CONSULTATION ON THE IMPLEMENTATION OF THE RETAIL ENERGY MARKET MONITORING (REMM) FRAMEWORK

January 2015



About the Utility Regulator

The Utility Regulator is the independent non-ministerial government department responsible for regulating Northern Ireland's electricity, gas, water and sewerage industries, to promote the short and long-term interests of consumers.

We are not a policy-making department of government, but we make sure that the energy and water utility industries in Northern Ireland are regulated and developed within ministerial policy as set out in our statutory duties.

We are governed by a Board of Directors and are accountable to the Northern Ireland Assembly through financial and annual reporting obligations.

We are based at Queens House in the centre of Belfast. The Chief Executive leads a management team of directors representing the markets, networks and corporate affairs functional areas of the organisation. The staff team includes economists, engineers, accountants, utility specialists, legal advisors and administration professionals.

Our Mission:	Value and sustainability in energy and water
Our Vision:	We will make a difference for consumers by listening, innovating and leading

Our Values:

- Be a best practice regulator: transparent, consistent, proportional, accountable, and targeted
- Be a united team
- Be collaborative and cooperative
- Be professional
- Listen and explain
- Make a difference
- Act with integrity

Abstract

The Utility Regulator (UR) is working to introduce a new Retail Energy Market Monitoring framework (REMM) for Northern Ireland. This will involve improved data flows between the regulated companies and the UR. The companies will benefit from clarity around information requirements and associated timelines for return. Consumers will benefit from better regulation capabilities within the UR based on consistent and high quality data returns, and from increased transparency of retail energy market information. This consultation paper sets out the background and context to REMM and details of the proposed REMM arrangements and timelines. The draft data submission templates are available alongside this paper. REMM reporting to the UR will be subject to compliance testing under information provision conditions within licences.

Audience

This document is most likely to be of interest to regulated supply companies and network companies in the energy industry, consumer organisations, business/industry representatives and regulatory authorities. The Utility Regulator welcomes stakeholder views and comments on all the proposals set out in this consultation paper.

Consumer impact

There are four main areas of consumer impact associated with REMM:

1. There is an EU-wide legislative requirement placed on all National Regulatory Authorities to monitor retail markets effectively. Consumer benefit from this is recognised at an EU level.
2. There may be a detrimental impact to consumers if the UR fails to monitor the retail markets effectively. Without access to necessary supplier

information, the UR cannot ensure that consumers are being protected and suppliers are complying with their licences and codes of practice obligations.

3. Proactive monitoring will allow us to protect our consumers by setting policies which are based on appropriate knowledge of what is happening in the market.
4. Consumers will have increased access to comparable supplier information which will enable them to engage more actively in the energy market.

Contents

1. Purpose and consultation details 9

1.1 Introduction 9

1.2 Next steps 10

1.3 How to Respond 11

1.4 Section 75 of the Northern Ireland Act 1998 12

2. Context to the REMM Project 14

2.1 What are we trying to achieve in retail energy markets? 14

2.2 Why do regulators monitor retail energy markets? 15

2.3 What statutory powers and duties does the UR have to monitor markets and to gather information for such purposes? 16

2.3.1 European Law 16

2.3.2 Domestic Legislation 17

2.3.3 Electricity and gas supply and distribution licences 18

2.4 How does REMM fit with current UR market monitoring? 18

3. Key considerations for REMM Framework 21

3.1 Application of good regulatory principles 21

3.2 Definitions within REMM 24

3.3 Disaggregation of customer groups 25

3.4 Interpretation of information by UR 25

3.5 How REMM data will be used by the UR 26

3.5.1 Internal UR review and development of regulatory policy 26

3.5.2 Review of effectiveness of competition in retail energy markets 27

3.5.3 Supplier licence compliance 27

3.6 External publication of information 28

3.7 Confidentiality 29

3.8 An “opt out” for smaller suppliers? 31

3.9 Frequency of collection and publication 31

3.10 Market monitoring in RoI 32

3.11 Current monitoring and publication 33

3.12 Governance and data quality 33

3.13 The requirements of REMM for “inactive” suppliers, or suppliers solely supplying gas to Powerstations 34
3.14 Future proofing 35
4. Proposed REMM framework 37
4.1 Introduction 37
4.2 Licence compliance metrics and reporting 37
4.2.1 Annual Statement of Licence Compliance 38
4.2.2 Supplementary information - licence compliance 39
4.3 Data submission process 39
4.3.1 Data submission templates 40
4.3.2 Timing of data submissions 40
5. Proposed REMM indicators 44
5.1 Introduction 44
5.2 Methodology for the allocation of customers into customer groups 47
5.2.1 Allocation of electricity customers into groups 48
5.2.2 Allocation of gas customers into groups 48
5.3 Indicator group – Market share 49
5.3.1 Market shares 49
5.3.2 New connections 51
5.4 Indicator group – Switching 53
5.4.1 Switches requested 53
5.4.2 Switches completed 55
5.4.3 Switches taking longer than 15 working days to complete 57
5.4.4 Sticky customers 59
5.4.5 Rejected switches 61
5.4.6 Objected switches 62
5.4.7 Debt contact notifications 64
5.4.8 Erroneous transfers 66
5.4.9 Notional meter reads (gas specific) 67
5.4.10 Meter mix ups identified during switching (gas specific) 68

5.4.11 Credit balances on Quantum prepayment meters when switching (gas specific) 70
5.4.12 Outstanding balances on Quantum prepayment meters when switching (gas specific) 71
5.4.13 Credit balances on Libra prepayment meters when switching (gas specific) 73
5.5 Indicator group – Market activity 74
5.5.1 Renegotiated contracts 74
5.6 Indicator group – Disconnections, reconnections and debt recovery prepayment meters 77
5.6.1 Disconnections 78
5.6.2 Reconnection of customers previously disconnected due to debt 81
5.6.3 Debt recovery prepayment meter fitted 82
5.7 Indicator group – Complaints 83
5.7.1 Complaints 84
5.8 Indicator group – Standards of Performance (gas specific) 88
5.8.1 Standards of Performance Regulations & Overall Standards (gas specific) 89
5.9 Indicator group – Price 90
5.9.1 Diversity of tariffs 90
5.9.2 Final prices 94
5.10 Indicator group – Customer account balances 97
5.10.1 Customer account balances 97
5.11 Indicator group – Retail margins 99
5.11.1 Retail margins 102
6. Next steps 107
6.1 Timeline 2015/2016 107
6.2 Retail Margin Reconciliation 109
6.3 Stakeholder responses 109
Annex 1 – Statement of Definitions 111
Annex 2 – Licence compliance submissions 119
Annex 3 – Retail margins methodology 128

Glossary

Name	Definition
ATR	Annual Transparency Report
CA	Competition Authority
CCNI	Consumer Council for Northern Ireland
CER	Commission for Energy Regulation
DPA	Data Protection Act
Electricity Directive	Directive 2009/72/EC concerning common rules for the internal market in electricity
Electricity Order	Electricity (NI) Order 1992
Energy Order	Energy (NI) Order 2003
Enterprise Act	Enterprise Act 2002
ERGEG	European Regulators Group for Electricity and Gas
ERR	Energy Retail Report
EU	European Union
Eurostat	Office of Statistics for the European Union
feDL	firmus energy (Distribution) Limited
FOIA	Freedom of Information Act 2000
Gas Directive	Directive 2009/73/EC concerning common rules for the internal market in natural gas
Gas Order	Gas (Northern Ireland) Order 1996
GB	Great Britain
I&C	Industrial and commercial (customers)
ISEM	Integrated Single Electricity Market
MRC	Market Registration Code
NI	Northern Ireland
NIE	Northern Ireland Electricity Limited
NRA	National Regulatory Authorities
PNGL	Phoenix Natural Gas Limited
QTR	Quarterly Transparency Report
REMM	Retail Energy Market Monitoring
RoI	Republic of Ireland
SMP Agreement	Supply Meter Point Agreement for the Greater Belfast Licensed Area and the Ten Towns Licensed Area
SoD	Statement of Definitions
Third Package	EU Third Internal Energy Package
UR	Utility Regulator

1. Purpose and consultation details

1.1 Introduction

In May 2014, the Utility Regulator (UR) published a strategy[1] on consumer protection and retail market regulation which aims to strike the appropriate balance between delivering effective competition and maintaining regulatory protection. Retail Energy Market Monitoring (REMM) is one of three flagship projects which will combine to deliver this strategy.

The purpose of this consultation is to engage with our stakeholders and seek their views relating to REMM. The ultimate objective of REMM is to implement a coherent and fit-for-purpose market monitoring framework for all electricity and gas supply sectors in Northern Ireland (NI).

The REMM project will develop, consult on and implement a comprehensive framework that will:

- enable us to monitor the NI retail energy markets (electricity and gas) effectively;
- identify risks in our retail market, and address these proactively at an early stage;
- fulfil our duties on licence compliance monitoring;
- inform regulatory policy, energy policy and price controls; and
- protect and inform consumers by promoting consumer engagement through increased transparency.

Through this consultation we seek to:

- collect and discuss stakeholders' views in relation to the various indicators which we propose to monitor (including descriptions and applicable data coverage in relation to customer groups);
- agree how the information collected will be used and published; and

[1] UR Strategic Approach to Energy Retail Markets and Consumer Protection – an information paper. May 2014. http://www.uregni.gov.uk/uploads/publications/Strategic_Overarch_Paper.pdf

- ensure that energy suppliers and other stakeholders are aware of the importance we place on consumer protection via market monitoring, and of suppliers' responsibility to ensure that any data submitted is accurate and timely.

It is important to note that the obligation of information provision under REMM will be subject to compliance testing and enforcement procedures under existing licence conditions for both suppliers and network companies[2]. We will formally collect the new REMM information under: condition 10 of the electricity supply licence; condition 1.3 of the gas supply licence; condition 8 of the Northern Ireland Electricity (NIE) distribution licence; condition 1.4 of the Phoenix Natural Gas Limited (PNGL) distribution licence; and condition 1.3 of the firmus energy (Distribution) Limited (feDL) distribution licence. Any enforcement action will be taken in line with our revised enforcement policy which is due to be published in late spring 2015.

1.2 Next steps

This consultation is just the beginning of a structured approach to implement REMM, as detailed in our Information Paper[3] and at our briefing session held in June 2014. We invite all stakeholders to respond to this consultation and welcome your comments on our proposals (see section below on how to respond). When the consultation period has closed we will consider all responses in order to inform the development of our final REMM indicators and accompanying decision paper. We aim to publish the decision paper by the end of May 2015. Chapter 6 discusses in detail how we propose to implement the REMM framework.

[2] "Network companies" include: Phoenix Natural Gas Limited (PNGL) , firmus energy (Distribution) Limited (feDL) and Northern Ireland Electricity (NIE)
[3] UR Approach to Retail Energy Market Monitoring: An Information Note. June 2014
http://www.uregni.gov.uk/uploads/publications/REMM_Information_Note.pdf

1.3 How to Respond

The UR welcomes engagement from all industry and other stakeholders throughout the consultation process. We appreciate your views and comments on all the proposals set out in this consultation paper. When responding, we request that you organise your comments to match the chapter structure of this paper.

In particular for suppliers and network companies: when you comment on the capability of your current systems to deliver REMM obligations, please be specific about any potential limitations of your systems, and the modifications required in order to provide the data in the requested format. If there are costs associated with any required changes to your systems please provide detail of these costs in your response.

The consultation period will close on **02 April 2015.** We will arrange at least one workshop during the consultation period in order to enable stakeholders to engage further in this process. A provisional date for a workshop is **Thursday 5 March 2015**. Further details of the workshop will be released in due course, but at this stage we envisage that we will hold two workshop sessions on this date – a general workshop to cover all of the REMM indicators and a more specific session on retail margin methodology. Stakeholders will be invited to attend one or two sessions. Responses to this consultation should be forwarded to reach us on or before **12:30 on 02 April 2015** to:

Ursula Trolan
The Utility Regulator
Queens House
14 Queen Street
Belfast
BT1 6ED
Email: ursula.trolan@uregni.gov.uk

Your response to this consultation may be made public by the UR. If you do not wish your response or name to be made public, please state this clearly by marking the

response as confidential. Any confidentiality disclaimer that is automatically produced by an organisation's IT system or is included as a general statement in your fax or coversheet will be taken to apply only to information in your response for which confidentiality has been specifically requested.

Information provided in response to this consultation, including personal information may be subject to publication or disclosure in accordance with the access to information regimes; these are primarily the Freedom of Information Act 2000 (FOIA) and the Data Protection Act 1998 (DPA). If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory code of practice with which public authorities must comply and which deals with obligations of confidence, amongst other things.

In view of this, it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Authority.

This document is available in accessible formats. Please contact: Samantha Young (samantha.young@uregni.gov.uk).

1.4 Section 75 of the Northern Ireland Act 1998

As a public authority, the UR has a number of obligations arising from Section 75 of the Northern Ireland Act 1998. These obligations concern the promotion of equality of opportunity between:

- persons of different religious belief, political opinion, racial group, age, marital status or sexual orientation;

- men and women generally;
- persons with disability and persons without; and
- persons with dependants and persons without.

We must also have regard to the promotion of good relations between persons of different religious belief, political opinion or racial groups. In the development of our policies we also have a statutory duty to have due regard to the needs of vulnerable consumers i.e. individuals who are disabled or chronically sick, individuals of pensionable age, individuals with low incomes and, for electricity only, individuals residing in rural areas.

In order to assist with equality screening of the proposals contained within this consultation paper, we request that respondents provide any information or evidence in relation to the needs, experiences, issues and priorities for different groups which they feel is relevant to the implementation of any of the proposals. We welcome any comments which respondents might have in relation to the overall equality impact of the proposals. In particular we would like to know our stakeholders' views on any areas of the consultation which may have an impact on the groups listed above, and if those impacts are likely to be positive in relation to equality of opportunity for energy consumers. In addition we are interested in receiving information on why and how we may refine the proposals if stakeholders consider that they do not currently meet the equality provisions.

2. Context to the REMM Project

2.1 What are we trying to achieve in retail energy markets?

As a Regulatory Authority it is impossible for the UR to completely control the consumer experience of the competitive market. However, we seek to protect consumers and ensure they can actively engage in energy markets while being protected where necessary. Our 'ideal' vision for a future electricity and gas supply consumer environment is one that includes:

- *Well informed consumers that have access to clear and easily understood information and are aware of different suppliers, products and tariff/service choices.* This enables consumers to make uncomplicated and high-quality decisions with regard to their energy suppliers. Several commentators have recently cited the lack of transparency for consumers as one of the reasons the retail energy markets in Great Britain (GB) are not working as effectively as they could for consumers.
- *Consumers that benefit from competition as much as possible, but are also protected by ongoing regulatory action.* This regulatory action is transparent, proportionate and developed through appropriate analysis and consultation. In order to meet this challenge, we have completed the first phase of a review of competition in the retail energy markets and the associated required regulatory framework. Phase one[4] of the review was published in November.
- *An effective market monitoring framework for the retail energy markets.* This will enable us to ensure that the energy markets operate effectively and that consumers are protected. In addition, it will provide information to consumers and stakeholders to increase transparency and trust in retail energy markets. This is where REMM fits into our 'ideal' vision for retail energy markets, as discussed below.

[4] Review of the Effectiveness of Competition in the Northern Ireland Energy Retail Market – November 2014
http://www.uregni.gov.uk/uploads/publications/Review_of_the_effectiveness_of_NI_retail_markets_Final_171114.pdf

- *Adequate protection for consumers, especially vulnerable ones, in NI retail energy markets.* Evidence suggests that vulnerable consumers do not gain as much as others from the benefits of competition. In order to address this issue and protect these consumers, we are reviewing our Consumer Protection Strategy (CPS) – our consultation on this CPS review will be issued in 2015.

2.2 Why do regulators monitor retail energy markets?

The UR, along with other National Regulatory Authorities (NRAs), has both legislative and regulatory requirements which oblige it to monitor retail markets effectively and to understand the impact of retail markets on consumers. Fundamentally, regulators need to monitor markets in order to have the necessary information to regulate effectively.

Recently in GB we have seen the energy markets come under intense public and political scrutiny. Consumers are frustrated by a lack of transparency around profits and price changes, and are angry about poor levels of customer service. This has led to intense media, political and public focus and debate on the role of regulation and the operation of the energy suppliers. In particular, it has led to widespread calls for increased transparency both in suppliers' behaviours in retail markets and in how those markets are regulated. One of the root causes of concern is the view that there has previously been a lack of effective monitoring in GB so there is no evidence to support or refute the claims of excessive profits.

Energy is an issue which has rightly been placed high on the agenda for both consumers and politicians in NI. We are keen to implement a monitoring framework which will help us to prevent issues arising in our NI energy markets similar to those which have arisen in GB.

Energy supply markets in NI are less mature than in GB. Competition has developed later and the number of active suppliers in the electricity and gas markets is fewer. In recent years we have facilitated the emergence of competition through the implementation of switching systems; by ensuring active suppliers have the appropriate

codes of practice in place; by publishing information on the functioning of energy retail markets and by issuing licences to enable new suppliers to enter the markets.

In addition to the efforts to develop competition, we also delivered a high level of consumer protection through the implementation of European Union (EU) Directives such as the EU Third Internal Energy Package (the Third Package)[5]. These EU Directives have highlighted that consumers benefit from increased protection where effective regulation and competition work together. Our approach to retail energy market regulation aims to strike the appropriate balance between delivering effective competition and maintaining regulatory protection.

2.3 What statutory powers and duties does the UR have to monitor markets and to gather information for such purposes?

Our powers to monitor markets can be found in both European Community legislation and domestic legislation.

2.3.1 European Law

The key points of reference in the European context are Directive 2009/72/EC concerning common rules for the internal market in electricity (the Electricity Directive) and Directive 2009/73/EC concerning common rules for the internal market in natural gas (the Gas Directive). The key provisions relating to market monitoring are Article 37 of the Electricity Directive and Article 41 of the Gas Directive. These Articles set out our duties and powers with regard to market monitoring and make specific reference to the following duty:

[5] Consultation on the Implementation of the EU Third Internal Energy Package July 2011
http://www.uregni.gov.uk/uploads/publications/UR_Implementation_of_IME3_July_11.pdf
Implementation of the EU Third Internal Energy Package March 2012 – notification of proposed final decisions
http://www.uregni.gov.uk/uploads/publications/Implementation_of_EU_Third_Energy_Package_Notification_of_proposed_final_decisions.pdf
Implementation of the EU Third Internal Energy Package September 2012 – final decision paper
http://www.uregni.gov.uk/uploads/publications/IME3_-_Final_Decisions_-_September_2012.pdf

"monitoring the level and effectiveness of market opening and competition at wholesale and retail levels, including on [natural gas and electricity] exchanges, prices for household customers including prepayment systems, switching rates, disconnection rates, charges for and the execution of maintenance services and complaints by household customers, as well as any distortion or restriction of competition..."

Examples of further relevant provisions are Article 40 of the Electricity Directive and Article 44 of the Gas Directive. Under these Articles Member States may require supply companies to keep information relating to their contractual transactions at the disposal of the relevant NRA. The above European requirements have effectively been transposed into domestic law by way of legislation and/or licence conditions.

2.3.2 Domestic Legislation

There are several examples of our power to gather information for market monitoring purposes, but we will only highlight a couple of these powers in this document. Under the Electricity (Northern Ireland) Order 1992 (the Electricity Order) and the Gas (Northern Ireland) Order 1996 (the Gas Order), the UR has the function of keeping under review and collecting information with respect to any activities connected with the generation, transmission, distribution and supply of electricity, and with the conveyance, storage and supply of gas, with a view to facilitating the exercise of its electricity and gas functions. Such functions include, for example, our functions around market monitoring duties under the Electricity and Gas Directives as referred to above.

Finally, there are existing licence conditions in all gas and electricity licences which provide for information to be provided to the UR in order for us to fulfil our duties, functions and consumer protection roles.

2.3.3 Electricity and gas supply and distribution licences

Information required under the licences may be information that is required to be submitted on a regular basis or as the result of a request from the UR. For example, we have general information gathering powers under the licence conditions stated in section 1.1. These conditions give us a broad power to gather information that we may require for the purpose of performing any of our functions (except certain statutory functions set out in Article 7 of the Energy (NI) Order 2003 (the Energy Order)). For clarity, any failure to collect and report information to the UR under the final REMM framework will be subject to investigation and compliance enforcement.

2.4 How does REMM fit with current UR market monitoring?

As mentioned above, an effective market monitoring framework is part of our "ideal" vision for retail energy markets. In recent years, as new suppliers have entered the market, the need for market monitoring has developed. To address this need we began to collect retail market data on indicators such as market share and switching activity. REMM will build upon this data collection as detailed below. We appreciate the engagement from suppliers and network companies involved in providing this information.

Our current retail market monitoring was established as the retail markets opened to competition and involves the collection, analysis and publication of some key energy supply information in both the electricity and gas markets. This includes information on supplier market share, switching activity, domestic energy prices and comparisons between NI and EU industrial and commercial (I&C) electricity prices. On an annual basis we publish our Energy Retail Report[6] (ERR), and more frequently we publish the Quarterly Transparency Report[7] (QTR), both of which include key information as mentioned above. The ongoing review of the retail market and the regular production of

[6] The annual Energy Retail Reports (ERR):
http://www.uregni.gov.uk/publications/view/utility_regulators_annual_energy_retail_reports/
[7] Quarterly Transparency Reports, published on our website on the second month after each calendar quarter:
http://www.uregni.gov.uk/publications/view/utility_regulator_publishes_retail_energy_market_monitoring_report/

these reports have enabled us to develop a useful base dataset of retail market information.

In addition to this information, we also monitor how suppliers comply with their licences. Licence compliance is an important part of any monitoring regime. We will enhance this area of monitoring through REMM and will ensure consistency across the electricity and gas sectors (where appropriate and possible). This is discussed in more detail in chapter 4.

Whilst REMM will enhance our current monitoring framework and provide increased transparency in retail energy markets in NI, it will also bring benefits to suppliers and network companies. Through the process of consultation on the REMM indicators all stakeholders are being given the opportunity to input into the discussions about the level of information which we propose to collect. There is an opportunity to respond to our proposals on the definition of certain indicators and the level of disaggregation of customer groups which is suggested. REMM will provide consistency of definitions so that it is possible to compare supplier performance on an equivalent basis. This will enable suppliers to understand their own performance in the context of the industry as a whole and it will highlight areas where improvements can be made.

REMM will integrate our current monitoring programme together with new monitoring indicators. We intend this to coordinate the number of information submissions that most of the regulated companies must make on a regular basis. In order to streamline the process we will also ensure (where possible) that data is not requested in more than one format or by more than one team. We understand that companies may have to amend some system functionality in order to be able to deliver the required information under the REMM framework. However, once this initial work has been completed and systems have been tested we anticipate that the REMM information submissions will become less demanding over time.

We intend our REMM framework to be a robust and useful tool for informing policy and ensuring the highest levels of consumer protection and we aim to work with all our stakeholders to ensure that it is delivered effectively. We value the input of suppliers

and network companies to date and we look forward to working with you all to deliver the best possible outcomes for consumers.

