RETAIL MARKET MONITORING
Quarterly Transparency Report FEB 2012

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1. Introduction

Data Sources and Assumptions

The data sources for this report are as follows:

- The market shares are provided by the network companies (NIE and PNG).
- Electricity switching analysis has been undertaken with inputs from NIE, and gas switching inputs are from PNG and gas suppliers.
- Electricity domestic prices are from the Department of Energy and Climate Change[1] (DECC). At present, DECC does not produce statistics for NI domestic gas prices, so price comparison has been collated internally.

Retail competition in the 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 table below shows when competition effectively started in each of the energy market segments. It also shows when the gas areas that still remain supplied exclusively by one incumbent company are due to open to competition.

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: ESB/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.

Gas (Greater Belfast and Larne area)	
Domestic	Nov 10: firmus entered this market segment.
Non-domestic	Four active gas suppliers since 2007: Phoenix Supply Limited (PSL), firmus energy, Energia and VAYU.
Gas (10 Towns)	
Domestic and non-domestic small users	Apr 2015
Large non-domestic Users	Oct 2012

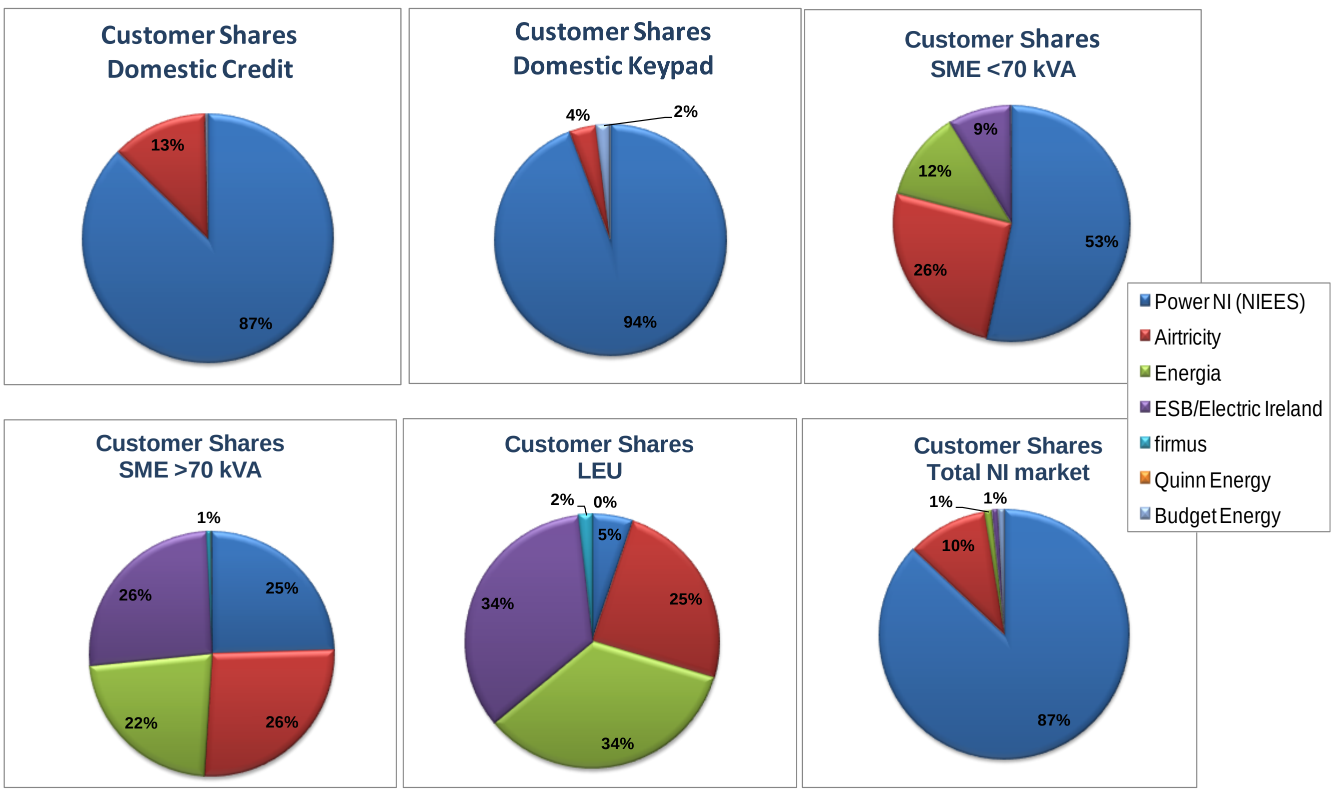
For further details on the retail energy market in Northern Ireland, please visit: http://www.uregni.gov.uk/publications/utility_regulators_annual_energy_retail_reports/

