Review of Competition in the Electricity and Gas Retail Markets

A Consumer Focussed Assessment

Information Paper

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Regulating Water, Energy and Energy Safety in the Public Interest

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Executive Summary:

The CER has an important statutory role to protect energy consumers and to monitor the electricity and gas retail markets to ensure that customers are benefitting from competition. A key strategic goal of the CER is to protect consumers so they can benefit from competition through fully competitive wholesale and retail markets.

Now that a period of time has passed in the gas and electricity retail market since retail price deregulation finished in 2014, the CER has conducted an in-depth review of the development of competition to assess the extent to which competition is providing beneficial outcomes for consumers and what further policy actions may be required. This review also aligns with the 2015 White Paper on energy policy, published by the Department of Communications, Climate Action and Environment. Under this paper the CER committed to publish a customer focussed assessment of the development of competition in the electricity and gas retail markets.

Competition should drive efficiency improvements which in turn should positively impact on prices, the quality of services provided and product and service innovation.

Our review has assessed the evidence available and we have come to a range of conclusions in the areas of quality of service, innovation, prices, energy customer engagement and the extent to which different cohorts of customers are benefiting from competition.

This report has identified a number of areas where good progress has been made since retail price deregulation and where further monitoring and actions are required by the CER and other stakeholders in order to provide benefits for all energy customers.

The CER has requested feedback on specific findings of this report and will consider the feedback received in developing future policy. Stakeholders are invited to provide feedback to this report through a dedicated online questionnaire at the following link; https://www.surveymonkey.com/r/cer_retail

Although we encourage feedback via the online questionnaire, interested stakeholders may also submit email feedback to Gina Kelly at the CER gkelly@cer.ie
Written correspondence may also be submitted for the attention of:

Gina Kelly,
Commission for Energy Regulation,
The Exchange,
Belgard Square North,
Tallaght,
Dublin 24

For those wishing to provide email or written feedback a consolidated set of questions may be found in Appendix 6.

Our review came to the following conclusions:

**Barriers to Entry:** This review concludes that there are low market entry barriers and new suppliers have entered the retail market and grown their market share. New market entrants have contributed to increased competition and the delivery of better outcomes for energy customers with regard to choice of supplier and products.

We have identified some specific issues for new and smaller suppliers. These include, for example, the structure of the Free Electricity Allowance, the process for new registrations in electricity and the costs small suppliers may face when entering the domestic market. The CER proposes to regularly review the market entry process, along with the obligations and requirements placed on new suppliers, and also to assess whether more clarity or improvements to this process are required for new market entrants.

The CER has also requested feedback as to whether the high market share of the former incumbent gas and electricity suppliers is causing consumer harm.

**Consumer Satisfaction:** Price deregulation of the electricity and gas markets occurred in Ireland between 2005 and 2014 and there are now eight electricity and seven gas suppliers. This competition has led to greater product innovation and a variety of offers available to customers, relative to the period when incumbent electricity and gas suppliers were price regulated. A broad range of offers are now available, including level pay, green source products, cash back offers and tie-ins to other products and services, such as smart pay-as-you-go services.

This innovation has provided real choice and benefits to customers, including considerable savings on their final bills when they switch suppliers to avail of discount offers or renegotiate with their current suppliers when they finish their contract period.
Evidence suggests that customers generally have a very high level of satisfaction and trust with their current supplier.

**Consumer Engagement:** High engagement by customers is an indicator of a well-functioning energy market. Customers should be aware of the features of the market and have a good level of trust in the market.

A key finding of this report is that a large proportion of customers have a low awareness of the structure of the energy market and customers are not aware of different suppliers or the variety of options available to them. While Ireland ranks high in comparison to other European Union countries for switching electricity and gas suppliers, the CER is concerned that there remains a high percentage of customers who have never switched their electricity or gas supplier, resulting in a significant market share that has been retained by the incumbent suppliers in each market.

Of the customers who have switched, evidence suggests that a significant proportion found the process very easy. Of those who have not switched to date, analysis suggests that some would engage with the market if the available offers and the process to switch supplier were easier to understand.

At the same time, there are customers with low consumption who, because of relatively low bills, may not see a large benefit from shopping around. This may help explain why there is a residual number of customers who have never switched. However the CER is concerned that there is a cohort of customers that could potentially benefit from more competitive offers available from suppliers, but have limited access to these offers, primarily due to limited access to broadband or bank accounts that require the customer to sign up for e-bills or direct debit. As part of this review the CER is requesting feedback on additional measures that can be taken to increase access to offers in the market.

The CER has recently taken a number of actions to encourage customers to engage with the retail market, to make it easier for them to compare offers, and to be confident that they have made the right choice for their situation. Specifically, the CER has introduced the requirement for suppliers to contact customers who have been on the same tariff or a non-discounted tariff for more than three years so as to inform them that alternative offers are available.

The CER has also introduced the requirement for suppliers to inform new and existing customers of the estimated annual bill associated with different offers to make it easier for customers to compare offers.
Customer Protection: In a well-functioning retail energy market, customers should have an appropriate level of protection, with specific measures to protect vulnerable customers. In terms of quality of service, competition has had a positive impact. Suppliers have become more customer-focused, as reflected in the number of complaints received regarding services provided.

In terms of the level of disconnections, following work between the Department of Communications, Climate Action and Environment and the CER in 2014, the number of disconnections for electricity and gas customers have reduced year-on-year. This work included a review of market processes to ascertain if more could be done in further reducing disconnections (e.g. by increasing uptake of PAYG). In May 2014, a voluntary agreement was also introduced by most energy suppliers which saw them committing to never disconnect a customer in arrears who is engaging with their supplier.

Overall, our review has concluded that the level of customer service provided by suppliers, as demonstrated through customer’s high level of satisfaction in the CER’s Consumer Survey, is not an impediment to engagement in the market. In addition, the CER’s recent policy decisions have enhanced customer protection requirements placed on suppliers.

Development of retail prices: The CER has examined the trends in prices over time and the correlation between wholesale and retail prices, along with the prices and options available to consumers. This review found that the majority of suppliers have decreased their standard tariffs in the last two years in response to changes in wholesale costs.

While the level of switching suppliers in the electricity and gas markets is relatively high compared to other European countries, there is a significant difference between the standard and discounted offers available to customers. Customers who actively shop around, or engage with their existing supplier to renegotiate their energy tariffs periodically, see the benefits of competition through lower discounted tariffs, compared to those customers who remain with a single supplier on standard tariffs. As outlined previously, the cohorts of inactive customers identified in this paper are of concern to the CER.

Based on information published in the Sustainable Energy Authority of Ireland’s biannual electricity and gas prices report for the second semester of 2015, the average price of electricity for household customers in Ireland was 1.6% above the EU Average and 5.2% below the Euro Area\(^1\) average. In the first semester of 2016 it was 3.6% below the EU average and 11.3% below the Euro Area average. The price

\(^1\) The Euro Area consists of those EU states using the Euro currency, and therefore excludes the United Kingdom, amongst others.
of gas for overall household customers was 8.5% below and 16.3% below the EU Average and the Euro Area average respectively for semester two of 2015. The average gas price was 6.6% below the EU average and 15.8% below the Euro Area average in semester one of 2016.

An analysis of retail prices by the Council for European Energy Regulators (CEER) and Agency for the Cooperation of Energy Regulators (ACER) indicates that while retail prices have decreased over time, the difference between wholesale costs and retail prices charged to customers for both electricity and gas has increased. The CER is mindful that this trend could be due to changes in the various costs faced by suppliers, however it is important the further work is carried out to understand this finding.

The CER has already commenced work to understand the components of supplier costs and will engage with suppliers and relevant stakeholders to further understand this analysis and identify if any new policies are required, to ensure that all customers benefit from the competitive market.

**Conclusion:**

The actions proposed in this report and prior CER policy decisions are intended to enable customers to further benefit from competition, and encourage suppliers to actively compete to serve new and existing customers. The CER is also committed to enhancing its consumer engagement strategy and outreach activities and will continue to engage with various consumer groups in this regard. Given the breadth of information covered in this report, the CER welcomes responses to these questions by the **26th of April 2017**. To facilitate stakeholder’s responses we have published an online questionnaire of the questions included in this report to encourage a range of stakeholders to respond to this report. The link is available here; [https://www.surveymonkey.com/r/cer_retail](https://www.surveymonkey.com/r/cer_retail).

Respondents should note that the CER intends to publish a summary paper outlining the key themes of the responses received.

The CER is also mindful that additional policy decisions may also be required as part of the European Commission’s recent legislative proposal “Clean Energy For All Europeans”, which places a strong focus on customer protection and engagement.

The CER will undertake further analysis to decide if further steps or actions are required in the context of a (recently) deregulated energy market to ensure that all customers benefit fully from competition.
Related Documents:

- The latest Electricity and Gas Retail Markets Report can be found [here](#).
- The 2012 CER Electricity and Natural Gas Supplier Handbook can be found [here](#).
- Quarterly Electricity and Gas Retail Market Reports can be found [here](#).
- The 2016 Consultation Paper Review of the Supplier’s Handbook and consultation responses can be found [here](#).
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1 Background and Introduction

1.1 CER Vision for Consumers

The CER has an important statutory role to protect energy consumers and to monitor the electricity and gas retail markets to ensure that competition is benefitting customers.

A key strategic goal of the CER is to ensure that all consumers can benefit from fully competitive wholesale and retail markets and efficient regulated networks. This should ensure that the prices charged are fair and reasonable. Our vision is that all energy consumers:

- have access to safe and secure energy supplies,

- receive a high standard of protection and customer service from their supplier,

- know their rights, including the right to complain, to shop around for better value or to be protected as a vulnerable customer,

- are well-informed and empowered to choose the best electricity or gas option from competitive suppliers, and

- have confidence in the market and in the CER’s consumer protection role.

As competitive energy markets have evolved, the CER has taken decisions and measures to enhance consumer protection, most recently through the review of the Supplier Handbook. Such regulatory action needs to be transparent, proportionate and developed through appropriate research, analysis and consultation.

This report presents an overview of the developments in competition in the electricity and gas retail markets, predominantly from the perspective of domestic consumers. It covers a range of analysis to consider consumer’s experience and engagement within a deregulated energy market, the trends in prices over time and other developments that have taken place since deregulation.

The report also sets out areas that may require further analysis or policy development, in order to enhance consumer engagement, consumer protection and competition. The aims of this analysis and policy development are to enhance the benefits of competition for all energy consumers.

The CER will also continue to ensure a high level of consumer protection, particularly for vulnerable customers through supplier charters and codes of practice and through its dispute resolution service.
1.2 White Paper

The Department of Communications, Climate Action and Environment (DCCAE) has issued a White Paper which sets out a vision for Ireland’s Transition to a Low Carbon Energy Future 2015-2030\(^2\). As part of its consumer protection and market monitoring function, the CER committed to:

- Publish a consumer focussed assessment of the development of competition in retail markets (and its impact on prices),
- Ensure that competitive markets are delivering for all consumers and consulting on the promotion of active consumer engagement,
- This will include examination of the structural factors that underpin consumer disengagement such as the extent to which energy bills are understood by consumers and will outline remedial actions.

In February 2016, the DCCAE also launched a new Strategy to Combat Energy Poverty in Ireland. The actions that the CER agreed to progress under the White Paper are also important in ensuring that competitive markets are delivering for all consumers, including those in, or at risk of, energy poverty.

1.3 Approach to the review

This review considers a range of indicators which can be used to measure the development of competition over time and assess outcomes for customers. In conducting this review, the CER has incorporated its strategic objectives\(^3\), and has assessed a number of indicators expected from well-functioning and competitive electricity and gas retail markets.

The key areas of each chapter and the associated indicators have been developed based on current analysis carried out by the CER for its monthly, quarterly and annual retail market reports, along with research carried out on international best practice from the Agency for the Cooperation of Energy Regulators (ACER), the Council of European Energy Regulators (CEER) and other National Regulatory Authorities in Europe.

The CER considered a range of information sources to conduct this review. These include the results from the consumer survey between 2011 and 2016, market monitoring data received by the CER, information from supplier websites and accredited price comparison web sites, Eurostat data and a range of reports.


\(^3\) As outlined in the Commission for Energy Regulation Strategic Plan 2014-2018
Each chapter of this report includes analysis conducted based on the indicators outlined in table 1.1 below and the questions that arise from them. At the end of each chapter, the findings from the analysis are consolidated. Where required, the conclusions of each chapter set out proposed actions or areas that require further consideration and analysis.

Overall, each chapter is split into two parts. The first part of each chapter presents the results and interpretation of analysis carried out with available data, and the second part of each chapter draws on this information to make a range of proposals for remedial solutions, where necessary.

<table>
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<tr>
<th>Key Area</th>
<th>Indicators</th>
<th>Chapter</th>
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| **Market deregulation, information and barriers to market entry:** Barriers to new entry and growth for new market actors as well as barriers to innovation need to be as low as possible | - Process for deregulation  
- Are there barriers to entry in the market?  
- How does regulation affect market entry?  
- How much does it cost to enter the market?  
- Variety of offers available | Chapter 2 |
| **Market Development:** With low market entry barriers more suppliers will enter the market, increasing competition and delivering better outcomes for consumers. Low market concentration is also important to ensure the ability of market players to exploit market power is reduced. | - Is the market concentrated?  
- What is the rate of market entry over time?  
- How has market share changed over time? | Chapter 2 |
| **Consumer Engagement with competition:** High engagement by customers is an indicator of a well-functioning energy market. Customers should be aware of the features of the market and have a good level of trust in the market. | • Are customers satisfied and do they have trust in the market?  
• Is there a high level of understanding of prices and offers available in the market?  
• Do customers know they can switch suppliers? | Chapter 3 |
| **Consumer Empowerment Tools:** Tools to facilitate customer engagement with the market should be in place and should be accessible. | • Availability of verified price comparison tools  
• Consumer awareness of price comparison tools | Chapter 3 |
| **Consumer Protection:** In a well-functioning retail energy market customers should have an appropriate level of protection, with specific measures to protect vulnerable customers. | • Are there sufficient levels of protection for customers, including minimum standards for marketing and advertising, billing, disconnection and customer care?  
• Is there sufficient protection for vulnerable customers?  
• What are the rates of disconnection and PAYG installation? | Chapter 4 |
<table>
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<tr>
<th><strong>Customer Service:</strong> If there is a high level of customer service in the market, customers will be more incentivised to participate.</th>
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| • The number and type of complaints reported by suppliers  
• The number and type of complaints to the CER |

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<tr>
<th><strong>Products, Pricing and Billing Payment Plans:</strong> A well-functioning retail market is characterised by innovation and a range of products offered to consumers.</th>
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| • How do electricity and gas prices over time compare to other EU countries?  
• What is the correlation between the wholesale price and the retail price over time?  
• What is the difference between wholesale prices and retail prices over time?  
• What is the uptake of discounted offers by consumers?  
• What is the level and change in prices over time?  
• Availability of value added services and innovation in product types |

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<th><strong>Chapter 5</strong></th>
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Table 1.1, Indicators and Assessment Framework for the report
2 Market Information, Market Share and Entry

Key Indicators

- Are there barriers to entry in the market?
- How does regulation affect market entry?
- Variety of offers available
- Market share over time
- Market concentration over time
- HHI Index
- Rate of market entry and exit over time

2.1 Introduction

This chapter provides a high level overview of the structure of the electricity and gas retail markets and key milestones in the development of the energy retail market over time. The market segments for electricity and gas are outlined, and some information is given on the suppliers operating in each market.

The ease of market entry for new suppliers is then considered, followed by the developments in the electricity and gas markets over time, in terms of market concentration, market entry and market share. Table 2.1 outlines the key developments in terms of deregulation and market entry in the electricity and gas retail markets over time.

<table>
<thead>
<tr>
<th>Year</th>
<th>Electricity</th>
<th>Gas</th>
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<tr>
<td>2005</td>
<td>February: Full market opening. Open to competition.</td>
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<tr>
<td></td>
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<td>Flogas enters domestic gas market.</td>
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<tr>
<td>2008</td>
<td>Airtricity enters domestic electricity market.</td>
<td>PAYG meters for financial hardship &amp; lifestyle choice introduced.</td>
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| 2011 | April: Domestic market segment deregulated  
October: Debt flagging process introduced. | April: Electric Ireland enters domestic gas market.  
October: Business market segments deregulated. |
<table>
<thead>
<tr>
<th>Year</th>
<th>Events</th>
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| 2012 | • October: New PAYG meters for financial hardship introduced.  
       • October: Debt flagging process introduced.  
       • January: Prepaypower enters domestic market with supplier-led lifestyle choice prepayment model.  
       • March: First price comparison website, Bonkers, accredited by CER.  
       • July: Supplier Handbook published, outlining minimum service levels that suppliers must provide customers with.  
       • October: Harmonised retail systems between NI & RoI. |
| 2013 | • May: Second price comparison website, USwitch, accredited by CER.  
       • July: Pinergy enters domestic market with supplier-led lifestyle choice prepayment model. |
| 2014 | • January: Energia enters domestic electricity market.  
       • January: Energia enters domestic gas market.  
       • July: BGE price deregulated in the domestic market. |
| 2015 | • Panda Power enters the domestic electricity market. |
| 2016 | • PrePayPower Ltd, licensed to enter the domestic gas market. |

*Table 2.1 Timeline of key retail market developments 2005-2014*
2.2 Price Deregulation in Ireland

Price deregulation of the electricity and gas markets was carried out in Ireland between 2005 and 2014, based on a deregulation roadmap for each customer segment. These roadmaps reflected increasing levels of competition and changing market dynamics in all market segments, to achieve the objective that electricity and gas prices would be set by competition rather than by regulation⁴.

For each market, the CER established the definition for each market segment and assessed the level of competition in each segment in terms of their suitability for deregulation. As part of this review, the barriers to market entry and expansion in each market were assessed and a number of specific quantitative thresholds were proposed for the criteria for deregulation in each market segment.

Prior to price deregulation, the incumbent electricity supplier, ESB Customer Supply (now Electric Ireland), and the incumbent gas supplier, Bord Gáis Energy, had to apply for approval for changes to their tariffs; however independent suppliers were free to set their own tariffs. Since deregulation, all suppliers can set their own prices for all classes of customers. The CER no longer regulates electricity or gas prices in the domestic or business markets, but continues to regulate other aspects of the market.

The aims of deregulation were to increase choice for Irish consumers, provide further downward pressure on retail prices and stimulate innovation for new retail offers.

This paper assesses changes in these areas of the electricity and gas retail markets throughout the process of deregulation and in the years following full market opening.

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⁴ The roadmap for deregulation of the retail electricity market can be found in CER/10/058. The roadmap for deregulation of the retail gas market can be found in CER/11/071 and CER/13/096.
2.2.1 Electricity Market Deregulation

The electricity market was opened to full competition in 2005. Following increased levels of competition and changing market dynamics, in April 2010, the CER set out key competitive milestones that would establish when deregulation could occur in the market as follows:

For each of the Business markets, the percentage market share for deregulation was 50% or less in terms of consumption, based on the CER’s assessment that under a threshold of 40-50% by load, these markets would be close to effective competition.

In the Domestic market, the threshold was 60% or less in terms of consumption, provided the incumbent supplier, ESB Customer Supply, rebranded.

Switching rates in the domestic market also needed to be greater than 10%. The threshold of 55-60% of market share for the domestic market was set slightly higher, as at the time the domestic market had only recently seen the entrance of competition and the market share of the incumbent supplier, ESB Customer Supply, had fallen dramatically.

ESB PES and ESBIE combined would serve, within a specified period, a defined percentage of a relevant market in terms of consumption.
The electricity market is currently comprised of four different market segments:

- Domestic market – this covers the residential/household end of the market including urban residential customers and rural residential customers that have a connection to the low voltage network.

- Small-sized business market – this covers small businesses with a low voltage non-maximum demand connection.

- Medium-sized business market – this includes unmetered public lighting & other unmetered connections and businesses with a low voltage maximum demand connection.

- Large energy users (LEU) market – this includes businesses connected to the medium voltage, 38kV and 110kV network and those connected to the electricity transmission system.
2.2.2 Gas Market Deregulation

A similar deregulation process was followed for the gas retail market, which occurred on the basis of the following criteria:

- That at least three suppliers were active in the relevant market;
- That there was a minimum of two independent suppliers, each with at least 10% share of volume consumption for the Fuel Variation Tariff (FVT) and Non-Daily Meter I&C markets, or 10% share by customer numbers in the Residential market.
- For the FVT and NDM I&C market sectors Bord Gáis Energy’s (BG Energy) market share by volume could not be greater than 50%.

There was one additional requirement for the domestic sector, namely that the annual switching rate must be greater than 10%.

A number of factors were considered in defining these thresholds and the level of dominance the incumbent supplier had in the market. The impact of wholesale market liquidity, economies of scale and scope, customer switching, duel fuel offers and branding on market power was also considered.

The gas market is currently comprised of four different market segments for reporting purposes:

- Domestic market – this represents non-daily metered (NDM) residential customers.
- Industrial and commercial (IC) market – represents businesses with a supply point capacity of below 3,750kWh and consumption level below 73,000kWh.
- Fuel variation tariff (FVT) market – NDM gas customers with a supply point capacity of above 3,750kWh and consumption level above 73,000kWh.
- Regulated tariff formula (RTF) market – annual consumption of between 5.5GWhs and 264 GWhs.
2.3 Regulated network tariffs and price controls

The CER has responsibility for regulating network prices in Ireland for access to and use of the electricity and gas distribution systems. These regulated costs are necessary in order for networks and other market operators (ESB Networks, EirGrid and Gas Networks Ireland) to build and maintain the transmission and distribution networks to an adequate standard, protect the interests of final customers and drive efficient network investment. The allowed revenues also include incentives for delivering efficiencies and providing value for money to end customers.

Suppliers can choose whether or not to absorb these costs but typically pass them on to customers. These costs are referred to as Pass-Through Costs.

ESB Networks and Gas Networks Ireland are licensed by the CER and are the monopoly network companies for electricity and natural gas in Ireland. The network companies are independent of supply and generation businesses. The CER regulates the allowed revenues and charges of for the electricity and gas transmission and distribution systems in Ireland, and reviews them annually.

ESB Networks manages the electricity distribution system in Ireland under its Distribution System Operator (DSO) Licence. Its functions include planning, construction, maintenance, operation, metering of customer end use and provision of data to electricity supply companies. EirGrid manages and operates the electricity transmission grid and is a Semi-state company, independent of ESB Networks.

Gas Networks Ireland owns, operates, builds and maintains the natural gas network in Ireland and connects all new customers to the gas network. GNI holds Asset Owner and Asset Operator Licenses for the Natural Gas Transmission and Distribution networks.

2.4 Ease of Market Entry

This section looks at the process for new suppliers to enter the retail market and any barriers that may impede market entry. New entry to virtually any market comes with regulatory requirements and costs. If prospective participants face excessive barriers to market entry, there may be fewer new entrants, leading to weaker competition and less choice for consumers. In considering the development of competition, the ease of market entry for new suppliers is therefore important.

Specific regulatory requirements for access to the electricity and gas retail markets include regulatory licences and costs of market entry, access to wholesale markets and neutrality of the Distribution System Operator (DSO).

In a well-functioning competitive market, suppliers should be able to enter the market and grow their customer base or market share. New entrants to the electricity and
gas retail markets can help to improve quality of services, create new offers and drive competitive prices. New entrants can also introduce new and innovative ways of operating and create competitive pressures which force existing suppliers to adapt new strategies.

2.4.1 Market Access
There are a range of start-up costs and market entry costs that new entrants may incur in order to enter the market and begin supply before they can recover these through customer revenues.

Billing systems and IT systems are the largest sunk costs faced by new entrants, but they may decide to scale their level of investment in other areas with the size of the market they intend to serve. New entrants may also take advantage of systems developed in other jurisdictions in order to minimise the cost of market entry.

The size of the market in Ireland and the likely scale a supplier may achieve can also affect the number of suppliers capable of entering the market.

2.4.2 Supply Licences and market entry process

The process to enter the retail electricity and gas markets in Ireland includes an application for an Electricity Supply Licence, a Gas Supply Licence and Gas Shipping Licence.