3. Key considerations for REMM Framework

The REMM framework has been developed to enable us to monitor particular aspects of retail energy markets. As we developed the indicators for REMM it became apparent that there are a number of high level considerations which we also need to address. These considerations apply to the individual indicators and the framework as a whole. We highlighted some of these at our information session in June 2014 and we offered suppliers and network companies the opportunity to meet with us bilaterally in order to discuss specific issues. Prior to these meetings we shared our initial list of REMM indicators with suppliers and network companies in order to give them the opportunity to review our ideas and be in a position to discuss any initial concerns. The meetings were generally very constructive and all companies were positive about the approach we had taken. The meetings also gave us an opportunity to discuss some of the concerns that suppliers and network companies have with the proposed set of indicators and general high level concerns about the overall REMM framework. We found this to be an incredibly useful phase of our consultation development and a number of the issues raised have been addressed in this paper.

This chapter addresses a number of the key issues which have either arisen through the development of our consultation paper or been highlighted at the bilateral meetings.

3.1 Application of good regulatory principles

In the development of our REMM framework we have been mindful of the key principles of effective regulation (proportionality, consistency, transparency and accountability) and have applied these appropriately. Specifically, we have considered the following:

- what information we will collect;
- how often we will collect the information and how this will affect the relevant companies;
- how we will use the information;

- how we will maintain proportionality and decide on what indicators to cover; and
- what information we will publish and how the published data will be disaggregated.

One of the core principles of REMM is proportionality. The information we will collect will be limited to information which will help us to achieve our statutory duties and ensure that suppliers are compliant with their licences (as detailed above). We aim to strike an appropriate balance between collecting adequate information to monitor the market effectively, and placing an undue regulatory burden on suppliers and network operators. We are developing an organised system of data collection which forms part of this consultation. The data collection system will have a set format and will follow a set timetable of data submissions which will be shared with suppliers along with the decision paper following this consultation. This timeline is further discussed in chapter 6. This will assist both regulated companies and us. Please note that we will retain our authority to make ad hoc requests for information from regulated companies outside of the REMM framework where there is a legitimate reason to do so. In addition we will continue to collect some information from companies outside the REMM process, for example, price-regulated electricity and gas suppliers are currently required to provide additional information to UR (for example information on energy purchases, analysis on tariffs, information to facilitate price controls etc).

We will collect information from suppliers in a consistent manner. The information collected under the REMM framework will be standard for all electricity suppliers and standard for all gas suppliers. Gas suppliers will be required to complete separate tables/templates for each network area in which they supply customers (for example switching information for the Greater Belfast area[8] and Ten Towns area[9] will be reported separately). Any definitions relating to the information collected will be consistent where appropriate across the individual retail markets so that monitoring and reporting is fair (as discussed above). We have also begun work to ensure that data collection is

[8] Greater Belfast Area: gas supply area as defined in Schedule 1 of the Phoenix Natural Gas Limited conveyance licence

[9] Ten Towns Area: gas supply area as defined in Schedule 1 of the firmus energy (Distribution) Limited conveyance licence

streamlined and suppliers will not receive multiple information requests for the same information from different teams.

We will continue to be transparent with regard to the development of the REMM framework. We engaged with stakeholders at an early stage in this project by publishing an information paper and engaging with suppliers and network companies via a briefing session. As mentioned above, we also shared our initial thoughts on the REMM indicators with suppliers and network companies through a series of bilateral meetings. The feedback we have received has been valuable and has been incorporated into this consultation paper for example; following the bilateral meetings we have removed the indicators on 'win-back' switches and customer enquiries. Chapter 5 of this consultation paper includes detail on all the indicators which we wish to collect. For each indicator we have included the following descriptive detail of each indicator:

- description of indicator (including any necessary definitions to ensure consistency);
- purpose of indicator (including how it will be used);
- collection and current reporting of indicator (including data source and frequency of collection);
- disaggregation of customer groups (for both electricity and gas); and
- publication of information.

Public transparency of retail energy markets is becoming increasingly important. The publication of relevant and appropriate information will promote positive engagement between consumers and suppliers, thus increasing the trust between suppliers and consumers. This in turn will enable consumers to be informed and empowered to participate in retail energy markets. The overall success of REMM is highly dependent on the quality and accuracy of data we receive from suppliers and network companies. In order to promote the provision of high quality, accurate and timely information we will require that all submissions from suppliers and network companies which contribute to REMM are signed off at an appropriate senior level within companies. Suppliers will be

accountable under the licence compliance and enforcement framework for the accuracy and completeness of the data. REMM governance and data quality are discussed further below.

3.2 Definitions within REMM

One of the key considerations in the development of the REMM framework is how we define the indicators. Suppliers and network companies must all submit information based on definitions which are clear and unambiguous. This is crucial in order for fair and accurate comparisons to be made across suppliers. It is also important that a consistent and constant definition is used by suppliers for each indicator so that indicators can be monitored over time, and accurate trend analysis can be carried out. Clarity of definitions was raised at all bilateral meetings and it is something which we aim to address in this paper. In some cases the terms used in specific indicators have been defined in other documents (for example, Market Registration Code (MRC); Network Code; Supply Meter Point Agreement (SMP Agreement)) so it is expected that suppliers and network companies will already use these definitions. In other cases where the definition of an indicator is new, particularly difficult to clarify, or has raised concerns with companies we will be clear on the proposed definition we intend to apply. We encourage respondents to provide their thoughts on how the definitions can be made clearer.

In order to provide clarity on a number of key terms used in the description of the REMM indicators, and to ensure that all parties are aware of the definitions being used for current indicators, we have created a draft Statement of Definitions (SoD) which is included in Annex 1. This statement will be finalised during the drafting of the decision paper, taking into account the views of respondents. The final SoD will act as a supporting document to assist with the completion of the finalised REMM templates. Words or phrases which are included in the draft SoD are in **purple** text throughout the paper.

3.3 Disaggregation of customer groups

We have considered and chosen the level of customer group disaggregation on an indicator by indicator basis. For some indicators it is appropriate to monitor the market by domestic sector and I&C sector and for other indicators it is necessary to have a further breakdown within the domestic and I&C sectors. The proposed level of disaggregation is explained for each individual indicator in Chapter 5.

With regard to the publication of information under REMM (which is discussed further in section 3.6), suppliers raised the issue of the level of disaggregation of published data. It should be noted that we do not intend to publish information for all indicators with the same level of disaggregation as we collect them. We propose to publish some indicators per supplier with full disaggregation of customer groups where it will benefit customers and other stakeholders to do so. In other cases, where it is not in the public interest to give a detailed breakdown of an indicator, we will publish market level data.

3.4 Interpretation of information by UR

In addition to ensuring that the definitions used under the REMM framework are clear and consistent, we are aware of the importance of the interpretation of information submitted under REMM. Interpretation of information by the UR and by external parties (with regard to published information) was highlighted as a concern at most of the bilateral meetings. We understand that some of the information which will be submitted under the REMM framework will require careful and balanced interpretation, particularly for indicators which are deemed to be sensitive, such as prices and retail margins. Some of the information will be complex and for those indicators where suppliers or network companies consider there may be any likelihood of misinterpretation on our part, we will accept extra commentary with the information submissions. In addition we will use the REMM testing phase to engage with suppliers and network companies on our interpretation of the test data we receive.

All stakeholders should also note that we will not treat any piece of information, or any indicator, in isolation. REMM is about painting a picture of how the retail energy markets in NI are functioning. For example, it is not our intent to use REMM as a means for making rash policy decisions based on one information submission. In addition, if an information submission highlights a potential issue to us of data quality or interpretation, we will contact the company involved to ensure that there has been no misinterpretation on our part. If there has been no misinterpretation we will discuss the potential issue with the relevant company as there may be legitimate and acceptable reasons for the issue arising with a particular indicator. Public interpretation of published REMM information is discussed in section 3.6 below.

3.5 How REMM data will be used by the UR

The information submitted under the REMM framework will be used for a number of different purposes. A number of high level uses of the information are discussed below. Chapter 5 details the rationale and use of each indicator separately.

3.5.1 Internal UR review and development of regulatory policy

As confirmed in section 2.3 the UR has a duty to monitor the electricity and gas retail markets. Recently in GB there have been criticisms with regard to the perceived absence of an effective monitoring framework and the lack of monitoring information available for retail energy companies. All of the information we intend to collect via REMM will be used internally by the UR for the purposes of monitoring the retail energy markets. The information will enable us to increase our knowledge of how effectively the retail energy market is functioning and, if necessary, it can be used to assist us in deciding what regulatory intervention is required (if any). In addition, the information will be used internally to help us to form policy decisions. We have specific retail market circumstances in NI which are not present in other jurisdictions. Therefore, we aim to

ensure that all policy decisions are based on analysis of data which is specific to NI and are not simply adoptions of policy prescriptions from other jurisdictions.

3.5.2 Review of effectiveness of competition in retail energy markets

As mentioned above, we are currently carrying out a review of the effectiveness of competition in the retail energy markets in NI. At the outset of the REMM project we envisaged that the review of effectiveness of competition would determine indicators to be included in the second stage of REMM (this was detailed in our REMM Information Paper). However, as the first phase of the review has already been completed and suppliers have already engaged and provided information for the review, we have decided to include some indicators which are important for monitoring competition. These indicators (which are discussed in detail in chapter 5) alongside others that we currently collect (or propose to collect) will give us a more complete understanding of market activity and the effectiveness of retail energy competition. The next phase of the review might highlight some additional areas of monitoring which we will consult on in the second phase of REMM.

3.5.3 Supplier licence compliance

As a responsible regulator the UR must ensure that Licensees comply with all aspects of their electricity and gas supply licences. In the past this has been done on an ad hoc basis and through individual projects in the electricity market. In the gas market the approach has been more structured. In order to ensure that we fulfil our duties with regard to ensuring licence compliance, and to align our gas and electricity licence compliance monitoring, we will require suppliers to submit evidence of their licence compliance on an annual basis.

Suppliers will be required to submit a statement to inform us of their overall compliance with their licences. In addition we will request further pieces of information to be submitted which demonstrate compliance with specific conditions within the licences.

For example, if a supplier has changed its terms and conditions for domestic customers we will request to see evidence of the customer notification process, along with the new terms and conditions. We will use the licence compliance information submitted to us to ensure that all suppliers are compliant with all aspects of their licences. Where there is any cause for concern with regard to licence compliance we will engage with the supplier(s) involved directly to determine the extent of the compliance issue and how best to proceed to achieve compliance or move to enforcement. Licence compliance is further discussed in chapter 4.

3.6 External publication of information

As mentioned above, transparency in retail energy markets will increase consumer confidence and trust and enable consumers to make more informed choices about their energy suppliers. In addition to reviewing the REMM information internally, we intend to publish certain elements of the information in a structured way, and in a manner that allows customers to better understand the functioning of the market. Our plans to publish certain elements align with the performance of our legal functions in relation to consumer protection and market monitoring discussed above. Publication of additional information about our energy suppliers in NI will help to ensure that consumers have transparency on how suppliers are performing and increase their awareness of our energy suppliers.

In addition, consumers have a right to be able to compare the performance of suppliers, easily and with confidence, and be aware of any areas where suppliers are performing poorly, for example in areas such as billing or complaints. This style of reputational approach to regulation benefits both consumers and suppliers alike. Enabling consumers to compare suppliers' performance in certain areas empowers them to exercise choice in energy markets. Consumers will also be engaged to identify problems and help create pressure for change. Suppliers also benefit from the publication of performance data as they will be able to benchmark themselves against the rest of the industry. This will provide an incentive for individual suppliers to improve

performance in areas where other suppliers are outperforming them. Advocacy groups are also interested in market performance data to enable them to campaign for improvements in the areas which affect consumers the most.

Publication of information is a sensitive issue for suppliers which was highlighted at the bilateral meetings. We have taken suppliers' comments into consideration when deciding on our strategy for publishing. In deciding what information to publish we have considered what is in the public's interest for us to disclose and what will promote competition in the retail energy markets. We are aware that there is a difference between making data available and presenting helpful information to consumers which is unlikely to be misinterpreted. We face a challenge to convey complex information in straightforward terms, and in a way which is useful to consumers. For this reason we do not intend to simply publish information exactly as it has been submitted by suppliers and network companies. We will publish information that we consider is in the interest of the public to know, in a format which is easy to understand. Publication of information is discussed for each indicator in chapter 5. We are willing to hear suppliers' views on the best way to approach this challenge.

3.7 Confidentiality

We understand that confidentiality is an issue which suppliers are concerned about, particularly with regard to the submission of financial and/or commercially sensitive information. We do not have plans to publish any information which is deemed to be commercially sensitive. As mentioned above we have decided on an indicator by indicator basis what information we will publish and in what customer groups. It is important to note that we currently publish information with regard to market share, switching activity, I&C electricity prices etc. We will continue to publish this information.

In addition to suppliers' concerns about publication of commercially sensitive information, we are aware of concerns about the UR holding commercially sensitive data which may be subject to Freedom of Information (FOI) requests. By way of background, please note that information gathered by the UR will fall within the scope of

the Freedom of Information Act 2000 (FOIA). However, it is likely that one or more of the exemptions under Part II of the FOIA could apply to certain information collected from supply companies for the purposes of REMM.

Any FOIA request must be assessed on its own merits at the time of receipt. Therefore, we cannot state for certain at this stage whether or not an exemption will apply to information obtained under the REMM framework. However, it is useful to note some examples of potential exemptions under the FOIA which could apply.

First, there is an exemption under Section 41 of the FOIA for information that has been provided in confidence. This exemption does not apply simply because the information is marked "confidential". Instead, if the information was provided in the expectation that it would only be disclosed or used in accordance with the wishes of the person providing the information, then this exemption may apply. As part of the consideration of the application of this exemption, the circumstances in which the information was provided and the reasons given as to why it should be treated in a confidential manner would be taken into account. In addition, there is an inherent public interest test in the common law duty of confidence. Therefore, in order for there to be disclosure of information (i.e. for this exemption not to be fulfilled), the public interest in disclosing the information must outweigh the public interest in maintaining the duty of confidence.

Another useful exemption to highlight is the "commercial interests" exemption. Under section 43 of the FOIA, information is exempt if its disclosure would or would be likely to prejudice the commercial interest of any person. Commercial interests of an organisation might be prejudiced where a disclosure would be likely to:

- damage its reputation or the confidence that consumers, suppliers or investors may have in it;
- have a detrimental impact on its commercial revenue or threaten its ability to obtain supplies or secure finance; or
- weaken its position in a competitive environment by revealing market sensitive information or information of potential usefulness to its competitors.

It should be noted that this exemption is subject to a public interest test (as referred to above).

3.8 An "opt out" for smaller suppliers?

As we were developing the list of indicators to be monitored under REMM we gave some thought to whether or not smaller suppliers (however to be defined) would be allowed to "opt out" of providing information for certain indicators. After considering each of the indicators individually, we have decided that it is not appropriate for small suppliers to submit less information as larger suppliers. In order for REMM to give us information on how the market functions as a whole, we require information on all aspects from all suppliers. When reviewed on an indicator by indicator basis, we do not think this will be overly burdensome for smaller suppliers. In addition, we expect that the information we propose to collect is information that is, or should be, reasonably readily available to all suppliers operating effective internal business processes. Finally, the licence compliance aspects of REMM apply equally to all active suppliers and so we require this information from all suppliers, large or small.

3.9 Frequency of collection and publication

We currently receive information from suppliers and network companies on a monthly and quarterly basis. This information is related to market shares, customer switching activity, tariff and pricing information and other related issues. As we use this data to produce our QTRs we will continue to collect it quarterly. Where the information has previously been provided on a monthly basis we will reduce the frequency to quarterly which will reduce the burden on companies. Please note that monthly submissions will continue until the REMM framework is in place. Initially we envisaged that REMM would be a predominantly annual submission (with a small number of indicators collected on a quarterly basis). However, as we have developed the proposed REMM framework we have decided to collect information on a number of the new indicators on

a quarterly basis, for example complaints. The frequency of collection is discussed for each indicator separately in chapter 5. The draft templates are clearly labelled to show which indicators will be collected on a quarterly basis and which will be collected on an annual basis.

We intend to use our QTRs as the primary means to publish the quarterly information under REMM. It will contain much of the current data alongside additional information added within the REMM framework. The annual Energy Retail Report will be replaced by the Annual Transparency Report (ATR). The ATR will contain information for the quarter four reporting in that year plus the annual totals of the quarterly data (summations of the four quarters of data submissions). In addition, the ATR will report on those indicators collected on an annual basis. We welcome our stakeholders' views on this approach to quarterly and annual reporting of information. The decision paper will include the finalised REMM reporting timeline.

3.10 Market monitoring in RoI

In addition to engaging with suppliers and network companies at an early stage we have also engaged with our colleagues at the Commission for Energy Regulation (CER). The CER is currently implementing a similar framework for retail market monitoring in RoI. We have observed the consultation process and taken some learning points from it. We understand that suppliers operating in both NI and RoI retail energy markets are keen that the monitoring frameworks in both jurisdictions are equivalent. We understand that electricity suppliers purchase electricity from the same pool in NI and RoI and use the same market messaging systems in both jurisdictions. However, it is important that our monitoring indicators reflect the markets that operate in NI, for a number of reasons:

- NI and RoI are separate jurisdictions, each with its own separate legislation and regulatory regimes. Therefore, there are different monitoring requirements which need to be fulfilled in each jurisdiction.

- Retail energy policy in NI differs from that in RoI so it naturally follows the monitoring requirements which are related to policy will be different.
- The energy market in NI is different to that in RoI. The NI energy markets retain an element of price regulation which is not retained in RoI. The energy markets in RoI are fully deregulated (with regard to Supplier price control).

3.11 Current monitoring and publication

The UR currently collects information under a number of indicators as part of current market monitoring and compliance monitoring as mentioned in chapter 2. Most of this information will continue to be collected via the REMM framework where it is appropriate to do so. There are a small number of indicators for which we propose to change the disaggregation of customer groups and in these cases we are consulting on the new groups and the ability of suppliers/network companies to provide the information in new customer groups. Some of the information currently collected is not published. We may wish to publish this additional information under the REMM framework. In these instances we are consulting on the publication of the information (but not the collection of the information, as it is currently being collected). All indicators (those currently collected and any new indicators) are presented in chapter 5 to ensure that all stakeholders have an understanding of the entire REMM framework.

3.12 Governance and data quality

The quality and accuracy of information received under REMM will be crucial to its success. In order to promote the provision of high quality, accurate and timely information we will require that information submissions are signed off at an appropriate senior level within supply companies. The appropriate level which we propose for annual sign off (including sign off on licence compliance) is Chief Executive Officer (CEO)/Managing Director level. It is important that regulated companies are accountable for the information provided for market monitoring, and sign-off at this level

will ensure accountability. Please note that under Article 63 of the Energy Order, Article 46 of the Gas Order and Section 117 of the Enterprise Act 2002 (the Enterprise Act) it is an offence to supply false or misleading information.

We understand that requiring CEO/Managing Director level sign off for quarterly submissions might be onerous for companies, so in order to reduce the regulatory burden in this area we propose the following:

- Quarterly submissions of REMM data will be signed off by Regulatory Manager level (or equivalent) within each supplier and network company.
- The annual return will be signed off at CEO/Managing Director level. This sign-off will take the form of an annual REMM assurance letter which will be submitted with the annual REMM templates.
- The margin reconciliation will be signed off at CEO/Managing Director level (two months after the deadline for submission of the regulatory accounts).

See section 4.3 for further information on the REMM submissions listed above.

In addition, we propose that each company will provide the name of one regulatory contact for all REMM submissions. This will aid the REMM process for suppliers, network companies and us. It will be the responsibility of this person to collate all required data for each REMM submission. This approach will give the companies confidence that all requests for information under REMM will be received by one person and it will facilitate us in the collection of information. We will write to the regulatory contact at regular periods to inform timing of the quarterly and annual submissions, and if applicable notify any changes to the templates.

3.13 The requirements of REMM for "inactive" suppliers, or suppliers solely supplying gas to Powerstations

There are several companies in both gas and electricity markets that hold the relevant gas or electricity supply licences, but are not actively engaged in supply. For clarity, we

intend that the REMM framework will apply to any and all suppliers who are active and supply energy under the terms of their licences to either gas or electricity consumers. However, we expect that REMM returns will only be completed for those sectors in which a particular company is active, for example a supplier may be active only in the I&C market and will therefore only complete returns for that sector. Companies that hold supply licences but are not actively involved in supply in any sector will not be expected to complete REMM returns. We invite any companies in doubt about their position to respond to this consultation to indicate this, and we will discuss bilaterally with that company.

In addition, there is the issue of gas Suppliers who supply solely to Powerstations. We have four gas supply licence holders whose licences allow them to supply to power stations only and not other domestic or I&C customers. For clarification, these suppliers will not be required to complete any of the reporting requirements under REMM. Any information required from these companies will be requested by us outside the REMM framework.

3.14 Future proofing

We are aware that suppliers and network companies have concerns about the level of changes to their systems which will be required in order to fulfil the obligations under REMM. We will consider all supplier responses with regard to this issue. In addition, we know that suppliers and network companies are apprehensive that the obligations under REMM will be changed after systems changes have been implemented. We want to assure suppliers and network companies that it is our intention to keep the REMM framework as consistent as possible in order to keep costs to a minimum for all parties. However, the energy markets in NI are not static and as such it is inevitable that aspects of REMM will change over time.

We have already highlighted that there will be a second phase to the REMM project. This phase will incorporate those indicators which have been decided upon for the monitoring of supplier codes of practice and consult on the publication of these

indicators. These indicators have already been consulted on in the consultation[10] on energy supplier codes of practice (April 2014). However, as all suppliers will be required to update their codes of practice there will be a delay in the monitoring of these codes. Further indicators will be included in order to monitor the operation of the marketing code of practice. Other indicators may be developed during the second phase of the review of effectiveness of competition which will also be incorporated into the REMM framework. We expect to begin to scope REMM Stage 2 in the third quarter of 2015.

In 2015 the Ten Towns area will open to full retail competition and in the next few years the Gas to the West project will bring a whole new retail gas market to other parts of NI. Any requirements placed on current suppliers and network companies under REMM will apply equally to new suppliers and network companies in these markets. All parties will be expected to have systems in place to fulfil their obligations under REMM. Our markets will also continue to evolve as new suppliers enter and new products become available to customers. Our regulation of the markets must evolve as they do and REMM will be the means through which we monitor progress.

[10] Consultation on the implementation of energy supplier codes of practice – April 2014
http://www.uregni.gov.uk/uploads/publications/Codes_of_Practice_Consultation_paper_-_April_2014.pdf

4. Proposed REMM framework

4.1 Introduction

This chapter introduces the indicators and REMM monitoring dataset that we intend to use, as well as guidance on how the REMM reporting regime will work. The following chapter examines the detail of each of the indicators that we propose to include. As mentioned previously, many of the consumer and market related indicators which are included in the REMM framework are already being collected in one form or another either from suppliers or network companies. Many of these indicators will be retained in the REMM framework. However, as also previously mentioned, we may change the customer categories for some of the indicators which we currently collect, for purposes of alignment between electricity and gas markets, or to align our categories with those used by Eurostat (the statistical office of the EU). Some of the indicators which we currently collect are not currently published. We are also consulting on the publication of some of this information in this paper. Where we decide to publish information that we have not previously published, we will present the reasons for our decision to publish as well as the level of disaggregation of information which we plan to publish.

