Regulator’s 2015 National Report to the European Commission

Commission for Energy Regulation (CER) Ireland

August 2016
1. Foreword

Introduction to the report signed by the Commissioners

The Commission for Energy Regulation (“the CER”) is Ireland's independent energy and water regulator.

Since its establishment in 1999, the CER’s remit has expanded significantly to encompass a range of economic, customer protection and safety responsibilities in both the energy and water sectors.

As an economic regulator, the CER strives to ensure a stable and predictable regulatory regime in Ireland to support efficient investment, competition and consumer protection for energy customers. As the country’s energy safety regulator our core focus is on protecting lives and having a world-class safety record.

The CER’s economic role and associated energy policy developments are detailed in this annual report to the European Commission. We report here on the progress made in various areas including wholesale and retail markets regulation, networks regulation and energy safety oversight.

Building on our achievements to date and looking forward to new challenges, the CER will continue to endeavour to provide a first-class regulatory service to all its customers in a cost-effective manner.

Garrett Blaney
Chairperson

Paul McGowan
Commissioner

Aoife MacEvilly
Commissioner
2. Main developments in the gas and electricity markets\textsuperscript{1}

**Electricity Networks Revenue Review Project**

In 2015, the CER completed its five-yearly review of electricity network revenues and charges under the Price Review 4 (PR4) project. The review included an examination of operating costs, capital expenditures, cost of capital, and depreciation rates for the network companies, which together contribute to the allowed network charges. The CER held a full public consultation in 2015 and published a final PR4 determination in Q4 2015. The CER engaged expert technical consultants to assist in the CER’s public consultation and the final PR4 determination.

**Electricity Networks and Renewable Issues**

The existing rules on connection to the electricity grid is largely driven by the Government’s target for Ireland to achieve 40% of electricity consumption from renewable sources by 2020.

There are two broad policy approaches for processing generators’ applications for grid connection: (1) the Group Processing Approach (GPA) and (2) the Non Group Processing Approach. Under the GPA, the System Operators issue grid connection offers mostly to renewable generators in batches called ‘Gates’. The current Gate 3 provided for circa. 3,900 MW of renewable offers to primarily wind generators.

In 2015, the CER continued to work on policies which underpin Gate 3 or that will facilitate successful Gate 3 outcomes, and achievement of the 2020 renewable targets. The CER reviewed the System Operators’ proposals to amend rules for the progression of subgroups under the GPA. The new rules managing subgroups as they move to the construction phase are set out in CER/15/098A of May 2015. Further, the CER reviewed the existing provisions on Maximum Export Capacity (MEC) Security, and will take a decision on the matter in 2016.

In addition, the CER launched a review of the current connection policy to ensure it is fit for purpose for future system requirements, and in line with the existing legal framework. At the end of 2015, the CER has published its initial thinking and high-level proposals as to the future Enduring Connection Policy in a Consultation Paper CER/15/284.

In particular, the CER considers that the approach taken for Gate 3 may no longer be appropriate, and that subsequent gates may need to be smaller, more frequent, and not focused on specific technology types. The CER also consulted on a number of Transitional Arrangements that could be put in place during the interim period in order to prepare the ground for the implementation of the Enduring Connection Policy. Decisions on these policies will be published in 2016 and 2017.

Increasing levels of wind generation on the system poses significant challenges to system operation. In 2012, Transmission System Operators (TSOs) in Ireland and Northern Ireland (EirGrid and SONI) began a multi-year programme, ‘Delivering a Secure, Sustainable Electricity System’ (DS3 Programme). The aim of the DS3 Programme is to meet the challenges of operating the electricity system in a secure manner while achieving Ireland’s target of 40% of electricity coming from renewable sources by 2020.

\textsuperscript{1} In general, the report should seek to cover developments during the period from January 2015 to December 2015 and data should reflect this period as far as possible. Where data for the calendar year is requested, 2014 is the appropriate reference year.
One of the key projects within DS3 is to resolve increased Rate of Change of Frequency (RoCoF) that may arise on the system following large system disturbances. In May 2014, the CER approved the TSO proposal to introduce a ROCOF Grid Code standard of 1 Hertz per second (Hz/s) for Ireland calculated over 500 milliseconds (ms). This will be an important aspect of the delivery of the 2020 targets as achievement of this standard will allow EirGrid to operate the system with higher levels of wind. The progress of the ROCOF Implementation Project has so far been in general very positive, and raised no significant technical issues.

In addition, the CER as a member of the SEM Committee delivered an important decision on the procurement framework for DS3 System Services in December 2014. This sets out the framework mechanisms by which the System Operator (EirGrid) will procure the required system services in order to support high levels of wind on the system. This decision is a key stepping stone towards delivery of the renewable targets both in Ireland and Northern Ireland.

**Electricity & Gas Security of Supply**

With reference to gas security of supply, the CER actively participated in EU Gas Co-ordination group meetings throughout 2015, which resulted in the updating of Ireland’s 2014-16 National Preventive Action Plan and 2014-16 National Gas Supply Emergency Plan. Additionally, the CER submitted its Annual Report to the Minister for Communications, Energy and Natural Resources regarding the CER’s implementation of Regulation (EU) 994/2010.

As part of the CER’s role in ensuring electricity security of supply, the CER launched a review of existing fuel stock obligations on electricity generators operating in Ireland (CER/15/213). The objective of the review is to assess whether changes to existing fuel stock obligations (as specified in CER/09/001) are merited following recent market changes including increased interconnections, new sources of indigenous gas and the opening and closure of generation plants. Following the conclusion of its review, the CER intends issuing a decision paper in 2016.

Additionally, during 2015, the CER inputted into the development of the EU Commission’s second Projects of Common Interest (PCI) list, and hosted Gas Electricity Emergency Planning Group meetings in order to facilitate a co-ordinated approach to emergency planning by Ireland’s gas and electricity Transmission System Operators (TSOs).

To facilitate the coming on stream of the Corrib gas field, the CER reviewed the gas network entry tariff regime to facilitate changes to gas entry points to the network to mitigate against possible increases in wholesale gas costs and significant price increases.

**Energy Retail Markets**

The CER further improved the market monitoring framework to provide greater oversight of information of key market developments. This will allow the CER to identify market issues where action may be necessary in the interests of consumers in the context of falling wholesale prices driving lower retail electricity and gas prices.

The CER annually gathers the views of energy consumers through a consumer survey to identify key issues and develop policies to protect the consumer. The 2015 survey showed increasing satisfaction levels with suppliers, but an ongoing low level of consumer awareness and engagement with the energy market.

The CER maintained its monitoring and auditing of supplier compliance with consumer protection requirements and identified several areas where further development was required due to the
growth of supplier’s offerings and different marketing and advertising strategies. This initiated a review of the supplier handbook, which sets out minimum service requirements that suppliers must adhere to in their dealings with energy customers, and the associated compliance audits to ensure greater protection of energy consumer rights.

In partnership with the Utility Regulator in Northern Ireland and through the CER membership of the SEM Committee, significant progress was made in overseeing the regulation of the existing single electricity market and the re-design of a more competitive, interconnected and sustainable all-island electricity market. Significant consultation and engagement with industry throughout 2015 facilitated key decisions by the Single Electricity Market Committee on the I-SEM and DS3 projects.

3. The electricity market

3.1. Network regulation

3.1.1 Unbundling

Report on TSO certification, DSO provisions regarding branding and resources and new developments regarding certification revisions

- Articles 10,11 2009/72/EC and Article 3 Regulation (EC) 714/2009
- Article 26

3.1.2 Technical functioning

- Balancing services (Article 37(6)(b), Article 37(8))
- Security and reliability standards, quality of service and supply (Article 37(1)(h))
- Monitoring time taken to connect and repair (Article 37(1)(m))
- Monitoring safeguard measures (Article 37(1)(t))

The CER sets the policy for a fair and non-discriminatory access to the electricity network in Ireland. Existing access policy is captured under two broad policy approaches: (1) the Group Processing Approach (GPA) and (2) the Non Group Processing Approach, and has been developed on foot of the Government’s target for Ireland to achieve 40% of electricity consumption from renewable sources by 2020.

Under the GPA, the System Operators (EirGrid and ESB Networks) issue grid connection offers mostly to renewable generators in batches called ‘Gates’. Eligibility for inclusion in a Gate has been based on criteria set out by CER in its decisions on each of the three Gates to date, Gate 1 in 2004, Gate 2 in 2006 and Gate 3 in 2008 and 2009. The current Gate 3 provided for circa. 3,900 MW of renewable offers to primarily wind generators, but was also open to conventional (non-renewable) generators. Since then, the CER has remained focused on ensuring that these
offers are issued in an efficient manner and that associated policy allows for developers to accept their offers and proceed to build.

