RETAIL MARKET MONITORING
Quarterly Transparency Report AUG 2012

Contents

1. Introduction

Data Sources and Assumptions

Monitoring the market is a key metric in fulfilling our functions on protection of consumers and promotion of effective competition. As we continue our work in this area, we aim at making constant additions to this report from the previous quarters, to develop a regular and structured flow of relevant information for our stakeholders.

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 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. Feb 12: VAYU enters the non-domestic market Apr 12: LCC enters the non-domestic market

Gas (Greater Belfast and Larne area)	
Domestic	Nov 10: firmus entered this market segment.
Non-domestic	Four active gas suppliers since 2007: Airtricity Gas Supply[2] (AGS), 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

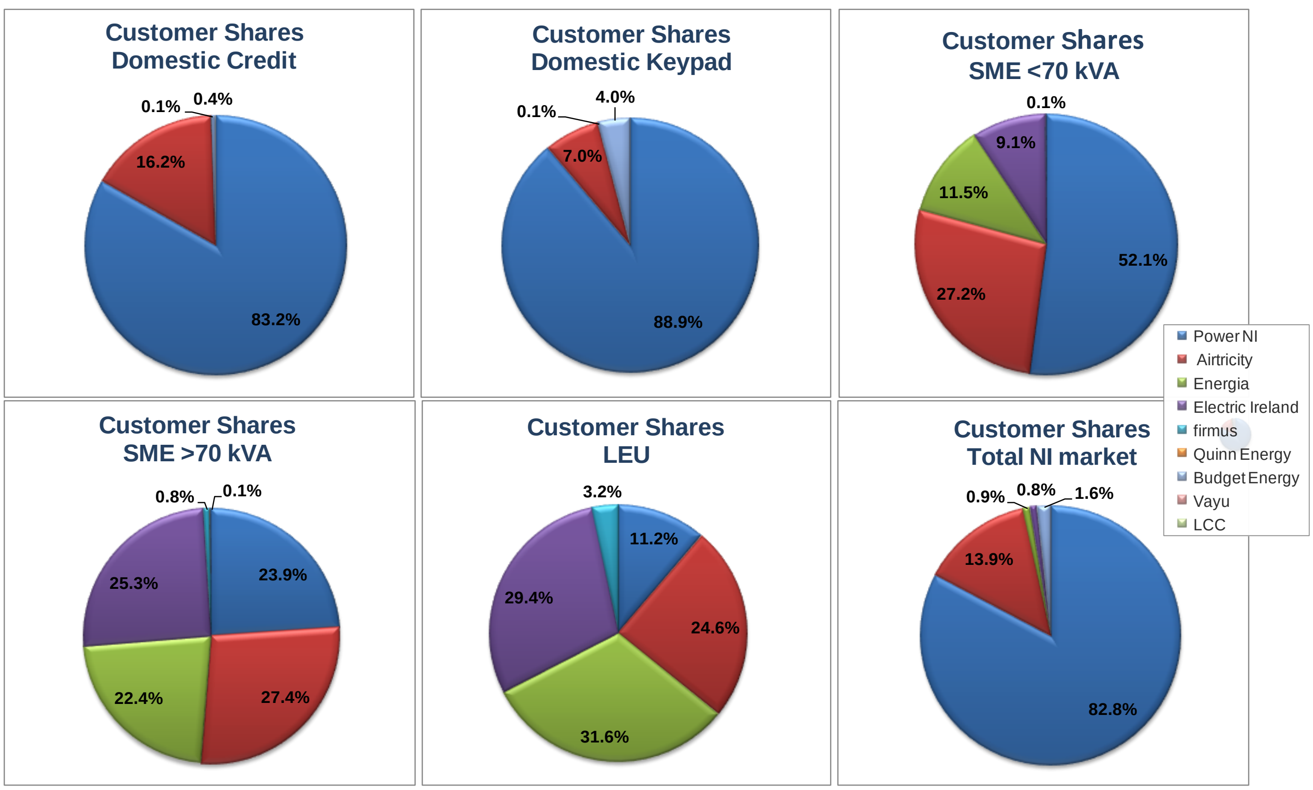
[2] Formerly called Phoenix Supply Ltd (PSL)