The objective of the assessments carried out as part of the licencing process are to ensure prospective suppliers understand the market rules and have the financial resources and capability to remain in the market.

The CER concludes that based on experience to date, the licencing process appears to be straightforward and does not present a barrier to entry to the market.

2.4.3 Regulatory Requirements

Market participants and new entrants may also incur costs relating to regulatory requirements and customer protection measures.

5 In order to hold a Gas Supply Licence, a supplier must also hold a Gas Shipping Licence, the application for which requires the submission of a Safety Case. The cost of applying for an Electricity Supply Licence is €254, while it costs €2500 to apply for a Gas Supply Licence and €2500 to apply for a Gas Shipping Licence.

6 Once an Electricity or Gas Supply Licence is obtained, suppliers must take part in the market assurance process and engage with a number of stakeholders in the market including MRSO (Meter Registration System Operator), RMDS (Retail Market Design Service) and Eirgird for Electricity and Gas Networks Ireland for gas. Appendix 3 of this report provides further detail on the engagement required with these stakeholders as part of the market entry process.
Suppliers operating in the electricity and gas retail markets have a range of reporting requirements, which change based on their market share. They are also required to comply with licence requirements and legislative requirements, including the requirements of the Supplier's Handbook, which sets out the minimum level of customer protection and information requirements suppliers must adhere to. These obligations may present an initial challenge to suppliers entering the market but are necessary for customer protection and ensuring transparency in the market.

To support the CER’s policy on disconnections, PAYG meters for financial hardship customers are provided by ESB Networks for electricity and GNI for natural gas. The cost of the meters is socialised and PAYG meters must be offered by suppliers to eligible customers experiencing difficulty paying their bills prior to disconnection.

The electricity and gas sectors have different approaches in relation to the service provider of the software and systems required for PAYG financial hardship. In the electricity market, the licencing and contractual arrangements are agreed bilaterally and individually between suppliers and the meter company. In the Gas market the contractual arrangements are agreed by Gas Networks Ireland (GNI) on behalf of all gas suppliers. The CER is mindful of the challenges in relation to such bilateral arrangements and need for new entrant and smaller suppliers to negotiate competitive rates to adhere to regulatory requirements.

Where suppliers do not sign up to this service, they cannot offer their customers a PAYG financial hardship meter and thus cannot move to disconnect customers who are in arrears and not engaging with them. This may present an impediment to growth for small suppliers.

2.4.4 Access to the wholesale energy market

Electricity

The functioning of the wholesale market is outside of the scope of this report, which is focussed on customers and retail markets. However, access to a well-functioning wholesale market is a prerequisite for competitive retail energy markets.

Energy suppliers require access to wholesale sources of energy in order to buy power for delivery to customers. This can take the form of either buying in the short term (spot) markets or forwards markets in order to hedge against spot market volatility. In the case of electricity, access to physical power can be obtained from a variety of sources including the wholesale spot market (the Single Electricity Market), Over the Counter (OTC) forwards markets, auctions of Public Supply Obligation (PSO) and other contracts, imports, vertical integration with generating companies, and other bilateral arrangements for long-term contracts.
These sources are supplemented by Directed Contracts, which are regulatory-determined contracts designed to mitigate wholesale market power of dominant generators and which are allocated to suppliers on a proportionate basis.

In electricity markets, the load of a supplier will vary from moment to moment in accordance with the total consumption of its customers. The wholesale spot market performs a key “balancing” function in making up the difference between any pre-arranged sources of energy and this instantaneous total load. Wholesale spot prices are not known until real-time and so suppliers with fixed price commitments to their customers have an incentive to hedge wholesale spot price exposure by entering into forward arrangements to the extent it is beneficial to do so.

A recent SEM Committee consultation on forward market liquidity provided an overview of current hedging in the SEM with all-island data for 2015 showing energy contracts for difference accounting for approximately 34% of the market volumes, and with interconnection (imports) and internal hedging (vertical integration) accounting for 11% and 26.5% respectively. Aggregate all-island data shows that approximately 71.5% (23.76TWh out of a total volume of 33TWh) of the market was directly hedged against the SEM spot price in 2015.

Beyond this, both generators and suppliers in the SEM use so-called ‘proxy hedges’ (for example the day ahead (NBP) gas or electricity price in Great Britain) to manage their exposure to wholesale SEM spot price fluctuations. In addition, suppliers have the option of purchasing from the spot wholesale market and offer ‘pass through’ tariffs to consumers.

A number of established vertically integrated suppliers with generation assets or with partners for hedging arrangements may be better able to manage price risk than new entrants to the retail market, since the established participants may already have adequate hedging arrangements in place. While new entrant suppliers will not necessarily have this advantage, nevertheless it appears that this has not reflected a barrier to supplier entry. New entrant suppliers should succeed by lowering costs and adding value to consumers. On the other hand, poor access to hedging could be considered as a barrier to entry if there were evidence that it was hampering suppliers from accessing the wholesale market. Market access particularly for smaller suppliers relates not only to the availability of hedges but also collateral requirements and contractual arrangements with wholesale counterparties and wholesale transaction costs.

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8 See Ofgem’s Secure and Promote measures to improve wholesale market access in GB: https://www.ofgem.gov.uk/electricity/wholesale-market/liquidity
Currently the Single Electricity Market is easy to access for suppliers, however as the market design is being remodelled as the Integrated Single Electricity Market, suppliers will need to be made aware of all of the expected changes and how these will impact on them.

**Natural Gas**

The wholesale gas market involves the buying and selling of natural gas after it has arrived from offshore production sites. Gas shippers buy and sell gas and provide suppliers with gas to sell to end customers.

The price of gas in Ireland is effectively set at the National Balancing Point (NBP) price (the trading hub in Britain). The wholesale gas market in Britain has one price for gas irrespective of where the gas comes from. This is called the National Balancing Point (NBP) price of gas and is usually quoted in pence per therm of gas.

### 2.4.5 DSO Neutrality

As energy networks are regulated monopolies, DSOs have exclusive access to all customers within their network area. Suppliers bundled with these DSOs have an indirect access to such information. The 3rd Package requires legal, functional and accounting separation of DSOs and supplier within a vertically integrated utility, although it also specifies exemptions from the requirements for smaller DSOs.

For new suppliers entering the market, equal rules are essential. Bundled DSOs and suppliers acting mutually towards customers might prevent new actors to enter a market. Therefore, there must be a sufficient level of unbundling between suppliers and associated DSOs in order to create a level playing field in retail energy markets.

In Ireland, DSOs are neutral parties, separately licenced and are not bundled to any suppliers; this market structure does not present a barrier to market entry.

### 2.4.6 Summary of Market Access

This section has considered the requirements for suppliers to enter the retail market and the costs associated with market entry.

There do not appear to be significant barriers to entry to the electricity and gas retail markets. While there are a number of regulatory requirements, costs, and uncertainties faced by new suppliers, this is to be expected in any market and we are not aware of evidence that suggests that barriers to entry are excessive or are responsible for the concerns outlined in subsequent chapters of this report.

Since deregulation, (between 2011 and 2016), Energia, PrepayPower, Pinergy and Panda Power have entered the electricity retail market. Combined, PrePayPower
and Energia have grown their domestic electricity market share to 10.57% in 2016. More recently Pinergy’s market share increased to 1% which is the threshold at which the CER begins reporting on suppliers through market monitoring.

Three of these new entrant suppliers are non-vertically integrated, which means that their entire hedging portfolio or access to wholesale energy is sourced independently through market based contracts and hedging tools. These reflect positive trends which indicate a) that non-vertically integrated suppliers can enter the retail market and grow market share b) suppliers with a generation portfolio can also increase their market share. More information on the rate of change in market share is discussed later in this report.

Future policy areas with respect to barriers to market entry and some proposed actions being considered by the CER are outlined later in this section.

### 2.5 Supplier numbers and Market Share

This section considers the current levels of market share and market concentration in the electricity and gas retail markets, as well as changes to market share over time and the rate of market entry to both the electricity and gas retail markets since deregulation. The assessment aims to provide more insight into the development of competition and the changes to market share since deregulation.

#### 2.5.1 Rate of entry of new suppliers

The ability for new suppliers to enter the market, acquire customers and grow market share may be indicative of whether there are barriers to entry in the electricity and gas retail markets.

Since market opening and deregulation of the gas and electricity markets, Ireland has witnessed the entry of new suppliers in the gas and electricity retail markets.

Between 2008 and 2015, new electricity suppliers have entered the market and the total number of suppliers has increased from 6 to 8. As of the end of 2015, there were 2,241,399 electricity customers and 694,594 gas customers.

While the net entry of suppliers is positive and demonstrates that the market is to some extent competitive, there may be a need to consider the level of market entry and suppliers actively seeking to acquire customers.

For gas, the highest rate of market entry was between 2008 and 2009, when three suppliers entered the market. There are currently 7 active suppliers in the market, and the low rate of entry in the last number of years indicates that there also may be barriers to entry in this market. A number of suppliers also offer dual fuel to their customers.
Pinergy and PrePayPower have entered the electricity market and offer PAYG lifestyle choice services only.

<table>
<thead>
<tr>
<th>Total Number of Active Suppliers</th>
</tr>
</thead>
<tbody>
<tr>
<td>---</td>
</tr>
<tr>
<td>Electricity</td>
</tr>
<tr>
<td>Gas</td>
</tr>
</tbody>
</table>

Table 2.2, Total number of active suppliers

Though we have had market entry and new suppliers have gained market share, the incumbent suppliers have retained significant market share. A key contributing factor appears to be that a large number of customers have not engaged with the benefits available from competitive offers, detailed further in Chapters 3 and 5.

The main suppliers in the electricity and gas retail markets are identified in table 2.3.

<table>
<thead>
<tr>
<th>Domestic Electricity</th>
<th>Non-domestic Electricity</th>
<th>Domestic Gas</th>
<th>Non-domestic gas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electric Ireland</td>
<td>Electric Ireland</td>
<td>Electric Ireland</td>
<td>Electric Ireland</td>
</tr>
<tr>
<td>Energia</td>
<td>Energia</td>
<td>Energia</td>
<td>Energia</td>
</tr>
<tr>
<td>SSE Airtricity</td>
<td>SSE Airtricity</td>
<td>SSE Airtricity</td>
<td>SSE Airtricity</td>
</tr>
<tr>
<td>PrePayPower</td>
<td>Vayu</td>
<td>Flogas</td>
<td>Flogas</td>
</tr>
<tr>
<td>Pinergy</td>
<td>Vayu</td>
<td>Vayu</td>
<td>Gazprom</td>
</tr>
<tr>
<td>Panda Power</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 2.3, Suppliers active in the electricity and gas markets

The CER will regularly review the guideline documents and application process for Electricity Supply Licences and Gas Supply and Shipping Licences and the information available to new market entrants.

2.5.2 Market Share Trends

Figures 2.1 to 2.4 show the trend in market share from the beginning of 2009 to the second quarter of 2016 in terms of customer numbers and consumption for domestic electricity and gas.

These graphs show how the market share of suppliers has changed over time, but taken as part of the analysis of market concentration and the Herfindahl-Hirschman Index (HHI) index in this chapter they can give further insight into the development of the market over time.

Electric Ireland’s market share decreased between 2009 and 2011 but has remained just above 50% between 2011 and 2015. Significant gains have been made over time by Bord Gáis Energy and SSE Airtricity and more recently by PrePay Power and Energia.
Section 2.5.4 of this report looks at switching rates over time. While switching rates were initially as high as 21% per annum between 2009 and 2011, the rate has fluctuated between 10% and 14% from 2012 to 2016. CER had expected that switching levels and engagement similar to 2011 would continue, which would have had a further impact on the incumbent’s market share. However, as shown, the market share of the incumbent supplier has not decreased substantially since 2011. Combined with data on the number of customers who have never switched (presented in Chapter 3 of this report), this leads us to conclude that the relatively high switching rate in Ireland reflects a minority of customers, with a large number of customers having never switched.

Reasons for never switching include customer inertia, gaps in customers’ understanding of tariffs available and the switching process. These factors are discussed further in Chapter 3, including the context of customers defaulting to higher standard tariffs following the end of their contract period and the prices and quality of services available in the market.
Figures 2.3 and 2.4 show the gas market share trends in terms of customer numbers and consumption from 2009 to Q2 2016. There has been a significant change in Bord Gáis Energy’s market share over time, with gains in customer numbers for SSE Airtricity, Electric Ireland, Energia and Flogas.

Figure 2.3, Domestic gas trend in market share by customer numbers

Similar to the case in the electricity retail market, the incumbent supplier has retained the majority of the market share in terms of customer numbers and consumption. However, new market entrants have achieved significant gains in market share. In 2016, Electric Ireland held 22.95% of the domestic gas market, followed by SSE Airtricity with 14.02% and Energia with 5.72%.

Figure 2.4, Domestic gas trend in market share by consumption

As can be seen from Figure 2.5, as of Q2 of 2016 Electric Ireland held 52.7% of the domestic electricity market and 37.13% of the non-domestic small business electricity market, while Bord Gáis Energy held 51.72% of the domestic gas market and 43.72% of the non-domestic IC market overall.
Electric Ireland’s share of the domestic gas market is greater than Bord Gáis Energy’s share of the domestic electricity market. This may indicate that Electric Ireland has been more successful at leveraging its electricity customer base to access gas customers, and could also be related to the timing of deregulation in each market.

Market share per market segment as of Q2 2016

<table>
<thead>
<tr>
<th>Domestic Electricity</th>
<th>Non-domestic small business Electricity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electric Ireland</td>
<td>Electric Ireland</td>
</tr>
<tr>
<td>SSE Airtricity</td>
<td>Airtricity</td>
</tr>
<tr>
<td>Bord Gáis Energy</td>
<td>Bord Gáis Energy</td>
</tr>
<tr>
<td>PrePayPower</td>
<td>PrePayPower</td>
</tr>
<tr>
<td>Energia</td>
<td>Energia</td>
</tr>
<tr>
<td>Pinergy</td>
<td>Pinergy</td>
</tr>
<tr>
<td>Others</td>
<td>Others</td>
</tr>
</tbody>
</table>

As shown in table 2.4, the three largest electricity suppliers in 2013 in terms of consumption (Electric Ireland, Bord Gáis Energy and SSE Airtricity) held 83.3% of the whole retail market by volume at this time. As of 2015 the three largest electricity suppliers held 82.45% of the whole retail market by volume and 89.2% of the domestic market.

Figure 2.5, market share in terms of consumption (for electricity) and customer numbers (for gas) for Q2 2016.

9 The electricity retail market was deregulated based on market share in terms of consumption while the gas market was deregulated based on market share in terms of customer numbers.
### Table 2.4, Market share of the three largest electricity suppliers by volume

<table>
<thead>
<tr>
<th>Year</th>
<th>Whole retail market by volume</th>
<th>Domestic market share by metering points</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>86.9%</td>
<td>99.84%</td>
</tr>
<tr>
<td>2010</td>
<td>82.1%</td>
<td>99.84%</td>
</tr>
<tr>
<td>2011</td>
<td>81.4%</td>
<td>99.77%</td>
</tr>
<tr>
<td>2012</td>
<td>82.9%</td>
<td>99.23%</td>
</tr>
<tr>
<td>2013</td>
<td>83.3%</td>
<td>95.96%</td>
</tr>
<tr>
<td>2014</td>
<td>82%</td>
<td>93%</td>
</tr>
<tr>
<td>2015</td>
<td>82.5%</td>
<td>89.9%</td>
</tr>
</tbody>
</table>

From 2014, the three largest gas suppliers in the market were Bord Gáis Energy, SSE Airtricity and Electric Ireland. For gas, there is a large difference between the total domestic market share of the three largest suppliers by metering points and the whole retail market by volume. In 2015, they held 56.10% of the whole retail market by volume, indicating that the market shares of suppliers in the non-domestic gas market are less concentrated.

### Table 2.5, Market share of the three largest gas suppliers by metering points and volume

<table>
<thead>
<tr>
<th>Year</th>
<th>Whole retail market by volume</th>
<th>Domestic market by metering points</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>96%</td>
<td>100%</td>
</tr>
<tr>
<td>2010</td>
<td>85%</td>
<td>100%</td>
</tr>
<tr>
<td>2011</td>
<td>75%</td>
<td>98%</td>
</tr>
<tr>
<td>2012</td>
<td>68%</td>
<td>95.17%</td>
</tr>
<tr>
<td>2013</td>
<td>66%</td>
<td>94.81%</td>
</tr>
<tr>
<td>2014</td>
<td>66%</td>
<td>91.3%</td>
</tr>
<tr>
<td>2015</td>
<td>56.10%</td>
<td>88.43%</td>
</tr>
</tbody>
</table>

In both the electricity and gas retail markets, the market share of new entrants has increased over time. PrePayPower for example has grown its market share in the domestic electricity market from 1.12% in 2013 to 5.19% in terms of consumption.

In the gas market, Flogas has increased its domestic market share in terms of customer numbers from 2% in 2009 to 5.59% in 2016.

#### 2.5.3 Herfindahl-Hirschman Index

The HHI is a widely used metric to measure market concentration. With low market concentration, the ability of any market player to exploit market power to the detriment of consumers is reduced and consumers can benefit from competition, innovation and customer services. However, a high or low HHI is only an indication of market concentration and needs to be viewed in combination with other measures of market conduct and performance.

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10 It is calculated as the sum of the squares of the market shares of all firms in the market, or the 50 largest firms if applicable. It ranges between 0, for an infinite number of small firms, and 10,000, for one firm with a 100% market share. Based on guidance from the European Commission, a HHI above 2000 signifies a highly concentrated market.
To fully evaluate the degree of concentration and the degree of competition, the relevant market has to be defined. The following table differentiates between four different electricity sub-markets.

<table>
<thead>
<tr>
<th>HHI Index Electricity</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Market</td>
<td>6,295</td>
<td>4,448</td>
<td>4,151</td>
<td>4,319</td>
<td>4,048</td>
<td>3,827</td>
<td>3,634</td>
</tr>
<tr>
<td>Small Business Market</td>
<td>2,815</td>
<td>2,682</td>
<td>2,835</td>
<td>2,823</td>
<td>2,998</td>
<td>3,003</td>
<td>3,003</td>
</tr>
<tr>
<td>Medium Business Market</td>
<td>2,994</td>
<td>2,807</td>
<td>2,804</td>
<td>2,843</td>
<td>2,899</td>
<td>2,951</td>
<td>2,903</td>
</tr>
<tr>
<td>LEU Market Share</td>
<td>3,240</td>
<td>3,134</td>
<td>3,083</td>
<td>2,648</td>
<td>2,637</td>
<td>2,694</td>
<td>2,924</td>
</tr>
</tbody>
</table>

Table 2.6, HHI Index for electricity

Overall, the HHI has decreased over time in the domestic market segment, from 6,925 in 2009 to 3,634 in 2015, demonstrating the development of a degree of competition over time. However, the market remains highly concentrated.

In the domestic market, the HHI in 2015 remained significantly above the EU’s benchmark level of the indication of a concentrated market. In the small and medium business markets, the HHI has remained relatively static, while in the LEU market the HHI increased following a period of decline.

<table>
<thead>
<tr>
<th>HHI Index Gas</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Market</td>
<td>9,608</td>
<td>7,322</td>
<td>5,722</td>
<td>4,780</td>
<td>4,009</td>
<td>3,536</td>
<td>3,833</td>
</tr>
<tr>
<td>IC Gas Market</td>
<td>5,814</td>
<td>4,402</td>
<td>3,505</td>
<td>3,159</td>
<td>2,755</td>
<td>2,591</td>
<td>2,888</td>
</tr>
<tr>
<td>FVT</td>
<td>5,160</td>
<td>3,896</td>
<td>2,645</td>
<td>2,479</td>
<td>2,188</td>
<td>2,114</td>
<td>2,605</td>
</tr>
<tr>
<td>RTF</td>
<td>3,132</td>
<td>2,450</td>
<td>2,047</td>
<td>2,054</td>
<td>2,095</td>
<td>1,998</td>
<td>2216</td>
</tr>
</tbody>
</table>

Table 2.7, HHI Index for gas

For the gas market, the HHI has decreased over time for all market segments, but increased between 2014 and 2015. The RTF segment has the lowest HHI, while the domestic gas market has the highest HHI and is more concentrated than the domestic electricity market.

While the HHI is a useful indicator of concentration it is not the sole determinant of the level of competition in a market.

### 2.5.4 Rates of Switching

The switching rate is measured by calculating the proportion of total customers that switched supplier in the period. Table 2.8 below shows the switching rate for electricity, while table 2.9 shows the switching rate for gas.
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Number of Switches</td>
<td>454,964</td>
<td>468,178</td>
<td>338,179</td>
<td>252,056</td>
<td>266,224</td>
<td>312,477</td>
<td>303,187</td>
</tr>
<tr>
<td>Switching rate</td>
<td>21%</td>
<td>21%</td>
<td>15%</td>
<td>11%</td>
<td>12%</td>
<td>14%</td>
<td>14%</td>
</tr>
<tr>
<td>Switching rate of household customers</td>
<td>20%</td>
<td>21%</td>
<td>15%</td>
<td>11%</td>
<td>11%</td>
<td>14%</td>
<td>14%</td>
</tr>
</tbody>
</table>

Table 2.8, Total switching in electricity

The switching rate in electricity between 2009 and 2011 ranged between 21% and 15%. From 2012 to 2015 it fluctuated between 11% and 14%. This is indicative of an active market. The rates of switching for domestic customers over time compared to non-domestic customers are shown in figure 2.6.

Table 2.9, Total switching in gas

<table>
<thead>
<tr>
<th>Total Gas Market</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Number of Switches</td>
<td>93,937</td>
<td>113,280</td>
<td>110,579</td>
<td>117,002</td>
<td>109,750</td>
<td>106,862</td>
</tr>
<tr>
<td>Switching rate</td>
<td>15%</td>
<td>17%</td>
<td>17%</td>
<td>18%</td>
<td>17%</td>
<td>16%</td>
</tr>
<tr>
<td>Switching rate of household customers</td>
<td>14.48%</td>
<td>17.38%</td>
<td>16.97%</td>
<td>17.7%</td>
<td>16.65%</td>
<td>15.14%</td>
</tr>
</tbody>
</table>

Figure 2.6, Electricity switching rate per sector per year

For gas, the switching rate between 2010 and 2015 has also remained quite high, with a rate of between 15% and 18% over time.
Figure 2.7 shows that the switching rate for IC gas customers has increased from 2010 to 2015.

2.5.5 Types of offers available in the market

Since retail market opening and deregulation, the electricity and gas markets have benefited from the entry of new suppliers and the introduction of various types of tariff offerings. The assessments relating to prices and types of tariffs are covered in more detail in Chapter 5 of this report.

The CER’s market monitoring indicates the following main points in relation to supplier tariff offers and consumer experience in this regard;

- New tariff offers are predominantly comprised of discounts off standard unit prices, with the majority of discounts offered for plans which include payment via direct debit and e-billing.

- The main component against which suppliers compete is the unit charge (cent/kWh) associated with different plans.

- There are a range of features available that customers may consider when choosing a plan. These include payment methods and services such as Pay as You Go, standing charges, energy services, and supermarket points among others.

- Supply contracts are generally for a fixed period of 12 months (though some suppliers are starting to offer 24 month contracts).

- Following the expiry of fixed term contracts, the majority of customers default to higher standard rate tariffs. Some suppliers continue to offer a smaller discount for customers that pay via direct debit.
• The CER consumer surveys have consistently reported a high level of consumer trust and satisfaction with energy suppliers, however a considerable proportion of customers continue to be disengaged from the energy retail market, in spite of the discounts and savings in energy bills that are available to them.

In spite of the range of suppliers and offers in the market, evidence from the CER’s market monitoring activities and consumer surveys shows that a considerable proportion of customers:

• Have never switched or attempted to switch,
• Find it difficult to understand offers and compare offers between suppliers,
• Find it difficult to understand their bills or don’t open their bills.

These are some of the key issues that will be discussed in more detail in this report.

While the main components which suppliers compete on are the unit charges and standing charges associated with different plans, there are a range of other factors customers may consider when choosing a plan. A number of suppliers include value added services or bundle certain items with their offers, such as certain types of smart devices or cash back offers. Indirect returns such as access to loyalty schemes and points which can be spent in supermarkets are also included in some offers.