Successful delivery of Gate 3 will play a significant role in the achievement of Ireland’s 2020 renewables targets (40% of electricity consumption from renewable sources) whilst transitioning Ireland’s electricity sector to a low carbon model. Already about 20% of our electricity consumption comes from renewable sources - mostly wind farms - one of the highest levels in the EU, and this has been facilitated by the connection of Gate 1 and Gate 2 renewable generators in recent years. The table below shows the offer acceptance status of Gate 3 at the end of 2015 indicating a significant positive uptake:

Gate 3 Offer Acceptance at the start of 2016.

<table>
<thead>
<tr>
<th>Area</th>
<th>DSO offers</th>
<th>TSO Offers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Contracted (yet to connect)</td>
<td>Lapsed/Rejected</td>
</tr>
<tr>
<td></td>
<td>Renewable</td>
<td>Conventional</td>
</tr>
<tr>
<td>A</td>
<td>16</td>
<td>3</td>
</tr>
<tr>
<td>B</td>
<td>19</td>
<td>1</td>
</tr>
<tr>
<td>C</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>D</td>
<td>7</td>
<td>1</td>
</tr>
<tr>
<td>E</td>
<td>27</td>
<td>1</td>
</tr>
<tr>
<td>F</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>G</td>
<td>9</td>
<td>0</td>
</tr>
<tr>
<td>H1</td>
<td>18</td>
<td>5</td>
</tr>
<tr>
<td>H2</td>
<td>18</td>
<td>3</td>
</tr>
<tr>
<td>J</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>K</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>98</td>
<td>18</td>
</tr>
<tr>
<td>Total MW accepted</td>
<td>1544.2</td>
<td>15.8MW</td>
</tr>
</tbody>
</table>

The non GPA approach relates to the processing of connection offers for small, renewable and low carbon generators that fulfil public interest criteria. Applications for non-GPA connection offers are reviewed by the CER on a case-by-case basis.

To allow for the connection of all of these new renewable projects, the CER has sanctioned more than a billion euro investment in the electricity transmission system over the years 2011 to 2015. This includes the construction of new transmission capacity as well as the upgrading of existing capacity to allow these renewable projects to export their power. Delivery of this new infrastructure by the System Operators will be a key component of the success of Gate 3 and achievement of Ireland’s renewable targets.

In 2015, while continuing to monitor the Gate 3 delivery, the CER launched a review of the current connection to ensure it is fit for purpose for future system requirements, and in line with the existing legal framework. At the end of 2015, the CER has published its initial thinking and high-level proposals as to the future Enduring Connection Policy in a Consultation Paper CER/15/284. In particular, the CER considers that the approach taken for Gate 3 may no longer be appropriate, and that subsequent gates may need to be smaller, more frequent, and not focused on specific technology types. The CER also consulted on a number of Transitional Arrangements that could be put in place during the interim period in order to prepare the ground for the implementation of the Enduring Connection Policy. Decisions on these policies will be published in 2016 and 2017.
In addition, the CER continued to work on policies which underpins Gate 3 or that will facilitate successful Gate 3 outcomes. The CER reviewed the System Operators’ proposals to amend rules for the progression of subgroups under the GPA. The new rules managing subgroups as they move to the construction phase are set out in CER/15/098A of May 2015. Further, the CER reviewed the existing provisions on Maximum Export Capacity (MEC) Security, and will take a decision on the matter in 2016.

To ensure continuous stakeholder engagement in developing grid access policies, the CER facilitates the Generator Connection Liaison Group. The Liaison Group continues to deal with a large volume of Gate 3 issues and is working effectively as a communications forum and information exchange between the CER, the System Operators and the electricity industry.

### 3.1.3 Network tariffs for connection and access

- Article 37(1)(a), Article 37(6)(a), Article 37(8), Article 37(10), Article 37(12), art 37(3)(c) and (d)

In 2015 the CER published decisions on the network tariffs applicable for 2015/2016 and the allowable revenue recoverable by the network companies, these decisions replaced those made in 2014 for the tariff year 2014/2015.

- Prevention of cross-subsidies (Article 37(1)(f))

The CER carries out a Price Review (PR) every five years setting revenues, separately, for the transmission and distribution network companies that can be collected from use of system customers, via network tariffs. PR3 covered the period 1st January 2010 to 31st December 2015. With 2015 being the final year of the PR3 period, the CER engaged heavily with the network companies and conducted public consultations with regard to an ex-post review of PR3 expenditure and an ex-ante review of PR4 forecast expenditure.

The CER published decisions in Q4 2015, relating to the network companies’ allowed outturn revenues for the PR3 period and for the revenues that the network companies’, separately, should be allowed to earn for the PR4 period, from 1st January 2016 to 31st December 2020. Revenues are set at a level that would allow an efficient business to finance its activities and are determined by a combination of benchmarking against organisations in other countries and examining the specific underlying costs of the network companies. The only costs that are allowable are those that can be shown to be required to carry out the respective duties of the TSO, DSO and owners of the networks and that have been efficiently incurred. These costs are then recovered through network tariffs.

In addition to the five year review, yearly revenue update reviews are carried out whereby the network companies’ outturn costs, and forecasts, are assessed and approved with the resulting network tariffs being put in place for the following tariff year.

The process outlined directly above and the associated methodology ensures that the activities of the network companies are funded in a cost-reflective manner and that cross subsidies are avoided.
3.1.4 Cross-border issues

- Access to cross-border infrastructure, including the procedures for the allocation of capacity and congestion management (Article 37(6)(c), Article 37(8), Article 37(9), use of revenues for interconnectors (article 37(3)(f)),

With regard to the use of revenues for interconnectors, the CER approved the use of revenue statement for the East-West interconnector for 2014/15, indicating that revenues from congestion charges have been used in line with the requirements of Regulation (EC) No. 714/2009.

- Monitoring technical co-operation between Community and third-country TSOs (Article 37(1)(s))
  
  Not applicable

- Monitor TSO investment plans in view of TYNDP art 37(1)(g), PCIs, also national development plans

The CER has put in place a “Capex Monitoring Process” which allows the CER to monitor progress on a quarterly basis by the TSO in delivery of its development plans. Furthermore, the CER carries out a full review of efficiency of expenditures and delivery of network development as part of its five year revenue review, in addition to yearly revenue update reviews (see section 3.1.3).

- Cooperation (Article 37(1)(c))

The CER continues to actively cooperate with the Northern Ireland Utility Regulator (UR) and the SEM Committee in relation to the development and monitoring of the Single Electricity Market. CER and UR also cooperate on cross border transmission and distribution network issues including the ongoing planning and development of the second north-south interconnector and the DS3 project. CER also engages with the British regulator Ofgem on cross border issues related to the East West interconnector and further proposed electricity links between Ireland and Great Britain.

3.1.5 Compliance

- Compliance of regulatory authorities with binding decisions of the Agency and the Commission (Article 37(1)(d)) and with the Guidelines (Article 39)

The CER monitors its own compliance with the relevant Community legislation. No compliance issues were identified in 2015.

- Compliance of transmission and distribution companies, system owners and electricity undertakings with relevant Community legislation, including cross-border issues (Article 37(1)(b), Article 37(1)(q), Article 37(3)(a),(b),(e) and Article 37(5) all but (a) and (c) + imposing penalties (Article 37(4)(d))

The CER monitors the performance of the Transmission and Distribution companies and their compliance with the relevant Community legislation. No compliance issues were identified in 2015.
3.2 Promoting Competition

3.2.1 Wholesale markets
This section provides a summary of the key developments in the Irish electricity and natural gas sectors during 2015. It covers many of the key issues requested in the CEER’s paper detailing the structure of this report in 2015 though account is taken for the specific structure of the Irish energy sector and market.

Oversight of Single Electricity Market
During 2015, the CER continued to oversee regulation of the existing Single Electricity Market (SEM), the wholesale electricity market for the island of Ireland, regulated jointly by the CER and its counterpart in Belfast, the Utility Regulator (UR), known together as the Regulatory Authorities (RAs). The following items were identified as key tasks in the SEM for 2015:

- A Decision to approve a modification to the Trading and Settlement Code relating to make-whole payments for interconnector users that protected consumers from excessive payments but ensured efficient intra-day cross border trade;
- An update of the Best New Entrant value for the Capacity Payment Mechanism for 2015-17 which resulted in a reduction of some €60 million in capacity charges to consumers for 2016 compared to 2015 and
- A revision to the definition of generation availability under the grid code to improve the efficiency of TSO and generation outage planning.