[1] http://www.decc.gov.uk/en/content/cms/statistics/publications/prices/prices.aspx

2. Market shares and market activity

Electricity market shares by customer numbers

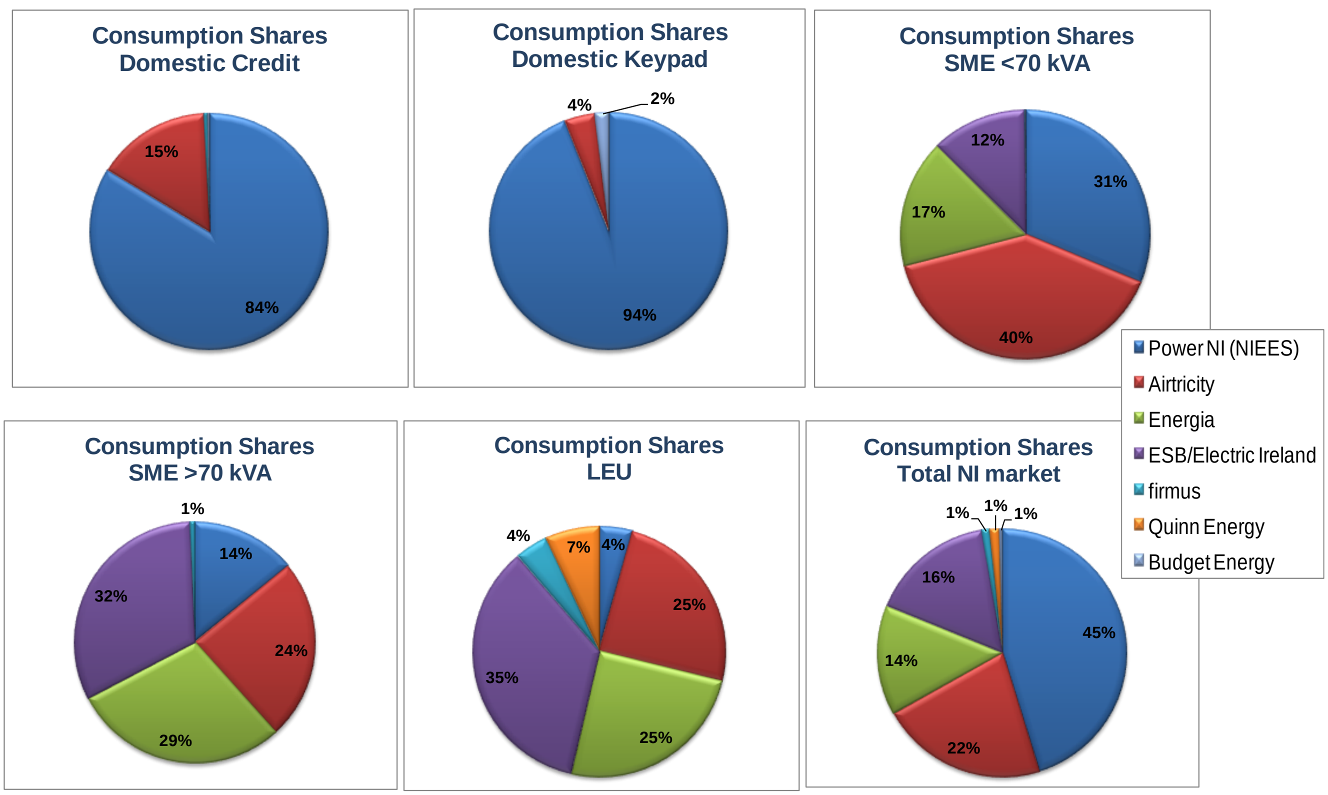
Year	2011					
Month	Q4					
	Column Labels					
Values	Domestic Credit	Domestic Keypad	SME <70kVA	SME >70kVA	LEU >1MW	Grand Total
Cust Numbers Power NI (NIEES)	431,276	259,581	29,076	1,190	9	721,132
Cust Numbers Airtricity	61,221	10,391	13,959	1,284	42	86,897
Cust Numbers Energia	0	0	6,666	1,085	59	7,810
Cust Numbers ESB Electric Ireland	74	2	4,679	1,258	59	6,072
Cust Numbers firmus	252	0	25	29	3	309
Cust Numbers Quinn Energy	0	0	2	3	0	5
Cust Numbers Budget Energy	1,331	5,204	27	0	0	6,562
Cust Numbers Total Market	494,154	275,178	54,434	4,849	172	828,787



