

Media Release

Are Electricity and Gas Markets Working for Consumers?

CER Publishes Review of Retail Competition in Ireland

- **Active Consumers are Benefiting Most from Competition and Lower Prices**
- **High Supplier Switching Levels a Positive Indicator, but CER Concern that many Customers Not on Best Plan Available to Benefit fully from Competition**
- **Customers Generally Satisfied with Service Provided by Suppliers**
- **Retail Prices Close to European Averages and have Fallen Over Time Due to Competition and Wholesale Cost Reductions**
- **Further Analysis of Supplier Costs and Final Retail Prices Required by CER**

10 February 2017: The Commission for Energy Regulation (CER) has today published the results of a review of competition in the electricity and gas retail markets in Ireland. The review was undertaken to assess how the energy retail market has matured following full price deregulation in both the electricity and gas markets in 2014, reflecting the entry of new suppliers and increased competition during this time.

In addition to the ongoing monitoring of the market place, this review is designed to provide a further safeguard in terms of ensuring the necessary policies are in place to protect consumers and that competition is cultivated to positively impact the quality of services and the competitiveness of retail prices available to consumers.

In addition to retail prices, this review has examined all of the relevant areas of the retail market place including the ease of entry to the market place for suppliers, consumer satisfaction and engagement levels with suppliers and product innovation in the market place.

The review has identified a number of areas where good progress has been made and also where further monitoring will be required to be undertaken by the CER. The CER has requested feedback on specific findings within this report from both consumers and suppliers and will consider the feedback received in developing future policy.

The review findings were based on detailed monitoring data including independent research, consumer surveys and the results of analysis undertaken by independent EU bodies.

Key Findings

The review has established five key findings:

- 1) Functioning Market place:** Overall, the review has confirmed that the market place is functioning well in terms of the choice of suppliers and product offerings that consumers have access to. Increased competition among suppliers has seen the growth of varied discount plans and incentives being offered to new customers. The retention of customers has also become more important to suppliers, leading to existing customers remaining with their existing supplier on a new tariff.
- 2) Switching:** The level of switching supplier remains high in comparison to other European Union countries and is a positive indicator of a well-functioning energy market. However the review has shown that most customers are not on the best plan available to suit their needs and level of consumption and a high percentage of consumers could benefit by switching supplier or being on a better tariff. In addition, a high proportion of customers have never switched and specific cohorts of customers have been identified who are not engaged in the market.
- 3) Customer Satisfaction:** Customer satisfaction and trust with suppliers remains high, with improvements seen across the majority of suppliers as they become more customer focused and compete to not only win new customers, but more emphasis on retaining existing ones.
- 4) Retail Prices:** Retail prices are close to the European averages and have decreased over time due to competition and reductions in wholesale costs. 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. The price of gas for household customers was 8.5% below and 16.3% below the EU Average and the Euro Area average respectively. Based on the trends in prices over time and the correlation between wholesale and retail prices, it is clear that consumers who switch supplier are most likely to benefit from the most competitive tariffs as they appear to be more dynamic in response to changes in wholesale electricity and gas prices.
- 5) Wholesale Costs, Network Costs and Supplier Costs:** While retail prices have fallen in recent years based on falling wholesale costs, we have also seen network and supply costs increasing. As network costs are regulated the cost drivers for increases in these costs are understood. However, further additional analysis on the supply costs element is now required. This trend could be due to the increases in various associated costs faced by suppliers due to increased competition, such as marketing and customer support facilities and the timing of hedging strategies.

Next Steps

The CER has already addressed a number of the key findings in terms of changes to policy and the requirements of suppliers designed to stimulate greater customer engagement with the energy market. These include:

- Changes to the Supplier Handbook requiring suppliers to issue notification on an annual basis to prompt customers to change tariffs or on the expiration of a fixed term contract and provide an annual average bill based on typical consumption values on all advertising and marketing material to make it easier for customers to compare offers.

- A revision of 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 a tariff and supplier that suits their needs.
- The CER will also looking at ways to increase customer awareness of their consumption and engage with suppliers.

In addition, as part of the review a number of questions specific to the findings have been asked. This questionnaire will be available online for interested stakeholders for a three month period. The CER will collate responses to this questionnaire and use this information to inform future policy in this area.

In relation to supplier costs, the CER will be conducting further analysis and a more detailed examination to understand the components of supplier costs and supplier's responsiveness to changes in wholesale gas and electricity prices and how they are passing on reductions to customers. This will require further information from suppliers to clarify reasons for the difference and identify if any new policies are required, to stimulate consumer engagement and further protect customers.

The CER Commissioner with responsibility for the retail sector, **Aoife MacEvilly**, said: *"The Retail Review highlights the many positive developments in competitive electricity and gas markets, which are delivering real benefits to consumers, particularly active consumers. At the same time, we have identified two key areas which require further attention.*

Firstly, it is clear that because many customers are inactive, they are not on the lowest available tariffs and we would like to do more to ensure that customers are on the best tariffs for their needs.

Secondly, while retail prices have fallen in recent years based on falling wholesale costs, we have also seen network and supply costs increasing. We understand the drivers for increasing network costs but more work is needed to understand why supply costs have risen and to ensure that customers are getting best value."

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Notes to Editors

- The CER is Ireland's independent energy regulator with a wide range of economic, customer and safety functions. The CER is also the economic regulator of Ireland's public water system. The CER protects energy customers by working for a safe, secure and sustainable supply of electricity and natural gas, as well as a competitive market which delivers reasonable prices and a good quality service to customers. For further details please see www.cer.ie.
- It is the CER's statutory obligation to ensure a high standard of protection for energy customers. The Supplier Handbook sets out the minimum service levels that electricity and gas suppliers must provide to their customers. The CER has an important related function in customer protection by

resolving complaints that customers have with an energy company - please see www.cer.ie/customer-care for further information.

- The CER has overseen the liberalisation of both the electricity and gas retail markets. With the continued development of competition, all electricity and gas markets have been price deregulated. Retail prices for all electricity customers were price deregulated by the CER by April 2011. Gas business prices were then price deregulated by the CER in October 2011, and domestic gas prices were deregulated in July 2014.