While a range of payment methods are available, these can be tied to the availability of certain levels of discounts for consumers, with the majority of discounts offered with plans which include e-billing and payment by direct debit.

Customers may also sign up to fixed-term contracts with certain levels of discounts, and may retain some discounts following the end of their fixed term contract based on their behaviour, for example by paying via direct debit. There is room for more innovation in the types of offers available in the market for different types of customers.

As the primary communication that every customer receives from their electricity or gas supplier, the bill is a critical channel of communication and understanding relating to energy consumption and associated pricing for customers. Billing via post is still the most dominant method, but the number of customers receiving their bills via email is rising. In 2016, 25% of domestic electricity customers and 32% of domestic gas customers surveyed stated that they receive their bill via email. Prepayment has also increased over time, from 3% to 7% between 2013 and 2016 for electricity.
2.5.6 Summary

The section has considered the trends in market share and the growth in market share of new entrants. The conclusions from this chapter show that:

- New entrant suppliers have come into the electricity and gas retail markets and gained market share in the domestic sector and non-domestic sectors. This implies that there are low barriers to market entry, though some specific concerns for new and smaller suppliers have been identified in Chapter 3 of this report.

- The switching metrics presented in this chapter imply that there is competition in the electricity and gas retail markets, for both single and dual fuel customers. However it appears that the changes in market share are mainly among independent suppliers as opposed to the incumbent suppliers in each market.

- This is in line with the findings on consumer engagement from Chapter 3, which indicates that a large proportion of customers have never switched supplier, even though significant discounts are available.

- Electric Ireland’s market share decreased between 2009 and 2011, but it has remained just above 50% between 2011 and 2016. Both Electric Ireland and Bord Gáis Energy as incumbents, and due to customer inertia, have been able to maintain high market shares, while new entrants are competing for a share of the active market, which is a smaller portion of the overall market.

The CER is concerned with the level at which Electric Ireland’s market share has remained, though it has decreased somewhat between 2015 and 2016. It appears that a number of factors have contributed to Electric Ireland retaining a large proportion of the market between 2011 and 2016. These include customer inertia,
gaps in customers’ understanding of tariffs available and awareness of other suppliers, noting that other reasons may also contribute to this finding.

Compared to electricity, there has been a more significant change in Bord Gáis Energy’s market share over time (this is potentially in part due to the lower threshold at which domestic prices were de-regulated), with gains in customer numbers for SSE Airtricity, Electric Ireland, Energia and Flogas. The highest rate of market entry was between 2008 and 2009, when three suppliers entered the market. There are currently 7 active suppliers in the gas market, with a relatively lower rate of market entry in recent years.

The findings of this chapter, combined with supplier’s pricing strategies which are discussed in Chapter 5, leads to the concern that the full benefits of competition are not going to all customers.

In view of these findings, the CER has recently introduced a range of measures in the CER’s revised Supplier Handbook, and further work will also be undertaken to address concerns regarding gaps in customer awareness, the switching process and customer’s ability to compare offers available.

In addition to this CER will further enhance its market monitoring, reporting on market share, prices being offered by suppliers and customers that default on to more expensive standard rate tariffs.

2.6 Issues and Proposed Remedial Actions
Based on this analysis, this section summarises the key issues identified with respect to barriers to entry and market development and outlines some proposed actions being considered by the CER.

<table>
<thead>
<tr>
<th>Key Highlights:</th>
<th>Proposed Actions:</th>
</tr>
</thead>
<tbody>
<tr>
<td>➢ There is a steady rate of supplier entry activity to the electricity and gas retail markets</td>
<td>➢ Review supply licence application forms and guideline documents, to identify improvements as required.</td>
</tr>
<tr>
<td>➢ Information on the process for market entry and requirements for prospective suppliers may need to be improved.</td>
<td>➢ Regular reviews of the market entry process, obligations and requirements. This will be to assess whether more clarity, changes or improvements are required.</td>
</tr>
</tbody>
</table>
➢ There is a high level of market concentration across all market segments, with a large market share retained by incumbent suppliers.

➢ While new entrants to the electricity and gas markets have increased their market share over time, Electric Ireland and Bord Gáis Energy still hold a significant proportion of the domestic and non-domestic electricity and gas markets.

➢ Keep under review the level of market shares and concentration in the retail market, in combination with price levels faced by all customers.

➢ The Supplier Hand Book decision places an obligation on suppliers to prompt or notify customers who have not switched for more than 3 years. This will also capture Electric Ireland and Bord Gáis Energy’s customers. The content of the notification is currently under consultation.

➢ Ongoing monitoring and publication of standard prices of all suppliers, including EI and BGE as the suppliers with the largest market share and concentration.

➢ Enhanced monitoring of prices

➢ Consumer focused strategy to enhance engagement from customers, detailed further in Chapter 3.

Views and Comments are invited on the following:

1. In view of the findings on how market shares have evolved in the electricity and gas markets since price deregulation, the CER is inviting comments on whether there is any impact on consumers.

2. Are there improvements that can be made with regard to the process for market entry for new suppliers?

3. Additional comments are invited on the challenges faced by new suppliers following market entry in terms of costs and ability to grow market share.
3 Consumer Engagement

Key Indicators:

- Customer trust, awareness and satisfaction with the market
- Switching
  - Do customers know they can switch suppliers?
  - Is the switching process straightforward?
  - Is there a high rate of switching overall?
  - What are the rates of internal switching and of customers defaulting to standard tariffs?
- Consumer Awareness, Understanding and Quality of Information
  - Is there a high level of understanding of prices and offers available in the market?
  - Is information accessible? Are offers comparable?
  - Availability of verified price comparison tools
  - Are there specific contract conditions which inhibit switching?

3.1 Importance of customer engagement for well-functioning energy retail markets

In a well-functioning energy retail market, consumers should be aware of the key features of the market and should be easily able to engage with it. Well-functioning markets need to benefit all customers, particularly by ensuring that vulnerable consumers are not disadvantaged or overlooked. Additionally, a high level of trust in the market and its actors is required.

The demand side of the market focuses on consumers’ experiences of interacting with the retail market and their ability to navigate within it. Effective competition between suppliers is driven by consumers that are sufficiently engaged to incentivise rivalry for their business, which incentivises suppliers to improve quality of service and offer better deals.

On the supply side of the market, competitive pressure should encourage suppliers to offer packages that meet the changing needs of consumers. Distribution system operators (DSOs) also need to provide quality services and must facilitate a level playing field for retail competition by acting as neutral and efficient market facilitators.

Switching to an alternative supplier can offer customers the most direct way to benefit from the market, but in practice energy customers are confronted with difficulties when they want to switch. These include consumer perceptions regarding certain aspects of the energy markets and commercial contract conditions, for
example, incomplete, complex and non-comparable information on prices, contract conditions and market processes.

This chapter looks at information regarding customer engagement in the electricity and gas retail markets over time. The assessment includes factors such as customer trust and satisfaction, consumer awareness of alternative suppliers, customer’s ability to compare offers, switching rates, post-switching behaviour and quality of information.

### 3.2 Customer trust, awareness and satisfaction

#### 3.2.1 Customer satisfaction

Customer satisfaction and trust in the electricity and gas retail markets are critical factors to consider when reviewing levels of customer engagement and experience with competition or their energy supplier.

The CER relies on the Consumer Survey over time to look at trends in customers’ trust and satisfaction with their supplier.

For the period from 2011 to 2016, satisfaction with the service provided by electricity and gas suppliers has continued to increase in the domestic market. Customer’s satisfaction with their current domestic electricity supplier is now at 89% in electricity, and 91% for gas, with both markets showing supplier satisfaction continuing in an upward trajectory since 2014. This response may have included customer assessments of all aspects of their relationships with suppliers, including prices, offers, service and tariffs.

![Figure 3.1, Overall satisfaction with Domestic electricity (left) and gas (right) suppliers](image)

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Further details regarding the surveys can be found in the CER Consumer Survey Reports published between 2011 and 2016.
For electricity, satisfaction was highest with customers of Bord Gáis Energy, rising from 85% in 2015 to 91% in 2016.

For gas, satisfaction was highest with customers of Flogas, rising from 94% in 2015 to 100% in 2016. This break down is provided in Annex 1 of this report.

Considering the trends in terms of customer satisfaction to date, the CER welcomes the results indicating that customers have a high level of trust and satisfaction with their supplier. Acknowledging that this result needs closer review, it is considered with other questions in this report such as customer awareness of the energy market, information regarding suppliers and the variety offers available.

### 3.2.2 Awareness of Suppliers and Tariff Offers

A key driver of competition is consumers’ willingness to switch if a better offer is available in the market. However this requires customers to be able to identify and compare offers available, understand their contractual obligations and to confidently select the appropriate supplier and tariff offer that meets their needs. Ideally customers are aware of the range of offers available from their supplier or alternative suppliers and are clear about the details of the offer they select and its associated charges.

![Figure 3.2, Unprompted awareness of electricity suppliers](image)

The consumer survey results from 2013-2016 indicate that overall, customers have a much higher awareness of incumbent suppliers for electricity and gas, compared to new entrant suppliers. This is demonstrated in figures 3.2 and 3.3.

Between 2013 and 2016, customer awareness of smaller suppliers including PrePayPower, Energia, Pinergy and Panda Power has increased year on year. Given that many new entrants to the electricity and gas markets are providing large discounts in order to attract new customers, this trend indicates that a significant proportion of customers are not aware of the potential savings available. Customers
who are still with incumbent suppliers also appear to have a lower awareness of alternatives which are available in the market.

Figures 3.4 and 3.5 set out consumers’ awareness of alternative offers in the market and their ability to compare offers. The CER’s 2016 Consumer Survey found that over 30% of respondents in both the domestic electricity and gas markets stated that they were not aware of alternative offers available in the market. These levels are consistent with the results of previous surveys.

The CER’s market monitoring also indicates that a significant proportion of customers are not on the best offers available indicating that they find it difficult to understand and compare the range of offers available. Early indications from data received from suppliers on their top 10 plans show that a significant proportion of customers are on more expensive standard rate tariffs, or smaller levels of discounts. This point is discussed in more detail in Chapter 6 of this report.

The CER consumer survey found that in 2016, 26% of consumers who claimed to be aware of current electricity offers stated that they have a small degree, or no understanding, of these offers (compared to 29% in 2015). Those who switched within the past 12 months claimed a higher understanding of current offers compared with non-switchers.

Of gas consumers who are aware of gas offers in the market, 32% had some understanding and 29% mostly understood supplier’s offers. 20% of gas consumers had a small degree or no understanding of offers available.
Currently, suppliers’ offers mostly tend to be a percentage reduction off the annual bill or a Euro value saving, however the majority of customers do not know how much they are paying or how much of a saving this would translate into. This lack of awareness of current expenditure on electricity and gas is a contributing factor in the lack of consumer awareness and understanding of different energy offers available.

In addition, according to the results of the survey, a significant proportion of customers do not review their bill in detail or open their bill. Of those who open their bill, most customers only tend to look at the total amount due, leading to a low awareness of the breakdown of unit costs and standing charges.

The 2016 consumer survey also questioned factors that would help customers to compare offers. 47% of respondents stated that a clear indication/disclosure of all applicable charges would help them to compare offers, while 43% stated that

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12 These questions were new for the 2016 consumer survey so a trend from previous years is not available
highlighting the duration of discounts would be of assistance. 37% stated that presenting an annual average bill amount on all advertising/marketing material would help them to compare offers.

3.2.3 Summary of customer trust, awareness and satisfaction

Customers are more likely to benefit from competition if they are aware of alternative suppliers and are able to compare and understand the range of tariff offers available.

The above section considered the following key questions;

- Do customers have a high level of trust and satisfaction with their energy supplier?
- Do customers know they can switch to an alternative supplier?
- Is there sufficient understanding of offers available?

The trends reported from the Consumer Survey indicate that customers generally have a high level of trust and satisfaction with their supplier. However when this is considered in more detail, the findings indicate a significant gap in customer awareness of alternatives available to them.

This is a concern for the CER as it indicates there is potential that customers either remain on tariffs that do not represent the best value for them, or that customers potentially select tariffs they don’t understand. The CER has therefore proposed actions to address consumer awareness and information regarding tariff comparisons which are detailed in the conclusions section of this chapter.

3.3 Switching in the electricity and gas retail markets

Switching information is very important in monitoring the effectiveness of competition, the level of customer engagement in the market and the choices available to customers. Switching refers to the action whereby a customer changes from one supplier to another. It is measured by the number of completed switches in a period (not the number of switching requests).

The section below provides analysis regarding switching activity since deregulation. The analysis is considered against European benchmarks and also the level of customers overall that have not switched or considered switching.
The section below covers the following analysis:

- Customer experience with switching
- Switching rates over time
- Dual Fuel switches
- Internal switching

Based on switching levels across a number of energy markets, VaasaETT, an independent think tank, has identified 6 levels of activity in retail markets. Ireland falls under the third highest ranking of a warm active market. VaasaETT characterises this market as having sufficient levels of activity that suppliers risk losing customers if they “do not actively compete or if they make loyalty-related errors”

<table>
<thead>
<tr>
<th>Activity Level</th>
<th>Annual Switching Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dormant</td>
<td>Less than 1%.</td>
</tr>
<tr>
<td>Cool Active</td>
<td>Between 1% and 3%.</td>
</tr>
<tr>
<td>Active</td>
<td>Between 4% and 8.4%.</td>
</tr>
<tr>
<td>Warm Active</td>
<td>Between 8.5% and 14%.</td>
</tr>
<tr>
<td>Hot</td>
<td>Approximately 15% or higher, up to 20%.</td>
</tr>
<tr>
<td>Super Hot</td>
<td>Consistently around 20% for at least three years and currently over 20%.</td>
</tr>
</tbody>
</table>

Table 3.1, levels of switching activity in retail markets defined by VaasaETT

While the switching rate in Ireland has decreased in recent years, it is still high relative to a number of EU countries. The 2015 ACER-CEER Market Monitoring Report detailed that in electricity, Ireland had the second highest switching rate of 14% after Portugal, while in gas in had the highest switching rate across all EU countries of 18.7%.

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The VaasaETT Utility Customers Switching Research Project Definitions and Explanations
3.3.1 Customer experience of switching

The ability of consumers to select and switch suppliers easily is key to a successful customer experience with the competitive market. There is a free and easy switching process in place in Ireland which facilitates customers that wish to switch their supplier.

The level of information required from customers to switch to a new supplier is not onerous, and a switch is generally completed in under 10 days and should not take longer than 21 days.

The trends from the consumer survey indicate that over 80% of customers who have switched have consistently rated the switching process as easy or very easy since 2012. There appears, however, to be a decline in the ease of switching experience in 2016 when compared with previous years.
This reduction in customer experience is related to understanding of the requirements of the switch, offers from the new suppliers and the actual switching process.

Notwithstanding high switching rates in Ireland when compared to the European context, trends in the Consumer Survey indicate that approximately 58% of customers have never switched supplier and have never considered switching. A further number of those that have switched have only switched once.

As discount offers are predominantly focused on new customers, taking into consideration the number of customers that have never switched, the information indicates that a significant proportion of customers have not availed of the benefits of switching and discounted offers available in the market.

A breakdown of those who have never switched is shown in figures 3.8 and 3.9.
When looking at the reasons why customers do not switch, 35% of non-switchers in electricity and 39% in gas stated that difficulty in determining savings is a significant factor for not switching.

The most common reasons for not switching in gas and electricity are that customers prefer to stay with a supplier that they trust (55% in electricity and 53% in gas), and that they are satisfied with the service from their current supplier (54% in both electricity and gas).

### 3.3.2 Dual Fuel Switching

A dual fuel customer is defined as a site that has both gas and electricity accounts with the same supplier (whether on a specific dual fuel tariff or not). The 'dual fuel switching' indicator refers to the number of dual fuel customers that switched, either one account or both gas and electricity.

<table>
<thead>
<tr>
<th>Dual Fuel Switches</th>
<th>Nov-15</th>
<th>Dec-15</th>
<th>Jan-16</th>
<th>Feb-16</th>
<th>Mar-16</th>
<th>Apr-16</th>
<th>May-16</th>
<th>Jun-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Electricity</td>
<td>582</td>
<td>1,673</td>
<td>1,760</td>
<td>2,475</td>
<td>1,988</td>
<td>2,547</td>
<td>1,996</td>
<td>2,243</td>
</tr>
<tr>
<td>Domestic Gas</td>
<td>126</td>
<td>1,717</td>
<td>2,106</td>
<td>1,978</td>
<td>1,862</td>
<td>1,406</td>
<td>1,318</td>
<td>1,631</td>
</tr>
<tr>
<td>Domestic Dual Fuel</td>
<td>2,044</td>
<td>4,523</td>
<td>5,075</td>
<td>6,565</td>
<td>5,492</td>
<td>5,729</td>
<td>3,823</td>
<td>4,343</td>
</tr>
<tr>
<td>Total Dual Fuel Switches</td>
<td>2,752</td>
<td>7,913</td>
<td>8,941</td>
<td>11,018</td>
<td>9,342</td>
<td>9,682</td>
<td>7,137</td>
<td>8,217</td>
</tr>
<tr>
<td>% of Total electricity and gas switches</td>
<td>10%</td>
<td>36%</td>
<td>35%</td>
<td>36%</td>
<td>32%</td>
<td>25%</td>
<td>21%</td>
<td>25%</td>
</tr>
</tbody>
</table>

Table 3.2, Dual Fuel Switches from November 2015 to June 2016
Table 3.2 shows the number of dual fuel customers who switched to a new supplier for either electricity only, gas only or for both gas and electricity, providing an indication of consumer preferences and perceptions when selecting a tariff offer. Market monitoring data collected by CER indicates that dual fuel customers account for at least 30% of electricity and gas customers.

Between November 2015 and June 2016, dual fuel customers accounted for between 9% and 35% of total switches. While the market monitoring data is limited in duration, the increasing preference for dual fuel supply is supported by the data in the 2016 Consumer Survey, shown in figure 3.10.

![Figure 3.10, % of customers with a single supplier for gas and electricity](image-url)
3.3.3 Internal Switching

The CER has also begun to collect data on internal switching or renegotiations. Internal switches refer to situations where a new contract term, tariff or terms & conditions have been agreed between the supplier and the customer (whether this was initiated by the customer or supplier). Data on internal switching complements that collected on supplier to supplier switching and helps to provide a more complete picture of customer engagement\(^\text{14}\).

This indicator reports data on the number of successfully completed renegotiated contracts (regardless of whether initiated by the customer or the supplier or of the number of times and individual customer renegotiated).

<table>
<thead>
<tr>
<th>Domestic Electricity</th>
<th>Nov-15</th>
<th>Dec-15</th>
<th>Jan-16</th>
<th>Feb-16</th>
<th>Mar-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Number of successful renegotiations</td>
<td>5,250</td>
<td>10,103</td>
<td>14,239</td>
<td>17,728</td>
<td>14,982</td>
</tr>
<tr>
<td>Non Domestic Electricity</td>
<td>Nov-15</td>
<td>Dec-15</td>
<td>Jan-16</td>
<td>Feb-16</td>
<td>Mar-16</td>
</tr>
<tr>
<td>Total Number of successful renegotiations</td>
<td>582</td>
<td>428</td>
<td>557</td>
<td>1,722</td>
<td>556</td>
</tr>
<tr>
<td>Number of switches</td>
<td>26,455</td>
<td>20,379</td>
<td>23,925</td>
<td>28,684</td>
<td>26,771</td>
</tr>
<tr>
<td>Renegotiations as a % of total switches</td>
<td>22%</td>
<td>52%</td>
<td>62%</td>
<td>68%</td>
<td>58%</td>
</tr>
</tbody>
</table>

Table 3.3 Internal switching in electricity

\(^\text{14}\) Internal switching does not include customers that default to a standard tariffs
Early indications, with a limited time series of data, are that internal switching activity between customers and their suppliers is significant, with internal switching in electricity representing between 22%-61% additional switches per month.

Taken as a total of gas switches per month, internal switches represent an additional 17%-58%. This suggests that a significant number of customers are engaging with their own supplier, either through contacting the supplier themselves or through suppliers actively initiating the retention of customers, and benefiting from offers that are more competitive than the standard tariffs available.

However, internal switching may not lead to customers saving as much money as if they switched to a discounted offer from a new supplier, as shown in section 5.3 of this report which shows that the majority of customers on discounts are on relatively low levels of discounts.

### 3.3.4 Consumer Engagement Post Switching

Because of the time limited nature of some discounted tariffs, it is important that when customers switch they obtain the best option to suit their needs and continue to benefit from competition, by remaining engaged with available offers. In this context the CER has also reviewed the actions customers take when their contract expires, based on data on the overall number of customers per year who automatically default at the end of a contract to a tariff that does not have a new customer discount or a lock in period associated with it.

The findings show that a significant proportion of customers continue to default to more expensive standard rate tariffs at the end of a fixed price contract period.

<table>
<thead>
<tr>
<th>Domestic Gas</th>
<th>Nov-15</th>
<th>Dec-15</th>
<th>Jan-16</th>
<th>Feb-16</th>
<th>Mar-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Number of successful renegotiations</td>
<td>1,483</td>
<td>2,850</td>
<td>4,014</td>
<td>4,085</td>
<td>3,519</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Non-Domestic Gas</th>
<th>Nov-15</th>
<th>Dec-15</th>
<th>Jan-16</th>
<th>Feb-16</th>
<th>Mar-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Number of successful renegotiations</td>
<td>19</td>
<td>600</td>
<td>581</td>
<td>643</td>
<td>196</td>
</tr>
<tr>
<td>Number of switches</td>
<td>8,630</td>
<td>7,314</td>
<td>7,900</td>
<td>8,766</td>
<td>8,639</td>
</tr>
<tr>
<td>% of total switches</td>
<td>17%</td>
<td>47%</td>
<td>58%</td>
<td>54%</td>
<td>43%</td>
</tr>
</tbody>
</table>

Table 3.4, Internal switching in gas
Table 3.5 shows the number of customers per market segment that defaulted to standard tariffs in 2015. There were 2,030,110 customers in the domestic electricity market in 2015, and the CER’s market monitoring data suggests that approximately 23% of these customers were on some level of discounts in 2015.

<table>
<thead>
<tr>
<th>% of customers defaulting to standard tariffs in 2015</th>
<th>Domestic Electricity</th>
<th>Small Business Electricity</th>
<th>Domestic Gas</th>
<th>IC Gas</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of total customers</td>
<td>11.69%</td>
<td>3.33%</td>
<td>12.89%</td>
<td>2.41%</td>
</tr>
<tr>
<td>% of customers who switched in the last 12 months</td>
<td>86.14%</td>
<td>18.34%</td>
<td>81.23%</td>
<td>15.73%</td>
</tr>
</tbody>
</table>

In 2015, 86% of electricity customers that had switched supplier in the previous 12 months defaulted to a standard tariff, when their initial discount period ended. This amounted to 11.69% of all electricity customers. 12.89% of all gas customers defaulted to standard tariffs, at the end of a discount period, amounting to over 81% of gas customers who switched supplier in the last 12 months.

While this is a low percentage of customers overall, taken as a percentage of customers on fixed term discounted plans (a proxy for this is the number of customer switches in the preceding 12 months) this indicates that a large number of customers who were active in the market did not renegotiate their contract or switch in 2015. Lower numbers of business electricity and gas customers defaulted to standard tariffs, however a significant proportion of business customers negotiate bespoke contracts with suppliers. Customers could benefit from prompts to reengage and seek a better offer at the conclusion of their initial discount period.

The results of the 2015 and 2016 consumer surveys support these findings. 58% of customers in 2015 and 60% in 2016 automatically continued with their supplier following the end of their initial contract period, irrespective of the tariff applied. 49% of customers surveyed in 2016 stated that they would be interested in a reminder
that their offer is about to expire. Of those who were interested, 75% would like to receive the reminder one month before their offer comes to an end.