- The charts above reflect the market share of each active supplier in NI, by percentage of customers.
- In the domestic sector, there is still a big share of customers remaining with the previously incumbent supplier. However, this situation is progressively changing, and the percentage of domestic credit (including direct debit) customers supplied by Power NI has slightly decreased to 87% by this quarter. Power NI supplies 94% of keypad customers, which is a decrease from 97% share in the previous quarter.
- There is a flow of domestic customers moving from credit to keypad meters. Airtricity entered the keypad segment in May 11, and Budget Energy entered the domestic market in June 2011, with a strong focus on keypad customers.
- The current non-incumbent market share by customer in this period is 13% of the total electricity retail sector, in comparison to 10% in the previous quarter (Q3).

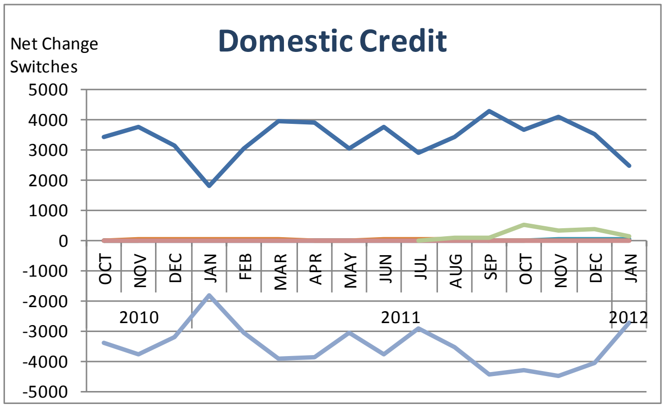
Electricity market shares by consumption (GWh)

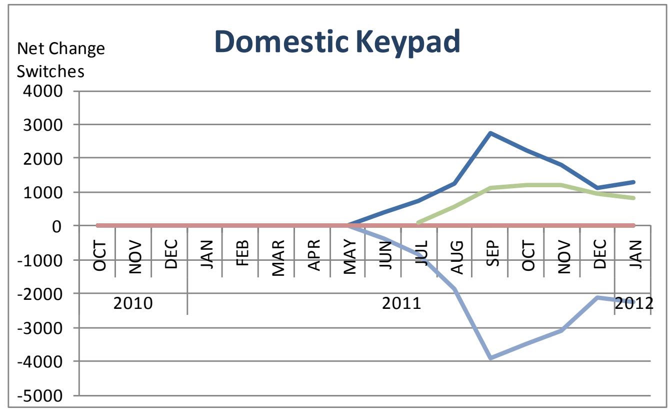
Year	2011					
Month	Q4					
	Market Segment					
Values	Domestic Credit	Domestic Keypad	SME <70kVA	SME >70kVA	LEU >1MW	Grand Total
Consumption Power NI (NIEES)	482.41	282.15	109.88	74.50	16.04	964.97
Consumption Airtricity	89.28	12.37	139.32	128.90	92.83	462.71
Consumption Energia	0.00	0.00	58.35	153.89	93.55	305.80
Consumption ESB Electric Ireland	0.04	0.00	42.92	170.01	132.68	345.65
Consumption firmus	2.98	0.00	0.40	3.52	16.08	22.98
Consumption Quinn Energy	0.00	0.00	0.03	0.09	26.25	26.36
Consumption Budget Energy	1.28	5.56	0.15	0.00	0.00	7.00
Consumption (GWh)	575.99	300.08	351.06	530.91	377.43	2,135.47

