



Regulator's 2014 National Report to the European Commission

Commission for Energy Regulation (CER) Ireland

July 2015

1. Foreword

Introduction to the report signed by the Commissioners



Chairperson Garrett Blaney



Commissioner Paul McGowan



Commissioner Aoife MacEvilly

The Commission for Energy Regulation (CER) is Ireland's independent energy regulator, with a wide range of functions in economic regulation, safety regulation and customer protection.

Our key objective as an economic regulator is to protect 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 has also been given a new role as the economic regulator of the Irish public water and wastewater sector which took effect in early 2014.

The CER's economic role and associated energy policy developments in 2014, including those related to Europe, are detailed in this annual report to the European Commission.

Both I-SEM (Integrated Single Electricity Market) and the National Smart Metering Programme represent major transformational projects across energy wholesale and retail markets. Both of these projects saw significant progress in 2014. Section 2 of this report provides further details relating to both projects.

We report here on the progress made in various areas including wholesale and retail markets regulation, networks regulation and energy safety oversight. The CER looks forward to the operational and project challenges of 2015. 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 markets¹

SEM European Integration Project

The European Commission has a stated goal of harmonising the wholesale electricity power markets in Europe. This is known as the EU Target Model and its aim is to create a pan-European market with closer connecting of power markets to improve the efficient use of energy across national borders. In this context, the CER set out in its 2014 Work Plan how this objective will be furthered such that the current market in Ireland, known as the Single Electricity Market (SEM), can meet the requirements of the EU Target Model by 2017; this redesign of SEM is known as the Integrated Single Electricity Market (I-SEM).

Specifically, the 2014 Work Plan committed to publishing a consultation paper outlining a number of market design options for this redesign which was to be followed by a Proposed Decision and then a Decision which sets out the detailed decision on the new High Level Design (HLD) for the SEM. This HLD was to be published with an associated impact statement of the detailed decision. In line with the Work Plan, the SEM Committee successfully published this consultation paper in February 2014. Following extensive stakeholder engagement, the SEM Committee published a Draft Decision in June which set out the preferred option. Again, further to extensive consultation with stakeholders, the SEM Committee published the HLD Decision in this regard along with the associated Impact Assessment which informed the Decision. The Impact Assessment consisted of a qualitative analysis of the options against nine criteria and also a cost-benefit analysis of the four options consulted on and of the Capacity Remuneration Mechanism (the Capacity Remuneration Mechanism is being implemented as part of the SEM redesign to ensure that sufficient generation capacity is available to deliver secure supplies for electricity consumers during times of scarcity).

Gas European Integration Project

Regulation (EC) 715/2009 sets out the process for the harmonisation of gas market rules across the EU. The CER, like other National Regulatory Authority (NRAs), are required to ensure compliance of the Transmission System Operators (TSOs) with the rules and guidelines contained within this Regulation. In 2014, the CER supported the TSO in its activities across a range of issues to support preparation for implementing the Network Codes in a timely manner and at an efficient cost. During 2014, a key aspect of the CER's work on the European gas market integration project involved liaising with colleagues in Northern Ireland and Great Britain to ensure the timely and coordinated implementation of the Network Codes in the three jurisdictions.

Smart Metering Project

The National Smart Metering Project (NSMP) is a programme of strategic national importance which will underpin Irish energy policy. During 2014, the CER continued its work with stakeholders and the public on developing the smart metering High Level Design. This work involved final consultations on the smart metering High Level Design and re running of the cost benefit analysis. The CER's final decision on the High Level Design was published in October 2014.

The High Level Design decision outlines a smart metering solution in which minimal functionality is performed on the smart meter; with supplier back office systems perform the majority of data processing. Real-time consumption data is provided directly into the home from the meter allowing customers visibility of their energy usage. Consumers will be given greater insight into

¹ In general, the report should seek to cover developments during the period from January 2014 to December 2014 and data should reflect this period as far as possible. Where data for the calendar year is requested, 2014 is the appropriate reference year.

their energy consumption and costs through a variety of information channels. The October decision also outlined the introduction of Time of Use (ToU) tariffs. The introduction of ToU pricing is a key component of the NSMP and will contribute significantly to realising the benefits and opportunities created by the rollout of smart meters. ToU tariffs will offer consumers the ability to use electricity at cheaper times.

Electricity Networks Revenue Review Project

In 2014, the CER commenced its five-yearly review of electricity network revenues and charges under the Price Review 4 (PR4) project. The review includes an examination of operating costs, capital expenditures, cost of capital and depreciation rates for the network companies, which together feed in to the allowed network charges. This will lead to a full public consultation process in 2015 with the final PR4 determination in Q3 2015. The CER has engaged Jacobs/SKM as expert technical consultants to assist in the CER's review and began the preliminary work in this project in preparation for the public consultation in 2015. The review will also prepare a framework for reporting and assessment of expenditure on the National Smart Metering Programme if that is approved during the PR4 period.

Electricity Networks and Renewable Issues

In 2014, the CER continued to lead a number of workstreams which together contribute towards the achievement of the 2020 renewable targets. The CER's monitoring of the delivery of Gate 3 continued with a very positive Gate 3 uptake of over 80% of renewable offers.

The CER approved a policy allowing wind developers to install additional capacity over and above their MEC (Maximum Export Capacity); this allows for efficient use by windfarms of their connection due to the variable nature of wind. The CER also commenced deliberations on the appropriate way to treat network harmonics due to new connections as well as a new policy on a ruleset to govern the delivery of Gate 3 subgroups, in order to facilitate those developers who are ready to move to the construction phase ahead of other members of the subgroup. Decisions on these policies will be published in 2015.

In May 2014, the CER approved the Grid Code modification on ROCOF (Rate of Change of Frequency). This provided for a new standard of 1 Hz/ second which all generators must comply with. 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. A 36-month implementation project, led by the CER has now commenced.

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

About one quarter of all the energy used in the EU is natural gas and many EU countries import nearly all their supplies. Until the Corrib Gas field comes onstream, Ireland imports approximately 96% of its natural gas from Great Britain. Power generation from natural gas is a key part of the electricity generation mix, and provides back-up to variable renewable generation. While Great Britain has a diverse natural gas supply mix, supply disruptions caused by infrastructure failure or political disputes elsewhere in, or outside, the EU can endanger supplies. For instance, the gas dispute between Russia and Ukraine in 2009 disrupted supplies to some EU countries. In accordance with Regulation (EU) 994/2010, the CER as Ireland's designated Competent Authority submitted a National Risk Assessment, Preventive Action Plan and Emergency Plan to the EU Commission in 2014. Additionally, to facilitate regional co-

operation between the UK and Ireland on gas security of supply, the CER in conjunction with the UK Competent Authority (i.e. DECC) submitted a joint Risk Assessment and a joint Preventive Action Plan to the European Commission in 2014. With reference to electricity security of supply, the CER submitted Ireland's 2014 Electricity Security of Supply Report to EU Commission, and also hosted a gas – electricity interactions workshop.

Retail Market Monitoring & Consumer Protection

The CER continued to promote competition in the retail markets and oversaw the price deregulation of Bord Gáis Energy in the domestic gas market in July 2014. All electricity and gas suppliers can now set their own prices. The CER will use the analysis conducted to ascertain the appropriate actions required including policy development, to address the conclusions from its monitoring exercise. The monitoring exercise will assist the CER to take the actions required for the benefit of consumers. The CER will publish information and findings on various aspects of its monitoring activities. The CER published a decision on a new Market Monitoring Framework which set out all the key pieces of data that the CER will collect from energy market stakeholders on an ongoing basis. The CER will use the analysis conducted to ascertain the appropriate actions required including policy development, to address the conclusions from its monitoring exercise. The monitoring exercise will assist the CER to take the actions required for the benefit of consumers. The CER will publish information and findings on various aspects of its monitoring activities.

The CER also continued its work in ensuring that energy customers enjoy a high level of protection. In addition to its audits of domestic suppliers compliance with the requirements set out in the Supplier Handbook, the CER, industry and the Department of Communications, Energy and Natural Resources, undertook a review to determine if more could be done to further reduce disconnections of energy customers. Following on from this, the CER moved to monthly publication of disconnections data, and a voluntary agreement was introduced by most energy suppliers in May 2014 which saw them committing to never disconnect an engaging customer.