2. Market shares and market activity

Electricity market shares by customer numbers

Year	2012
Month	Q2

Values	Domestic Credit	Domestic Keypad	SME <70kVA	SME >70kVA	LEU >1MW	Grand Total
Cust Numbers Power NI	415,639	252,192	28,438	1,150	21	697,440
Cust Numbers Airtricity	81,010	19,878	14,852	1,315	46	117,101
Cust Numbers Energia	0	0	6,277	1,078	59	7,414
Cust Numbers Electric Ireland	214	178	4,997	1,215	55	6,659
Cust Numbers firmus	254	0	27	40	6	327
Cust Numbers Quinn Energy	0	0	0	0	0	0
Cust Numbers Budget Energy	2,159	11,429	37	2	0	13,627
Cust Numbers Vayu	0	0	0	4	0	4
Cust Numbers LCC	0	0	0	2	0	2
Cust Numbers Total Market	499,276	283,677	54,628	4,806	187	842,574

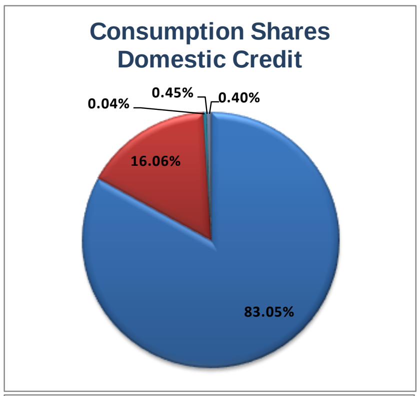


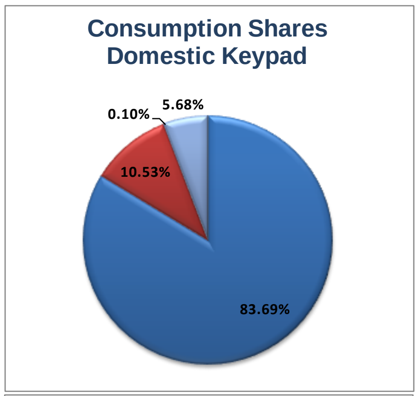
- The charts above reflect the market share of each active supplier in NI, by percentage of customers.
- In the domestic sector, there is still a big share of customers remaining with the previously incumbent supplier. However, this situation is progressively changing, and the percentage of domestic credit (including direct debit) customers supplied by Power NI has slightly decreased from 85% to 83% by this quarter. Power NI supplies 89% of keypad customers, which is a decrease from 92% share in the previous quarter.
- Within the domestic sector, 36% of the customers have chosen the prepayment option (keypad).
- The current non-incumbent market share by customer in the second quarter of 2012 is 17% of the total electricity retail sector, in comparison to 15% in the previous quarter.
- Vayu started to supply electricity to non-domestic customers in February 2012. LCC entered this sector in April 2012, while Quinn Energy withdrew from it in May 2012.

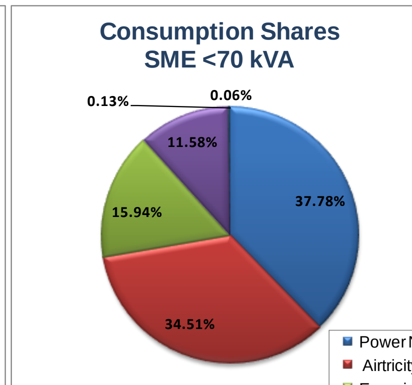
Electricity market shares by consumption (GWh)

