# CER Decision Paper

## Smart Metering High Level Design

### Appendix B: Decision on Time of Use Tariffs

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Abstract:

This paper confirms the CER’s decision on the design of the high-level regulatory framework to support the introduction of Time of Use (TOU) tariffs for domestic and small business electricity and gas customers.

This paper should be read in conjunction with the other related smart metering decision papers which have been issued in parallel.

Target Audience:

This paper is for the attention of members of the public, the energy industry, customers and all interested parties. It is of less relevance to large electricity and gas users because such customers will not be directly affected by the National Smart Metering Programme (NSMP).

Related Documents:

NSMP documentation is available on the CER website here.
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1 Introduction

1.1 Purpose of this paper

The purpose of this paper is to set out the CER’s decision on the high level regulatory framework for the introduction of TOU electricity tariffs.

This paper is one of four appendices published today on various aspects of the NSMP. These documents should be read in parallel to understand the smart metering solution as a whole.

1.2 Background information

This document builds on a significant body of information and analysis conducted by the CER as part of the NSMP and forms a key part of the work that the CER is undertaking in Phase 2 of the programme. Given the volume of information available, a summary of the context for this paper is included in Section 2.

1.3 Structure of this paper

This paper is structured in the following manner:

- **Section 2** outlines the context of this TOU tariff decision;
- **Section 3** describes the CER’s decision on the form of electricity TOU tariff mandate that the CER will implement through regulation;
- **Section 4** summarises the reasons why the CER has decided to implement this particular form of TOU tariff mandate, and provides links to the supporting evidence and analysis;
- **Section 5** confirms that the CER is not mandating the implementation of gas TOU tariffs through regulation at this time, and sets out the reasons behind this; and
- **Section 6** confirms that the CER is not mandating a change to the current DUoS and TUoS charging methodologies at this time and provides a view on the potential role for network charging in the future.

In addition:
- **Appendix B1** provides an overview of the responses to the December 2013 proposed decision, and describes how these have been taken into account in the CER’s decision; and
Appendix B2 restates the CER’s initial thinking on the detailed level design for the regulation of TOU tariffs (as provided in the Proposed Decision Paper) alongside a summary of the responses received in relation to each element of this. Please note that this Appendix does not form part of the CER’s decision, and the CER will further consider the detailed level design in the next phase of work.
2 Context

2.1 The July 2013 TOU consultation

The consultation published in July 2013 – ‘CER National Smart Metering Programme Time of Use Tariffs Mandate’ (CER/13/152) set out the preliminary findings of the TOU tariff work stream, in the context of the wider programme and the end-to-end smart metering solution; and provided a number of evaluated examples of how the mandate could be shaped.

A total of 19 responses were received and, alongside further analysis conducted by the CER and workshops with industry stakeholders; these responses were used in the process of developing our proposed decision.

2.2 The December 2013 TOU proposed decision

The paper published in December 2013 – ‘CER National Smart Metering Programme Smart Metering High Level Design Appendix B: Proposed Decision on a Time of Use Tariffs’ (CER/13/286B) set out the CER’s proposed decision on the design of the high-level regulatory framework to support the introduction of TOU tariffs for domestic and small business electricity and gas customers.

The CER would like to thank everyone who took the time to comment on this proposed decision paper. A total of 16 responses were received (13 of which commented on TOU) and we have taken these into consideration in developing our final decision, which is set out in Section 3 of this document.

Throughout this document, reference is made to evaluation criteria, which the CER has used in order to determine what a successful tariff mandate might achieve. For ease of reference, the evaluation criteria are summarised below.

2.3 Evaluation criteria

As part of the earlier phases of this work stream, the CER considered the NSMP objectives in the context of a TOU tariff mandate, with input from industry representatives. From this engagement, the CER developed a set of criteria that it considers useful for analysing the relative merits of different approaches to framing a TOU tariff mandate and the tariff environment that it would support. These criteria, which were consulted on in the July 2013 consultation, are described below:

A. Easy to understand for consumers – tariffs that are simple enough to allow the customer to make informed choices about how and when they use energy, and the impact that this will have on their bill;
B. **Engaging for consumers** – the tariff environment should engage and empower consumers to select the best tariff for them and lead to the changes in consumption behaviour that can reduce costs for the consumer;

C. **Providing choice and protection for consumers** – tariffs that provide choice to consumers, that are easy to compare, that ensure that consumers (including vulnerable customers) are not discriminated against, and that protect customers data (unless it is required for regulated duties);

D. **Flexible in supporting competition and innovation** – a tariff environment that is flexible enough to allow suppliers to innovate and compete effectively, allowing market mechanisms to drive the development of new tariffs;

E. **Operational at low cost for all parties, and over time** – the tariff environment should facilitate tariffs that are cost effective for suppliers and distributors to operate;

F. **Providing tariffs that accurately reflect supply chain costs** – tariffs should reflect the cost of generating and transporting the energy used and limit cross-subsidies between tariffs or groups of customers.

The July 2013 consultation responses agreed that these criteria were useful for assessing potential TOU tariff mandates, and they remain unchanged. Several responses suggested placing particular emphasis on the importance of criteria C and D.

In light of this positive response, these evaluation criteria have continued to be used to develop the approach to regulating the introduction of TOU tariffs. The use of these criteria is, discussed further in Section 4 – Evidence base and reasoning.

**2.4 Legal standing**

As per article 19(2) of S.I. No. 426 of 2014, the CER, having consulted with such persons as it considers appropriate, may by licence condition provide that energy suppliers must apply time-of-use tariffs to a class or classes of customer.
3 Decision

3.1 Summary

This section sets out the CER’s decision on the form of TOU tariff mandate for electricity retail tariffs that it will implement with the support from appropriate legislation.

The CER consider that this decision strikes the most appropriate balance across the range of evaluation criteria, and will best promote the objectives of the NSMP and the interests of electricity customers. This view is based on the evidence, including the views gathered through engagement with stakeholders, as described in Section 4.

The decision on the form of TOU electricity tariff mandate has five core components:

- Each supplier must develop:
  - a single standard domestic TOU tariff structure of a form prescribed by the CER, which domestic customers of that supplier will migrate to by default at an appropriate time following the installation of their smart meter; and
  - a TOU tariff structure for each SME customer or class of SME customer, to migrate to at an appropriate time following the installation of their smart meter. For each customer or class of customer, this could be the same as a supplier’s standard domestic TOU tariff structure or one of the alternative tariffs offered by a supplier (see next point).

- Each supplier may also offer other TOU tariffs – subject to such tariffs meeting certain criteria to be set by the CER, relating to the form and range of such tariff structures.

