

RETAIL MARKET MONITORING

Quarterly Transparency Report

Aug 2013



Abstract

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

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

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

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

Audience

Electricity and gas industry, consumers associations, regulators, statistical bodies, potential new market entrants, researchers, journalists.

Consumer impact

This set of reports increase transparency for consumers on matters of their direct interest, such as the active suppliers in each energy market sector, and NI prices compared against other jurisdictions.

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

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1 Introduction

1.1 Methodology and data sources

Monitoring the market is key in fulfilling our statutory duty to protect consumers by promoting effective competition wherever appropriate. The UR is still developing our energy retail market monitoring regime. As we continue to work in this area, we aim at making ongoing additions to this set of Quarterly Transparency Reports (QTR's), to develop a regular and structured flow of relevant information for our stakeholders.

The main data sources for this report are as follows:

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

Non-Domestic Electricity Prices

Following our intent of ongoing development of the QTRs, we are bringing to this edition the main findings of the work started last year in monitoring **non-domestic** electricity prices. The findings shown in this report are based on the work described on our *March 2013 information paper on NI electricity Prices: data and comparisons*¹. The results presented in the QTRs will be focused on the average electricity unit prices of non-domestic consumers, categorized in terms of their annual consumption. As stated in our March 2013 information paper on NI electricity Prices: data and comparisons², we will continue to update this data, and will publish it on an ongoing basis in the QTRs.

To obtain comparable data with other EU countries, we have explicitly followed DECC's format and methodology when gathering and analysing I&C prices. This way, we can easily compare NI prices to those published in DECC's Quarterly Energy Prices reports³. In turn, this data is also comparable to the same information supplied to Eurostat⁴ by Member States – thus allowing international comparisons for NI for the first time.

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 non-domestic consumers;
- the **revenue** gained from the sale (in three categories: excluding all taxes; excluding VAT; and including all taxes); and
- the **number** of I&C customers they supply in that particular size category.

¹http://www.uregni.gov.uk/publications/information_paper_on_northern_ireland_electricity_prices_data_and_comparison

²http://www.uregni.gov.uk/publications/information_paper_on_northern_ireland_electricity_prices_data_and_comparison

³<https://www.gov.uk/government/publications/quarterly-energy-prices-december-2012>

⁴<http://epp.eurostat.ec.europa.eu/portal/page/portal/energy/data/database>

The volume and value are then used to calculate a NI quarterly revenue/value gained per size band. We then calculate quarterly average revenue per unit per size band (which we will refer to in this paper as prices). Please note that we have not received from suppliers the actual price paid by customers across each size band in terms of a survey-based approach. Instead we have calculated the **revenue collected per unit** in that particular size category

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

In the graphs shown in this report, we have used unit prices which include Climate Change Levy (CCL)⁵ but exclude VAT, as VAT is a refundable expense for many businesses.

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

1.2. Retail competition in NI energy market

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

The 10 towns gas area opened to competition for large I&C (industrial and commercial) customers in October 2012. The domestic and small I&C segments still remain supplied exclusively by one incumbent company, and it are due to open to competition in April 2015.

The table below shows when competition effectively started in each of the energy market segments.

Electricity	
Domestic	June 10: Airtricity entered the domestic credit segment. Oct 10: firmus started supplying Ulster Farmers' Union members. May 11: Airtricity entered the domestic keypad segment. June 11: Budget Energy entry. Oct 11: Electric Ireland entered the domestic sector.
Non-domestic	Industrial electricity customers become eligible to change supplier from 1999. From 2005, small and medium businesses became eligible too. Feb 12: VAYU enters the non-domestic market Apr 12: LCC enters the non-domestic market
Gas (Greater Belfast and Larne area)⁶	
Domestic	Incumbent supplier since Sept 1996: AGS ⁷ July 10: firmus entered this market segment.
Non-domestic	Incumbent supplier since Sept 1996: AGS Nov 06: Energia entered the daily metered I&C market Sep 08: firmus energy entered the I&C market Mar 09: VAYU entered the small I&C market May 13: Electric Ireland entered the daily metered I&C market

⁵ 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.

⁶ The Greater Belfast area, including Holywood, Bangor, Newtownards, Belfast, Newtownabbey, Carrickfergus, Lisburn and Larne

⁷ Formerly called Phoenix Supply Ltd (PSL)

Gas (10 Towns)⁸	
Domestic and non-domestic small users	Will open to competition from Apr 2015
Large non-domestic Users	Open to competition from Oct 2012. Jan 13: AGS entered this market

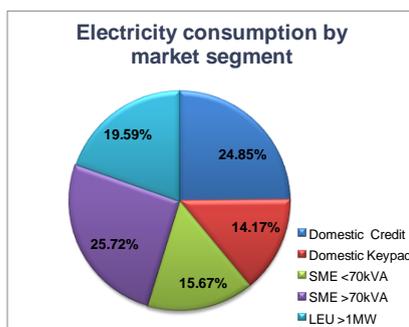
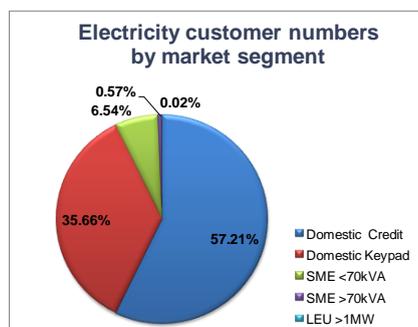
For further details on the retail energy market in Northern Ireland, please visit:
http://www.uregni.gov.uk/publications/utility_regulators_annual_energy_retail_reports/

⁸ In 2005 firmus energy was awarded a licence to develop the natural gas network in 10 towns across NI, from L'Derry to Ballymena, and from Antrim to Newry.