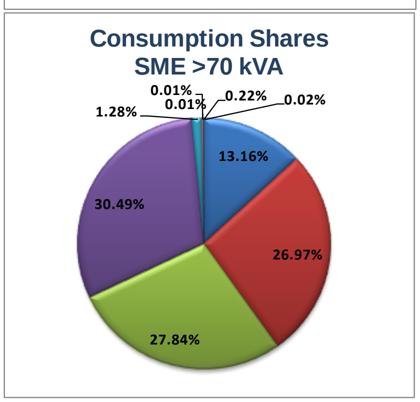
Year	2012
Month	Q2

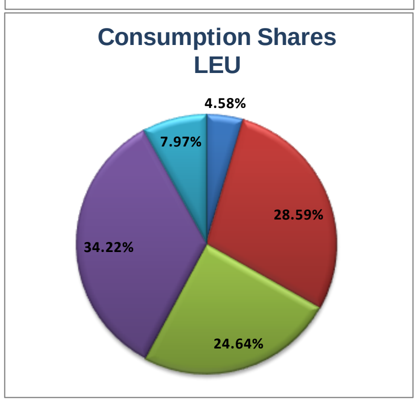
Values	Domestic Credit	Domestic Keypad	SME <70kVA	SME >70kVA	LEU >1MW	Grand Total
Consumption Power NI	457.92	174.33	119.47	65.70	17.32	834.74
Consumption Airtricity	88.53	21.94	109.15	134.68	108.23	462.52
Consumption Energia	0.00	0.00	50.42	139.02	93.28	282.73
Consumption Electric Ireland	0.24	0.21	36.61	152.24	129.55	318.84
Consumption firmus	2.46	0.00	0.40	6.41	30.18	39.45
Consumption Quinn Energy	0.00	0.00	0.01	0.04	0.00	0.05
Consumption Budget Energy	2.21	11.83	0.19	0.04	0.00	14.27
Consumption Vayu	0.00	0.00	0.00	1.09	0.00	1.09
Consumption LCC	0.00	0.00	0.00	0.09	0.00	0.09
Consumption (GWh)	551.36	208.30	316.25	499.31	378.57	1,953.78