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

Unbundling and Certification for Third Package - *Electricity*

Under Directive 2009/72/EC (the "Directive"), transposed in Ireland by S.I. No. 570 of 2011, National Regulatory Authorities are required to certify the unbundling arrangements of Transmission System Operators in each Member State in a form consistent with the Directive. Unbundling refers to effective separation of networks from activities of generation and supply. There are three available models described in the Directive: full ownership unbundling (FOU); independent system operator (ISO); independent transmission operator (ITO); while Article 9(9) of the Directive allows for a derogation from these models provided that the existing transmission arrangements can be shown to guarantee more effective independence for the TSO than would be possible under the ITO model. The procedure for this certification process is further outlined in Regulation 714/2009. The SEM Committee determined that TSO Certification

is a SEM matter and accordingly this process was carried out by the CER on behalf of the SEM Committee.

On 12th February 2013 the SEM Committee issued its Preliminary Decision² on ESB's application, in addition to all of the supporting documentation, to the European Commission. The European Commission issued its decision on the 12th April 2013; this decision is available on the European Commission's website and CER's website³.

In accordance with Article 1 of the European Commission Decision of 12th April 2013 the CER certified EirGrid as the transmission system operator for Ireland⁴. This certification had immediate effect. It shall be implemented and monitored in accordance with the requirements of Article 1 of the European Commission's Decision.

The requirements for distribution unbundling contained in the EU electricity directive (2003/54/EC) have been transposed into Irish law with the making of the European Communities (Internal Market in Electricity) (Electricity Supply Board) Regulations 2008 (SI 280 of 2008). These Regulations provide for the creation a subsidiary company fully owned by ESB which will undertake the functions of the Distribution System Operator. Also a new licensable activity, that of Distribution System Owner. In accordance with these provisions, CER drafted new licences transposing the provisions into the new licences for the DSO and DAO which it issued in January 2009. CER continues monitoring of the effective functional separation of ESB and ESN as DSO. There have been no changes to the DSO's licence or certification in 2014.

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),)

Report relevant security and reliability regulation and data

The SEM Committee is the decision making authority on all SEM matters. The Committee consists of three Utility Regulator representatives, three Commission for Energy Regulation representatives, an Independent Member and a Deputy Independent Member. The Committee Secretariat is run from NIAUR.

The SEM Committee is currently implementing a new wholesale market design to integrate the SEM into the European target model, this will include the implementation of a balancing market and balancing services. In 2014 the SEM Committee approved the Harmonised Ancillary Services definitions and rates to apply for 2014/2015, these replace the 2013/2014 rates approved in 2013. The CER continues to monitor the TSO's activity in this regard and applies incentives for to economic balancing actions by the TSO, through Dispatch Balancing Cost (DBC) incentives.

The CER sets targets, and incentives, for the TSO and DSO in relation to quality and reliability of supply. There is a requirement on the Distribution System Operator (DSO) to submit an annual report to the CER detailing quality of service targets met, reasons for not meeting targets (if appropriate) and recommendations for improving the targets for the future. The CER reviews these reports and decides on appropriate action and also on what targets are required to be met for the next submission. The table below provides information on the total duration (minutes/yr) of interruption for the average customer for the period 2007 – 2014:

² <http://www.cer.ie/docs/000343/cer13219-semc-preliminary-decision-eirgrid-certification.pdf>

³ <http://www.cer.ie/docs/000343/cer13118b.pdf>

⁴ <http://www.cer.ie/docs/000343/cer13118.pdf>

Duration of interruption for average customer 2008-2014 (minutes/year)

SAIDI	2008	2009	2010	2011	2012	2013	2014
Planned interruptions - Min per customer/Yr	61	59.3	64.1	47	45	42	42.3
Unplanned interruptions - Min per customer/Yr	94	81.3	82.1	70	60	87	101.1
Planned and unplanned interruptions - Min per customer/Yr	155	141	146.1	116	105	129	143

Customer Interruptions

In 2014 the average number of customer interruptions per customer per year was 1.46, with 0.42 planned outages and 1.011 due to unplanned interruptions. 2014 was a year with very heavy storms in January and February. The actual numbers are higher due to a number of days reaching the Storm Day threshold and not being counted towards the unplanned interruption figures.

System Minutes lost

In 2014 the System Minutes lost as a result of faults on the Main System was 2.591.

System frequency

The TSO aims to maintain the frequency target operating range of 50 Hz +/- 0.1 Hz. The frequency was maintained within the target operating limits for 99.2% of the time in 2014.

- Monitoring time taken to connect and repair (Article 37(1)(m))

The CER monitors the activities of the transmission and distribution companies with regard to making connections and repairs. These are reviewed every five years as part of the CER's revenue control mechanisms. If concerns are identified, appropriate action including the establishment of incentives will be taken. There is not a definition in Ireland for "time to connect" for consumers and for producers. However, the rules governing the assessment criteria and issuance of generator connection offers are set out by the CER. The CER also publishes quarterly updates on the progress of all large transmission projects.

- Monitoring safeguard measures (Article 37(1)(t))

No crises in the energy system occurred in Ireland in 2014 which would have required the implementation of safeguard measures as described in Art 37(1)(t) and Art 42 of EC Directive EC/72/2009.

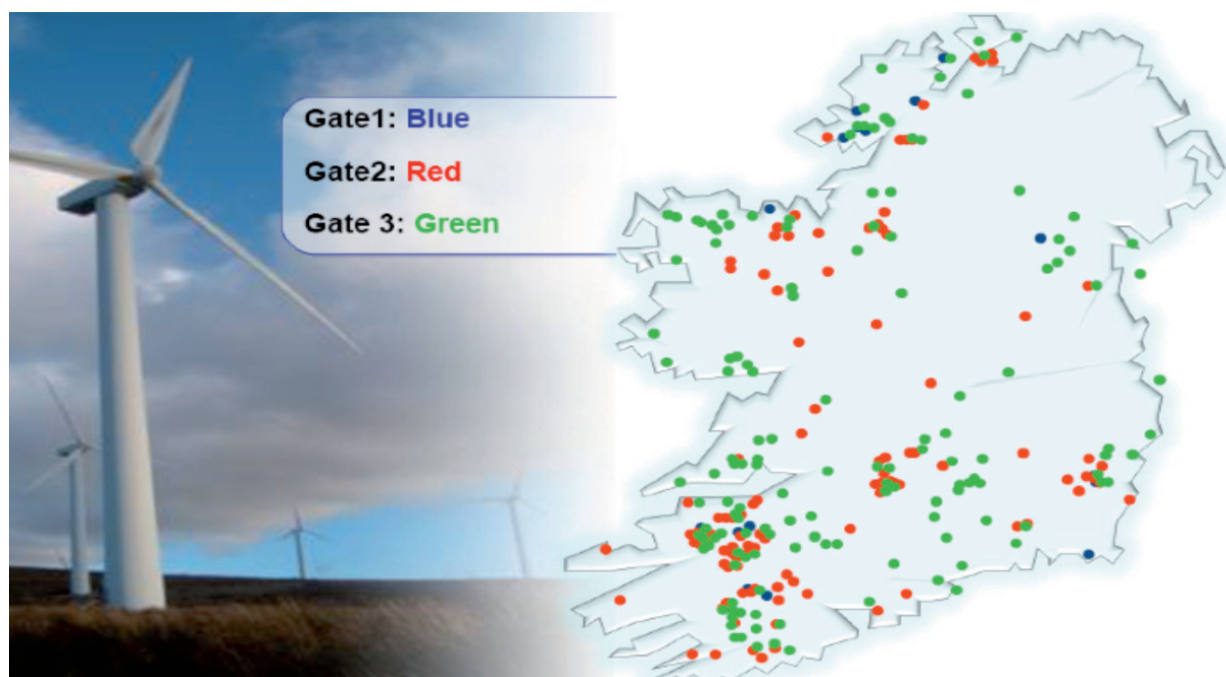
- RES regulatory framework: Report on connection, access and dispatching regimes for RES-E, in particular on priority issues. Report also on the balancing responsibility for RES-E. (Article 11 Regulation (EC) 713/2009)

The Government has set a national target for Ireland to achieve 40% of electricity consumption from renewable sources by 2020. The CER is responsible for developing generator connection policy in Ireland. On foot of the Government's targets and following public consultation, the CER

published its decision on Gate 3 renewable generator connections in December 2008. Gate 3 is essentially the third round of connection offers for renewable generators such as wind-farms, processed under a system known as the Group Processing Approach. The Gate 3 renewables direction allowed for the issuance of connection offers by the System Operators to over 150 new renewable projects, with a combined capacity of about 4,000 MW. In addition to new renewable connections, the CER also published a direction to the System Operators on new non-renewable (conventional) generators offers which will be processed as part of Gate 3. This direction was published in December 2010.