4.2 Licence compliance metrics and reporting

In addition to the indicators relating to consumer and market interactions and behaviours, the REMM framework will include electricity and gas supply licence compliance monitoring. We intend to align our gas and electricity supply licence compliance monitoring through REMM. Going forward we will require all active electricity and gas suppliers to provide evidence on an annual basis to demonstrate their licence compliance. It is the responsibility of all licence holders to ensure compliance with all aspects of their licences at all times.

In order to demonstrate compliance with their licences, suppliers are required to submit the following as part of the annual REMM submission:

- An Annual Statement of Licence Compliance to confirm formally to us their overall compliance with their licence; and
- Supplementary information on compliance with regard to certain conditions within the licence.

These are discussed further below. Please note that if a supplier holds two separate supply licences (e.g. for two different supply areas) we expect to receive two individual licence compliance submissions.

4.2.1 Annual Statement of Licence Compliance

Each supplier must submit an overall Statement of Licence Compliance formally signed off at CEO/Managing Director level, which we will review to check compliance with the licence as a whole. This statement must include information on any areas of non-compliance, whether through circumstance, accident or design. The Statement of Licence Compliance is contained in a spreadsheet within the REMM Excel workbook. All suppliers will be required to complete this statement, giving one of the following responses for each licence condition:

- C – compliant with every clause of each part of the condition and any associated documents (for example network codes or codes of practice);
- N – non-compliant with any clause or any part of the condition; or
- N/A – not applicable – suppliers must give reasons as to why N/A has been used for particular clauses in a licence condition, for example, a licensee may be active in the I&C market only and specific clauses may not be applicable as they relate only to domestic customers.

If a supplier is non-compliant with any part of any licence condition (even if we have already been made aware of this non-compliance) the Statement of Licence Compliance must include the reasons for non-compliance and details of plans to become compliant (including progress on these efforts to date).

We will investigate any instance of non-compliance and take appropriate enforcement action. Please note that if any areas of non-compliance are discovered at any time

during the regulatory year we expect to be notified immediately, as is currently the case (the annual assurance letter will be an opportunity to provide an update on any compliance plans). Suppliers must not wait until the annual compliance review to inform us of non-compliance.

4.2.2 Supplementary information - licence compliance

In addition to submitting an annual Statement of Licence Compliance, suppliers will be required to submit supplementary information annually to demonstrate compliance with certain conditions within the licence. These conditions for which we require additional information are those which have a direct regulatory or customer impact. For example, where a licensee has changed its tariff during the year, we expect to be provided with evidence that the tariff notification procedure was followed correctly. Similarly if a licensee changes any of its terms and conditions of contracts we expect to see evidence of how the changes are still compliant with the licence, and how customers were notified of the changes. The templates for the Statement of Licence Compliance and the supplementary information requests are included within the REMM templates – details of these are also included in Annex 2. We plan to consult on the publication of licence compliance information in phase 2 of REMM.

4.3 Data submission process

As mentioned earlier, we currently collect retail market monitoring data from both network companies and energy suppliers. REMM will integrate our current retail-related monitoring programme with the new monitoring indicators discussed in this paper. We intend to enhance the process through which we collect all information under the REMM framework. This will add clarity for network companies, suppliers and us, and ensure a consistent approach is taken to data collection for both the gas and electricity retail markets. As previously mentioned in section 3.2 the SoD will also add clarity and consistency to the REMM indicators as we have defined all appropriate terms which are used in the description of indicators.

4.3.1 Data submission templates

The current monitoring information is collected via Microsoft Excel templates and we intend to continue to use this format to collect information under the REMM framework. For those indicators that are already submitted to us by network companies and suppliers, we intend to retain the current templates, as far as possible. There are some indicators which have been revised or developed and the appropriate templates have been altered to facilitate the changes.

We have developed draft Excel templates so that stakeholders are able to open the spreadsheets and review the data requirements. Draft workbooks which cover the following reporting requirements are published along with this paper:

- Electricity supply companies – quarterly;
- Electricity supply companies – annual;
- Gas supply companies – quarterly;
- Gas supply companies – annual;
- Electricity network companies; and
- Gas network companies.

Each workbook contains a set of tabs which relate to the templates which are required to be completed. Some templates will contain a number of indicators (particularly those indicators which we currently collect). Each workbook will also contain a contents tab and a summary tab. The detail in these tabs will be finalised following the consultation and final workbooks will be published alongside the decision paper. The workbooks will also be formally sent to all suppliers and network companies prior to the testing period. We also propose to create an email address specifically for submission of REMM information. We will provide details of this in the decision paper.

4.3.2 Timing of data submissions

REMM will formalise the process through which information is requested by us and received from suppliers and network companies. It will ensure consistency and regularity and enable suppliers, network companies and the UR to have adequate

resources in place to deliver the required information prior to the deadline for submission.

As mentioned above, REMM will have both quarterly and annual submissions. These will be clearly defined in each template. For clarity, the quarters referred to are:

- Quarter 1 (Q1) – 01 January to 31 March
- Quarter 2 (Q2) – 01 April to 30 June
- Quarter 3 (Q3) – 01 July to 30 September
- Quarter 4 (Q4) – 01 October to 31 December

For the majority of the annual REMM indicators the data will refer to the period 01 January to 31 December of each year and be submitted in the annual return. We propose the following data submission process for both the suppliers and network companies. We welcome feedback from our stakeholders on this proposal.

Quarterly REMM submissions

At the beginning of the first month of each quarter (i.e. January, April, July and October) we will send a reminder email to all suppliers and network companies. This email will give the date for submission of the REMM data for the previous quarter. If any changes have been made to the quarterly template since the previous submission, an updated template will be sent along with the reminder email.

Suppliers and network companies will submit the completed quarterly templates to us via email (to the specific REMM inbox) by the end of the first month after the quarter to which the data relates, giving one month to submit the required data. These will be signed off by the Regulatory Manager (or equivalent) in all companies and must be submitted to the UR by the end of April (for Q1 data), July (for Q2 data), October (for Q3 data) and January (for Q4 data). We are aware that network companies are required to submit specific information relating to customer switches within 14 days of the end of a quarter and we will work to align this requirement with REMM reporting in due course.

Annual REMM submissions

The reminder email for annual REMM indicators and licence compliance submissions will be sent at the beginning of January. This email will include the date for the submission of REMM data for the previous year. If any changes have been made to the annual template since the previous submission, an updated template will be sent along with the reminder email. The completed annual REMM submission will be submitted to us via email (to the specific REMM inbox) by the end of February, giving two months to submit the annual data. The annual REMM submission will be signed off at CEO/Managing Director level and will include:

- Annual indicators for the previous year;
- Annual Statement of Licence Compliance;
- Supplementary information for licence compliance; and
- Annual REMM assurance letter (as detailed below)

The annual REMM assurance letter is the formal CEO/Managing Director level signoff of the annual REMM submission. It will include: a declaration that the company is compliant with its licence in accordance with the Statement of Licence Compliance (suppliers only); and a statement which guarantees that the processes and systems are in place to produce high quality and accurate data on a quarterly basis for the coming year. As the first year of quarterly data will be submitted in advance of the first annual REMM assurance letter (guaranteeing the quality of data submissions), we require suppliers and network companies to submit an initial REMM assurance letter at the start of 2016. This letter will guarantee that the processes and systems are in place to produce the required data for the quarterly submissions in 2016.

Follow up actions

Following submission of the data, if there is any need to follow up with suppliers or network companies with regard to the information submitted we will do this on a one-to-one basis. As previously mentioned, if an information submission highlights a potential issue to us we will contact the company in question to ensure there has been no

misunderstanding on our part. We will deal with the company on an individual basis in order to resolve any queries and address any issues in a timely manner.

Once we have reviewed and analysed the data submitted we will publish a QTR or an ATR including information about market activity etc. Proposals for publication of information are included in chapter 5. Timelines for publication of these reports will be decided during the consultation process.

Margin reconciliation

As mentioned in earlier, within two months of the deadline for submission of the signed regulatory accounts, suppliers must submit a reconciliation between the previously submitted quarterly margin data and the margin data contained in the regulatory accounts. This must include explanations for any areas in which there is variation between the (summation of the) quarterly data and the margin information in the regulatory accounts. This reconciliation will be signed off at CEO/Managing Director level.

5. Proposed REMM indicators

5.1 Introduction

As mentioned previously, many of the consumer and market related indicators which are included in the REMM framework are already being collected in one form or another either from suppliers or network companies. There are also a number of new indicators which we plan to include in the REMM framework. In order to give a full picture of the REMM framework we will provide detail on all proposed indicators, including those we already collect.

The detail provided for each indicator includes the following: a description of the indicator; our rationale for collection including our planned use for the information; the current collection and reporting of the indicator (for those indicators which we currently collect); the required disaggregation of customer groups; and our plans with regard to publication of indicator-specific information. This chapter sets out in detail the proposed REMM indicators and is developed in a standard format for each indicator. Table 1 shows a summary of all the consumer and market related indicators which are included in the REMM framework along with details of the supplementary information required for licence compliance.

Table 1. Summary of REMM indicators

Indicator group	Indicator	Data source	Frequency of collection	Section in paper
Market shares	Market shares	Network companies and gas suppliers	Quarterly (with monthly split in electricity)	5.3.1
Market shares	New connections/ registrations	Network companies	Quarterly with monthly split	5.3.2
Switching	Switches requested	Network companies	Quarterly with monthly split	5.4.1
Switching	Switches completed	Network companies and gas suppliers	Quarterly with monthly split	5.4.2

Indicator group	Indicator	Data source	Frequency of collection	Section in paper
Switching	Switches taking longer than 15 working days to complete	Network companies	Quarterly with monthly split	5.4.3
Switching	Sticky customers	Network companies	Annual	5.4.4
Switching	Rejected switches	Network companies	Quarterly with monthly split	5.4.5
Switching	Objected switches	Network companies	Quarterly with monthly split	5.4.6
Switching	Debt Contact Notifications	Suppliers	Quarterly with monthly split	5.4.7
Switching	Erroneous Transfers	Electricity network company and gas suppliers	Quarterly with monthly split	5.4.8
Switching	Notional meter reads (gas specific)	Gas network companies	Quarterly with monthly split	5.4.9
Switching	Meter mix ups identified during switching (gas specific)	Gas suppliers	Quarterly with monthly split	5.4.10
Switching	Credit balances on Quantum prepayment meters when switching (gas specific)	Gas suppliers (in Greater Belfast area)	Quarterly with monthly split	5.4.11
Switching	Outstanding balances on Quantum prepayment meters when switching (gas specific)	Gas suppliers (in Greater Belfast area)	Quarterly with monthly split	5.4.12
Switching	Credit balances on Libra prepayment meters when switching (gas specific)	Gas suppliers	Quarterly with monthly split	5.4.13
Market activity	Renegotiated contracts	Suppliers	Annual	5.5.1

Indicator group	Indicator	Data source	Frequency of collection	Section in paper
Disconnections, reconnections and debt recovery	Disconnections	Network companies and suppliers	Annual	5.6.1
Disconnections, reconnections and debt recovery	Reconnections	Suppliers	Annual	5.6.2
Disconnections, reconnections and debt recovery	Debt Recovery prepayment	Suppliers	Annual	5.6.3
Complaints	Complaints	Suppliers	Quarterly	5.7.1
Standards of Performance	Standards of Performance (SoP) (gas specific)	Gas suppliers	Annual	5.8.1
Price	Diversity of tariffs	Suppliers	Quarterly	5.9.1
Price	Final prices	Suppliers	Quarterly	5.9.2
Customer account balances	Customer account balances	Suppliers	Quarterly	5.10.1
Retail Margins	Retail margins	Suppliers	Quarterly	5.11.1
Licence compliance	Statement of Licence Compliance	Suppliers	Annual	4.2.1
Licence compliance	Supplementary information on licence compliance	Suppliers	Annual	4.2.2

For each of the indicators we welcome comments from stakeholders and specific feedback on the following:

- the purpose of the indicator;
- collection of the indicator;
- disaggregation of the customer groups;
- proposals for publication of the information (where applicable); and
- in particular for suppliers and network companies: when you comment on the capability of your current systems to deliver REMM obligations, please be specific about any potential limitations of your systems, and the modifications required in order to provide the data in the requested format. If there are costs associated with any required changes to your systems please provide detail of these costs in your response.

5.2 Methodology for the allocation of customers into customer groups

The issue of how customer groups are defined and customers are allocated into these groups, for the purposes of REMM reporting, was raised at a number of the bilateral meetings with suppliers and network companies. As previously mentioned, it is appropriate to select the level of customer group disaggregation on an indicator by indicator basis. We consider it important to ensure that REMM information is both comparable within suppliers and across suppliers and is also comparable over time in order to produce trend data. For this reason it is desirable that suppliers and network companies disaggregate customers into customer groups in the same way, for each indicator. We are aware that (particularly in the electricity market) suppliers do not currently follow a consistent methodology for allocating customers into specific categories. It was proposed at the bilateral meetings that we would provide a methodology on which suppliers and network companies can base their customer group disaggregation for each quarterly and annual return.

The methodologies for allocating customers into the appropriate customer group for the electricity and gas markets are described below. Where appropriate the REMM reporting templates will include details of the methodology for disaggregation of customer groups on an indicator by indicator basis, along with the required customer categories for the particular indicator. We welcome thoughts from our stakeholders on this proposed methodology.

5.2.1 Allocation of electricity customers into groups

To ensure consistency for reporting, **meter points** should be categorised, in all cases where possible, into the customer groups based on their previous actual 12 months consumption ending in the reporting period. Where the actual consumption is not available (for example where there have been no meter readings taken in the reporting period) the estimated consumption used for customer billing may be used. If neither of these options is available for a particular customer, the usage factor may then be used. For new connections the customer's forecast annual consumption should be used until an actual annual consumption can be extrapolated from validated meter readings. Some of the categories proposed for electricity customer groups differ to those which are already reported on by NIE in order to align the categories with those used by Eurostat.

5.2.2 Allocation of gas customers into groups

To ensure consistency for reporting, **supply meter points** should be categorised into the customer groups based on the **Annual Quantity (AQ)** of each supply meter point.

5.3 Indicator group – Market share

5.3.1 Market shares

Description of indicator

Market share details the percentage of the relevant market held by a specific supplier. Market share is measured both by **connection** numbers and by consumption volume (kWh in electricity and therms in gas). Both measurements of market share are important as a supplier with a seemingly low market share in terms of connection numbers may have a much higher proportion of the market when consumption figures are compared. This is due to the substantial difference in consumption between domestic and smaller I&C customers and the large or very large I&C customers.

Purpose of indicator

We monitor market share information as this is a basic indicator of market competitiveness and market activity. We also collect this information to monitor the growth of the energy markets (particularly the gas market); the development of competition trends; and the strength of the incumbent in different market segments. Having access to market share information is also important as it enables us to make decisions with regard to the maintenance of price regulation for the current **incumbent suppliers**.

Collection and current reporting of indicator

Information on market share (both by connection number and by consumption volume) is currently collected for all electricity and gas categories. The information is provided on a quarterly basis by network companies and gas suppliers. We currently publish this information in both our Quarterly Transparency Reports (QTRs) and our annual Energy Retail Reports (ERRs).

Disaggregation of customer groups

We currently collect market share information for all customer groups in both electricity and gas (as detailed below). We propose to continue to collect market share information for both electricity and gas markets. The only change to the collection of this information will be with regard to the categorisation of market shares. In the electricity market we will use the Eurostat I&C categories (with the addition of the extra category relating to the price regulated threshold) as previously mentioned, to enable comparability. In the gas market we will include additional categories for network companies to provide a split between domestic and small I&C connection numbers and consumption.

Electricity customer groups

Domestic
- credit
- prepayment

I&C
- < 20 MWh
- 20 – 49 MWh
- 50 – 499 MWh
- 500 – 1,999 MWh
- 2,000 – 19,999 MWh
- ≥ 20,000 MWh

Gas customer groups

Domestic
- credit
- prepayment

I&C
- <73,200 kWh
- 73,200 – 731,999 kWh
- 732,000 – 2,195,999 kWh
- ≥ 2,196,000 kWh

Publication of information

We intend to continue to collect and publish this information, by supplier for all customer categories, on a quarterly basis.

5.3.2 New connections

Description of indicator

A **new connection** refers to a new premises or site which has been connected to either the electricity or the gas network. For clarity, this indicator does not include any reconnections of previously disconnected premises.

Purpose of indicator

The number of new connections is an indicator of market activity as it impacts on the market shares of suppliers. In the gas market particularly, the number of new connections gives an indication of how the gas market is growing, and links to our principle objective in gas to promote the development of the gas industry in NI. This indicator will allow us to monitor how consumers are engaging in making decisions regarding their choice of energy.

Collection and current reporting of indicator

We currently collect information on new connections from network companies for both the electricity and gas markets. During the new connection process in the electricity and gas markets, a customer may choose the supplier which they wish to connect with. If no choice is made the network company will register the site to the **default supplier**.

For electricity we currently receive information on the number of new connections per supplier and per customer category from the electricity network company, on a monthly basis. This is referred to as a registration by NIE.

For the Greater Belfast Area we currently receive information relating to the number of new connections per supplier split between domestic and I&C customer groups. This information is provided by the network company on a quarterly basis (split by month).

The Ten Towns area is due to open to full competition from April 2015 and as part of full market opening, a new connection process offering customers a choice of supplier needs to be designed for this market. For the Ten Towns area we currently receive

information from the network company on the number of domestic and I&C new connections. This information is provided on a monthly basis.

We intend to continue to collect information on new connections from electricity and gas network companies. However we propose to collect the information from all network companies on a quarterly basis (split by month). This information is not currently published.

Disaggregation of customer groups

The disaggregation of customer groups currently differs for the electricity and gas markets. NIE currently submits information on the number of new connections in each of the electricity categories, per supplier. Going forward we propose to collect the number of new connections per supplier, split between domestic and I&C customers.

In the gas market both network companies currently provide information on the number of new connections split by domestic and I&C. The Greater Belfast network company also provides a split by supplier. We do not propose to change the current categories for gas new connections. When new connection processes are developed for the Ten Towns area, we will decide upon any additional reporting requirements for the Ten Towns with the network company. These requirements are likely to be similar to the reporting requirements for the Greater Belfast network company. The disaggregation of customer groups is shown below.

Electricity customer groups	Gas customer groups
Domestic	**Domestic**
I&C	**I&C**

Publication of information

We do not currently publish information regarding new connections for either the electricity or gas markets. In the future we propose to publish information on an annual basis showing the number of new connections, split between domestic and I&C customer groups, for both electricity and gas. This will give our stakeholders additional

information on customer engagement with the energy markets; the growth of our energy markets; and the impact this has on market shares.

5.4 Indicator group – Switching

A switch is the action through which a customer changes supplier, i.e. the movement of a customer from one supplier to another. A switch requires some action from the customer (i.e. the customer must decide to change supplier), but it does not include a customer changing tariff/product with the same supplier. The switching rate indicates the level of customer engagement in the retail energy markets and the ease with which customers are able to move from one supplier to another. There are a number of different indicators related to switching which we intend to collect through the REMM framework, and analyse together. Much of this information is currently provided to us by network companies and gas suppliers and we intend to continue collecting it.

5.4.1 Switches requested

Description of indicator

The number of switches requested represents the number of **switch requests** which are sent to the network companies from the **'new' supplier**. A requested switch may have a number of different outcomes, some of which are discussed as separate indicators below.

Purpose of indicator

It is important to understand how customers are engaging in the retail energy markets, and how easy it is for them to switch suppliers. The number of switches requested indicates how engaged customers are in the market. We will also use information on the number of requested switches, along with information on other switching indicators (as discussed below) to assess how well customers are informed that they can switch supplier and how well the switching process works for customers. It will enable us to

identify and address any problems with customer switching and help us to facilitate an effective and customer friendly switching process.

Collection and current reporting of indicator

We currently collect information on the number of requested switches from network companies. This information is received monthly from NIE and feDL and quarterly from PNGL (with monthly split). We propose to collect this information on a quarterly basis (with monthly split) under REMM. This will reduce the regulatory burden of submitting monthly data for NIE and feDL. We do not currently report the number of switches requested in our QTRs or ERRs.

Disaggregation of customer groups

The information on the number of switches requested in the electricity market is currently presented as a single number indicating the total number of switches requested for the whole electricity market. In the gas market we receive information on the number of requested switches for each supplier, split between domestic and I&C customers.

It is our intention to align the information with regard to requested switches across the electricity and gas markets. In order to do this we propose that NIE provides us with additional detailed information on the number of requested switches per supplier for both domestic and I&C customers. This will ensure a consistent approach for both markets. The disaggregation of customer groups is shown below.

Electricity customer groups	Gas customer groups
Domestic	**Domestic**
I&C	**I&C**

Publication of information

We do not plan to publish this information in the future. It will be used for internal purposes only.

5.4.2 Switches completed

Description of indicator

A **completed switch** occurs when a customer has successfully transferred from one supplier to another. A completed switch does not give any information about the nature of the switch, for example if it is a first-time switcher, or repeat switcher etc.

Purpose of indicator

The rate of customer switching is another key indicator of how engaged customers are within the retail energy markets and at the same time gives us information on the erosion of market share of the ex-incumbent suppliers. In addition it provides information on the market and on how easy (or not) it is for consumers to change their energy supplier. A high rate of completed switches may indicate that there is a high level of customer engagement in the market and that the market is structured to enable this. This can be due to many customers switching only once, or a number of customers switching many times (repeat switchers). Switching rates can also provide us with information on the market trends specific to suppliers and the different types of customers that are active in the market.

Collection and current reporting of indicator

We currently collect information on the number of completed switches per month for all (current) electricity and gas customer groups (with an additional split for domestic credit gas customers between payment by direct debit and non-direct debit). The information we receive details the gains and losses of customers by suppliers in all customer groups.

For the electricity market this information is provided by the network company on a monthly basis. In the Greater Belfast area switching information is currently provided by the gas suppliers on a quarterly basis (with the data split by month). The network company also provides the total number of switches by supplier on a quarterly basis, with a monthly split. In the Ten Towns area only the large I&C market is currently open

to competition and the network company provides the total number of switches by supplier on a monthly basis.

In order to ensure consistency in the reporting of the number of gas switches completed we propose that gas network companies will also be required to provide the completed switches (based on gains and losses) for each supplier split by customer groups.

Switching information is currently published in our QTRs and ERRs. In electricity this information is published as net change (gains less losses) by customer category and anonymous supplier, and in gas it is published as confirmed switches, by customer category only.

Disaggregation of customer groups

As mentioned above we currently collect this information for all customer groups in both the electricity and gas sectors. We intend to continue to collect this information from gas suppliers but have reduced the customer groups to combine all domestic credit customers into one category. We also propose that gas network companies will provide this information for all customer groups in the gas market. In the electricity market we will amend the customer groups to match the DECC categories as above, to enable comparisons. The disaggregation of customer groups is shown below.