- The establishment of a “test bed” to enable suppliers and interested customers to move on to more sophisticated tariffs (such as dynamic tariffs, where the cost of consumption can vary at short notice) on a trial basis, with limited numbers of customers and for limited periods of time.

- Progression of complementary reforms, implemented as soon as practicable, in particular to require that aggregated half-hourly consumption data from smart meters be used to determine the volume of electricity each supplier is charged for in Ireland’s electricity wholesale market.
A commitment by the CER to monitor the developing tariff environment underpinned by this approach, and to amend the framework as required – based on the evidence.

This decision can be summarised as follows:

- A single standard domestic TOU tariff structure per supplier and all customers transition to this tariff by default
- The tariff must match the form prescribed by CER (e.g. Day Night Peak and minimum differentials)
- A default tariff structure for each SME customer or SME class

- Suppliers may offer alternative tariffs on an opt-in basis
  - Form and range of alternative tariff(s) must be consistent with the criteria set by CER to aid comparison
  - Suppliers are responsible for meeting the information needs of their customers on alternative tariffs

- Each supplier has a standard TOU domestic tariff of a prescribed form
- Suppliers can offer variants of the standard domestic tariff
- Suppliers can also trial tariffs of any design
- Supported by complementary reforms
- Review informed by ongoing monitoring

Section 3.2 below explains in more detail each of the component parts of this diagram, and sets out the CER’s detailed decision in that area. The reasoning underpinning the approach is summarised in Section 4.

For clarity, where we have changed the text of any element of the decision in comparison to the proposed decision, this is highlighted at the end of that subsection. Our reasoning for changing that element of the decision, and our responses to all of the comments received in response to the proposed decision are included in Appendix B1.

### 3.2 Description of the TOU framework that the CER will implement

#### 3.2.1 A standard TOU tariff by default
The elements that the CER has decided upon at this stage are:

- Each supplier must develop a single standard domestic TOU tariff structure of a form prescribed by the CER, which domestic customers of that supplier will migrate to by default at an appropriate time following the installation of their smart meter.

- Each supplier must develop a TOU tariff structure for each SME customer or class of SME customer, to migrate to, at an appropriate time following the installation of their smart meter. For each customer or class of customer, this could be the same as a supplier's standard domestic TOU tariff structure or one of the alternative tariffs offered by a supplier (see next decision element).

- A requirement that each domestic standard TOU tariff takes the form of a Day/Night/Peak tariff, using the time bands that are to be defined by the CER.

- A requirement that all standard (SME and domestic) TOU tariffs also meet certain minimum criteria, also to be defined by the CER.

This element of the decision has been amended following our consideration of the responses to our December 2013 proposed decision paper. The changes are to amend the second decision bullet to clarify that suppliers are not obliged to have a range of SME TOU tariff structures. The CER has also changed the last bullet to remove the specific reference to Day Night and Peak rates, to clarify that the criteria to be defined in the next phase may not only relate to Day, Night and Peak rates – particularly for SME customers, who may not have this form of TOU tariff.
3.2.2 Alternatives to the standard TOU tariff

The elements that the CER has decided upon at this stage are:

- The principle that suppliers should be able to offer alternative tariffs to the standard TOU tariff, on an opt-in basis for domestic and SME customers;

- That the form of any alternative tariff(s) and the range of alternative tariffs offered must be consistent with criteria set by CER to aid comparison;

- That suppliers will be responsible and accountable for meeting customer information requirements in respect of any alternative tariffs offered.

This element of the decision has been amended slightly following our consideration of the responses to our December 2013 proposed decision paper. The changes are to include the phrase “...and the range of alternative tariffs offered...” in the second bullet above.

This change has been made to clarify our intention that the criteria may place restrictions on an individual tariff, but may also place restrictions on the overall range of alternative tariffs offered by each supplier. The exact nature of the criteria will be defined during the next phase of work.
3.2.3 A “test bed” for more advanced tariffs

The elements that the CER has decided upon at this stage are:

- Suppliers will be able (should they choose) to offer tariffs that differ from the permitted alternatives (e.g. that involve a larger number of time bands, alert-driven pricing, or dynamic pricing) in order to facilitate ‘tariff testing’.

- That, for any ‘test tariff’, suppliers will need to comply with a number of the conditions, (designed by the CER) to limit the scale of such ‘tariff testing’ and protect customers until the full consumer impacts are better understood.

- That suppliers will be responsible and accountable for meeting customer information requirements in respect of any ‘test bed’ tariffs offered.

This element of the decision has not changed from the proposed decision set out in our December 2013 paper.

3.2.4 Complementary reforms

- Half hourly consumption data to be used to determine the volume of electricity each supplier is charged at a wholesale level (replace Load Profiles)
- Transition to use of actual data as soon as practicable
- Some degree of standardised terminology/ metrics to be required
The elements that the CER has decided upon at this stage are:

- The principle that aggregated half-hourly consumption data from smart meters be used to determine the volume of electricity that each supplier is charged for in Ireland’s electricity wholesale market, to replace the estimates based on a standard profile used currently;

- That this reform is made as soon as practicable, as an integrated part of the wider transition plan for smart meter rollout and developments in the SEM work on market integration;

- That some aspects of terminology relating to how tariffs are presented to customers will need to be standardised, and that regulation will have a role to play.

This element of the decision has not changed from the proposed decision set out in our December 2013 paper.

3.2.5 Review informed by on-going monitoring

The elements that the CER has decided upon at this stage are:

- The CER will monitor the developing tariff environment underpinned by this approach, and to amend the framework as required – based on the evidence.

This element of the decision has not changed from the proposed decision set out in our December 2013 paper.
4 Evidence base and reasoning

4.1 Summary

This section presents a summary of the reasoning behind the form of the TOU tariff mandate that the CER has decided to implement through regulation. It discusses each of the component parts of the decision in turn.

This reasoning is based on a wide body of evidence, including feedback and commentary from industry representatives, consumer representatives, individual customers (via focus groups), technology providers; and from the CER’s own quantitative and qualitative analyses.

This reasoning was consulted upon via the TOU Proposed Decision Paper, which was issued in December 2013, and that paper contains a more detailed description of the evidence and reasoning to support our decision.

4.2 Evidence for a standard TOU tariffs by default

4.2.1 Summary

This component performs well against the evaluation criteria for two key of reasons:

- The concept of a relatively simple default TOU tariff promotes consumer understanding and engagement, including for those customers who would not consider choosing a TOU tariff if left unprompted - while also providing a degree of consumer protection (against tariff confusion).
The prescribed form for the standard TOU tariff – plus the ability of each supplier to design their own tariff consistent with that prescribed form - increases confidence that resultant tariffs will be reflectively of underlying costs and is flexible in supporting competition.

Further detail on this reasoning is provided below.