Since then, the CER has been working with the electricity industry and the System Operators to ensure that Gate 3 offers roll out in accordance with the agreed offer issuance schedule and that Gate 3 parties remain fully up to date with the Gate 3 programme. The underlying aim of the CER's efforts in this area remains the achievement of Ireland's renewable targets by 2020 in the most efficient and cost effective manner possible. Gate 3 involves the connection of an unprecedented level of renewable generation in Ireland. The programme involves the issuance of around 3,200 MW of capacity to on-shore wind projects, with a further almost 800 MW of capacity to off-shore wind projects.

If all of these Gate 3 projects develop through to connection to the electricity system, on top of Gate 1 and 2 renewable generators, Ireland will have approx. 6,000 MW of renewable power connected. By any standards, this will be a significant level of mainly intermittent wind power. The location of the Gate 3 renewable projects is shown below, along with Gate 1 and 2.



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.

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 uptake of Gate 3 offers has been significant with over 3,400MW contracted by the System Operators.

To ensure all Gate 3 generators remain fully up to date with the roll-out of Gate 3 the CER facilitates the Gate 3 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.

The uptake of Gate 3 has been very high; approximately 130 offers have been accepted for renewable projects which is approximately 3,400 MW of renewables at the end of 2014.

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 2014 the CER published decisions on the network tariffs applicable for 2014/2015 and the allowable revenue recoverable by the network companies, these decisions replaced those made in 2013 for the tariff year 2013/2014.

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

Revenues for the DSO and TSO activities are set as part of the five-year revenue review for each company. PR3, covers the current period, 2010-2015, throughout 2014 the CER worked with the network companies on PR4, covering 2016-2020, which will be put in place in 2015. 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. These costs are then recovered through network tariffs. The network companies' outturn costs, and forecasts, are assessed each year and the resulting network tariffs are put in place for the following tariff year. This 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)),

This is discussed in detail in Section 3.2.1.

Report in particular on cases where specific cross-border cooperation between NRAs happened besides the general activity of the NRA in the frame of ACER/FG

With regard to the use of revenues for interconnectors, the CER approved the use of revenue statement for the East - West interconnector for 2013/14, 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 continues to monitor the TSO investment plans (TYNDP), PCIs and the national transmission development plan. The CER has put in place a “Capex Monitoring Process” which allows the CER to monitor on a quarterly basis, progress by the TSO in delivery of its development plans. Annual monitoring is also carried out while the CER carries out a full review of efficiency of expenditures and delivery of transmission development as part of its five year revenue controls for the TSO.

- 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 including through the PCI process.

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 2014.

Which decisions/actions have been taken following binding decisions of the Agency or the Commission.

- 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))

Report in particular on monitoring systems for TSO certification compliance and in the next future NC compliance. Report on other compliance cases and existing active monitoring methods

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 2014.

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 2014. It covers many of the key issues requested in the CEER’s paper detailing the structure of this report in 2014 though account is taken for the specific structure of the Irish energy sector and market. The following items were identified as key tasks in the all-island Single Electricity Market (SEM) for 2014:

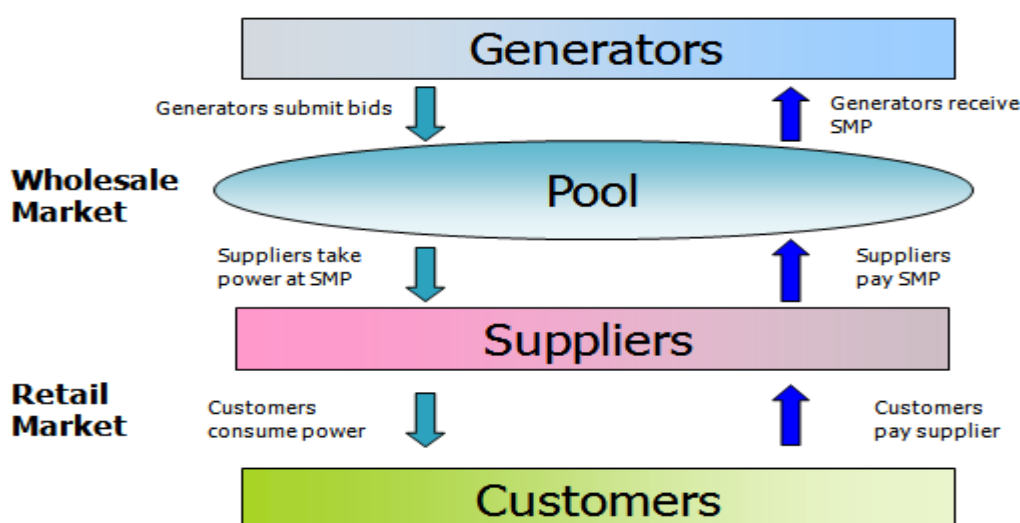
- Publish a Consultation paper setting out four market design options for the SEM redesign (I-SEM);
- Publish a draft decision paper setting out a preferred option for the I-SEM;

- Publish a Decision paper setting out the chosen option of the High Level Design of I-SEM with an Impact Assessment that will inform the SEM Committee's Decision.
- Engage in an inclusive consultation process with all stakeholders on the options for the High Level design , including the draft decision which ultimately culminates in publication of the Decision paper in Q4 2014;
- Subsequent to the SEM Committee Decision on the I-SEM High Level Design, the Detailed Design Phase of the I-SEM project shall commence. The publication of the I-SEM project plan will be published in late 2014 or early 2015 setting out the milestones for the timing of I-SEM consultations, along with provisional dates for public workshops and working groups.
- Procure international market design experts to advise the RAs (Regulatory Authorities – CER or NIAUR) on the Energy Trading Arrangements Design Consultation Phase of the I-SEM project which commences after the publication of the High Level Decision by the SEM Committee in Q3 2014;
- Progress annual work streams such as Directed Contracts and generator charges/losses; Complete Capacity Payments Review

SEM Background

The SEM is the wholesale electricity market for the island of Ireland which was opened on 1st November 2007. Comprising two separate jurisdictional electricity markets, the SEM is one of the first markets of its kind in Europe. It is designed to provide for the least-cost source of electricity generation to meet customer demand at any one time across the island, while also maximising long-term sustainability and reliability.

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 generator run to meet demand across the island. Suppliers (to electricity customers) that purchase energy from the pool, pay the SMP for each trading period along with capacity costs and system charges. This is illustrated below, with the detailed rules set out in the Trading and Settlement Code.



The SEM is regulated jointly by the CER and its counterpart in Belfast, the Northern Ireland Authority for Utility Regulation (Utility Regulator), and together referred to as the Regulatory Authorities or RAs. The decision-making body which governs the market is the SEM Committee, consisting of the CER, the Utility Regulator as well as an Independent Member (who also has a deputy), with each entity having one vote.

During 2014 the Regulatory Authorities continued to monitor and oversee the SEM and the suite of regulatory rules governing it, actively supervising the SEM and representing the interests of all-island consumers. Key SEM updates for 2014 are shown below.

European Market Integration

At the February 2011 European Council meeting, Member States committed to deliver a fully-functioning, interconnected and integrated internal energy market by 2014. The Communication on the Internal Energy Market published by the European Commission on 15th November 2012 highlighted the benefits of a truly integrated European market and identified the need for further action in a number of areas including consumer protection, enforcing the existing rules and investing in the modernisation of energy infrastructure.