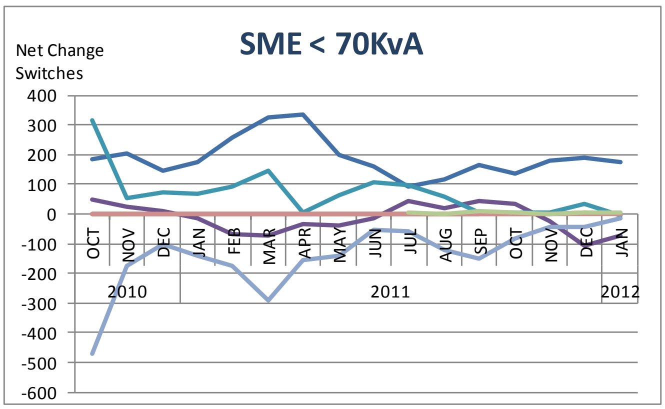


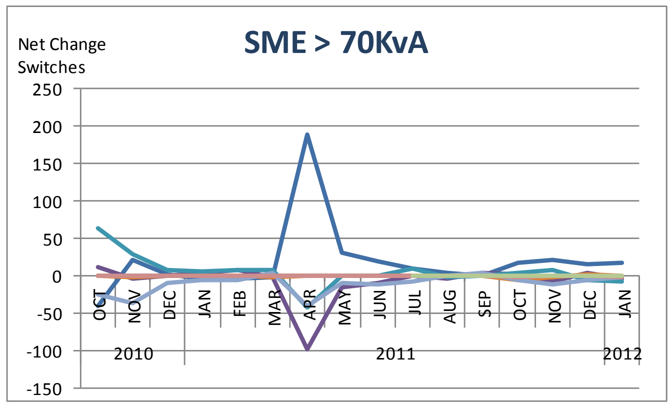
- These charts reflect the market share of each active supplier in NI by percentage of units billed (% of GWh)
- Airtricity and Budget Energy entered the domestic keypad segment in mid-2011. Currently 6% of the volume of this segment is supplied by non-incumbent suppliers (compared to 1% of the volume of this segment in the previous quarter).
- The non-incumbent market share in volume terms is 55% of the total market, which is a decrease from 57% in the previous quarter.
- Competition in the non-domestic sector is more noticeable when examining shares by consumption than by customer numbers.

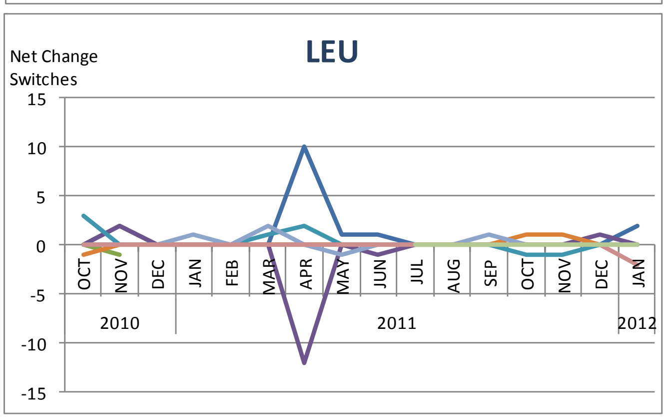
Electricity market activity and new customer registrations