2 NI customer numbers and total consumption

2.1 Electricity

Year	2013	
Month	Q2	
Market segments	Customer Numbers	Consumption (GWh)
Domestic Credit	480,601	477
Domestic Keypad	299,604	272
SME <70kVA	54,906	301
SME >70kVA	4,816	494
LEU >1MW	191	376
Total	840,118	1,919



- From the total customers in NI, 93% belong to the domestic sector, while the remaining 7% are non-domestic customers. In 2013 Q2, this translates into 39% and 61% respectively in terms of consumption.
- The number of domestic credit customers continues to decrease in comparison to prepayment customers.
- Within the domestic sector, prepayment customers are now 38% of the total customers.
- Please note that long term vacant sites are not included in customer numbers.

2.2. Gas – Greater Belfast and 10 towns areas

Source	(Multiple Items)	
Year	2013	
End of quarter	Q2	
Market segments	Connections	Consumption (therms)
Greater Belfast	159,795	28,059,759
Domestic & Small I&C	156,552	12,476,107
I&C > 73,200 kWh	3,243	15,583,652
Ten towns	19,392	12,351,095
Domestic	17,431	1,013,757
I&C	1,961	11,337,339
Total	179,187	40,410,854

- In the Greater Belfast area, the market segments are split following the Distribution Code:
 - Domestic and Small I&C (<73,200 kWh, or <2,500 Therms/annum), which in this Q2 represents 98% of the connections and 45% of the consumption in this quarter.
 - I&C (>73,200 kWh, or >2,500 Therms/annum), representing 2% of the connections in this area, and 55% of the quarterly consumption.

- In the 10 Towns area, competition in the large I&C segment opened in October 2012.
- Total connections in 10 Towns are currently more than 19,000. In this Distribution Licensed Area, domestic premises represent 90% of the connections (and 8% of consumption), while I&C sector represents the remaining 10% of connections (and 92% of consumption).

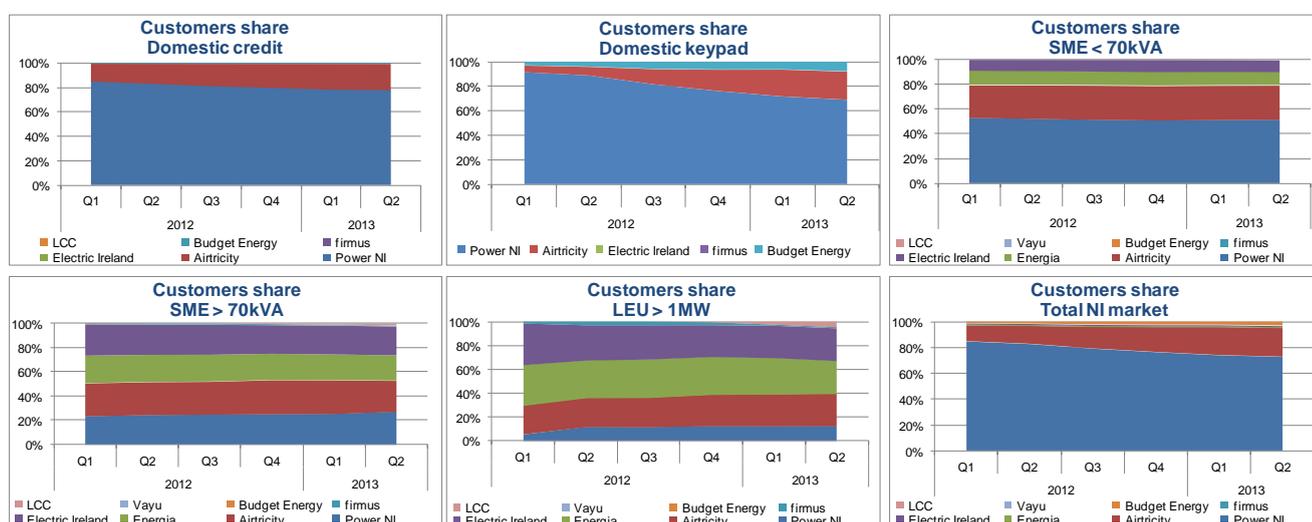
3 Market shares and market activity

3.1 Electricity shares

Electricity shares by customer numbers

Suppliers	Domestic Credit	Domestic Keypad	SME <70kVA	SME >70kVA	LEU >1MW	Total
Power NI	375,480	206,568	28,146	1,284	23	611,501
Airtricity	102,020	68,975	15,264	1,242	52	187,553
Energia	0	0	5,989	1,004	53	7,046
Electric Ireland	171	104	5,225	1,164	52	6,716
firmus	249	0	18	24	2	293
Budget Energy	2,662	23,957	108	3	0	26,730
Vayu	0	0	0	4	0	4
LCC	19	0	156	91	9	275
Total Market	480,601	299,604	54,906	4,816	191	840,118

