

Consultation CER /13/302

Market Monitoring in the Electricity and Gas Retail Markets

Electric Ireland - Detailed Questions:/ Answers

Question 1 - Respondents are invited to comment on the proposals presented for the electricity and gas market segmentation? Respondents are also invited to suggest alternative market categories.

Answer 1

Electric Ireland acknowledge and support the proposal favoured by CER to continue with the current method of segmentation. (i.e. by Duos categories)

Question 3 – Is the proposed naming convention for the gas market segments accurate? The CER would request that respondents ensure that the proposed naming convention accurately reflects the type of customer within each category.

Answer 3

Electric Ireland note the CER consultation proposal and the further amendment contained in the stakeholder questions and answers response issued on 17th Feb. and support same.

Question 4 - Respondents are invited to comment on the whether the indicators outlined for measuring switching are sufficient and if not, what other methodology could be used?

Answer 4

Electric Ireland notes and accepts the proposal in respect of dual fuel switching.

Question 5 - Respondents are invited to comment on the proposals outlined for measuring renegotiations. Is there any other methodology that could be used?

Answer 5

Electric Ireland accepts the proposed requirements.

Question 9 - Respondents are invited to make suggestions on how to measure self-disconnections of PAYG customers.

Answer 9 As stated in our clarification questions to CER there is no way to determine if a customer has self disconnected where the meter has no two-way communication capability in this regard. In our clarification request we added that any estimate of level of self-disconnections would be based on so many assumptions as to make it meaningless and misleading in our view.

Electric Ireland would welcome a workshop with industry participants and CER to review a possible framework for a solution in this area (if it is considered necessary to have accurate detailed figures on this issue)

Question 12 - Respondents are invited to comment on the proposal to collect information from suppliers on the market segments they are active in.

Answer 12

Electric Ireland accepts the proposed requirements.

Question 13 - Respondents are invited to comment on the whether the proposals for monitoring the diversity of tariffs are sufficient. Respondents are also invited to make alternative suggestions.

Answer 13

Electric Ireland believes that the proposals are unduly intrusive and extend the spirit of the directive and ERGEG proposals beyond reasonable intent . Electric Ireland believes that the proposals largely require provision of information to answer questions which can be answered by information already available to CER and customers. Retail market tariffs are already available through publicly accredited websites; wholesale pricing is available from SEM. Network charges are approved by CER and published on their website. Other relevant information (E.g industry standard hedging strategies) can be obtained through benchmarking and specialist reporting in the market. As a result Electric Ireland suggest that CER have access to all the necessary information they require to establish an informed view of the reasonableness of customer tariffs , thus meeting the directive and national legislative compliance obligations.

Furthermore the provision of consumption information across the categories in respect of price plans is very commercially sensitive and goes to the heart of what differentiates supplier offerings within the market. Electric Ireland is concerned that the forced provision of information at such a detailed level is excessive and will discourage innovation and stifle competition (including disincentives to switching where suppliers are all offering very similar vanilla type products dictated not by market forces but by Regulatory expectation), working against the understood desired outcome of the Directive and legislation.

Electric Ireland believes that an overall total (for customers and consumption) for all categories to give an overall contract average would provide information at the required level into the market to meet the compliance requirement. We believe that a broad requirement to develop new software to supplement the information already available for delivery of customer information is in excess of what could be considered reasonable compliance obligations, while imposing unnecessary costs that are ultimately borne by the full end customer base.

Question 14 - Respondents are invited to comment on the whether the proposals for monitoring end user prices are sufficient. Respondents are also invited to make alternative suggestions.

Answer 14

Electric Ireland refers CER to response 13 above. We believe that sufficient market information is already available through publicly available websites for CER to meet their relevant legislative obligations and question where any additional value will be provided by delivery of the same information in a slightly altered format i.e. it is still the same data.

Question 15 - Respondents are invited to comment on the whether the proposals for monitoring price spread are sufficient. Respondents are also invited to make alternative suggestions.

Answer 15

Electric Ireland again highlights that price spread information is already available on the publicly available websites.

Question 16 - Respondents are invited to comment on the proposals for retail margins. Respondents are also invited to make alternative suggestions.

Answer 16

Electric Ireland is concerned at the scope and nature of the detail that CER is now proposing to collect from suppliers in this area , particularly in relation to generation / commodity costs through what could be characterised as a 'catch all' interpretation of relevant European and National legislation beyond what might have been reasonably expected or intended therein. In a related request for clarifications we have asked CER what problem exists in the Irish Energy market that merits the provision of such a granular level of information. In response the CER essentially assert that they need to know all the detailed cost components so as to be able to monitor whether 'competition is benefitting final customers' and 'to identify any distortion or restriction of competition in the market'. Electric Ireland is strongly of the view that existing monitoring of final prices, switching activity and levels of market involvement by suppliers, supplemented by relevant benchmarking, is providing more than sufficient transparency in relation to levels of participation and competition.