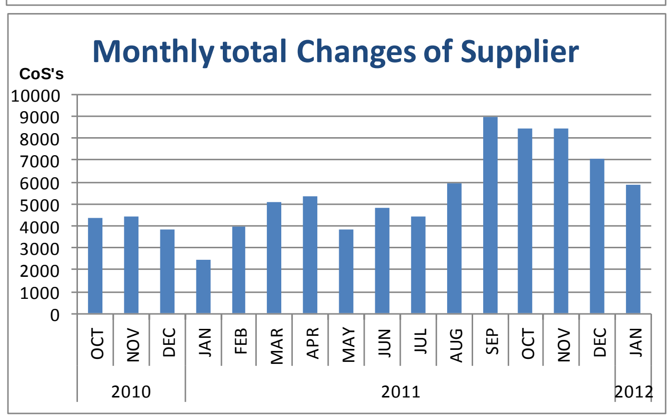






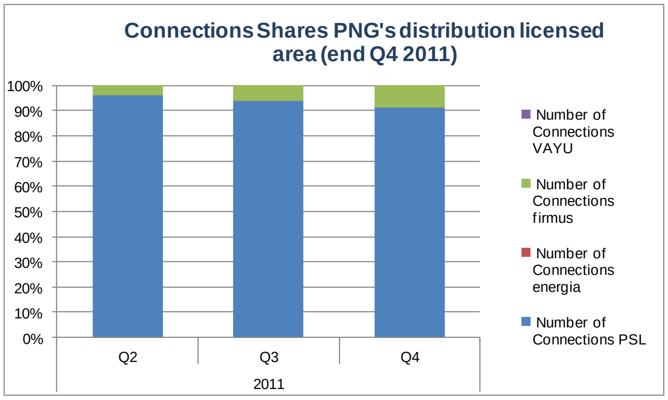


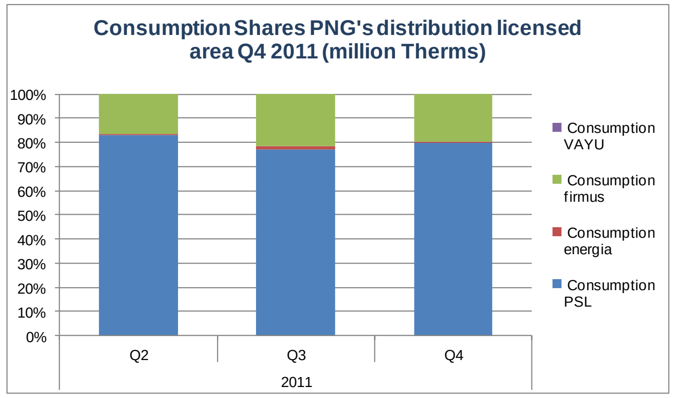




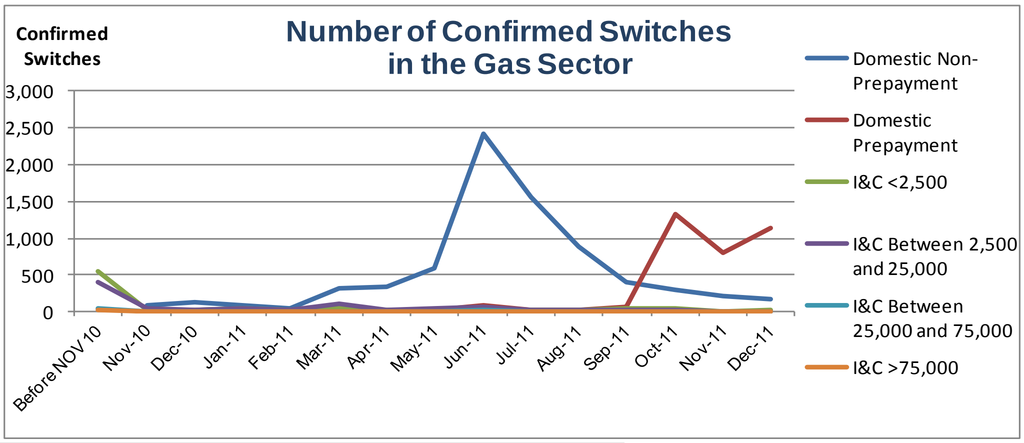
- The first five charts above reflect the Net Change of customer numbers (gains less losses) for switching activity plus new customer registrations, per market segment and supplier.
- Competition in the keypad segment started in May 2011.
- The last graph shows the Changes of Supplier (CoS) on a monthly basis in the whole electricity market in NI.
- By the end of January 2012, there had been more than 85,000 domestic switches. This is an increase of approximately 20,000 switches from October 2011.