SEM Market Integration Project (I-SEM)
During 2015 the CER continued working with the Utility Regulator in Northern Ireland, Government Departments and stakeholders to implement the High Level Design, developed in 2014, for the Integrated Single Electricity Market (I-SEM). While the SEM has been a success since its inception in 2007, the market rules, including the capacity mechanism are being reformed by the RAs to facilitate greater market integration through the application of internal energy market rules in general, and specifically to fully meet the EU Target Model obligations for electricity by 2017.

I-SEM is a new wholesale market to go-live in Q4 2017 which will more fully facilitate coupling with the electricity market in the rest of Europe, takes account of 2020 renewable targets, helps put downward pressure on Irish wholesale prices and facilitates transition to low carbon and sustainable power system. The proposed I-SEM model include competitive day-ahead, intra-day and balancing markets and new capacity remuneration mechanism based on Reliability Options.
This is illustrated below, with the detailed rules set out in a new Trading and Settlement Code:

The I-SEM detailed design project plan was published in early 2015, outlining the key milestones to achieve market go-live in 2017. In 2015 the I-SEM Project has moved to its detailed design phase. This phase of the project has five key RA work streams, namely the Energy Trading Arrangements, Capacity Remuneration Mechanism, Market Power, Governance and Licencing, and Forwards and Liquidity. Under these work streams, the CER together with the Utility Regulator in Northern Ireland, continued in 2015 to develop and publish policy papers supported where appropriate by presentations and workshops. Key outputs in 2015 included the publication of:

- A Decision on the main detailed design elements for I-SEM energy trading arrangements spanning three individual Decision Papers (Energy Markets, Building Blocks and Agent of Last Resort) all published in September 2015;
- A Decision on a number of key design features of the new Capacity Remuneration Mechanism (CRM) design and a further consultation on additional key CRM detailed design elements in December 2015;
- A Decision Paper addressing the policy on cross-border trading in the form of Financial Transmission Rights (FTRs) in December 2015; and
The CER, also developed during 2015 the process for the implementation of the I-SEM in relevant codes and licences and published an implementation plan in this regard.

In addition, in 2015 the CER contributed to the development of the Irish Department of Communications, Energy and Natural Resources’ (DCENR) approach on changes required to the existing Renewable Energy Feed-In Tariff (REFIT) mechanism to facilitate the implementation of the I-SEM and the electricity target model, notably regarding the REFIT benchmark reference price and market issues related to the development of new support mechanisms.

European Market Integration

The new wholesale electricity trading arrangements and the new capacity mechanism will be delivered by the end of 2017, the deadline for Ireland to bring its market design in line with the EU Target Model. The new arrangements have been assessed as best delivering the benefits of European market integration, by maximising the efficient use of interconnectors and rendering the benefits to the end consumers. The impact assessment of the new market design indicates that it will deliver reduced curtailment variable generation and more efficient flows across the interconnectors, dictating by the price signals. This indicates that the new market will deliver more competition and more efficient prices resulting in increased social welfare gains that would be the case under other market designs.

France-UK-Ireland (FUI)

In order to enable an efficient transition to the single European market, a number of regional initiatives were launched in 2006. These initiatives bring together Regulators, TSOs, the European Commission, Member State Governments, industry and stakeholders to develop and implement common policies for the trading of electricity across borders in each region. Ireland is part of the France-UK-Ireland (FUI) region.

The SEM Committee continued to progress work related to increasing electricity market integration with neighbouring jurisdictions in the FUI region throughout 2015. In particular there was liaison between regulators on progress with implementation of the European Target Model and ensuring coordination between developments in energy and capacity market designs.

3.2.1.1 Monitoring the level of prices, the level of transparency, the level and effectiveness of market opening and competition

- Article 37(1)(i),(j) (k), (l) (u) and Article 40 (3)

Report separately the three issues: prices, transparency and effectiveness of competition. In particular regarding prices report on fundamentals, price developments and liquidity. Regarding transparency report on the access to prices and on how robust prices are and if at national level transparency obligations regarding pricing exist.

3.2.2 Retail market (can be merged with retail section on gas)

The CER is responsible for the promotion and monitoring of competition in the electricity and gas retail markets. Competition is continuing to develop in the electricity and gas markets, and energy customers have a range of suppliers, payment options and price plans to choose from.
The CER will continue to monitor the electricity and gas retail markets throughout 2016 to ensure that competition continues to develop for the benefit of consumers.

In 2015 there were a total of 8 electricity suppliers and 6 gas suppliers. Since deregulation of the electricity and gas markets, 3 new electricity suppliers and 1 new gas supplier have entered the electricity and gas retail markets.

The summary below provides the key developments in 2015.

- Switching rates in both the electricity and gas markets were consistently above 10% in both markets for 2015.

- There was growth in the market share of a number of new entrants in 2015, for example, PrePayPower Ltd, who operate only in the prepayment sector, entered the electricity market in 2012 and by 2015 held almost 5% of market share by consumption. Energia Ltd, operated in the non-domestic sector, entered the domestic market in 2014. By 2015 it held 4.42% of market share by consumption. Pinergy Ltd, also grew above 1% of market share in the second quarter of 2015.

- Prices fell between 2014 and 2015 and again between 2015 and 2016. In electricity, standard domestic prices fell between 2% and 4.57%, while in gas they fell between 2% and 5%. Price decreases were also seen across all discounted plans.

- In 2015, the difference between the highest priced standard plan and lowest priced discounted plan was around, €235 for domestic electricity and €126 for domestic gas (based on typical consumption of 5,300kWh for electricity and 13,800kWh for gas).

- The number of PAYG meters installed for customers experiencing financial hardship in 2015 declined compared to 2014 for both electricity and gas. This reduction was in line with a reduction in the number of disconnections.

- Disconnections of customers for non-payment of account (NPA) declined significantly in 2015 compared to 2014; by 11% in electricity and 12% in gas. The total number of disconnections between Q1 2015 and Q4 2015 was 7,783 for electricity and 3,542 for gas.

- In electricity, Electric Ireland remained the largest supplier in terms of customers and MWhs across all segments. In 2015 Electric Ireland’s consumption market share decreased in the domestic sector by 1.61%.

- Between Q4 2014 and Q4 2015, Energia showed the highest gain in domestic electricity consumption with an increase of 1.22% of market share.

- In the gas market the biggest gain in domestic market share was also seen by Energia with a 1.89% increase in terms of customer numbers, while SSE had the largest loss with a decrease of 2.40%. Bord Gáis Energy remained the largest supplier in terms of customers and consumption and its market share continues to be monitored.

The CER consulted on a new electricity and natural gas retail market monitoring framework throughout 2013 and 2014, with aim of introducing a range of new market indicators to be collected from suppliers and network operators. A Decision Paper (CER/14/344) was published
in 2014 outlining the CERs and decision on all proposals based on consultation with stakeholders.

In 2015 the CER began to implement this enhanced market monitoring framework. The market indicators identified in this decision paper provide the required degree of oversight of market conditions to ensure the CER can identify any market issues and take any necessary action in the interests of customers. Data collection with suppliers began in July 2015. This data was consolidated and checked for accuracy across all suppliers and initial analysis for internal reporting and presentation was conducted. Initial issues with data submissions were discussed through a series of bilateral meetings and the process of monthly supplier reporting under the market monitoring decision paper is now fully in place.

During 2016 the CER will also continue to monitor the market and compliance measure that need to be addressed.

3.2.2.1 Monitoring the level of prices, the level of transparency, the level and effectiveness of market opening and competition

Market monitoring forms an important part of the CER’s activities. This information helps to inform new policy and in the assessment of existing regulations. A suite of reports on retail market operations is published by the CER including monthly switching reports, disconnections reports, quarterly and annual reports. The CER monitors the level of prices over time along with the level of transparency in the market, and uses a combination of indicators to monitor competition in the electricity and gas retail markets.

**Prices**

The CER considers that competition is continuing to develop in the electricity and gas markets, and that energy customers have a range of choices in terms of supplier, payment options and price plans.

There are a large number of tariff plans available to domestic and business customers that are provided by electricity and gas suppliers in Ireland. These plans offer customers different tariffs comprised of standing and unit charges (and in some instances daily service charges). Suppliers can also offer different rates depending on payment or billing method (e.g. paperless, online, direct debit etc.). All suppliers are required to publish details of the tariff plans that are available to domestic customers. This is set out in the CER Supplier Hand book.

Suppliers of businesses often provide bespoke plans to their business customers and information on such plans is generally not published by suppliers.

In 2015, four suppliers operated in both the domestic electricity and gas markets (SSE Airtricity, Bord Gáis Energy, Electric Ireland and Energia), and all actively promoted bundled dual fuel offers with price discounts for domestic customers that avail of both services from the same supplier.