Suppliers	Domestic Credit	Domestic Keypad	SME <70kVA	SME >70kVA	LEU >1MW	Total
% Power NI	78.1%	68.9%	51.3%	26.7%	12.0%	72.8%
% Airtricity	21.2%	23.0%	27.8%	25.8%	27.2%	22.3%
% Energia	0.0%	0.0%	10.9%	20.8%	27.7%	0.8%
% Electric Ireland	0.0%	0.0%	9.5%	24.2%	27.2%	0.8%
% firmus	0.1%	0.0%	0.0%	0.5%	1.0%	0.0%
% Budget Energy	0.6%	8.0%	0.2%	0.1%	0.0%	3.2%
% Vayu	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%
% LCC	0.0%	0.0%	0.3%	1.9%	4.7%	0.0%

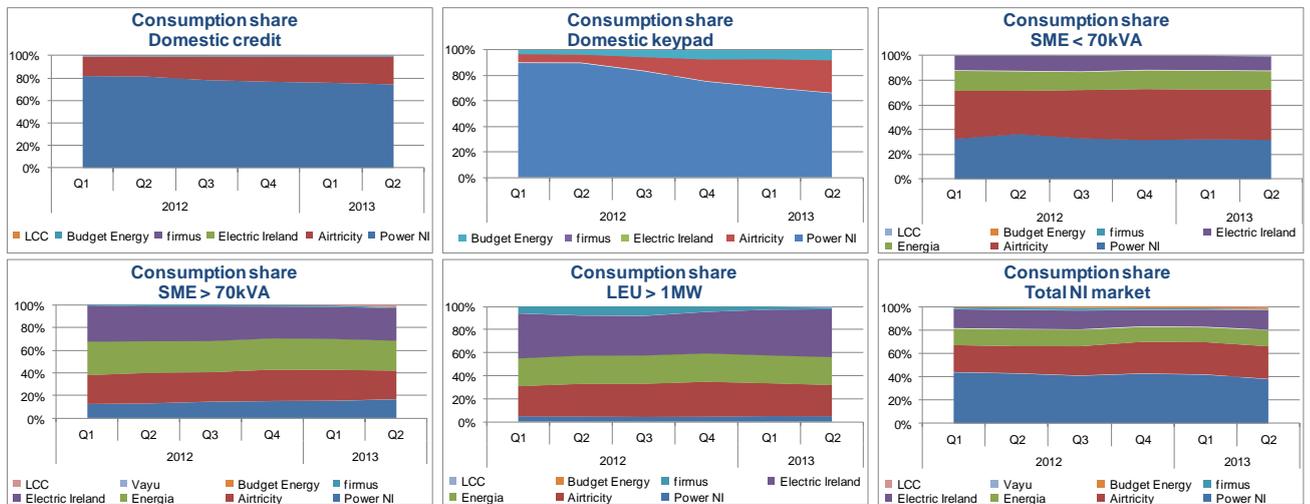


- The charts above show the trends in market shares (by customer numbers) for each active supplier in NI, by market segment from Q1 2012.
- The total number of domestic customers at the end of Q2 2013 was 780,205. There is still a large share of customers remaining with the previously incumbent supplier. However, this situation keeps progressively changing, and the percentage of domestic credit (including direct debit) customers supplied by Power NI has been decreasing. In Q2 2013, this percentage was 78% which is a decrease from 79% in the previous quarter. Power NI currently supplies 69% of keypad customers, which is a decrease from 72% from the previous quarter. The current non-incumbent share by customer numbers is 22% for credit domestic customers and 31% for keypad customers.
- Competition in the non-domestic market is more developed, and shares are more dispersed than in the domestic sector. There were eight active suppliers in Q2 2013. Based on customer numbers, four of these suppliers have shares of circa 10% in each of the business segments.

Electricity shares by consumption (GWh)