Gas market shares





Gas switching activity



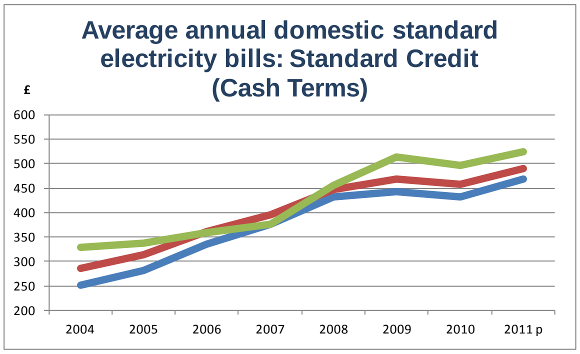
Last available quarter:

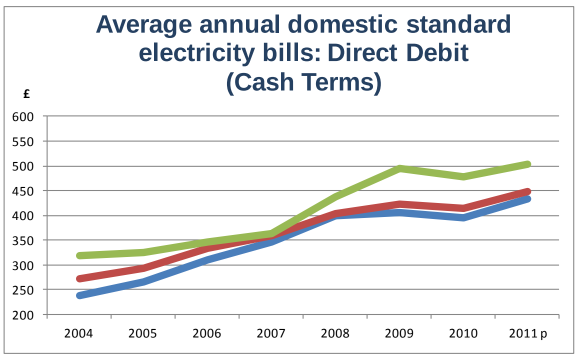
Values	Domestic Non-Prepayment	Domestic Prepayment	I&C <2,500	I&C Between 2,500 and 25,000	I&C Between 25,000 and 75,000	I&C >75,000
Oct-11	297	1,331	47	19	2	0
Nov-11	219	801	12	10	0	0
Dec-11	175	1,145	15	11	1	0

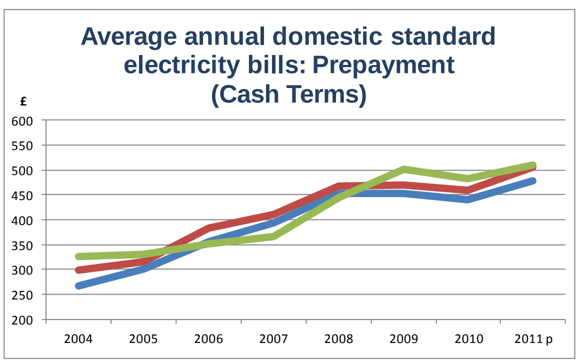
- The information on market shares and gas switching activity by market segment relate to the Phoenix Natural Gas Ltd Distribution Licensed Area.
- The number of connections of the incumbent supplier has decreased in the last quarter from 94% to 91%.
- Consumption shares for this quarter show an increase in PSL share from 77% in Q3 to 80% in the current quarter.
- By end of 2011, more than 11,000 domestic customers, and more than 1,970 industrial and commercial customers have switched gas supplier.
- Source: Phoenix Natural Gas and gas suppliers.