The results of this analysis suggest that although a proportion of customers are engaging with the market, this is often on a one off basis and not thereafter. It is clearly a matter of concern that customers who have switched to take advantage of better terms do not actively try to maintain those better terms at the end of the discounted period. There could be a number of reasons for this lack of engagement, including customer’s gap in knowledge on the terms and conditions of their contract, or experience of switching and satisfaction with their supplier as outlined in this chapter.

The consumer survey indicates that customers do not understand offers available in the market and have a low awareness of competitors, and it is possible that if the experience did not meet their expectations, they may not switch again. However, the current structure of offers available in the market (standard vs. fixed term discounted offers) means that customers need to engage with the market on a continuous basis to benefit from the most competitive offers available.

### 3.3.5 Summary of switching in the electricity and gas retail markets

The CER is encouraged to see that customers that switched rated the process as easy or very easy. However, the CER is concerned that there is a high level of customer inertia, with over 50% of customers who have either never switched or considered switching.

A further concern is the lack of action taken by customers on expiry of their contract. A significant proportion of customers default to more expensive standard rate tariffs, instead of renegotiating their tariff or switching supplier to avail of better offers. The limited ability of customers to compare offers demonstrates that there is a significant
gap in customers’ awareness of the savings they can make, and difficulty in comparing offers.

Overall the results indicate a high and positive level of switching activity when compared to the European context. Data regarding renegotiations also indicates that suppliers are actively trying to retain customers through offering more competitive tariffs.

The CER has considered these findings and proposed actions on Suppliers to prompt customers to take action.

### 3.4 Contract Conditions and Billing Information

The commercial relationship between suppliers and customers is enforced by two key information tools. The terms and conditions of the tariff offer, and the customer’s bills and energy statements. Both of these can significantly influence customers experience with suppliers and competition.

The terms and conditions of an offer should be clear to customers and not contain unfair or disproportionate conditions, or charges such that they present barriers for customer engagement and switching supplier. It is also important that regulations are in place to ensure that customers can avail of a high level of customer protection once they are contracted to their supplier.

#### 3.4.1 Direct debit and e-billing

A number of discounts currently available in the market are based on direct debit customers and those who opt to receive e-bills and manage their account online. While these offers provide access to lower prices for some customers and align with supplier’s rights to pass on savings to customers, this may present a barrier to customers without access to such facilities. Their ability to compare offers may also be inhibited without access to price comparison tools which are only available online.

In the 2016 consumer survey, 27% of respondents agreed that they would consider switching if a supplier offered greater discounts for their chosen payment methods, which suggests that some customers who pay via cheque or post would be more likely to switch if they could avail of the least expensive offers available.

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15 The CER’s Supplier Handbook, CER/12081, requires all terms and conditions to be set out in a fair and transparent way. In reviewing the terms of contracts and the offers available, the CER has considered the following: (i) The contractual prerequisites for availing of discount offers and (ii) Transparency of information regarding supply and termination of contracts.
A 2011 report by the Economic and Social Research Institute (ESRI) on Financial Exclusion and Over-indebtedness in Irish Households looked at the percentage of households which had a bank current account and credit cards, based on survey data from the Household Budget Survey. Between 2004 and 2005, 77.2% of households had a bank current account and 52.8% had a credit card. The study found that there was a linear relationship between a household’s income position and possession of a current account, with greater access for households with higher income levels. This means that a significant proportion of customers in the electricity and gas markets cannot access discounts associated with e-billing or price comparison tools if they do not have a bank account that allows them to select an offer with direct debit.

In February 2016, The Department of Communications, Climate Action and Environment (DCCAE) released a new strategy to combat energy poverty in Ireland. A household is considered energy poor if it is unable to attain an acceptable standard of warmth and energy services in the home at an affordable cost. Energy Poverty can be caused by three factors – a person’s income, the energy costs they must pay and the energy efficiency of their home.

A consultation paper on the affordable energy strategy was released in January 2015, which questioned whether the current retail electricity and gas market is benefitting those in energy poverty. The Money Advice and Budgeting Service (MABs) pointed to the fact that bank accounts and online access are often necessary to get the best deals from energy suppliers. However, many of those at risk of energy poverty may not have access to these.

This issue is of concern to the CER and as part of this paper we are inviting stakeholders to submit their views on proposed actions to ensure that competition can benefit those without access to direct debit and e-billing.

3.4.2 Transparency of information regarding supply and termination of contract.

Customers should be informed when making a choice about their offer if there are commercial conditions which may inhibit their choice in the future. The CER requires suppliers to inform potential customers about any penalties that may apply if they do not meet the terms of their contract, including for example exit fees due to early termination of a contract\(^\text{16}\). A number of suppliers impose exit fees for customers who terminate their contracts early but never for more than a contract period of 12-24 months.

The majority of suppliers incorporate exit fees to some degree in their tariff offerings. Data from the CER’s market monitoring shows that exit fees are present, to varying degrees, in the top ten price plans of Electric Ireland, SSE Airtricity, Bord Gáis

\(^{16}\) Under the Code of Practice on Marketing and Sign Up detailed in the Supplier Handbook
Energy, Energia and PrePayPower (who collectively supply nearly 99%\(^\text{17}\) of all domestic electricity customers). The majority of exit fees for electricity and gas range between €50 and €100, applicable if a customer switches supplier before the end of their fixed term contract.

The CER has recently taken several measures that will enhance customer protection in this area relating to minimum requirements for transparency of information in relation to contract terms and conditions.

The CER is of the view that customers should be clear about the terms of the tariff offer they are signing up to. The CER has aimed to address this through various measures such as an enhanced door step check list that must be used by suppliers, prior to signing up a customer. The check list requires suppliers to inform customers of charges relevant to the supply of energy, including energy and non-energy related charges, deposits, early termination and exit fees, charges relating to prepayment charges and terms of the contract.

A requirement in the Supplier Handbook now requires that where customers need to have access to specific information in order to switch away from a supplier, (such as the deactivation code in the case of electricity PAYG lifestyle customers), the supplier must include all necessary information to enable the completion of the switching processes in their Terms and Conditions of supply.

### 3.4.3 Customer Bills and Statements

The customer bill provides vital information to customers regarding various aspects of their energy offer, their consumption, the amount owed to their supplier and other information regarding energy efficiency measures. The bill also contains information necessary to switch supplier and compare alternative offers and is a key and useful communication tool from a supplier to its customers. It is therefore of benefit to customers to have a good level of understanding of their energy bills.

The CER has reviewed how consumers use and engage with their bills. A significant minority of customers ‘never’ or ‘sometimes’ look at the bill (24% for domestic electricity and 30% for domestic gas).

In addition, the proportion of both domestic electricity customers and domestic gas customers who open the bill every time and state that they only look at the total amount due is also increasing and is now at 45% of both electricity and gas customers. Figure 3.14 shows the main areas customers focus on when reading their bill.

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\(^{17}\) Data from Q3 market monitoring report for 2015
The CER is concerned that customers are not availing of the information in their bill that may help them to reduce their bills and note consumption levels and unit rates, thereby facilitating their engagement with the market.

In order to help to improve customer’s understanding of their bills, the CER has proposed a number of steps it will take to improve information available to customers, including the provision of a breakdown of the components of customer bills on the CER website. The CER is also consulting on further actions to improve customer’s understanding of bills.

### 3.4.4 Free Electricity and Gas Allowance

The Department of Social Protection provides a Free Electricity Allowance (FEA) and Natural Gas Allowance to those aged over 70 and to people under age 70 in certain circumstances. If customers have both an electricity and gas supply, they must choose to avail of either the Electricity Allowance or the Natural Gas Allowance.

For gas customers, the Natural Gas Allowance can either be paid as credit on a customer’s gas bill or as a cash equivalent, regardless of a customer’s supplier. For electricity, currently only customers of Electric Ireland receive the Free Electricity Allowance through credit which is automatically applied to the customers’ bill. The allowance is paid directly to Electric Ireland by the Department of Social Protection and Electric Ireland applies the allowance in credit to eligible customer’s bills.

If a customer in receipt of the Free Electricity Allowance changes to another electricity supplier, they must notify the Department as other suppliers do not receive...
the allowance directly from the Department. Instead, customers receive a cash equivalent of the Electricity Allowance. There is a difference between these two processes, and customers may have a preference for the option whereby they receive the allowance as credit on their bill.

The 2016 consumer survey also looked at the switching rate of recipients of the Free Electricity Allowance. While the switching rate for these customers has increased from 7% in 2013 to 11% in 2016, over half of respondents who were in receipt of the FEA claimed that they would be more encouraged to switch their electricity supplier if they could get their FEA directly credited to their bill.

The CER considers this as a potential concern for customers and suppliers. This is an important finding that links with the Energy Poverty Strategy, and the CER aims to engage with the Department of Social Protection, ESB Networks and the Department of Communications, Climate Action and Environment on this matter.

3.4.5 Summary of contract conditions and billing information
It is clear that transparent and easily accessible information is a requirement to assist customers to actively participate in the market. The assessment shows that contract terms and conditions need to be clear, comprehensive and explained to customers.

It also appears that the larger discount tariff offers are tied to features such as payment by direct debt and e-billing. These contractual requirements have the potential to limit customers that don’t have access to direct debt or e-billing facilities (broadband) from fully benefiting from competition. While this is a concern, the CER is mindful of balancing this with supplier’s right to pass on savings associated with the provision of certain services and tariffs.

There is a need to inform and encourage customers to review their bills more frequently and engage with their supplier with any questions that they may have. The CER will undertake a holistic review of a customer education campaign and information required to empower customers and address the gaps identified in this review.
3.5 New Registrations

New registrations in electricity occur when a customer has a new connection or has moved into a site which has not had electricity supplied for at least 3 months and has remained vacant during the three month period\textsuperscript{18}.

When a new customer wishes to register for the supply of electricity to their premises, they are given the opportunity to choose a supplier. If they do not choose, their default supplier will be Electric Ireland. Electric Ireland continues to be the supplier associated with the majority of new registrations in electricity, as shown in figure 3.15, with 80\% of total new registrations for 2015, compared to 86\% in 2014 and 84\% in 2013.

The CER has raised a request with the relevant industry fora to change this process so that customers must choose a supplier and do not default to Electric Ireland for new registrations.

![Figure 3.15, New registrations in Electricity](image)

Figure 3.15 shows the trend in new registrations for gas\textsuperscript{19} by supplier since January 2010\textsuperscript{20}. When a new customer wishes to register for the supply of gas to their premises, they will not be supplied with gas until they choose a supplier. Despite this, Bord Gáis Energy continues to have the highest number of new registrations for

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\textsuperscript{18} ESB Networks. Sites normally remained registered to a supplier for 3 months after they are deenergised

\textsuperscript{19} New gas registrations are defined by GNI as the situation where a new meter is fitted or a meter is unlocked at sites where there is no supplier registered

\textsuperscript{20} A registration unlock is where the site has been locked for greater than 18 months and there has been no consumption since the lock was carried out and no customer registered.
new gas customers, likely reflecting the higher level of awareness of BGE as a gas supplier.

The trend in new customer registrations with Electric Ireland and Bord Gáis Energy may be related to a number of factors. The first factor is the market process for new registrations in electricity, but other factors such as customer awareness of and trust in alternatives may also be a significant factor (as outlined in section 3.2 of this chapter). Both companies were previously the incumbent supplier in each market and a number of customers may not be aware of alternatives.

### 3.6 Availability of Price Comparison Tools

Easy access to neutral, objective information is crucial to the development of the electricity and gas retail markets. It is important that customers have a trusted place to go in order to evaluate the complex information that is presented to them. Price Comparison tools can help to compile information on unit charges, standing charges and other associated charges and tailor plans to a customer’s current supplier and consumption level.

As shown by recent experiments carried out by the Economic and Social Research Institute on behalf of a number of organisations, including the CER\(^{21}\), customers find it difficult to make the right choice when descriptions of products force them to think about too many parameters at once. Once customers have to take into account more than two or three factors at the same time, they struggle to identify the best deal available.

\(^{21}\) See PRICE Lab: An Investigation of Consumer’s Capabilities with Complex Products
Price comparison websites are accredited by the CER to ensure that the websites are easy to use, accurate and unbiased. To date, two price comparison websites have been accredited by the CER: bonkers.ie and Switcher. The CER monitors and audits these websites to ensure their continued compliance with the accreditation rules.

Figure 3.17, Most popular methods of switching supplier, 2013-2016

Figure 3.17 demonstrates that only a minority of customers who switched used a price comparison website to do so. This has increased in 2016 to 7% compared to 1% of customers in 2013. The majority of switches still take place through door to door sales by suppliers.

Though price comparison websites are very useful in assisting customers in choosing the offer that is right for them, their reach is naturally limited by being web based. Accredited price comparison websites do not currently offer a telephone-based comparison service. In a national representative survey of households, the Commission for Communications Regulation (ComReg) found that 15% of households did not have a broadband service (either fixed or mobile) – see ICT Consumer Survey Reference: ComReg 15/123a. A greater proportion of customers without broadband are older and have a lower income level than those with broadband22.

The transparency of prices and offers available in the market is currently much lower for non-domestic customers, as suppliers are not required to publish non-domestic

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22 “Non Broadband sample population is significantly older compared to total sample (65+ = 43% V 17% in total sample) and from a lower social class (C2DEF 81% V 55% in total sample)”. 

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tariffs on their websites and a large number of plans are bespoke between particular businesses and their suppliers. This may be particularly important for small business electricity and gas customers, for whom there is no price comparison tool available.

The CER considers it timely that a review of the price comparison tool accreditation process is made in order to increase transparency in the market, and consider if there are options available to assist non-domestic customers.

### 3.7 Issues and Proposed Remedial Actions

This section will summarise the key issues identified with respect to customer engagement and outline some proposed actions being considered by the CER.

<table>
<thead>
<tr>
<th>Key Highlights</th>
<th>Proposed Actions:</th>
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</thead>
<tbody>
<tr>
<td>➢ A large proportion of electricity and gas consumers remain unengaged.</td>
<td>➢ Placing an obligation on suppliers to issue a written notification on an annual basis to prompt those customers who have been on the same tariff or a non-discounted tariff for more than 3 years to consider alternative offers.</td>
</tr>
<tr>
<td>➢ Recent figures from analysis conducted by the CER for the Consumer Survey indicate that 58% of electricity and 53% of gas customers have never switched.</td>
<td>➢ The content of this prompt is currently being consulted on for the Supplier Handbook but may contain information about the tariffs available to the customer, and the annual cost of the best available tariff for the customer’s circumstances.</td>
</tr>
<tr>
<td>➢ A lack of engagement in the market from a cohort of consumers will likely mean that those customers miss out on many of the benefits of competition.</td>
<td>➢ The CER intends to address the low level of awareness through a number of initiatives including consumer outreach activities and campaigns.</td>
</tr>
</tbody>
</table>

| ➢ There is a low level of awareness of how the market works. | ➢ Enhance provision of information and explanations on the CER website. |

| ➢ There is a low level of understanding of prices and offers currently available in the market. | ➢ A requirement aimed to make it easier for customers to compare offers by suppliers displaying an estimate of the annual average bill based on typical consumption values on all advertising and marketing material. |
| ➢ Consumer Survey findings indicate that consumers continue to have little to no understanding of energy offers by suppliers. | ➢ A review of potential improvements to price comparison web sites. |
| ➢ Tariff structures may lead to a lack of incentives for low usage customers to switch (see chapter 5 for further detail on this finding) | |
| A high number of customers who have switched are defaulting to standard tariffs. | Publication of better information regarding typical consumption levels of customers, to assist customers in comparing tariff offers and services. |
| Evidence from consumer surveys and market monitoring highlights that a majority of customers ‘roll-over’ on to new contracts with their current supplier. | The CER will review its web site information and publications to improve customer awareness and knowledge, for example information regarding components of bills to assist customer decision making. |
| The current registration process for electricity customers may not set a level playing field for suppliers. | An obligation placed on suppliers to send customers a written notification 30 days prior to the expiry of a fixed term contract. The content of this notification is currently under consultation. |
| Updates to the market process for registration for new electricity customers is currently underway. The aim of this action is to provide a level playing field for suppliers for both electricity and gas in obtaining customers through new registrations. | The introduction of this notice will remind customers of the expiration of their current fixed term contract and may prompt customers to engage with their current supplier or an alternative supplier to find a more competitive offer. |
| There are currently no accredited price comparison tools for non-domestic customers, which may lead to lower transparency in the market. | A review of the accreditation process for price comparison tools. |
Views and comments are invited on the following:

1. In addition to measures set out in the CER Supplier Hand Book and actions proposed in this report, are there additional measures that can be used to improve customer awareness and understanding of offers available in the market?

2. Notwithstanding that there are certain minimum requirements relating to what must be published on an energy bill, are there additional specific tools or measures that can be used to help improve customers’ understanding of what information is contained within the bill?

3. This chapter has identified certain cohorts of customers who may not have considered the benefits of switching. Are there specific measures that can be taken to target these customers?

4. Are there additional measures or improvements that can be made to assist customers with the switching process? What role should Suppliers and other stakeholders play in this area?
4 Consumer Protection

Key Indicators:

- Are there sufficient levels of protection for customers, including minimum standards for marketing and advertising, billing and disconnection? What are the requirements placed on suppliers?
- Is there sufficient protection for vulnerable customers?
- What are the rates of disconnection and PAYG installation?
- The number of complaints reported by suppliers.
- The number and type of complaints to the CER.

4.1 Requirements in a deregulated market and minimum standards of protection

Customer protection and a high quality of customer service are key requirements for a competitive energy market. This chapter provides an overview of the consumer protection measures placed on suppliers and network companies and consumer perceptions about the quality of service they receive.

The CER has a statutory mandate to protect the interests of energy customers and promote competition in retail markets. The customer protection functions and duties of the CER have been expanded significantly by statutory instruments transposing EU Directives into Irish law and the introduction of new primary legislation\(^2\).\(^3\)

Absent these measures, customers could be adversely impacted and any resulting dissatisfaction could impact on their future engagement with the market. It is also

\(^2\) S.I. No. 452 of 2004 strengthens energy customers’ rights by placing specific obligations on suppliers in relation to the content of Customer Charter and Terms and Conditions of Supply. Under S.I. No. 60 of 2005, the CER is required to ensure that “there is a high standard of protection for final customers in their dealings with licensed suppliers” and that “licensed suppliers who supply household customers shall each, in a form approved by the Commission, develop, publish, adhere to and keep up to date a customer charter, in respect of household customers.”

S.I. No. 463 of 2011 gives further legal effect to consumer protection provisions of Directive 2009/72/EC and 2009/73/EC by strengthening the powers of the CER and imposing specific obligations on electricity and gas suppliers in relation to protection of vulnerable customers. The CER’s customer protection powers were extended by the implementation of S.I. No. 630 of 2011, which requires the CER to “monitor the level and effectiveness of market opening and the development of competition in the supply of electricity”. On foot of these activities, the CER may take any actions necessary to (i) prevent a distortion or restriction of competition in the supply of electricity and gas to final customers, or (ii) ensure that final customers are benefiting from competition in the supply of electricity and gas.”
important to protect the rights of vulnerable customers and ensure that disconnections are a last resort.

Under its legal mandate, the CER is responsible for implementing energy-specific customer protection measures, which include:

- The CER’s policy on disconnections\textsuperscript{24}, with the objective that customers should only be disconnected as a last resort;
- The development of minimum requirements and guidelines for energy suppliers, in relation to their engagement, services and protections provided to customers\textsuperscript{25}.
- Obligations on Network companies in relation to vulnerable customers and services to suppliers, and in relation to the market design rules and;
- Customer complaints resolution and monitoring.

Standard Terms and Conditions of suppliers must be approved by the CER, based on an assessment of compliance with the Supplier Handbook requirements. Each supplier must also have in place a Customer Charter for household customers approved by the CER.

The CER also approves the design, development and implementation of market design rules to support new market entry in both the electricity and gas retail markets. These include the Change of Supplier Process (CoS) as well as requirements related to meter readings, meter works, site details etc.

### 4.2 Policy on vulnerable customers

It is essential that customers most vulnerable to the loss of energy supply are provided with suitable protection measures. A vulnerable customer is defined in legislation as a household customer who is:

a) Critically dependent on electrically powered equipment, which shall include but is not limited to life protecting devices, assistive technologies to support independent living and medical equipment, or

b) Particularly vulnerable to disconnection during winter months for reasons of advanced age or physical, sensory, intellectual or mental health.

The CER has introduced specific protection measures for vulnerable customers through the Supplier Handbook. Suppliers are required to put in place systems and

\textsuperscript{24} The word disconnection in this Code refers to locking/unlocking, de-energisation/re-energisation and disconnection for non-payment.

\textsuperscript{25} A core set of protections afforded to household and non-household customers through the Supplier Handbook are detailed in Appendix 1 of this report. The CER is currently undergoing a review of the Supplier Handbook, which will result in enhanced customer protection measures.
processes which ensure that registered vulnerable customers are not disconnected during the set time periods.

A 2015 audit of compliance by the CER with the Code of Practice on Vulnerable Customers showed that suppliers were largely compliant with their obligations as outlined in SI 463 of 2011 and the CER Code of Practice in relation to vulnerable customers. However, some gaps were identified and policies to rectify these gaps have been implemented through the Supplier Handbook. The CER also conducted a number of dedicated workshops with industry in relation to vulnerable customers throughout 2014 and 2015.

The 2016 Consumer Survey found that overall, awareness of respondents of the option to register as a Priority Services Customer was low. It found that just 31% of respondents indicated awareness of the ability to register if a person is critically dependent on electricity supply for medical reasons. 1 in 4 domestic electricity and gas customers were aware of the Special Services register.

![Figure 4.1, awareness of registration categories for vulnerable customers]

As it is critically important that vulnerable customers are provided with adequate protection, the CER will continue to investigate with suppliers and stakeholder groups representing such customers how best to increase awareness of vulnerable customers of the protections available to them.

4.3 Disconnection process and trends over time

It is important that customers are supplied with energy and stay connected to the grid, however in some cases, as a last resort, suppliers may disconnect a customer due to non-payment of their energy bills.

In dealing with customers that are in arrears, suppliers must take a number of steps prior to disconnecting a property. The disconnection of a customer’s energy supply should always be the last resort and all suppliers are required to offer a payment plan and a PAYG meter to customers in arrears in advance of proceeding to disconnect. Suppliers must also facilitate a customer that wishes to nominate a third
party to represent them\textsuperscript{26} and a supplier must provide in its Code that it conducts its business in such a manner that minimises the number of customers that are disconnected. These requirements are outlined in the Supplier Handbook.

Suppliers must work with the relevant state agencies or recognised charities to assist household customers with arrears or a payment plan in the event that difficulties are experienced.

In early 2014 the CER, in conjunction with industry and the Department of Communications, Energy and Natural Resources, reviewed the market processes to ascertain if more could be done in further reducing disconnections (e.g. by increasing uptake of PAYG). While this work was ongoing the CER imposed a moratorium on disconnections, which was lifted on 20th February 2014. In May 2014, a voluntary agreement was introduced by most energy suppliers which saw them committing to never disconnect a customer that engages with their supplier over arrears.

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<tbody>
<tr>
<td>Electricity</td>
<td>17,794</td>
<td>17,441</td>
<td>12,391</td>
<td>8,731</td>
<td>7,783</td>
<td>3,006</td>
<td>1,631</td>
</tr>
<tr>
<td>Gas</td>
<td>4,560</td>
<td>7,558</td>
<td>6,279</td>
<td>3,998</td>
<td>3,542</td>
<td>855</td>
<td>715</td>
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Table 4.1, total electricity and gas disconnections between 2011 and 2016

A 2013 CER audit of supplier’s compliance with the Code of Practice on Disconnections for the domestic sector concluded that suppliers were mostly compliant with the requirements of the Supplier’s Handbook with regard to disconnection processes and procedures.

The appropriate metric for comparison is the rate of disconnections as a proportion of customer numbers to determine the intensity of disconnections by supplier. The level of electricity and gas disconnections per 10,000 customers for each supplier is shown below. This shows that the rate of disconnections has fallen significantly in recent years, as the overall economy has improved, and the economic drivers leading to customers falling into arrears have improved.