Prices fell between 2014 and 2015 and again between 2015 and 2016. In electricity, domestic prices fell between 2% and 4.57%, while in gas they fell between 2% and 5%. In 2015, the price differential of potential savings for a domestic electricity customer switching to a discounted tariff was €235 and for a domestic gas customer was €126. These changes in price were primarily driven by reductions in wholesale prices over time; as can be seen in the graphs below showing SEM Spot Electricity Prices and Day Ahead NBP Gas Prices over time.
The changes in domestic electricity and gas standard tariffs between 2013 and 2016 can be seen below. Prices for discounted tariffs also decreased for this period.
Between 2014 and 2016, there continued to be a range of offers and tariff features being made available to customers. This included new PAYG plans and apps, cash back offers, level pay plans (which allow customers to pay the same amount every month for their electricity, based on their consumption in the previous year), green offers and plans which include the provision of extra services and devices.

The discounts that could be availed of by customers in 2015 continued to focus on billing and payment methods. Across the majority of suppliers, customers who opted to pay by direct debit and receive paperless bills were able to avail of the highest discounts.

In 2015 the CER began to monitor the features of price plans including exit fees, termination charges and clauses and payment methods. As part of its market monitoring activities the CER is also reviewing the reasons customers do not switch, and the actions taken by customers post expiry of their discount tariff.

Work began on the analysis of new market monitoring data received in 2015 from suppliers and the development of additional content for the CER’s retail market reports. This data was validated with suppliers and will be included in enhanced monthly and quarterly reports in 2016.

**Transparency**

To enable customers to compare offers made by suppliers and understand their tariffs, all suppliers are required to publish details of the tariff plans that are available to domestic customers and provide a breakdown of the components of the prices. The requirements are set out in the CER supplier hand book. Suppliers of businesses often provide bespoke plans to their business customers and information on such plans is generally not published by suppliers.

In addition to the requirement for suppliers to be clear and transparent about the components of their tariffs, CER has accredited two price comparison web-sites who are required to display the tariffs based on set principles, which are aimed to make it easy for customers to compare offers and savings they can make. This is discussed further in the paragraph below.

The following tables outlines the price change announcements by each supplier over the past number of years for electricity and gas. These changes relate to the changes to the standard tariff of each supplier.
The level and timing of reductions also varied by supplier.

<table>
<thead>
<tr>
<th>Electricity Price Changes</th>
<th>2012/13 change</th>
<th>2013/14 change</th>
<th>2014/15 change</th>
<th>2015/16 change</th>
</tr>
</thead>
<tbody>
<tr>
<td>SSE Airtricity</td>
<td>4.70%</td>
<td>3.50%</td>
<td>-2%</td>
<td>-4.17%</td>
</tr>
<tr>
<td>Bord Gáis Energy</td>
<td>4.80%</td>
<td>2.20%</td>
<td>-2.50%</td>
<td>-4%</td>
</tr>
<tr>
<td>Electric Ireland</td>
<td>5.90%</td>
<td>1.70%</td>
<td>-2%</td>
<td>-2.40%</td>
</tr>
<tr>
<td>Flogas</td>
<td>Na</td>
<td>Na</td>
<td>Na</td>
<td>Na</td>
</tr>
<tr>
<td>Pinergy</td>
<td>Na</td>
<td>1.70%</td>
<td>-2%</td>
<td>-3%</td>
</tr>
<tr>
<td>PrePayPower</td>
<td>Na</td>
<td>1.70%</td>
<td>-4%</td>
<td>-4.57%</td>
</tr>
<tr>
<td>Energia</td>
<td>Na</td>
<td>NA</td>
<td>-</td>
<td>-2%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Gas Price Changes</th>
<th>2012/13 change</th>
<th>2013/14 change</th>
<th>2014/15 change</th>
<th>2015/16 change</th>
</tr>
</thead>
<tbody>
<tr>
<td>SSE Airtricity</td>
<td>8.50%</td>
<td>2%</td>
<td>-4%</td>
<td>Na</td>
</tr>
<tr>
<td>Bord Gáis Energy</td>
<td>8.50%</td>
<td>2.04%</td>
<td>-3.50%</td>
<td>-5%</td>
</tr>
<tr>
<td>Electric Ireland</td>
<td>8.50%</td>
<td>2%</td>
<td>-2.50%</td>
<td>-4.20%</td>
</tr>
<tr>
<td>Flogas</td>
<td>10.20%</td>
<td>1.95%</td>
<td>-3%</td>
<td>-5%</td>
</tr>
<tr>
<td>Pinergy</td>
<td>Na</td>
<td>Na</td>
<td>Na</td>
<td>Na</td>
</tr>
<tr>
<td>PrePayPower</td>
<td>Na</td>
<td>Na</td>
<td>Na</td>
<td>Na</td>
</tr>
<tr>
<td>Energia</td>
<td>Na</td>
<td>Na</td>
<td>-</td>
<td>-2%</td>
</tr>
</tbody>
</table>

**Market Structure**

There were 8 active suppliers in the electricity retail domestic and business markets in 2015 and 7 active suppliers in the gas retail domestic and business markets. In 2015, Panda Power entered the domestic electricity market. Energia entered the domestic market in 2014 and now have 72,677 domestic customers in electricity and 38,348 in gas. A key development in the domestic and non-domestic retail markets in the past number of years has been the growth of suppliers who entered the market since deregulation.

Combined, non-incumbent suppliers now account for about 45% of customers in the domestic electricity market and just over 48% in the domestic gas market.

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

<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></td>
<td>Vayu</td>
<td>Gazprom</td>
</tr>
<tr>
<td>Panda Power</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Overall, in the electricity market, the total number of customers in 2015 was 2,241,399 and total consumption was 25,072,268 MWhs. This represented an increase of 0.2% of customer numbers and an increase of consumption by 3.9% overall compared to 2014.

In Q4 2015, Electric Ireland held the greatest domestic market share with 54.71% of total consumption. However, its market share decreased by 1.61% between 2014 and 2015 in terms of consumption and remains below the 60% threshold at which it was deregulated. Significant gains have been made over time by Bord Gáis Energy and SSE Airtricity and more recently by PrePayPower and Energia.

Overall, in the gas market, the total number of customers in 2015 was 668,788 and total consumption was 19,760 GWhs. There was a large increase in consumption for the RTF market segment in particular in 2015, due to new connections and meter upgrades in this segment.

In Q4, Bord Gáis Energy held the largest share of the domestic market by customer numbers, with 51.26%. However, it lost the 3.42% of market share between 2014 and 2015, the greatest amount for any supplier in this period. Energia gained the most with an increase of 4.08% of market share by number of customers.

**Compliance**

The CER Supplier Handbook sets out minimum service requirements that suppliers must adhere to in their dealings with energy customers. It comprises of individual Codes of Practice that cover all key areas of customer-supplier interaction, including: billing, disconnections, marketing, vulnerable customers and Pay As You Go meters. These rules are in place to ensure, in line with CER’s legislative duties, that customers enjoy a high standard of protection in their dealings with licensed suppliers.

The requirements included in the Supplier’s Handbook were reviewed in 2015 to take into account a wide range of issues pertaining to the supplier-customer interaction arising from various sources, including legislative and competition developments, the findings of regular compliance audits and Customer Surveys and preliminary engagement with the energy industry and customer protection agencies. The first stage in the consultative process has been completed, with the publication of the Consultation Paper Review of the Supplier’s Handbook (CER/16/031A). The review process is ongoing, with the Proposed Decision Paper aimed to be published in late Q3 2016.

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. One such audit is carried out annually, where the CER examines suppliers’ compliance with the requirements of specific Codes of Practice.

In 2015 the CER conducted an audit of compliance with the Code of Practice on Vulnerable Customers. The CER also conducted a number of dedicated workshops with industry in relation to vulnerable customers throughout 2014 and 2015.

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. During or as a result of the audit where gaps or 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 were included in the Consultation Paper [Review of the Supplier’s Handbook CER/16/031](#).

In early 2015, the CER also conducted a workshop on specific customer facing arrangements pertaining to the PAYG lifestyle choice area. The workshop focussed on gaps identified in the last audit and took on board feed-back received from industry in relation to the need to implement consistency across suppliers for certain key processes in the PAYG lifestyle choice area, such as supplier switching process, removal and installation of the PAYG meter and charges associated with PAYG meters and customer retention practices.

The outcomes of the workshop were reflected in the review of the Supplier’s Handbook, where the CER put forward a set of consultation questions related to the PAYG lifestyle choice. The issues consulted on will be progressed in the next stages of the review.

