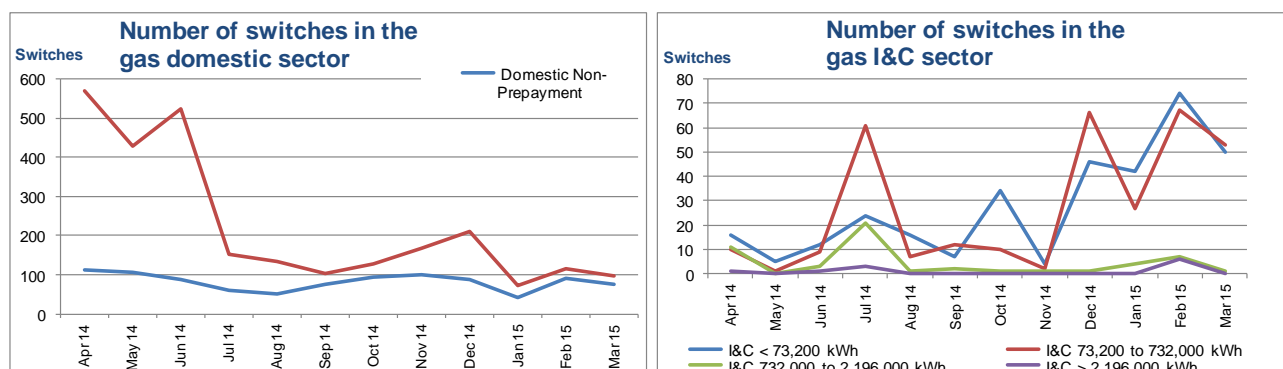
Source: PNGL.

⁴⁹ The domestic and small I&C gas market relates to those customers consuming <73,200 kWh/annum.

11.4 Gas market activity – Greater Belfast area

The information below relates to the Phoenix Natural Gas Ltd distribution Licensed Area.

The graphs below show switching activity as the number of completed switches. Note that prepayment switches, within domestic switches, include switches back to the previous supplier in cases where the customer has not taken the required action to complete their switch.



The table shows the switching rate for the domestic and I&C markets in the Greater Belfast area. These percentages are calculated using the number of Supply Meter Point switches during the quarter as a percentage of the total number of Supply Meter Points in the market segment at the end of the same quarter.

The level of switching activity in the domestic sector has decreased compared to the previous quarter, however there has been a noticeable increase in the switching activity in the I&C sector from 1.6% in Q4 of last year to 3.3% in Q1 of this year.

Source: PNGL and gas suppliers.

	% Domestic switching	% I&C switching	% Total switching
2014			
Q1	1.5%	0.4%	1.4%
Q2	1.1%	0.7%	1.1%
Q3	0.3%	1.5%	0.4%
Q4	0.5%	1.6%	0.5%
2015			
Q1	0.3%	3.3%	0.5%

11.5 Gas market shares and market activity – Ten Towns area

In the Ten Towns area, competition opened in October 2012 for the large I&C market (>732,000 kWh), and in April 2015 for the domestic and small I&C (<732,000 kWh) market.

SSE Airtricity entered the large I&C market in January 2013, and as at end March 2015, 33 supply meter points had switched from firmus to SSE Airtricity. This equates to 14% market share of the large I&C market (consumption over 732,000 kWh) in terms of connections at the end of this quarter, and 13% market share in terms of consumption during Q1 2015 in the same market segment. These figures are unchanged from the previous quarter as no meter points switched in the first quarter of this year.

The tables below show absolute and relative numbers in this area.