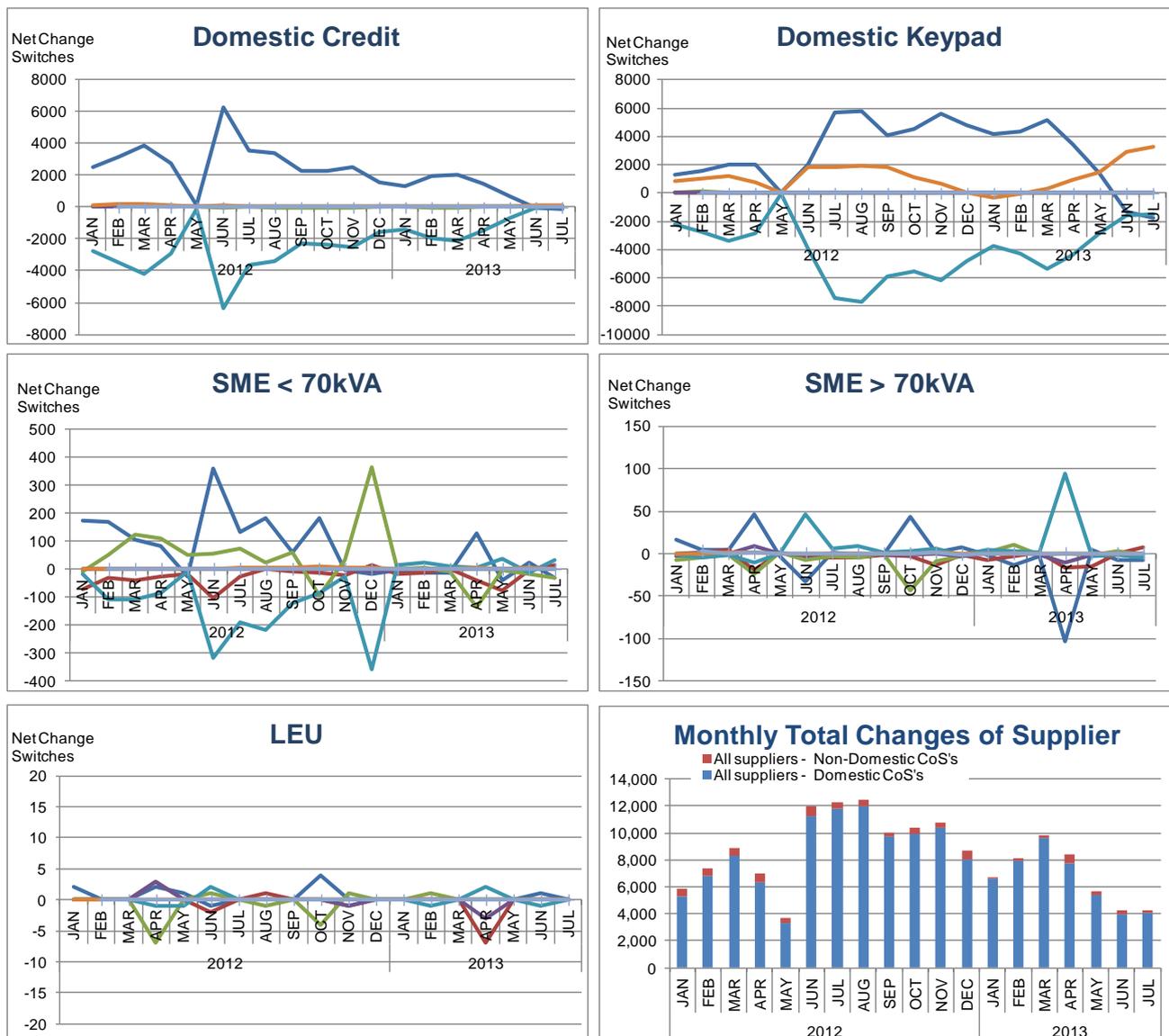
Year	2013					
Month	Q2					
Suppliers	Domestic Credit	Domestic Keypad	SME <70kVA	SME >70kVA	LEU >1MW	Total
Power NI	353.9	179.8	95.2	83.4	18.2	730.5
Airtricity	117.4	70.5	122.2	124.8	102.4	537.3
Energia	0.0	0.0	45.8	129.3	91.7	266.9
Electric Ireland	0.2	0.1	35.2	140.8	154.2	330.6
firmus	2.2	0.0	0.3	3.4	5.1	11.1
Budget Energy	2.9	21.4	0.4	0.0	0.0	24.7
Vayu	0.0	0.0	0.0	0.7	0.0	0.7
LCC	0.2	0.0	1.6	11.0	4.3	17.1
Consumption (GWh)	476.9	271.8	300.7	493.5	375.9	1,918.9

Year	2013					
Month	Q2					
Suppliers	Domestic Credit	Domestic Keypad	SME <70kVA	SME >70kVA	LEU >1MW	Total
% Power NI	74.2%	66.2%	31.6%	16.9%	4.8%	38.1%
% Airtricity	24.6%	25.9%	40.6%	25.3%	27.2%	28.0%
% Energia	0.0%	0.0%	15.2%	26.2%	24.4%	13.9%
% Electric Ireland	0.0%	0.0%	11.7%	28.5%	41.0%	17.2%
% firmus	0.5%	0.0%	0.1%	0.7%	1.4%	0.6%
% Budget Energy	0.6%	7.9%	0.1%	0.0%	0.0%	1.3%
% Vayu	0.0%	0.0%	0.0%	0.2%	0.0%	0.0%
% LCC	0.0%	0.0%	0.5%	2.2%	1.1%	0.9%



- These charts reflect the market share of each active supplier in NI by consumption (sales units in GWh). Figures are from NIE. These will be updated in next annual reports with reviewed consumption figures.
- When looking at competition in the total NI market, it is useful to look at shares by consumption, as well as by customer numbers. Power NI's share is currently 38% (it was 42% last quarter) of the total NI electricity market by consumption, while their share is 73% in terms of customer numbers.
- Non-incumbent market shares (currently 62% of the total NI electricity market by consumption) are mainly split between Airtricity with 28%, Energia 14%, and Electric Ireland has 17%.

3.2. Electricity market activity



	% Domestic switching	% Non-Domestic switching	% Total switching
2012			
Q1	2.7%	2.4%	2.7%
Q2	2.3%	2.3%	2.3%
Q3	4.3%	1.9%	4.1%
Q4	3.6%	2.4%	3.5%
2013			
Q1	3.1%	0.8%	2.9%
Q2	2.2%	2.0%	2.2%

- The first five charts above reflect the net change of customer numbers (customer gains less losses), per market segment and anonymised supplier.
- The bar graph shows the changes of supplier (CoS) on a monthly basis in the whole market in NI, split by domestic and non-domestic market.
- There has been a drop in the number of domestic switches since March 2013, going from more than 9,000 to just above 4,000 switches. On the other hand, non-domestic switches have increased slightly in the last months, from around 160 in March to circa 200 in July.