**Tools to assist competition and customer awareness**

The CER has accredited two price comparison web site companies. This is to address its view that to be able to identify the most competitive energy prices on the market, customers need access to accurate, reliable and transparent information, provided in an impartial manner by independent providers of price comparison services.

The CER has put in place an accreditation framework for price comparison websites ([CER/11/144](#)). This framework is based around a set of principles, which are designed 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. 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.

### 3.2.2.2. Recommendations on supply prices, investigations and measures to promote effective competition

As of July 2014, all prices in both gas and electricity retail markets were fully deregulated.

In April 2010, the CER published its Review of the Regulatory Framework for the Retail Electricity Market. This set out key competitive milestones that would mark the way to full deregulation in all sectors of the business and domestic markets. The decision paper stated that deregulation could occur in a market if the following criteria had been met (subject to all necessary legislative and licensing changes being implemented):

1. That at least three suppliers were active in the relevant market; and
2. There was a minimum of 2 independent suppliers, each with at least 10% share of consumption (GWh) in the relevant market; and
3. ESB PES and ESBIE combined would serve within a specified period a defined percentage of consumption market share in a relevant market. For each of the Business markets, the percentage market share for deregulation was 50% or less. In the Domestic market, the percentage market share for deregulation was 60% or less.

There were two additional requirements for the Domestic market; the first being that switching rates would be greater than 10%. The incumbent supplier, ESB also had to provide the Commission with a satisfactory commitment for the rebranding of ESB supply companies prior
to the deregulation of the domestic market. Thus de-regulation at a market share of 60% was conditional on ESB undertaking to remove the ESB brand from the retail market.

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.

A similar process was followed for deregulation of the gas retail market. The CER decided that the following criteria must be met in order for defined market sectors for gas to be deregulated:

(i) That at least three suppliers were active in the relevant market; and
(ii) That there was a minimum of two independent suppliers, each with at least 10% share of volume consumption for the FVT and NDM I&C markets or 10% share by customer numbers in the Residential market.
(iii) 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%.

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.

In 2015, price related competition intensified in the electricity and gas markets, with price reductions towards the end of 2015 and in the beginning of 2016 across all suppliers for both discounted and standard plans.

In 2016 the CER will be conducting a consumer-focused assessment of the electricity and gas retail markets and the development of competition over time. The CER will use the monitoring and assessment conducted to inform areas that could benefit from improvement and where further work is required to promote competition and customer protection.

The tables below provide the annual average domestic bill for 2015 for electricity and gas. These tables do not include offers such as cash back offers or other reward schemes that customers may avail of.
### Annual Average Domestic Urban 24hr Electricity Bill, 2015

<table>
<thead>
<tr>
<th>Supplier</th>
<th>Standard Plan</th>
<th>Discounted Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electric Ireland</td>
<td>€ 1,211</td>
<td>€ 1,061</td>
</tr>
<tr>
<td>Energia</td>
<td>€ 1,253</td>
<td>€ 1,099</td>
</tr>
<tr>
<td>Bord Gáis Energy</td>
<td>€ 1,218</td>
<td>€ 1,118</td>
</tr>
<tr>
<td>SSE Airtricity</td>
<td>€ 1,271</td>
<td>€ 1,036</td>
</tr>
<tr>
<td>Panda Power</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

**PAYG Lifestyle Choice Plans**

<table>
<thead>
<tr>
<th>Supplier</th>
<th>Standard Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>PrePayPower</td>
<td>€ 1,373</td>
</tr>
<tr>
<td>Pinergy</td>
<td>€ 1,347</td>
</tr>
<tr>
<td>Electric Ireland</td>
<td>€ 1,280</td>
</tr>
<tr>
<td>PAYG</td>
<td></td>
</tr>
</tbody>
</table>

**Annual Average Urban 24hr Domestic Electricity Bill per Supplier, January 2015, including PSO, VAT & supplier service charges as applicable, typical consumption of 5,300kWh**

### Annual Average Domestic Gas Bill, 2015

<table>
<thead>
<tr>
<th>Supplier</th>
<th>Standard Gas</th>
<th>Direct debit &amp; online billing discount plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electric Ireland</td>
<td>€ 979</td>
<td>€ 930</td>
</tr>
<tr>
<td>Energia</td>
<td>€ 979</td>
<td>€ 856</td>
</tr>
<tr>
<td>BGE</td>
<td>€ 993</td>
<td>€ 926</td>
</tr>
<tr>
<td>Flogas</td>
<td>€ 986</td>
<td>€ 853</td>
</tr>
</tbody>
</table>

**Annual Average Domestic Gas Bill per Supplier in January 2015, including Carbon Tax and VAT, based on typical annual consumption of 13,800kWh in gas**

### Annual Average Domestic Dual Fuel Bill, 2015

<table>
<thead>
<tr>
<th>Supplier</th>
<th>Direct debit &amp; online billing discount plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electric Ireland</td>
<td>€ 1,949</td>
</tr>
<tr>
<td>Energia</td>
<td>€ 1,944</td>
</tr>
<tr>
<td>BGE</td>
<td>€ 2,027</td>
</tr>
<tr>
<td>SSE Airtricity</td>
<td>€ 1,901</td>
</tr>
</tbody>
</table>

**Annual Average Domestic Dual Fuel Bill per Supplier in January 2015, including Carbon Tax, PSO and VAT where applicable, based on typical annual consumption of 13,800kWh in gas and 5,300kWh in electricity**

### 3.3 Security of supply (if and insofar as NRA is competent authority)

The increase in renewable electricity generation has reduced Ireland’s use of fossil fuel. In 2015, approximately 22.6% of electricity supplied in Ireland was renewable electricity.

Despite the increased penetration of renewable generation, gas remains a core component of Ireland’s electricity fuel mix (approximately 45.8%). The CER must emphasise that while use of gas has reduced in recent years (was 64% in 2010), Ireland is still highly dependent on gas as both a source of fuel for power generation, and as an immediate backup fuel in the event of shortfall in intermittent renewable power generation.

In 2012, Ireland’s TSO (EirGrid) completed the installation of the 500MW East-West Interconnector between Ireland and the UK. The completion of this project has significantly
increased Ireland’s security of supply of electricity. Additionally the EWIC has provided broader market access for the Irish consumer and has contributed to a reduction in electricity prices.

Due to the importance of gas as a fuel for electricity generation the CER require that in the event of a gas supply disruption base load gas powered plants are required to stock 5-days of secondary fuel while peaking plants are required to stock 3-days of secondary fuel. In its 2009 decision paper on Secondary Fuel Obligations, the CER committed to keep secondary fuel obligations under continuous review. Consequently, the CER is currently reviewing secondary fuel obligations.

3.3.1 Monitoring balance of supply and demand

- Article 4 72/2009

The CER has a role in monitoring security of supply/generation adequacy and, together with EirGrid and the Department of Communications, Energy & Natural Resources (DCENR), putting in place appropriate arrangements to ensure that a satisfactory generation capacity margin is maintained and electricity supply is secured.

In 2016, an assessment of Ireland’s generation capacity by EirGrid indicated that Ireland will continue to have surplus generation capacity over the next decade, with a peak generation surplus of 1300 MW occurring in 2018 (base case scenario). This begins to fall off as older plant is assumed to come to the end of their lives. In addition to these plant shut-downs, changes in adequacy are caused from year to year by demand growth, plant additions and increased wind penetration. By 2025, the generation adequacy supply in Ireland comes close to standard.

3.3.2 Monitoring investment in generation capacities in relation to SoS

- Article 37(1)(r)

Operational network security

- Article 7 2005/89/EC

The CER has an overall monitoring and approval role regarding EirGrid’s Grid Development Strategy (i.e. GRID 25). The GRID 25 initiative is a significant investment programme, which relates to the upgrading of existing infrastructure and the construction of new stations and circuits where required. It represents an investment of approximately €4 billion in the transmission system, which will ensure that Ireland’s Grid is future ready.

There are specific investment projects in place under GRID 25. These include new 110kV and 400kV transmission lines and substations in addition to the strengthening of existing circuits.

The successful rollout of an upgraded electricity network is a key requirement in achieving the ambitious renewable generation targets and for maintaining a secure and reliable system. To this end there will be significant investment in the transmission and distribution networks in the
coming years. The timely rollout of GRID 25 and the development of the network will require a joined up approach and co-operation between government bodies, market participants and electricity customers.

Investment in interconnection capacity for the next 5 years or more

- Article 7 2005/89/EC

EirGrid are currently undertaking a feasibility study of a 700MW interconnector between Ireland and France. If this project is to commence it would be expected to be completed by approx. 2025. This project has PCI status.