3. Domestic prices

Electricity domestic prices

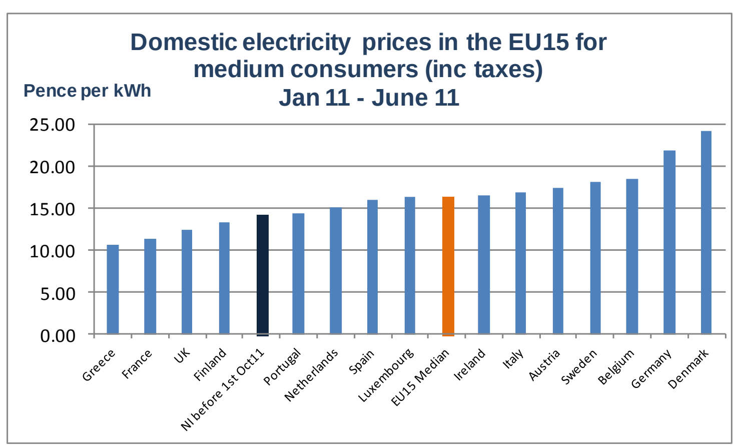




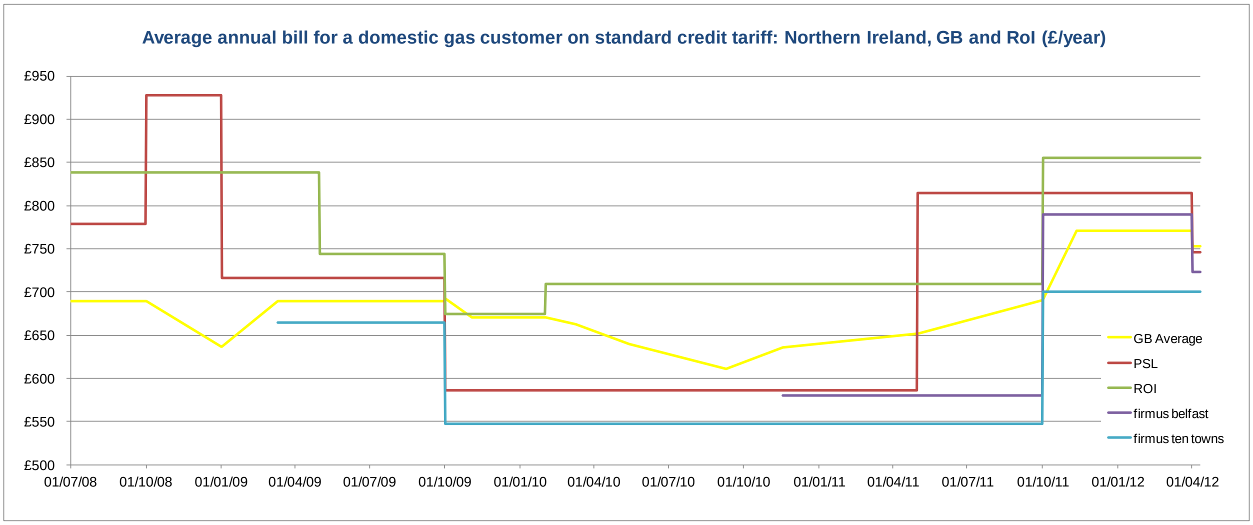


- Average domestic bills in Quarterly Energy Prices are calculated assuming annual consumptions of 3,300 kWh. Data is inclusive of VAT.
- These bills relate to the total amount charged during the year, rather than a bill based on the latest prices.
- 2011 bill estimates are provisional. Final estimates will be made available by DECC in the March 2012 report, and will therefore be included in our next quarterly report.
- Historically in NI, electricity prices have been higher than in GB. This is mainly because there are higher energy transport cots, 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 (http://www.decc.gov.uk/en/content/cms/statistics/energy_stats/prices/prices.aspx).

- The graph on the right compares NI domestic price with the most recent available prices for other countries in Europe.
- In order to compare like with like, the NI tariff used in this graph was the tariff during that period (the current tariff applying from 1st Oct 2011 set the price for an average customer consuming 3,300 kWh per annum at 16.97p/kWh)
- Source: DECC Quarterly Energy Prices, table 5.6.2 Domestic Electricity prices for medium consumers (2,500-4,999 KWh) including taxes, for the first half of 2011.



Gas domestic prices



- The graph above compares prices for a standard tariff. It shows a GB average which includes the 6 big suppliers in GB. 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. In NI, Direct Debit tariff is 3% cheaper than Standard Credit tariff.
- The falling wholesale gas costs has lead to a 8.5% decrease in Phoenix Supply Ltd prices from 1 April 2012 in the Greater Belfast area. firmus energy have announced that they are continuing to track the PSL tariff in the Greater Belfast area and will therefore also decrease prices by 8.5% from 1 April 2012.
- The graph shows the price decreases announced by Phoenix Supply Limited and firmus energy which take effect from 1 April 2012. Some of the GB energy firms have also announced price decreases from Feb/Mar 2012. These decreases have been reflected in the GB Average shown in yellow on the graph.
- Source: UR internal data.