In this context, a key focus for the CER during 2014 was to continue to develop plans to integrate the SEM into this pan-European electricity market to promote cross-border competition and deliver significant benefits to consumers.

The EU “Target Model” for electricity evolved out of the EU’s Third Energy Package in 2009, which is a set of legislative measures that aim to create a single competitive European energy market. The Agency for the Cooperation of Energy Regulators (ACER), established under the third Package of EU energy legislation, has identified a number of key elements to the design of the Target Model to facilitate market integration. These include methods for calculating interconnector capacity available across borders and determining appropriate market zones. These also include methodologies for allocating cross border capacity in different timeframes namely forwards, day ahead and intraday.

SEM Market Integration Project (I-SEM)

Due to its centralised structure and gross mandatory pool design, the SEM will require significant modifications in order to implement the Target Model. In recognition of this, the SEM market was granted a derogation, and now has an additional three years to implement the Target Model, i.e. until 2017.

In January 2012, the SEM Committee published a Consultation Paper seeking views on options for the implementation of the Target Model in Ireland and Northern Ireland in a manner that is consistent with national and EU policy objectives. In addition, the RAs hosted a number of industry workshops and engaged with a wide range of stakeholders including Government Departments, System Operators, Ofgem and ACER to discuss the issues involved in integrating SEM into the European market.

The SEM Committee published a proposed decision paper on the next steps in the process of market integration in November 2012 and a final decision paper in February 2013. The main conclusions of this decision paper include:

- The establishment of a set of high-level principles which will govern the design and implementation of the new market;

- The establishment of project governance arrangements with strengthened stakeholder engagement to ensure that consumer groups and market participants are adequately involved in the project.
- A commitment to maintaining the current structure of the SEM until 2017 and to carrying out an impact assessment on the new market design in line with best practice; and,
- A working assumption that the new market will continue to be based on transparent, centralised trading arrangements with least-cost dispatch.
- The total remuneration from energy payments, capacity payments and ancillary services will be sufficient to ensure security of supply.

Following the publication of the Next Steps decision paper, the Regulatory Authorities (RAs) initiated the project to develop a new SEM High Level Design. The RAs procured consultancy support to advise the RAs on this project in September 2013. As part of the development of the Consultation Paper, the RAs established a High Level Design Review Group consisting of experts from across the energy industry and consumer groups. The High Level Design Review Group met on four occasions from October 2013 to January 2014 and discussed various elements of the European Target Model and how SEM could be changed to meet its requirements.

In early February 2014 the SEM Committee published a consultation paper on the “High Level Design for Ireland and Northern Ireland from 2016”. This consultation paper contained four distinct options for energy trading arrangements, including a qualitative assessment of each option against the High Level Design criteria. The consultation paper also contained a description of possible approaches to the explicit remuneration of capacity that can be used to support any of the four proposed options for the high-level energy trading arrangements.

The SEM Committee then published a Proposed Decision on the I-SEM High Level Design in June 2014. Subsequently, the RAs held a stakeholder forum with industry to discuss the proposed option. Further to this extensive consultation with stakeholders, the SEM Committee published its Decision in this regard in September 2014 along with the associated Impact Assessment which informed the Decision. The Impact Assessment included:

- A cost-benefit analysis of the different options for the High Level Design of energy trading arrangements and the Capacity Remuneration Mechanism; and,
- A Qualitative assessment of different High level Design options against the nine assessment criteria set out for the I-SEM, supported by quantitative assessment.

The I-SEM Project has since moved to detailed design phase. This phase of the project has 5 key RA workstreams, namely the Energy Trading Arrangements, Capacity Remuneration Mechanism, Market Power, Governance & Licencing, and Forwards & Liquidity. The I-SEM detailed design project plan was published in early 2015, setting the key milestones to achieving market go-live in 2017. This important workstream will continue to be a key focus for the RAs in the coming years.

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 2014. 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. The CER has overseen the liberalisation and the full market opening of both the electricity and gas markets. The introduction and growth in competition in both markets reduced the necessity for the CER to regulate the prices of the incumbent suppliers in each market (i.e. Bord Gáis Energy in gas and ESB Customer Supply in electricity, now Electric Ireland). For each market segment in electricity and gas the CER identified the various conditions that must be met in order for price deregulation to take place. These conditions are measured using the metrics contained in retail market reports (market share and switching). With the continued development of competition, all retail markets are price deregulated with the domestic gas market being the most recently deregulated in July 2014. All suppliers, including the incumbent gas and electricity suppliers, are free to set their own prices. The incumbent suppliers no longer have to seek approval from the CER of potential price changes. The CER continues to oversee non-price aspects of competition.

The summary below provides the key developments in 2014.

- The Domestic gas sector was price deregulated in July 2014. All segments of the electricity and gas markets are now deregulated which means all suppliers are free to set their own prices.
- There was a new market entrant in the domestic sector in quarter 1 2014, and that supplier gained a market share of approximately 3.0% by quarter 4 of 2014. A further new entrant that was ready to enter the market in 2015 has started acquiring domestic customers.
- There has been a growth in pre-pay options in electricity with both financial hardship and lifestyle choice meters being offered. Two new suppliers entered the market offering lifestyle choice prepayment services in 2012, and 2013. PrePayPower in 2012 and Pinergy in 2013. In 2014, Electric Ireland (the incumbent supplier), began offering a life style choice pre-payment option. PrePayPower had a market share of 4.6% by the end of quarter 4 2014, offering only prepayment services.

- The incumbent supplier, Electric Ireland, retained the largest domestic electricity market share in 2014 (by customer numbers and MWhs), though below threshold at which it was deregulated. Bord Gais Energy, retained the largest domestic gas market share at the end of 2014, though this is below the threshold at which it was regulated.
- Electricity and gas markets maintained high levels of customer switching at an average rate of 14% and 17% respectively. The switches in the domestic market made up 88% and 96% of total switching in electricity and gas respectively.
- New product and pricing options were introduced in 2014, including cash-back, fixed price plans, etc. This suggests that competition intensified in the domestic markets in 2014.
- Following a reduction in wholesale energy prices, Electric Ireland introduced a reduction of 2% in its domestic retail tariffs in November 2014; other suppliers followed in early 2015.
- Customers could make savings by switching from standard tariffs to discounted tariffs. For example, savings of up to €210 could be made by customers switching from a standard plan to a direct debit/on line discounted plan. Savings of €313 were available for customers switching from the standard dual fuel tariff to a discounted tariff⁵. At the end of 2014, it was cheaper for a typical customer on a discounted plan to purchase gas and electricity from separate suppliers rather than avail of a dual fuel offer from one supplier.
- A moratorium on disconnections (for non-payment of account) was in place from the beginning of 2014 until 20th February 2014. This was followed by the introduction of an industry voluntary code on disconnections which saw most suppliers committing to never disconnecting an engaging customer. Total electricity and gas disconnections have declined since 2013, by almost 30%, in electricity and 35% in gas by Q4 2014.

During 2015 the CER will also continue to monitor the market and compliance measures 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

- 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. Please report here separately dual fuel prices

Prices

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

⁵ This excludes savings that could be made from other limited term offers and cashback offers.

In 2014, there was intensification of competition which saw a number of tariff plans becoming available to domestic and business customers. The plans offered customers different tariffs comprised of standing and unit charges (and in some instances daily service charges). Suppliers also offered different rates depending on payment or billing method (e.g. paperless, online, direct debit etc.)

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.). The range of tariff options offered to customers increased in 2014. These ranged from: exclusive deals, limited term sign-up discounted offers, cashback/credit offers, fixed price plans, energy efficiency services, loyalty programmes, etc. These developments had a positive impact on competition in the markets with an increase in the number of options available to customers and an increase in electricity switching.

