



Commission for Energy Regulation

An Coimisiún um Rialáil Fuinnimh

**Review of the Regulatory Framework for the Domestic
NDM Retail Gas Market
Competition Review January 2014**

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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%; and,
- 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 6 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 January 2014, is the ninth 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 January 2014. The CER has also provided a forecast of when Bord Gáis Energy is likely to reach the threshold using latest switching rates for November, December 2013 and January 2014.

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 January 2014. Bord Gáis Energy had a share of customers of less than the 60% threshold in January; however, Bord Gáis Energy has not yet met the 55% threshold. There are two active non-Bord Gáis Energy suppliers in the market with market shares of 10% or more; Airtricity had 17.31% and Electric Ireland had 20.58% at end of January.

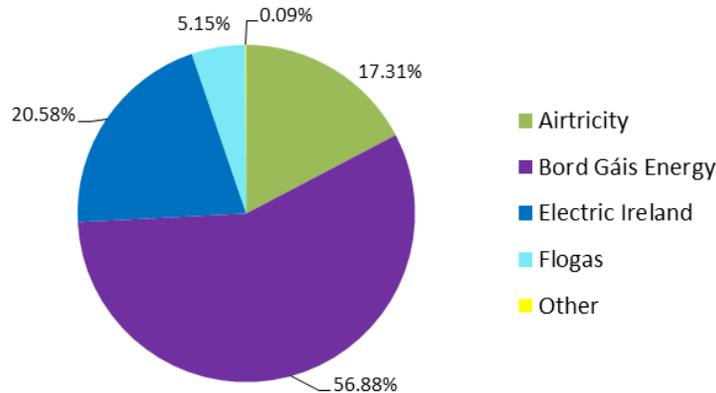


Figure 2.1 Domestic Gas Market Share, Preliminary Customer Numbers, January 2014

2.3 Forecast Market Share

Figure 2.2 below provides an estimate of Bord Gáis Energy’s domestic market share to the end of June 2014 (using domestic switching data from November, December 2013 and January 2014). 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.

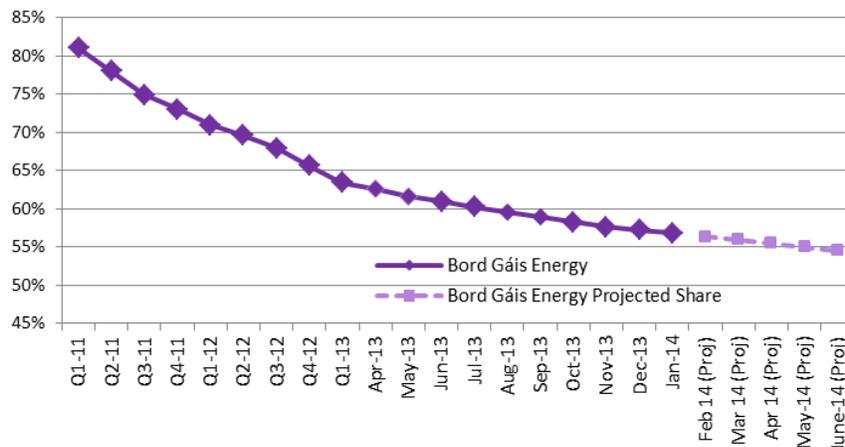


Figure 2.2 Domestic Gas Market Share, Bord Gáis Energy, Q1 2011 – June 2014

Bord Gáis Energy reached a share of customers below the 60% threshold in August 2013 and, based on latest switching trends, it is forecast that Bord Gáis Energy will reach a market share of less than 55% in May 2014.

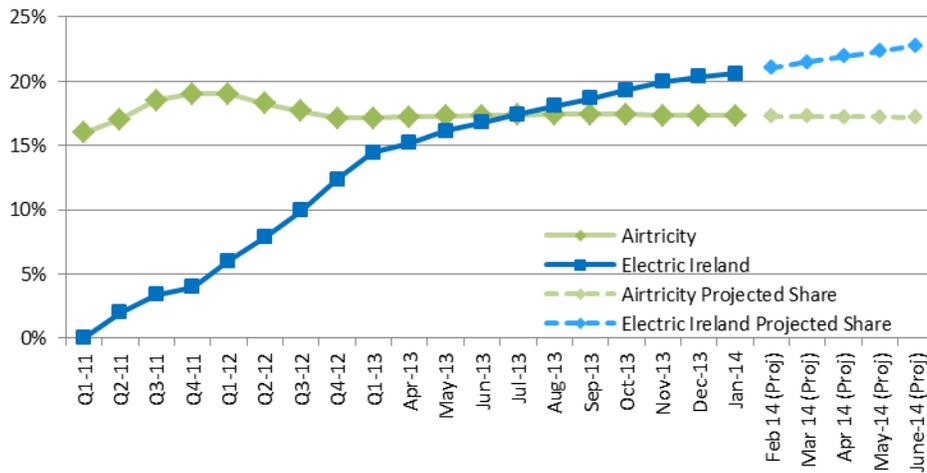


Figure 2.3 Domestic Gas Market Share, Airtricity & Electric Ireland, Q1 2011 – June 2014

Figure 2.3 indicates that the market share of Electric Ireland will increase significantly over the next few 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 in the November, December 2013 and January 2014 period (total domestic switching of 22,165) was less than the level of switching in the same period the previous year (29,206). While this is the case, the CER notes that switching in the year between February 2013 to January 2014 was higher than in the same period the previous year. The CER continues to monitor switching rates on an ongoing basis.

2.4 Switching Rate

The NDM decision paper required that the switching rate be greater than 10%. The average annual switching rate from February 2013 to end January 2014 (latest data using average customer numbers of 633,662 and total switching in the domestic market of 109,854) was 17.34%, 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 55% market share criteria for deregulation has not been reached. This is the lower of the two thresholds and applies where Bord Gáis Energy does not rebrand.

Data indicates that Bord Gáis Energy had an estimated 56.88% market share (customer numbers) at the end of January 2014 which satisfies the 60% threshold. While the 60% threshold has been met, the CER has not received a decision on branding from Bord Gáis Energy and thus at this point in time the CER is working on the basis that Bord Gáis Energy will not rebrand for deregulation to take place.

It is estimated that the 55% will be met in May 2014. The previous Competition Review estimated that the 55% would be met in April 2014. The change in date is explained by the lower level of switching in the last few months. Based on the criteria for deregulation as set out in the Review of the NDM Retail Market, there will continue to be monthly reviews and the CER will notify the market of the decision to deregulate at least one month before it will take place.