

Market Monitoring in Electricity and Gas Retail Markets Consultation (CER 11/221)

Detailed Consultation Questions and responses from ESB Electric Ireland.

Question 1

On the three options presented for electricity market segments? Respondents are also invited to suggest alternative market categories.

Response 1

Option 1 proposed is the basis on which the industry currently reports and our processes and systems are designed around that. Electric Ireland support the continuation of this option. Our current processes and systems could not facilitate reporting as required under other 2 options proposed though we acknowledge that Option 2 is produced on an ad hoc basis twice a year currently for defined requirements as set out by Eurostat.

Changes to reflect such reporting on an ongoing basis in the forms proposed in this consultation would involve deployment of additional resources, delivery of new processes and systems and considerable modification and rebuilding of existing processes and systems – all of which would be expensive and, very likely, impact on customer prices.

Question 2

On the three options presented for gas market segments? Respondents are also invited to suggest alternative market categories.

Response 2

Industry is structured around current segmentation and Electric Ireland supports continuation of this structure. As for question 1 above, any move away from this structure will lead to significant process and system change and consequential once off and ongoing incremental costs if implemented.

Question 3

Whether the indicators outlined for measuring switching rates are sufficient and if not, what other methodology could be used?

Response 3

Electric Ireland agrees that the indicators for measuring switching rates are appropriate for the current state of development and maturity of the market.

Question 4

Whether the indicators outlined for measuring delays in the switching process are sufficient and if not, what other methodology could be used?

Response 4

Electric Ireland agrees that the indicators for measuring delays in the switching process are appropriate for the current state of development and maturity of the market.

Question 5

Whether the indicators outlined for measuring failed switches are sufficient and if not, what other methodology could be used?

Response 5

Electric Ireland agrees that the indicators for measuring failed switches are appropriate for the current state of development and maturity of the market.

Question 6

Whether the proposals outlined for measuring renegotiations. Is there any other methodology that could be used?

Response 6

Electric Ireland understands the CER views as presented in the proposals for measuring renegotiations. However further detailed discussions will be required to get precise definitions and rules around what should be included or not included and to put in place the necessary process and system changes to capture and report on the details required.

We would refer to, for example, the Eurostat reporting requirement that suppliers only include customers who have been with them for a year and where a years' contiguous consumption is available. This presents obvious difficulties where levels of churn (desirable or actual) could leave significant proportions of the database excluded from the reporting and, perhaps, make the outputs less meaningful.

Question 7

Whether the proposals to monitor connections as part of the DSO performance report are sufficient. If not, what value would more regular monitoring of connections provide?

Response 7

Electric Ireland agrees that the indicators for monitoring connections are appropriate for the current state of development and maturity of the market.

Question 8

Whether the proposals to monitor repairs through the annual reporting of CMLs and CIs for electricity and supply restoration for gas are sufficient. If not, what value would more regular monitoring provide?

Response 8

Electric Ireland has no specific comments in relation to this item.

Question 9

Whether the proposals outlined for monitoring disconnections are sufficient. What additional information on disconnections do respondents consider would be worth publishing?

Response 9

Electric Ireland agrees that the indicators proposed for monitoring disconnections are appropriate for the current state of development and maturity of the market.

Question 10

Whether the proposals outlined for measuring debt flagging are sufficient. Is there any other related information that the CER should consider including in its monitoring framework?

Response 10

Electric Ireland agrees that the proposals for measuring debt flagging are appropriate for the current state of development and maturity of the market but again would highlight the requirement for further detailed discussion in relation the chosen measurement option.

Question 11

Whether the level of detail on market share currently shown in the CER's quarterly reports is sufficient. If not, please state what additional information should be provided.

Response 11

Electric Ireland agrees that the proposals on market share are appropriate subject to review after measurement option decided upon. Further consideration will be required on level of detail required to enable necessary process and systems changes.

Question 12

Comment on the proposal to include a list of active suppliers in each market segment.

Response 12

Electric Ireland agrees with this proposal.

Question 13

Whether the two measures of market concentration are the most appropriate for the Irish market. If not, what other approaches should be used?

Response 13

Electric Ireland notes that CER intend publishing these two measures for both customer numbers and by market segment. It will be important that commentary providing appropriate context is also published alongside the measures.

In particular the audience for such information would need to understand, for example, that all market segments are open; the length of time that they have been open; the total number of customers within each segment; the GWh values per segment; and the total numbers of suppliers who have chosen to compete within each segment. In the absence of such context the public presentation of such information can provide opportunities for deliberately misleading and / or opportunistic interpretations.