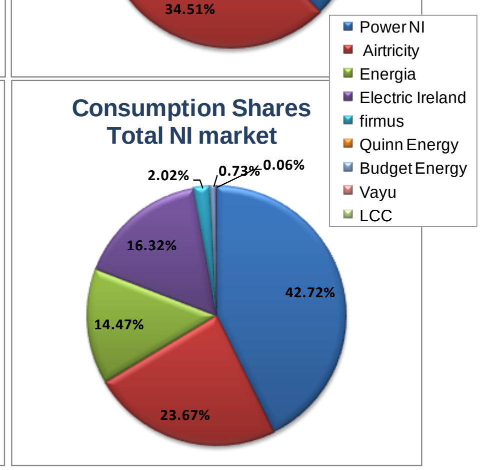






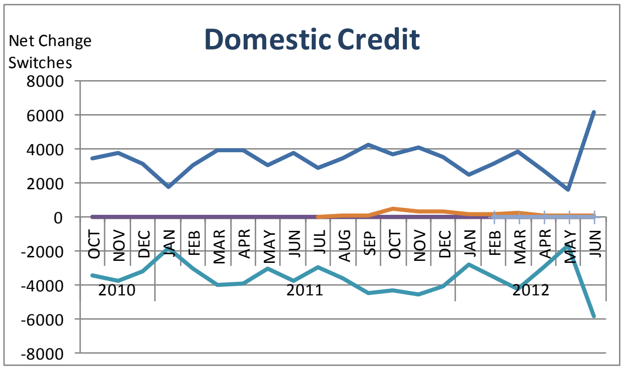


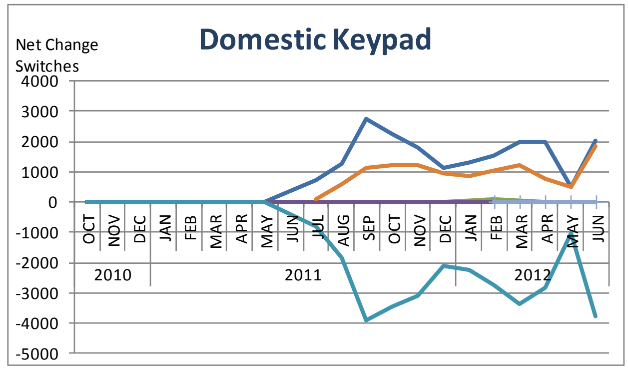


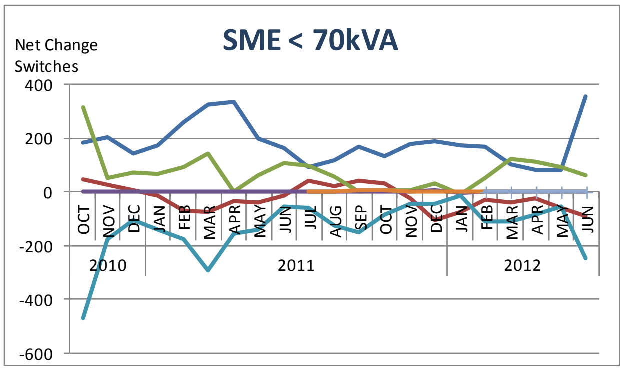


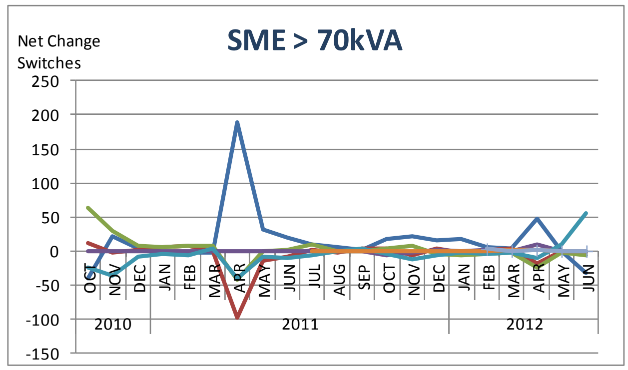
- These charts reflect the market share of each active supplier in NI by percentage of billed units (% of GWh).
- 16.3% of the volume of the domestic keypad segment is supplied by non-incumbent suppliers (compared to 10% in the previous quarter). The share of non-incumbent suppliers is similar for the domestic credit segment, reaching 16.9% in this quarter.
- The non-incumbent market share in volume terms is 57.3% of the total market. This is a slight increase from 56% in the previous quarter.
- Competition in the total NI market is more noticeable when examining shares by consumption than by customer numbers.

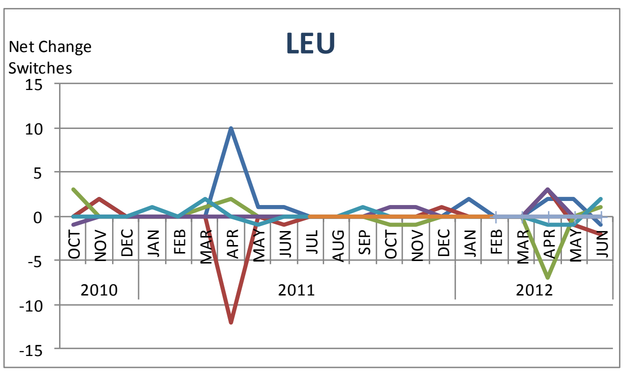
Electricity market activity and new customer registrations