4.2.1 Why a prescribed form?

The CER has three key reasons for proposing a prescribed form:

- There is strong evidence from customers that they can readily understand and engage with the relatively simple Day/Night/Peak form of tariff from the 2009/10 smart metering consumer behaviour trial.

- The likely behavioural response in terms of load reduction and load shifting resulting from the adoption of tariffs of a form similar to the trial tariff (alongside better information on energy consumption and costs) are consistent with a positive business case for smart meter rollout.

- A relatively simple Day/Night/Peak tariff form can, subject to the right parameters being set, also provide workably accurate signals to customers about the cost of electricity supply at different times.

The TOU tariff trial

The 2009/10 TOU tariff trial was undertaken with a large, representative sample of domestic electricity and gas customers in Ireland. The trial found that providing customers with additional information and a TOU tariff made a significant difference to when, and how much, electricity they consumed.

The sample of electricity customers with additional information and a TOU tariff used, on average, 2.5% less electricity overall and 8.8% less electricity at peak times. The trial considered the impact of TOU in concert with other stimuli. It did not permit, therefore, the effect of TOU pricing in insolation to be quantified.

Given the clear success of this form of tariff (including the information stimuli) in eliciting peak shifting, as well as reducing overall electricity consumption, the CER is confident that a standard tariff with a Day/Night/Peak structure will support customers in reducing their electricity bills.

Reflecting wholesale costs in retail tariffs

One potential risk of adopting a relatively simple standard form of tariff, such as a Day/Night/Peak tariff, is that it does not accurately reflect underlying costs – hence could provide customers with the wrong signal on when a reduction in
consumption is most economically beneficial. This is because market prices for wholesale electricity are volatile, e.g. as a result of unexpected outages or system constraints at a time of day when wholesale prices are routinely low.

CER has analysed patterns in electricity wholesale market prices, historically and prospectively (to 2020), to examine the trade-off between simplicity and accuracy. The CER has concluded that patterns of how wholesale prices vary are sufficiently stable such that a simple tariff form (Day/Night/Peak) can be designed to be workably accurate in the medium term – and much more accurate than a flat-rate tariff.

Further details of the analysis and modelling conducted to support this conclusion are available in the proposed decision paper.

4.2.2 Why migration by default?

There are three key reasons why the CER is adopting an approach based on automatic migration to the standard domestic TOU tariff and a range of standard SME TOU tariffs:

- TOU has an important role in helping customers adapt to more efficient and less costly electricity consumption patterns over time, to the benefit of individual households and businesses and Ireland as a whole. It will be more effective in this role of delivering collective benefits if it is adopted early and comprehensively, with appropriate engagement and support.

- Given current levels of understanding and engagement in electricity retail markets, a consumer-led “push” for TOU is likely to have limits in terms of the speed and scope of TOU adoption. Further, while suppliers have some incentives to promote TOU, these incentives are unlikely to be strong enough to encourage TOU adoption as the norm, at least in the short to medium term.

- Our analysis of the distributional impacts of introducing TOU indicates that, under plausible tariff assumptions, the range of individual impacts on bills is likely to be relatively narrow – even if households and business do not change their electricity usage patterns. Hence, there does not seem to be a strong case for promoting a more gradual introduction on distributional grounds. Further detail of our analysis in this area is included in the proposed decision paper.

Further, the CER undertook a number of consumer focus groups in 2013, to understand how customers might respond to different forms of TOU tariff mandates. In general, customers were positive about the concept of a default tariff, suggesting that it would provide a backstop for less engaged customers,
although concerns were expressed about choice and fairness if the default were the only choice available while facilitating choice for those that want it.

The timing of this migration will be considered in detail in the context of transition planning more generally.

### 4.2.3 Why a different approach for SME customers?

The CER has chosen to implement a TOU tariff approach that allows each supplier to nominate a different TOU tariff for each SME customer or class of customer.

This is because SME customers' usage patterns vary more widely than domestic customers. For example, a restaurant has a very different pattern of consumption to a small industrial unit, in terms of times of peak usage and the ability to switch usage (e.g. through different shift patterns). The CER has therefore decided to permit suppliers to more finely tailor the tariff choices for SME customers, or SME customer types, as a means of mitigating the risks that:

- A default tariff would be the most prevalent form of tariff in the market, at least for an initial period of time; because it is the tariff that customers will automatically migrate to if, they do not feel willing/able to choose an alternative TOU tariff; and

- If the structure of the tariff offered to them is perceived by the consumer as being impractical or lacking relevance, then an important opportunity to build levels of engagement (and for customers to change behaviour, and save money) might be missed. This concern would appear to be heightened for SME customers, because of the more diverse patterns of usage.

The TOU tariffs offered will however, need to be of a form that is relatively easy to understand and compare – as defined in the rules for permissible tariff alternatives, which will be decided on in the next phase.
4.3 Evidence for allowing alternatives to the standard TOU tariff

This component performs well against our evaluation criteria for two key reasons:

- The ability to choose from a number of TOU tariffs is important in building and reinforcing consumer engagement, particularly for more actively engaged customers.

- The ability for suppliers to offer alternatives is also important for competition and innovation. The ability to set criteria for tariff alternatives – plus the ability of each supplier to design their own range of tariffs consistent with these criteria - increases confidence that the resultant range of tariffs will be reflective of underlying costs while also supporting consumer understanding.

This reasoning is described in more detail below.

4.3.1 Why offer alternative TOU tariffs on an opt-in basis?

The CER will permit suppliers to offer alternative (domestic and SME) TOU tariffs on an opt-in basis (subject to the form of any alternative tariff being consistent with criteria to be set by CER) because it facilitates choice and promotes competition. The electricity and retail market already offer a degree of tariff choice, and this is an important means of protecting the interests of customers. All stakeholders (including both suppliers and consumer groups) have been supportive of the principle of an element of choice.
Focus Group attendees also demonstrated much higher levels of engagement in their electricity tariff in scenarios where they were given the ability to choose between a number of tariffs, and saw the absence of a choice as unfair.

### 4.3.2 Why must these alternatives meet a set of criteria?

The CER has decided to require that any alternative (SME or domestic) TOU tariffs offered by suppliers comply with criteria to be set by CER (the definition of which will form part of consultation process in the next phases) for two key reasons:

- Setting criteria to limit the ways that tariffs can vary (at least during the period of TOU tariff introduction) increases confidence in the initial years of TOU that the range of TOU tariffs on offer will be navigable by customers – without unduly diluting the options available to suppliers to innovate and compete.

- Setting criteria for the range of permissible tariff alternatives will provide confidence that any tariff offered in the market will be providing some minimum level of signal to customers as to when it is more (or less) expensive to consume electricity.