Question 14

Whether the proposals for retail margins are sufficient. Is the proposal outlined above sufficient? If not, what other approaches should be used?

Response 14

Electric Ireland has major concerns around the retail margin proposals and is unable to support them as presented. Notwithstanding that there is considerable additional detail required to properly evaluate any proposal in this area we are unable to understand the basis on which the information is sought in the first place. In particular, the ERGEG 18 indicators do not mention it; the enabling statutory instruments do not mention it ; and there is no evidence that we can glean from any source that this scale of information is being provided in any comparable EU energy market.

Furthermore, and without the benefit of detailed evaluation at this point, we can say with reasonable certainty that the information sought is at such a level of detail that the impacts on processes and systems would be considerable and have a tangible upwards impact on customer pricing (this point may be equally attributable in respect of the other indicators depending on the measurement option decided upon).

A key element in driving such impacts is / would be a necessary commitment to the capture, storage, and delivery of inputs / outputs based on cost apportionments at a level that is currently not done and for which no rules or instructions or standards for application are available. Realistically the delivery of this level of detail is not possible. Even if it was, and it was affordable, the oversight required both at a company level and within the commission to ensure that all relevant rules and instructions were being adhered to in the same way across all market participants would make it extremely difficult to monitor and validate. As a consequence its value is doubtful.

In this respect Electric Ireland wishes further to highlight findings and issues in the Ofgem 'Financial Information Reporting : 2009 results ' published in April 2011. Among the key points made are – the varied treatment of wholesales energy costs in vertically integrated companies, related to transfer pricing approaches and treatment of shared costs across businesses where 'there is no common standard as to how to allocate these shared costs back into the different segments in the business' and 'which impacts on the comparability of the segment results'.

Other points highlight different treatment of individual cost items both within and across companies. Notwithstanding that substantive difficulties are already identified in comparing results between vertically integrated companies, comparisons including Electric Ireland, as a ring-fenced, stand alone company would add further complexity into the mix, making reliable comparison almost impossible.

In addition, serious issues of confidentiality and commercial sensitivities arise in publicly delivering retail margin information at a level lower than that currently provided and available to interested parties.

Finally, we remain unsure and unconvinced as to why further disclosure is required in a deregulated market. No substantive information is given as to what benefits can be derived from the proposal. We can see no basis for CER introducing more onerous conditions which appear to represent a form of re-regulation in a deregulated market.

Question 15

Whether the proposals for monitoring the diversity of tariffs are sufficient. If not, please state what additional measures should be undertaken?

Response 15

Electric Ireland is unable to properly comment on these proposals without further detailed evaluation to include more precise definitions of some of the data requirements (for example; 'demand' - is this consumption only or including MIC; or 'rates' – is this actual rates or an average rate, bearing in mind also that we have moved from 2 urban and 2 rural rates to dozens of price plans , packages and offerings currently). Again, depending on the measurement option chosen the potential granularity of data presentation could render outputs almost meaningless.

It should be noted that the tariffs / contracts offered for business customers are confidential between suppliers and customers and represent commercially sensitive data. Publication of such data, even in aggregated or summary form, might, at certain levels of detail, provide information about a customer that could compromise both their legal rights and, as a consequence, the legal obligations and responsibilities of the supplier. An option to consider might be sharing of agreed data with CER on a confidential basis but without any intention to publish ?. Such an approach exists with the regulator in Northern Ireland who protects commercial sensitivity by publishing averages only and only at a market level (not by supplier.)

Question 16

Whether the proposals for monitoring end user prices are sufficient. If not, please state what additional measures should be undertaken?

Response 16

Electric Ireland agrees with the proposals for monitoring end user prices and believes they are sufficient. However, as stated previously, further detailed evaluation is required to determine a precise specification for delivery and much will depend on the measurement option(s) decided upon. Process and system impacts can then be reviewed and delivery options and costs considered.

Question 17

Whether the proposals for monitoring the spread price are sufficient. If not, please state what additional measures should be undertaken?

Response 17

Electric Ireland acknowledges that the proposals for monitoring spread price are appropriate for the current state of development and maturity of the market. In terms of publication we would request that CER also provide commentary around the reasons for variations in tariffs which often now reflect different contract duration and billing and payment methods availed of by the customer, each of which limits the degree of cost and risk facing us in terms of purchasing the power required and getting payment certainty from the customer.

As stated previously, further evaluation is required to determine a precise specification for delivery and much will depend again on the measurement option(s) decided upon. Process and system impacts can then be reviewed and delivery options and costs considered.

Question 18

Whether the proposals outlined for measuring arrears are sufficient. Is there any other related information that the CER should consider including in its monitoring framework ?.