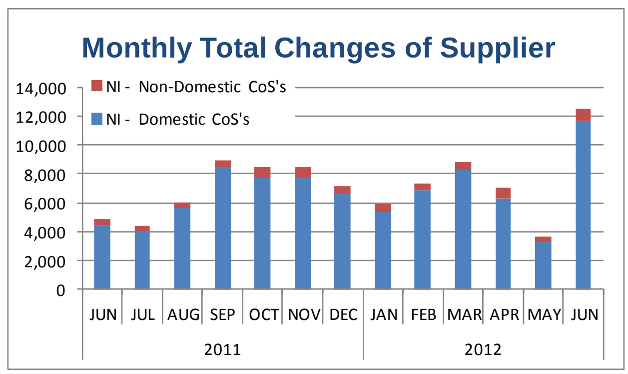








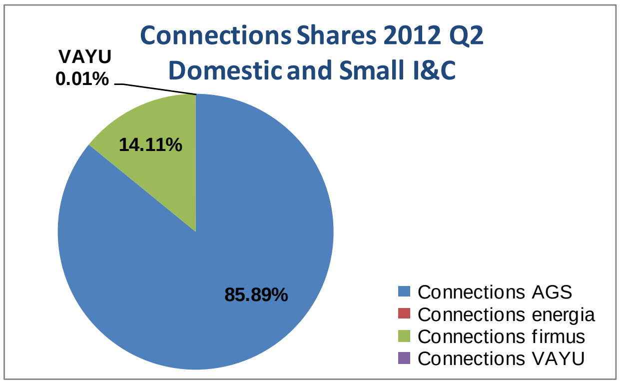


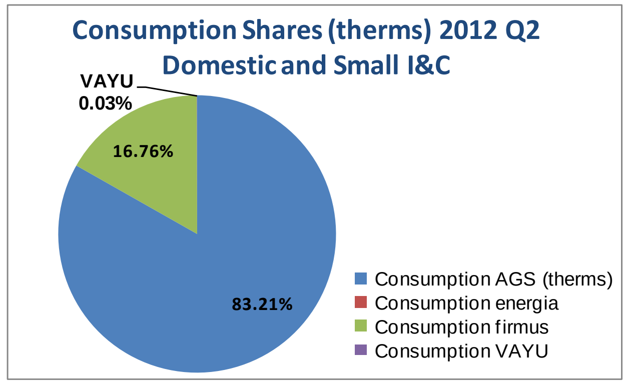


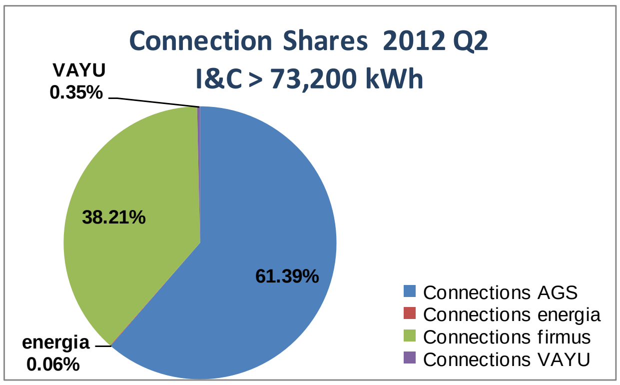
	% Domestic switching	% Non-Domestic switching	% Total switching
2011			
Q1			1.4%
Q2			1.7%
Q3	2.4%	2.1%	2.3%
Q4	2.9%	3.0%	2.9%
2012			
Q1	2.7%	2.8%	2.7%
Q2	2.7%	3.2%	2.7%

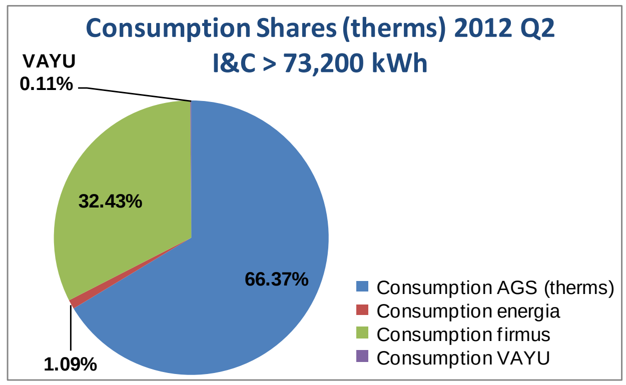
- The first five charts above reflect the Net Change of customer numbers (gains less losses) for switching activity plus new customer registrations, per market segment and supplier.
- The bar graph shows the changes of supplier (CoS) on a monthly basis in the whole market in NI, split by domestic and non-domestic market.
- The drop of CoS over May 2012 is due to the Enduring Solution switching system going live on the 21st May.
- The table on the left 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 drop of switches in May and high increase in June is due to the implementation of the switching Enduring Solution. This process has removed switching constraints for domestic customers.

Gas market shares (PNG Distribution Licensed Area)