Electricity customer groups

Domestic
- credit
- prepayment

I&C
- < 20 MWh
- 20 – 49 MWh
- 50 – 499 MWh
- 500 – 1,999 MWh
- 2,000 – 19,999 MWh
- ≥ 20,000 MWh

Gas customer groups

Domestic
- credit
- prepayment – Libra
- prepayment – Quantum

I&C
- <73,200 kWh
- 73,200 – 731,999 kWh
- 732,000 – 2,195,999 kWh
- ≥ 2,196,000 kWh

Publication of information

This information is currently published in both our QTRs and our annual ERRs. We intend to continue to publish this information, by customer category as we currently do on a quarterly basis. In addition, we are minded to make a change to the method of publication by introducing supplier details to the information currently published for both electricity and gas. Increased transparency of the energy retail market performance with regard to switching activity may help to attract new entrants to the markets.

5.4.3 Switches taking longer than 15 working days to complete

Description of indicator

This indicator will monitor those switches which were completed successfully, but which took more than 15 working days to complete from the date that the network company received the valid switch request.

The EU Third Energy Package introduced a new requirement for all customer switches as follows:

> *"where a customer, while respecting the contractual conditions, wishes to change supplier, the change is effected by the operator(s) concerned within three weeks."*

We have transposed the three week requirement into electricity and gas distribution and supply licences (stated as 15 working days as opposed to three weeks) in order to implement this requirement.

Purpose of indicator

As noted above, EU legislation requires that switches take place within three weeks (while respecting contractual conditions). In order to ensure that energy companies in NI are compliant with this requirement it is important that we monitor it. In addition, a high number of switches taking longer than 15 working days to complete may indicate a problem in the switching process (either at the network operator end or the individual

supplier end). It is important that potential problems with the switching process are identified and addressed as early as possible to ensure minimum impact on customers.

Collection and current reporting of indicator

We currently collect information on this indicator from NIE in the electricity market. The information details the total number of switches which took more than 15 working days to complete. It is received on a monthly basis. In both the Greater Belfast and Ten Towns areas the relevant network company currently provides information on the total number of switches which took more than 15 working days to complete. The information is split by supplier and is received on a quarterly basis (with a monthly split) from PNGL and on a monthly basis from feDL. We do not currently report any information on this indicator.

Disaggregation of customer groups

Going forward we propose to collect supplier specific information on switches taking longer than 15 working days to complete in both the electricity and the gas market. We will collect this information on a quarterly basis (with a monthly split) from network companies. There is no change to the information being collected from gas network companies. However, NIE will be required to split the total number of switches taking longer than 15 working days to complete by supplier. The disaggregation of customer groups is shown below.

Electricity customer groups	Gas customer groups
Total market	**Total market**

Publication of information

We intend to continue to use this indicator for internal monitoring purposes only. We will not publish information on this indicator.

5.4.4 Sticky customers

Description of indicator

Sticky customers are those customers who have never switched or who are unlikely to switch in the near future. Customers that have previously switched, but not switched again during an extended period may be unlikely to switch in the future and may also be considered to be sticky customers. These customers may have chosen not to switch, may be unable to switch due to their circumstances, or may have been put off switching due to other features of the market such as tariff complexity.

This indicator includes:

- connections that have never switched from the incumbent supplier;
- connections that have previously switched supplier, but outside of the previous three years; and
- connections that have switched in the previous three years.

The three year timeframe was chosen as this may indicate the potential withdrawal of a customer from active participation in the energy market. In addition, there are currently no fixed term tariffs in NI which last longer than two years, so three years will capture those customers who have then remained with the same supplier.

Purpose of indicator

There are a number of reasons why a customer may not switch supplier, or after switching once may decide not to switch again. These include:

- customer choice to remain with current supplier;
- circumstances which make it difficult to switch (e.g. rural location with no internet access);
- customer confusion with regard to switching and what the switching process entails;
- tariff complexity (i.e. customer unable to determine if a new tariff with a new supplier will be cheaper);

- customer mistrust in the energy markets; and
- customer having a poor experience during a previous switch resulting in a decision not to switch again.

This indicator (along with information on market shares and switching) will assist us in painting a picture of the level of "stickiness" in the retail energy markets in NI. A high level of customers who have never switched, or have not switched in the previous three years could indicate a lack of customer engagement with the energy markets, or that there is customer confusion with regards to switching processes and/or tariffs. We will monitor this indicator over time alongside other market indicators and we will investigate further if the trends indicate that there may be barriers to switching. Potential withdrawal from active participation in the market can be further tested in customer survey work.

Collection and current reporting of indicator

We do not currently collect information on this indicator. We propose to collect information on this indicator from network companies on an annual basis for both electricity and gas.

Disaggregation of customer groups

We propose to collect this information for domestic and I&C customer groups for both the electricity and gas sectors. We do not propose to include a further breakdown of customer groups, as we do not consider it necessary at this stage. The disaggregation of customer groups is shown below.

Electricity customer groups	Gas customer groups
Domestic	**Domestic**
I&C	**I&C**

Publication of information

We propose to publish information on this indicator on an annual basis. The information published will be limited to:

- the percentage of all domestic and I&C electricity and gas customers that have never switched supplier,
- the percentage of all domestic and I&C electricity and gas customers that have previously switched supplier, but outside of the previous three years; and
- the percentage of domestic and I&C electricity and gas customers that have switched in the previous three years.

5.4.5 Rejected switches

Description of indicator

The switching process is initiated by a supplier submitting a switch request to the network company. If the information in the switch request is not complete or fails validation (for example, the details in the switch request are inconsistent with the details recorded on the network company's meter point register) the network company will raise a **rejection** to the switch. Retail Market Procedure NI 2 (Change of Supplier Interval) sets out the rules for rejections in the electricity market. In the gas market the rules for rejecting a switch are set out in the relevant **Distribution Network Code**.

Purpose of indicator

This is a process related indicator which we use predominantly in the gas market to monitor suppliers' compliance with the distribution Network Code when submitting switching requests. It also highlights the likely number of failed switches in the gas market as most rejections result in a failed switch due to the tight timeframe for resolution of a rejection. In both the electricity and gas markets the number of rejected switches can also help to identify if any single supplier is frequently submitting incomplete/inaccurate switching requests.

Collection and current reporting of indicator

We currently collect information on the number of rejected switches from the network companies. In the electricity market this information is supplied for the market as a whole on a monthly basis. In the gas market the information provided is split by supplier and includes a breakdown of the reason codes for the rejections. PNGL submits this information a quarterly basis; feDL submits the information monthly. The information collected on this indicator is not currently published. As part of the REMM framework we will continue to collect information on the number of rejected switches. The information for gas and electricity will be submitted on a quarterly basis with a monthly breakdown.

Disaggregation of customer groups

We propose to collect information on the number of rejected switches split by supplier. In addition we propose to collect a breakdown of the reason codes for the rejections. These reasons will differ for the electricity and gas markets as they will be based on reason codes which have been established in market-specific codes and documents. The disaggregation of customer groups is shown below.

Electricity customer groups	Gas customer groups
Total market	**Total market**

Publication of information

We intend to continue to use this indicator for internal monitoring purposes only. We will not publish information on this indicator.

5.4.6 Objected switches

Description of indicator

Objections are similar to rejections as they are related to the process of customer switching. Following the submission of a switch request that is not rejected by the

network company, the old supplier may object to the progression of the switch request. For the electricity market the objection reasons are set out within Retail Market Procedure NI 3 (Objections and Cancellations). The **Supply Meter Point Agreement** (SMP Agreement) for the Greater Belfast Licensed Area and the Ten Towns Licensed Area sets out the reasons under which a switch request can be objected within the gas industry.

Purpose of indicator

This is another process related indicator which has been used predominantly in the gas market to monitor supplier compliance with the SMP Agreement. The number of objected switches may also highlight the likely number of failed switches in the gas market as many objections can result in a failed switch due to the tight timeframe for resolution of an objection. In both the electricity and gas markets the number of objected switches may help to identify systemic problems in the switching process or problems with the operation of individual suppliers within the market. We will monitor trends in the number of objections raised and we may decide to investigate objections in more detail if, for example, objection numbers increase or we are alerted that there may be potential problems with a single supplier or more general market process issues.

Collection and current reporting of indicator

In the electricity market we currently receive information from the network operator on the number of objections for the electricity market as a whole. This information is submitted monthly. In the gas market we receive information on objections on a quarterly basis from PNGL and a monthly basis from feDL. The information is broken down to give the number of objections per supplier and the reasons for the objections. The reason codes themselves also give information on the type of customer (domestic or I&C). We do not currently publish any of this information for either the electricity or gas markets.

Under the new REMM framework we propose to align the electricity market to the gas market information submission for this indicator. We will collect quarterly information

(split by month) detailing the number of objections per supplier and by reason code for both domestic and I&C customers.

Disaggregation of customer groups

As mentioned above we plan to collect information separately for domestic and I&C customers (per supplier and by pre-defined reason categories). This will enable us to determine if any issues which arise are specific to either the domestic or I&C market. The disaggregation of customer groups is shown below.

Electricity customer groups	Gas customer groups
Domestic	**Domestic**
I&C	**I&C**

Publication of information

We will continue to use this indicator for internal monitoring purposes only. We will not publish information on this indicator.

5.4.7 Debt contact notifications

A **Debt Contact Notification** (DCN) is raised by a supplier losing a domestic customer that is in **debt** (as defined separately for gas and electricity in the respective 'Retailer code of practice for dealing with customers in debt wishing to switch supplier'). It is raised in order to alert the new supplier to the debt. Once a DCN has been raised there are options open to both the customer and the suppliers to deal with the debt (as detailed in the appropriate market procedures under the **Market Registration Code** and Distribution Network Code).

Purpose of indicator

We monitor the number of DCNs received in order to monitor the levels of customers in debt wishing to switch supplier. Where the numbers increase or we suspect issues or are informed through another party of a potential issue we can then investigate further.

Collection and current reporting of indicator

The number of DCNs received by suppliers is currently collected quarterly (with monthly split) from gas suppliers in the Greater Belfast area. It is not currently collected in the Ten Towns area as the domestic market is not yet open to competition. We will continue to collect information on debt contact notifications in the current format for the Greater Belfast area. When the Ten Towns area opens to domestic competition we will begin to collect this information from suppliers in this area also. We do not currently collect information on DCNs received from electricity suppliers. However we consider this to be an important indicator and as such we intend to align electricity with gas by requesting that electricity suppliers provide equivalent information to that provided by gas suppliers i.e. information on the number of DCNs received on a quarterly basis (with monthly split). We do not currently publish any information on the number of DCNs received by suppliers.

Disaggregation of customer groups

This indicator relates to domestic customers only, so no further disaggregation is required. The disaggregation of customer groups is shown below.

Electricity customer groups	Gas customer groups
Domestic	**Domestic**

Publication of information

We intend to continue to use this information for internal monitoring purposes only. We will not publish information on this indicator.

5.4.8 Erroneous transfers

Description of indicator

An **erroneous transfer** occurs when a customer has been transferred to a supplier without a valid contract being in place. This may be for a number of reasons e.g. the customer provided incorrect information; or the customer cancelled the application but the cancellation was not processed.

Purpose of indicator

Collecting information on erroneous transfers is important to monitor supplier behaviour with regard to the switching process in both the electricity and the gas markets. High numbers of erroneous transfers can highlight issues with the switching process and/or individual suppliers that may have a severe impact on customer confidence in the energy markets (e.g. cancellation procedures not being followed; customers unaware that they are signing new supply contracts etc.).

Collection and current reporting of indicator

We currently collect information on this indicator in the gas market. It is supplied by PNGL and gas suppliers on a quarterly basis (with monthly split) for the Greater Belfast area and supplied by feDL on a monthly basis for the Ten Towns area. The information is not currently published. We will continue to collect information on erroneous transfers from gas suppliers for the Greater Belfast area and will also require information on erroneous transfers from gas suppliers in the Ten Towns area. For the electricity market, we consider NIE to be the most appropriate source for this information. However, if there is cause to query the number of erroneous transfers which are recorded for an individual electricity supplier, we expect the supplier in question to able to provide information about the nature of the erroneous transfers. We will maintain the same frequency of collection i.e. quarterly with monthly splits. We propose to remove the requirement for gas network companies to provide information on erroneous transfers.

Disaggregation of customer groups

The information currently submitted by the gas suppliers is broken down by the reason codes for the erroneous transfers. Going forward we propose to collect information on erroneous transfers for the electricity and gas market broken down by customer type (domestic and I&C) and by reason for the erroneous transfer. The disaggregation of customer groups is shown below.

Electricity customer groups	Gas customer groups
Domestic	**Domestic**
I&C	**I&C**

Publication of information

We intend to continue to use this information for internal monitoring purposes only. We will not publish information on this indicator.

5.4.9 Notional meter reads (gas specific)

Description of indicator

In the gas market the supply companies are responsible for reading customer meters. Under the Distribution Network Code, when a customer switches supplier, the new supplier is required to take an opening meter read at the customer's property. If the supplier fails to gain a meter read within the required meter reading timeframe, the network company then provides an estimated meter read, known as a **notional meter read**.

Purpose of indicator

The number of notional reads is used to monitor supplier compliance with the requirement to take an opening meter read under the Distribution Network Code. We understand that it will not always be possible for the supplier to obtain an opening read within the required timeframe. However we will monitor trends in the numbers and any

significant increase in the number of notional reads for a particular supplier may need to be investigated further.

Collection and current reporting of indicator

Information on notional reads is currently collected from gas suppliers and PNGL on a quarterly basis (split by month) and from feDL on a monthly basis. We intend to continue to collect this information from the network companies in the current format on a quarterly basis (split by month). We will no longer ask gas suppliers to provide this information. We do not currently report on this indicator.

Disaggregation of customer groups

Notional reads are currently submitted by suppliers at a whole market level. We do not see any benefit in further disaggregating the information we currently collect. The disaggregation of customer groups is shown below.

Electricity customer groups	Gas customer groups
Not applicable	**Total market**

Publication of information

We intend to continue to use this information for internal monitoring purposes only. We will not publish information on this indicator.

5.4.10 Meter mix ups identified during switching (gas specific)

Description of indicator

A meter mix-up occurs where, physically, a gas meter is supplying a different supply meter point than is recorded on the network company's IT system or the supplier's billing system. A meter mix-up can be identified during the switching process in the gas market when a supplier takes an opening read at a customer's property. This is another

indicator which is specific to the gas market, due to the supplier responsibility to read customer meters.

Purpose of indicator

Meter mix-ups are difficult to identify in normal circumstances. However, they may be identified during the switching process when the new supplier reads the meter. During the early stages of market opening in the Greater Belfast area, the network company and gas suppliers highlighted that customer switching could lead to the identification of potential meter mix-ups. At this time gas suppliers and the network company recognised the benefit of collecting information on this indicator to monitor whether meter mix-ups were an issue. Meter mix-ups often result in a customer being incorrectly billed as the meter readings used to generate bills are not from the correct meter. Therefore it is important that we understand the number of customers that may be impacted by these mix-up issues. To date, the information provided has not indicated that there is a problem in relation to meter mix-ups within the gas market. However, we intend to continue to collect information on this indicator in order to monitor this area.

Collection and current reporting of indicator

We currently collect information on meter mix-ups that are identified during switching from gas suppliers. It is collected on a quarterly basis with information split by month. We will continue to collect the information in this format. We do not currently publish information on this indicator.

Disaggregation of customer groups

Suppliers submit information on meter mix-ups for the market as a whole. We do not think that any additional benefit will be gained from further disaggregation of the customer groups. The disaggregation of customer groups is shown below.

Electricity customer groups	Gas customer groups
Not applicable	**Total market**

Publication of information

Going forward we will continue to use this information for internal monitoring purposes only. We will not publish information on this indicator.

5.4.11 Credit balances on Quantum prepayment meters when switching (gas specific)

Description of indicator

When a gas customer with a **Quantum prepayment meter** switches to a new supplier there may be credit balance left on the meter at the time of the switch. This credit has been paid to the old supplier, but the new supplier has to supply the gas to the value of credit left on the meter. Gas suppliers have established a process (documented in the SMP Agreement) through which the new supplier claims an average credit balance from the old supplier. This indicator monitors the actual total value of the credit balances left on Quantum meters that switch supplier and the actual number of **quantum customers** with a credit balance that switch supplier.

Purpose of indicator

We use this indicator to monitor the impact of compliance with the SMP Agreement on suppliers. We do this by comparing the actual credit balances with the average credit balance that is determined in the process within the SMP Agreement. When the domestic market opened to competition in the Greater Belfast area suppliers agreed to provide this information to allow us to monitor credit on Quantum meters that switch supplier. This information assists in the decision on whether or not it is appropriate to amend the average credit amount in the process within the SMP Agreement.

Collection and current reporting of indicator

This indicator is currently collected quarterly (with monthly split) from gas suppliers in the Greater Belfast area. It is not currently collected in the Ten Towns area as this domestic market is not open to competition. We will continue to collect information from

gas suppliers on credit balances on Quantum meters in the current format for the Greater Belfast area. We do not envisage that this information will be required from gas suppliers in the Ten Towns area as Quantum meters are not currently utilised in this market. We do not currently publish any information on this indicator.

Disaggregation of customer groups

This indicator relates to domestic customers only and we do not require any further disaggregation. The disaggregation of customer groups is shown below.

Electricity customer groups	Gas customer groups
Not applicable	**Total market**

Publication of information

We intend that this information will continue to be used for internal monitoring purposes only. We will not publish information on this indicator.

5.4.12 Outstanding balances on Quantum prepayment meters when switching (gas specific)

Description of indicator

When a gas customer with a Quantum prepayment meter switches to a new supplier there may be **debt balance** left on the meter at the time of the switch. Where the debt balance is less than £100 it is referred to as an outstanding balance and in these cases a DCN cannot be raised by the old supplier. Suppliers have agreed a process (documented in the SMP Agreement) for these cases which dictates that the switch will complete and the new supplier will be entitled to recover the outstanding balance from the customer. No balance is transferred between the old supplier and the new supplier. This indicator monitors the actual total value of the outstanding balances up to £100 that are left on Quantum meters that switch supplier and the actual number of quantum customers with an outstanding balance up to £100 that switch supplier.

Purpose of indicator

We use this indicator to monitor the impact of compliance with the SMP Agreement on suppliers. We monitor trends in the actual outstanding balances up to £100 to identify if the level of debt not being recouped by the old supplier might have a substantial financial impact on any particular supplier or group of suppliers. When the domestic market in Greater Belfast opened to competition suppliers agreed to provide this information to allow us to monitor debt on Quantum meters that switch supplier. This information assists in the decision on whether or not it is appropriate to amend the SMP Agreement.

Collection and current reporting of indicator

This indicator is currently collected quarterly (with monthly split) from gas suppliers in the Greater Belfast area. It is not currently collected in the Ten Towns area as the domestic market is not open to competition. We will continue to collect information on this indicator in the current format for the Greater Belfast area. We do not envisage that this information will be required from gas suppliers in the Ten Towns area as Quantum meters are not currently utilised in this market. We do not currently publish any information on this indicator.

Disaggregation of customer groups

This indicator relates to domestic customers only and no further disaggregation is required. The disaggregation of customer groups is shown below.

Electricity customer groups	Gas customer groups
Not applicable	**Total market**

Publication of information

We intend to continue to use this information for internal monitoring purposes only. We will not publish information on this indicator.

5.4.13 Credit balances on Libra prepayment meters when switching (gas specific)

Description of indicator

When a gas customer with a **Libra prepayment meter** switches to a new supplier there may be credit remaining on the meter at the time of the switch. On these gas meters any credit on the meter will be a volume of gas and the volume would have been calculated at the time of purchase based on the old supplier's tariff.

Any credit on the meter will have been purchased from the old supplier but must be supplied by the new supplier. A process has been established, between suppliers, within the SMP Agreement to calculate a monetary amount for the credit consumption balance on the meter. Under the SMP Agreement process, this monetary amount is transferred from the old supplier to the new supplier. In addition, the process assumes that the customer's reason for switching is to take advantage of a lower tariff and therefore the amount transferred from the old supplier to the new supplier will be lower than the payment that the old supplier received from the customer. It is therefore reasonable to expect the old supplier to make a refund to the customer.

This indicator monitors the value of the credit balances that each supplier claims from other suppliers and the number of meters contributing to the values claimed. In addition it monitors the value of refunds to customers and the number of meters contributing to the refunds.

Purpose of indicator

We use this indicator to monitor the impact of compliance with the SMP Agreement on suppliers. We will use this information to monitor trends in the credit balances that are transferred between suppliers and the level of refunds that are being made to customers. This information will be used to monitor compliance with the SMP Agreement and will also assist in any decisions on amending the process within the SMP Agreement.

Collection and current reporting of indicator

We do not currently collect information on this indicator. We propose that gas suppliers will provide the required information on this indicator on a quarterly basis with a monthly split.

Disaggregation of customer groups

This indicator relates to domestic customers only and no further disaggregation is required in relation to customer groups. The disaggregation of customer groups is shown below.

Electricity customer groups	Gas customer groups
Not applicable	**Total market**

Publication of information

We intend to use this information for internal monitoring purposes only. We will not publish information on this indicator.

5.5 Indicator group – Market activity

Switching data only gives a partial picture of customer engagement in energy markets. There is other activity which takes place in energy markets which is important to capture in order to understand how effectively the retail markets are working for consumers.

5.5.1 Renegotiated contracts

Description of indicator

Many customers engage with the markets, but do not make the choice to change supplier. For example, a customer might decide to change payment method or account management method (i.e. online vs paper billing) in order to reduce their energy bills,

but stay with their current supplier if they are happy with the service. In the I&C market customers regularly shop around for better tariffs at the end of fixed term contracts. In some cases they decide to stay with their current supplier and renegotiate the terms of the contract. The '**renegotiated contracts**' indicator aims to collect information on this group of customers to add to our overall picture on switching and market activity. For clarity, we have proposed a number of scenarios which we consider to be renegotiated contracts, and a number which we consider would not be included. We welcome feedback from our stakeholders on the proposed scenarios (including any suggestions of additional scenarios).

Included as renegotiated contracts

- Customers that stay with their current supplier but make an active decision to change their payment method in order to gain a more favourable tariff, for example switching from a standard credit arrangement to a direct debit arrangement.
- Customers that change their account management method in order to gain a more favourable tariff, for example switching from paper bills to online billing. Note that if customers change both their payment method and their account management method in one transaction we consider this to be one renegotiated contract. If the customer changes the payment method and the account management method in separate transactions we consider this to be two renegotiated contracts (albeit for the same customer).
- I&C customers that come to the end of a fixed term contract and decide, after a period of negotiation/tendering, to remain with their current supplier. We are aware that some customers sign up to fixed term tracker tariffs and so their tariffs change throughout the course of their contract. However, we only want to know the proportion of these customers that renegotiate with their supplier at the end of the fixed term, not those whose tariff changes as a result of being a tracker tariff.
- Some I&C customers have several premises which may be on individual contracts or on single contracts. Multiple premises may have multiple meter points. In order to align information on renegotiated contracts with other

switching and market activity information, each **meter point** retained by a supplier (following negotiation) will be considered as a single renegotiated contract.

Not included as renegotiated contracts

- Customers at the end of a fixed term contract (domestic or I&C) that roll onto a standard rate without any contact with their supplier.
- Suppliers changing their standard terms and conditions (or terms and conditions for a tariff type) does not result in all affected customers having a renegotiated contract as their customers will not have made contact with their supplier to engage in renegotiation.