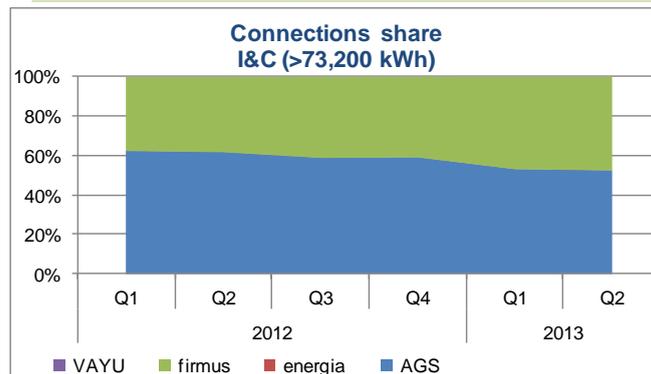
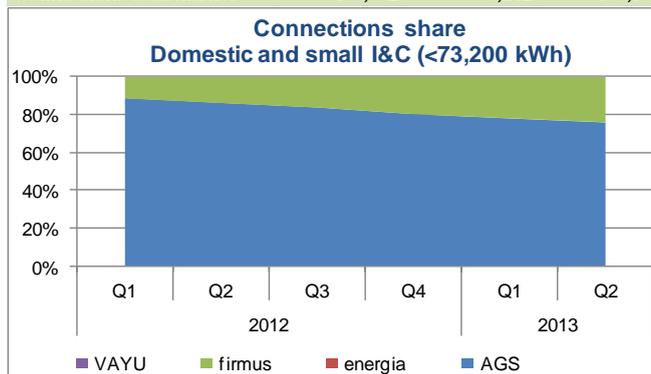
- The table above shows % rates of quarterly switching. These percentages are calculated using the number of actual switches over the number of actual customers in that market segment.
- The % rates table reflects the monthly results above, with a decrease in the number of 10 domestic switches from Q3 2012, and a slight increase in the non domestic market in the last quarter.

3.3. Gas – Greater Belfast area: shares

Shares by connections

Year	2013		
End of quarter	Q2		
Suppliers	Domestic & Small I&C	I&C > 73,200 kWh	Total
Connections AGS	118,249	1,690	119,939
Connections energia	0	2	2
Connections firmus	38,289	1,542	39,831
Connections VAYU	14	8	22
Connections Electric Ireland	0	1	1
Connections total market	156,552	3,242	159,794

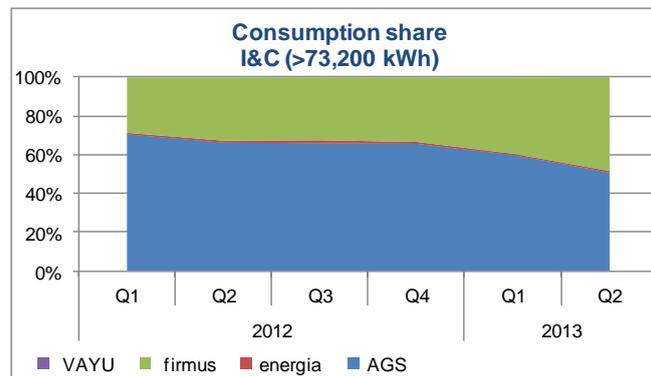
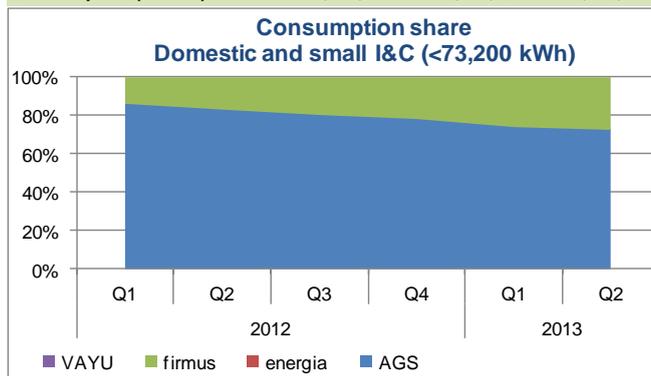
Year	2013		
End of quarter	Q2		
Suppliers	Domestic & Small I&C	I&C > 73,200 kWh	Total
% Connections AGS	75.53%	52.13%	75.06%
% Connections energia	0.00%	0.06%	0.00%
% Connections firmus	24.46%	47.56%	24.93%
% Connections VAYU	0.01%	0.25%	0.01%
% Connections Elec. Ireland	0.00%	0.03%	0.00%



Shares by consumption (therms)

Year	2013		
Quarter	Q2		
Suppliers	Domestic & Small I&C	I&C > 73,200 kWh	Total
Consumption AGS	9,067,671	7,853,669	16,921,340
Consumption energia	0	141,146	141,146
Consumption firmus	3,405,851	7,430,611	10,836,462
Consumption VAYU	2,585	9,290	11,875
Consumption Electric Ireland	0	148,936	148,936
Consumption (therms)	12,476,107	15,583,652	28,059,759