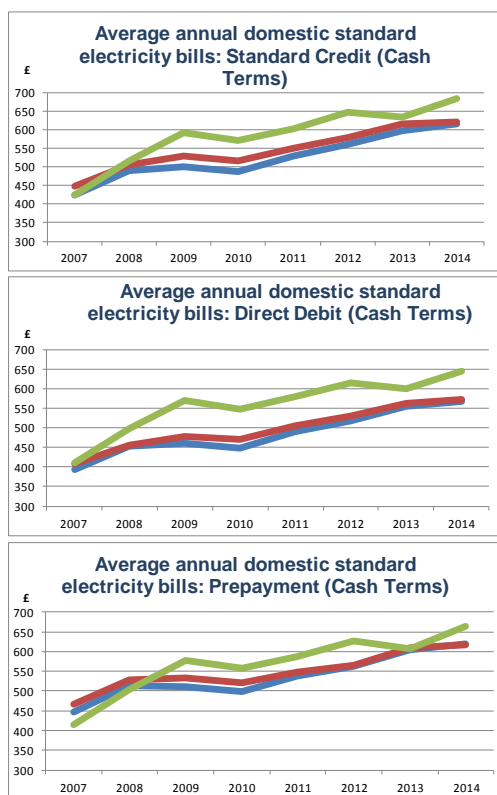
Year	2015		
End of quarter	Q1		
Suppliers	Domestic	I&C	Total
SSE Airtricity	0	33	33
firmus	23,945	2,328	26,273
Total connections	23,945	2,361	26,306
SSE Airtricity	0	1,597,667	1,597,667
firmus	2,344,789	13,665,040	16,009,830
Total consumption (therms)	2,344,789	15,262,707	17,607,497

Year	2015		
End of quarter	Q1		
Suppliers	Domestic	I&C	Total
% connections			
SSE Airtricity	0.0%	1.4%	0.1%
firmus	100.0%	98.6%	99.9%
% consumption			
SSE Airtricity	0.0%	10.5%	9.1%
firmus	100.0%	89.5%	90.9%

Source: feDL.

12 Domestic prices

12.1 Electricity domestic prices



Average domestic bills are calculated assuming an annual consumption of 3,800 kWh⁵⁰. Data is inclusive of VAT.

These bills relate to the total amount charged during the year, rather than a bill based on the latest prices.

Historically in NI, electricity prices have been higher than in GB. This is mainly because there are higher energy transport costs, small size of the market that reduces chances of economies of scale, difference in fuel mix, etc.

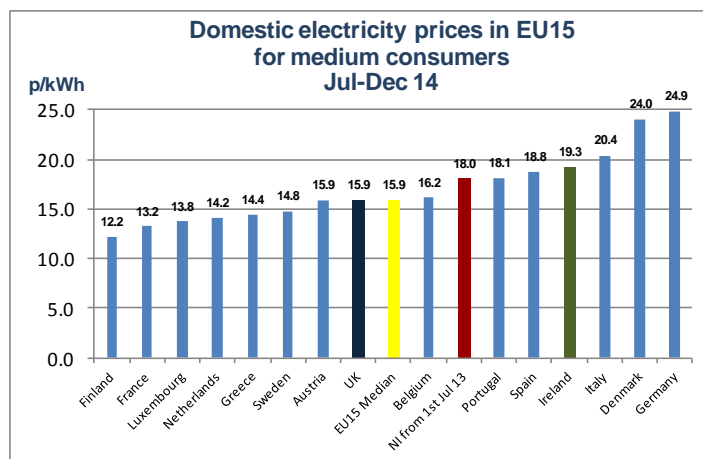
The prepayment option in NI is cheaper than the standard credit tariff, and vice versa for the other two regions.

Source: Table 2.2.2 on DECC last Quarterly Energy Prices

(<https://www.gov.uk/government/organisations/departments-of-energy-climate-change/series/quarterly-energy-prices>).

— England & Wales — Scotland — Northern Ireland

The graph below compares NI regulated price with the most recent available prices for other countries in Europe (including taxes). It shows a comparison with the EU-15 of the period July-December 2014, in which the NI regulated tariff was 18.04 p/kWh (including taxes)⁵¹.



For domestic customers the NI current regulated tariff is, since 1 April 2015⁵², 16.38 p/kWh (including taxes).

