

1. Understanding your Electricity Bill

As a DG5/DG6 customer, you are a small/medium-sized business electricity customer.

The Purpose of this note is to assist you in understanding the deregulated electricity market and the possibilities to reduce your electricity bill.

What is the Deregulated market?

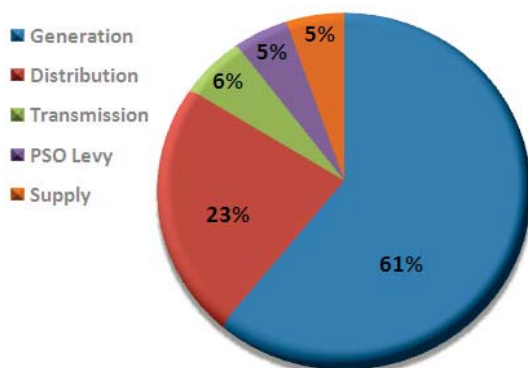
The electricity retail market has been open to competition since 2005. Several new players have entered the market, offering their own prices for business customers. To date ESB Customer Supply (ESBCS) has served the business market by offering tariffs that were approved by the Commission for Energy Regulation (CER).

Now we have strong competition among electricity suppliers and the CER is deregulating the business markets on 1st October 2010. This means that ESBCS's tariffs for business customers will no longer be approved by the CER but rather set by ESBCS, in the same manner as with other suppliers. Deregulation will further boost competition and deliver benefits to customers through increased choice, improved service and a greater number of tariff products on offer.

What are the Electricity Cost Drivers?

It is important for customers to understand the cost elements which feed into the final price of electricity. These are: Generation, Network Charges (Transmission & Distribution), PSO and Supply costs. These costs appear in bills as a standing charge or on a unit rate basis.

Sample Breakdown of 2010/11 Electricity Bill for Small and Medium Sized Businesses



Generation

Generation costs account for about 60% of your electricity bill. About 80% of electricity generated in Ireland uses imported fossil fuels. International fuel prices - which are outside of Ireland's control - are the key driver of the cost of generation and therefore electricity prices.

Generation costs feed through to customers' bills as part of the unit rate. Depending on how they procure their energy, suppliers are able to offer different rates to customers.

Transmission

The Transmission network, operated by EirGrid, consists of the high voltage wires and pylons used to transmit the electricity in bulk across the country. Transmission Use of System charges consist of a unit rate and/or capacity basis.

Distribution

The Distribution network is operated by ESB Networks and covers the low voltage wires used to distribute electricity from the transmission network to customers. Distribution Use of System charges consist of a standing charge and a unit rate.

Transmission and distribution network charges usually change annually each October – check with your supplier how this will impact your bill.

Public Service Obligation (PSO) Levy

The Government has placed specific obligations to purchase electricity from sustainable, renewable, and indigenous sources such as wind power or peat. The levy is designed to recoup the additional costs incurred in meeting these obligations. The CER administers the levy, which has been in place since 2003. The levy applies to all consumers of electricity regardless of their supplier and appears as a separate item on your bill.

Supply

Supply costs include items such as administration and customer accounting. Suppliers may incorporate an element of this cost into a standing charge, but it can also be incorporated into the energy component of the bill as a part of the unit rate.

2. Reducing your Electricity Bill

To reduce your business's electricity bill, reduce the price you pay per unit of electricity and improve energy efficiency

Deregulation and Switching

The growth of competition means that there has never been a better time to switch your electricity supplier.

Switching suppliers is straight-forward and free of charge. In a recent survey over 90% of SMEs that have switched found the process to be easy. Switching can help deliver real benefit to your business by reducing the price you pay for electricity.

Will Switching Impact the Quality of my Electricity Supply?

The supply of electricity will not be in any way affected or interrupted by switching supplier. ESB Networks is responsible for meter reading and responding to power outages. Switching supplier will not impact on the quality of electricity service your business receives. Before you switch, you should compare the offers from competing suppliers.

Everyone receives the same level of service from ESB Networks regardless of their supplier

Getting the Best Quote Possible

It's important to shop around to get the best value as different suppliers offer different pricing options.

The cost elements included in the price of electricity may be represented differently on the bill by each supplier and tariffs for customers can be offered as fixed-price or variable-price, or a combination. Networks charges and the PSO are regulated by the CER and suppliers pass these through on customer bills as part of both the standing charge and the unit rates. Suppliers compete on generation and supply costs where there can be a significant difference in the value offered.

To get the best price the CER recommends you take the following three steps;

- Know how much electricity you use – this information is contained on your bills or can be obtained from your current supplier.
- Pass this data on to all suppliers. Request a quotation with a breakdown of their rates as well as an estimated annual cost based on the data submitted.
- Compare supplier offers adjusted as appropriate for planned changes in production etc.

As with any contract CER recommends that customers read their electricity supply contract thoroughly to ensure that they understand all the terms and conditions (e.g. supplier's right to increase prices, customer's right to get out of contract).

Customers can switch supplier regularly and should routinely review their energy supply to ensure they continue to get the best value

Current SME Suppliers

Below is a list of electricity suppliers currently active in the SME business market. You can get a quote and switch to any one of these suppliers. For more information on each, visit their website or contact them directly.

- Airtricity www.airtricity.com
 - Bord Gáis Energy www.bordgaisenergy.ie
 - Energia www.energia.ie
 - ESB Customer Supply www.esb.ie/esbcustomersupply
 - ESB Independent Energy www.esbie.ie
 - Vayu www.vayu.ie
-

Reducing Consumption = Reducing Costs

In addition to shopping around for the best deal from suppliers, you should also examine ways to minimise your electricity costs through reduced consumption and greater energy efficiency. In a recent survey, CER found that only 43% of SME's review their electricity usage at least annually and 19% never review their usage.

As energy costs play an increasingly important role when it comes to the bottom line, ongoing energy reduction efforts are obviously vital. Reducing energy consumption is a matter of improving efficiency and the Sustainable Energy Authority of Ireland, as well as suppliers can provide assistance in this area. For more information go to; www.seai.ie/Your_Business. Also talk to your electricity supplier who may offer services to help you manage your energy costs by becoming more energy efficient.

Further Information

The CER will continue to monitor the retail market, to ensure that competition is developing and delivering benefits to customers.

For more information on understanding your bill see the CER's Information Note on Pass Through Costs for Business Customers (CER/10/141), located on our website;

www.cer.ie