Purpose of indicator

Understanding market activity is more complex than simply monitoring switching figures. Many customers engage in the energy markets without choosing to switch supplier. Collecting information on the number renegotiated contracts will enable us to have a fuller picture of market activity and overall market effectiveness. If customers are found not to be engaging in the market, we may undertake further investigation to understand the reasons for the lack of engagement.

Collection and current reporting of indicator

We do not currently collect information on this indicator. We propose that suppliers will provide information on the number of renegotiated contracts for electricity and gas customers on an annual basis.

Customer group disaggregation

In order to understand customer engagement in the different sectors of the market we propose that suppliers provide information on renegotiated contracts with full customer group disaggregation. The disaggregation of customer groups is shown below.

Electricity customer groups

Domestic
- credit
- prepayment

I&C
- < 20 MWh
- 20 – 49 MWh
- 50 – 499 MWh
- 500 – 1,999 MWh
- 2,000 – 19,999 MWh
- ≥ 20,000 MWh

Gas customer groups

Domestic
- credit
- prepayment

I&C
- <73,200 kWh
- 73,200 – 731,999 kWh
- 732,000 – 2,195,999 kWh
- ≥ 2,196,000 kWh

Publication of information

We do not have any current plans to publish information on this indicator. The information will initially be used for internal monitoring purposes only. We will review this position during phase two of REMM.

5.6 Indicator group – Disconnections, reconnections and debt recovery prepayment meters

Disconnection of supply can take place in both the electricity and the gas markets for a number of reasons, for example: debt, meter tampering, vacant property and customer request.

There are some policy and process differences between the electricity and gas markets with regard to disconnections; detail on these differences is not required for the purposes of this paper. With regard to the REMM framework we are interested in the numbers of disconnections and the reasons for disconnections.

5.6.1 Disconnections

Description of indicator

A disconnection occurs when a customer's energy source is either temporarily or permanently removed. In most cases (for both electricity and gas) the action of disconnection is carried out by the network company, but the request for the disconnection to be carried out often originates from the supplier. We propose to monitor the number of disconnections and the reasons for the disconnections.

Purpose of indicator

The issue of disconnections can be quite contentious, and the policies and procedures surrounding disconnections are often subject to scrutiny from various stakeholder groups. It is important that we have information on the numbers of (and reasons for) disconnections in order to ensure that any change in policy is based on reliable data. We also want to understand the level and reasons for disconnections in the gas and electricity markets particularly with regard to those disconnections carried out for reasons of non-payment of bills

Collection and current reporting of indicator

We do not currently monitor the number of disconnections in the electricity market. However, we collect information on the number of domestic disconnections in the gas market, and the reasons for the disconnections. The information is collected from gas suppliers on an annual basis. We do not currently publish information on this indicator.

Under the REMM framework we propose to collect information on disconnections in both the electricity and the gas market on an annual basis. In addition to collecting information on the number of disconnections, we also plan to collect information on the reasons for disconnection. Our initial aim was to align the electricity and gas reporting on disconnections. However, following the bilateral meetings we have concluded that this is not necessary as the processes are different in the electricity and gas markets.

At the bilateral meetings some suppliers suggested that it would be appropriate for both network companies and suppliers to provide information on the number of disconnections, depending on the reason for disconnection. Therefore, we propose to collect information on disconnections from suppliers and network companies in both the electricity and gas markets.

In the electricity market we propose that the network company records the reasons for disconnections as follows (split by supplier):

- Revenue protection (non-payment related); and
- Health and safety (not non-payment related)

We also propose that the electricity network company will provide the total number of domestic and I&C disconnections for the entire market. This figure will include any disconnections completed at the request of a supplier or customer.

The reason categories for electricity suppliers are proposed as follows:

- Debt;
- Meter tampering;
- Empty premises; and
- Other

In the gas market we propose that the relevant gas network company will report on any disconnections where it has made the decision to disconnect. These disconnections will be reported by the following reasons for disconnection, and will be split by domestic and I&C and also by supplier:

- Disconnections due to meter tampering/revenue protection;
- Disconnections due to vacant premises; and
- Other disconnections.

We propose that the network company will also provide the total number of domestic and I&C disconnections for the entire market split by supplier. This figure will include any disconnections completed at the request of a supplier or customer.

In addition we propose that gas suppliers will report on any disconnections where they requested the disconnection. Disconnections will be split by domestic and I&C and will be reported under the following reasons:

- Disconnections due to customer debt;
- Disconnections due to meter tampering/revenue protection;
- Disconnections due to vacant premises;
- Disconnections requested by customer; and
- Other disconnections.

Where a network company or gas supplier reports disconnections under the 'other' category, we will expect some additional information to be provided. In gas we will also require network companies and suppliers to report on disconnections and **permanent disconnections** separately.

Disaggregation of customer groups

The information that we currently receive from gas suppliers only covers domestic disconnections. Going forward we propose to collect information on disconnections for the whole gas market, disaggregated to domestic and I&C level. We also propose a domestic and I&C split for the electricity market. Further disaggregation will increase regulatory burden on suppliers and network companies and we do not think it is necessary to disaggregate this data any further. The disaggregation of customer groups is shown below.

Electricity customer groups	Gas customer groups
Domestic	**Domestic**
I&C	**I&C**

Publication of indicator

We do not currently publish this information for the gas retail market. It is used internally to monitor the number of customers being disconnected. We have considered

some of the benefits and drawbacks of publishing this information and welcome views on this issue. We may decide to further explore this issue during phase two of REMM when we have received some initial information from suppliers and network companies.

5.6.2 Reconnection of customers previously disconnected due to debt

Description of indicator

This indicator relates only to reconnections where the meter was previously disconnected due to debt. A reconnection occurs following a customer's request to be reconnected to the network. A reconnection does not include new properties which have not previously been connected to the network (these are referred to as new connections – see section 5.3.2).

Purpose of indicator

If a supplier has disconnected a property due to the customer having debt, the customer may request to be reconnected at some stage following disconnection. In the past some gas suppliers have voluntarily provided us with the number of reconnections (where the meter was previously disconnected due to debt) along with their disconnection numbers. This assists in providing a complete picture of the suppliers' credit control procedures and helps us to understand suppliers' processes in relation to the treatment of vulnerable customers. Therefore, we therefore consider that it is important to collect this information from all gas and electricity suppliers going forward.

Collection and current reporting of indicator

At present we do not formally collect this information from suppliers. However as mentioned above some gas suppliers have provided this information to us voluntarily. We propose to collect the number of reconnections, where the meter was previously disconnected due to debt, annually from gas and electricity suppliers. Currently we do not report any information on this indicator.

Disaggregation of customer groups

We propose to collect information on this indicator disaggregated to domestic and I&C level. However we note that in electricity this indicator will only be applicable to the I&C market. The disaggregation of customer groups is shown below.

Electricity customer groups	Gas customer groups
Not applicable	**Domestic**
I&C	**I&C**

Publication of indicator

This information will be monitored internally alongside information on disconnections due to debt. As mentioned previously we may decide within phase two of REMM to consider publishing information of disconnections. At that stage we would also consider publishing information on this indicator.

5.6.3 Debt recovery prepayment meter fitted

Description of indicator

Where a domestic customer has accumulated debt through a credit meter some suppliers may fit a debt recovery prepayment meter. This can benefit both the customer and the supplier as it allows the customer to continue using gas or electricity while preventing further debt building up. At the same time the supplier can recover the payment for the existing debt through the meter over a period of time. This indicator will monitor the number of meter exchanges from domestic credit to debt recovery prepayment meter for the purposes of recovering existing debt from a customer.

Purpose of indicator

We understand that some suppliers may adopt the approach of exchanging a domestic credit meter to a debt recovery prepayment meter in an effort to avoid a disconnection

due to non-payment of bills. In the past some gas suppliers have voluntarily provided the number of these meter exchanges to us along with their disconnection numbers in order to present a more complete story of their credit control procedures. Therefore we consider that it is important to collect this information from all gas and electricity suppliers going forward.

Collection and current reporting of indicator

We do not formally collect this information at present from suppliers. However as mentioned above some gas suppliers have provided this information to us voluntarily. We propose that the number of meter exchanges from credit to debt recovery prepayment meter for the purpose of debt recovery will be collected annually from gas and electricity suppliers.

Disaggregation of customer groups

This indicator relates solely to the domestic gas and electricity market and we do not propose to disaggregate the indicator further. The disaggregation of customer groups is shown below.

Electricity customer groups	Gas customer groups
Domestic	**Domestic**

Publication of indicator

This information will be monitored internally along with information on domestic gas disconnections due to debt. As mentioned previously we may decide, within phase two of REMM to consider publishing information of disconnections. At that stage we would also consider publishing information on this indicator.

5.7 Indicator group – Complaints

Customer satisfaction is a crucial indicator of the health of retail markets. In a healthy retail market, competition should deliver on both price and customer satisfaction. One

indicator of how satisfied customers are in retail energy markets is the number of complaints received by energy companies.

5.7.1 Complaints

When monitoring numbers of complaints it is crucial that we have an agreed definition of a **complaint** which is consistent for all parties. This issue was highlighted in many of the bilateral meetings.

In April 2014 we consulted on the implementation of energy supplier codes of practice[11]. As part of this we consulted on the monitoring of the code of practice on complaints handling procedure, including consulting specifically on the appropriate definition of complaint. We have reviewed the responses to this consultation and intend to issue a decision paper in the near future. The definition of complaint that we are minded to adopt for the purposes of monitoring the implementation of codes of practice is:

> *"The expression (through various possible channels: letter, email, phone call, physical claim) of a person's dissatisfaction"*

Our reasons for arriving at this definition will be set out fully in our decision paper on the implementation of codes of practice.

It is important to note that we are not consulting again on the definition of a complaint or the method of monitoring complaints as part of this consultation. These matters were dealt with in the relevant consultation. Therefore, within this REMM consultation we are consulting solely on: the categories for reporting types of complaints, the reporting categories for resolution time for complaints and the disaggregation of customer groups only.

[11] Consultation on the implementation of Energy Supplier Codes of Practice, April 2014: http://www.uregni.gov.uk/uploads/publications/Codes_of_Practice_Consultation_paper_-_April_2014.pdf

Description of indicator

As stated above, we are including only the categories of complaints as part of this consultation. We propose to collect information on the number of complaints received in each of the following categories (further information on these categories is included in the draft templates):

- Bills/statements
- Tariffs
- Debt issues/credit management
- Account management
- Selling/marketing – doorstep
- Selling/marketing – face-to-face
- Selling/marketing – telesales
- Selling/marketing – phone/online
- Selling/marketing – marketing literature
- Selling/marketing – other
- Disconnections/reconnections
- Switching/account set-up
- Prepayment
- Customer service
- Metering & site-works
- Meter reading
- Quality of supply
- New connections
- Customer care register
- Other
- Total (this total should be equal to a summation of all other categories)

In addition to the categories listed, we propose to collect information on the resolution of complaints. Due to the nature of the complaints, it is possible that complaints may be ongoing from one quarter to the next (if not resolved at first stage of contact). For this

reason we propose to collect complaint information based on the date that the complaint was deemed to be resolved and closed. For clarity, any complaints which are resolved and closed in a particular quarter are to be reported in the categories below, regardless of whether or not they were first received in the previous quarter. The proposed categories for the resolution of complaints are:

- Category 1 – resolved by the supplier at the first stage of customer contact (i.e. the customer does not need to contact the supplier a second time);
- Category 2 – resolved by the supplier at a second (or further) stage of customer contact, and solved through the companies own procedures, but within three months of the complaint being received;
- Category 3 – complaints where resolution took more than three months from the date the complaint was received.

The summation of categories 1, 2 and 3 should equal the total number of complaints resolved in the quarter.

In addition we also propose to collect the following:

- Category 4 – referred to CCNI for resolution – this is separate group of complaints that are referred to CCNI by the customer (but may also be deemed to be resolved or closed by the supplier);
- Category 5 – number of complaints received.

Purpose of indicator

We propose to monitor the total number of complaints received by suppliers (in the various complaint categories). In addition we also propose to monitor the number of complaints in each of the categories detailed above in order to ensure that any specific areas of poor customer service are highlighted. These may be supplier specific areas which can be addressed internally by additional staff training or process changes. However, there may be areas of concern that are evident for the market as a whole and could be symptomatic of an ineffective market process. It is important that we are able to identify these areas in order to address issues promptly and productively. In addition

to the categorisation of customer complaints, it is essential that we understand how quickly suppliers are resolving customer complaints. We understand that many suppliers attempt to resolve complaints at the first point of contact. However, this is not possible for all complaints. By monitoring the resolution time of complaints alongside the complaints categories we will gain an understanding of whether or not some categories of complaints are more difficult to resolve than others, and identify areas for market improvement.

Collection and current reporting of indicator

We do not currently collect any information on complaints made to energy suppliers. Instead we review data produced by CCNI on an annual basis. However, this data only includes those complaints which have been referred to CCNI and not the complaints that the company has managed to resolve with the customer. We propose to collect information on this indicator on a quarterly basis.

We are aware that the complaints categories which suppliers currently collect information under may not match the categories which we propose. We are not suggesting that suppliers must change their internal complaints reporting categories to align to the complaints categories that we have proposed, however suppliers must be able to use their internal complaints data to complete the complaints template in a full and consistent way each reporting period, If there is an issue raised in relation to any particular category of complaint for a particular supplier, we will also expect that the supplier is able to provide further information on the complaints e.g. specific details on each complaint received, type of resolution; additional staff training provided; process change put in place etc.

Disaggregation of customer groups

Information will be collected for domestic and I&C customers. We are interested in monitoring trends in both domestic and I&C sectors in order to determine if any issues are more prevalent in one sector. Further disaggregation of customers is not required. The disaggregation of customer groups is shown below.

Electricity customer groups	Gas customer groups
Domestic	**Domestic**
I&C	**I&C**

Publication of information

We propose to publish information on customer complaints on an annual basis, by company and by resolution time. This will act as an incentive for companies to improve on any areas where customers are experiencing issues with the quality of service, and is similar to the publication of complaints information in GB. We received feedback from several suppliers at the bi-lateral meetings that complaints information should be published in a standardised format across all suppliers. We accept that this is appropriate and we propose to publish normalised complaints statistics for all suppliers i.e. *x* complaints per *yyy* customers.

5.8 Indicator group – Standards of Performance (gas specific)

Gas suppliers are required to comply with the Gas (Individual Standards of Performance) Regulations (Northern Ireland) 2014[12] and the Overall Standards of Performance for Gas Conveyors and Gas Suppliers[13]. These Regulations and Overall Standards aim to protect consumers in terms of the service offered by gas suppliers and network companies. No such regulations cover electricity suppliers in NI at present.

[12] Gas (Individual Standards of Performance) Regulations (Northern Ireland) 2014, 1 April 2014: http://www.uregni.gov.uk/uploads/publications/2014-03-03_The_Gas_Individual_Standards_of_Performance_Regulations_Northern_Ireland_2014.pdf

[13] Overall Standards of Performance for Gas Conveyors and Gas Suppliers, April 2014; http://www.uregni.gov.uk/uploads/publications/2014-03-03_Overall_Standards_of_Performance.pdf

5.8.1 Standards of Performance Regulations & Overall Standards (gas specific)

Description of indicator

The Regulations referred to above set out standards of performance measures which gas companies must provide for their consumers and compensation for consumers where the company falls short of the required standards. The Overall Standards referenced above are the general targets for the gas companies to achieve on certain standards. This indicator will collect information, annually, from gas suppliers on compliance with the Regulations and Overall Standards and compensation payments made to customers.

Purpose of indicator

The Regulations and Overall Standards were introduced in order to provide additional protection for consumers in the gas market. Monitoring compliance with these standards and levels of compensation payments made to customers is important to gauge how each supplier is operating in the market and to identify any specific problem areas in relation to the standards set out in the Regulations and Overall Standards.

Collection and current reporting of indicator

The Regulations and Overall Standards did not take effect until 1 April 2014 and therefore no information has been collected from suppliers to date. However, we have however already notified all gas suppliers that information in relation to compliance and compensation payments will be required for the period from 1 April 2014 to 31 December 2014. We have provided gas suppliers with a template for this information to be completed by 31 March 2015. Going forward, we will continue to collect this information from gas suppliers on an annual basis for each calendar year through REMM.

Disaggregation of customer groups

The information provision in relation to standards of performance for April to December 2014 requires a split between domestic and I&C customers. We will continue to collect

this information for domestic and I&C customers. No further disaggregation of customer groups is required for this indicator. The disaggregation of customer groups is shown below.

Electricity customer groups	Gas customer groups
Not applicable	**Domestic**
	I&C

Publication of information

Under the Energy Act (Northern Ireland) 2011, the UR is required to publish information on performance on an annual basis. During 2015 we will be publishing information based on the gas supplier provisions on standards of performance information for April to December 2014. Going forward we intend to publish information on this indicator on an annual basis.

5.9 Indicator group – Price

Tariffs and end-user prices are two of the biggest factors considered by energy customers when they engage with the markets. These indicators are essential to understand whether or not competition is working and if customers are being offered options in energy markets.

5.9.1 Diversity of tariffs

Description of indicator

Tariffs range from simple flat rate tariffs (with and without **standing charges** or **minimum consumption charges**) to complex multi-rate tariffs with standing charges and fixed term discounts. When selecting a tariff there may also be additional factors for customers to consider such as **security deposits** and **termination fees**.

We propose to collect information on all existing published domestic and I&C tariffs. This includes all tariffs which are:

- Available to customers at a certain point in time;
- Unavailable to new customers (or customers wishing to switch tariffs with their current supplier) at the same point in time, but still serving existing customers;
- Standard evergreen tariffs (even if no customers are served by this tariff at the same point in time).

The supply licences place an obligation on all suppliers to publish all domestic tariffs (as they form part of the customer's terms and conditions). This means that any tariffs for existing customers must be published, even if the tariff is not available to new customers.

For each existing tariff (as described above) we propose to collect the following information (further detail is given in the templates):

- Name of tariff
- Customer category (e.g. domestic or I&C)
- Customers able to avail of tariff (e.g. available to new customers, existing tariff etc)
- Tariff type (e.g. standard evergreen, fixed term)
- Payment methods available for tariff
- Security deposit (if applicable)
- Termination fee (if applicable)
- Standing charge (if applicable)
- Minimum consumption charge (if applicable)
- Unit rate(s) of tariff
- Direct debit discount (if applicable)
- Number of customers on each tariff
- Number of domestic customers on each tariff that are also on the **Customer Care Register**
- Volume of energy supplied per tariff (kWh)

Under this indicator we also require suppliers to confirm and demonstrate to us that any difference in or between the domestic tariffs relating to the choice of payment method is on a basis which reflects the costs to the supplier of providing the different payment methods (i.e. the tariff differentials between payment methods are cost-reflective). This is required under the supply licences for both gas and electricity suppliers (Condition 27(15) and Condition 2.18.15 of the electricity and gas supply licences respectively). In order to demonstrate compliance suppliers are required to present and explain the maximum percentage differential between two payment methods within one tariff type i.e. for the tariff type that has greatest unit rate differential (in percentage terms) between the different payment methods we require an explanation of how the difference in unit costs reflects the difference in cost of providing the different payment methods.

Purpose of indicator

Collecting information on the diversity of tariffs enables us to understand the choice available for customers when they engage with the energy markets for the purposes of switching energy supplier. Suppliers currently offer a number of different types of tariffs to customers.

It is important that we understand the diversity of these tariffs and the spread of tariff rates to ensure that customers have an adequate choice of tariffs in the energy markets. However, we also want to ensure that the available tariffs are not so complex that customers are confused by them.

This indicator will provide some information on the choices customers are making based on the available tariffs, and the potential savings customers could make by switching supplier, or by switching to a different tariff with their same supplier. This indicator will also allow us to monitor whether vulnerable customers are taking advantage of the lowest available tariff. Another crucial aspect to the tariff diversity indicator of is the number of customers that are on various legacy tariffs and the cost of legacy tariffs compared to tariffs that are available to new customers. Where a legacy tariff exists with cheaper unit rates than new tariffs then it is reasonable to expect customers to stay with their existing supplier rather than engage in any switching activity. This is why we

propose to collect information on all tariffs and not just those which are currently available to new customers.

Collecting volume data per tariff type will enable us to calculate a number of useful metrics on a 'per tariff basis', such as the average annual bill and the average consumption per tariff type. This will allow us to build up a total picture on tariffs, for example we will be able to see customer numbers and their levels of consumption per tariff category, customers that are on high tariffs but have low consumption, etc. The volume data will also allow us to see the consumption levels of customers on the customer care register and this will help us start to get a fuller picture on related issues such as self-disconnection.

In addition, as previously mentioned we require information from suppliers on tariffs to ensure compliance with Condition 27(15) and Condition 2.18.15 of their electricity and gas supply licences respectively.

Collection and current reporting of indicator

We currently collect most of the information required on tariffs from electricity suppliers on a quarterly basis. Under the REMM framework we intend to continue collecting information on tariffs on a quarterly basis from electricity suppliers. The figures which we propose to add to this indicator for electricity are:

- Customers able to avail of tariff
- Customer category
- Minimum consumption charge (if applicable)
- Direct debit discount (if applicable)
- Number of customers on each tariff
- Number of domestic customers on each tariff that are also on the customer care register
- Volume of energy supplied per tariff (kWh)

Going forward we propose that all gas suppliers will also provide information on their tariffs on a quarterly basis.

We do not currently publish any information on this indicator; instead we use the information internally to monitor the range of tariffs available and the other charges such as security deposits applicable to certain tariffs.

Disaggregation of customer groups

The information currently submitted covers all published tariffs for domestic electricity customers. Under REMM we intend to continue to collect information on all published domestic electricity tariffs. We will also collect information on all published domestic gas tariffs and any published I&C tariffs for both electricity and gas. The disaggregation of customer groups is shown below.

Electricity customer groups	Gas customer groups
Domestic	**Domestic**
I&C (if applicable)	**I&C (if applicable)**

Publication of information

As mentioned above, we do not currently publish any information on this indicator. We have no plans to publish all of the information we receive for this indicator. However, we might choose to publish some information on individual tariffs which is already available in the public domain, for example, maximum and minimum tariffs for different payment methods or comparisons of different published tariffs. We will not publish information on the number of customers on each tariff type or the volume of energy supplied per tariff type. We may decide to revisit the option of publishing more information on this indicator during phase two of REMM.

5.9.2 Final prices

Description of indicator

The **final price** is the average rate a customer is paying per unit of energy in a particular customer group. This indicator is derived from data obtained on volumes of

energy supplied (kWh) and associated value (£) which is then used to calculate a value per unit (of energy supplied) for each customer group. This value per unit is what we refer to as the final price (for each customer group). For clarity, suppliers do not report the actual price paid by their customers. Instead we calculate the value or revenue collected per unit of energy supplied in that particular size category (as an average for NI).

We propose to collect final prices (calculated from revenues, customer number and volumes) for both domestic and I&C customers, in three categories: excluding all taxes; excluding VAT; and including all taxes.

Purpose of indicator

The final price a customer pays is an important indicator for the purposes of undertaking comparisons of average prices in the NI energy markets with prices elsewhere in Europe. It is also important that we have access to this information in order to fulfil requests from external interested parties such as the Enterprise, Trade and Investment Committee; manufacturing groups and other third party organisations. The information collected on final prices will not be monitored in isolation. We will consider final prices alongside information on tariffs and interpretation of price spread etc.

