



Commission for Energy Regulation

An Coimisiún um Rialáil Fuinnimh

**Review of the Regulatory Framework for the Domestic
NDM Retail Gas Market
Competition Review July 2013**

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1. Introduction

In its Review of the NDM Retail Gas Market ([CER/13/096](#)), the CER set out the criteria for deregulation of the gas domestic retail market. Deregulation of Bord Gáis Energy in the domestic gas market will occur if the following criteria are met (subject to all necessary legislative and licensing changes being implemented):

- Threshold for deregulation is 60% (customers) with rebranding of its retail business and without rebranding the threshold is 55%.
- At least 3 suppliers, of which two are non-Bord Gáis Energy suppliers. Each of these must have a market share in excess of 10%;
- Customer switching rates in excess of 10% per year.

To determine when these criteria will be met, the CER conducts monthly competition reviews looking at current market conditions and forecasts for the coming 9 months (the methodology used for these reviews can be found in [CER/13/124](#)). While forecasts will be used to determine if the criteria for deregulation will be met, a final deregulation decision will not be made until one month before it is predicted to take place. This competition review, for July 2013, is the second of the monthly competition reviews.

2. Domestic Market Analysis

This section contains a market analysis for the domestic market, which will determine whether the criteria for deregulation of the domestic market have been reached. In order to provide the most up to date assessment of market share, the CER has examined the latest available supplier market share on customer numbers for June 2013. The CER has also provided a forecast of when Bord Gáis Energy is likely to reach the threshold using latest switching rates for April, May and June 2013.

2.1 Bord Gáis Energy's Branding Decision

In the NDM decision paper (CER/13/096) the CER decided that Bord Gáis Energy would have a choice in relation to the rebranding of its retail business. On rebranding, a higher threshold (60%) would apply. However, the CER has not received a decision on branding from Bord Gáis Energy. Regardless of a decision on branding, the CER will notify the market of the decision to deregulate at least one month before it will take place.

2.2 Current Market Share and Number of Suppliers

Figure 2.1 shows the market share by customer numbers in June 2013. There are two active non-Bord Gáis Energy in the market and both have a market share of 10% or more; Airtricity had 17.3% and Electric Ireland had 16.76% at end of June.

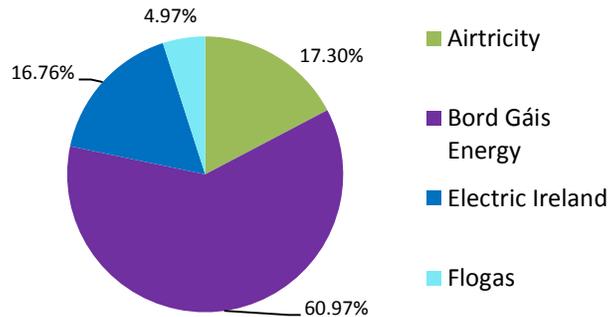


Figure 2.1 Domestic Gas Market Share, Preliminary Customer Numbers, June 2013

2.3 Forecast Market Share

Figure 2.2 below provides an estimate of Bord Gáis Energy’s domestic market share to the end of February 2014 (using switching data from April, May and June 2013). It should be noted that this forecast trend is based on switching data collected during a period when Bord Gáis Energy remains regulated in the domestic market. In addition, there may be other factors which contribute to prospective levels of switching that are not taken into account here.