With regard to changes in domestic electricity and gas prices, at the beginning of 2014 a number of suppliers introduced price increases ranging between 1.7% and 3.5%. In November 2014, Electric Ireland was the first supplier to announce an electricity price reduction (-2%, to reflect reducing wholesale prices). In early 2015, all other suppliers also introduced price reductions in gas (ranging from -2.5% to -4%) and electricity (ranging from -2% to -4%). These changes in price were primarily driven by reductions in wholesale prices over the past year. While the wholesale price reduction was higher than the actual reductions announced by suppliers, this is somewhat explained by the fact that suppliers buy ahead at fixed price contracts (hedging) to provide greater retail price stability and so changes in price may only feed through to retail prices at a later stage.

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. 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 table outlines the price change announcements by each supplier over the past number of years. These changes relate to the changes to the standard tariff of each supplier⁶. The level and timing of reductions also varied by supplier.

⁶ Discounted tariffs are generally presented as discounts off the standard tariff so any change to the standard plan will have a knock on impact on discounted plans.

Price changes	2012/13 change		2013/14 change		2014/15 change	
Change	Electricity	Gas	Electricity	Gas ⁷	Electricity	Gas
SSE Airtricity	+4.70%	+8.50%	+3.5% ⁸	+2%	-2% ⁹	-4% ¹⁰
Bord Gáis Energy	+4.80%	+8.50%	+2.2% ¹¹	+2.04% ¹²	-2.5% ¹³	-3.5% ¹⁴
Electric Ireland	+5.90%	+8.50%	+1.7% ¹⁵	+2%	-2% ¹⁶	-2.5% ¹⁷
Flogas	Na	+10.20%	Na	+1.95% ¹⁸	Na	-3% ¹⁹
Pinergy	Na	Na	+1.7% ²⁰	Na	-2% ²¹	Na
PrePayPower	Na	Na	+1.7% ²²	Na	-4% ²³	Na
Energia ²⁴	Na	Na	Na	Na	-	-

Market Structure

There were 7 active suppliers in the gas retail business and domestic markets²⁵. In 2014, Energia entered the domestic electricity and gas markets. The main suppliers in the electricity and gas retail markets in 2014 are identified in the following table.

Electricity Domestic	Electricity Non-Domestic	Gas Domestic	Gas Non-Domestic
Bord Gáis Energy	Bord Gáis Energy	Bord Gáis Energy	Bord Gáis Energy
Electric Ireland	Electric Ireland	Electric Ireland	Electric Ireland
Energia	Energia	Energia	Energia
Pinergy	SSE Airtricity	Flogas	Flogas
PrePayPower	Vayu	SSE Airtricity	Gazprom
SSE Airtricity			SSE Airtricity
			Vayu

In Quarter 4 2014, Electric Ireland's market share (MWh), at 56.31% in the domestic market, was still below the threshold of 60% which was set out in the electricity Roadmap. Electric Ireland's share of MWhs in the domestic market reduced in 2014 compared to 2013 (when it had a 57.2% share). There continues to be two independent suppliers with over 10% market share which satisfies the market share criteria. The final *condition* set out was that domestic

⁷ All applied in October 2013.

¹ 1 S.I. No. 452 of 2004 European Communities (Internal Market in Natural Gas)

<http://www.irishstatutebook.ie/2004/en/si/0452.html>

S.I. No. 60 of 2005 (Electricity) European Communities (Internal Market in Electricity)

<http://www.irishstatutebook.ie/2005/en/si/0060.html>

⁵ Applied in November 2013.

⁹ Applied on 1st April 2015 on both the unit rate and standing charge.

¹⁰ Applied on 1st April 2015 on both the unit rate and standing charge.

¹¹ Applied in March 2014. Increase due to wholesale price changes & weakened Euro.

¹² Regulated price change.

¹³ Applied on 16th March 2015 on the unit rate.

¹⁴ Applied on 16th March 2015 on the unit rate.

¹⁵ Applied in January 2014 along with PSO increase resulting in +3.5% increase.

¹⁶ Average across domestic customers, applied on 17th November 2014.

¹⁷ Applied on 1st April 2015, average price decrease.

¹⁸ Flogas introduced a second price increase of +1.45% on 1st May 2014.

¹⁹ Applied on 1st April 2015 on the unit rate.

²⁰ Tied to EI tariff.

²¹ Tied to EI tariff.

²² PrePayPower prices were tied to EI tariffs until November 2014.

²³ Average change, applied on 31st March 2015.

²⁴ Energia was not active in the domestic electricity and gas markets until January 2014.

²⁵ SSE Airtricity, Bord Gáis Energy, Electric Ireland, Energia, Flogas, Gazprom and Vayu.

switching rates had to be above 10%. The rate in the domestic continues to meet this criterion. At 14% the switching rate in the domestic market remains above 10% and is higher than the rate in 2013

In Quarter 4 2014, Bord Gáis Energy's domestic market share (customer numbers), at 52.03%, was lower than in July 2014 (when it was price deregulated). Bord Gáis Energy's share of customers in the domestic market continuously reduced in 2014. There continues to be two non-Bord Gáis Energy suppliers with over 10% market share which satisfies the market share criteria. The final *condition* set out was that domestic switching rates had to be above 10%. The rate in the domestic continues to meet this criterion. At 16.7% the switching rate in the domestic market remains above 10%.

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.

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 2014, the CER audited the Code of Practice on Marketing and Sign Up and the Disconnection codes of practice.

The Code of Practice on Marketing and Sign Up requires suppliers and their agents to adopt a transparent and fair approach to the marketing of their products and services and to their customer acquisition practices.

The Code of Practice on Disconnections, requires Suppliers to follow a defined engagement process with the customer prior to disconnection for non-payment of account.

The audit of compliance with the Code of Practice on Disconnections found, inter alia, that suppliers' internal procedures and policies allow for compliance with the requirements of the Code, and that, while two instances of non-compliance by two separate suppliers were found, overall suppliers conduct their activities in line within these requirements. The instances of non-compliance were corrected by the relevant suppliers.

The audit of compliance with the Code of Practice on Marketing and Sign Up examined specific aspects pertaining to suppliers' advertising and customer acquisition practices. The main findings of the audit indicate that overall suppliers have implemented internal systems and procedures which are conducive to compliance with the requirements of the Code.

The results of the audit indicated that some of the current requirements of this Code may be subject to different interpretations and that suppliers have adopted different approaches, notably in relation to training of sales agents and agency relationships with third parties. In light of these findings, the CER is minded to continue examination of certain aspects of suppliers' marketing practices and further engage with suppliers to ensure that satisfactory arrangements are in place to safeguard customers and ensure fair, competition.

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 set out principles that price comparison websites must adhere to in order to receive and retain CER accreditation.

These principles are summarised below

1. Independence and Impartiality
2. Tariff and Price Comparisons
3. Calculation of Cost Comparisons
4. Accuracy and Tariff Updating
5. Website Filter Options and Results
6. Green Tariffs
7. Website Management
8. Consumer Information and Accessibility
9. Customer Service Ratings
10. Customer Care
11. Data Protection

In order to ensure continuous compliance with these principles, the accreditation framework requires price comparison websites to undergo an annual audit carried out by an independent auditor. The overall conclusion of the audits indicates that Bonkers.ie and uSwitch.ie remain in compliance with the CER current accreditation framework for price comparison websites and therefore are entitled to retain the CER accreditation for another 12 months. The CER also carries out ad hoc audits on suppliers, following its own monitoring and complaints received from customers or the industry. The CER will be looking to develop a report on the nature and outcome of its adhoc audits and compliance monitoring.

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

- Article 37(1)(o)

Report on recommendations at national level on supply prices and competition and how supply prices are set (linked to spot prices)

Describe system of regulated prices (if they exist) and plans of phasing out

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

Road Map Electricity Deregulation

All market segments in electricity are price deregulated. Business markets were price deregulated in October 2010 and the domestic market was deregulated in April 2011.

The following were the criteria for price deregulation in the domestic electricity market:

- At least 3 suppliers active in the market;
- A minimum of 2 independent suppliers, each of which has at least 10% share of load (GWhs) in the market;
- Switching rates greater than 10%;
- Deregulation at market share of 60% conditional on ESB removing the ESB brand.