Collection and current reporting of indicator

We have collected information from suppliers on final prices for I&C customers in the electricity markets for the past two years and have recently begun to collect this information for domestic customers. In the gas market we have recently begun to collect information from suppliers for both domestic and I&C customers. The information is collected on a quarterly basis for gas and electricity, and is reported at an aggregated level for electricity in our QTRs. We propose to continue to collect this information from suppliers on a quarterly basis.

Disaggregation of customer groups

As mentioned above we currently collect this information for all domestic and I&C customers. The information is disaggregated using the Eurostat customer categories in

both the electricity and gas markets. This is due to the requirement to submit data in these categories to Eurostat to enable European comparisons to be made. We intend to continue to collect this data with the current disaggregation of customer groups. The disaggregation of customer groups is shown below.

Electricity customer groups

Domestic
- <1,000 kWh
- 1,000 – 2,499 kWh
- 2,500 – 4,999 kWh
- 5,000 – 14,999 kWh
- ≥15,000 kWh

I&C
- < 20 MWh
- 20 – 49 MWh
- 50 – 499 MWh
- 500 – 1,999 MWh
- 2,000 – 19,999 MWh
- 20,000 – 69,999 MWh
- 70,000 – 149,999 MWh
- ≥150,000 MWh

Gas customer groups

Domestic
- <5,557 kWh
- 5,557 – 55,556 kWh
- ≥55,557 kWh

I&C
- <278,000 kWh
- 278,000 – 731,999 kWh
- 732,000 – 2,776,999 kWh
- 2,777,000 – 27,776,999 kWh
- 27,777,000 – 277,776,999 kWh
- 277,777,000 – 1,111,111,999 kWh
- ≥1,111,112,000

Publication of information

Information on final prices and EU comparisons are currently published for the electricity I&C market in our QTRs. The information is published at an aggregated level. We expect the equivalent information for the domestic electricity market and the full gas market to be included in the QTRs before REMM is fully implemented. We plan to publish information on final prices (with EU comparisons) for both the electricity and gas markets on a quarterly basis. As per our current reporting in the QTR we will average the two relevant quarters to obtain six-month period figures. This enables us to compare NI data with data published by Eurostat for EU members twice per year.

5.10 Indicator group – Customer account balances

Suppliers are required to manage customer account balances through payment collection and credit control processes. The balance on a customer account can be a credit, a debit or a zero balance at any point in time and this is heavily dependent on the customer's payment choice. Issues have been highlighted in GB whereby suppliers have retained credit balances on customer's accounts.

5.10.1 Customer account balances

Description of indicator

This indicator is concerned with two main areas in relation to customer's account balances:

- Budget/Fixed direct debit account balances
- Closed account balances

This indicator monitors the number of domestic customer accounts in debit/credit/nil balance for customers who pay by budget/fixed direct debit at a point in time. The indicator also monitors the total credit/debit/nil balances for these customers. A debit balance amount may arise on the account where the customer's budget/fixed direct debit amount is lower than the actual amount of energy they consumed (i.e. they have underpaid) at that point in time. A credit balance amount may arise on a customer account where the customer's budget/fixed direct debit amount is higher than the actual amount of energy they consumed (i.e. they have overpaid) at that point in time. A nil balance amount on an account means that the customer's budget/fixed direct debit amount matches the actual amount of energy they consumed at that point in time. Over time it is expected that customer accounts may fluctuate between being in debit and being in credit. For example, if the budget/fixed direct debit amount for a customer remains constant for a period of 12 months but the energy consumption is higher in winter and lower in summer, then we may expect that the customer's account would be in credit during the summer and in debit during the winter.

This indicator also monitors the number of closed accounts where the account balance is in credit/debit, and the total credit/debit balances for these customers. When a customer leaves a supplier (through change of tenancy or change of supplier) they may have an outstanding account balance. This balance can be a credit or a debit depending on the customer's payment method. If the customer's payment method was budget/fixed direct debit they may have a credit or debit balance on their account at the time their account is closed and a final bill is issued. If the customer's payment method was variable direct debit or cash then it is more likely that the customer will have a debit balance when their account is closed and a final bill is issued.

Purpose for indicator

Recently in GB there have been a number of issues relating to both the amount of monies held by suppliers where customer accounts are in credit and the process by which suppliers refund money to customers in credit. There have also been issues in GB in relation to suppliers retaining credit balances on closed accounts unless the customer specifically requests a refund. For this reason we think it is necessary to monitor the data and establish if any similar issues exist in the NI market for customers with active and closed accounts.

Collection and current reporting of indicator

We have recently started to investigate supplier processes on how they manage customer account balances (specifically for domestic budget/fixed direct debit customers) and closed accounts). We have collected information from gas and electricity suppliers in relation to their processes and the levels of credit and debit account balances. This has been requested under the Licence condition "Provision of information to the Authority" (Condition 10 in electricity supply licences and Condition 1.4 in gas supply licences). Going forward, under REMM we propose to collect information on budget/fixed direct debit balances for domestic customers and also on balances on closed accounts. We will collect this from gas and electricity suppliers on a quarterly basis. However, following the information requested under licence, we may

continue to collect supplier information on account balances before the completion of REMM.

Disaggregation of customer groups

The information on budget/fixed direct debit balances will be collected for domestic customers from electricity and gas suppliers.

The information on balances on closed accounts will be closed for domestic and I&C customers from electricity and gas suppliers. The disaggregation of customer groups is shown below.

Electricity customer groups	Gas customer groups
Domestic	**Domestic**
I&C (for closed accounts only)	**I&C (for closed accounts only)**

Publication of information

We are currently in the initial investigation and collection period for information on account balances and therefore we have not published any of this information to date. However depending on our analysis of the data submitted to date in response to our investigation we may decide to publish information on account balances before the completion of REMM. We may also decide to continue publishing information on account balances on a regular basis in the future.

5.11 Indicator group – Retail margins

Retail energy **margins** can be an indicator that sheds some light on the state of competition in the energy markets, when considered in conjunction with other indicators such as market shares and levels of customer switching. Information on retail margins will help enable us to:

- Improve our understanding of how retail energy businesses operate and what pricing strategies are employed to respond to changes in the markets;
- Understand whether or not profit levels are acting as a signal to encourage new entrants to the retail energy markets;
- Identify if there is significant cross-subsidisation between customer groups; and
- Identify if there are restrictions to competition or anti-competitive behaviours in the markets.

We are aware that suppliers provide financial information to us in the regulatory accounts on an annual basis. However, we do not think that the information provided in these accounts is detailed enough for the purposes of monitoring the retail energy markets.

Collection of information on retail margins was discussed at length in the bilateral meetings and was the area of greatest concern for suppliers. We accept the need for careful handling of retail margin information, and understand that there are a number of issues to be considered in the collection and interpretation of information on retail margins. We think the most value can be obtained by looking at the margin indicators as they trend over time, between consumer groups, and across suppliers. Collecting this information will enable us to monitor margin levels over time which will give us a better insight to market issues, if they arise.

Allocation of costs and revenue

Suppliers undertake a number of different strategies when purchasing energy. Many suppliers have raised concerns about how they would be expected to allocate their costs and then deduct those costs from revenues in order for margins to be estimated for a particular consumer group. In the bi-lateral meetings with suppliers we proposed a detailed level of disaggregation into customer groups involving a split by each tariff type. Concerns were raised by suppliers over the consistency of allocation of costs across different suppliers, with some suppliers stating that the allocation of costs at the proposed detailed level of customer group disaggregation would be impossible to

determine accurately. Following the feedback from the bi-lateral meetings we decided to reduce the level of customer groups as set out later in this section.

It was proposed at the bilateral meetings that UR should provide a methodology for how we expect suppliers to allocate their revenue and costs into the customer groups. We consider that a clear set of assumptions on revenue and cost allocations is required. This will ensure that the margin information determined provides a "common-best-estimate" across time and between suppliers. We understand that any methodology for the allocation of revenue and costs will involve a number of assumptions. The provision of a standard methodology should provide assurance that all suppliers are providing data based on the same assumptions and that any margin of error will be the same for all suppliers. The revenue and cost allocation methodology is included below in Annex 3.

UR interpretation of margin information

Interpretation of margin information was another issue that caused concern for suppliers at the bilateral meetings held. It is not our intention to focus on any particular supplier margins, or suggest that margins should be at a particular level. We understand that retail margins can be set at different levels for different customer groups and across suppliers depending on a variety of reasons and market-place strategies. Suppliers set their own strategies for product pricing and, for example, can choose to sacrifice margins in the short term to introduce new products or gain extra market share. Alternatively suppliers may be innovative and drive efficiencies in their businesses which result in profits that are higher than predicted. For these reasons suppliers' margins for different customer groups will vary and in some categories there may be more variance than in others.

Margin information will not be reviewed in isolation. We will use the information provided for this indicator alongside other information, such as diversity of tariffs and final prices, to monitor the operation of the retail energy markets. If we believe there to be an issue with any supplier or the market as a whole we will approach the necessary supplier(s) in the first instance in order to discuss any concerns we have.

Publication concerns

There has been great interest in the subject of retail margins for energy supply companies in recent months, particularly in GB. As mentioned in Chapter 2 there has been intense media, political and public focus on the operation of energy suppliers. Much of this interest has concentrated on increasing customers' bills and perceived levels of suppliers' profits. During the bilateral meetings suppliers highlighted their reluctance towards the publication of any information on margins. In particular their concerns related to:

- Publication of information that is potentially commercially sensitive;
- Public interpretation and potential misinterpretation of margin information;
- Competitors gaining information on commercial strategies; and
- Public pressure on Government and UR to reduce margins regardless of the level reported.

At this point we have no plans to publish information on supplier margins. However, we plan to revisit this decision in phase 2 of REMM.

ISEM issues in the future

We wish to note here that the new Integrated Single Electricity Market (ISEM) will likely change the way that Suppliers in NI interact and buy their energy requirements in the new marketplace. We will keep this issue in mind as we move forward with REMM and consider if the new market processes require any changes to our margin calculations or cost allocations.

5.11.1 Retail margins

Description of indicator

Following the bilateral discussions about retail margins we commissioned Cornwall Energy to develop a detailed methodology and set of calculations to calculate the net margins of NI energy suppliers in different customer groups. The methodology, which is

included in Annex 3, determines a consistent basis on which suppliers should categorise their customers into groups, calculate their revenues and costs and allocate these to each group and use these components to calculate a net margin for each customer group.

The data provided by suppliers will provide factual evidence regarding the retail net margins achieved in defined customer groups of each of the gas and electricity suppliers in NI. The information submitted by suppliers in the form agreed will take a broad level view of the components that go into making up the end price. Billing and accounting information will provide the bulk of the data and companies will be expected to reconcile this information against that reported in their annual regulatory accounts.

The specific margin calculation for each customer group will be will be:

$$M = R - C$$

$$C = (NC + PC + WC + SC)$$

M = Margin

R = Revenue

C= Costs

NC = Network Costs

PC = Policy Costs

WC = Wholesale Costs

SC = Supply Operating Costs

We acknowledge that the cost allocation methodologies used will lead to an approximate margin for each customer group, rather than an actual margin figure. However, we consider that these calculations will provide a meaningful margin figure which will be useful for establishing trends across time and comparison between suppliers and between markets. It is important to note however, that this may lead to a

different stated margin for the price-regulated suppliers[14] than their allowed margin within their price control. We monitor carefully the regulated margin to ensure that the margin remains within the allowed limits of the price control.

The full details regarding how the components in the calculation above should be individually calculated and allocated to each of the defined customer groups is set out in Annex 3.

Purpose of indicator

The purpose of this indicator is for suppliers to report consistently on their revenue, costs and margins from serving different groups of customers to the UR. This in turn will allow the UR to monitor retail margins across different customer groups to evaluate the dynamics of the market and assess the potential the market has for new entry or supplier exit, help assess if there is market power being exerted in certain segments of the market and determine if there is customer detriment in any particular parts of the market. The list of uses is not exhaustive and other market factors may become apparent as the UR analyses retail margins.

The results should provide useful comparators of trends in supplier margins over time. Collection of margin information will also help fulfil the UR duties under IME3 to monitor the competitive retail market and continuously assess the health of competition. Margins earned by market participants in any industry, when taken together with other indicators like market entry and exit and numbers of participants, are a very strong indicator of the dynamics of that market. It is essential that the UR is aware of the profits being earned in different sectors of the energy market so it can monitor changes that may occur over time and identify areas of concern.

Collection and current reporting of indicator

We do not currently collect information on this indicator. It is proposed that the margin information will be collected on a quarterly basis for each customer group. We will expect the information provided to be reconciled to management accounts on a

[14] Price-regulated suppliers include: Power NI Energy Limited, SSE Airtricity Gas Supply (NI) Limited and firmus energy (Supply) Limited

quarterly basis. The UR can then collate each quarter's information to ascertain a yearly rolling net margin position in each quarter. This will show how margins trends change over time in each of the customer groups.

In addition we propose to collect an annual return for margin information whereby the quarterly reported supply margins should be reconciled to the supply margins published in the regulatory accounts at the end of the accounting period.

Disaggregation of customer groups

It is important that the information allows the UR to assess the margins being earned by suppliers within different customers groups. An overall net margin at total business level is useful but does not allow for a proper analysis of the market. Different segments of the market have very different characteristics e.g. number of active suppliers, cost to serve, number of customers, customer acquisition costs and these factors can lead to different customer groups receiving very different outcomes in a competitive market.

We propose to collect information on margins for domestic and I&C customers, with an additional split for the main customer types within the domestic and I&C groups. Margin information reported to this level will allow the UR to ascertain if a certain customer group or certain segment of the market is experiencing a unique scenario or outcome. This in turn can be investigated to understand if it is a normal outcome of the competitive process or if it is a situation that may require further attention. The disaggregation of customer groups is shown below.

Electricity customer groups

Domestic
- standard evergreen tariff
- non standard evergreen tariff

I&C
- < 20 MWh
- 20 – 49 MWh
- ≥ 50 MWh

Gas customer groups

Domestic
- standard evergreen tariff
- non standard evergreen tariff

I&C
- <73,200 kWh
- 73,200 – 731,999 kWh
- 732,000 – 2,195,999 kWh
- ≥ 2,196,000 kWh

Annex 3 outlines in more detail how suppliers should categorise each customer into a specific customer group.

Publication of information

We do not have any current plans to publish information on this indicator. We intend to collect and review the information internally in the first instance. We plan to review our position in relation to publishing margin information during phase two of REMM.

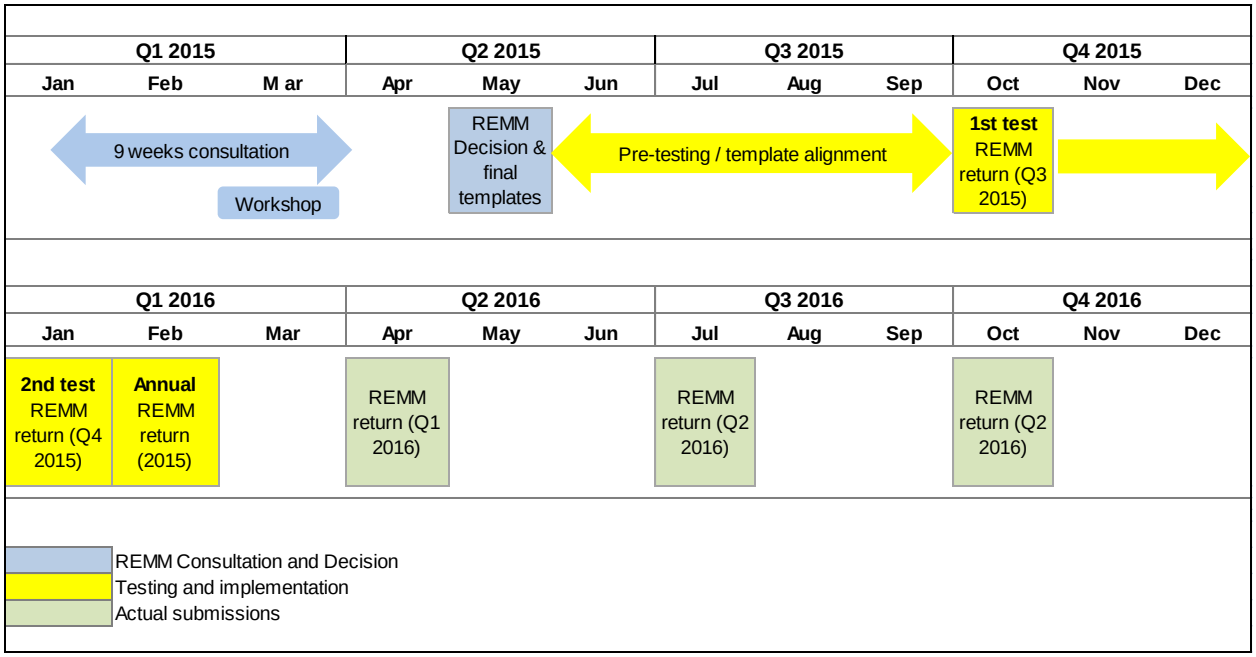
6. Next steps

6.1 Timeline 2015/2016

Figure 1 details the timeline for REMM phase 1 up until the end of 2016. At this stage we plan to begin to scope and research REMM Stage 2 in the third quarter of 2015, and publish a consultation paper in the first quarter of 2016.

There will also be a period of parallel working with the current monitoring regime to enable the completion and publication of the QTRs. Therefore, please note that all monitoring information that is currently submitted on a quarterly basis must continue to be submitted until the REMM testing period is complete.

Figure 1 REMM timeline 2015/2016



We intend to hold a workshop for all interested stakeholders to discuss the consultation paper and draft templates. This workshop is planned for Thursday 5th March. Further details will be included in your invitation. At this stage we envisage that we will have a general session on the proposed REMM indicators at the workshop, with specific time

set aside to discuss retail margin methodology in more detail. Stakeholders will be invited to attend one or two sessions.

When the consultation period has closed we will consider all responses in order to inform the development of our final REMM indicators and accompanying decision paper. We aim to publish the decision paper, with the finalised templates, by the end of May 2015.

Following publication of the finalised templates, for the period of June 2015 onwards there is a “pre-testing / template alignment” phase. This will allow suppliers and network companies a period to review the final templates and ascertain if there are any changes needed internally to provide the data required, for example any system or process changes.

As can be seen from the timeline, there will then be two opportunities for suppliers and network companies to test their data submissions with the UR. The first test will be for Q3 2015 information and should be submitted to the UR by the end of November 2015. The second test opportunity is for Q4 2015 information and includes the annual information for 2015, and should be submitted to the UR by the end of March 2016. Please note that the timeframe for submitting test data is longer than will be given to submit data for normal REMM submissions. We will work with the regulated companies during the test period on the accuracy of the data submissions, and aim to agree finalised data for these test periods. Please note that once the test data is validated, we do not intend to publish the data in the new REMM format as the current monitoring (with the current publications) will work in parallel to ensure external reporting is updated.

We strongly recommend that regulated companies complete test data for the two periods. However, we understand that there may be particular indicators that companies will not be ready to test in time for the first testing opportunity. If this is the case, we require a written submission which must include detail of the indicators that will not be incorporated in the first test, alongside an explanation as to why these have been omitted, and assurance that they will be tested in the subsequent testing period.

The testing period has been factored into the REMM timetable to allow suppliers and network companies, and the UR, time to ensure that they have the systems and processes in place to submit the necessary data, accurately and on time, and meet all of the REMM reporting obligations. We strongly advise that regulated companies avail of this testing period to assess the validity and completeness of their submissions. There will be no opportunity to resubmit data after the testing period.

The first actual submission is due to the UR by the end of April 2016 for Q1 of 2016, and will be subsequently published by the UR in the form of an enhanced QTR.

If required following publication of the decision paper and finalised templates, we can also organise a further workshop with stakeholders to discuss the requirements for the implementation of REMM and the testing period.

6.2 Retail Margin Reconciliation

As discussed in section 5.11 there will also be a requirement for suppliers to perform an annual retail margin reconciliation to their finalised regulatory accounts. The timing of this will depend on the accounting period for the regulated accounts, however this must be submitted to the UR within two months of finalising the regulated accounts. This reconciliation must include an analysis and explanation for all reconciling items between the two margin figures (a) the summation of the four REMM quarterly margin submissions and (b) the margin information per the regulated accounts. The first one of these reconciliations will be due for the regulated accounts that are finalised in relation to the calendar year 2015.

6.3 Stakeholder responses

We invite all stakeholders to respond to this consultation and welcome your comments on our proposals (see section 1.3 on how to respond). In this regard we welcome specific feedback in the following areas:

- Impacts on equality (section 1.4)
- Data submission process (section 4.3);
- Statement of Definitions (Annex 1);
- Proposed REMM indicators (chapter 5); and
- Draft templates (published alongside the consultation paper).

We appreciate the engagement from suppliers and network companies involved in providing the information that we currently use to monitor the market. As we begin to build upon this data collection to form an enhanced monitoring regime, it is important that we continue to work together to ensure that the REMM objectives are fulfilled.