\textsuperscript{26} e.g. money advisor including MABS, a recognised charity or Social Welfare Representative.
There are two models of prepayment meters in Ireland; those that customers choose as a lifestyle choice, and those that are used to assist those in financial difficulty to pay their bills. This section focuses on PAYG meters as a customer protection measure to assist customers that would otherwise face disconnection.
Prepayment for energy supply has an important role to play in providing protection and support to customers who might otherwise struggle to manage their energy bills. For other customers, prepayment is a lifestyle choice based on the control and convenience it delivers. In addition, the emergence of prepayment as a “mainstream” option for consumers has led to increased levels of competition in the energy supply market.

In instances where it would not be appropriate for a supplier to offer a PAYG meter, for example in the instance where a customer is unable to use the meter or where there is no suitable location for the meter on the premises, an alternative must be offered by the supplier, for example an extended payment plan. It is the responsibility of suppliers to assess the suitability of prepayment meters/ budget controllers for a customer, especially if they are classed as vulnerable\(^{27}\) or have an impairment which could impact their ability to use the technology\(^ {28}\).

When a customer is offered a financial hardship PAYG meter, a customer can enter into an arrangement with their supplier to carry out a payment plan using their PAYG meter to manage their arrears. This could be in the form of a certain amount of each top-up going towards a customer’s payment of arrears. The cost of the PAYG financial hardship meter is socialised.

Where a customer is repaying debt they must receive a statement at least three times a year including information regarding consumption, outstanding debt, debt repaid and payments made. Up to a maximum of 25% of any single customer vend can be attributed to debt recovery.

Table 4.2 below sets out the PAYG installations since Q1 2014 to Q2 2016 for financial hardship in electricity and both financial hardship and lifestyle choice in gas. As can be seen from the table, the rate of PAYG installation for financial hardship reasons has decreased over time.

\(^{27}\) A vulnerable customer is defined in legislation as a household customer who is:

- a) critically dependent on electrically powered equipment, which shall include but is not limited to life protecting devices, assistive technologies to support independent living and medical equipment, or
- b) particularly vulnerable to disconnection during winter months for reasons of advanced age or physical, sensory, intellectual or mental health.

\(^{28}\) Suppliers are required to put in place systems/ processes which ensure that registered vulnerable customers are not disconnected during the set time periods. Customers registered as critically dependent on electricity (as set out in a above) may not be disconnected for non-payment of account. Customers registered as particularly vulnerable to disconnection during winter months (as set out in b above) may not be disconnected for non-payment of account in winter months (1st November – 31st March).
### Electricity PAYG installs

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<tbody>
<tr>
<td><strong>Total Cumulative Installs</strong></td>
<td>47,067</td>
<td>53,042</td>
<td>58,798</td>
<td>62,858</td>
<td>67,010</td>
<td>70,580</td>
<td>73,288</td>
<td>75,177</td>
<td>77,101</td>
<td>78,742</td>
</tr>
<tr>
<td><strong>Total Monthly Installs</strong></td>
<td>5,075</td>
<td>5,975</td>
<td>6,120</td>
<td>4,064</td>
<td>4,152</td>
<td>3,570</td>
<td>2,478</td>
<td>1,889</td>
<td>1,921</td>
<td>1,641</td>
</tr>
</tbody>
</table>

**Table 4.2, number of electricity PAYG installs in 2014, 2015 and 2016**

### Gas PAYG Installs

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Cumulative Installs</strong></td>
<td>86,597</td>
<td>89,623</td>
<td>91,921</td>
<td>93,399</td>
<td>94,927</td>
<td>97,317</td>
<td>99,339</td>
<td>100,964</td>
<td>100,749</td>
<td>101,736</td>
</tr>
<tr>
<td><strong>Total Monthly Installs</strong></td>
<td>2,478</td>
<td>3,193</td>
<td>2,597</td>
<td>1,750</td>
<td>1,896</td>
<td>2,022</td>
<td>1,625</td>
<td>902</td>
<td>1,003</td>
<td>1,276</td>
</tr>
<tr>
<td><strong>% financial hardship</strong></td>
<td>84.58%</td>
<td>91.45%</td>
<td>90.14%</td>
<td>82.63%</td>
<td>87.87%</td>
<td>89.28%</td>
<td>89.11%</td>
<td>78.82%</td>
<td>70.09%</td>
<td>77.35%</td>
</tr>
</tbody>
</table>

**Table 4.3, number of gas PAYG installs in 2014, 2015 and 2016**

If a customer who is currently in arrears with their supplier opts to switch to another supplier who is offering a lifestyle choice prepayment meter plan, the customer’s existing supplier has the facility to inform the new supplier if the customer has an outstanding debt above the industry thresholds approved by the CER.

The threshold for domestic customers is a customer who is in arrears greater than €225 for more than 60 days. Where such a ‘flag’ has been raised by the current supplier, the new supplier can choose whether to proceed with or cancel the change of supplier (CoS) request. This ‘debt flagging’ process has been in place since October 2011 and the CER monitors the use of this facility by both losing and gaining suppliers on an on-going basis.

Figure 4.4 shows the trend in electricity disconnections for 2015 and 2016 compared to the trend in installation of PAYG financial hardship meters. It indicates that in the absence of a PAYG system, disconnections would be significantly higher.

---

29 Where a customer switches supplier while they still have a credit balance on their prepayment meter, any credit due to the customer in a change of supplier scenario should be refunded no later than 2 months from the effective date of the change or within a timeframe approved by the CER.
Both the number of disconnections and the number of PAYG financial hardship meters installed over time has declined from 2011 to 2016. This trend can be partly attributed to improved financial conditions for households following the economic crisis in Ireland. The CER monitors disconnections and PAYG installs on a monthly basis and will take appropriate steps where necessary if the number of disconnections increase significantly.

The revised Supplier Handbook has introduced a number of measures to enhance the current protection framework for PAYG customers. It ensures that PAYG customers will receive the same billing information with the same frequency as bill pay customers, and enjoy the same switching process as bill pay customers.
4.5 Debt Flagging

Where a customer requests to change to a new supplier, the customer’s existing supplier has the facility to inform the new supplier if the customer has an outstanding debt, above the industry thresholds approved by the CER\(^\text{30}\).

The new supplier can then choose whether to proceed with or cancel the change of supplier (CoS) request where this ‘flag’ has been raised. The debt flagging process has been in place since October 2011 and the CER monitors the use of the debt flagging facility by both losing and gaining suppliers on an on-going basis. Based on information on debt flagging over time, it does not appear to have a large impact on competition. Debt flags have accounted for between 0.65% and 1.73% of electricity and gas switches over time.

<table>
<thead>
<tr>
<th>Debt Flags</th>
<th>Elec</th>
<th>Gas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Debt Flags</td>
<td>1,061</td>
<td>1,398</td>
</tr>
<tr>
<td>Total debt Flags as % of overall Switches</td>
<td>1.67%</td>
<td>1.73%</td>
</tr>
<tr>
<td>% of debt Flagged CoS requests Cancelled</td>
<td>23.60%</td>
<td>29.00%</td>
</tr>
</tbody>
</table>

Table 4.4, Debt Flagging in Electricity Q1 2014 – Q2 2016

<table>
<thead>
<tr>
<th>Debt Flags</th>
<th>Gas</th>
<th>Elec</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Debt Flags</td>
<td>166</td>
<td>254</td>
</tr>
<tr>
<td>Total debt Flags as % of overall Switches</td>
<td>0.69%</td>
<td>0.96%</td>
</tr>
<tr>
<td>% of debt Flagged CoS requests Cancelled</td>
<td>50.60%</td>
<td>44.10%</td>
</tr>
</tbody>
</table>

Table 4.5, Debt Flagging in Gas Q1 2014 – Q2 2016

4.6 Customer Complaints

As mentioned above, the quality of service received by an energy consumer and trust in a supplier are key components in a competitive energy market.

Complaints can reduce customer’s level of trust in the market and lead to disengagement, and may affect the market share of a supplier. Customers should

\(^{30}\) Domestic threshold: \(\geq \) €225 for > 60 days from due. Small business & unmetered supply: \(\geq\) €600 for > 30 days from due. Medium sized business: \(\geq\) €1,200 for > 30 days from due.
have access to facilities to make complaints related to their electricity and gas supply to an impartial body if the complaint cannot be resolved with their supplier. The level and type of complaints received provide CER with valuable information on areas that require attention and action.

CER monitors three sources of customer complaints data: Information from the CER customer complaints team (CCT), new customer complaints information received from suppliers and the Consumer Survey.

4.6.1 CER Market Monitoring Data on customer complaints

The CER has recently begun to collect data from suppliers on a yearly basis concerning the number of complaints they have received from customers. This data is broken down into complaints related to networks, suppliers and other third parties. Complaints are defined as a customer’s expression of dissatisfaction. The definitions of the categories of complaints are provided in Annex 2.

In 2015, the majority of complaints to suppliers were related to billing issues, customer service issues, payment issues, sales issues and switching issues. Billing issues and customer service issues registered the highest number of complaints, matching the type of complaints that are reported to the CER (the 2015 Customer Care Team Annual Report (CER16145) can be found here.)

There were a total of 15,937 customer complaints recorded by suppliers in 2015. This represents 0.54% of all electricity, gas and dual fuel customers. Of these, 3,884 contacts were recorded by the CER which represents 0.13% of all electricity and gas customers.

These figures indicate that the process for complaint resolution by suppliers and the CER is proving to be effective. Conversely, the relatively low numbers of complaints in the market may indicate that customers are not aware of their rights and the process for making a complaint, along with the CER’s role in resolving complaints. Trends in complaint reporting to suppliers, networks and the CER will continue to be monitored to help ascertain if more work is needed to inform customers about how they can make a complaint.
<table>
<thead>
<tr>
<th>Market Segment</th>
<th>Number of complaints</th>
<th>Total customers in 2015</th>
<th>% of total customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Electricity</td>
<td>9,397</td>
<td>2,030,110</td>
<td>0.46%</td>
</tr>
<tr>
<td>Non-Domestic Electricity</td>
<td>799</td>
<td>212,190</td>
<td>0.38%</td>
</tr>
<tr>
<td>Domestic Gas</td>
<td>4,774</td>
<td>668,808</td>
<td>0.71%</td>
</tr>
<tr>
<td>Non-Domestic Gas</td>
<td>194</td>
<td>25,786</td>
<td>0.75%</td>
</tr>
<tr>
<td>Dual Fuel</td>
<td>773</td>
<td>Not available</td>
<td>Not available</td>
</tr>
<tr>
<td>Total</td>
<td>15,937</td>
<td>2,936,894</td>
<td>0.54%</td>
</tr>
</tbody>
</table>

Table 4.6, customer complaints by market segment

It should be noted that as complaints are reported by individual suppliers to the CER, methodologies for reporting these may differ slightly, leading to differences in the number of complaints recorded. Once a time series of complaints from suppliers is built up, the trend in the number of complaints for each supplier will serve as a better indicator of performance with regard to customer complaints over time, and will enable the CER to look into the reasons for certain trends or high levels of complaints in certain areas.

4.6.2 Customer Care Team

The CER’s Customer Care Team (CCT) was established in 2006 as a dedicated unit providing complaint resolution and information services to natural gas and electricity customers in Ireland. In 2015, there were 3,884 customer contacts logged by the CCT, a decrease of 30% from the total number of customer contacts logged in 2014.

The breakdown of contacts closed by supplier/network operator in 2015 is depicted in figure 4.6.

Common complaints noted included billing and account issues, metering problems and network charges, with 45% of complex complaints closed in 2015 (energy and water combined) upheld in favour of the customer.
As outlined in this chapter, the CER monitors a number of areas related to customer protection, including disconnections, PAYG financial hardship installs, debt flagging and compliance.

The main issues that have been identified in this chapter are the low level of awareness of the registration process for vulnerable customers and the updates required to the Supplier Handbook. The CER is working to update the Supplier Handbook and to increase awareness of the provisions for vulnerable customers. The updates to the Supplier Handbook are based on various monitoring exercises and audits carried out by the CER. The outcome of the review will address several areas which include customer billing, switching, marketing and information to be provided to PAYG customers.

Overall, the data presented in this chapter indicates that as a proportion of total customers, there are relatively few complaints to suppliers. This ties in with the high satisfaction levels recorded each year in the consumer survey, and indicates that the level of customer service provided is not an impediment to trust in the market.
<table>
<thead>
<tr>
<th>Key Highlights:</th>
<th>Proposed Actions:</th>
</tr>
</thead>
</table>
| ➢ The Supplier Handbook defines minimum standards of protection for all customers, however it was last updated in 2012 and there have been a range of market developments in that time. | ➢ A review of the requirements of the Supplier Handbook will enhance the current customer protection framework and ensure that regulatory requirements are reflective of current market conditions.  
➢ An update of the Supplier Handbook is underway and a decision paper will be published in Q1 of 2017 which will improve standards of protection for customers.  
➢ The current protection framework for PAYG customers will be enhanced.  
➢ Enhance provision of information and explanations on the CER website. |
| ➢ Low awareness of the process for registration of vulnerable customers        | ➢ The Supplier Handbook will require suppliers to inform customers about the registration process for vulnerable customers.  
➢ Further engagement with suppliers to ensure that vulnerable customers are protected.  
➢ The CER will also consider including this information on its website. |
| ➢ As a proportion of total customers, there were a relatively small number of complaints to suppliers in 2015, as highlighted in table 4.6.  
➢ This indicates that the level of customer service in the electricity and gas retail markets is not an impediment to customer engagement. | ➢ The CER will continue to monitor the volume and type of customer complaints through its market monitoring activities and customer care team. |
Views and comments are invited on the following:

1. Are there additional measures that can be taken to increase awareness of the registration process for vulnerable customers for gas and electricity?

2. This chapter has outlined a range of customer protection indicators that are currently monitored by the CER, including the level of disconnections and customer complaints. Are there other customer protection issues in the market which should be monitored by the CER? If so, please explain the perceived value of monitoring such indicators.
This chapter looks at the trends in electricity and gas retail prices in Ireland over time, primarily for domestic customers, and compares retail prices in Ireland with electricity and gas prices in other EU countries.

The analysis presented in this chapter considers the correlation between wholesale and retail market prices over time and reviews the difference between total wholesale costs, network charges and supply costs in the electricity and gas sectors. The breakdown of these costs is presented in detail along with how they have changed over time.

This chapter also considers the offers that are made available by suppliers, the differences and range in price offers, and how consumers have responded to these offers. In this regard the analysis presented considers the proportion of customers on discounted and standard plans, the price spread between the most expensive and least expensive offers available in the retail market based on consumption levels and the offers available in 2016.

The assessment also considers the components of these prices and other factors on which suppliers are competing. The components of electricity and gas prices, including wholesale costs, network costs, supply costs and taxes and levies are outlined below and in further detailed in Appendix 5.

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31 Details of prices offered to non-domestic customers are not made publicly available by suppliers. At this time not enough information is available for this group of customers.

32 In this review total wholesale costs and network charges are compared to weighted average retail prices for consumers (excluding taxes and levies).
Wholesale costs: Wholesale costs are based on the price of purchasing electricity and gas. The high reliance of Ireland on imported fossil fuels, in particular gas\textsuperscript{33}, for electricity generation results in Ireland having a high exposure to international wholesale market prices and currency fluctuations. Variations in global prices and currencies are outside the control of suppliers, who have developed hedging strategies that allow them to smooth wholesale price changes over time. This sets the price that suppliers pay for energy over a certain period, and while it serves to increase price stability it means that there is a lag in how quickly changes in prices at the wholesale level are fed through to retail tariffs.

The figures in Appendix 5 demonstrate the changes in average SEM Spot electricity prices and day ahead NBP gas prices over time.

Network costs: These regulated costs are necessary in order for networks and other market operators to recoup the cost of transmitting and distributing electricity and gas, and suppliers are required to pay these annually. Changes to these charges generally come into effect on the 1st of October annually (electricity capacity charges are updated on the 1st of January). These costs are referred to as Pass-through Costs as it is likely suppliers will pass these costs on in full to customers.

The CER has responsibility for regulating network prices in Ireland. The CER carries out annual reviews of the charges for access to and use of the electricity and gas transmission and distribution systems. The CER also reviews the costs incurred by ESB and GNI in developing, maintaining and operating the system. A number of other charges are regulated and approved annually (for example network charges and certain generation-related charges in electricity). The infrastructure required to serve Ireland’s low population density, increases in demand and the increasing proportion of renewable energy has an impact on these network costs.

Supply Costs: There are a number of operating costs faced by suppliers, for example customer care, billing, marketing and advertising, along with government policy costs. Supply costs also include a supplier profit margin. It should be noted that margins are also included in wholesale and network costs.

Taxes and levies: Suppliers must also charge their customers the PSO levy\textsuperscript{34}, carbon tax and VAT. The PSO levy is a subsidy charged to all electricity customers in Ireland. It is designed by the Irish Government and consists of various subsidy schemes to support its national policy objectives related to renewable energy, indigenous fuels (peat) and security of energy supply.

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\textsuperscript{33} Oil prices do not significantly impact on retail prices.

\textsuperscript{34} The Public Service Obligation Levy (PSO) is charged on all electricity customers and designed to support the national policy objectives of security of supply, the use of indigenous fuels (i.e. peat) and the use of renewable energy sources in electricity generation.
5.1 Irish electricity and gas prices compared to EU prices

One of the metrics that the CER monitors to assess electricity and gas retail prices is how prices in Ireland compare to other countries in Europe. These prices are published on a biannual basis by the Sustainable Energy Authority of Ireland (SEAI), sourced from Eurostat.

Figure 5.1 below presents the weighted average prices for domestic electricity for Ireland (weighted by each consumption band) along with simple averages of the bands for the EU and Euro Area (as data for weighted averages is not yet available at the EU and Euro Area level). Although the weighted average and simple average are not directly comparable, figure 5.1 shows that retail electricity prices in Ireland have generally tracked prices elsewhere in Europe, and as of the second half of 2015, the price of electricity to household customers was 1.6% above the EU average and 5.2% below the Euro Area average. In the first semester of 2016 it was 3.6% below the EU average and 11.3% below the Euro Area average.

Annex 5 of this report also provides further Eurostat data on prices broken down by consumption bands.

As shown in figure 5.2, the price of gas for household consumers in Ireland was below both the EU and Euro Area average between 2007 and 2015 with the...
exception of the second half of 2009. In the second half of 2015 it was 8.5% and 16.3% below the EU and Euro Area respectively. The average gas price was 6.6% below the EU average and 15.8% below the Euro Area average in semester one of 2016.

**Figure 5.2**, Average Gas Prices (ex-VAT) to Households – All Consumption Bands from SEAI’s Electricity and Gas Prices in Ireland report, 1st Semester 2016

### 5.2 Trends in prices over time

In this section, we look at the difference between wholesale prices, network costs and retail prices (supply costs) for suppliers over time. This can be used as an indicator of the level of responsiveness of retail energy prices to changes in wholesale market prices.

In addition, the analysis presented looks at the difference between estimated wholesale and network costs and the annual average bill of a customer with typical consumption, excluding taxes and levies.

Two key indicators of competition performance that are explored in this section are:

1. The difference between the combination of wholesale prices plus networks costs and final retail prices.
2. The correlation between wholesale prices and the energy component of retail prices, as shown in the 2015 ACER-CEER market monitoring report.
The difference between the combination of wholesale costs plus network costs and the final retail price represents supply costs as detailed in table 5.1, and includes the net profit margin earned by suppliers. It is important to note that supply costs are not the same as profits, as suppliers have additional operating costs separate from wholesale commodity costs and network costs that need to be paid from the total revenue of final retail prices.

These include the cost of competing in the retail market, marketing costs, customer acquisition costs, sales costs, compliance costs, public policy costs (such as the Energy Efficiency Obligations Scheme\textsuperscript{35}), among other operating costs. The final profits of suppliers are not presented separately in this report, but are included within the supply costs category.

The level of supply costs can provide an insight into whether a market is subject to effective competition. High supply costs can be a sign of a less competitive retail market, which should act as a signal to new entrants, while low supply costs can signal that effective competition has reduced prices to an efficient level. Differences from jurisdiction to jurisdiction can be partially explained by differences in suppliers’ operating costs and/or expenditures incurred in acquiring and retaining consumers. High sales, marketing and customer service costs may also increase the differences between wholesale and retail prices.

Ireland faces cost challenges due to our high reliance on imported fuel. Due to Ireland’s low population density relative to other EU countries, the transmission and distribution networks serve a lower number of people and so network costs are higher.

5.2.1 Electricity

This section shows the estimated changes in wholesale, network and supply costs based on the CER’s analysis. Changes in wholesale prices and retail prices occur at different times and levels and hence the CER has examined these trends on a multi-annual basis.

While wholesale energy costs have been decreasing on average from 2013 as shown in Appendix 5, network costs (both transmission and distribution) have generally increased. Figure 5.3 and 5.4 below provide a breakdown of network costs and their changes between 2010 and 2016.

\textsuperscript{35} See seai.ie/EEOS
Transmission Use of System charges are applied for the use of the transmission system infrastructure in Ireland. The charges in figure 5.3 can be found in the TUoS Demand tariff statements published each year.

Distribution Use of System tariffs are charged to suppliers on the basis of the amount of energy used by their customers, and include standing charges. These tariffs are approved annually by the CER.

With regard to wholesale energy costs, this assessment has used data collected on the System Marginal Price (SMP) per MWh of electricity between 2013 and 2016, and the annual average bill of electricity customers based on 5.3 MWh of consumption to estimate the wholesale energy cost component of the average annual bill.

36 5.3 MWh is the current annual typical domestic consumption figure used by the CER and price comparison websites for a domestic customer. This figure is currently under review.
The weighted average SMP price based on a half hourly domestic consumption profile was calculated to give the price for 5.3 MWh of consumption over one year, and the wholesale price was estimated by including market operator costs, capacity costs, imperfection costs, and taking into account distribution loss adjustment factors for distribution connected customers.

Network costs were calculated by including transmission charges and distribution charges between 2013 and 2016, which are included in Annex 5.

The weighted average retail price for each year was calculated based on the average annual standard bill of all suppliers, excluding PSO and VAT, taking into account the number of customers per supplier for each year, taken from a point in time each year between 2013 and 2016.

In 2016, final retail prices to consumers decreased. Changes to the weighted average retail prices for standard plans and discount plans across suppliers are shown in table 5.237. A number of costs are fixed across each year and come into effect in October of each year, with capacity charges being updated on the 1st of January.

<table>
<thead>
<tr>
<th>% change in electricity price components over time</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>Cumulative 2013-2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wholesale estimated price</td>
<td>4%</td>
<td>-9%</td>
<td>-11%</td>
<td>-22%</td>
<td>-39%</td>
</tr>
<tr>
<td>Transmission &amp; Distribution costs</td>
<td>4%</td>
<td>0%</td>
<td>2%</td>
<td>5%</td>
<td>11%</td>
</tr>
<tr>
<td>Wholesale and Transmission &amp; Distribution costs</td>
<td>3%</td>
<td>-5%</td>
<td>-6%</td>
<td>-10%</td>
<td>-17%</td>
</tr>
<tr>
<td>Estimated Supply Costs</td>
<td>7%</td>
<td>30%</td>
<td>8%</td>
<td>0.4%</td>
<td>46%</td>
</tr>
<tr>
<td>Weighted average Retail Standard Price</td>
<td>4%</td>
<td>2%</td>
<td>-2%</td>
<td>-7%</td>
<td>-3%</td>
</tr>
<tr>
<td>Weighted average Retail Discount Price</td>
<td>6%</td>
<td>-2%</td>
<td>-3%</td>
<td>-5%</td>
<td>-4%</td>
</tr>
</tbody>
</table>

Table 5.2

37 The weighted average retail price for each year was calculated based on the average standard bill of all suppliers, excluding PSO and VAT, taking into account the number of customers per supplier for each year.
Figure 5.5, Electricity Wholesale and Standard Retail Prices

Figure 5.5 demonstrates the breakdown of weighted average standard electricity prices and wholesale costs from 2013 to 2016. The difference between the average retail price and the sum of the estimated wholesale energy costs and network costs reflects the supply costs (including margin) in the annual bill of a standard price customer. Figure 5.6 demonstrates the difference between overall standard and discount prices over time compared to wholesale prices.