In addition it would appear that we will now need to develop new structures to allocate costs and, importantly, risks across customer categories that are not a part of the normal operational

dynamic of the business and will be difficult to collate in a consistent and transparent fashion at the granular level now requested. It should be noted here that in relation to risk we request that CER consider the following which can all materially distort any view of margin –

- variation between suppliers on an appropriate risk / reward balance for them in different economic circumstances;
- variations in suppliers customer portfolios which will affect point in time calculation of risk; and
- variation in suppliers calculation of and appetite for risk.

When applied across a range of disparate suppliers we foresee a real range of difficulties in evaluating submissions on a fair, consistent and transparent basis.

Furthermore we are concerned at how comparisons, based on what will inevitably involve subjective apportionments, will allow for transparency and objective commentary in the marketplace between suppliers with different corporate and operational structures.

Electric Ireland suggest that if CER is minded to implement this proposal involving calculation of margins across different categories that this could be handled through agreed adjustments to rules, procedures and standards pertaining to annual regulated accounts, and based on less onerous data capture requirements. It should be noted that annual regulated accounts are subject to audit and would therefore entail less upfront detailed oversight and review by CER.

Question 17 - Respondents are invited to comment on the proposals outlined for measuring arrears. Respondents are also invited to make alternative suggestions.

Answer 17

Electric Ireland reiterates all the comments made in our response to the 2011 consultation (in relation to definition of arrears, adding arrears values , profiling debtor days, barriers to competition, legal basis and potential credit rating impacts). In addition we also made the point that many of the factors influencing levels of arrears (national and global economic situation, national policy objectives) are outside of the control of any energy supply company.

We understand and acknowledge that CER wishes keep itself informed of the number of customers in arrears in order to inform customer protection policy and to provide transparency to potential new suppliers. However we disagree that a case for extending the monitoring to include capture and reporting of arrears monetary values has been made and whether or how it will enhance achievement of these objectives.

Electric Ireland believes that publication of such monetary values even in aggregated form will invite unnecessary and focussed media contention into the public arena on what is always a sensitive public interest topic as supply industry arrears management outcomes are used selectively to highlight real or imagined problems in the market (or indeed in the wider community); that it will encourage cherry picking approaches by potential new market entrants; and that it may deliver into the public arena ‘a stick with which to beat ourselves ‘ in respect of our various dealings with credit ratings agencies.

Extensive mechanisms to support customers who find themselves in genuine financial hardship, and consequently in arrears, are embedded as part of the processes and operations of Electric Ireland (and other suppliers presumably) and in compliance with existing provisions , for example, of the Supplier Handbook. The recent compliance audits by CER themselves have confirmed that Electric Ireland are fully compliant with these procedures. In addition current proposals emerging from the CER taskforce on disconnections will reinforce any monitoring provisions already in place for the protection of customers.

Question 18 - Respondents are invited to comment on the proposals outlined for measuring contract breakage penalties. Respondents are also invited to make alternative suggestions.

Answer 18

Electric Ireland accepts proposals as set out by CER

Question 19 - Respondents are invited to comment on the proposals for monitoring customer complaints. Respondents are also invited to make alternative suggestions.

Answer 19

Electric Ireland, while acknowledging that adjustments have been made by CER from the CER 2011 consultation, remain very concerned at the level of detailed data collection implicit in the revised proposal. In particular we would highlight the challenge of recording, as indicated, all forms of complaint and how rational conclusions can be drawn from such a wide sweep , involving as it will judgement on a material percentage of communication where it will be unclear whether a customer is making a complaint or making a general enquiry about a service or product offering.

Question 20 - Respondents are invited to comment on the proposals for monitoring customer enquiries. Respondents are also invited to make alternative suggestions.

Answer 20

Electric Ireland acknowledge the change from the 2011 consultation and accepts the revised CER proposal.

Question 21 - Respondents are invited to comment on the CER's proposal not to actively monitor barriers to entry, wholesale market liquidity, and innovation.

Answer 20

Electric Ireland acknowledges the positive change from the 2011 consultation but suggest that the current set of market monitoring proposals may , of themselves, act as a barrier to entry and against market innovation. Implicit in the collection and publication of much of what is now proposed , and at the level now proposed, is a convergence on standards for energy service

and products that present ever higher challenges, and cost , to potential and active participants in the market. It could well entrench trends towards industry ‘vanilla ‘ offerings, stifling a natural market dynamic towards innovation as a key tool in delivering a competitive advantage in the market, which could, in turn, have implications for price and service offerings to customers.

In this respect a related concern will be the nature of the confidentiality of what will be in many cases very commercially sensitive data; and what levels of assurance CER can provide in relation to its protection, and use of, this data (for example in relation to FOI requests and / or the use of the data for purposes which extend beyond market monitoring compliance requirements)

Question 22 – Respondents are invited to comment on whether the de minimis threshold is reasonable. Respondents are also invited to make alternative suggestions.

Answer 20

Electric Ireland accepts the CER proposal.

Regards,

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