In Q4 2014, Electric Ireland's market share (MWh), at 56.31% in the domestic market, was still below the threshold of 60% which was set out in the electricity Roadmap. Electric Ireland's share of MWhs in the domestic market reduced in 2014 compared to 2013 (when it had a 57.2% share). There continues to be two independent suppliers with over 10% market share which satisfies the market share criteria. The final *condition* set out was that domestic switching rates had to be above 10%. The rate in the domestic continues to meet this criterion. At 14% the switching rate in the domestic market remains above 10% and is higher than the rate in 2013.

Road Map Gas Deregulation

The gas business markets were fully deregulated in October 2011. The domestic NDM retail gas market was price deregulated on 1st July 2014²⁶.

The following were the criteria for price deregulation in the domestic gas market:

- At least 3 suppliers, of which two are non-Bord Gáis Energy suppliers;
- Each non-Bord Gáis Energy supplier has a market share is in excess of 10%;
- Customer switching rates in excess of 10% per year;
- Threshold for deregulation is 60% (customers) with rebranding of its retail business and without rebranding the threshold is 55%.

In Quarter 4 2014, Bord Gáis Energy's domestic market share (customer numbers), at 52.03%, was lower than in July 2014 (when it was price deregulated). Bord Gáis Energy's share of customers in the domestic market continuously reduced in 2014. There continues to be two non-Bord Gáis Energy suppliers with over 10% market share which satisfies the market share criteria. The final *condition* set out was that domestic switching rates had to be above 10%. The rate in the domestic continues to meet this criterion. At 16.7% the switching rate in the domestic market remains above 10%.

²⁶ [CER/14/117](#) Domestic Gas Market Deregulation Decision.

The tables below provide the annual average domestic bill for 2014, for electricity and gas.

Supplier	Annual Average Domestic Urban 24hr Electricity Bill, 2014		
	Credit customers - Standard Electricity	Credit customers - Direct debit & online billing discount plan	PAYG-supplier led lifestyle choice offers (yr 1)
SSE Airtricity	€1,271	€1,126	Na
Bord Gáis Energy	€1,217	€1,118	Na
Electric Ireland	€1,211	€1,061	€1,281 ²⁷
Energia	€1,253	€1,100	Na
Pinergy	Na	Na	€1,347 ²⁸
PrePayPower	Na	Na	€1,373 ²⁹

Annual Average Urban 24hr Domestic Electricity Bill per Supplier, Dec-14, including PSO, VAT & supplier service charges as applicable, typical consumption of 5,300kWh

The above tables do not include offers such as cash back offers or other reward scheme that customers may be able to available upon contracting with a supplier. There were instances during the where such short term offers resulted in tariff offers that were lower than discounted tariffs.

The following table shows the average annual bill for domestic gas customers.

Supplier	Annual Average Domestic Gas Bill, 2014	
	Standard Gas	Direct debit & online billing discount plan
SSE Airtricity	€979	€955
Bord Gáis Energy	€993	€926
Electric Ireland	€979	€929
Energia	€980	€855
Flogas	€986	€853

Table 6.3 Annual Average Domestic Gas Bill per Supplier in December 2014, including Carbon Tax and VAT, based on typical annual consumption of 13,800kWh in gas

The following table shows the average annual bill for domestic dual fuel customers.

Supplier	Annual Average Domestic Dual Fuel Bill, 2014	
	Standard Dual Fuel	Direct debit & online billing discount plan
SSE Airtricity	€2,257	€2,056
Bord Gáis Energy	€2,210	€2,027
Electric Ireland	€2,189	€1,970
Energia	€2,232	€1,944

Annual Average Domestic Dual Fuel Bill per Supplier in December 2014, including Carbon Tax, PSO and VAT where applicable, based on typical annual consumption of 13,800kWh in gas and 5,300kWh in electricity

The comparisons indicate that, a customer switching from the standard dual fuel tariff to a discounted tariff could have saved up to €313 annually in 2014. At the end of 2014, it was cheaper for a typical customer on a discounted plan to purchase gas and electricity from separate suppliers rather than avail of a dual fuel offer from one supplier.

²⁷ Includes additional daily supplier prepayment service charge.

²⁸ Includes additional daily supplier prepayment service charge.

²⁹ Includes additional daily supplier prepayment service charge.

- Article 37(4)(b)

Report on investigations carried out, main results and possible measures adopted

See above section 3.2.31

Report on tariff deficit if it exists

N/A

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 2014, 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 intends undertaking a consultation on Ireland's secondary fuel obligations in 2015.

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 2015, 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 1746 MW occurring in 2017 (base case scenario). The resulting positive adequacy levels are due in part to new connections onto the system.

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 YRS 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

In 2015, EirGrid carried out an analysis of electricity requirements for the years up to and including 2024. In all demand scenarios (low, medium and high) total electricity requirements are expected to rise.

In a low growth scenario growth demand is expected to grow by 0.2% in 2015, 0.2% in 2016 and 0.1% in 2017. In a median growth scenario a rate of 1% demand is expected in 2015 with 1.4% and 1.6% in the following years. Finally utilising a high demand scenario a rate of 1% growth would be expected for 2015 with this rising to 1.4% in 2016 and 1.6% 2017.

The ability of Ireland to meet its future electricity demands will be facilitated by the commissioning of a 431 MW Combined-Cycle-Gas-Turbine plant at Great Island in Co. Wexford (expected in 2015). Additionally, the increasing capacity of Ireland's Demand Side Units (currently 160 MW), and the potential for new connections will strengthen Ireland's generation capacity. Despite these new additions, Ireland's generation capacity will partly be offset by the decommissioning of Heavy Fuel Oil (HFO) units at Great Island (212 MW) in 2015 and Tarbert (592 MW) in 2023.

At present, there is approximately 2,000 MW of wind power connected to the Irish system. It is estimated that this will need to rise to between 3,200 and 3,800 MW by 2020 to meet the 40% target if Ireland is to fulfill its 20/20/20 commitments.

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

- Articles 10,11 2009/73/EC Article 3 Regulation (EC) 715/2009
- Article 26

Report on TSO certification, DSO provisions regarding branding and resources and new developments regarding certification revisions. Report also on storage and LNG

The sale of Bord Gais Eireann (BGE) energy business in June 2014 marked a significant watershed for Ireland's energy market, as 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 Gais brand were sold to the successful bidder in 2014, which resulted in the BGE parent company changing its name to Ervia in accordance with SI 287 (2014).

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

Due to the recent 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 work programme for FOU certification, GNI submitted a draft FOU application to the CER, which was subsequently reviewed by the CER in 2014. It is envisaged that a formal FOU application will be submitted by GNI to the CER in 2015, following the implementation of the Transfer Plan. Subject to the submission of an FOU Certification Application, it is envisaged that the CER will be in a position to issue a positive FOU Certification Decision in 2015 (following the receipt of an Opinion from the EU Commission).

Storage on the Irish gas system is provided at the Inch storage facility. This is operated by PSE Kinsale Energy an independent company. 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 (Gaslink) currently provide balancing services through contractual purchasing of balancing gas. All shippers are currently obliged 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. 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. Currently the TSO is limited to maximum daily quantities of Balancing Gas Buy of 15,000,000 kWh and the Balancing Gas Sell of 20,000,000 kWh. Monthly reports on balancing actions taken and imbalance costs are published on the TSO website.

Changes to current operations due to the implementation of the EU Balancing Network Code are in the process of implementation after a series of consultations with stakeholders in 2014.

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). Significant changes to the way the TSO fulfils its balancing responsibilities will be made in 2015 with the implementation of the BAL NC.

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

Report relevant security and reliability regulation and data

As required in licence conditions Gaslink supply 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 and approved for publication if found satisfactory. Where it deems necessary, the CER may issue direction to Gaslink to improve or remedy poor performance standards. The Annual Performance Report for 2013 was submitted to the CER in July 2014 and following review and modification the CER gave approval to Gaslink to publish in September 2014. The CER also monitors adherence to the published Customer Codes of Practice on Customer complaints, Vulnerable Customers and Disconnection Procedures.