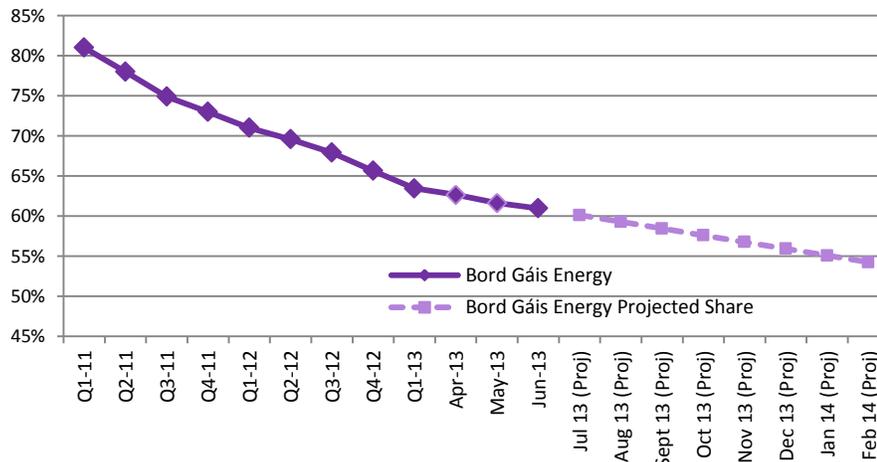


Figure 2.2 Domestic Gas Market Share, Bord Gáis Energy, Q1 2011 – Feb 2014

The data shows that the deregulation thresholds are expected to be met within 12 months. Based on latest switching trends the thresholds will be met at the same timelines as suggested in the May Competition Review. Bord Gáis Energy

will have a market share of customers below the 60% threshold in August 2013 and below the 55% in February 2014.

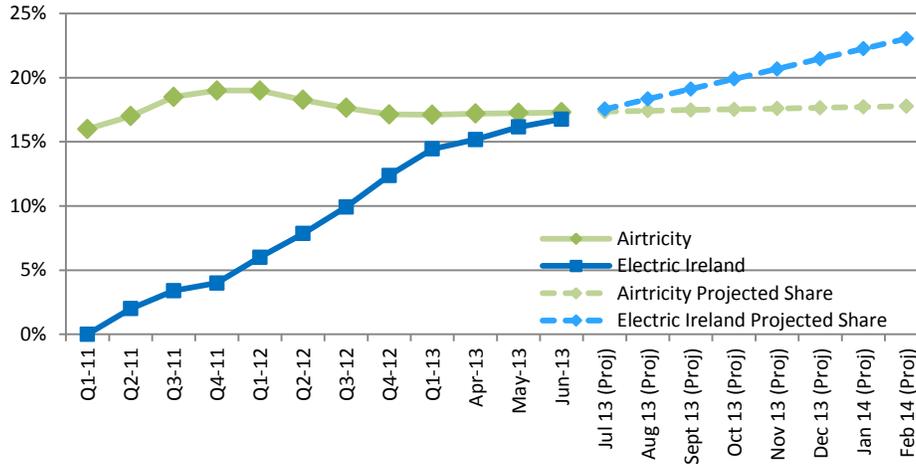


Figure 2.3 Domestic Gas Market Share, Airtricity & Electric Ireland, Q1 2011 – Feb 2014

Figure 2.3 indicates that the market share of Electric Ireland will increase significantly over the next eight months. Airtricity’s market share will remain relatively constant. Looking more generally at market trends, the CER notes that switching in the domestic gas market increased in the April, May and June period compared to the previous quarter.

2.4 Switching Rate

The NDM decision paper required that the switching rate be greater than 10%. The average annual switching rate from July 2012 to end June 2013 (latest data using average customer numbers of 630,805 and total switching in the domestic market of 116,503) was over 18%, which fulfils the switching deregulation criteria.

3. Conclusion

The CER has concluded that at this point in time, the criteria for deregulation have not all been met to allow for the immediate deregulation of the domestic gas market. While a number of criteria have been met, the market share criteria for deregulation of the domestic market has not been reached as Bord Gáis Energy had an estimated 60.97% market share (customer numbers) at end June 2013. Data indicates that the 60% threshold will be met in August 2013 and the 55% in February 2014. While the 60% threshold will be met in August, the CER has not received a decision on branding from Bord Gáis Energy. Regardless of a decision on branding, the CER will notify the market of the decision to deregulate at least one month before it will take place.