### 4.4 Evidence for creating a “test bed” for more advanced tariffs
4.4.1 Why create a ‘test bed’ environment?

The CER has decided to implement a TOU tariff mandate that creates an environment for suppliers to try out advanced tariffs on a small scale for the following reasons:

- It will facilitate tariff innovation in the long-term and ensure that the full benefits of TOU tariffs are realised. This will be particularly important in the Irish market with high penetration of renewable generation, and the high potential value of a more active demand side (delivered through TOU tariffs) as a means of managing the consequent system challenges.

- This facilitation of tariff innovation will also stimulate competition over time. Several respondents to our July TOU consultation and a number of those who commented on our proposed decision indicated that creating an environment that allowed tariff innovation during the early stages of the rollout was important for their businesses.

- The CER acknowledge that actively engaged ‘first-adopter’ customers may well drive demand for more advanced tariffs (e.g. dynamic/alert driven tariffs or those incentivising export at certain times) in the short term, as smart meters are beginning to be rolled out. Whilst the CER does not anticipate these to be mainstream early on, we do not wish to prevent customers who would like advanced TOU tariffs from accessing them, and nor do we wish to specify exactly what form these tariffs might take.

- A ‘test bed’ can also be expected to generate important operational and behavioural learnings, which in turn could support a tariff environment that operates at efficient cost in the longer term.

- A ‘test bed’ will produce valuable information and evidence to support the decisions about how the regulatory framework should evolve over time.

4.4.2 Why place restrictions on a ‘test bed’ environment?

The CER has decided to implement a TOU tariff mandate that allows suppliers to try out advanced tariffs on a limited scale because the range of potential outcomes for consumers is likely to be higher for these tariffs, particularly if there is no device automation within a household or business premise.

For example, we note that dynamic TOU electricity tariffs are an untested and unknown entity in the Irish market, and as such, creating a controlled ‘test bed’ environment has the benefit of facilitating their introduction in a prudent and controlled way to safeguard risks on customers and the suppliers.
The CER intends to define the limits/conditions to be placed on the ‘test bed’ environment and a detailed monitoring approach in the next phase of the programme. The CER acknowledges that there is a risk that placing restrictions on ‘test bed tariffs could inadvertently slow down the rate of tariff innovation, and the CER will further consider how this risk is best mitigated in developing the detailed approach for the ‘test bed’.

### 4.5 Evidence for complementary reforms

- **Settlement:** Each supplier has a standard TOU domestic tariff of a prescribed form
- **Tariff comparison:** Supported by complementary reforms

#### Supporting evidence and reasoning

- Until settlement utilises actual interval data instead of profiles, suppliers are not incentivised to offer effective time of use tariffs. There was broad support for the use of interval data in settlement from the consultation responses.
- Based on an initial review of settlement transition options, it does appear viable to do this, although further analysis is needed to determine the best approach.
- Consequent to creating a tariff environment with, potentially, lots of tariffs, **standardised terminology/metrics** is likely to be more valuable in helping consumers navigate the market.

#### 4.6.1 Why settle using interval data?

Settlement is the process by which the amount of energy used by each customer is aggregated up for each supplier, to work out how much energy that supplier needed to buy on the wholesale market (at the System Marginal Price) for each half-hour.

Given the current market arrangements, suppliers are not incentivised to offer TOU tariffs using normal market mechanisms, because domestic and small business customers are settled using Load Profiles rather than actual data.

Load Profiles have been used in settlement since the start of the competitive electricity supply market in Ireland, because the meters currently installed in small business and domestic properties are not capable of recording the half-hourly reads needed for to allow settlement using actual meter reads. The introduction of smart meters will remove this metering constraint, as smart meters can be configured to provide meter reads for every half hour of the day, and this data can be frequently collected on a routine and cost efficient basis.
By settling using actual (aggregated) data, suppliers would be incentivised to support their customers to shift their usage away from peak periods, when it is most expensive to buy wholesale electricity. This is because the amount that the supplier pays for their customer’s electricity is directly linked to when their customers used it, (i.e. they will pay less if their customers uses electricity at the cheaper times of day).

When using Load Profiles this does not happen, because the same usage profile is assumed for all domestic customers, and for SME customers of a similar type. Hence, any change in behaviour, or usage pattern, is averaged out across the whole population. This means that the reduction in peak usage is also averaged out across all suppliers regardless of their customers individual usage patterns. Further, this adjustment occurs with a lag because standard profiles are updated annually.

Given the material changes within day to the price of electricity, the CER believe that moving to settle domestic and small business customers on actual data will improve the competitive electricity supply market by incentivising suppliers to differentiate themselves and offer customers more cost reflective TOU tariffs.

We note that there was strong support for a move to half-hourly settlement from all respondents (who commented) to the July 2013 consultation and December 2013 proposed decision paper.

**4.6.2 Why introduce standard terminology and metrics?**

The CER will further consider how some aspects of terminology relating to how tariffs are presented to customers could be standardised because this will assist customers (both domestic and SME) to choose the correct tariff for them and hence support effective competition.

The CER recognises that the introduction of smart meters facilitates the creation of a much broader range of electricity tariffs than is possible today, and that the form of TOU tariff mandate that we have decided to implement introduces the potential for a significant number of TOU tariffs being available from the early stages of the rollout. While we are confident that this level of choice and innovation offers real benefits for customers, we remain concerned that this proliferation of tariffs could cause confusion for some customers in the short term.

Therefore, as part of the next phase of the programme the CER will be considering the detailed design options for standardising terminology/metrics to support the creation of a simple and consistent mechanism for comparing tariffs.
4.7 Evidence for review and on-going monitoring

4.7.1 Why is monitoring and review required?

The CER has decided to monitor the emerging evidence on TOU tariffs, with a view to amending and updating this regulatory framework in light of the evidence as the market matures.

In summary, this component performs well against our evaluation criteria because it is important to recognise that the transition to TOU tariffs is a significant change in the electricity market, and that new information will become available with the passage of time, and as we gain actual experience of deploying TOU tariffs.

As part of promoting all of our evaluation criteria (and the wider objective of the NSMP, and the CER) that we take note of emerging evidence — and allow for the potential need to refine and adjust the regulatory framework in order to best promote customer engagement and understanding, and the operation of the competitive market. Monitoring is also important in promoting transparency for all stakeholders.

4.8 Further evidence and more detailed rationale

For simplicity, we have provided a summary of our rationale in this paper. Further detail of our evidence base is included in the Proposed Decision Paper and associated appendices, which are available on the CER website.
5 TOU tariffs in gas

5.1 Clarification of current position

The current regulatory framework does not act as a barrier to the introduction of TOU gas tariffs when they become technically feasible.

Suppliers are already incentivised (through the existing variation in gas wholesale prices over the year) to offer seasonal TOU gas tariffs where there is demand for these and the technology is available to support them. As a result, the CER is of the view that suppliers will seek to introduce TOU gas tariffs where there is consumer demand for these products.