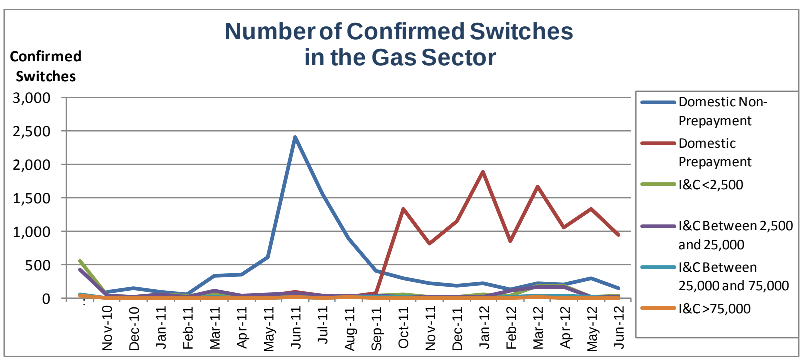








Gas switching activity

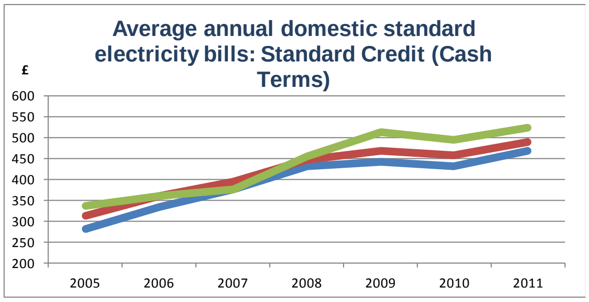


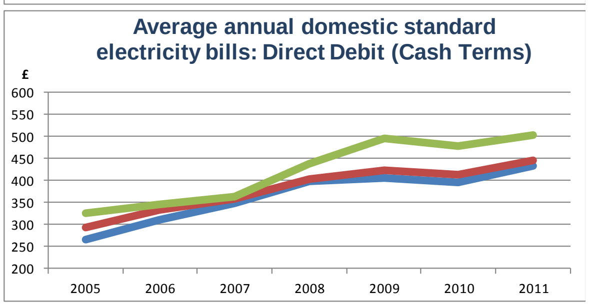
	% Domestic switching	% Non-Domestic switching	% Total switching
2011			
Q1			0.5%
Q2			2.6%
Q3	2.2%	1.9%	2.2%
Q4	2.9%	1.2%	2.8%
2012			
Q1	3.6%	5.5%	3.8%
Q2	2.8%	4.0%	2.9%

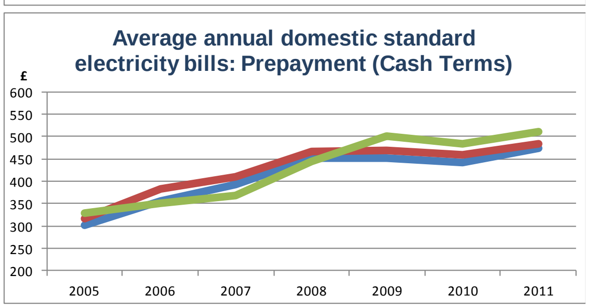
- The information above relates to the Phoenix Natural Gas Ltd Distribution Licensed Area. The supply in the firmus energy Distribution Licensed Area remains exclusive to firmus energy.
- Market share statistics shown in the charts above are as at end June 2012.
- By end of Q2 2012, over 19,900 domestic customers, and around 2,600 I&C customers have switched gas supplier. The evolution in the number of confirmed monthly switches until June 2012 is shown in the graph above.
- The table on the right shows the % switching levels 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.
- Source: Phoenix Natural Gas and gas suppliers.