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

Clarify here at least if there is in your country a definition for “time to connect” for consumers and for producers

In 2013, Gas Networks Ireland connected an additional 4,213 new distribution customers to the gas network. This represents an increase of 0.65% in the total number of distribution connected customers. CER monitors the level of appointments kept by GNI. In total, there were 21% less appointments in 2013 versus 2012. 2013 performance achieved 99.3% compared to 98.6% in 2012.

For temporary gas reinstatements GNI is required to indicate the level of such connections successfully completed within the 24 hour standard required. For 2013 this level is at 97.8%, which is down slightly from 98.4% the previous year.

94.4% of almost 8,536 permanent reinstatement activities during 2013 were performed within the 20 working day planned performance level. 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 (e.g. asphalt). Currently, surface categories are being grouped to improve efficiencies and increase performance levels.

For permanent reinstatements a 20 working day standard must be met. Of such reinstatements 94.4% of the 8,536 reinstatements were completed within the required timeframe which is a decrease of 2.2% on the previous year CER monitors these performance standards and approves the publication of the Gaslink Performance Report. Where agreed standards are not being met the CER may issue directions to Gaslink.

- Monitoring safeguard measures (Article 41(1)(t))

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

4.1.3 Network and LNG tariffs for connection and access

The CER is responsible for setting the annual Transmission and Distribution tariffs that Gaslink 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. Bord Gáis Networks is currently in its third Price Control.

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 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 imminent³⁰, CER is currently finalizing gas entry reform and has used guidance from the ACER Framework Guidelines on Tariffs & the Draft ENTSOG Network Code on Tariffs to ensure that, as far as possible, the methodology chosen will be in line with binding future requirements. The Draft Decision on this was to choose a forward looking methodology known as the Matrix methodology. A final decision on the matter is expected before the end of July. This will also include the publication of a new tariff model that will be used to calculate the tariffs from October 2015.

In addition, the CER is also finalising 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 will identify a methodology for calculating an annuitised charge based on a fixed price regime which will remain in place for 19 years. It is anticipated that this decision will be issued roughly in line with the gas entry reform decision.

At present Ireland does not have any LNG facilities. However, as part of the Entry tariff reform process several scenarios have been modelled which include an entry point from an LNG facility.

As part of the Price Control for Bord Gáis Networks in an effort to accommodate an environment of innovation in the Irish gas industry, an Innovation Group has been 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.

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

As stated above the Price Control for the Transmission and Distribution are set separately. As the Regulated Asset Base (RAB) and the ensuing Allowed Revenues are set separately the risk of cross-subsidisation is minimal. On the supply side up until April 2014 CER regulated the residential tariff for Bord Gáis Energy. There is now full competition in both the electricity and gas markets. The role of the CER in this regard has moved to Market Monitoring Regulated and negotiated access to storage 41(1)(s)

See 3.2.2.2.

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))

³⁰ Flows from the Corrib gas field are expected in 2015

Other relevant cooperation agreements/activities of the NRA besides the RI

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

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 the beginning of 2015 in advance of the implementation of many of the requirements of the Network Codes in late 2015. The successful implementation of the Network Codes is a key priority for the CER and to a great extent hinges on the creation and maintenance of good cross-border relations with adjacent RAs.

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.

Other relevant cooperation agreements/activities of the NRA besides the RI

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

The CER engages with the TSO and with ACER to monitor consistency between the Irish Network Development Plan and the TYNDP.

In 2014 Gaslink, as the relevant TSO published the Network Development Plan 2014. 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 Gaslink. 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.

The Gaslink NDP 2014 identified two particular projects identified two longer term strategic projects. These projects are the twinning of South West Scotland Onshore system (SWSOS), and the reinforcement of the ringmain from Goat Island to Curraleigh West. In addition, Gaslink identified that Midleton Compressor Station may require investment at a future point to maintain pressures in the southern region.

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.

4.1.5 Compliance

The CER monitors its own compliance with the relevant Community legislation. No compliance issues were identified in 2014.

4.2 Promoting Competition

4.2.1 Wholesale markets

Please provide a brief illustration of the state of competition of wholesale market and the main changes in the recent year

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)(i) , (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.

4.2.2 Retail market (can be merged with electricity section)

Please provide a brief illustration of the state of competition of retail market and the main changes in the recent year

Description of price setting

Regulated prices, definition and phasing out

See section 3.2.2.1 and Section 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

- Article 41(1)(i),(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. Make reference to dual fuel if necessary.

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

See section 3.2.2.2

- Article 41(1)(p)

Report on recommendations at national level on supply prices and competition

- Article 41(4)(b)

Report on main investigations, results and possible measures adopted

Report on tariff deficit if it exists

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 Gaslink'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 current gas supplies, Ireland remains 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.

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 30% and 15% of Ireland's annual gas demand.

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

Gaslink's 2014 Network Development Plan (covers 10 year period up to 2022/23) indicated that Ireland's annual gas demands (average year) are forecasted to decrease from 49.7 TWh in 2014/15 to 48.9 TWh in 2022/23. The decline in annual gas demand can in part be attributed in part due to increased wind generation and increased energy efficiency within the residential sector. In contrast, Ireland's Peak Day Demand (1 in 50) is expected to increase from 269.2 GWh in 2014/15 to 284.7 GWh in 2022/23. 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.

Within the next two years, it is anticipated that Ireland's dependence on gas imports from GB will decrease due to the commissioning of a third entry point (i.e. Corrib). According to Gaslink's 2014 Network Development Plan, gas production from the Corrib gas field is expected to meet approximately 74% of Ireland's annual gas demands in its first full year of commercial production (2015/16, with the Inch and Moffat Entry Points providing the remaining 7% and 19% respectively. Equally, in terms of meeting Ireland's peak gas demands, Corrib is anticipated to supply nearly 40% 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 103.1 GWh/d) is expected to decline to 45.0 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))

This section outlines specific consumer protection measures which have been put in place by the CER for the benefit of consumers. Customer protection obligations are binding on all suppliers. Though broadly similar the requirements vary for domestic and business customer, with greater requirements placed on suppliers of domestic customers – for example they must obtain CER approval of their Terms and Conditions.

Customer protection measures take the form of supplier codes of conduct and supplier charters (contracts). These measures are broadly equivalent for electricity and gas.

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. This report is published by the CER in September of every year. 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 their 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 2012. The updated requirements for suppliers Customer Charter, Codes of Practice and Terms & Conditions came into effect in September 2012.

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

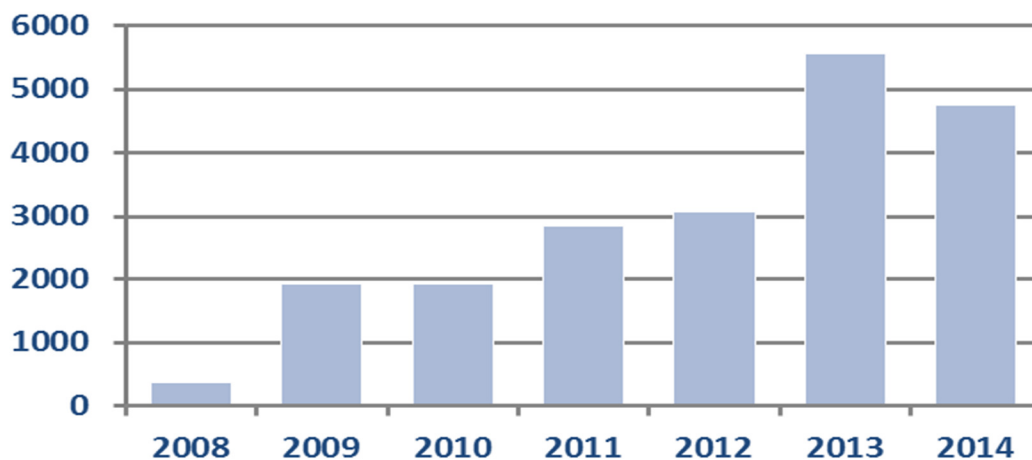
The CER has a statutory responsibility to provide a complaints resolution service to customers with an unresolved complaint with their supplier or network operator. The CER's Customer Care Team fulfils this role for domestic and small business customers through a dedicated complaints resolution service.

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.