Expected future demand and envisaged capacity for the next 5 years and 5-15 years

- Article 7 2005/89/EC

3.3.3 Measures to cover peak demand or shortfalls of suppliers

- Article 4 72/2009

Since November 2007 the Northern Ireland Authority for Utility Regulation (Utility Regulator) and the CER, together referred to as the Regulatory Authorities (RAs), have jointly regulated the all-island wholesale electricity market known as the Single Electricity Market (SEM) covering both Northern Ireland and the Republic of Ireland. Since its commencement, the SEM has been governed by the SEM Committee, consisting of the CER and the Utility Regulator, and an independent member, which has sole jurisdiction to make decisions on SEM on behalf of the RAs.

The SEM includes a centralised all-island gross mandatory pool (or spot) market. In this pool electricity is bought and sold through a market clearing mechanism, whereby generators bid in their marginal cost and receive the System Marginal Price (SMP) for each trading period for their scheduled dispatch quantities, with the cheapest possible generators run to meet demand across the island. Generators also receive separate payments for the provision of available generation capacity through a capacity payment mechanism, and constraint payments for differences between the market schedule and the system dispatch. Suppliers (to electricity customers) purchase energy from the pool and pay the SMP for each trading period along with capacity costs and system charges.

Wind farms are an example of electricity generators that have very low SRMC (Short Run Marginal Cost) - the wind is free and so typically they receive a higher rate of infra-marginal rent than other electricity generators, which in turn is needed to pay for their much higher fixed costs.

By closely reflecting customer demand and the underlying fuel costs associated with power generation, wholesale electricity prices in the SEM have been as would be expected in an efficient and competitive market.

The SEM is ensuring that the most efficient plants are run and, through the SMP, provides a clear price signal for new more efficient generators to enter the market as needed.

4 The gas market

4.1 Network regulation

4.1.1 Unbundling
Following the sale of Bord Gáis Éireann (BGE) in June 2014, BGE transitioned from being a Vertically Integrated Utility (VIU) gas company with interests in electricity generation and supply to a gas networks business (with recently added functions in water service provision). As part of the sale of BGE’s energy business, all rights to the Bord Gáis brand were sold to the successful bidder in 2014, which resulted in the BGE parent company changing its name to Ervia.

Ervia is a multi-utility company, whose responsibility includes the transmission and distribution of gas. The ownership and operation of Ervia’s gas network business were formally be assigned to Gas Networks Ireland (which is a subsidiary within the Ervia Group) in 2015 following the completion of a Transfer Plan (involved the transfer of assets from Gaslink & Ervia to GNI).

Due to the restructuring with Ireland’s only gas network business, GNI commenced a work programme in 2014 to seek Full Ownership Unbundled (FOU) certification, in accordance with Directive 2009/73/EC (BGE was previously certified by the CER as an Independent Transmission Operator, following the receipt of an Opinion from the EU Commission in 2013).

As part of GNI’s work programme for FOU certification, GNI submitted a draft FOU certification application to the CER, which was subsequently reviewed by the CER in 2014.

On the 31st of July 2015, the CER received a Full Ownership Unbundling (FOU) certification application on behalf of Gas Networks Ireland (GNI) and its wholly owned and controlled subsidiary GNI (UK). Following a review of GNI’s FOU certification application, the CER issued its preliminary certification decision to the EU Commission (30th November 2015). The CER’s preliminary certification decision confirmed the CER’s intention to certify GNI as FOU compliant in 2016.

Storage on the Irish gas system is provided at the Inch storage facility. This is operated by PSE Kinsale Energy an independent company. In 2015, PSE Kinsale Energy informed the CER that from 2016, that the Inch storage facility will cease storage and commence blowdown of the remaining storage and production gas.

There is not yet an operational LNG terminal in Ireland.

4.1.2 Technical functioning

- Balancing services (Article 41(6)(b), Article 41(8))

The TSO in Ireland (Gas Networks Ireland) currently provides balancing services through contractual purchasing of balancing gas. All shippers are currently incentivised to hold a zero imbalance position and this minimises the requirement to purchase balancing gas. Imbalance charges are set as such to incentivise shipper to maintain a balanced portfolio and are effective in minimising the balancing costs on the system.

In early 2015, the CER approved the TSO’s application of interim measures with regard to the implementation of the requirements of the Balancing Network Code (BAL NC).

All costs for balancing and scheduling actions taken by the TSO are cash neutral to the TSO and recouped from shippers through system imbalance mechanisms and charges. The TSO has recently lowered the threshold for balancing buys and sells to 5 GWh, from the previous level of 15 GWH for sell and 20 GWh for buy. As part of the TSOs work stream on balancing,
the options of utilizing either a balancing platform or a trading platform are currently being investigated.

Monthly reports on balancing actions taken and imbalance costs are published on the TSO website and work is ongoing to enhance the level of data that will be presented on the TSO website closer to real time.

- Security and reliability standards, quality of service and supply (Article 41(1)(h))

As required in licence conditions, Gas Networks Ireland provide an annual performance report to the CER which details security and reliability standards, quality of service and supply criteria. Annual performance is measured and reviewed against set KPI’s. This report is reviewed in depth by the CER.

Where it deems necessary, the CER may issue direction to Gas Networks Ireland to improve or remedy poor performance standards. The Annual Performance Report for 2014 was submitted to the CER in September 2015 for review. The CER also monitors adherence to the published Customer Codes of Practice on Customer complaints, Vulnerable Customers and Disconnection Procedures. In 2015, the CER commenced a review of GNI’s Annual Performance Report. This will result in a separation of the reporting requirements for system performance and GNI’s customer performance.

- Monitoring time taken to connect and repair (Article 41(1)(m))

In 2014, Gas Networks Ireland connected an additional 5,582 new distribution customers to the gas network. This represents an increase of 0.9% in the total number of distribution connected customers. CER monitors the level of appointments kept by GNI. Appointment requests in 2014 were lower than 2013 (meter appointment requests totalled 64,389, down 5.08%, and service appointment requests totalled 3,369 down 1.86%). Compliance with service standards was 99.7% for 2014 while for metering, compliance was 99.9%.

For temporary gas reinstatements Gas Networks Ireland is required to indicate the level of such connections successfully completed within the 24 hour standard required. Performance in 2014 was slightly lower than 2013 at 97.33% conducted within 24hr standard.

96.67% of the total 6,756 permanent reinstatement activities during 2014 were performed within the 20 working day planned performance level. Gas Networks Ireland highlighted that delays in permanent reinstatement can occur for a number of reasons. There may be a delay in obtaining a licence for the work or some permanent reinstatement could be grouped in order to maximise the use of certain materials currently, surface categories (e.g. cement, tarmac) are being grouped to improve efficiencies and increase performance levels.

- Monitoring access to storage, linepack and other ancillary services (Article 41(1)(n))
- Monitoring correct application of criteria that determine model of access to storage (Article 41(1)(s))
- Monitoring safeguard measures (Article 41(1)(t))
In 2014, in accordance with Regulation (EU) 994/2010, EU Member States are required to implement measures to safeguard gas security of supply, including the development of a biennial national Risk Assessment, Preventive Action Plan and Emergency Plan.

An integral part of the Risk Assessment is the ability of the EU Member State to meet the demand for gas in the event of failure of the largest piece of infrastructure supplying the country (i.e. Article 6: Infrastructure Standard). This is to be demonstrated by the application of the N-1 standard. In the event that a Member State cannot fulfil the N-1 standard on a national basis, the Regulation permits the adoption of a regional approach towards meeting the N-1. If the regional approach is adopted, there is an obligation on the Member States involved to produce on a regional basis a Joint Risk Assessment and a Joint Preventive Action Plan:

Given that Ireland cannot currently fulfill the N-1 Infrastructure Standard, the CER in conjunction with DECC (UK Competent Authority) adopted a regional approach between UK and Ireland. Consequently in 2014, the CER submitted the following documents to the EU Commission:

- National Risk Assessment
- National Preventive Action Plan
- National Gas Supply Emergency Plan
- UK & Ireland Joint Risk Assessment
- UK & Ireland Joint Preventive Action Plan

In 2015, the CER actively participated in EU Gas Co-ordination group meetings throughout 2015, which resulted in the updating of Ireland’s 2014-16 National Preventive Action Plan and 2014-16 National Gas Supply Emergency Plan. Additionally, the CER submitted its Annual Report to the Minister for Communications, Energy and Natural Resources regarding the CER’s implementation of Regulation (EU) 994/2010.