The CER noted the concerns raised in response to our July 2013 consultation in relation to TOU gas tariffs, becoming overly complex or hard to compare for customers. While the CER agrees that these are legitimate concerns, we note that they are considerably less likely to emerge when compared to electricity tariffs due to the simpler (daily) wholesale pricing arrangements in the gas market. Hence, the case for additional regulation to ensure that the market remains navigable for customers is not as strong as it is in electricity.

The CER will, however, review this position as part of the next phase of work when the detailed parameters for electricity TOU tariffs are being set, and the potential interplay between gas and electricity TOU tariffs, and dual fuel offerings can be more clearly understood.

While there is potential for some customers to be confused by the differing approaches to TOU in gas (daily or seasonal variation at most) and electricity (within day variation as the norm), the CER is currently of the view that suppliers have the tools and incentives required to minimise this. Again as part of its monitoring remit, the CER will review this decision.

The CER notes that an alternative approach would be to mandate a TOU tariff form in gas, which would inevitably be somewhat different from the standard TOU electricity tariff form, due to the differing physical properties of the fuels. This approach also has the potential to confuse customers, and there is a real risk that this is to a greater extent than in the absence of a TOU mandate for gas.

In the case of dual fuel tariffs, the CER is concerned that there could be potential for increased possibility of customer confusion and the operation of competition more generally, driven by the differing nature of the products which are being sold together. The CER will consider how this concern is most effectively managed in the next phase of the programme.
6 Network charging reform

6.1 Clarification of current position

While the CER recognises and supports the notion of improving the effectiveness of network charging methodologies – and the opportunities that smart meter rollout creates in this regard – the CER is not, at this time, making the introduction of a TOU tariff mandate contingent on reform to DUoS or TUoS.

The CER will, however, progress analysis of the case for reform in the longer term and expects more accurate data to be used where available in the application of the existing charging methodologies.

Furthermore, the CER would hope that the ‘test bed’ environment proposed for TOU tariffs could be used to explore innovative ways of incentivising demand-side response contractually, e.g. through the combination of a TOU tariff between the supplier and the customer (or customers), and a contract for network support services between a supplier (or other intermediary) and a network operator. The CER would encourage ESBN, EirGrid and suppliers to work together to establish the forms of demand response that could be useful in managing the electricity network, and consider what forms of tariff might be effective in eliciting this response.
Appendix A – Overview of responses to the TOU proposed decision

1 Introduction

This Appendix presents an overview of the responses to the TOU proposed decision. The findings are aggregated and the key themes that have arisen from respondents are outlined at a high level. The original responses have been published on the CER website.

The TOU proposed decision was published on the CER website on the 17th December 2013 alongside a number of other decision papers relating to the NSMP. The TOU proposed decision paper presented, for consultation, the form of TOU tariff mandate the CER is minded to implement through regulation.

The purpose of the proposed decision paper was to seek views and evidence from interested parties on how the planned introduction of TOU tariffs for domestic and small business electricity and gas customers should be regulated. Responses were requested on or before 24th January 2014.

The CER is now confirming its decision on the design of the high-level regulatory framework to support the transition to TOU, taking into account the feedback provided.

2 Responses received

The CER would like to thank all 16 respondents to the proposed decision papers.

Responses came in a range of formats with 13 respondents commenting on the TOU decision specifically. These responses came from a range of different types of respondents, as shown below:

<table>
<thead>
<tr>
<th>Category of Respondent</th>
<th>Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>Airtricity; Bord Gáis Energy (BGE); Electric Ireland; Energia; Pre Pay Power</td>
</tr>
<tr>
<td>Networks</td>
<td>ESB Networks (ESBN); Bord Gáis Networks (BGN); Eirgrid</td>
</tr>
<tr>
<td>Consumer Organisations</td>
<td>National Consumer Agency (NCA); National Disability Authority; Society of St.Vincent de Paul</td>
</tr>
<tr>
<td>Third Party Providers</td>
<td>TicToc</td>
</tr>
<tr>
<td>AMI Providers</td>
<td>Echelon; Silver Springs Network</td>
</tr>
<tr>
<td>Other Industry</td>
<td>Sustainable Energy Authority Ireland (SEAI); Electricity Association of Ireland (EAI)</td>
</tr>
</tbody>
</table>
The varied nature of the responses received to this consultation means that a broad range of perspectives have been covered in the responses: suppliers, networks, other industry stakeholders and representatives of customers all replied.

3 Summary of comments by subject area

We analysed responses by segmenting them into the different elements of the TOU proposed decision that respondents commented on. The elements considered were:

1. A standardised TOU tariff by default;
2. Alternatives to the standard TOU tariff;
3. A “test bed” for more advanced tariffs;
4. Complementary reforms; and
5. Review informed by on-going monitoring.

This appendix describes each of these elements of the proposed decision and outlines, for each element, the responses received, the key themes that have emerged throughout responses and provides the CER’s response.

In addition, the proposed decision paper clarified the CER’s current position in relation to:

6. TOU tariffs in gas;
7. Network charging reform; and
8. The legislative framework.

This appendix summarises the content of the proposed decision paper for each of these areas as well, outlining the responses received, the key themes that have emerged throughout responses and provides the CER’s response.

We also received a number of comments that related to the detailed design features of the mandate, and potential criteria. For clarity, an overview of these responses and their key themes are included separately in Appendix B2.
3.1 A standardised TOU tariff by default

In the proposed decision document, the CER indicated that the elements that they were minded to decide upon were:

- An obligation on each supplier to develop a single standard domestic TOU tariff structure of a form prescribed by the CER, which domestic customers of that supplier will migrate to by default at an appropriate time following the installation of their smart meter.

- An obligation on each supplier to develop an appropriate range of standard TOU tariff structures, which are of a form that is consistent with certain criteria set by the CER, and to one of which SME customers of that supplier will migrate to by default at an appropriate time following the installation of their smart meter.

- A requirement that each domestic standard TOU tariff takes the form of a Day/Night/Peak tariff, using the time bands that are to be defined by the CER.

- A requirement that all standard (SME and domestic) TOU tariffs also meet certain minimum criteria for the differences between the day, night and peak rates, also to be defined by the CER.

Overview of responses

Seven of the 16 responses commented on this element of the proposed decision.

The respondent’s views were mixed in their degree of support for this element of the proposed decision. While two noted that they did not consider the risk that TOU could cause customer confusion likely, or that there would be a slow uptake of TOU without regulatory intervention – therefore making the degree of prescription unwarranted; others supported the approach set out in the proposed decision, noting that – providing the parameters are correctly set – this approach will aid customer uptake.
One respondent also highlighted that it is too early in the programme to determine the exact form of the standard tariff, and that a Day/Night tariff should be considered instead, as many customers are already familiar with this style of tariff.

