

Electric Ireland Response

Consultation CER 17003 - Review of Typical Domestic Consumption Values for Electricity and Gas Customers

CER Proposal 1:

A median value should be used for typical annual consumption for electricity and gas. This will be used as the revised industry figure, to be used by accredited price comparison web sites and suppliers to calculate the typical annual estimated bill. A revised figure of 3,500kwh is proposed based on the above methodology. The time line for introducing this figure is the **3rd of April 2017**.

Electric Ireland Response 1

Electric Ireland supports the introduction of a median value of 3,500kwh (Option 1) for calculation of the typical annual consumption for electricity.

We acknowledge that significant changes have occurred in energy usage patterns in the period since the previous annual average consumption values were set. These patterns are borne out by the data used in this current analysis and as provided by MRSO, MDS and GPRO.

Key factors that have clearly impacted on changing energy use patterns include

- extensive promotion by all stakeholders of the benefits of energy efficiency
- increased awareness and deployment by suppliers and customers;
- technological developments leading to improvements in wide adoption of improved equipment and appliances ;
- the emergence of alternative efficient energy options;
- well targeted energy reduction initiatives ; and
- demand destruction arising from the major economic recession
- changing demographics e.g. lower family size

It is unsurprising that the impacts of all these changes require adjustment to the average figures used up to now. We note also that emerging change (for example through the introduction of smart metering, smart connected homes, new technology initiatives etc.) may be expected to lead to further energy efficiency and / or reduced energy demand and that may lead in turn to a requirement for more regular review of the data. In this respect we also note and support more regular review of options to improve the methodology and the more frequent timeframe for updating the data (albeit we would prefer a slightly longer 3–4 year interval to allow for a ‘settling in’ of

any new figures, including time for customers / stakeholders to familiarise themselves with any changes and / or related potential value; also to allow for reasonable assessment of outcomes; and finally, to take account of implementation.)

The choice of the median value as against the mean value appears sensible , given in particular that the median value will be more closely applicable to the majority of customers. This adjustment will of course further positively highlight that the typical / average annual customer bill is much lower for most customers than had previously been indicated, where the typical annual bill falls by over €300 for electricity and by €154 for gas.

See table below, based on latest estimates using current Electric Ireland prices.

	Current Typical bill	Proposed typical bill
Electricity	€1,055	€746
Gas	€898	€743

On the other hand where typical annual consumption values are used for communicating the impact of price changes the publicised value of the changes will be relatively lower (whether the price is being reduced or increased).

We note that further refinements may be considered in the future in respect of different customer classes and / or meter type to allow for greater customer self-identification. In this regard Electric Ireland also recommends strongly that CER give detailed consideration to the use of the new typical consumption value over more than a one year period, for example to allow for where the period of customer price comparison extends to two or three or more years.

It should be noted that some redistribution of customer numbers can be expected in respect of some key Eurostat bands and this may give rise to public commentary by some stakeholders.

In terms of the public comparison conversation, involving all stakeholders, we expect there is likely to be some comment on

- Higher proportion of fixed costs (Networks Charges, Capacity charges etc.)
- Higher proportionate impact of taxes / levies (PSO)

Advance stakeholder communication planning and delivery will be necessary to mitigate the possibility of misleading information or customer anxiety or suspicion arising from the introduction of the proposed changes.

Electric Ireland supports the CER proposed timeline for introducing the new figure.

CER Proposal 2:

It is proposed that a low median consumption figure and a high median consumption figure is also introduced for typical annual consumption for electricity. A figure of 2,100kWh is proposed for low consumption customers and 5,200kWh is proposed for high consumption customers. The time line proposed to introduce these figures by accredited price comparison web sites is the **5th of June 2017**.

Views are invited on:

- The practical implementation of a low, median and high consumption figure.
- The time lines to introduce these figures.
- Other practical considerations of staggering the introduction of the figures.
- Any other comments.

Electric Ireland Response 2

Electric Ireland does not support the proposal to introduce a low and high consumption value for use with Price Comparison websites (PCW's)

We believe that creating two new classes of customers will only confuse customers who are using the PCW's to establish best prices in the market. Our assumption is that the market will introduce prices products for the three classes of customer.

For example, the gap between the lowest and highest 'low average' bill consumption is very large. It could be that a customer at the higher end of the low average bill consumption range will be misled by being identified in this class rather than in the medium class. This, in turn, may lead to this customer being offered non-optimal priced products to his / her disadvantage. A similar outcome could be expected for customers at the lower end of the high typical consumption range and of a wide range of values in between. So, for example again, if a customer has an annual consumption of 3000 kwh or 4400kwh which band class should they use?

CER has already proposed the introduction of an estimated annual bill (using typical consumption values) for customers and Electric Ireland has supported this in our response to the Supplier Handbook consultation. We believe that this information will be very useful to customers when using PCW's for best prices in the energy market.

A best alternative when using the PCW's is to have an actual consumption value available for input directly to the PCW, which in turn presents the best priced product option for that customer. So we believe that it is less confusing and easier for the customer to either use the typical consumption value or their actual consumption value rather than having to guess what consumption class they are in (where they have no information as to what their actual consumption is anyway.)

Where or if the CER is minded to still introduce the new values Electric Ireland supports the CER proposed timeline for introducing the new figure.

CER Proposal 3:

- It is proposed that the median methodology is used to determine the typical gas consumption value. A figure of 11,150kWhs is proposed for the median value.
- Similar to electricity, it is proposed that low consumption and high consumption median values are also provided by price comparison websites.
- The low consumption value is 3,630kWhs and the high consumption value is 62,250 kWhs.

Views are invited on:

- The use of a median consumption figure, to be introduced by the **3rd of April 2017** by price comparison web sites.
- The use of low and high consumption figures, to be used by the **5th of June 2017** by price comparison web sites.
- The time lines for introduction of these figures.

Electric Ireland Response 3

Electric Ireland supports the introduction of a median value of 11,150kwh (Option 1) for calculation of the typical annual consumption for gas.

Our support is based largely on the rationale for supporting the adjustment in the electricity, as set out above, including key factors influencing changes in gas usage patterns and their related impacts, based on usage data provided by Gas Networks and GPRO.

We also support the choice of the median value as against the average value. This adjustment will of course further positively highlight that the typical / average annual customer bill is much lower for most customers than had previously been indicated, where the typical annual bill falls by over €300 for electricity and by €154 for gas.

See table below, based on latest estimates using current Electric Ireland prices.

	Current Typical bill	Proposed typical bill
Electricity	€1,055	€746
Gas	€898	€743

We note that further refinements may be considered in the future in respect of different customer classes and / or meter type to allow for greater customer self-identification. In this regard Electric Ireland also recommends strongly that CER give detailed consideration to the use of the new typical consumption value over more than a one year period, for example to allow for where the period of customer price comparison extends to two or three or more years.

We note that the changes in typical consumption values will not impact the existing Eurostat bands reports.

In terms of the public comparison conversation, involving all stakeholders, there is likely to be some comment on

- Higher proportion of fixed costs (Networks Charges, Capacity charges etc.)
- Higher proportionate impact of taxes / levies (PSO)

Advance stakeholder communication planning and delivery will be necessary to mitigate the possibility of misleading information or customer anxiety or suspicions arising from the introduction of the proposed changes.

Electric Ireland supports the CER proposed timeline for introducing the new figure.