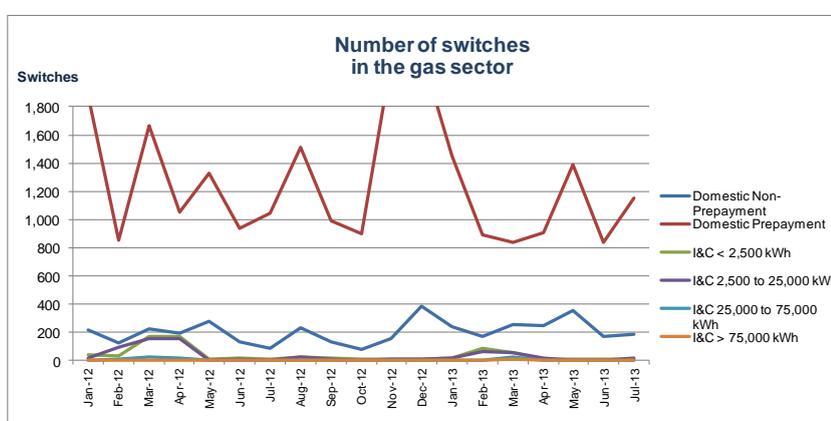
Year	2013		
Quarter	Q2		
Suppliers	Domestic & Small I&C	I&C > 73,200 kWh	Total
% Consumption AGS	72.68%	50.40%	60.30%
% Consumption energia	0.00%	0.91%	0.50%
% Consumption firmus	27.30%	47.68%	38.62%
% Consumption VAYU	0.02%	0.06%	0.04%
% Consumption Elec. Ireland	0.00%	0.96%	0.53%



- The information above, on connections and consumption, relates to the Phoenix Natural Gas Ltd Distribution Licensed Area.
- Market shares shown in terms of connections are as at end-June 2013.
- Market shares shown in terms of consumption relate to consumption during Q2 2013.
- At the end of June 2013, there were three active suppliers in the domestic and small I&C (<73,200 kWh) gas market, however only two of these suppliers are active in the domestic market. Electric Ireland entered the larger I&C segment (>73,200 kWh) in Q2 2013, so there are now five active suppliers in this sector.
- At the end of Q2 2013, AGS's share by connections in the total gas market had decreased to 75% (from 77% in Q1 2013), while their share by consumption for Q2 was around 60%. Correspondingly, firmus' share in this area has increased to 25% (in terms of connections) and 39% (in terms of consumption).
- Source: Phoenix Natural Gas.

3.4. Gas – Greater Belfast area: market activity

- The information below relates to the Phoenix Natural Gas Ltd Distribution Licensed Area.
- Switching activity shown is as at end-July 2013.
- The graph on number of switches shows requested switches until March 2012, and completed switches from April 2012 onwards.
- The table below shows the switching rate for the domestic and non-domestic markets in Greater Belfast. These percentages are calculated using the number of Supply Meter Point switches as a percentage of the total number of Supply Meter Points in the market segment.
- There has been a decrease in non-domestic domestic switching in this quarter, while domestic switching maintains last quarter levels.
- Source: Phoenix Natural Gas and gas suppliers.



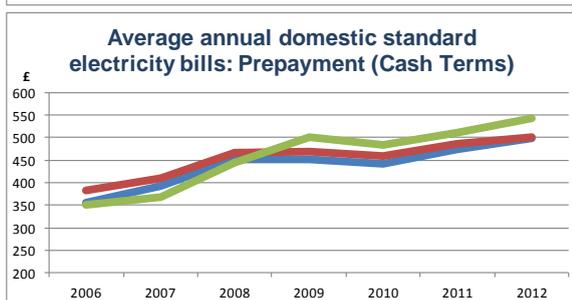
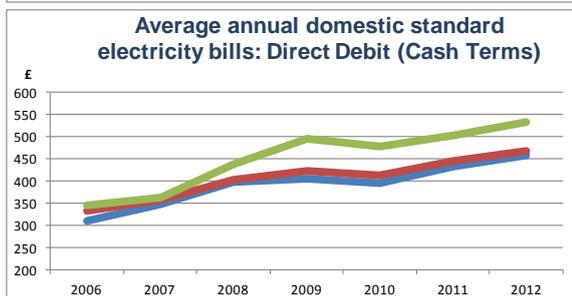
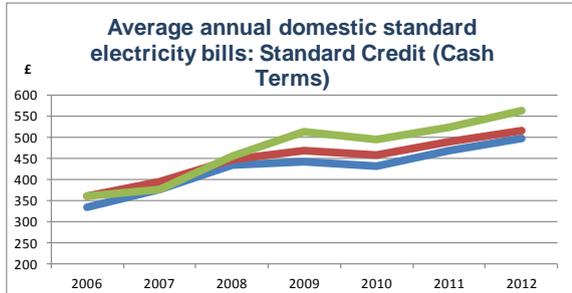
	% Domestic switching	% Non-Domestic switching	% Total switching
2012			
Q1	3.6%	5.5%	3.8%
Q2	2.8%	4.0%	2.9%
Q3	2.8%	0.9%	2.7%
Q4	4.0%	0.6%	3.8%
2013			
Q1	2.6%	3.4%	2.7%
Q2	2.6%	0.6%	2.5%

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

- Competition opened in the 10 towns large I&C market (>732,500 kWh) in October 2012.
- AGS entered the large I&C market in January 2013, and as at end June 2013, six supply meter points had switched from firmus to AGS which equates to 3% market share of the large I&C market in terms of connections and 8% market share in terms of consumption during Q2 2013.
- The remainder of the market (i.e. small I&C and domestic market) will open to competition from April 2015.