Three of those who commented on this element also commented specifically on the approach proposed for SME customers. These respondents all noted that they did not support a move to mandate TOU tariffs for SME customers, or at least felt that mandated characteristics were overly prescriptive for these customers.

One respondent also noted that SME customers may be less able to shift their load, and another queried what an ‘appropriate range’ of tariffs might be, requesting further clarity in this area.

The CER also received a number of comments in relation to the detailed design of this element of the proposed decision (in relation to both the approach domestic and SME customers) – these comments are summarised separately in Appendix B2.

**References to the TOU decision**

The CER acknowledges that respondents’ views on this element of the proposed decision were mixed, and reiterates its view that TOU tariffs represent both a significant opportunity for customers to save electricity and reduce their bills (as demonstrated by the trial), and a risk, if the implementation is managed incorrectly (as has been seen in other geographies). The CER’s full rationale for this element of the decision is included in Section 4.2 of this paper.

This element of the decision, which is described in Section 3.2.1, has been amended following our consideration of the responses to our December 2013 proposed decision paper.

The CER notes that one respondent suggested that the precise structure (Day Night Peak) of the standard domestic tariff should be determined later in the programme. However, based on the results of the 2009/10 smart metering trial, and the distributional and SMP analysis undertaken during this phase, the CER remains confident that a Day Night Peak tariff will be both comprehensible to consumers and result in peak shifting; and therefore considers that the information available now is sufficient to make a firm decision. Over time CER will continue to monitor trends in the Irish energy market (e.g. as more wind comes onto the system) to ensure that tariffs remain suitably effective.

The CER notes that a minority of respondents strongly disagreed with the proposed decision in relation to a range of standard TOU tariffs for SME
customers. The CER considers that the approach to introducing TOU tariffs for SME customers defined in this decision paper varies, in a material way, from the approach for domestic customers. Instead of requiring a single default TOU tariff form, suppliers will be able to define a number of TOU tariff structures to suit the range of SME customer types in their portfolio. In light of this, the CER reiterates the previous reasoning for introducing TOU for SME customers (in Section 4.2.3 of this paper), and notes that there is a significant countrywide benefit to reducing consumption at peak times – and that while not all SME customers may be able to reduce peak usage, those that can, should be encouraged to do so. The CER would also like clarify that the intention behind this approach is to create provision for a more measured introduction of TOU for SME customers through the use of more flexible criteria. The CER will consult on these criteria in the next phase of the programme.

In response to the specific comment on the range required for SME customers,, the CER can confirm that ‘an appropriate range’ could be as little as a single SME tariff form for some suppliers – this is reflected in the revised wording of this decision bullet.

The CER has amended the last decision bullet in this section as well, to remove the specific reference to Day Night and Peak rates - clarifying that the criteria to be defined in the next phase make not only relate to Day, Night and Peak rates – particularly for SME customers, who may not have this form of TOU tariff.

### 3.2 Alternatives to the standard TOU tariff

- Suppliers may offer alternative tariffs on an opt-in basis
- Alternative tariffs must be consistent with the criteria set by CER to aid comparison and understanding
- Suppliers are responsible for meeting the information needs of their customers on alternative tariffs

In the proposed decision document, the CER indicated that the elements that they were minded to decide upon were:

- The principle that suppliers should be able to offer alternative tariffs to the standard TOU tariff, on an opt-in basis for domestic and SME customers;
• That the form of any alternative tariff must be consistent with criteria set by CER, designed to ensure that the range of tariffs across the market remains easy to understand and compare;

• That suppliers will be responsible and accountable for meeting customer information requirements in respect of any alternative tariffs offered.

Overview of responses

Five of the 16 respondents commented on this element of the proposed decision.

The respondents views were very mixed in terms of the level of prescription that should be delivered through this element of the proposed decision, with one respondent suggesting that the requirement for alternative tariffs to meet the criteria to be set by the CER was unjustified, and another suggesting that a firm limit on the number of alternatives offered by each supplier is needed. However, there was support for a range of TOU tariffs being available to consumers from all of the respondents.

One respondent noted that it was not possible for them to support the approach for alternative tariffs until they had seen the full details of the criteria that alternative tariffs would need to comply with.

The CER also received a number of comments in relation to the detailed design of this element of the proposed decision – these comments are summarised separately in Appendix B2.

References to the TOU decision

The CER notes the disparity in respondents’ views in this area, but is encouraged by the almost universal support for the concept of alternative tariffs.

The CER can confirm that the criteria (that alternative tariffs will need to comply with) will be defined as part of the next phase of work, and that the CER will consult on these before making a final decision.

This element of the decision (which is set out in Section 3.2.2) has been amended slightly following our consideration of these responses.

The changes are to include the phrase “…and the range of alternative tariffs…” in the second decision bullet. This change has been made to clarify our intention that the criteria may place restrictions on an individual tariff, but may also place restrictions on the overall range of alternative tariffs offered by each supplier. The exact nature of the criteria will be defined during the next phase of work.
3.3 A “test bed” for more advanced tariffs

In the proposed decision document, the CER indicated that the elements that they were minded to decide upon were:

- Suppliers will be able (should they choose) to offer tariffs that differ from the permitted alternatives (e.g. that involve a larger number of time bands, alert-driven pricing, or dynamic pricing) in order to facilitate ‘tariff testing’.

- That, for any ‘test tariff’, suppliers will need to comply with a number of the conditions, (designed by the CER) to limit the scale of such ‘tariff testing’ and protect customers until the full consumer impacts are better understood.

- That suppliers will be responsible and accountable for meeting customer information requirements in respect of any ‘test bed’ tariffs offered.

**Overview of responses**

Seven of the 17 responses commented on this element of the proposed decision.

Several of these respondents highlighted a degree of support for the concept of a ‘test bed’, noting that the focus on consumers was appreciated and that the approach would enable the testing of more advanced TOU tariffs.

Most of these respondents went on to request further clarity on how the ‘test bed’ would operate, and suggested that tariffs must be able to progress through any approvals process in a timely manner.

Only one respondent noted that they failed to understand the merit of a ‘test bed’ entirely, noting that they considered it impractical to operate.

The CER also received a number of comments in relation to the detailed design of this element of the proposed decision – these comments are summarised separately in Appendix B2.
References to the TOU decision

The CER has noted these comments, and is confident that the concerns raised in relation to timescales and clarity on the approach can be resolved in the next phase of the programme, when the detailed design of this element will be agreed.

The CER has not made any changes to its position in relation to the tariff 'test bed', which is provided in Section 3.2.3.