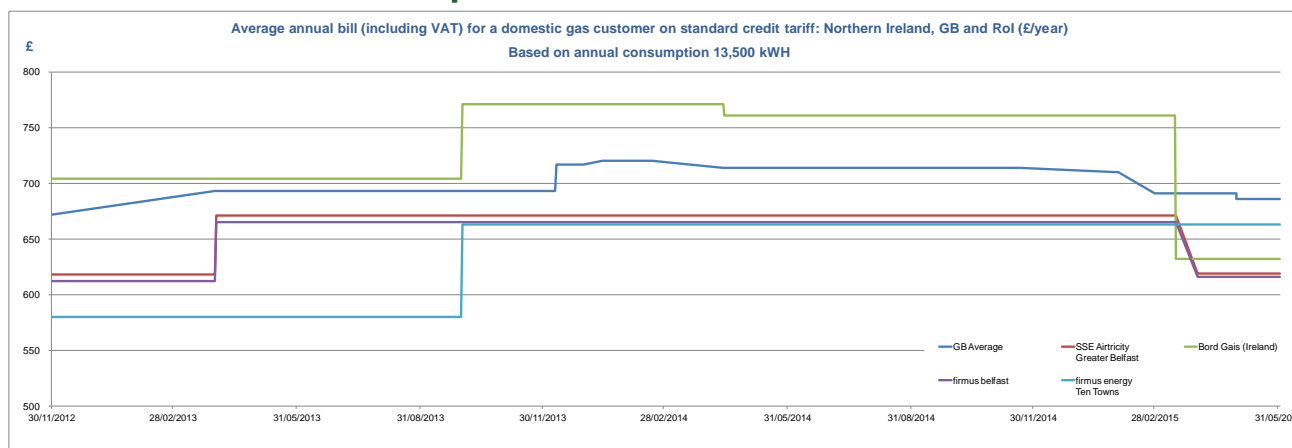
Source: DECC Quarterly Energy Prices. Table 5.6.2. Medium consumers (2,500-4,999 KWh) including taxes.

⁵⁰ DECC previously published household bill estimates in Quarterly Energy Prices based on standard household consumption levels of 3,300 kWh for electricity and 18,000 kWh for gas. Following changes in typical household consumption in more recent years, DECC has reviewed the available evidence, and decided to revise the levels used to 3,800 kWh for electricity and 15,000 kWh for gas. A special feature article within the March 2014 publication of Energy Trends provides more details and is available on the Internet at <https://www.gov.uk/government/collections/energytrends-articles> (Quarterly energy Prices March 2014, page 5).

⁵¹ http://www.uregni.gov.uk/uploads/publications/Retail_Tariff_Background_Briefing_May_2013.pdf

⁵² http://www.uregni.gov.uk/uploads/publications/April_2015_Electricity_Tariff_Briefing_Paper.pdf

12.2 Gas domestic prices



The graph above compares gas domestic prices for standard credit gas tariffs. It shows a GB average which includes the 'Big Six' suppliers⁵³. The annual usage estimate is 13,500 kWh.

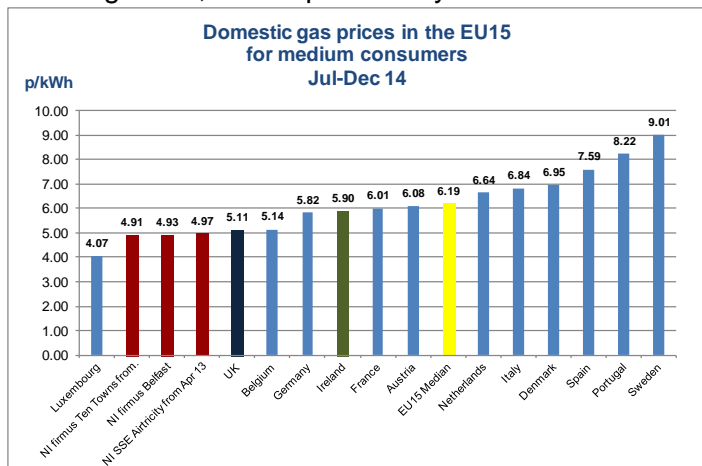
The tariffs used for comparison purposes are the standard tariff rates for domestic credit customers excluding any discounts available for payment by direct debit, viewing bills online, etc.

Each of the Big 6 Suppliers in GB decreased their tariffs between January and April 2015. These decreases ranged from 1.3% to 5%.