Annex 1 – Statement of Definitions

	Electricity	Gas
Annual Quantity (AQ)	N/A	As defined within Section F.3 of the PNGL and feDL Distribution Network Codes
Chosen Supplier	N/A	As defined in the PNGL Memorandum of Understanding – New Connection Process for I&C customers
Commissioning Supplier	N/A	As defined in the PNGL Memorandum of Understanding – New Domestic Connection Process
Completed Switch	Means the completion of a Change of Supplier process (as documented in MP NI 1). The New Supplier receives a 105 market message and the Old Supplier receives a 105L market message	As defined in Section L.6 of the PNGL and feDL Distribution Network Codes, a completed switch is where a "SMP Confirmation" becomes effective
Customer	As defined in condition 1 of the electricity supply licence	As per the definition of "consumer" within condition 1.1 of the gas supply licence
Customer Care Register	Means the register that suppliers are required to establish and maintain under condition 31 of the electricity supply licence	Means the register that suppliers are required to establish and maintain under condition 2.11.5 of the gas supply licence
Debt	As defined in MP NI 115	As defined in the Retailer Code of Practice for Dealing with Customers in Debt wishing to Switch Supplier within the SMP Agreement

Debt balance	N/A	As per the definition of "outstanding balance" in the Retailer Code of Practice for Dealing with Quantum Customers wishing to Switch Supplier within the SMP Agreement
Debt Contact Notification (DCN)	As defined in MP NI 115	As defined in the Retailer Code of Practice for Dealing with Customers in Debt wishing to Switch Supplier contained within the Supply Meter Point Agreement
Default supplier	As defined in the Schedule 1 of the Market Registration Code	As defined in the PNGL Memorandum of Understanding – New Connection Process for I&C customers
Disconnection	Referred to as "de-energise" in Market Registration Code – as defined in MP NI 39	As per the definition of "isolation" within Section L.11 of the PNGL and feDL Distribution Network Codes
Distribution Network Code	N/A	Means the respective documents prepared by PNGL and feDL and approved by UR in accordance with condition 2.5 in the PNGL conveyance licence and condition 2.4 in the feDL conveyance licence. Condition 2.3 in the gas supply licence requires suppliers to comply with the provisions in the Distribution Network Code
Domestic customer	As defined in condition 1 of the electricity supply licence	As per the definition of "domestic consumer" within condition 1.1 of the gas supply licence

Erroneous Transfer	This occurs when a customer has switched to a new energy supplier without consent and without a valid contract being in place. This can happen due to a genuine mistake (for example meter mix up or mix up about a property's address or inaccurate customer information)	As defined in the Procedure for Resolution of Erroneous Transfers in the Northern Ireland Gas Market within the Supply Meter Point Agreement
Final price	This is the tariff charged to a consumer (and is recorded inclusive or exclusive of VAT)	This is the tariff charged to a consumer (and is recorded inclusive or exclusive of VAT)
Greater Belfast Area	N/A	As defined in Schedule 1 of the PNGL conveyance licence
Incumbent Supplier	Means the former monopoly supplier (NIE Energy Limited – Power NI)	Means the former monopoly supplier (i.e. SSE Airtricity Gas Supply (NI) Limited in the Greater Belfast Area and firmus energy (Supply) Limited in the Ten Towns Area
Industrial & Commercial (I&C) Customer	Defined as "non-domestic customer" in condition 1 of the electricity supply licence	Means any "consumer" that is not a "domestic consumer" as defined within condition 1.1 of the gas supply licence
Libra Prepayment Meter	N/A	As defined in the Retailer Code of Practice for Dealing with Libra Pay As You Go Customers wishing to Switch Supplier
Margins	As defined in the Margin Formula set out in Section 1 of Annex 3 – Retail margins methodology. The elements which make up the margin formula are further defined in this technical annex	As defined in the Margin Formula set out in Section 1 of Annex 3 – Retail margins methodology. The elements which make up the margin formula are further defined in this technical annex

Market Registration Code (MRC)	The Market Registration Code means the code of that title approved by the UR pursuant to condition 29 of the NIE distribution licence. This code provides terms for licensed suppliers and NIE to operate in the market and fulfil their obligations under their respective licences	N/A
Meter Point	As defined in the Market Registration Code: (a) (for supplies other than unmetered supplies) the point where all or part of a supply or electricity from the NIE System to the premises of a Customer is metered by Metering Equipment; and (b) (for unmetered supplies) means the notional point at which the supply to one or more physical connections which have been grouped together for the purposes of registration, is quantified	Refer to definition of Supply Meter Point below

Minimum consumption charge (gas)	N/A	Some suppliers may apply a charge to customers who consume less than the minimum consumption level. This means that for customers using less than the minimum consumption level worth of gas, their bill will be rounded up to a certain value. This must be clearly stated in the supplier's terms and conditions. The minimum consumption charge is often applied to cover the fixed costs associated with providing energy supply, for example meter reading, maintenance and the cost of keeping customers connected to the network
New connection	Where the property had not previously been connected to the network	As per the definition of: • "new connection" in the PNGL Memorandum of Understanding – New Connection Process for I&C customers • "new domestic connection" in the PNGL Memorandum of Understanding - New Domestic Connection Process
New supplier	As defined in MP NI 115	As per the definition of "Proposing User" within the PNGL and feDL Distribution Network Codes
Notional Meter Read	N/A	As defined in Section M.3 of the PNGL and feDL Distribution Network Codes

Objection	When an existing supplier objects to an application by a New supplier (by sending a 012 market message) and this is validated and processed as an objection in accordance with MP NI 3	Means an objection raised by a supplier in response to a SMP Confirmation as defined in Section L.6 of the PNGL and feDL Distribution Network Codes and in accordance with the SMP Objection Code for Domestic Consumers and the SMP Objection Code for Non-Domestic Consumers within the SMP Agreement
Old supplier	As defined in MP NI 39	As per the definition of 'withdrawing user' within the PNGL and feDL Distribution Network Codes
Permanent disconnection	N/A	As per the definition of "Permanent Isolation" within the PNGL Revenue Protection Procedure
Preferred Supplier	N/A	As defined in the PNGL Memorandum of Understanding – New Domestic Connection Process
Prepayment meter	This type of meter is operated by the use of cards which are used to pay for the energy in advance. In electricity these are referred to as keypad meters	This type of meter is operated by the use of cards which are used to pay for the energy in advance. In gas these are referred to as Quantum prepayment meters and Libra prepayment meters
Quantum Customer	N/A	As defined in the Retailer Code of Practice for Dealing with Quantum Customers wishing to Switch Supplier within the SMP Agreement

Quantum Prepayment Meter	N/A	As defined in the Retailer Code of Practice for Dealing with Quantum Customers wishing to Switch Supplier within the SMP Agreement
Reconnection	Referred to as “re-energise” in Market Registration Code – as defined in MP NI 39	Means where a supply meter point is reinstated to the gas network following an isolation, as set out in the PNGL and feDL Distribution Network Codes
Rejection	When the network company cancels a switch, as the switch request is not complete or fails validation. As per MP NI 1, a 102R market message is sent to the New Supplier	Means a rejection raised by the network company in response to a SMP Confirmation as defined in Section L.6 of the PNGL and feDL Distribution Network Codes
Renegotiated contract	This relates to a customer who makes an active decision with their current supplier to sign up to a new contract with their supplier. Specific examples are given in section 5.5.1 of the paper	This relates to a customer who makes an active decision with their current supplier to sign up to a new contract with their supplier. Specific examples are given in section 5.5.1 of the paper
Security deposit	As defined in Condition 1 of the electricity supply licence	As defined in condition 1.1 of the gas supply licence
Standing charge	Standing charges may be charged by energy suppliers (often on a daily basis) for the fixed costs associated with providing energy supply, for example meter reading, maintenance and the cost of keeping customers connected to the network	Standing charges may be charged by energy suppliers (often on a daily basis) for the fixed costs associated with providing energy supply, for example meter reading, maintenance and the cost of keeping customers connected to the network

Supply meter point	Refer to definition of Meter Point above	As per definition of "Supply Meter Point" within Section A.2 of the PNGL and feDL Distribution Network Codes
Supply Meter Point Agreement	N/A	Means the agreement made between gas suppliers as required under condition 2.26 of the gas supply licence and entitled the Supply Meter Point Agreement for the Greater Belfast Licensed Area and the Ten Towns Licensed Area
Switch request	Where a supplier (New supplier) wishes to register a Meter Point that is currently registered to another Supplier (Old Supplier). The New Supplier sends a change of supplier registration request to the network company (010 market message) as per MP NI 1.	Where a supplier (New supplier) wishes to register a Supply Meter Point that is currently registered to another Supplier (Old Supplier). The New Supplier sends a “Supply Meter Point Confirmation” to the network company as defined in Section L,6 of the PNGL and feDL Distribution Network Codes
Ten Towns Area	N/A	As defined in Schedule 1 of the firmus energy (Distribution) Limited conveyance licence
Termination fee	Also referred to as an exit fee, as detailed in customer terms and conditions, this is the amount of money that must be paid by a customer if they choose to abort the contract with their supplier, before the contract is due to expire	Also referred to as an exit fee, as detailed in customer terms and conditions, this is the amount of money that must be paid by a customer if they choose to abort the contract with their supplier, before the contract is due to expire

Annex 2 – Licence compliance submissions

Statement of Licence Compliance for electricity suppliers

Electricity condition	Title	Compliance status C = Compliant N = Non-compliant N/A	Comments (if necessary)
1	Interpretation and Construction		
2	Separate Accounts for Separate Businesses		
3	Compliance with the Grid Code and Distribution Code		
4	The Market Registration Framework Agreement		
5	Modification of the Single Electricity Market Trading and Settlement Code and Cancellation of contracts		
6	Security Arrangements		
7	Compulsory Acquisition of Land		
8	Powers to Carry out Road Works etc		
9	Health and Safety of Employees		
10	Provision of Information to the Authority		
11	Payment of Fees		
12	Prohibition of Cross-Subsidies		
13	Not Used		
14	Prohibition of Discrimination in Supply		
15	Duration of Discrimination Conditions		
16	Duty to offer Terms for Meter Provision		
17	Procedures for the Detection and Prevention of Theft, Damage and Meter Interference		
18	Licensee's Apparatus on Customers' Side of Meter		
19	Provision of Information to Transmission System Operator and Market Operator		
20	Single Electricity Market Trading and Settlement Code		
21	The PSO Agreement		
22	Supplier of Last Resort		
23	Claims for Last Resort Supply Payments		
24	Standards of Performance (applicable to suppliers of domestic customers only)		
25	Classification of Premises		

26	Duty of offer terms		
27	Terms and conditions of electricity supply contracts		
27A	Security deposits		
28	Deemed contracts		
29	Approval of the Authority to the licensee's arrangements		
30	Code of Practice payment of bills (applicable to suppliers of domestic customers only)		
31	Code of Practice provision of services pensionable age or disabled or chronically sick (applicable to suppliers of domestic customers only)		
32	Code of Practice efficient use of electricity		
33	Code of Practice Complaints Handling Procedure		
34	Code of Practice on services for prepayment meter customers (applicable to suppliers of domestic customers only)		
35	Preparation, revision of and compliance with Codes of Practice		
35A	Customer protection: modification of conditions		
36	Report on performance		
37	Relations with the General Consumer Council		
38	Provision of information to customers		
39	Security and safety of supplies		
40	Marketing of electricity		
41	Fuel mix disclosure		
42	Wholesale contracts and electricity derivatives		
43	Facilitating supplier transfers		
44	Provision of information to electricity suppliers		
45	Business separation		

Supplementary information to licence compliance for electricity suppliers

Indicator or Licence condition	Market segment	Evidence	To be completed:
Annual REMM assurance letter	Supply business	Completed Statement of Licence Compliance	**Insert attachment of the REMM assurance letter**
Separate accounts for separate businesses: P&L Condition 2 (4)	Supply business	Date of submission of Interim P&L statements to the UR	**Insert date of submission to the UR**
Separate accounts for separate businesses: auditor report Condition 2 (4)	Supply business	Regulatory accounts and auditor's report to the UR	**Insert date of submission to the UR**
Payment of fees Condition 11	Supply business	Fees paid pursuant to licence condition	**Insert date of payment**
Terms and Conditions Condition 27 (4) (d)	Domestic	If there have been any changes during the year to the Terms and Conditions of the contract with a domestic customer (terms include any tariff change), submit copy of supporting information highlighting relevant changes (i.e. copy of the customers Ts&Cs highlighting the changes, and a copy of anonymised letter to customer notifying the change(s)).	Has there been a change to the Ts&Cs of a contract with a domestic customer (including any tariff changes)? **Yes/No** **If the answer is Yes please submit evidence as requested**
Terms and Conditions Condition 27 (5)	Domestic	Up to date copy of each set of standard Ts&Cs published and accessible from the Licensee website	**Insert weblink to each set of standard T&Cs on website**
Terms and Conditions Condition 27 (7)	Domestic	Each set of standard determined Ts&Cs for domestic customers shall be fair and shall include the requirements as specified in the licence condition: copy of each set of standard Ts&Cs, highlighting compliance with each of these minimum requirements	**Please submit evidence for each set of standard T&Cs**

Terms and Conditions Condition 27 (8)	Domestic	Pursuant to the licence a domestic customer has the right to withdraw from and cancel a contract within ten working days of entering into the contract	**Insert number of customers (meter points) that have not been given the ten day cooling off period**
Terms and Conditions Condition 27 (12) (b)	Domestic	Domestic customers on a fixed term contract should be notified of the expiry date of the contract as per licence condition, submit a copy of supporting information highlighting compliance with this licence condition (ie copy of anonymised letter to customer notifying them of the expiry date and unit rates etc)	Do you have domestic customers on a fixed term contract? **Yes/No** **If the answer is Yes please submit evidence as requested**
Deemed Contracts Condition 28	Domestic and I&C	The licensee must make a scheme for determining the Ts&Cs of their deemed contracts in accordance with the requirements set out in this licence condition. The scheme must be published on the licensee's website as required under the Energy Act (Northern Ireland) 2011.	**Insert weblink to where the scheme(s) are published on your website**
			Insert number of customers that are on a deemed contract (as at 31 December)

Statement of Licence Compliance for gas suppliers

Gas Condition	Condition Title	Compliance status C = compliant N = non-compliant N/A	Comments (if necessary)
1.1	Interpretation and Construction		
1.2	Separate Accounts for Separate Businesses		
1.3	Provision of Information to the Authority		
1.4	Consultation with the General Consumer Council		
1.5	Powers of Entry		
1.6	Authorisation of Persons		
1.7	Exercise of Powers of Entry		
1.8	Modifications		
1.9	Assignment of Licences		
1.1	Transfer of Business		
1.11	Payment of Fees to the Authority		
1.12	Notices		
2.1	Deemed Contracts		
2.2	Security and Continuity of Supply		
2.3	Use of the Network		
2.4	Charges for Gas and Other Terms for the Supply of Gas		
2.5	Undue Discrimination and Undue Preference		
2.6	Facilitating Supplier Transfers		
2.7	Supply and Inspection of Meters		
2.8	Code of Practice on Complaints Handling Procedure		
2.9	Code of Practice on Services for Prepayment Meter Consumers (applicable to suppliers of domestic customers only)		
2.1	Code of Practice on the efficient use of gas		
2.11	Code of Practice on Provision of Services for persons who are of Pensionable Age or Disabled or Chronically Sick (applicable to suppliers of domestic customers only)		
2.12	Code of Practice on payment of bills (applicable to suppliers of domestic customers only)		
2.13	Preparation, Revision Of and Compliance with Codes of Practice		
2.14	Emergencies		

2.15	Standards of Performance (applicable to suppliers of domestic customers only)		
2.16	Provision of Information Requested by Other licence or Exemption Holders		
2.17	Maintenance of Records		
2.18	Terms and Conditions of Gas Supply Contracts		
2.19	Provision of Information to Consumers		
2.2	Approval of the Authority to the Licensee's Arrangements		
2.21	Marketing of Gas		
2.22	Security Deposits		
2.22A	Consumer Protection: Modification of Conditions		
2.23	Report on Performance		
2.24	Safety of Supplies		
2.25	Reading, Inspection and Testing of Meters		
2.26	The Supply Meter Point Agreement		
2.27	Wholesale Contracts and Gas Derivatives		
2.28	Provision of Information to gas suppliers		
2.29	Business Separation		
3A.1	Interpretation And Construction		
3A.2	General Conditions Applicable To The Licence Holder In Relation To Postalisation Charges		
3A.3	Credit Committee		
4.1	Disposal of relevant assets		
4.2	Restriction on Use of Certain Information		

Supplementary information to licence compliance for gas suppliers

Indicator or Licence condition	Market segment	Evidence	To be completed:
Annual REMM assurance letter	Supply business	Completed Statement of Licence Compliance	**Insert attachment to REMM assurance letter**
Separate accounts for separate businesses Condition 1.2(7)	Supply business	Regulatory accounts and auditor's report to the UR	**Insert date of submission to UR**
Payment of fees Condition 1.11	Supply business	Fees paid pursuant to licence condition	**Insert date of payment**
Deemed Contracts Condition 2.1	Domestic and I&C	The licensee must make a scheme for determining the Terms and Conditions (Ts&Cs) of their deemed contracts in accordance with the requirements set out in this licence condition. The scheme must be published on the licensee's website as required under the Energy Act (Northern Ireland) 2011.	**Insert weblink to where the scheme(s) are published on your website** **Insert number of customers that are on a deemed contract (as at 31 December)**
Standards of Performance Condition 2.15	Domestic	The licensee must complete a Standards of Performance report (for each active licence held) and submit to UR and the Consumer Council and make the report public. Note that the standard format for the report has been determined by UR in accordance with paragraph 4 of this condition and is available within the templates	**Insert weblink to where the report has been published on your website**
Terms and Conditions condition 2.18(5)	Domestic	Up to date copy of each set of standard Ts&Cs published are accessible from the Licensee's website	**Insert link to each set of standard Ts&Cs on website**

Terms and Conditions Condition 2.18(7)	Domestic	Each set of standard determined Ts&Cs for domestic customers shall be fair and shall include the requirements as specified in the licence condition: copy of each set of standard Ts&Cs, highlighting compliance with each of these minimum requirements	**Please submit evidence for each set of standard Ts&Cs**
Terms and Conditions condition 2.18(8)	Domestic	Pursuant to the licence a domestic customer has the right to withdraw from and cancel a contract within ten working days of entering into the contract	**Insert number of customers (meter points) that have not been given the ten day cooling off period**
Terms and Conditions Condition 2.18(11)	Domestic	If there have been any changes during the year to the Ts&Cs of the contract with a domestic customer (terms include any tariff change), submit copy of supporting information highlighting relevant changes (i.e. copy of the customers Ts&Cs highlighting the changes, and a copy of anonymised letter to customer notifying the change(s)).	Has there been a change to the Ts&Cs of a contract with a domestic customer (including any tariff changes)? **Yes/No** **If the answer is Yes please submit evidence as requested**
Terms and Conditions condition 2.18(12)(b)	Domestic	Domestic customers on a fixed term contract should be notified of the expiry date of the contract as per licence condition, submit a copy of supporting information highlighting compliance with this licence condition (i.e. copy of anonymised letter to customer notifying them of the expiry date and unit rates etc)	Do you have domestic customers on a fixed term contract? **Yes/No** **If the answer is Yes please submit evidence as requested**
Provision of Information to Consumers Condition 2.19.3	Domestic and I&C	The licensee must use all reasonable endeavours to take an actual meter reading for each consumer on at least an annual basis.	**Insert number of supply meter points where an actual meter reading has not been taken within the last year.**

Reading, Inspection and Testing of Meters Condition 2.25	Domestic and I&C	The licensee must use all reasonable endeavours to ensure that an inspection of the meter and associated installation is completed at each premises at least once every two years. The licence condition details the tasks that must be included in the inspection.	**Insert number of supply meter points where an actual meter reading has not been taken within the calendar year.**

Annex 3 – Retail margins methodology

The following document has been produced by Cornwall Energy and details the methodology to calculate the net margins of NI suppliers in different customer groups.

cornwallenergy

Strategic energy market intelligence

REMM Indicators

Retail Margins - Methodology

Prepared by: Robert Buckley and Anna Moss
Cornwall Energy

cornwallenergy

Strategic energy market intelligence

About Cornwall Energy

Cornwall Energy's team of independent specialists have experience of liberalised energy markets and their regulation since their inception in Great Britain and elsewhere in the late 1980s. We provide consultancy, intelligence and training, and are a trusted and reliable partner whether you are a new entrant or a large, established player.

Specific areas of our expertise include:

- wholesale and retail energy market competition and change;
- regulation and public policy within both electricity and gas markets;
- electricity and gas market design, governance and business processes; and
- market entry.

2 Millennium Plain
Bethel Street
Norwich
NR2 1TF

T +44 (0) 1603 604400
F +44 (0) 1603 568829
E info@cornwallenergy.com
W www.cornwallenergy.com

Disclaimer

While Cornwall Energy considers the information and opinions given in this report and all other documentation are sound, all parties must rely upon their own skill and judgement when making use of it. Cornwall Energy will not assume any liability to anyone for any loss or damage arising out of the provision of this report howsoever caused.

The report makes use of information gathered from a variety of sources in the public domain and from confidential research that has not been subject to independent verification. No representation or warranty is given by Cornwall Energy as to the accuracy or completeness of the information contained in this report.

Cornwall Energy makes no warranties, whether express, implied, or statutory regarding or relating to the contents of this report and specifically disclaims all implied warranties, including, but not limited to, the implied warranties of merchantable quality and fitness for a particular purpose.

Numbers may not add up due to rounding.

1 Margin Overview 4
2 Disaggregation of margin information 4
2.1 Electricity customer group segmentation 5
2.2 Gas customer group segmentation 5
3 Collection of Information 6
4 Information on Cost Drivers 6
5 Energy Sales Revenues 6
5.1 Calculation of electricity and gas revenue 6
5.2 Allocation methodology for electricity revenue 7
5.3 Allocation methodology for gas revenue 7
6 Costs 8
6.1 Network Costs 8
6.1.1 Calculation of electricity network costs 8
6.1.2 Allocation methodology for electricity network costs 9
6.1.3 Calculation of gas network costs 9
6.1.4 Allocation methodology for gas network costs 10
6.2 Policy Costs 10
6.2.1 Calculation of electricity policy costs 10
6.2.2 Allocation methodology for electricity policy costs; 11
6.2.3 Calculation of gas policy costs 11
6.2.4 Allocation methodology for gas policy costs 11
6.3 Wholesale costs 12
6.3.1 Calculation of wholesale costs 12
6.3.2 Allocation of wholesale costs 12
6.3.3 Calculation of electricity wholesale costs 13
6.3.4 Allocation methodology for electricity wholesale costs 14
6.3.5 Calculation of gas wholesale costs 14
6.3.6 Allocation methodology for gas wholesale costs 15
6.4 Supply Operating Costs 15
6.4.1 Calculation of electricity and gas supply operating costs 15
6.4.2 Allocation of electricity and gas supply operating costs 16
7 Retail margins 16
8 Reconciliation 17

1 Margin Overview

This document sets out the methodology for the calculation and allocation of revenue and costs within a supply business so as to calculate a margin figure.

In order to calculate the margin we will work on the basic formula as set out in figure 1 below.

Figure 1: Calculation of Revenue

$$M = R - C$$

$$C = (NC + PC + WC + SC)$$

M = Margin

R = Revenue

C= Costs

NC = Network Costs

PC = Policy Costs

WC = Wholesale Costs

SC = Supply Operating Costs

Each element of this margin formula is set out in more detail later in this paper.

We acknowledge that a number of assumptions will be required in the calculation and allocation of revenue and costs. However, the methodologies to be applied by all suppliers are set out in this paper to ensure consistency between suppliers and over time. This will result in the margin of error being the same for all suppliers.

The calculation and allocation methodologies set out in this paper should be reviewed along with the draft supplier templates for provision of the margin information.

2 Disaggregation of margin information

In deciding on the appropriate level of disaggregation for reporting margin we have taken into consideration:

- the need to produce a meaningful margin figure for trend and comparison purposes; and
- the burden of complexity on suppliers.

We have identified three potential levels of disaggregation.

1. **Basic—**companies simply report their energy sales revenues, costs and volumes from all customers as a single group. This would have the advantages of simplicity and giving a general indicator of retail profitability that could be tracked over time, while not imposing a significant extra burden on the companies. However this methodology would add little relative to current regulatory accounts;
2. **Customer groups**—companies report energy sales revenues and costs segmented by main customer types (at least domestic and I&C but also segmenting within those groups for different sizes of I&C customers and different tariff types for domestic customers); and

3. **Detailed**—companies report energy sales revenues and costs by customer type and also by key groups within the main customer types. This would include segmenting revenue and costs into each individual tariff and/or payment type.

Methodology "Customer groups" is our preferred methodology as it will allow monitoring of the margins in more transparent detail without placing substantial additional burden on suppliers in reporting the margins information. We set out below the proposed customer group segmentation for the revenue and cost allocations outlined in Sections 5 and 6.

2.1 Electricity customer group segmentation

The proposed customer group segmentation is:

- domestic meter points on a standard evergreen tariff[1];
- domestic meter points on a non standard evergreen tariff;
- I&C meter points with annual consumption below 20MWh;
- I&C meter points with annual consumption between 20MWh and 50MWh; and
- I&C meter points with annual consumption above 50MWh.