3.4 Complementary reforms

In the proposed decision document, the CER indicated that the elements that they were minded to decide upon were:

- The principle that that aggregated half-hourly consumption data from smart meters be used to determine the volume of electricity that each supplier is charged for in Ireland’s electricity wholesale market, to replace the estimates based on a standard profile used currently;

- That this reform is made as soon as practicable, as an integrated part of the wider transition plan for smart meter rollout and developments in the SEM work on market integration;

- That some aspects of terminology relating to how tariffs are presented to customers will need to be standardised, and that regulation will have a role to play.

Overview of responses

Six of the 16 responses commented on this element of our TOU proposed decision.

All of these respondents were supportive of an early transition to settlement using interval data. With several suggesting that a move away from the use of Load Profiles should happen in advance of the rollout of TOU tariffs.
Two of the respondents also commented on the proposal to require the use of standardised terminology, one to request further detail, and the other suggesting that standardisation could be delivered through collaboration between industry parties rather than regulation.

**References to the TOU decision**

The CER notes the strong and consistent support for an early transition to settlement using interval data for smart metered sites, and agrees that this is a key transition issue, which will need to be considered, as a priority, and in much greater detail as the next phase. For clarity, the CER cannot, at this time, confirm exactly when (in relation to the introduction of TOU tariffs) it will be practicable to move from Load Profile settlement to settlement using interval data. This will be part of the transition work to be carried out in the next phase of the programme.

In relation to the comments on standardised terminology, the CER will seek to define the detailed requirements in this area as part of the next phase of work, and, as part of this work, will give consideration to which elements require formal regulation, and which could be delivered by less formal (collaborative) methods.

The CER has not made any changes to its position in relation to complementary reforms, which is provided in Section 3.2.4.

**3.5 Review informed by on-going monitoring**

The CER anticipates mandating this environment for the early stages of the smart meter rollout. As TOU tariffs become available, the CER will monitor their introduction and take up and, depending on progress, the CER may amend the requirements on suppliers for the latter stages of the smart meter rollout, and/or following the completion of the rollout. The precise design of the monitoring framework will be developed in due course.

**Overview of responses**

Two of the 16 respondents commented in relation to this element of the decision.
One respondent highlighted the importance of a review framework as a means of enabling tariff innovation. The other respondent was supportive of the concept, but requested further detail to clarify the approach to review and monitoring. This respondent also suggested that the monitoring framework should aim to monitor uptake and customer understanding, with a review board that includes all stakeholders.

References to the TOU decision

The CER considers that neither of these comments require any changes to the proposed decision, and notes that further work to define and clarify the monitoring and review approach will be undertaken in the next phase of work.

The CER has not made any changes to its position in relation to complementary reforms, which is provided in Section 3.2.4.

3.6 TOU tariffs and gas

In developing the form of the TOU mandate in electricity, the CER also considered related issues in gas, and potential interactions between the electricity and gas markets.

Based on this process of consultation and analysis, the CER highlighted that it is not intending to mandate TOU gas tariffs for domestic or SME customers at this time. But will, however, review and analyse the potential issues in relation to interactions between gas and electricity retail competition and dual fuel offerings, in the next phases of the NSMP, in the context of setting the parameters for electricity TOU mandate.

Overview of responses

Only one of the 16 respondents commented on gas TOU tariffs.

This respondent welcomed the CER’s decision to review potential dual fuel offerings in the context of setting the parameters for the TOU mandate, in the next phase of the programme.

References to the TOU decision

The CER has not made any changes to its position in relation to gas TOU tariffs, which is provided in Section 5.
3.7 Network charging

While the CER recognise and support the notion of improving the effectiveness of network charging methodologies – and the opportunities that smart meter rollout creates in this regard – the CER clarified that it is not minded at this time to make the introduction of a TOU tariff mandate contingent on reform to DUoS or TUoS. However, the CER noted that it would progress analysis of the case for reform in the longer term.

**Overview of responses**

No responses were received in relation to the CER’s current position on network charging.

**References to the TOU decision**

The CER has not made any changes to its position in relation to network charging, which is provided in Section 6.

3.8 Comments on the Legislative framework

**Overview of responses**

Two of the 16 respondents commented specifically on the absence of a clear legislative framework for the transition TOU, and both recommended delaying the final decision until this was in place.

**References to the TOU decision**

The CER can confirm that the legislative framework has now been confirmed by the Department. Further detail is available in Section 2.4 above
Appendix B – Further detail for the next phase

1 Summary

In confirming the high level regulatory framework for the introduction of TOU electricity tariffs, the CER has given some consideration to the finer detail of the arrangements. As described in the next steps, the CER will further consider the detailed level design for the regulation of TOU tariffs in the next phase of work.

The CER’s initial views on this detail were included in our proposed decision document issued in December 2013, and are included again here, for information, alongside a summary of the comments received in response to the proposed decision paper.

The CER would like to thank all respondents who took the time to reply on these detailed points. The CER will consider these comments as part of the next phase of the programme, and can confirm that the detailed design, including definition of the criteria and the transition to TOU tariffs will be consulted upon.

For the avoidance of doubt, this appendix does not form part of the CER’s decision, but is indicative of our thinking on some of the more detailed design elements that will form a significant element of our work in the next phase of the NSMP. The content of this section is therefore for information only and will be further considered, and consulted upon in the next phase of work.

2 Details of the standard TOU tariff by default

2.1 Summary of this element of our decision

- A single standard domestic TOU tariff structure per supplier and all customers
  transition to this tariff by default
- The tariff must match the form prescribed by CER (e.g. Day Night Peak and minimum differentials)
- A default tariff structure for each SME customer or SME class

2.2 Initial thinking on the detailed design for this element

The following bullets are the CER’s initial thoughts on some of the more detailed design elements and parameters for the standard TOU tariff(s) for domestic customers:
Appendix B - CER Decision on TOU tariffs

14th October 2014

- That “peak” be defined as a short period of time in the late afternoon/early evening, for example as the period between 17:00 and 21:00 or the period between 17:00 and 19:00 each day; and “night” be defined as the period between, for example, 23:00 and 07:00;

- That the peak price must be not less than the day price at all times, and must be strictly greater than the day price on all business days from 1 October to 31 March;

- That the average difference between the peak price and the day price over any twelve-month period be not less than “X” cents per kWh – where “X” is set by the CER.

- That the day price must not be less than the night price at all times, and must be strictly greater than the night price on all days between 1 April and 30 September;

- That the average difference between the day price and the night price over any twelve-month period must not be less than “Y” cents per kWh – where “Y” is set by the CER.

- That at any point in time there be no more than nine unit rates in total: day, night and peak for (a) all days April to September, (b) business days October to March, (c) non-business days October to March.