In RoI, Bord Gais decreased its gas tariffs by 3.5% from 16 March 2015. This decrease is included in this graph but is displayed as a much larger decrease. This is due to exchange rate fluctuations because, for the purposes of this tariff comparison, we convert the RoI tariff from euro to pound sterling using the exchange rate applicable at the time of each tariff change.

SSE Airtricity decreased its domestic tariff in the Greater Belfast area by 7.8% on average from 1 April 2015 while firmus energy decreased its tariffs in the Greater Belfast area by up to 6.38% from the same date. The firmus energy tariffs in the Ten Towns area have remained constant since October 2013.

The graph below compares NI regulated gas tariff with the prices for other countries in Europe, including taxes, for the period July to December 2014.



The NI price used is based on the SSE Airtricity credit tariff applying from April 2013, for a customer on a standard tariff consuming 13,500 kWh per annum (6.957p/kWh for first 2000 kWh, then 4.629p/kWh).

The graph also shows the credit tariff for Ten Towns customers, from 1 Oct 2013: 6.804 p/kWh for first 2000 kWh, and then 4.586 p/kWh.

Source: DECC Quarterly Energy Prices: Table 5.10.2. Medium consumers (5,557-55,556 kWh/annum) including taxes, and UR data.

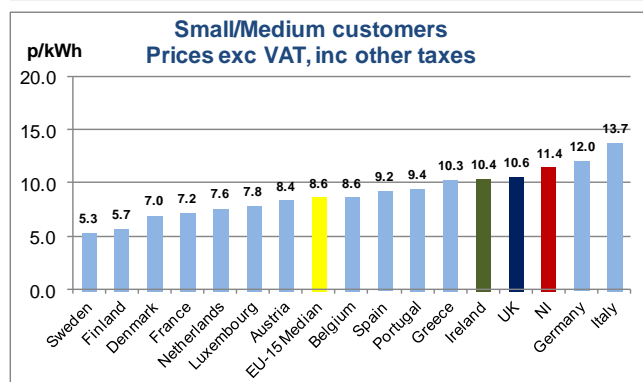
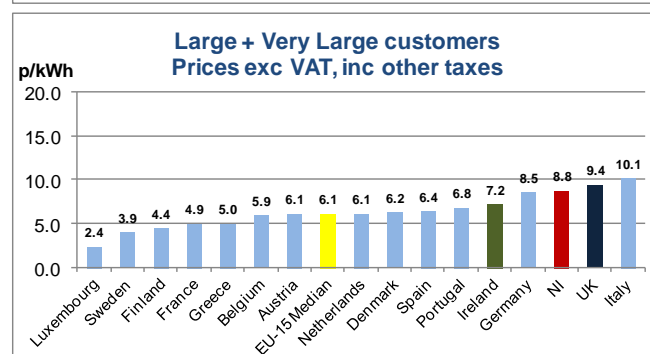
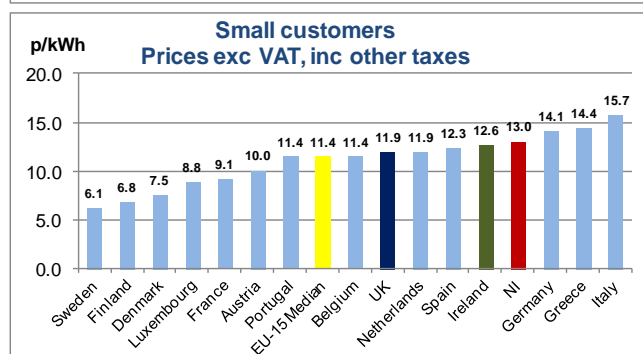
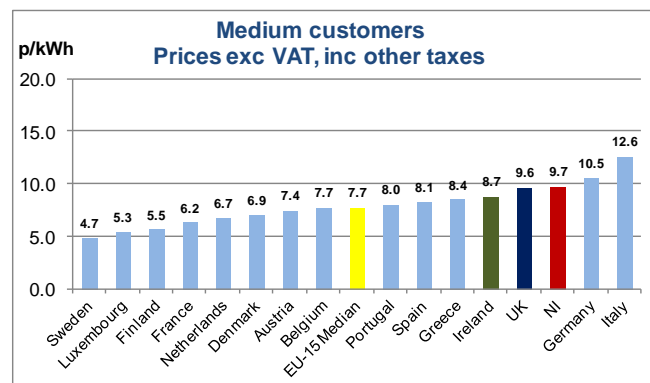
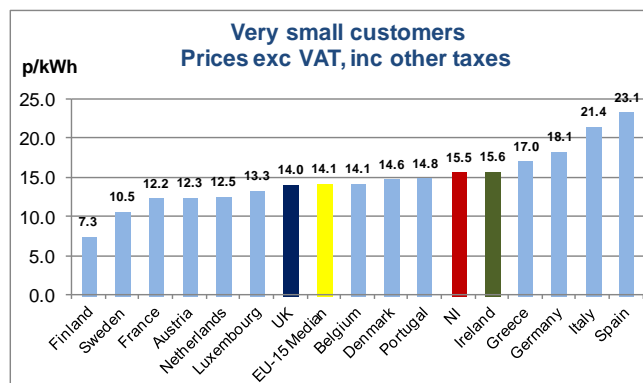
Source: UR internal data..