### 4.1.3 Network and LNG tariffs for connection and access

CER is responsible for setting the annual Transmission and Distribution tariffs that Gas Networks Ireland apply for access to the gas system. These tariffs aim to recover the Allowed Revenues which are set out in a series of Price Controls over a 5 year period. Gas Networks Ireland is currently in its third Price Control (2012-2017).

These network tariffs are set annually in August for application from the beginning of the Gas Year in October. As part of each Price Control, the CER publishes the models that accompany the Price Controls. These models are updated annually in line with the setting of network tariffs and aim to provide transparency for stakeholders in how network tariffs are calculated.

With changes to gas flows in Ireland, the CER undertook a major reform of the methodology used to derive transmission network tariffs. Where possible, the CER sought to align the new methodology with the ACER Framework Guidelines on Tariffs and the Draft Network Code on Tariffs to ensure that, as far as possible, the methodology chosen is in line with future EU requirements. In July 2015, after extensive consultation the CER chose a forward looking methodology known as the Matrix. The transmission tariffs for both entry and exit from October 2015 were derived using this new methodology.
In addition, during 2015 CER also finalised the access charges for the Corrib Linkline, which connects the Corrib gas terminal at Bellanaboy to the Gas Networks Ireland RAB at Cappagh South. This decision set out the methodology for calculating an annuitised charge based on a fixed price regime which is intended to remain in place for 19 years. Both the decision on the new transmission tariff methodology and the Corrib Linkline access charge were decided in tandem ahead of the first flows from the Corrib gas fields in December 2015.

At present, Ireland does not have any LNG facilities. However, as part of the Entry tariff reform process several scenarios were modelled which include an entry point from an LNG facility. Therefore, if at some future date an LNG entry point does connect to the GNI system, the methodology will be capable of including such an entry point.

As part of Price Control 3 for Gas Networks Ireland, in an effort to accommodate an environment of innovation in the Irish gas industry, a Gas Innovation Group was established. The Group aims to foster creativity, tailor innovation, and consider solutions to meet gas industry needs. The Group funds physical demonstration projects and related research activities in the area such as Compressed Natural Gas (CNG) and biogas.

- Article 41(1) (a), Article 41(6)(a), Article 41(8), Article 41(10) and Article 41(12)

Report on relevant new tariff regulation provisions

- Prevention of cross-subsidies (Article 41(1)(f))

Specify the methodology used in tariff regulation (i.e. cost plus vs incentive regulation), the method of checking undertaking’s cost data and if benchmarking is used please describe methodology used by NRA

- Regulated and negotiated access to storage 41(1)(s)

Report on the decisions adopted by MS

4.1.4 Cross-border issues

- Access to cross-border infrastructure including allocation and congestion management (Article 41(6)(c), Article 41(8), Article 41(9), Article 41(10) and Article 41(12))

- Cooperation (Article 41(1)(c))

- Monitoring investment plans and assessment of consistency with Community-wide network development plan Article 41(1)(g), PCIs and national development plans

In 2015 Gas Networks Ireland (GNI), as the relevant TSO published the Network Development Plan 2015. The CER held a two stage consultation on the NDP. The first, prior to the drafting of the NDP aimed to ensure that relevant stakeholders were consulted by GNI. A second consultation aimed to invite comments more widely from the public on the contents of the NDP. As per the requirements of Article 22 of Directive 2009/73/EC, the NDP outlines the transmission investments that will be executed in the next three years as well as the main transmission infrastructure that needs to be built or upgraded over the next ten years. In order to broaden the NDP analysis, in 2015 GNI moved from providing a singular forecast to a scenario based approach, namely grey and green.
In November 2014 the twinning of the SWSOS project received notice of potential grant funding of €33m under the Connecting Europe Fund. The CER consulted stakeholders on potentially approving the investment in December 2014. The CER approved the expenditure for the Twinning project, less the EU capital grant, in May 2015 based on the latest forecasts of gas-demand growth, and recognising the benefits the project would bring to Ireland’s security of supply.

Furthermore, the CER is involved in regular cross border cooperation through bilateral and trilateral meetings with adjacent RAs in Northern Ireland and Great Britain. In recent years, these interactions have been particularly focussed on cross border implementation of the Network Codes on Capacity Allocation, Congestion Management, Balancing and Interoperability. This has been a particularly busy area during 2014 and 2015 so as to ensure that the Network Code requirements were successfully implemented in time for October 2015. In particular, the CER worked closely with fellow regulators from Ofgem and NIAUR to ensure that the commercial arrangements that underpin the gas arrangements in Scotland were in compliance with Network Code requirements.

In addition to these meetings focussed on implementation of the EU Network Codes, the CER has a productive working relationship with adjacent TSO’s, Government departments and NRAs on issues relating to security of supply, reporting under Regulation 994 and cross border capacity issues.

4.1.5 Compliance

CER monitors its own compliance with the relevant Community legislation. No compliance issues were identified in 2015.

4.2 Promoting Competition

4.2.1 Wholesale markets

See section 3.2.1

4.2.1.1 Monitoring the level of prices, the level of transparency, the level and effectiveness of market opening and competition

- Article 41(1)(l), (j), (k), (l) (u) and Article 44(3)

Report separately the three issues: prices, transparency and effectiveness of competition. In particular regarding prices report on fundamentals, price developments and liquidity. Regarding transparency report on the access to prices and on how robust prices are and if at national level transparency obligations regarding pricing exist.

Prices (in EUR/MWh)

The following table provides details of the highest published System Marginal Price for each run type in the SEM for 2015:

<table>
<thead>
<tr>
<th></th>
<th>Day Ahead</th>
<th>Intraday</th>
<th>Balancing</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>367.33</td>
<td>451.14</td>
<td>472.93</td>
</tr>
</tbody>
</table>
The day ahead and the intra-day prices are not firm. All energy is settled at the ex-post pool price.

**Competition and Transparency**

Competition in the current SEM spot market is currently ensured primarily through regulating and monitoring spot market bids that are publicly available. This efficiently prevents generators from setting prices which do not reflect their true costs. This is achieved by a ‘Bidding Code of Practice’, which legally requires generators to declare (or bid) their short-run marginal costs, which means that generators must sell electricity to the pool at the marginal cost of producing each unit of electricity (EUR/MWhr). The SEM’s Market Monitoring Unit (MMU) monitors compliance with the Bidding Code of Practice which provides transparency and market confidence. The MMU publishes publically available quarterly reports. Furthermore, in SEM commercial and technical offer data submitted by market participants to the market operator in the spot market is also publically available.

4.2.2 Retail market (can be merged with electricity section)

See section 3.2.2.1 and 3.2.2.2

4.2.2.1 Monitoring the level of prices, the level of transparency, the level and effectiveness of market opening and competition

See section 3.2.2.1 and 3.2.2.2

4.2.3 Recommendations on supply prices, investigations and measures to promote effective competition

See section 3.2.2.2

4.3 Security of supply

(Article 5 73/2009) (if and insofar as NRA is competent authority)

4.3.1. Monitoring balance of supply and demand

The CER has an active role in monitoring Ireland’s gas security of supplies, and approves GNI’s (i.e. Ireland gas Transmission System Operator) Ten Year Network Development Plan. Additionally, as Ireland’s Competent Authority for the implementation of Regulation (EU) 994/2010, the CER is required to produce Risk Assessments, Preventive Action Plans and Emergency Plans.

With reference to gas supplies, Ireland remained dependent on two gas entry points in order to source its gas supplies (i.e. Moffat and Inch). In 2013/14, the Moffat entry point supplied approximately 93% of Ireland’s annual gas demand and 86% of peak day demand, with the Inch entry point satisfying the remaining annual and peak day gas demand. In 2015, Moffat supplied 95% of the annual Gas Networks Ireland system. However the dynamic is expected to change for the 2016. The Corrib Gas field commenced production on the 31st December 2015 and is expected to meet up to 55% of the annual Gas Networks Ireland system demands.
The demand for gas in Ireland is primarily driven by the power generation sector, which accounts for approximately 55% of Ireland’s annual gas consumption. Other consumers of gas include industrial/commercial customers and residential customers, which account for approximately 35% and 15% of Ireland’s annual gas demand.

4.3.2 Expected future demand and available supplies as well as envisaged additional capacity

GNI’s 2015 Network Development Plan (covers 10 year period up to 2023/24) indicated that Ireland’s annual gas demands (average year) are forecasted to increase from 63.9 TWh in 2015/16 to 70.1 TWh in 2023/24. The increase in annual gas demand can in part be attributed to expected increase in electricity demand growth. Ireland’s Peak Day Demand (1 in 50) is expected to increase from 368.4 GWh in 2015/16 to 398.4 GWh in 2023/24. The increase in peak-day gas demand can in part be attributed in part to Ireland’s reliance on gas as a back-up fuel in the event of limited wind generation.