Response 18

Electric Ireland agrees in principal with measurement of arrears at the level of detail provided currently but has major concerns around the consultation proposals, particularly given the level of granularity proposed and the proposal to publish arrears value. Detailed guidelines on what is meant by arrears would also need to be considered to ensure equitable comparison across suppliers.

In particular the proposal to add values, to profile over 30, 60 and 90 days and to publish such data by supplier is a major cause of concern and could expose us to significant commercial and brand risks (similar risks would also apply presumably across all suppliers) which could extend to reduced credit provider confidence leading to higher capital and operating costs; and brand damage where, unknown to customers and the public generally, many of the factors causing arrears difficulties are legacy market issues and national and global economic issues over which we have no control.

Notwithstanding that there is additional detail required to properly evaluate this proposal we do not understand the basis on which the information is sought in the first place. In particular the 18 ERGEG indicators do not mention or require it; the enabling statutory instruments don't mention it ; and there is no evidence that we can glean from any source that this scale of information is being provided in any comparable EU energy market.

Finally, identification of arrears values at, for example, customer segment level could contribute to implicit restrictions on market activity as potential competitors seek to avoid certain identifiable customer segments or to 'cherry pick'. Depending on progress at the national economic level this could also act as an inhibitor to market entry as potential participants look for less risky investment opportunities.

Question 19

Whether the proposals outlined for measuring penalty clauses are sufficient. Is there any other related information that the CER should consider including in its monitoring framework?

Response 19

Electric Ireland agrees in principal that the proposals in this area are reasonable but wish to highlight that new process and systems changes will be required to capture and report on relevant data that is not currently collected - with the effort required to implement subject to the decision on which measurement option is chosen.

In addition CER will need to provide commentary and context in publishing these numbers to explain the purpose of penalties to the customer / public. For example the penalty is applied to a customer who breaks a contract which delivers additional costs to the supplier who has already bought the power to fulfil the customers contract and where it might not be easy for the supplier to offload unexpected power loads.

Question 20

Whether the proposals for monitoring customer complaints are sufficient. If not, please state what additional measures should be undertaken?

Response 20

Electric Ireland strongly question again the necessity for such wide ranging changes in an area which has worked well to date for customers. We believe the proposals in this area are excessive, in particular around the wide range of sub categories identified and, depending on the measurement option decided upon, the level of detail that may be required. As a consequence more fundamental and costly system and process changes are likely to be required to facilitate delivery. Further consideration and evaluation of precise requirements is needed. .

Question 21

Whether the proposals for monitoring customer enquiries are sufficient. If not, please state what additional measures should be undertaken?

Response 21

Electric Ireland agrees that the indicators proposed in this area are inappropriate and excessive in scope. This information is currently collected on an ad hoc basis precisely because of the effort and cost involved in producing it on a regular basis. No resources or structured processes or systems exist to collect this data on a regular basis and these would be costly to put in place.

We strongly request that the frequency of the reporting period is annual, given the wide range of metrics and granularity proposed. We will also need to examine the detailed requirements further and assess potential process and system changes, again depending on the measurement option decided upon.

Question 22

Whether any of the potential areas for market monitoring set out in Section 9 would be of particular value.

Response 22

Without more detailed information Electric Ireland is not in a position to comment substantively on the potential areas for market monitoring set out. As a general principal Electric Ireland supports the creation of market information which delivers greater transparency, choice and value to customers and which enhances the robustness of the market itself.

Question 23

Whether the reporting frequency and the requirements for the initial submissions are sufficient, insufficient or excessive? Is there an alternative set of timelines that the CER should consider for collecting data?

Response 23

Overall Electric Ireland believes the proposals are excessive in their current form and strongly supports an extended timeline to allow for more detailed examination of the requirements set out in this consultation and for more informed delivery planning for agreed changes. We request that key principals in reviewing additional reporting requirements include relevance, proportionality, cost and, particularly, that they reflect a balance between an increasing regulatory burden (in a deregulated market) on suppliers - and DSO's presumably - and realisable benefits to customers. Additional requirements workshops, as proposed in the recent CER workshop, would be very useful in this respect.

Question 24

Whether the de minimis threshold is reasonable. Is there any other approach that the CER should consider for setting the de minimis threshold for reporting?

Response 24

Electric Ireland is in agreement with this proposal.

Question 25

Whether the reporting form accompanying this document is clear and easy to understand. Is there any other approach that the CER should consider for collecting data?

Response 25

Electric Ireland is broadly in agreement with the use of the reporting form. When the final decision is made on the indicators it would be useful to re-validate the appropriateness of the reporting form.