⁵³ The larger energy suppliers in GB (often called the 'Big Six') are the companies that hold supply licences and supply most of the energy to domestic households in the GB market. They are: British Gas, E.ON UK, Scottish and Southern Energy (SSE), npower, EDF Energy and Scottish Power.

13 Electricity I&C prices

13.1 Price comparison with EU

Jul-Dec 2014



Size of consumer	Annual consumption bands (MWh)	% of I&C customers	% of I&C consumpt.
Very small	< 20	65.20%	6%
Small	20 - 499	33.12%	35%
Small/Medium	500 - 1,999	1.24%	16%
Medium	2,000 - 19,999	0.41%	32%
Large + Very Large	> 20,000	0.02%	10%

The graphs above show I&C electricity prices in the 15 EU countries and in NI, per consumption size bands (following EU categorisation). While NI prices for the very small customers are slightly above the middle of the EU range, those for larger I&C customers sit towards the top end of the EU comparisons.

The table above shows percentages of NI I&C customers at the end of December 2014, and percentages of consumption from July to December 2014, in each of the consumption categories. NI I&C customers are very heavily grouped in the smallest size band (those customers consuming less than 20 MWh per annum). These customers account for 65% of the customers in the I&C sector, while they represent approximately 6% of the I&C consumption.

Source: NI electricity suppliers, Eurostat and UR internal calculations

Glossary

ATR	Annual Transparency Report
CCL	The Climate Change Levy (CCL) is a tax on electricity, gas and solid fuels delivered to I&C consumers. Its objective is to encourage businesses to reduce their energy consumption or use energy from renewable sources. The rate changes every year.
CoS	Change of supplier
DECC	Department of Energy and Climate Change
ERGEG	European Regulators' Group for Electricity and Gas
EU	European Union
Eurostat	Statistical office of the EU. Its task is to provide the EU with statistics at European level that enable comparisons between countries and regions
feDL	firmus energy (Distribution) Limited
firmus	firmus energy (Supply) Limited
GB	Great Britain
I&C	Industrial and Commercial
kVA	Kilo volt-ampere
kWh	Kilowatt hour. Unit of energy equivalent to one kilowatt (1kW) of power expended for one hour (1h) of time. 1,000kWh = 1MWh. 1,000MWh = 1GWh.
NI	Northern Ireland
NIE	Northern Ireland Electricity
NRAs	National Regulatory Authorities
LCC	Lissan Coal Company
LEU	Large Energy Users
Ofgem	Office of the Gas and Electricity Markets
PNGL	Phoenix Natural Gas Limited
PSL	Phoenix Supply Limited
Q	Quarter. In this report, Q refers to the calendar year (i.e. Q1 refers to the quarter January-March).
QTRs	Quarterly Transparency Reports published by the UR at the end of the second month after each calendar quarter (at the end of Feb, May, Aug and Nov).
REMM	Retail Energy Market Monitoring
RoI	Republic of Ireland
SME	Small and Medium Enterprises
UR	Utility Regulator
VAT	Value Added Tax