At the end of 2015, Ireland’s dependence on gas imports from GB decreased due to the commissioning of a third entry point (i.e. Corrib). According to GNI’s 2015 Network Development Plan, gas production from the Corrib gas field is expected to meet approximately 77% of Ireland’s annual gas demands in its first full year of commercial production, with the Inch and Moffat Entry Points providing the remaining. Equally, in terms of meeting Ireland’s peak gas demands, Corrib is anticipated to supply nearly 38% of Ireland’s peak day gas demand in 2015/16.

However, Corrib has a short production profile and is expected to rapidly deplete following commencement. Therefore, the initial maximum daily supply at Corrib (forecasted to be 103.8 GWh/d) is expected to decline to 47.9 GWh/d in 2022/23. In the event that other sources of gas supply do not materialise (e.g. Shannon LNG), Ireland is likely to remain dependent on gas imports from Great Britain in the medium term.

4.3.3 Measures to cover peak demand or shortfalls of suppliers

Given Ireland’s position on the extremity of the European gas network and the high level of dependence placed on natural gas for electricity generation the CER is cognisant of the importance of ensuring measures are in place to meet Ireland’s gas demand. Such measures include an obligation on:

- the gas Transmission System Operator to build a gas network to meet a 1-in-50 peak day.
- gas suppliers to book capacity for protected customers for a 1-in-50 peak day.
- shippers to balance the gas offtakes of their customers with the gas inputs into the system. A shipper is incentivised to ensure that there is enough gas to meet its customers demand through the application of imbalance penalty charges.
- gas producers and storage operate to comply with the instructions of the National Gas Emergency Manager (NGEM) in an emergency, which may include injecting the gas system during an emergency.
5 Consumer protection and dispute settlement in electricity and gas

5.1. Consumer protection

- Compliance with Annex 1 (Article 37(1)(n)) and (Article 41(1)(o))
- Ensuring access to consumption data (Article 37(1)(p)) and (Article 41(1)(q))

Quality of Supply

In electricity, under condition 13 of the ESB Distribution System Operator’s licence, in 2001 the ESB submitted to the CER a report setting out the criteria against which the performance of the Distribution Business would be measured. These criteria included data on the number of disconnections, the number of customer minutes lost etc.

Every year since 2001, the DSO has submitted an annual performance report outlining performance against these criteria. The CER can amend these performance criteria from time to time. Condition 11 of the Transmission System Owner’s licence and condition 16 of the Transmission System Operator’s licence include equivalent conditions. The TSO does not submit an annual performance report. However, transmission performance indicators are provided for in the regulated accounts.

In 2004, the CER issued gas transmission and distribution system operator licences to BGE Networks (at that time known as BGE Transportation). Conditions 14 and 18 of the distribution licence and conditions 15 and 19 of the transmission licence refer to quality and safety obligations. To facilitate legal unbundling as required by 2003/55/EC the CER granted Transmission and Distribution Operator licences to Gaslink the newly established Independent System Operator in 2008.

Supplier Codes of Conduct & Customer Charters - Gas & Electricity

Suppliers are currently required to produce the following Codes of Practice in order to provide customers with a level of customer protection:

- Code of Practice for Marketing;
- Code of Practice for Billing, Payment and de-energisation / disconnection;
- Code of Practice on Complaints Handling;
- Code of Practice for Vulnerable Customers – if serving domestic customers;
- Code of Practice for Budget Controllers/ Prepayment metering – if serving domestic customers; and
- Customer Charter – if serving domestic customers.

The CER issued guidelines in relation to all of these Codes of Practice and the Customer Charter to ensure consistency in their production. The early 2007 the first version of these codes were published by suppliers. Changes to the Codes of Practice for de-energisation / disconnection were introduced in 2010, which introduced a greater level of assistance to customers to avoid disconnection in these testing economic times – for example a requirement on suppliers to offer a free “pay as you go” meter prior to moving to disconnection for non-payment.

In 2011 the CER consulted on the amalgamation of the various Codes of Practice into a single document to be called the Supplier Handbook. At the same time the Codes of Practice were reviewed and changes put forth. A decision on the Supplier Handbook was published in June

**Contract Transparency - Gas & Electricity**

Under condition 12 of the natural gas supply/shipping licence BGS is required to publish the terms on which it supplies natural gas to eligible customers. In addition, condition 23 of the gas supply/shipping licence states that all suppliers of domestic customers must supply the CER with all relevant contracts or arrangements set out in a standard form, which shall be approved by the CER.

Condition 7 of the electricity supply licence underlines that detailed terms ‘as are appropriate for the purpose of the agreement’ are to be set out by the licensee in making an offer to enter into an agreement for the provision of relevant metering equipment. Also condition 19 of the electricity supply licence states that all suppliers of customers, ‘whose consumption of electricity at any single premises in any 12 month period is estimated and calculated to be or likely to be less than 10,000 kWh or such other figure as the CER may substitute must supply the CER’, must supply the CER with all relevant contracts or arrangements set out in a standard form, which shall be approved by the CER.

**Complaints Arbitration - Gas & Electricity**

The CER has legal remit to independently resolve disputes between customers and licensed suppliers, the distribution system operator in electricity and, in the case of natural gas, natural gas licence holders. Statutory Instrument SI 463 of 2011 (replacing SI 452 of 2004 for Natural Gas and SI 60 of 2005 for Electricity) increases the CER’s responsibility in the area of customer protection to take account of relevant changes in the Third Package and increases the CER’s powers in relation to complaints arbitration, to allow the CER to apply any decision which it considers affects more than one customer to all affected customers.

The CER has established a dedicated Customer Care Team which provides this independent complaints resolution service for small business and domestic customers. If a customer cannot resolve their complaint with their supplier or network operator following completion of their complaints handling process, they may refer their complaint to the Customer Care Team for consideration.

The team examines the complaint interacting with suppliers and network operators to determine the root of the problem. Following completion of any necessary investigation the Customer Care Team issues a decision in relation to the matter on behalf of the CER. Where appropriate the CER may direct a supplier or network operator to undertake an action or compensate a customer in relation to their complaint.

**Customer Care Team**

The CER has a statutory responsibility to provide a complaints resolution service to customers with an unresolved complaint with their supplier or network operator. The CER’s Customer Care Team fulfils this role for domestic and small business customers through a dedicated complaints resolution service.

Additionally, the Team provides a customer awareness and information service via the customer care section of the CER website www.cer.ie/customer-care. The website, aims to
provide clear information, to empower customers to make informed choices as competition develops in the energy industry.

This includes information on their rights, energy suppliers’ Codes of Practice and also explains what to do if they experience problems with their bills, their connection to the electricity or natural gas network or other energy supply related issues.

The website also provides guidance and assistance to customers wishing to access the CER’s transparent, free and easy to use complaint resolution service for domestic and small business customers with unresolved complaints.

Following a period of continued growth which commenced in 2008, total contacts to the Customer Care Team decreased significantly in the last two years. The total number of customer contacts received by the Customer Care Team in 2015 was 3234; a 32% reduction from the number of contacts received in 2014.

The Customer Care Team has continued to engage with suppliers over the past number of years and we are aware that there has been a focus by suppliers on improving their customer service levels. Therefore, we welcome the reduction in contact levels as a sign that consumers are experiencing fewer difficulties. We will continue to work with suppliers and listen to consumers to ensure that there is a continued focus on customer service.

The graph below illustrates the trend in the number of customer contacts that the Customer Care Team has experienced over the past several years.

The graph below provides breakdown of which supplier or network operator customers were contacting the Customer Care Team in relation to. As can be seen the larger suppliers (SSE Airtricity, Bord Gáis Energy and Electric Ireland) accounted for the majority of customer contacts. However, the percentage of contacts related to the three largest suppliers has decreased from 74% in 2014 to 59% in 2015. There has been an increase in the number of contacts related to other suppliers, reflecting the ongoing development of competition in the domestic markets.
Breakdown of Customer Contacts in 2015

* The N.A. or Not Applicable contacts are those where the customer did not state their supplier or network operator or may have contacted the Customer Care Team with a general query that was not related to any specific supplier or network operator.

5.2. Dispute settlement

- Article 37(11), 37(5)(c), Article 37(4)(e)
- Article 41(11) and Article 41(4)(e)

Report on cases, in particular on major issues concerning network users (access tariffs, connection disputes/refusals...), including producers and consumers

During 2015, the CER worked on five network connection disputes arising from offers issued by the TSO and DSO under the CER’s Gate 3 policy (CER/08/260). The CER continued to work to develop resolutions to these disputes over the course of 2015.