4 Domestic prices

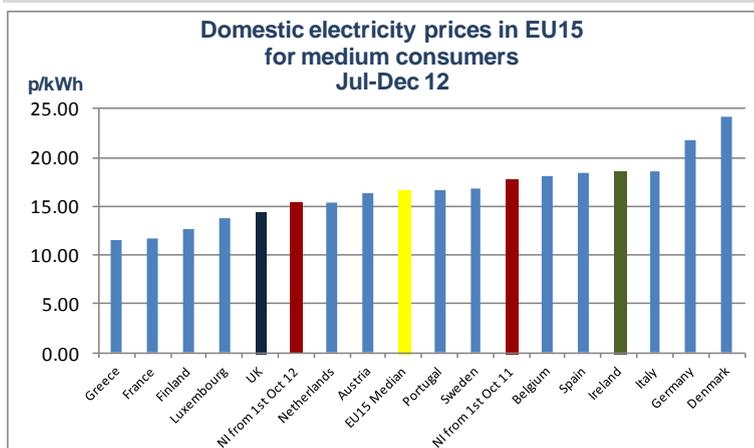
4.1 Electricity domestic prices



- Average domestic bills are calculated assuming an annual consumption of 3,300 kWh. Data is inclusive of VAT.
- These bills relate to the total amount charged during the year, rather than a bill based on the latest prices.
- Historically in NI, electricity prices have been higher than in GB. This is mainly because there are higher energy transport costs, small size of the market that reduces chances of economies of scale, difference in fuel mix, etc.
- The prepayment option in NI is cheaper than the Standard Credit tariff, and vice versa for the other two regions.
- Source: Table 2.2.2 on DECC last Quarterly Energy Prices (<https://www.gov.uk/government/organisations/department-of-energy-climate-change/series/quarterly-energy-prices>).

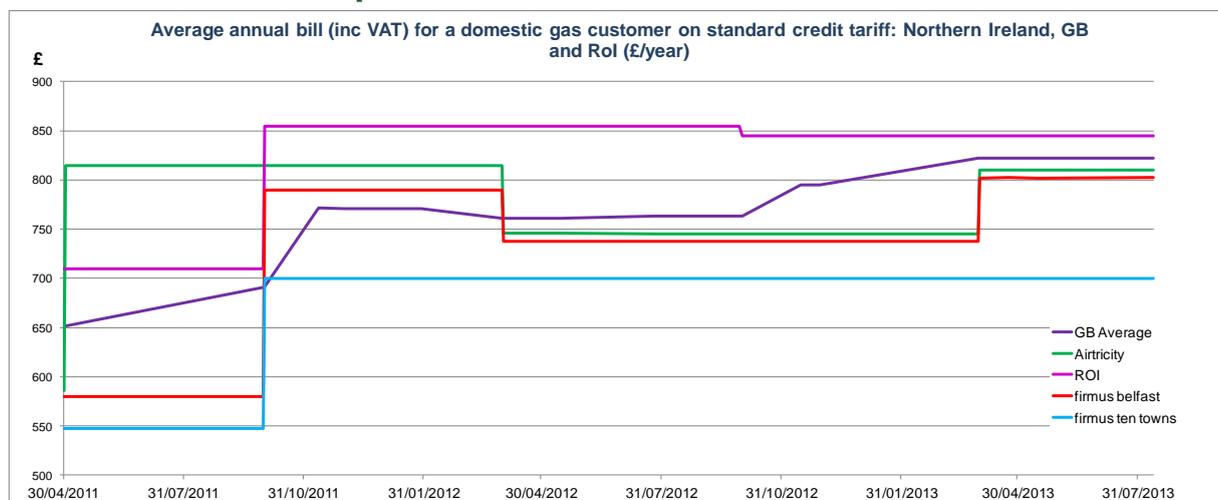


- The graph below compares NI domestic price with the most recent available prices for other countries in Europe (including taxes).
- For an average domestic customer consuming 3,300 kWh per annum, and including taxes, the NI regulated tariffs applying over the first half of the period Jul-Dec 2012 (for the months of July, Aug and Sept), was 17.82 p/kWh, while the regulated tariff applying for the remaining period (Oct, Nov and Dec), was 15.31 p/kWh.

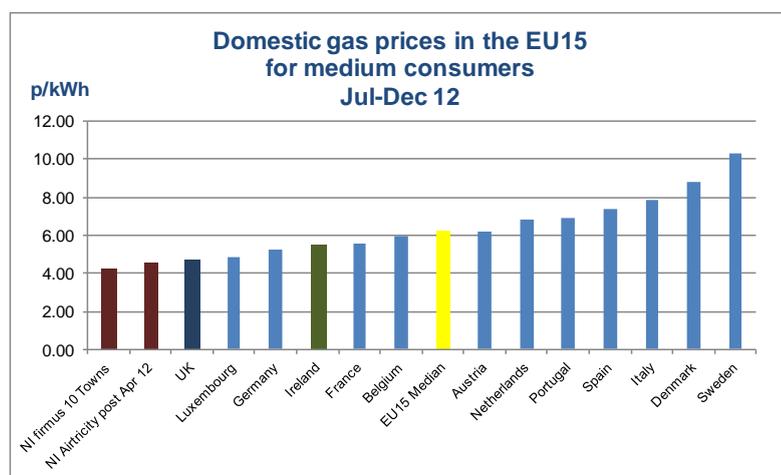


- NI regulated tariff from 1 July 2013 is 18.04 p/kWh.
- Source: DECC Quarterly Energy Prices. Table 5.6.2. Medium consumers (2,500-4,999 kWh) including taxes.