3. Domestic prices

Electricity domestic prices

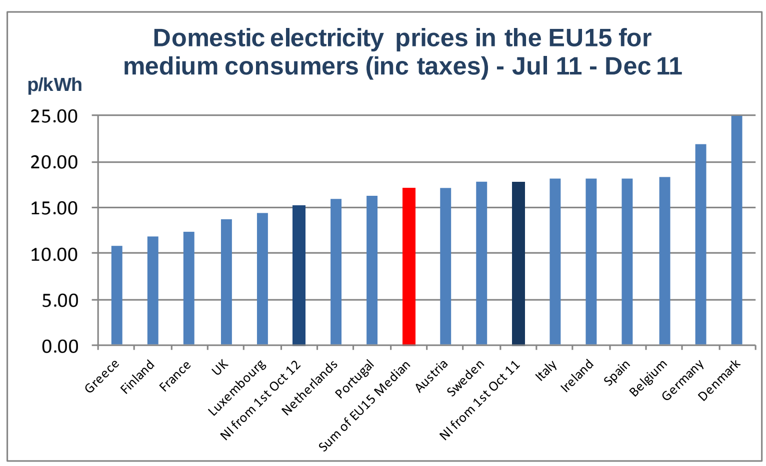




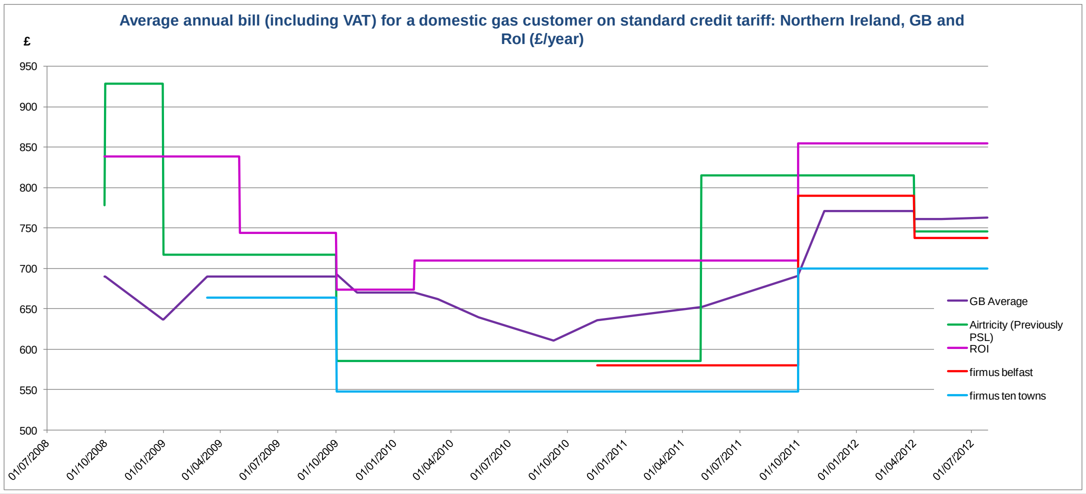


- Average domestic bills are calculated assuming annual consumptions of 3,300 kWh. Data is inclusive of VAT.
- These bills relate to the total amount charged during the year, rather than a bill based on the latest prices.
- Historically in NI, electricity prices have been higher than in GB. This is mainly 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 (http://www.decc.gov.uk/en/content/cms/statistics/energy_stats/prices/prices.aspx).

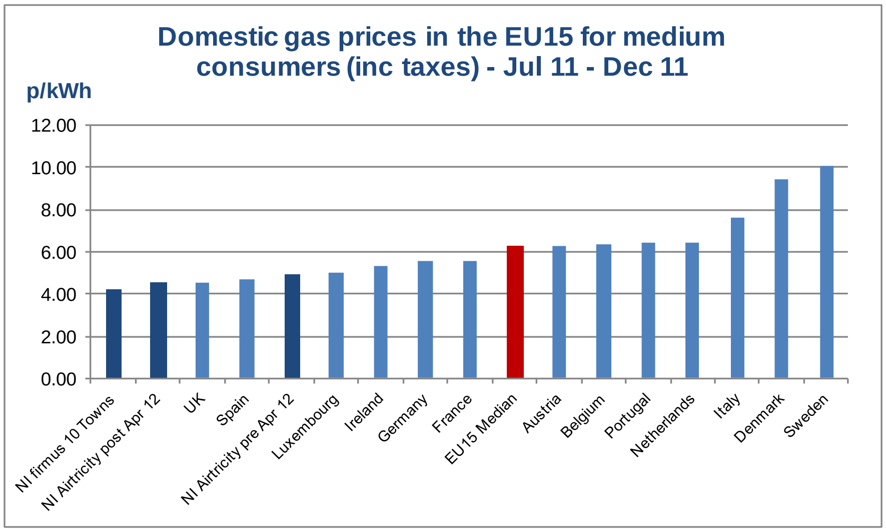
- The graph on the right compares NI domestic price with the most recent available prices for other countries in Europe.
- The NI tariff is the regulated tariff applying from 1st Oct 2011, for an average domestic customer consuming 3,300 kWh per annum (17.82p/kWh).
- It also includes the new tariff to be applied from 1st Oct 2012 (15.31p/kWh).
- Source: DECC Quarterly Energy Prices June 2012 (table 5.6.2). Domestic Electricity prices for medium consumers (2,500-4,999 KWh) including taxes.



Gas domestic prices



- The graph above compares domestic prices for standard gas tariffs from July 2008 to July 2012. It shows a GB average which includes the Big 6 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.
- The falling wholesale gas costs lead to a 8.5% decrease in Airtricity Gas Supply (NI) Ltd (AGS) prices from 1 April 2012 in the Greater Belfast area. firmus energy continued to track the AGS tariff in the Greater Belfast area and therefore also decreased prices by 8.5% from 1 April 2012.
- The graph shows the price decreases announced by Airtricity Gas Supply (NI) Ltd and firmus energy which took effect from 1 April 2012. Some of the GB energy firms have decreased their tariffs from Feb/Mar 2012. These decreases have been reflected in the GB average shown on the graph.
- Source: UR internal data.



- This graph compares NI domestic gas price with the most recent available prices for other countries in Europe (June – Dec 2011).
- The NI price used is based on the actual AGS tariff pre and post April 2012, for a customer consuming 16,500 kWh per annum. It also shows tariff for 10 Towns customers.
- Prices include taxes.
- Source: UR internal data and Eurostat.