This calculation uses a number of assumptions regarding wholesale prices (from publicly available sources), and the CER realises that different suppliers have different hedging approaches, are of different sizes and face different costs. The figures used in the calculations for figures 5.5, 5.6 and table 5.2 can be found in Appendix 5.

Figure 5.6, weighted average standard and discount prices over time, excluding VAT and PSO
The Agency for the Cooperation of Energy Regulators (ACER) and the Council of European Energy Regulators (CEER) publish a joint annual report covering the developments in EU electricity and gas markets. Part of this report focuses on retail markets and consumer issues and presents analysis on the components of retail prices and retail mark-ups.

Mark-ups are defined in the ACER-CEER 2015 Market Monitoring Report as the difference between the wholesale market price and the retail energy (commodity) component of final retail prices (excluding taxes and other levies) over time.

The retail energy component is taken from Eurostat’s data on the energy component of retail household final prices. Unlike the analysis presented by the CER, network costs are not included here.

For the purposes of this report, we treat the ACER-CEER definition of mark-ups and supply costs as comparable, however analysis presented from the CER’s Market Monitoring Report is presented separately due to the differences in methodologies applied. Network costs have been included in the CER’s analysis due to the high percentage of the final retail price comprised of network costs in Ireland. Figures 5.5 and 5.6 also show prices in Euro terms as opposed to Euro per MWh.

The trends and mark-ups per MWh reported in the ACER-CEER Market Monitoring Report are shown in figure 5.7 and table 5.3.

**Figure 5.7 Relationship between wholesale prices (excluding network costs) and the energy component of the retail electricity price in the household segment, ACER-CEER MMR 2015**

<table>
<thead>
<tr>
<th>Electricity</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard plan Supply Costs (€ per MWh) CER analysis</td>
<td>34.78</td>
<td>46.52</td>
<td>50.57</td>
<td>51.75</td>
</tr>
<tr>
<td>Discount plan Supply Costs (€ per MWh) CER analysis</td>
<td>17.96</td>
<td>22.59</td>
<td>26.44</td>
<td>31.95</td>
</tr>
<tr>
<td>Average Supply Costs (€ per MWh) CER analysis</td>
<td>26.37</td>
<td>34.55</td>
<td>38.51</td>
<td>41.85</td>
</tr>
<tr>
<td>ACER/CEER mark-up for Ireland (€ per MWh)</td>
<td>24.99</td>
<td>42.18</td>
<td>39.46</td>
<td>-</td>
</tr>
</tbody>
</table>

Table 5.3, comparison of CER and ACER/CEER analysis
For the electricity market, the CEER-ACER Market Monitoring Report calculated the retail energy component costs using the DC Eurostat consumption band (2,500-5,000kWh) and Eurostat’s breakdown of the energy component of retail household final prices. The wholesale price was estimated using day-ahead prices excluding any hedging costs.

Further information on the approach used to calculate mark-ups in the electricity retail markets can be found in Annex 1 of the 2015 ACER/CEER market monitoring report.

Both the findings of the ACER-CEER market monitoring report and CER’s own analysis show increases in the difference between the wholesale price and retail energy component (the Supply Costs or Mark Up) over time. The CER has commenced further analysis on the components of Supply Costs to understand why these have increased.

5.2.2 Gas

A similar assessment was also conducted for the gas market. Figure 5.8 shows the estimated correlation between the wholesale and retail price of gas between 2013 and 2016. This is based on the National Balancing Point (NBP)\(^{38}\) price of gas, which was converted to Euros per MWh, as the NBP price is set in Sterling. Consumption for a typical customer was split out across each month based on Gas Network Ireland’s NDM\(^ {39}\) profile for domestic customers\(^ {40}\), which sets out the yearly profiles for gas consumption.

For gas, transmission tariffs consist of capacity and commodity charges that apply for the use of the high pressure transmission natural gas network systems. All natural gas in Ireland flows through the transmission system, and some gas customers such as power generation plants are directly connected to the transmission system. Distribution tariffs also consist of capacity and commodity charges, and are for the use of the lower pressure system where all domestic dwellings are connected.

Distribution Network Tariffs for 2016/17 increased by 0.2% compared to 2015/2016, Transmission Network Tariffs decreased by 1.3% compared to 2015/16.

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\(^{38}\) The NBP is the virtual trading hub in Britain where gas is traded.

\(^{39}\) Non Daily Metered is the meter type applicable to a domestic gas customer

\(^{40}\) See the following link for details of Gas Networks Ireland’s NDM Profile Model Methodology: http://www.gasnetworks.ie/Global/Gas%20Industry/BGN%20Gas%20Industry%20Website%20Content/Gas%20Industry%20Documents/GN%20Files/Capacity%20Register_FAR%20Procedure/BGN%20NDM%20Profile%20Model%20v8.0.pdf
Gas Network Charges

**Transmission tariffs:** These consist of capacity and commodity charges that apply for use of the transmission natural gas network systems. Forecast capacities/demands set at the outset of the gas year are based on expected reserved capacity and expected commodity use of gas.

Network tariffs are charged to gas suppliers and it is likely that these are passed on to their customers. At present transmission network tariffs make up approximately 10% of a domestic customers bill.

**Distribution tariffs:** These consist of capacity and commodity charges that apply for use of the distribution natural gas network. At present distribution network tariffs make up approximately 30% of a domestic customers bill.

An (arbitrary) hedge of 50% of consumption for a customer for a particular month bought a year in advance and 50% bought based on the average NBP price within the month of delivery was assumed for the purpose of the calculation of the estimated wholesale price, based on 13,800 kWh\(^{41}\) of consumption annually. Network costs were added to this to estimate the total wholesale and network price.

The final retail price of gas is based on the CER’s market monitoring of supplier prices over time, and is calculated as a weighted average of the prices of all standard plans at a point in time each year, excluding Carbon Tax and VAT, based on the customer numbers of each supplier over time.

![Gas wholesale and retail standard prices 13,800kWh 2013-2016](image)

**Figure 5.8 Gas wholesale and retail standard prices**

---

\(^{41}\) This consumption figure is currently used on price comparison websites. However, the CER is currently in the process of revising this consumption figure.
The figures used for the calculations in figure 5.8 and 5.9 can be found in Appendix 5.

Figure 5.9 demonstrates the difference between standard and discount final gas retail tariffs over time, excluding specific discounts for dual fuel offers; the weighted average all discount price was calculated based on the cheapest available discount offer across suppliers for each year.

There has been an increase in the difference between the total wholesale and network costs and the average retail price between 2013 and 2015. The hedging strategies of suppliers may entail gas being bought up to two years in advance, resulting in different time periods for decreased wholesale prices to feed through to customers. The CER will continue to monitor wholesale and final retail prices in this regard.
ACER CEER Market Monitoring Report 2015 - Gas

Figure 5.10 shows the relationship between wholesale price and the energy component of the retail gas price over time, as reported by ACER-CEER. For gas, the ACER-CEER market monitoring report applied an average consumption level of 15,000 kWh/year and the ACER database on retail offer breakdowns was used for the energy price component (to which Regulatory Authorities submit national data), as Eurostat does not currently have a detailed price component breakdown for gas.

Three different methodologies were applied across different countries to estimate the wholesale gas price, based on whether gas hubs with sufficient liquidity are available. These methodologies are detailed in Annex 5 of the 2014 ACER-CEER market monitoring report. For Ireland, the gas wholesale price was fully referenced to the prices of long-term contracts using the Eurostat Comext Database on declared gas import prices at Ireland’s borders. During 2015, the vast majority of natural gas was imported via interconnectors with the UK so this is reflective of the wholesale market in 2015.

The mark-up per MWh from the CER’s figures presented in figure 5.8 and the findings from the ACER-CEER Market Monitoring Report are shown in table 5.4, excluding discounted prices for dual fuel plans.

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard plan Supply Costs (€ per MWh) CER analysis</td>
<td>9.77</td>
<td>12.02</td>
<td>13.76</td>
<td>15.85</td>
</tr>
<tr>
<td>Discount plan Supply Costs (€ per MWh) CER analysis</td>
<td>8.54</td>
<td>7.65</td>
<td>8.68</td>
<td>14.04</td>
</tr>
<tr>
<td>Average Supply Costs (€ per MWh) CER analysis</td>
<td>9.15</td>
<td>9.84</td>
<td>11.22</td>
<td>14.95</td>
</tr>
<tr>
<td>ACER/CEER mark-up for Ireland(€ per MWh)</td>
<td>9.91</td>
<td>8.47</td>
<td>12.21</td>
<td>13.62</td>
</tr>
</tbody>
</table>

Table 5.4
5.2.3 Key Findings

The degree of alignment between wholesale prices and final retail prices over time can be used as a proxy for the efficiency of retail competition. According to the 2015 joint ACER-CEER Market Monitoring Report, Ireland showed a weak relationship between wholesale and retail prices for electricity in 2014 but this improved towards 2015.

The level of wholesale costs may be affected in the short term by hedging arrangements that suppliers have in place, so there may be a time lag between wholesale market price changes and changes to the final retail price which will not necessarily coincide. However, over time, the full effect of changes in wholesale prices should be reflected in retail prices by the end of the normal hedging timeline, for example a two year period.

The CER recognises that for both the electricity and gas markets, a significant portion of costs are not open to competition, as they are accounted for by transmission and distribution tariffs. The ACER-CEER 2015 Electricity and Gas Market Monitoring Report identified a decrease in the share of the energy component in the final retail price charged to electricity and gas consumers across Europe. Between 2012 and 2015, the energy component of the final retail price has fallen from 41% to 37% in the case of electricity and from 56% to 52% in the case of gas, as network costs, taxes and levies have increased. This means that the extent to which active retail competition leads to changes in prices paid by customers may decrease over time.
While suppliers also face effectively the same spot prices for wholesale electricity and gas, they can compete based on their hedging strategies and costs. The CER is also aware that certain costs such as marketing and advertising may have increased since deregulation.

While retail prices have fallen between 2013 and 2016, the results of this assessment appear to indicate that the gap between standard and discounted retail prices compared to wholesale and network costs has increased. Customers who are on discounted tariffs appear to be benefitting the most from competition. However as shown in section 5.3, the majority of customers are on standard plans or on lower discounts. This is a concern to CER given that a significant proportion of customers have not switched or are not engaged with the type or level of competitive offers that are available in the market.

We consider more work is required to understand the components of supplier costs. The CER has already commenced work in this area and will engage with suppliers and relevant stakeholders to further its analysis to clarify this finding and decide if any actions are required.

### 5.3 Price Competition – Discount Vs Standard Tariffs

This section considers the range of offers available in the retail market. It reviews the trend in prices, the price spread across all plans based on different levels of consumption, the predominant features of competitive offers and the choices made by customers.

#### 5.3.1 Range of Offers Available

In a competitive market, it is expected that suppliers will innovate and offer a range of tariffs and other innovative products. There are a range of offers currently available to customers. These are shown in table 5.5 below.
The CER’s market monitoring information indicates that more offers are available since deregulation of prices, with a key focus on competitive offers being made on the unit cost of energy, offers based on direct debit and e-billing, pre-payment meters, short term discounts and cash back offers.

Our review found that comparatively few offers have emerged relating to other non-price elements, and there is room for more innovation from suppliers to ensure that all customer types can benefit. The CER will review whether regulatory arrangements are required in this regard.

### Table 5.5

<table>
<thead>
<tr>
<th>Energy based services/Free items</th>
<th>Cashback offers &amp; Points</th>
<th>Discounts</th>
<th>Payment Methods</th>
<th>Contract terms</th>
<th>Rates</th>
<th>Dual Fuel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Climote heating control</td>
<td>€50–€120 cashback</td>
<td>2%-20% Gas discounts</td>
<td>PAYG</td>
<td>12 months</td>
<td>Fixed Rates</td>
<td>Discounts off each fuel or weighted towards one fuel</td>
</tr>
<tr>
<td>Nest learning thermostat</td>
<td>1000–4000 Tesco clubcard points</td>
<td>1%-26% Electricity discounts</td>
<td>Direct Debit</td>
<td>24 months</td>
<td>Variable Rates</td>
<td>Combinations of single fuel offerings in terms of cashback offers and points</td>
</tr>
<tr>
<td>GE Led Light Bulbs</td>
<td>€20–€50 free top ups</td>
<td>Access to loyalty schemes</td>
<td>Bank Transfer</td>
<td>Rolling contracts/no contract term</td>
<td>24 hour plans</td>
<td></td>
</tr>
<tr>
<td>In Home Displays and applications</td>
<td></td>
<td>Duel fuel discount bundles</td>
<td>Phone Cheque An Post Credit Union</td>
<td>€50–€100 exit fees</td>
<td>Day/Night plans Level pay</td>
<td></td>
</tr>
<tr>
<td>Boiler Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Green offers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ireland Jerseys</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### 5.3.2 Domestic electricity prices

This section presents the final retail prices for customers across suppliers. In 2016, there were five suppliers offering both standard and discounted plans for domestic electricity, along with PrePayPower and Pinergy who offered PAYG plans exclusively.

The following tables show the annual average bill across all suppliers for the estimated annual bill at (a) their standard tariffs, and (b) their best available discounted tariff based on information available on price comparison websites.
The most transparent approach to compare prices across suppliers is to use an estimated average annual bill, based on the typical consumption value of 5,300kWhs\textsuperscript{42}.

| Standard Domestic Electricity Annual Average Bills (based on typical annual consumption of 5,300 kWhs) including PSO and VAT |
|---|---|---|---|---|
| **Credit Plan** |
| Electric Ireland | € 1,211 | €1,182 | 6\% reduction in unit charge announced in April 2016 | €1,136 |
| Energia | € 1,253 | €1,228 | - | €1,240 |
| Bord Gáis Energy | € 1,218 | €1,169 | Announced a 5\% drop in its electricity unit rate in August 2016 | €1,133 |
| SSE Atricity | € 1,271 | €1,218 | 5\% reduction on standard gas and electricity unit rates announced in June 2016 | €1,173 |
| Panda power | | €1,234 | - | €1,238 |
| **PAYG Plans** |
| PrePayPower | € 1,373 | €1,311 | 4.1\% reduction on standard electricity unit rate in May 2016 | €1,278 |
| Pinergy | € 1,347 | €1,219 | - | €1,273 |

Table 5.6

The annual average bill for lifestyle choice PAYG customers includes an additional supplier service charge for the prepayment services which is reflected in the price. Tables 5.6 and 5.7 show that there were a number of price reductions in 2016, indicating that decreases in wholesale prices are being passed through to customers.

\textsuperscript{42} Though clearly less accurate than using the consumer’s own annual figure, the annual average bill provides a simple comparison basis for consumers who may be unaware of their own annual consumption figure.
### Table 5.7

Figures 5.12 and 5.13 show the changes in standard domestic electricity and discounted domestic electricity plans between 2013 and 2016 across suppliers, in terms of annual average bills based on typical consumption values.

![Figure 5.12, Domestic electricity standard tariffs 2013-2016](image)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Electric Ireland</strong></td>
<td>€ 1,061</td>
<td>€ 1,037</td>
<td>6% reduction in unit charge announced in April 2016</td>
<td>€ 1,086</td>
</tr>
<tr>
<td><strong>Energia</strong></td>
<td>€ 1,099</td>
<td>€ 967</td>
<td>-</td>
<td>€ 910</td>
</tr>
<tr>
<td><strong>Bord Gáis Energy</strong></td>
<td>€ 1,118</td>
<td>€ 979</td>
<td>Announced a 5% drop in its electricity unit rate in August 2016</td>
<td>€ 917</td>
</tr>
<tr>
<td><strong>SSE Airtricity</strong></td>
<td>€ 1,036</td>
<td>€ 1,020</td>
<td>New discounted Plans</td>
<td>€ 938</td>
</tr>
<tr>
<td><strong>Panda power</strong></td>
<td>-</td>
<td>€ 1,046</td>
<td>-</td>
<td>€ 1,058</td>
</tr>
<tr>
<td><strong>PrePayPower</strong></td>
<td>€ 1,373</td>
<td>€ 1,139</td>
<td>4.1% reduction on standard electricity unit rate in May 2016</td>
<td>€ 1,116</td>
</tr>
<tr>
<td><strong>Pinergy</strong></td>
<td>€ 1,347</td>
<td></td>
<td>-</td>
<td>€ 1,273</td>
</tr>
</tbody>
</table>
Figure 5.13, Domestic electricity discounted tariffs 2013-2016

Overall, the price of both standard and discounted plans has decreased over time, with more significant reductions observed for discounted plans. Since price deregulation, there has been no fixed pattern with regard to timings of price changes across all suppliers.

5.3.3 Domestic Gas Prices

The estimated average bill for gas is calculated using current typical consumption values of 13,800kWhs, as shown in the following tables, to compare gas offers between different suppliers. There were some price reductions announced for gas in 2016.
### Standard Domestic Gas Annual Average Bills (based on typical annual consumption of 13,800 kWhs) including VAT and carbon tax

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Electric Ireland</td>
<td>€ 979</td>
<td>€938</td>
<td>-</td>
<td>€899</td>
</tr>
<tr>
<td>Energia</td>
<td>€ 979</td>
<td>€960</td>
<td>-</td>
<td>€960</td>
</tr>
<tr>
<td>Bord Gáis Energy</td>
<td>€ 993</td>
<td>€943</td>
<td>Announced a 2.5% drop in its gas unit rate in August 2016</td>
<td>€924</td>
</tr>
<tr>
<td>Flogas</td>
<td>€ 986</td>
<td>€939</td>
<td>-</td>
<td>€915</td>
</tr>
</tbody>
</table>

Table 5.8

### Highest Discounted Domestic Gas Annual Average Bills (based on typical annual consumption of 13,800 kWhs) including VAT and carbon tax

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Electric Ireland</td>
<td>€ 930</td>
<td>€891</td>
<td>-</td>
<td>€858</td>
</tr>
<tr>
<td>Energia</td>
<td>€ 856</td>
<td>€854</td>
<td>-</td>
<td>€838</td>
</tr>
<tr>
<td>Bord Gáis Energy</td>
<td>€ 926</td>
<td>€880</td>
<td>Announced a 2.5% drop in its gas unit rate in August 2016</td>
<td>€862</td>
</tr>
<tr>
<td>Flogas</td>
<td>€ 853</td>
<td>€783</td>
<td>-</td>
<td>€763</td>
</tr>
</tbody>
</table>

Table 5.9

The annual average bills for both standard and discounted gas plans have also decreased in recent years, as shown in figures 5.14 and 5.15.

![Domestic Gas Standard Tariffs, 2013- November 2016](image)

**Figure 5.14, Domestic gas standard tariffs, 2013-2016**
5.3.4 Domestic Dual Fuel Prices

In Q2 2016 Electric Ireland, Energia, Bord Gáis Energy and SSE Airtricity offered dual fuel plans to customers with price discounts for domestic customers that avail of both services for the same supplier.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Electric Ireland</td>
<td>€ 1,949</td>
<td>€1,970</td>
<td>-</td>
<td>€1,894</td>
</tr>
<tr>
<td>Energia</td>
<td>€ 1,944</td>
<td>€1,795</td>
<td>-</td>
<td>€1,737</td>
</tr>
<tr>
<td>Bord Gáis Energy</td>
<td>€ 2,027</td>
<td>€1,916</td>
<td>-</td>
<td>€1,869</td>
</tr>
<tr>
<td>SSE Airtricity</td>
<td>€ 1,901</td>
<td>€1,844</td>
<td>8% discount plan for dual fuel customers announced in June 2016</td>
<td>€1,742</td>
</tr>
</tbody>
</table>

Table 5.10

Figure 5.15, Domestic gas discounted tariffs, 2013-2016

Figure 5.16
The trends in dual fuel pricing are similar to those for both electricity and gas services priced separately.

5.3.5 Price Spread of Offers

Tables 5.11 and 5.12 illustrate the spread of costs for both electricity and gas prices, based on a range of consumption levels.

A higher consumption level leads to a larger price difference between the best available offer in the market and the most expensive offer in the market. Customers with lower levels of consumption are more likely to be paying relatively more per kWh for their electricity and gas, as fixed standing charges for electricity and gas will form a larger component of their bill. CER acknowledges that Ireland’s low population density, compared to other countries, leads to higher network fixed costs that are incorporated into the fixed standing charges.

Eurostat trends shown in Appendix 5 confirm this, with the reports showing customers in Ireland on lower consumption bands pay higher prices for the energy they consume.

<table>
<thead>
<tr>
<th>Electricity, 2016</th>
<th>Annual Average Bill with 2,100 kWh consumption</th>
<th>Annual Average Bill with 3,500kWh consumption</th>
<th>Annual Average Bill with 5,300 kWh consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Best available annual average bill in the market</td>
<td>€450.97</td>
<td>€647.35</td>
<td>€898.99</td>
</tr>
<tr>
<td>Price spread between best and worst offer in the market</td>
<td>€112.24</td>
<td>€182.98</td>
<td>€274.78</td>
</tr>
</tbody>
</table>

Table 5.11

<table>
<thead>
<tr>
<th>Gas, 2016</th>
<th>Annual Average bill with 5,600 kWh</th>
<th>Annual Average Bill with 13,800 kWh</th>
<th>Annual Average Bill with 15,000 kWh</th>
</tr>
</thead>
<tbody>
<tr>
<td>Best available annual average bill in the market</td>
<td>€347.68</td>
<td>€710.21</td>
<td>€779.05</td>
</tr>
<tr>
<td>Price spread between best and worst offer in the market</td>
<td>€68.36</td>
<td>€153.03</td>
<td>€169.92</td>
</tr>
</tbody>
</table>

Table 5.12

Analysis indicates that significant savings can be made by switching to an alternative offer, as the price spreads between the best and worst offers were consistently of the order of 25% for domestic electricity, and between 20% and 25% for domestic gas. For example, for electricity consumption of 3,500kWh, the best available annual average bill was €647.35 (excluding VAT and the PSO), with a price spread between the most expensive and least expensive offer in the market of €182.98.
For consumption of 13,800kWh for gas, the least expensive annual average bill was €710.21 (excluding VAT and Carbon tax), with a price spread between the most expensive and least expensive offer in the market of €153.03.

For low consumption customers, there is less of a spread between the most expensive and least expensive offers, as a high proportion of their bill is comprised of fixed standing charges. This may lead to low consumption customers having less incentive to switch and remaining on the more expensive standard rate tariffs.

### 5.3.6 Number of customers on standard and discounted plans

This section looks at the offers presented by suppliers, and the proportion of customers on discounts in the electricity and gas markets.

In addition to discounts offered to new customers across different suppliers, a number of suppliers offer discounts to existing customers based on certain behaviours, such as signing up to direct debit or e-billing, while some offer discounts solely to new customers for fixed term contracts. These are detailed in table 5.13. It should be noted that these offers can change regularly.

<table>
<thead>
<tr>
<th>Supplier</th>
<th>12/24 month contract discounts</th>
<th>Existing customer discounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electric Ireland</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>SSE Airtricity</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>Energia</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>Bord Gáis Energy</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>PrePayPower</td>
<td>Y</td>
<td>N</td>
</tr>
<tr>
<td>Pinergy</td>
<td>Y</td>
<td>N</td>
</tr>
<tr>
<td>Flogas</td>
<td>Y</td>
<td>N</td>
</tr>
</tbody>
</table>

*Table 5.13*

Under the CER’s extended market monitoring framework, suppliers are required to provide data on their top ten contracts in terms of customer numbers. The information has been used to provide an indication of the extent to which customers are on the best available tariffs.

<table>
<thead>
<tr>
<th></th>
<th>Electricity</th>
<th>Gas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of customers reported on top 10 plans for Q2 2016</td>
<td>1,695,406</td>
<td>479,632</td>
</tr>
<tr>
<td>Total number of customers in the market</td>
<td>2,031,128</td>
<td>646,492</td>
</tr>
<tr>
<td>% of total customers</td>
<td>83.47%</td>
<td>74.16%</td>
</tr>
</tbody>
</table>

*Table 5.14*

Overall, almost 84% of total electricity customers are covered under the top ten plans, while 74% are covered by the top ten gas plans.
Table 5.15 shows the number of customers on standard and discounted electricity plans in Q2 2016. This data indicates that the majority of customers in the market are on standard plans.