To ensure consistency for reporting, I&C meter points should be categorised into the customer groups based on their previous 12 months consumption ending in the reporting period. Where the actual consumption is not available (no meter reading in the reporting period) the supplier's estimated consumption used for customer billing, or the Usage Factor may be used. For new connections the customer's forecast annual consumption should be used until an actual annual consumption can be extrapolated from validated meter readings.

2.2 Gas customer group segmentation

The proposed customer group segmentation for gas is:

- domestic supply meter points on a standard evergreen tariff[1];
- domestic supply meter points on a non standard evergreen tariff;
- I&C supply meter points with annual consumption below 73,200 kWh;
- I&C supply meter points with annual consumption between 73,200 and < 732,000 kWh;
- I&C supply meter points with annual consumption between 732,000 and < 2,196,000 kWh; and
- I&C supply meter points with annual consumption above 2,196,000 kWh.[2]

To ensure consistency for reporting, I&C supply meter points should be categorised into the customer groups based on the Annual Quantity (AQ) of each supply meter point (for example an I&C supply meter point with an AQ of 700,000 kWh would be categorised in the 'I&C customers with annual consumption > 73,200 and < 732,000 kWh' customer group.

[1] For the avoidance of doubt domestic standard evergreen tariffs are a requirement under condition 2.18 of the gas supply licence and condition 27 of the electricity supply licence

[2] Save for the domestic tariff split, this segmentation also mirrors that for distribution charges. See http://www.phoenixnaturalgas.com/fs/doc/PNGL%20Conveyance%20Charge%20Statement%20Jan%20to%20Dec%2015.pdf and http://www.firmusenergy.co.uk/downloads/firmus-energy-Conveyance-Charge-Statement-2015-Final.pdf

3 Collection of Information

We propose collecting the margin information on a quarterly basis, reported by quarter and by season in order to establish a trend of margin over time. We will expect the information provided to be reconciled to management accounts on a quarterly basis. We will use the quarterly information to produce a rolling 12 month set of statistics.

In addition we propose to collect an annual return for margin information whereby the quarterly reported supply margins should be reconciled to the supply margins published in the regulatory accounts at the end of the accounting period. This is explained further in Section 8 of this paper.

4 Information on Cost Drivers

In order to calculate the retail margins suppliers will be required to provide information on energy sales revenues and costs as set out in detail in Sections 5 and 6 of this paper.

In addition to the information on revenues and costs suppliers will be required to provide information on the following cost drivers:

- number of supply meter points at the end of the reporting period; and
- energy volume during the reporting period. The energy volume will be calculated as the billed volume during the period plus an estimate of the unbilled volume during the period.

The number of supply meter points and the energy volume will be split into the required customer groups using the methodologies for electricity and gas set out in Section 2.

5 Energy Sales Revenues

In this Section we examine revenue and set out a methodology for how the revenue should be calculated and allocated into the proposed customer groups set out in Section 2. For clarity the revenues reported must only relate to energy sales. Revenue from other items (e.g. payments received from customers for siteworks charges) must be excluded.

The methodologies for calculating revenue for electricity and gas are inherently the same; the difference is in the allocation of the revenue into the proposed customer groups. Therefore we have set out a single calculation methodology for gas and electricity but we have provided separate methodologies for electricity and gas for the allocation of revenue.

The three options considered were:

5.1 Calculation of electricity and gas revenue

In this Section the methodology for the calculation of energy sales revenue is the same for electricity and gas.

Energy sales revenue information can be derived from:

1. **suppliers' billing systems -** Information from billing systems should be easy to extract in aggregate and potentially also by the proposed customer groups. This information should not include unbilled volumes and shoulds not account for bad debts;
2. **accounting information –** Providing it reflects electricity and gas sales activity only, accounting information has the advantage of being externally audited and can also encompass measures of profit and taxation. However, it is unlikely to be available in the same level of detail as that from billing

systems, so assumptions would need to be made in allocating revenues to different customer groups; and

3. **assumptions about sales volumes and unit costs -** Revenue could also be estimated by applying assumptions on the volumes for different customer groups to the main parameters of the tariffs for each customer group. This would be most appropriate where a company has a large number of customers that are supplied on published flat tariff rates. This technique may be more useful in assigning revenues to different customer groups in circumstances where it is difficult for suppliers to access actual information on spend by customer group.

We propose to use the first option of revenue information from the billing system as we consider it to be the most accurate information available on a quarterly basis. However we consider that an estimate of the revenue for unbilled volumes in line with the estimates made for management accounts should also be included. We propose that the revenue figure will be exclusive of VAT and that the resultant margin will be exclusive of VAT as this reflects the price paid by the customer.

Figure 2: Calculation of Energy Sales Revenue

$$R = BR + UR$$

R = Energy sales revenue

BR = Billed revenue from billing system

UR = Estimate of unbilled revenue as per management accounts

5.2 Allocation methodology for electricity revenue

We propose that billed electricity revenue information from the billing system should be extracted and allocated to the proposed electricity customer groups set out in Section 2.

Unbilled electricity revenue should be estimated for each of the proposed customer groups on the basis of historical usage.

Where the company has separate businesses, they must apportion revenue between those businesses in line with the requirement for separate accounts for separate businesses in licence condition 2 of the electricity supply licence.

5.3 Allocation methodology for gas revenue

We propose that billed gas revenue information from the billing system should be extracted and allocated to the proposed customer groups set out in Section 2.Unbilled gas revenue should be estimated for each of the proposed customer groups on the basis of historical usage.

Where the company has separate businesses, they must apportion revenue between those businesses in line with the basis of apportionment provided to the UR under condition 1.2.5 of the gas supply licence.

6 Costs

The following sections define what should be included in each cost category and the subsequent suggested methodology for allocating each category of costs. The costs are separated into the following categories:

- network costs;
- policy costs;
- wholesale costs; and
- supply operating costs.

With the exception of supply operating costs a key principle of cost allocation is that where costs can be directly allocated to a customer group they should be. In many cases direct cost allocation will not be possible and allocation methodologies will need to be used. These allocation methodologies are detailed in this paper for each cost category. Where appropriate the calculation and allocation methodology proposed is the same for electricity and gas, albeit adapted for different industry charging structures. Where there are differences these are clearly identified.

Where the company has separate businesses, they must apportion costs between those businesses in line with the requirement for separate accounts for separate businesses in licence condition 2 of the electricity supply licence and the basis of apportionment provided to the UR under condition 1.2.5 of the gas supply licence.

6.1 Network Costs

The methodologies for allocating network costs for electricity and gas are inherently the same; the difference is in the calculation of the costs. To account for these differences in costs we have set out separate methodologies for electricity and gas.

6.1.1 Calculation of electricity network costs

Electricity network costs can be assessed from the billed charges levied on suppliers covering:

- transmission as levied according to the statement of charges published by SONI[3] and the various usage parameters used for charging;
- distribution as levied according to the statement of charges published by NIE[4] and the various usage parameters used for charging; and
- Credit/collateral costs as levied by the transmission and distribution companies.

[3] See for example http://www.soni.ltd.uk/media/documents/Customers/TUOS/Final%20TUoS%20Statement%20of%20Charges%202014-15.pdf

[4] See for example http://www.nie.co.uk/documents/Regulatory-documents/DUoS-Statement-Oct14-Sept15.aspx

Figure 3 provides an overview of the calculation of electricity network costs.

Figure 3: Calculation of electricity network costs

$$NCe = Te + De + \text{Ce}$$

NCe = total electricity network costs for the period

Te = published transmission costs for the period for electricity (including the Collection Agency Income Requirement tariff)

De = published distribution costs for the period for electricity

Ce = credit/collateral costs relating to electricity transmission and distribution

6.1.2 Allocation methodology for electricity network costs

Electricity distribution charges are levied based on metered data, including volume flows, capacity, peak consumption and the number of meters. Suppliers should therefore be able to allocate these charges by the main distribution tariff types to the customer groups set out in Section 2.

Electricity transmission charges are levied in aggregate on a volume and time banded basis that cannot readily be allocated to the customer groups set out in Section 2. We propose that these costs will be allocated using the allocations derived for wholesale electricity according to the methodology set out in Section 6.3.4 below.

Credit/collateral costs for network costs should be allocated on the basis of the resultant allocation of transmission and distribution costs.

6.1.3 Calculation of gas network costs

Gas network costs can be assessed from the billed charges levied on suppliers covering:

- transmission as levied according to the statements of charges published by Premier Transmission Limited[5], BGE (Northern Ireland) NI[6], Phoenix Natural Gas Limited[7], firmus energy (Distribution) Limited[8] and National Grid[9] etc and the various usage parameters used for charging; and
- distribution as levied according to the statements of charges published by Phoenix Natural Gas Limited[10] and firmus energy (Distribution) Limited[11] etc and the various usage parameters used for charging; and
- Credit/collateral costs as levied by the transmission and distribution system operators.

[5] See for example http://www.premier-transmission.com/
[6] See for example http://www.gasnetworks.ie/en-IE/Gas-Industry/Northern-Ireland/Transportation-services/Postalised-Tariffs/
[7] See for example http://www.phoenixnaturalgas.com/fs/doc/Transmission%20Capacity%20Charge%20for%20the%20Greater%20Belfast%20Area%2014%2015.pdf
[8] See for example http://www.firmusenergy.co.uk/media/Postalised-Capacity-Charge-Statement-10-Towns-1st-October-2014-30th-September-2015.pdf
[9] See for example http://www2.nationalgrid.com/WorkArea/DownloadAsset.aspx?id=33019
[10] See for example http://www.phoenixnaturalgas.com/help-and-advice/networks/charges/
[11] See for example http://www.firmusenergy.co.uk/about_us.aspx?dataid=507590

Figure 4 provides an overview of the calculation of gas network costs.

Figure 4 Calculation of gas network costs

$$NCg = Tg + Dg + Cg$$

NCg = total gas network costs for the period

Tg = published transmission costs for the period for gas

Dg = published distribution costs for the period for gas

Cg = credit/collateral costs relating to gas transmission and distribution

6.1.4 Allocation methodology for gas network costs

Gas transmission charges are levied in aggregate on volume flows and capacity bases. We propose that these charges should be allocated on the basis of the volume figures for the period, to the customer groups proposed in Section 2.

Gas distribution charges are levied based on volume flows, capacity and the number of supply meter points in each distribution charging category. As the proposed I&C customer groups set out in Section 2 match the I&C categories on the distribution charging statement, suppliers should be able to allocate these charges directly to the proposed customer groups.

The exception to this will be for distribution charges relating to domestic customers. The charges for domestic customers are split by meter type into credit and prepayment. We propose that the distribution charges for domestic customers should therefore be allocated to the customer groups on the basis of the number of supply meters points on each tariff (i.e. standard evergreen tariff or non standard evergreen).

Credit/collateral costs for network costs should be allocated on the basis of the resultant allocation of transmission and distribution costs.

6.2 Policy Costs

The methodologies for allocating policy costs for electricity and gas are inherently the same; the difference is in the calculation of the costs. Therefore we have set out separate methodologies for electricity and gas.

6.2.1 Calculation of electricity policy costs

The relevant policy costs for electricity are:

- the electricity Public Service Obligation charge as published by NIE[12];
- the costs to the supplier of complying with the UK electricity Renewables Obligation (RO); and
- the costs of complying with the UK Climate Change Levy (CCL) for liable I&C consumption.

[12] See for example http://www.nie.co.uk/documents/PSO-Schedule-of-Charges-Oct14-Sept15.aspx

Figure 5 provides an overview of the calculation of electricity policy costs.

Figure 5: Calculation of electricity policy costs

$$PCe = PSOe + ROe + EROe + CCLe + ECCLe$$

PCe = total electricity policy costs for the period

PSOe = PSO levy costs for the period

ROe = RO levy costs for the period

EROe = Estimated RO levy costs for unbilled volumes

CCLe = CCL costs for the period (liable I&C electricity volume only)

ECCLe = Estimated CCL costs for unbilled volumes (liable I&C electricity volume only)

6.2.2 Allocation methodology for electricity policy costs;

As electricity policy costs are levied based on volumes, suppliers will be able to account for them for allocation to the customer groups set out in Section 2.

6.2.3 Calculation of gas policy costs

The only policy cost for gas is the Climate Change Levy charged on liable I&C gas consumption. This figure will be calculated as the CCL costs charged for the period plus an estimate of the CCL liable to be charged on unbilled volumes.

Figure 6 provides an overview of the calculation of gas policy costs.

Figure 6: Calculation of gas policy costs

$$PCg = CCLg + ECCLg$$

PCg = total gas policy costs for the period

CCLg = Billed CCL costs for the period (liable I&C gas volume only)

ECCLg = Estimated CCL costs for unbilled volumes (liable I&C gas volume only)

6.2.4 Allocation methodology for gas policy costs

As gas policy costs are levied based on volumes, suppliers will be able to extract information from billing systems and allocate these costs to the proposed customer groups set out in Section 2.

Estimated CCL costs for unbilled volumes should be calculated as above for each of the proposed customer groups based on historical usage.

6.3 Wholesale costs

6.3.1 Calculation of wholesale costs

There are different markets for wholesale electricity and wholesale gas and different costs relating to these markets. For this reason we propose below different calculation methodologies for electricity and gas. These methodologies propose a consistent manner for calculating wholesale costs, taking into account the different ways in which energy can be purchased and balanced in the separate markets, i.e. long term contracts, forward purchases, spot purchases, balancing purchases/sales etc.

The market clears each half an hour (for electricity)/ daily (for gas) resulting in different volumes for each period. Not only will the total volumes be different but the volumes consumed by the customer groups set out in Section 2 will be different for each period.

Owing to factors such as network losses, wholesale consumed volumes will exceed those purchased. Suppliers normally account for this by purchasing additional energy and accounting for the costs in the rates they charge customers.

6.3.2 Allocation of wholesale costs

We propose below separate methodologies for the allocation of wholesale electricity and gas costs, however these methodologies are based on a number of principles which are common to both markets and these principles are set out here.

Where suppliers purchase energy for specific customers or groups of customers the supplier should be able to allocate the cost of that energy and the associated volumes directly to the customer groups set out in Section 2. For example, where suppliers source their wholesale energy differently for different types of customer they can report actual purchased volumes and costs by customer group.

It is unlikely that all suppliers will be able to directly allocate their total wholesale volumes and costs exactly into the customer groups set out in Section 2 based on specific purchases for each customer group. Therefore we propose below allocation methodologies to be used for the remaining energy costs that cannot be directly allocated to customer groups. These methodologies should be used consistently by suppliers in order to gain information which will be comparable over time and between suppliers.

We have considered potential methodologies for allocating wholesale volumes and costs by customer group. These options are:

1. **Customer numbers**—on supply during the time period. While this information may be easy to collate, it would tend to overstate the volume and cost of energy used by the more numerous domestic and small I&C customers compared with larger I&C customers;
2. **Metered consumption**—this would more accurately reflect the purchase of energy from the wholesale market, and interval/daily metered data could be used for larger customers to analyse their requirement in aggregate. However for smaller customers the metered data would be over much longer time intervals than the clearing period for the wholesale market; and
3. **Profiled consumption**—this could use the trading profiles and customer numbers to estimate settlement period data for non-interval metered /non daily metered customer groups to be applied alongside interval metered/daily metered data for larger customers.

The volume allocation methodology we prefer is 'profiled consumption'.

For the remaining energy costs that cannot be directly allocated to customer groups suppliers will be required to use actual trading profiles to allocate the wholesale costs to the proposed customer groups within the period. This will have the advantage of reflecting the closest information suppliers have when they are deciding how to purchase their energy.

This allocation methodology will not capture fully actual energy flows. A residual, positive or negative, is likely to arise and this will also need to be factored in to the cost allocations. This should be allocated by volume purchased across those non half hourly customers/customer groups over which this residual volume cost is smeared.

6.3.3 Calculation of electricity wholesale costs

Using aggregated meter and profile data for each half hour adjusted to the trading point for network losses, the following wholesale electricity costs can be assessed. They are all drawn from published data unless stated. They are:

- **contract volume**—payments made and units of energy (MWh) received under the terms of contracts made by the supplier with a counterparty ahead of delivery of the electricity, excluding credit/collateral requirements which are to be separately reported. This information should include all trades save those for SEM energy noted below (i.e. including brokered or bilateral long-term contracts);
- **credit/collateral costs**— any costs incurred posting security or securing letters of credit to allow wholesale trading;
- **contract capacity**—payments made and units of capacity (kW of capacity of electricity) received under the terms of contracts made by the supplier with a counterparty ahead of delivery of the energy;
- **SEM energy**—purchases for "balancing" volumes uncovered by contracts from the Single Electricity Market comprised of the SEM system marginal price (SMP) and the SEM capacity payments demand price;[13] and
- **other SEM charges (electricity)—**covering the variable market operator price, imperfections charges and the system operator system support charge.

[13] If a swap or contract for difference (CfD) contract is in place for electricity, under this methodology any difference payments would fall under contract volume, any option fees would fall under contract capacity and purchases would fall under SEM energy.

The calculations should be undertaken using an aggregated half hourly profile for the supplier's entire load profile. Figure 7 below illustrates.

Figure 7: Calculation of electricity wholesale costs

$$WCe = \Sigma Whh + \Sigma Chh + \Sigma Co$$

$$Whh = Vh * (SMP + Cap + Mop + I + S + CR)$$

WCe = Total electricity wholesale cost for the period

Whh = SEM-related wholesale cost for each half hour

Chh = additional contract costs that can be allocated to transactions covering a specific half hour (e.g. difference payments)

Co = other contract costs that relate to the period in question (e.g. availability payments)

Vh = volume of electricity purchased (adjusted to customer meter for system losses)

SMP = SEM system marginal price (SMP)

Cap = capacity payments demand price

Mop = variable market operator price

I = imperfections charges

S = system operator system support charge

CR = credit/collateral costs

6.3.4 Allocation methodology for electricity wholesale costs

As stated previously, where wholesale electricity purchases have been made for specific customers or groups of customers these costs should be allocated directly to the customer groups set out in Section 2.

After separately allocating defined wholesale purchase costs for specific customers, the methodology of allocating by customer group for remaining wholesale electricity costs and credit/collateral costs is to allocate them by half hour proportionately according to the profiled consumption volume methodology outlined in Section 6.3.2.

6.3.5 Calculation of gas wholesale costs

Using aggregated meter and profile data for each day, the following wholesale gas costs can be assessed:

- **wholesale cost of gas**—this includes the cost of forward purchases, spot purchases, exchange purchases and sales and balancing gas and relates to payments made and units of energy received under the terms of contracts made by the supplier with a counterparty ahead of delivery of the gas. This information should include all trades completed outside formal energy exchanges (i.e. including brokered or bilateral long-term contracts), whether they are for the purchase of energy or sell back of excess; and
- **credit/collateral** —any costs incurred posting security or securing letters of credit to allow wholesale trading.

The calculations should be undertaken using an aggregated daily profile for the supplier's entire load profile. Figure 8 illustrates.

Figure 8: Calculation of gas wholesale costs

$$WCg = \Sigma\,(Wdg + CRdg)$$

WCg = Total gas wholesale cost for the period

Wdg = wholesale gas cost for each day

CRdg = daily credit/collateral costs

6.3.6 Allocation methodology for gas wholesale costs

As stated previously, where wholesale gas purchases have been made for specific customers or groups of customers these costs should be allocated directly to the customer groups set out in Section 2.

For the remaining wholesale gas purchases and for credit/collateral costs, the supplier will allocate costs into the customer groups proportionately according to the actual profiled consumption as described in Section 6.3.2 of this paper.

6.4 Supply Operating Costs

The calculation and allocation methodologies for supply operating costs are the same for electricity and gas. These are set out below.

6.4.1 Calculation of electricity and gas supply operating costs

For this paper, supply costs are defined as those costs incurred by the suppliers in providing energy to their customers that are not related to wholesale costs, network costs or policy costs. These are the costs which will make up the operating costs section of the regulatory accounts.

Different companies will segment their businesses differently, but supply operating costs may be expected to cover functions such as:

- **customer services**—including, for example, energy trading and settlement, retail pricing, marketing and customer acquisition and retention, billing and transactional account management for larger customers, customer enquiries and complaints and debt management; and
- **business services—**including, for example, finance, HR, regulation, general management, IT, facilities and premises and insurance and rates.

Costs which do not relate directly to the sale of electricity or gas must be excluded from supply operating costs, these include, but are not limited to:

- costs for which the customer is subsequently charged such as siteworks costs;
- non regulated activities; and
- Northern Ireland Sustainable Energy Programme (NISEP).

6.4.2 Allocation of electricity and gas supply operating costs

We have stated that a key principal of cost allocation methodologies is that where costs could be allocated directly to a customer group they should be. However we consider that for supply operating costs a more proportionate view would be to allocate all supply costs between the customers groups using revenue as the driver. We consider that to allocate supply operating costs in a more detailed manner would be burdensome to the supply companies and the materiality of the difference between the two methods would have a negligible impact on the final marginal calculation.

Therefore the proportion of the total of supply costs allocated to any given customer group should be the same as the proportion of the total of revenues allocated to that customer group.

7 Retail margins

Deducting the total of all costs from the revenue in each customer group will produce a retail margin value for each customer group. The retail margin figures will be reported on a quarterly basis showing their component parts by the customer groups in absolute money terms, percentage of total revenues and per unit revenue.

The retail margin figures should be reconcilable to the operating profit and profit before tax figures reported annually by suppliers in their regulatory accounts. A statement of this reconciliation should be provided by suppliers at the end of each financial year, as defined by licence.

The calculation process for the retail margin shown in Figures 9 and 10 for electricity and gas is designed to be the same for each fuel.

Figure 9: Calculation of electricity retail margin

Electricity retail margin $Me = Re - NCe - PCe - WCe - SCe$

Me = total electricity retail margin

Re = revenue from electricity sales

NCe = electricity network costs

PCe = electricity policy costs

WCe = electricity wholesale costs

SCe = supplier's electricity supply operating costs

Presented for each customer group and in aggregate for the supply business as a whole. Reconciliation to regulatory accounts at the end of each financial year.

All values to be expressed by component in £, percentage and £/MWh supplied.

Figure 10: Calculation of gas retail margin

Gas Retail Margin $Mg = Rg - NCg - PCg - WCg - SCg$

Mg = total gas retail margin

Rg = revenue from gas sales

NCg = gas network costs

PCg = gas policy costs

WCg = gas wholesale costs

SCg = supplier's gas supply operating costs

Presented for each customer group and in aggregate for the supply business as a whole. Reconciliation to regulatory accounts at the end of each financial year.

All values to be expressed by component in £, percentage and £/therm supplied.

8 Reconciliation

Information will be provided from suppliers on a quarterly basis and will be the quarterly data for the period in question. We expect that this information will be reconciled to management accounts on a quarterly basis.

At the end of each financial year as defined by the supplier's licence the supplier must provide a reconciliation of the previous four quarters to the regulatory accounts. We require a reconciliation of the margin figure to the regulatory accounts together with a detailed list of reconciling items. This margin figure will be the figure calculated on a twelve month basis from the information provided by the supplier for the previous four quarters.