Over the last several years the number of customer contacts the Customer Care Team has received, that are related to energy, increased each year and there was a significant increase in 2013. In 2014 the number of contacts decreased from the 2013 peak and a total of 4,751 contacts were received in 2014, which is a decrease of approximately 14% from the 2013 total of 5,567.

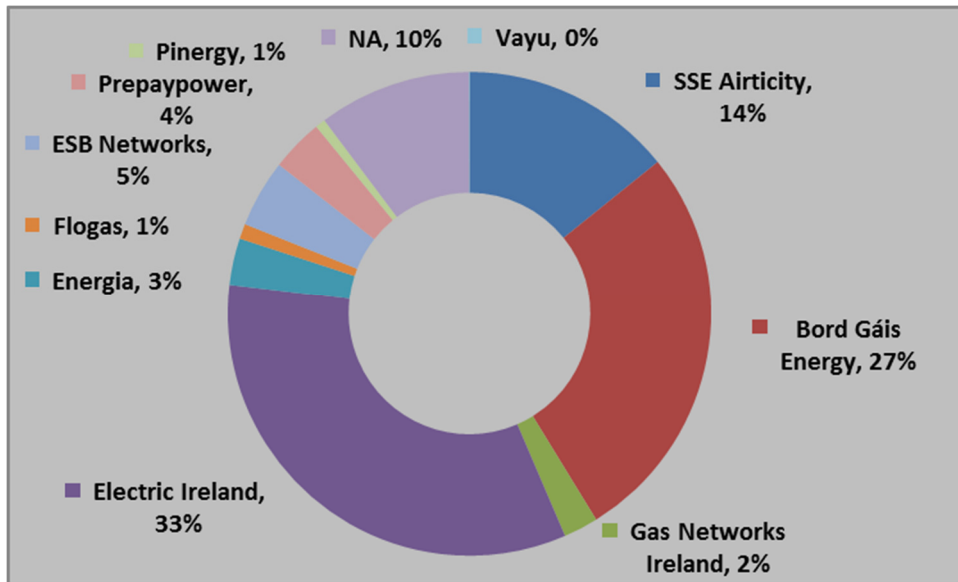
The graph below illustrates the trend in the number of customer contacts that the Customer Care Team has experienced over the past several years.

Volume of Customer Contacts Received by the CCT



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 supplier (SSE Airtricity, BGE and Electric Ireland) accounted for the majority of customer contacts, but increasingly we are receiving contacts in relation to the other suppliers in the market, reflecting the development of competition in the domestic markets.

Breakdown of Customer Contacts in 2014



* 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 CCT with a general query that was not related to any specific supplier or network operator.

Supplier of Last Resort for Electricity & Gas

At present, Electric Ireland (formally ESB Customer Supply) is the Supplier of Last Resort in the Electricity Retail sector and Bord Gais Energy is the Supplier of Last Resort in the Gas Retail Sector. Further to S.I. 60 of 2005, the CER may invite expressions of interest from licensed suppliers to act as a Supplier of Last Resort where a licensed supplier with whom final customers have a contract of supply for electricity ceases or fails to supply electricity to supply electricity to those final customers or where the CER is of the opinion that circumstances exist which warrant a direction to the Supplier of Last Resort to supply electricity to certain final customers. In the gas retail market, the Energy Miscellaneous Provisions Act 2006 makes similar provisions for the appointment of the Supplier of Last Resort in gas.

In April 2005, the CER published a paper of SoLR options for both the electricity and gas markets including proposed rules for the allocation and duration of the role, as well as principles governing the recovery of extraordinary costs by the SoLR(s). In addition this paper specified the circumstances that would trigger such this process. The CER considered that 'triggers' such as voluntary or involuntary exit from the market of a licensed supplier and supply licence revocation would be considered here. A decision on this matter was issued in April 2006 which appointed ESB PES and BGE as SoLRs for the electricity and gas markets respectively.

The CER consulted on possible changes to SoLR rules and policy in the electricity sector to take account of changing market rules and conditions arising from the commencement of the SEM in November 2007. A decision on this matter was issued prior to the commencement of the SEM. In 2011 and the transition to full deregulation of the electricity retail markets (which occurred in April of that year) the CER published a decision paper on how the role of the SoLR

would be fulfilled in the deregulated electricity market place. In the event the current arrangements are changed, the decision will see the role of the SoLR be offered to the market in a competitive process. The CER is to consult further on the details of this process. In the interim Electric Ireland (formerly ESB Customer Supply) and Bord Gais Energy will maintain the role of the Supplier of Last Resort in electricity and gas markets, respectively.

Universal Service / Supply Obligation

Under S.I. 60 of 2005 and under its supply licence, ESB PES, as the “default supplier”, must meet all reasonable requests for supply (duty to offer supply). The CER determines what constitutes a reasonable request for supply. No such obligation to supply is placed on the BGE in the gas market. As noted above the ESB PES must serve customers according to standard terms and conditions and shall charge tariffs approved by the CER.

In 2011 and the transition to full deregulation of the electricity retail markets (which occurred in April of that year) the CER published a decision on how the duty to offer supply would be fulfilled in the deregulated marketplace. The decision will see a duty to offer supply for domestic and small business customers placed, through licence condition, on suppliers actively supplying these customer categories. The CER subsequently consulted on modifications to the licence to supply electricity in 2011 to implement this decision. A decision on the licence modifications is to be published in 2012.

Network Access for Rural Customer’s

The Electricity Regulation Act, 1999, states that the CER should take into account the needs of rural customers. Condition 2 of the Distribution System Operator’s licence (Connection to and use of the distribution system) stipulates that the DSO shall publish, and make available on their website, a statement of charges for connection to the distribution system. These charges include standardised connection charges for domestic rural customers and are approved by the CER.

Again, no such obligation to supply is placed on the BGE in the gas market.

Information on Energy Sources for Electricity

As required by Directive 2003/54/EC and S.I. No. 60 of 2005 all suppliers must provide reliable information on all bills/ promotional material sent to customers regarding the contribution of each energy source to the overall fuel mix of the supplier concerned over the preceding year. In July 2009 the SEM Committee published a decision on the Interim Arrangements for fuel mix disclosure. These interim arrangements have since been replaced by a new methodology which was required due to the introduction of guarantees of origin for renewables in Ireland. The new methodology is set out in a SEM Committee decision which was published in November 2011.

These interim arrangements will be superseded by the arrangements which will be introduced following the transposition of the new RES directive (2009/28/EC) into Irish and UK law.

- Ensuring access to consumption data (Article 37(1)(p)) and (Article 41(1)(q))

Consumers must be properly informed of actual electricity/gas consumption and costs frequently enough to enable them to regulate their own electricity/gas consumption. In tandem with the Energy Efficiency Directive 2012/27/EU Smart meters will greatly assist in the fulfilment of this obligation. CER as the Competent Authority is planning to rollout smart meters to all residential Electricity and Gas customers in the coming years.

Smart meters are the next generation of meters, which can replace existing electro-mechanical and diaphragm meters. They offer a range of benefits for both the individual electricity and gas consumer and for the electricity and gas systems in general. The implementation of a smart metering system encompasses more than just metering. It is essentially a hybrid technology consisting of three high level layers; physical meters and associated devices, communications layer covering data transport and communications network management, and IT systems which manage the data, applications, and services.

In particular, smart meters can provide customers with more real-time energy consumption recording and information services, with one the following benefits:

Better Customer Information and Choice: Smart meters can record customers' use of energy over short intervals, for example every 30 minutes. Suppliers can use this to provide customers with detailed information regarding their actual electricity and gas consumption and costs, through Smart Bills. In addition, an In-Home Display screen can be used with smart meters, providing customers with more real-time information on their energy consumption. Customers will also have access to a harmonised downloadable file which will detail their consumption data. All of this information will empower customers to reduce their energy consumption and manage their bills better.

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 2014, CER resolved three network connection disputes arising from offers issued by the TSO and DSO under the CER's Gate 3 policy (CER/08/260). Three further disputes continued to be worked on over the course of 2014 arising from connection offers issued by the TSO and DSO under the CER's connection policy for conventional generation (CER/09/191).