<table>
<thead>
<tr>
<th></th>
<th>Urban customers</th>
<th>Rural Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Standard</td>
<td>83.26%</td>
<td>81.34%</td>
</tr>
<tr>
<td>% Discount</td>
<td>16.74%</td>
<td>18.66%</td>
</tr>
</tbody>
</table>

Table 5.15

Approximately 17% of urban customers are on discounted plans, while 19% of rural customers are on discounted plans.

Figure 5.17, Breakdown of electricity discounts from reporting of top 10 plans

Figure 5.17 shows the proportion of electricity customers on different levels of discounts.

The assessment indicates that over 40% of customers who are on a discounted plan are on discounts of between 1% and 5%. These may be rolling discounts on standard plans, where customers receive small discounts off their plans for using direct debit and e-billing.

Customers on discounts of 5%-10% and 10%-20% are more likely to be on fixed term contracts with higher discounts available, as these reflect the headline rates of tariffs for new customers.
Figure 5.18 shows the percentage of customers on standard and discounted gas plans in Q2 2016.

A larger proportion of gas customers are on discounted plans than electricity, with 31% of customers receiving some type of discount.

Figure 5.19 shows the proportion of gas customers on different levels of discounts. As for electricity, the majority of gas customers on discounted plans receive discounts of between 1% and 5%. More customers receive discounts of greater than 20% than for electricity.

The analysis indicates that a minority of customers are availing of the highest discounts available in the market. The CER has considered this in the context of market share and will be considering additional analysis required on the range and consumption of customers availing of different levels of discounts.
5.4 Changes in standing charges and unit charges over time

This section looks at the changes in standing and unit charges over time to assess which price components are subject to significant levels of competition in the electricity and gas markets.

Overall for standard and discounted plans in both markets, most of the competition is driven by changes in unit rates (cents/kWh), which have declined in recent years.

Figures 5.20 and 5.21 show the trends in the stepped changes in supplier’s electricity unit rates over time have been similar for both standard and discount plans. Suppliers appear to compete on the basis of the lowest unit rates of electricity.
The unit rate accounts for the majority of the price spread between suppliers shown in section 5.3.5.

![Gas standard unit rate over time](chart1.png)

**Figure 5.22**

The standard and discounted unit rates over time for gas suppliers are shown in figures 5.22 and 5.22. Between 2013 and 2016, the standard unit rate has varied between approximately 4.6c and 5.4c, while the discounted rate has varied between 3.7c and 5.4c.

![Gas discount unit rate over time](chart2.png)

**Figure 5.23**

The same level of changes in standing charges for electricity and gas plans have not been observed. For electricity, they have fluctuated between an average of

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43 Note that the series break for SSE Airtricity is due to SSE not offering gas outside of dual fuel offers during this time.
approximately 34c per day and 37c per day\textsuperscript{44}. The standing charges do not vary by price plan.

For gas, standing charges have fluctuated between 21c per day and 23c per day.

There have been limited changes between supplier’s standing charges over time and it appears that there is a limited level of competition in this regard. This is most likely to adversely affect lower usage customers. The CER will continue to closely monitor standing charges in its future reports. Consideration will also be given to options available to provide customers with better information and tools to compare competitive offers for their consumption level. The CER’s review of the typical annual average consumption and review of possible enhancements to price comparison tools will be a useful input in this regard.

\textsuperscript{44} This average excludes the standing charges associated with PAYG plans as additional service charges are also included.
5.5 Prosumers and future innovation in offers for consumers

The availability of value added services for demand response and self-generation can serve to indicate a competitive and diversified market. Where demand response is available, consumers can benefit from the opportunity to reduce their costs through supply contracts which have time varying prices reflecting price formation in the wholesale market and peak demand periods.

Currently, the only type of dynamic pricing in Ireland which reflects demand response is day/night pricing, whereby different prices are charged for the use of electricity in the day and night. Pilots are currently underway to test customer’s engagement with different types of demand response.

The Council of European Energy Regulators (CEER) encourages fair access to market mechanisms and systems which allow consumers to self-generate their electricity and feed their surplus generation into the system, thereby becoming prosumers. In the past, the CER invited all electricity supply companies to offer a micro generation feed in tariff on a commercial basis.

The ‘Arrangements for Micro-generation’ decision paper (CER/07/208), outlined the technical and commercial arrangements for micro-generation including installation, safety, notifications to the network operator and metering for micro generators that rate at or below 11kW. Currently, Electric Ireland is the only supplier that offers a micro generation feed in tariff to domestic micro generators, however this scheme is currently not open to new customers. It is clear that there is an opportunity to provide innovative tariffs and services to consumers in this area.

This review has considered information and data from 2016 going back to the deregulation of the electricity and gas markets. However the CER is also mindful of developments which are expected in future, including advances in demand response, dynamic pricing and smart metering and the uptake of new technologies such as batteries for electricity storage, electric vehicles and technology for small-scale generation.

The market will continue to change and develop and it is expected that this may have an impact on how customers engage with the market and with their suppliers. New developments are also expected from the European Commission’s Winter Package.

As part of this review we have included a question for interested stakeholders related to whether future developments, including new technologies could serve to increase levels of customer engagement.
5.6 Issues and Proposed Remedial Actions

This chapter has examined a number of aspects of pricing, in terms of the components of prices, the correlation between wholesale and retail prices and prices over time. The main findings from the analysis indicate that;

1. Retail prices in Ireland have moved in line with prices in other European countries, as reported by SEAI/Eurostat. Electricity prices have tended to be close to or just above the EU average, while the price of gas has generally been below the EU average.

2. Analysis suggests that while final retail prices have decreased over time, the difference between the combination of wholesale prices and network charges and final retail prices has increased. It is acknowledged that this analysis only presents estimated wholesale prices and does not fully account for hedging strategies, and that network charges contribute to a significant proportion of the overall prices. The 2015 ACER–CEER report also indicates that overall mark-ups are high compared to other European countries.

3. In view of the findings of this report the CER has commenced an examination to understand the components of supplier costs and the responsiveness of the energy component of retail prices to changes in wholesale market, and how reductions in wholesale prices are passed on to all customers. The CER will need more information before this examination is completed. This will be considered alongside other feedback and information provided as part of this review, the European Commission’s Winter Package and lessons learnt in other countries.

4. While just under 20% of electricity and 31% of gas customers are on a discounted tariff, this does not mean that all of these customers are on the best available discounted tariff, as reported in figures 5.17 and 5.19. A relatively small percentage of some suppliers’ customer bases are enjoying the lowest prices they offer. This indicates that customers are not taking advantage of the offers available in the market or that suppliers make more attractive offers available to acquire new customers rather than for existing customers.

5. Suppliers’ prices fall within a varied range for standard and discount tariffs depending on a customer’s consumption level. The price difference between the most and least competitive plans is higher for high consumption customers than low consumption customers. These price differences were in the order of 25% for domestic electricity, and between 20% and 25% for domestic gas.
Active customers benefit from discounted plans. However, the combination of low levels of awareness, engagement and understanding of offers means that most customers are not switching to these plans.

Based on the key issues identified with respect to retail prices, in this section we outline some proposed actions being considered by the CER.

<table>
<thead>
<tr>
<th>Key Highlights:</th>
<th>Proposed Actions:</th>
</tr>
</thead>
<tbody>
<tr>
<td>There appears to be weak correlation between wholesale and retail markets</td>
<td>Conduct an examination to understand the components of supplier costs and the responsiveness of the energy component of retail prices to changes in wholesale market, and how reductions in wholesale prices are passed on to all final customers.</td>
</tr>
<tr>
<td></td>
<td>Improvements to monitoring and reporting of the correlation of wholesale prices and retail prices.</td>
</tr>
<tr>
<td></td>
<td>Consider additional information that suppliers or the CER could publish to improve transparency.</td>
</tr>
<tr>
<td>Overall prices vary widely across different consumption bands in the domestic and non-domestic market segments.</td>
<td>Revise typical consumption values for electricity and gas so that customers who do not know their annual consumption can gain a better estimate of their annual bill when choosing supplier.</td>
</tr>
<tr>
<td></td>
<td>The CER will also explore other methods to improve customer’s awareness of their consumption and engage with suppliers about how better information can be provided to customers.</td>
</tr>
<tr>
<td>Most customers are not on the best plan available.</td>
<td>The Supplier Hand Book Decision requires;</td>
</tr>
<tr>
<td></td>
<td>- Suppliers to issue a written notification on an annual basis to prompt those customers who have been on the same tariff or a non-discounted tariff for more than 3 years to switch.</td>
</tr>
<tr>
<td></td>
<td>- Suppliers to send customers a written notification 30 days prior to the expiry of a fixed term contract.</td>
</tr>
<tr>
<td></td>
<td>The CER aims to improve customer understanding and awareness of offers available in the electricity and gas retail markets.</td>
</tr>
<tr>
<td>A range of demand response offers is not currently available in the market</td>
<td>The CER is currently conducting a review of the Connection and Grid Access Policy.</td>
</tr>
</tbody>
</table>
Currently there are few options for prosumers who wish to export excess generation.

Views and comments are invited on the following:

1. We would like to explore the topic of prices further and receive stakeholder’s views on the information presented. Do you concur with our assessment of wholesale, network and supplier costs for standard and discount tariff customers? Is there additional information and data or methodology the CER should consider as part of our examination of this matter?

2. Consumption figures are a key input to determine an estimate of the best available offer for a customer. Are there further steps that can be taken to improve communication and information regarding understanding consumption levels?

3. The assessment on prices shows that low consumption customers may not be incentivised to switch. Views are invited on further actions that can be taken in this regard.

4. Are there additional actions that can be taken for customers who cannot access offers related to direct debit and e-billing?

5. A key finding of this chapter is that most customers are not on the best available discounted plan with their supplier. In addition to the actions outlined in the CER’s Supplier Handbook, are there additional policies that should be explored in this area?

6. Are there currently barriers to innovation in the market for suppliers? Are there actions that can be taken to allow suppliers to innovate further to benefit customers?
6 Conclusions and Recommendations

This review has covered a range of indicators to consider the development of competition in the energy retail markets over time, with a focus on customers. The indicators for each chapter have been developed based on current analysis carried out by the CER for its monthly, quarterly and annual retail market reports, along with research carried out on international best practice from the CEER and other regulators.

Broadly, this report has found that since deregulation of the electricity and gas retail markets, more options have become available for consumers, in terms of contract types, billing and payment methods, suppliers and value added services. New entrants to the market have brought new product offerings and tariff innovation, and the CER considers this to be a positive market development.

There are minimal barriers to entry for new suppliers, including those that are not vertically integrated with generation assets. Non-incumbent suppliers now account for about 45% of customers in the domestic electricity market and just over 48% in the domestic gas market. These suppliers now offer a range of value-added services, tariffs with a range of fixed and variable elements, and a range of payment methods.

While the overall structure of the electricity and gas retail markets are sound, the CER has highlighted concerns with some aspects of the market. These include the structure of the Free Electricity Allowance, the process for new registrations in electricity and the costs small suppliers may face when entering the domestic market.

Despite the CER’s finding that the structure of the market does not seem to be an impediment to competition, the CER has concluded that the majority of customers may not on the best available tariff for them. This is reflected in the high percentage of customers who have never switched (50%) and who remain on higher standard rate tariffs, and customers on discounted tariffs that are on relatively small discounts compared to the best available tariffs. Customers could save money by switching to better value tariffs from their existing supplier or by switching to an alternative supplier. While switching rates are comparatively high in Ireland, only a percentage of the population actively shops around for a better deal. The analysis presented in this report also found that of those who switch, the majority default to standard tariffs at the end of a fixed priced contract. This indicates that customers potentially select tariffs they don’t understand or are not the best tariffs in the longer term.

Customers generally have a high level of trust and satisfaction with their supplier. However there is a significant gap in customer awareness of alternatives available to them. The ability of customers to compare offers demonstrates that there is a
significant gap in customer’s awareness of the savings they can make, and the difficulty experienced when comparing offers.

Overall, the review considers the high levels of switching activity to be positive, and new data on renegotiations indicates that more customers are approaching their supplier to negotiate a better deal. Transparent and easily accessible information is a requirement to assist customers to engage with competition. The assessment shows that contract terms and conditions need to be clear, comprehensive and explained to customers.

In Chapter 4 we reviewed a range of consumer protection issues, as the CER has a mandate underpinned by primary and secondary legislation to protect the interests of energy customers and promote competition in retail markets. Under its statutory mandate, the CER is responsible for implementing energy-specific customer protection measures. This has been carried out through the development of requirements and guidelines for energy suppliers and network companies, including Standard Terms and Conditions of Supply, Codes of Practice and Customer Charters, as detailed in the Supplier’s Handbook, gas and electricity supply licences and the market design rules.

It was found that levels of consumer protection in the market are high, and do not present a barrier to consumer engagement. Suppliers are doing a reasonable job with regard to consumer protection, and the levels of customer complaints in the market do not appear to be high. This ties in with the high satisfaction levels recorded each year in the Consumer Survey, and indicates that the level of customer service provided is not an impediment to trust in the market. The main issues that have been identified are the low level of awareness of the registration process for vulnerable customers and the updates required to the Supplier Handbook. The CER is working to update the Supplier Handbook and will aim to increase awareness of the provisions for vulnerable customers in future.

A variety of reasons for the lack of customer engagement with the energy market were identified. Customers have a low awareness of the structure of the market and the offers available to them, and there is a lack of understanding of the components of offers and how they can be compared. In addition, the benefits of switching are skewed towards high consumption customers as there is a greater price spread between the best and worst offers available in the market. This may lead to lower incentives for low consumption customers to switch.

The market that we have reviewed in this report is directly impacted by this lack of engagement. Incumbent suppliers have retained significant market share and a high percentage of customers are on standard tariffs or availing of low levels of discounts. This indicates that the benefits of wholesale price reductions are not being passed on to the majority of customers.
Chapter 5 examined the levels of retail prices in the electricity and gas markets over time, beginning with a comparison of average electricity and gas prices in Ireland with other EU countries. The average price of electricity for household customers in Ireland was 1.6% above the EU Average and 5.2% below the Euro Area average in semester 2 of 2015, while the price of gas for overall household customers was 8.5% below and 16.3% below the EU Average and the Euro Area average respectively.

While retail prices have fallen between 2013 and 2016, the results of this assessment appear to indicate that the gap between standard and discounted retail prices compared to wholesale and network costs has increased. Customers who are on discounted tariffs appear to be benefitting the most from competition, however as shown in section 5.3, the majority of customers are on standard plans or on lower discounts. This is a concern to CER given that a significant proportion of customers have not switched or are not engaged with the type or level of competitive offers that are available in the market.

More work is required to understand the components of supplier costs. The CER has already commenced work in this area and will engage with suppliers and relevant stakeholders to further its analysis to clarify this finding and decide if any actions are required.

As part of our review of prices we examined the total costs a domestic customer would pay for a typical level of consumption with each of the suppliers, based on both their standard tariffs and their most heavily discounted tariffs. We found that within the standard tariff category and the discounted tariff category all suppliers’ costs fell within a relatively narrow band.

Looking across the different suppliers’ offerings, we also found that there was a wide spread of typical total annual costs for a range of consumption levels. These total cost spreads were consistently of the order of 25% for domestic electricity, and between 20% and 25% for domestic gas, indicating the variation in costs that a customer could face, depending on their choice of supplier and tariff. It was found that a relatively small percentages of some suppliers’ customer bases who were actually enjoying the lowest prices they offered.

The CER has not focussed on future innovations and changes to the market in this review, but is aware that uptake of new technologies and new offers which can take advantage of demand response, smart meters and prosumers for example have the capability to change how consumers interact with the electricity and gas markets.

Customers who are engaged can avail of discounted plans, but the combination of low levels of awareness, engagement and understanding of offers means that most customers are not switching to these plans. In view of these findings, the CER has introduced a range of measures in the CER’s revised Supplier Handbook, and further work will also be undertaken as a result of this review. The aims of these measures are to address the strong messages emerging regarding the need to
address gaps regarding customer awareness, the switching process and customer’s ability to compare offers available.

### Indicators and Outcomes of the Customer Focussed Assessment of the Development of Competition in Energy Retail Markets

#### Consumer Engagement

**Consumer Engagement with competition:** High engagement by customers is an indicator of a well-functioning energy market. Customers should be aware of the features of the market and have a good level of trust in the market.

- Enhance customer engagement and awareness measures through the proposals and measures set out in the Supplier Handbook. The CER’s Supplier Handbook review will result in enhancements to minimum requirements relating to customer protection and transparency of information for customers.

- A number of actions have been put forward in the Decision and proposed Decision document which are detailed in this paper. For Example
  - A requirement for all suppliers to display a figure showing an estimated annual average bill based on typical consumption values.
  - An obligation on suppliers to issue a written notification on an annual basis to prompt those customers who have been on the same tariff or a non-discounted tariff for more than 3 years.
  - An obligation placed on suppliers to send customers a written notification 30 days prior to the expiry of a fixed term contract.
  - Information relating to customer sign up and terms and condition of supply
  - Information relating to billing

- The content of the above measures is currently under consultation

- Proactive customer information and awareness activities

#### Consumer Empowerment Tools:

**Tools to facilitate customer engagement with the market should be in place and should be accessible.**

- A review of improvements that can be made to the price comparison tools, to assist with competition and transparency of information and as an aide to assist customers and if enhancements to provision of information are required.

- A review of the typical energy consumption figures for electricity and gas will be progressed. This will provide proposals for an updated figure for typical consumption. Consideration will be given
to improving information for low consumption and high consumption customers.

- The CER is currently engaging with suppliers through industry forums to change the registration process for electricity customers to align with that for gas customers.

### Consumer Protection

**Consumer Protection:** In a well-functioning retail energy market customers should have an appropriate level of protection, with specific measures to protect vulnerable customers.

- Continued monitoring of disconnections in the market and the type of support required by those most vulnerable to disconnection
- Awareness/Outreach activities for vulnerable customers.
- Requirement on suppliers and network companies to conduct a reconciliation exercise for vulnerable customers

### Customer Service

**Customer Service:** If there is a high level of customer service in the market, customers will be more incentivised to participate.

- The CER will continue to monitor the volume and type of customer complaints through its market monitoring activities and customer care team and take actions as required

### Barriers to market entry and market development

**Barriers to market entry:** Barriers to new entry and growth for new market actors as well as barriers to innovation need to be as low as possible.

- Review supply licence application forms and guideline documents to make improvements and clarifications and update the requirements to be reflective of current market arrangements.
- Monitor through regular reviews challenges faced by new entrants or smaller suppliers and consider whether new policy measures are required.

**Market Development:** With low market entry barriers more suppliers will enter the market, increasing competition and delivering better outcomes for consumers. Low market concentration is also important to ensure the ability of market players to exploit market power is reduced.

- Keep under review the level of market shares and concentration in the retail market, in combination with price levels faced by all customers.
- The CER is currently engaging with suppliers through industry forums to change the new customer’s registration process for electricity customers.
## Retail Prices

### Products, Pricing and Billing

**Payment Plans:** A well-functioning retail market is characterised by innovation and a range of products offered to consumers.

- Take initiatives that will improve customer understanding and awareness of offers available in the electricity and gas retail markets.
- Monitor the results of the initiatives in the Supplier Handbook requiring suppliers to provide various engagement-related prompts to customers.
- Continue to report on prices and the uptake of discounted plans by customers.
- Improvements to monitoring and reporting of the correlation of wholesale prices and retail prices.
- Enhance reporting on standard and discount prices.
7 Next Steps

The high level findings of this report and feedback received will inform future policy development within the CER and feed into its work plan for 2017 and onwards. The CER will also consider additional analysis required and the requirements arising from new policy initiatives such as the European Commission’s Winter Package. The CER is seeking stakeholder’s views on whether additional metrics should be considered and suggestions on future policy areas of focus based on the findings of this report.

A number of positive developments since deregulation have been identified in this report, along with a number of areas that require further work. At the end of each chapter of this report, a number of proposed actions have been outlined, and specific questions for stakeholders have been raised.

The CER is looking for feedback from interested stakeholders on these questions, and requests responses by the 26th of April 2017. Stakeholders are invited to provide feedback to this report through a dedicated online questionnaire at the following link; https://www.surveymonkey.com/r/cer_retail

Although we encourage feedback via the online questionnaire, interested stakeholders may also submit email feedback to Gina Kelly at the CER gkelly@cer.ie

Written correspondence may also be submitted for the attention of;

Gina Kelly,
Commission for Energy Regulation,
The Exchange,
Belgard Square North,
Tallaght,
Dublin 24

For those wishing to provide email or written feedback a consolidated set of questions may be found in Appendix 6.

The findings of this paper and responses will then be consolidated by the CER to consider the next steps required to address issues that have been identified.
Appendix 1 - Market Entry and Developments

Market Entry

For electricity, suppliers must engage with the Single Electricity Market Operator (SEMO) for the wholesale registration process.

The Meter Registration System Operator (MRSO) is a "ring-fenced" function within ESB Networks responsible for the Change of Supplier process and the processing/aggregation of meter data required to support Trading & Settlement in the competitive electricity market. The key document pertaining to this stage of market entry is the Meter Registration Agreement which sets out the services to be provided by Meter Registration System Operator (MRSO).

Retail Market Design Services (RMDS) is the "ring-fenced" function within ESB Networks responsible for all aspects of the retail electricity market design on behalf of the Commission for Energy Regulation.

Engagement with RMDS involves planning and the assurance process, which ensures that prospective market entrants go through a robust testing process in terms of their IT systems and ability to interact with the market.

Appendix 2 - Customer Engagement

Satisfaction amongst domestic customers with the service provided by current supplier of electricity (left) and gas (right)

<table>
<thead>
<tr>
<th>Year</th>
<th>Electric Ireland</th>
<th>BGE</th>
<th>SSE Airtricity</th>
<th>Prepaypower</th>
<th>Energia</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>92%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>87%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>83%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>81%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>77%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Electric Ireland</th>
<th>BGE</th>
<th>SSE Airtricity</th>
<th>Eirgas</th>
<th>Energia</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>95%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>88%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>87%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>76%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>70%</td>
<td></td>
<td></td>
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</tbody>
</table>
The total number of electricity switches completed per month from January 2010 to April 2016.

The total number of gas switches completed per month from January 2010 to April 2016.
# Appendix 3 - Customer Protection

<table>
<thead>
<tr>
<th>Supplier Codes of Practice</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Marketing and Sign Up:</strong> Ensures that suppliers follow an appropriate procedure when signing up a new customer.</td>
</tr>
<tr>
<td><strong>Billing and Disconnection:</strong> To ensure that bills, scheduled or otherwise, are accurately calculated based on actual or estimated reads; that bills are regular and prompt; that a choice of payment methods are provided; that bills contain specified information; and the processes that must be followed prior to disconnection (which shall be a last resort).</td>
</tr>
<tr>
<td><strong>Complaint Handling:</strong> Setting out the Supplier’s complaints handling process and commitments in a step by step easy to follow process.</td>
</tr>
<tr>
<td><strong>Vulnerable Customers:</strong> Ensuring that systems and processes are in place such that registered vulnerable customers are not disconnected during the set time periods; that customers who are registered as critically dependent on electricity are not be disconnected; that all registered vulnerable customers are on the most economic tariff available for their chosen payment method, and that communication options are in place for customers with additional requirements in that area.</td>
</tr>
<tr>
<td><strong>PAYG:</strong> Ensuring that PAYG customers are appropriately informed; defining how debt may be recovered through prepayment vends; ensuring that PAYG service is suitable for the customer; provisions for “emergency credit”.</td>
</tr>
</tbody>
</table>
Appendix 4 - Compliance process and monitoring

The CER currently employs several methods to monitor compliance with requirements placed on suppliers including regular and ad-hoc audits, investigations of complaints, engagement with network companies, customer satisfaction surveys, assessment of energy suppliers’ compliance statements and the assessment of suppliers’ submissions under market monitoring reporting requirements.

As part of its compliance monitoring activities, the CER conducts regular and ad-hoc audits to ensure that suppliers adhere to the requirements outlined in the Supplier’s Handbook. The CER examines supplier’s compliance with the requirements of specific Codes of Practice.