4.2 Gas domestic prices



- The graph above compares gas domestic prices for standard tariffs. It shows a GB average which includes the six big suppliers. The annual usage estimate is 16,500 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.
- Airtricity Gas Supply (NI) Ltd increased their tariffs by 8.7% from 1 April 2013. firmus energy also increased their supply tariff in the Greater Belfast area from 1 April 2013. These increases are shown in the graph.
- Each of the big six suppliers in GB have announced tariff increases between Sep 2012 and Jan 2013. These increases range from 6% to 10.8%. These increases have been reflected in the graph.
- In Rol, BGE increased tariffs by 8.5% from 1 October 2012. The graph however shows a slight decrease at that time. This is due to the changes in the exchange rate as the Rol tariff is converted into pound sterling for comparison purposes using the exchange rate applicable at the date of each tariff change.
- Source: UR internal data.



- This graph compares NI domestic gas price with the most recent available prices for other countries in Europe (Jul - Dec 2012) including taxes.
- The NI price used is based on the AGS tariff applying from April 2012 until March 2013, for a customer on a standard tariff consuming 16,500 kWh per annum. It also shows tariff for 10 Towns customers.
- Source: DECC Quarterly Energy Prices. Table 5.10.2. Medium consumers (5,557-55,556 kWh/annum). Including taxes.

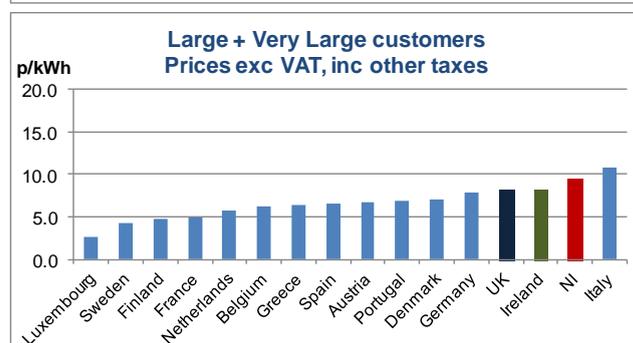
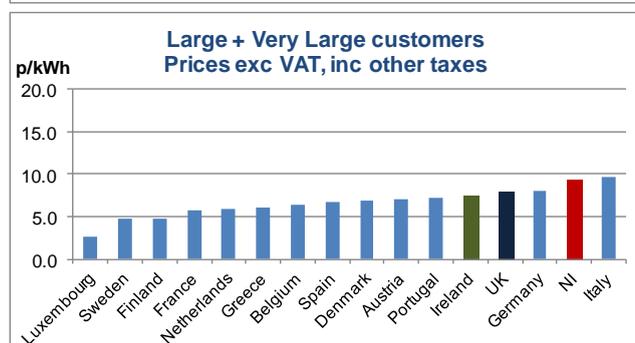
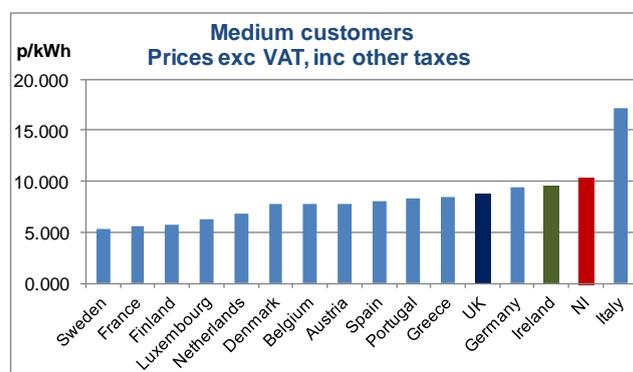
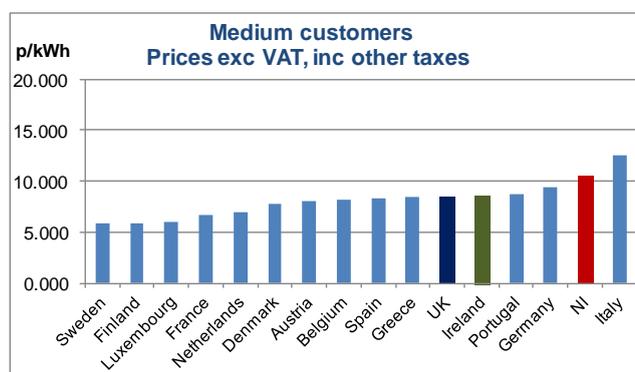
5 Electricity non-domestic prices

5.1. Price comparison with EU



Jan-Jun 2012

Jul-Dec 2012



Source: NI electricity suppliers, Eurostat and UR internal calculations

- Consumption size bands following EU categorization are in the table below. This also includes percentages of NI non-domestic customers at the end of Q4 2012 in each of those categories.
- Prices for the very small customers are around the middle of the EU range. However, prices for larger non-domestic customers sit towards the top end of the EU comparisons.
- As shown in the table below, NI non-domestic customers are very heavily grouped in the EU-standardised smallest size band (consuming less than 20 MWh per annum). These customers count for 70% of the total customers in the I&C sector, while they represent approximately 6.5% of the I&C consumption.

Size of consumer	Annual consumption bands (MWh)	% of I&C customers	% of I&C consumption
Very small	0 - 20	65%	7%
Small	20 - 499	33%	35%
Small/Medium	500 - 1,999	1%	16%
Medium	2,000 - 19,999	0%	28%
Large + Very Large	20,000 - 150,000	0%	13%