2.3 Overview of responses and key themes

Four of the 16 respondents commented specifically on the further detail provided in relation to this element of the design.

Two respondents supported a time lag between the meter installation and the introduction of a TOU tariff, with the intention both to ease the customer’s transition, but also to allow the supplier to better understand the customer’s usage pattern.

One respondent highlighted that a peak period from 5pm to 9pm seemed stringent, and was a significant change from what was trialled, and another respondent suggested that further consideration should be given to how TOU might affect certain vulnerable segments.

One of the respondents also suggested that the criteria should be further developed through an appropriate forum.
3 Alternatives to the standard TOU tariff

3.1 Summary of this element of our decision

Suppliers may offer alternative tariffs on an opt-in basis. Form and range of alternative tariff(s) must be consistent with the criteria set by CER to aid comparison. Suppliers are responsible for meeting the information needs of their customers on alternative tariffs.

3.2 Initial thinking on the detailed design for this element

The following bullets are the CER’s initial thoughts on some of the more detailed design questions relating to the ability of suppliers to offer variants of their chosen standard TOU tariff to domestic and SME customers:

- That any tariff design which complies with the requirements for a standard TOU tariff may be offered as an alternative;

- That there will be no explicit numerical limit on the number of alternative tariffs offered – although the range, diversity and comparability of tariffs will be monitored by the CER given the potential for customer confusion.

- A supplier should not be permitted to offer a tariff that is “flatter” than the flattest permissible standard TOU tariff. However, the CER recognise and accept the possibility of a supplier (or a third party) offering a “price insurance” product alongside their electricity supply contract to customers who wish to remove or reduce the uncertainty in the average price inherent in a TOU tariff.

- Customers on an alternative tariff should have at least the same information available to them in their home as they would if they were on the standard tariff with a mandated in home display (MIHD) for the initial two years where the MIHD is supported by ESB Networks;

- That the case for allowing forms of dynamic tariffs (i.e. where the price paid is linked explicitly and directly to wholesale prices) as permitted alternatives (potentially with some restrictions in terms of the types of customer who could be offered this tariff) from the start of smart meter rollout should be explored further.
3.3 Overview of responses and key themes

Two of the 16 respondents commented specifically on the further detail provided in relation to this element of the design.

One respondent indicated that they were unclear on what the information requirements would be for customers who, for technical reasons, were unable to have an MIHD. This respondent also noted that a comprehensive education programme would be needed to support customers and prepare them for TOU tariffs, and noted that their preference was for CER to undertake this role.

The other respondent noted that the real benefits of TOU tariffs come from advanced and dynamic tariffs, and further detail in terms of the criteria and timeframe for moving to these tariffs would be beneficial.

4 A “test bed” for more advanced tariffs

4.1 Summary of this element of our decision

Suppliers can also trial tariffs of any design

- Suppliers have the ability to offer more sophisticated tariffs under certain conditions (e.g. dynamic)
- The conditions will be designed to limit the scale of tariff testing until the risks are better understood (e.g. time limited and to a limited number of customers)

4.2 Initial thinking on the detailed design for this element

The following bullets are the CER’s initial thoughts on an operational framework for a ‘test bed’ for innovative TOU tariffs which could be offered to SME and/or domestic customers, during the early phase of TOU:

- That there will be a set of conditions to be met if a supplier is to avail itself of this ‘test bed’ facility, which might include, for each tariff:
  - A maximum number of customers;
  - A limit on the duration of the tariff being trialled, e.g. 12 months;
o That customers opt-in, are made aware of the status of the tariff, and are well informed about the possible costs and other implications of participation;

o That customers are at least as well informed about their energy use and tariff costs as customers on the supplier’s standard TOU tariff, and any additional information requirements for the tariff being trialled are appropriately and robustly met; and

o The tariff is substantially different to any other tariff that the supplier is trialling or offering.

- That the framework is based on ‘self-certification’ by suppliers, underpinned by the guidelines provided by the CER. While the normal process under which new (or amended) standard terms and conditions for tariffs are required to be submitted to CER for approval would continue, ‘test bed’ tariffs might be subject to a “class approval” if they are consistent with the guidelines set by the CER. As part of its monitoring remit, the CER will, monitor the nature of tariffs offered, for example, the number and types of tariff being tested as well as their results.

- That any tariff being introduced under this framework must also comply with all other relevant regulation, e.g. relating to consumer protection and data privacy.

### 4.3 Overview of responses and key themes

Four of the 16 respondents commented specifically on the further detail provided in relation to this element of the design.

Two of these respondents suggested amendments to the detail described above, with one suggesting that the ‘test bed’ should be entirely optional for suppliers, and the other recommending that there should be no limit on the number of participants or duration for these ‘test bed’ tariffs.

The other two respondents recommended that EirGrid is involved in the definition of the detailed ‘test bed’ framework design to ensure that the potential for tariff innovation in supporting demand response and security of supply is realised.
5 Complementary reforms

5.1 Summary of this element of our decision

- Half hourly consumption data to be used to determine the volume of electricity each supplier is charged at a wholesale level (replace Load Profiles)
- Transition to use of actual data as soon as practicable
- Some degree of standardised terminology/metrics to be required

5.2 Initial thinking on the detailed design for this element

Further thinking on how the transition away from the use of load profiles will be required, including considerations relating to data access and privacy, in the context of the wider question of transition for TOU and the NSMP more generally will be presented for consultation next year.

The CER will also progress work to assess the options for adopting standard terminology in respect of certain aspects of how tariffs are presented to customers in the next phase of work. While information that helps customers effectively navigate the evolving TOU tariff environment is clearly relevant and useful, the CER is keen to analyse further the specific role that regulation will play.

5.3 Overview of responses and key themes

No responses were received in relation to the CER’s initial thinking on the detailed design of this element of the proposed decision.
6 Review informed by on-going monitoring

6.1 Summary of this element of our decision

As the rollout progresses, and smart meters and TOU become more mainstream there will be a growing body of evidence to help consider whether and how the regulatory framework for tariffs should evolve. The framework the CER is minded to implement is designed with the initial migration and early years of TOU in mind. A different regulatory framework might better promote and protect the interest of customers in an environment where TOU is well established as the norm.

6.2 Initial thinking on the detailed design for this element

6.3 Overview of responses and key themes

No responses were received in relation to the CER’s initial thinking on the detailed design of this element of the proposed decision.

7 Other comments related to TOU

In addition, some respondents commented on the transition/migration approach to implement and manage this form of mandate. These additional comments are summarised here.

7.1 Overview of responses related to transition

Three of the 16 respondents requested further detail on how the migration to TOU tariffs will be managed, and on how the transition will begin, operate and end.

7.2 CER view
The approach to transition and migration will be further considered during the next phase of the programme.