<table>
<thead>
<tr>
<th>Disconnections</th>
<th>Marketing and Sign-up</th>
<th>Vulnerable Customers</th>
<th>Price Comparison Websites</th>
</tr>
</thead>
</table>
| • 2013 audit on the Code of Practice on Disconnections for the Domestic Sector.  
• 2011 audit on the Code of Practice on Disconnections | • 2014 audit on the Code of Practice on Marketing and Sign Up as a result of the findings of the Consumer Survey. | • 2015 audit of compliance on the Code of Practice on Vulnerable Customers | • 2015 annual audit of Accredited Price Comparison Websites.  
• Audit of Bonkers.ie and Switcher.ie |

Audits of Compliance carried out by the CER

In 2013, the CER conducted an audit of supplier’s compliance with the Code of Practice on Disconnections for the domestic sector, examining the disconnection processes and procedures of a number of suppliers. The audit found that suppliers were mostly compliant with the requirements of the Supplier’s Handbook.

In 2014, the CER conducted an audit on the Code of Practice on Marketing and Sign Up, as the Consumer Survey indicated that customers had a low level of understanding of the terms and conditions of the deals offered by suppliers. The main findings of the audit indicated that suppliers had implemented systems and procedures and were broadly compliant with the requirements of the Code. However, the audit found instances of noncompliance in relation to phone call scripts used by sales agents, display of publically available tariffs on website pages and the content of marketing material.

The audit identified possible gaps in the Supplier Handbook which merit review in the interest of customer protection and also to ensure that all suppliers operate on a level playing field. Based on this, the CER has undertaken a full review of the supplier handbook to ensure that its requirements are reflective of current market conditions. This proposed version of the Supplier Handbook is currently under consultation with stakeholders and it is expected that the final version will be published in 2016.

In 2015 the CER conducted an audit of compliance with the Code of Practice on Vulnerable Customers. Suppliers are obligated to comply with specific requirements as outlined in SI 463 of 2011 and to comply with the CER Code of Practice in relation to vulnerable
customers. The CER also conducted a number of dedicated workshops with industry in relation to vulnerable customers throughout 2014 and 2015.

During or as a result of the audit where breaches of the Code of Practice on Vulnerable Customers were found, the CER engaged with particular suppliers to remedy the breaches. A number of regulatory gaps in the current protection framework for vulnerable customers were identified and have been included in the Consultation Paper Review of the Supplier’s Handbook CER/16/031.

Recommendations for good practice were also issued where appropriate to encourage suppliers to implement internal policies and procedures to further strengthen the protection of vulnerable customers.

### Complaint categories reported by suppliers through market monitoring

**Billing issues** - Complaints related to the clarity, timeliness, frequency, accuracy or level of bills. Complaints related to the validity/applicability of bills should also be included as well as complaints related to meter reads and the use of actual/estimated reads. Complaints related to opening/closing bills and the meter reads used for these.

**Payments** (i.e. charges, direct debit, price, refunds, deposits) - Complaints related to any non-standard charges on a bills such as site works charges, disconnection/reconnection fees, etc. Also to include complaints related to the use of direct debits or other payment method. Also to include complaints related to deposits, including the return of deposits after set period.

**Customer service issues** - Complaints related to any aspect of the level of service received by a customer during interactions with the energy undertaking or the failure of the undertaking to engage properly with the customer. This includes email, post and telephone communications - or lack thereof.

**Marketing issues** - Complaints related to advertising or marketing campaigns by energy undertakings. Includes complaints related to the clarity of these campaigns, whether they are misleading or any other aspect of the campaigns or advertising.

**Sales issues** - Complaints related to any aspect of direct sales efforts by an energy undertaking. This includes door to door sales, telephone sales, sales stands, direct mail, etc.

**Account issues** - Complaints related to any aspect of the customer’s account including the accuracy of data, data requests, named account holders/nominated representatives, opening/closing of accounts, etc.

**Switching issues** - Complaints related to the switching process including, but not limited to complaints about switching delays, erroneous switching or failure/refusal to complete switches.

**Prepayment meter issues** - Complaints relating to the installation, operation or removal of PAYG or other PPMs.

**Credit management issues** - Complaints related to payment plans, demands for payment, debt collection or any other aspect of credit management activities by energy undertakings. Complaints related to the disconnection process for non-payment of account.

**Other issues** - Complaints related to any other issues not covered by the other categories
Appendix 5 - Price components and trends

Energy prices in Ireland are made up of a number of different components, each driven by different factors. Prices are based on costs incurred by a supplier in serving its customer base.

Wholesale Costs

The high reliance of Ireland on imported fossil fuels, in particular gas\textsuperscript{45}, for electricity generation results in Ireland having a high exposure to international energy prices and currency fluctuations.

Variations in global prices and currencies are outside the control of suppliers and other stakeholders in Ireland. These result in Irish-based energy supply companies developing hedging strategies that allow them to minimise the impact of energy price shifts. This sets the price that suppliers pay for energy over a certain period, and while it serves to increase price stability it means that there is a lag in the change in prices at the wholesale and retail level.

The CER in conjunction with the NIAUR (Northern Ireland Authority for Utility Regulation)\textsuperscript{46} jointly regulate the all-island wholesale electricity market, which is known as the SEM (Single Electricity Market).

The SEM includes a centralised gross pool (or spot) market which is fully liquid and electricity is bought and sold through a market clearing mechanism. Suppliers purchasing energy from the pool pay the system marginal price for each trading period. The Regulatory Authorities publish quarterly reports that show changes in fuel and carbon prices which provide transparency to the market.

The figures below demonstrate the changes in average SEM Spot electricity prices and day ahead NBP gas prices over time.

\textsuperscript{45} Oil prices do not significantly impact on retail prices.

\textsuperscript{46} Together referred to as the Regulatory Authorities/RAs.
Network Costs

The CER has responsibility for regulating network prices in Ireland. The CER directs and carries out annual reviews of the charges for access to and use of the electricity and gas distribution systems. The CER also reviews the costs incurred by ESB and GNI in developing, maintaining and operating the system. These charges are ultimately passed onto customers.

These regulated costs are necessary in order for networks and other market operators to recoup the cost of transmitting and distributing electricity, and suppliers are required to pay these annually. Changes to these charges generally come into effect on the 1st October annually (electricity capacity charges are updated on 1st January). While it is the decision of each supplier whether or not to pass through such costs to final customers, it is likely that most suppliers pass through all such
costs. These costs, with the addition of the applicable taxes, are referred to as Pass-through Costs.

The allowed revenue for electricity networks (ESBN and EirGrid) is collected from Suppliers via a Distribution Use of System (DUoS) and Transmission Use of System (TUoS) charge. Suppliers are charged for each of the end-users to whom they supply electricity. There are different DUoS and TUoS charges for each type of customer with the ‘type’ depending on several factors including the voltage an end-user is connected at, the type of meter installed, or if electricity is exported.

Supply Costs

There are a number of operating costs faced by suppliers, for example customer care, billing, marketing and advertising. These costs may be passed through to customers along with the margins of suppliers.

Taxes and Levies

Suppliers must also charge their customers the PSO levy\(^47\), carbon tax and VAT. A number of other charges are regulated and approved annually (for example network charges and certain generation-related charges in electricity).

The PSO levy is a subsidy charged to all electricity customers in Ireland. It is designed by the Irish Government and consists of various subsidy schemes to support its national policy objectives related to renewable energy, indigenous fuels (peat) and security of energy supply.

The proceeds of the levy are used to contribute to the additional relevant costs incurred by PSO-supported electricity generators which are not recovered in the electricity market.

\(^{47}\) The Public Service Obligation Levy (PSO) is charged on all electricity customers and designed to support the national policy objectives of security of supply, the use of indigenous fuels (i.e. peat) and the use of renewable energy sources in electricity generation
### Figures used to calculate electricity wholesale retail price correlation in Chapter 5

<table>
<thead>
<tr>
<th>Capacity Charges</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>BNE Peaker Cost (€/kW/yr)</td>
<td>80.27</td>
<td>81.6</td>
<td>72.82</td>
<td>70.99</td>
</tr>
<tr>
<td>Capacity Requirement (MW)</td>
<td>7,049</td>
<td>7,046</td>
<td>7,070</td>
<td>7,267</td>
</tr>
<tr>
<td>ACPS (Annual Capacity Pot) €</td>
<td>565,819,301</td>
<td>574,953,600</td>
<td>514,837,400</td>
<td>515,884,330</td>
</tr>
<tr>
<td>Forecast market demand (Eirgrid demand capacity statement)</td>
<td>35,745,000</td>
<td>35,659,000</td>
<td>36,483,000</td>
<td>37086000</td>
</tr>
<tr>
<td>Charge per MWh (ACPS/Market Demand)</td>
<td>35.83</td>
<td>16.12</td>
<td>14.11</td>
<td>13.91</td>
</tr>
<tr>
<td>Distribution annual sales</td>
<td>22359000</td>
<td>22152000</td>
<td>22610000</td>
<td>22610000</td>
</tr>
</tbody>
</table>

### SMP Purchases

| Simple Average SMP each year | 65.70 | 56.65 | 50.81 | 39.75 |

### Market operator charges

| Variable supplier charge (per MWh) | 0.572 | 0.33 | 0.462 | 0.283 |
| Fixed supplier charge (per supplier unit) | 288 | 159 | 298 | 112 |
| Imperfection charges €/MWh | 4.42 | 5.6 | 4.47 | 2.05 |

### Transmission charges

| TUoS Network Capacity Charges €/MWh | 5.7362 | 5.8733 | 6.0674 | 6.0246 |
| TUoS Transfer Charges €/MWh | 2.7151 | 2.7841 | 2.8688 | 2.8623 |
| TUoS System Service Charges €/MWh | 3.4388 | 4.1709 | 3.6429 | 3.8242 |
| TUoS Demand Side Management Charges €/MWh | 0.0167 | 0.0165 | 0.0047 | 0.0003 |

### Distribution charges

| DLioS Standing Charges | 62.17 | 61.15 | 63.12 | 66.95 |
| DLioS MWH Charges urban 24 hour/kWh | 0.03717 | 0.03657 | 0.03774 | 0.04003 |

### Additional Supply Costs

| PSO | 42.87 | 64.37 | 60.09 | 70.75 |
| VAT | 13.50% | 13.50% | 13.50% | 13.50% |

| Wholesale estimate 5300kWh | 497.11 | 452.59 | 401.69 | 311.35 |
| Transmission & Distribution costs 5300kWh | 327.43 | 328.84 | 335.33 | 352.14 |
| NBP €/therm average | 0.8 | 0.62 | 0.59 | 0.4 |
| Weighted average Retail Standard Price 5300kWh | 795.53 | 707.80 | 765.48 |
| Weighted average Retail Discount Price 5300kWh | 778.51 | 759.88 | 727.44 | 740.46 |
| Wholesale estimate 13,800 kWh | 290.324 | 301.267 | 310.955 | 320.284 |
| Distribution charges | 147,158 | 153,688 | 154,512 |

### Figures used to calculate gas wholesale price correlation in Chapter 5

<table>
<thead>
<tr>
<th>Gas</th>
<th>2013/14</th>
<th>2014/15</th>
<th>2015/16</th>
<th>2016/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entry Commodity, interconnector, €/MWh</td>
<td>0.157</td>
<td>0.110</td>
<td>0.118</td>
<td>0.123</td>
</tr>
<tr>
<td>Exit Commodity, onshore exit, €/MWh</td>
<td>358.577</td>
<td>367.789</td>
<td>360.253</td>
<td>285.153</td>
</tr>
<tr>
<td>Exit Capacity, onshore exit, €/per peak day MWh</td>
<td>443.036</td>
<td>430.887</td>
<td>428.352</td>
<td>428.352</td>
</tr>
<tr>
<td>Distribution charges</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commodity charge, A, c/kWh</td>
<td>0.3451</td>
<td>0.3412</td>
<td>0.337</td>
<td>0.337</td>
</tr>
<tr>
<td>Capacity charge, A, c/peak day kWh</td>
<td>147,158</td>
<td>153,688</td>
<td>154,512</td>
<td></td>
</tr>
<tr>
<td>Estimated Network Costs (From ACER/CEER data) 13,800 kWh</td>
<td>290.324</td>
<td>301.267</td>
<td>310.955</td>
<td>320.284</td>
</tr>
<tr>
<td>Wholesale estimate 13,800 kWh</td>
<td>290.324</td>
<td>301.267</td>
<td>310.955</td>
<td>320.284</td>
</tr>
</tbody>
</table>

### Figures used to calculate gas wholesale price correlation in Chapter 5

| VAT | 13.5% | 13.5% | 13.5% | 13.5% |
| VAT | 13.5% | 13.5% | 13.5% | 13.5% |
The first of the tables below indicate that for domestic electricity the price levels in Ireland rank 2\textsuperscript{nd} and 3\textsuperscript{rd} highest in Europe for three of the five categories, and 6\textsuperscript{th} and 10\textsuperscript{th} for the remaining two categories.

<table>
<thead>
<tr>
<th>Band (MWh)</th>
<th>Share of household electricity in Ireland</th>
<th>% change since last semester</th>
<th>Ireland’s ranking* for electricity price in Europe</th>
</tr>
</thead>
<tbody>
<tr>
<td>DA (&lt;1.0)</td>
<td>1.8%</td>
<td>-31.0%</td>
<td>0.8% 0.4% 2\textsuperscript{nd}</td>
</tr>
<tr>
<td>DB (1.0 – 2.5)</td>
<td>10.3%</td>
<td>-1.9%</td>
<td>1.5% 1.4% 3\textsuperscript{rd}</td>
</tr>
<tr>
<td>DC (2.5 – 5.0)</td>
<td>36.0%</td>
<td>1.2%</td>
<td>1.1% 0.9% 3\textsuperscript{rd}</td>
</tr>
<tr>
<td>DD (5.0 – 15)</td>
<td>44.2%</td>
<td>3.6%</td>
<td>1.7% 1.3% 6\textsuperscript{th}</td>
</tr>
<tr>
<td>DE (&gt;15)</td>
<td>7.9%</td>
<td>4.0%</td>
<td>2.1% 1.6% 10\textsuperscript{th}</td>
</tr>
</tbody>
</table>

*Source: Eurostat and SEAI

Household Electricity Prices (ex-VAT) – 2nd Semester 2015

<table>
<thead>
<tr>
<th>Band (MWh)</th>
<th>Share of household gas in Ireland</th>
<th>% change since last semester</th>
<th>Ireland’s ranking* for electricity price in Europe</th>
</tr>
</thead>
<tbody>
<tr>
<td>U1 (&lt;5.6)</td>
<td>6.1%</td>
<td>13.4%</td>
<td>14.5% 15.2% 13\textsuperscript{rd}</td>
</tr>
<tr>
<td>D2 (5.6 – 56)</td>
<td>92.3%</td>
<td>7.9%</td>
<td>6.6% 7.8% 9\textsuperscript{th}</td>
</tr>
<tr>
<td>D3 (&gt;56)</td>
<td>1.7%</td>
<td>2.4%</td>
<td>-0.2% -0.6% 7\textsuperscript{th}</td>
</tr>
</tbody>
</table>

*Source: Eurostat and SEAI

Household Gas Prices (ex-VAT) – 2nd Semester 2015

<table>
<thead>
<tr>
<th>Band (GWh)</th>
<th>Share of business electricity in Ireland</th>
<th>% change since last semester</th>
<th>Ireland’s ranking* for electricity price in Europe</th>
</tr>
</thead>
<tbody>
<tr>
<td>IA (&lt;0.02)</td>
<td>8.7%</td>
<td>-2.8%</td>
<td>-0.3% 0.7% 6\textsuperscript{th}</td>
</tr>
<tr>
<td>IB (0.02 – 0.5)</td>
<td>30.7%</td>
<td>0.1%</td>
<td>-2.2% -2.8% 5\textsuperscript{th}</td>
</tr>
<tr>
<td>IC (0.5 – 2.0)</td>
<td>15.6%</td>
<td>-4.2%</td>
<td>-1.6% -2.1% 6\textsuperscript{th}</td>
</tr>
<tr>
<td>ID (2.0 – 20)</td>
<td>25.4%</td>
<td>-4.2%</td>
<td>-0.5% -1.3% 6\textsuperscript{th}</td>
</tr>
<tr>
<td>IE (20 – 70)</td>
<td>10.1%</td>
<td>-3.7%</td>
<td>-0.3% -0.3% 8\textsuperscript{th}</td>
</tr>
<tr>
<td>IF (70 – 150)</td>
<td>9.4%</td>
<td>-5.2%</td>
<td>-3.5% -4.3% 7\textsuperscript{th}</td>
</tr>
</tbody>
</table>

*Source: Eurostat and SEAI

Business Electricity Prices (ex-VAT) – 2nd Semester 2015

<table>
<thead>
<tr>
<th>Band (GWh)</th>
<th>Share of business gas in Ireland</th>
<th>% change since last semester</th>
<th>Ireland’s ranking* for electricity price in Europe</th>
</tr>
</thead>
<tbody>
<tr>
<td>L1 (&lt;0.28)</td>
<td>9.4%</td>
<td>0.7%</td>
<td>1.4% 0.4% 6\textsuperscript{th}</td>
</tr>
<tr>
<td>L2 (0.28 – 2.8)</td>
<td>16.1%</td>
<td>1.0%</td>
<td>-3.9% -4.4% 11\textsuperscript{th}</td>
</tr>
<tr>
<td>L3 (2.8 – 28)</td>
<td>21.0%</td>
<td>-7.3%</td>
<td>-7.0% -7.7% 8\textsuperscript{th}</td>
</tr>
<tr>
<td>L4 (28 – 280)</td>
<td>38.3%</td>
<td>-0.7%</td>
<td>-6.5% -5.6% 8\textsuperscript{th}</td>
</tr>
<tr>
<td>L5 (280 – 1,100)</td>
<td>15.2%</td>
<td>..</td>
<td>-8.2% -8.1% ..</td>
</tr>
</tbody>
</table>

*Source: Eurostat and SEAI

Business Gas Prices (ex-VAT) – 2nd Semester 2015

Eurostat trends

The following section outlines Eurostat data on average energy prices in Ireland up to semester 2 of 2015. This data is published by the SEAI (Sustainable Energy Authority of Ireland)\textsuperscript{48} on a bi-annual basis. The published data is comprised of national average prices over a period over 6 months. Semester 1 prices are average

\textsuperscript{48} SEAI, Electricity and Gas Prices in Ireland 1\textsuperscript{st} Semester, (January-June) 2015.
prices between 1st January and 30th June of each year, semester 2 prices are average prices between 1st July and 31st December of each year.

The prices shown below are the average half-yearly electricity and gas prices for households and industrial end-users, characterised into separate segments based on predefined annual consumption bands. The average electricity prices include electricity/basic price, transmission, system services, meter rental, distribution and other services. The average gas prices include gas basic price, transmission, system services, meter rental, distribution and other services. EU aggregates are calculated by Eurostat by weighting the national prices with the latest available national consumption for either the household sector or the industrial sector.

Prices are collected and published considering three levels of taxation:

- Prices excluding taxes and levies
- Prices excluding VAT and other recoverable taxes
- Prices including all taxes, levies and VAT

In 2015 the average price for consumption band DD in Ireland was just below the Euro Area average and slightly above the EU 28 average. Average price decreased in the dominant consumption band, DD, from semester 2 2014 to semester 2 2015. For the second highest consumption band, DC, the average price was above the Euro Area Average and increased between semester 1 and 2 of 2015.

The figure below shows the absolute change in electricity prices for domestic customers between 2007 and 2015 for each consumption band, and shows that between 2007 and 2015, prices have increased for bands DB to DE.
The prices presented for non-domestic customers exclude VAT and other recoverable taxes and levies; businesses can generally recover VAT but not other charges (such as energy taxes, carbon taxes and climate-change levies), so the level of ex-VAT taxes is important in understanding fluctuations in business electricity prices.

In Semester 1 and 2 of 2015, prices for business electricity customers rose. Band IB accounts for the highest proportion of non-domestic electricity consumption in Ireland and is higher than the EU and Euro area averages.
Irish Business Electricity Prices Relative to Euro Area Average, excluding VAT (market share of band)

The figure below shows the trend in absolute business electricity prices over time. From 2012 there has been a general downward trend in electricity prices across all consumption bands.

Electricity prices for non-domestic customers 2007-2015

Electricity prices for non-domestic customers 2007-2015
Irish Domestic Gas Prices Relative to EU Average, including all taxes (market share of band)

In S1 2015 band D2 accounted for the highest proportion of Irish domestic gas consumption and remained below the Euro area average price. It rose between Semester 1 and semester 2 of 2015 but remained below the Euro Area Average in semester 2 of 2014.

The figure below shows the change in absolute gas prices over time for each consumption band. A seasonal fluctuation in price can be seen, with prices generally increasing over time.
Irish Business Gas Prices Relative to EU Average, excluding VAT (market share of band)

The dominant consumption band in Ireland for non-domestic gas customers is band I4. The average price for this band was below both the EU and the Euro area average prices in semester 1 of 2015 and decreased between semester 1 and semester 2 of 2015.

The Euro Area average decreased to a greater extent between semester 1 and 2 however. In Ireland, there were no non-recoverable taxes on gas for industry up to the second semester of 2009, but since 1 May 2010 a carbon tax has been levied.
End user prices

As part of the CER’s new market monitoring framework, data is submitted quarterly by suppliers on end user prices\(^{49}\). Data is provided on total revenues, demand (kWh) and customer numbers for each market segment as identified to cover the period.

![Figure 6.12](image)

For both the electricity and gas markets, the highest average revenue per MWh across suppliers is in the domestic market segment, with decreasing revenues per MWh for each market segment with higher consumption values.

![Figure 6.13](image)

\(^{49}\) This data is provided four times a year and the revenue component should align with that provided to the Sustainable Energy Authority of Ireland (including or excluding taxes/levies as relevant). While the total data should align with that provided to SEAI, there is a different market segment breakdown required (i.e. market segments rather than consumption bands).
Appendix 6 – Questions for interested stakeholders

Market Information, Market Share and Entry

1. In view of the findings on how market shares have evolved in the electricity and gas markets since price deregulation, the CER is inviting comments on whether there is any impact on consumers.

2. Are there improvements that can be made with regard to the process for market entry for new suppliers?

3. Additional comments are invited on the challenges faced by new suppliers following market entry in terms of costs and ability to grow market share.

Consumer Engagement

1. In addition to measures set out in the CER Supplier Hand Book and actions proposed in this report, are there additional measures that can be used to improve customer awareness and understanding of offers available in the market?

2. Notwithstanding that there are certain minimum requirements relating to what must be published on an energy bill, are there additional specific tools or measures that can be used to help improve customers’ understanding of what information is contained within the bill?

3. This chapter has identified certain cohorts of customers who may not have considered the benefits of switching. Are there specific measures that can be taken to target these customers?

4. Are there additional measures or improvements that can be made to assist customers with the switching process? What role should Suppliers and other stakeholders play in this area?

Consumer Protection

1. Are there additional measures that can be taken to increase awareness of the registration process for vulnerable customers for gas and electricity?

2. This chapter has outlined a range of customer protection indicators that are currently monitored by the CER, including the level of disconnections and customer complaints. Are there other customer protection issues in the market which should be monitored by the CER? If so, please explain the perceived value of monitoring such indicators.
Retail Prices over time

1. We would like to explore the topic of prices further and receive stakeholder’s views on the information presented. Do you concur with our assessment of wholesale, network and supplier costs for standard and discount tariff customers? Is there additional information and data or methodology the CER should consider as part of our examination of this matter?

2. Consumption figures are a key input to determine an estimate of the best available offer for a customer. Are there further steps that can be taken to improve communication and information regarding understanding consumption levels?

3. The assessment on prices shows that low consumption customers may not be incentivised to switch. Views are invited on further actions that can be taken in this regard.

4. Are there additional actions that can be taken for customers who cannot access offers related to direct debit and e-billing?

5. A key finding of this chapter is that most customers are not on the best available discounted plan with their supplier. In addition to the actions outlined in the CER’s Supplier Handbook, are there additional policies that should be explored in this area?

6. Are there currently barriers to innovation in the market for suppliers? Are there actions that can be taken to allow suppliers to innovate further to benefit customers?