

Domestic Electricity and Gas Bills in Ireland

The Commission for Regulation of Utilities (CRU) is an independent regulator whose mission is to protect the public interest in water, energy and energy safety.

This factsheet provides information on:

- the cost components of a typical domestic electricity and gas bill in Ireland;
- how energy customers can save money on their bills.

▶ SEE PAGE 6 FOR SAVINGS TIPS

For more information about the CRU, please go to www.cru.ie

INTRODUCTION

The average annual domestic customer bill up to June 2020 was €976 for electricity and €739 for gas, including VAT.

These estimates are a combination of the weighted average of suppliers' standard plans and best discounted plans available, at a ratio of 70:30 (standard:discount), and are based on tariffs offered by suppliers to:

- a standard 24-hour urban electricity customer with an average annual consumption of 4,200kWh; and
- to a standard gas customer with an average annual consumption of 11,000kWh.

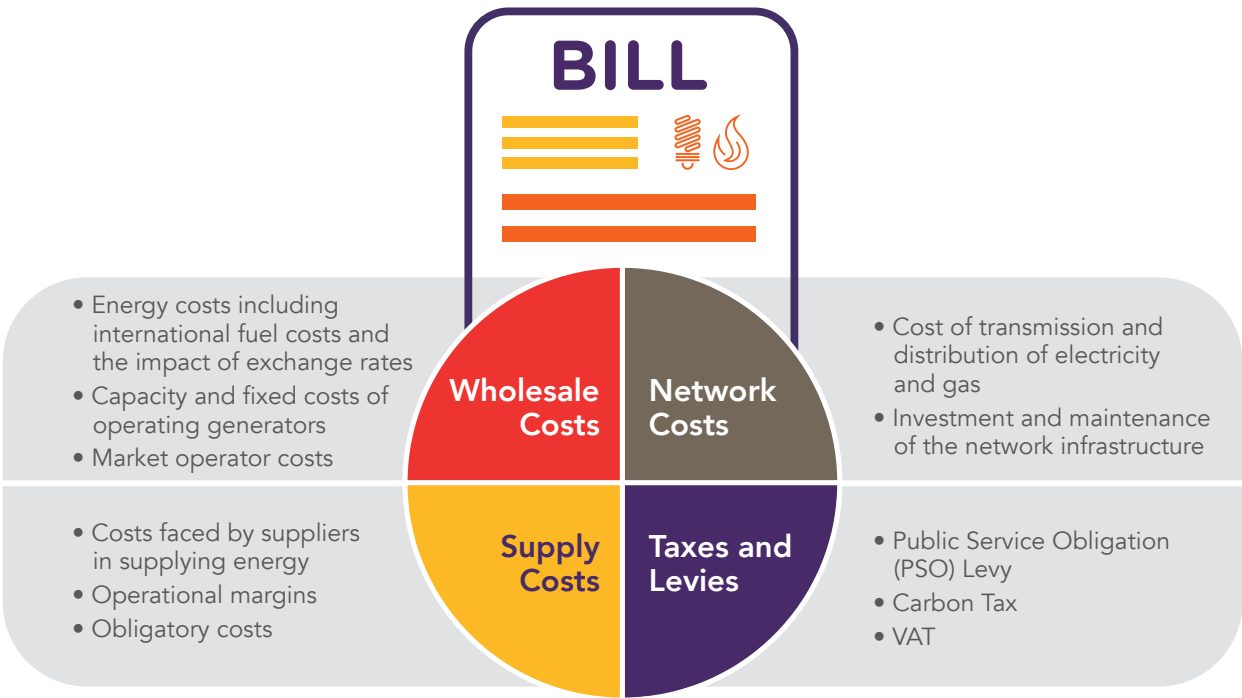
These estimates correspond to an average unit rate of 18.47 cent/kWh in electricity and 5.39 cent/kWh in gas, including VAT. It should be noted that suppliers are free to set their own prices and that these rates are an average. Suppliers can also choose how to reflect these costs in the form of standing charges and unit charges. The CRU does set some of the cost components facing suppliers (see section on network costs) and monitors supply prices.

The average annual domestic customer bill up to June 2020 was **€976 for electricity** and **€739 for gas**, including VAT.



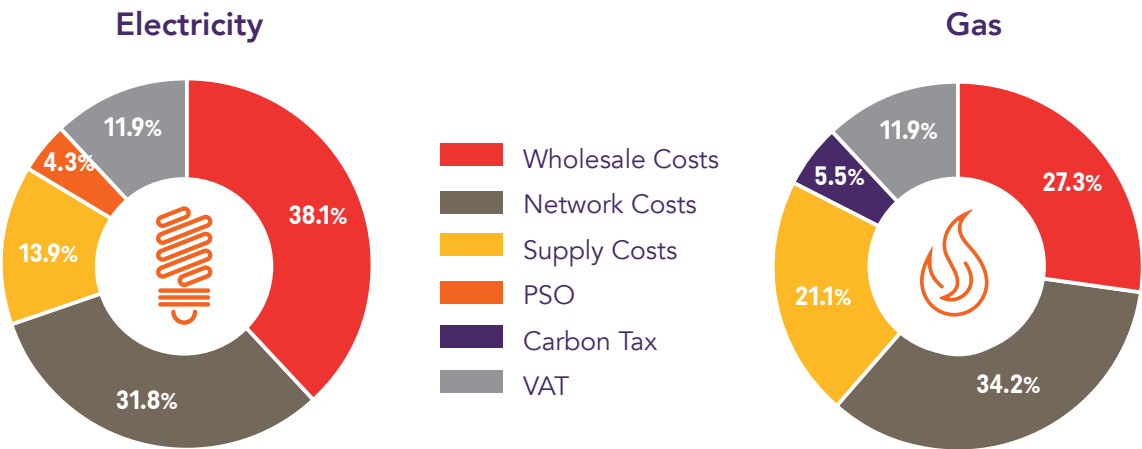
COST COMPONENTS OF A TYPICAL DOMESTIC ELECTRICITY AND GAS BILL

At a high level, electricity and gas bills are made up of four main components as outlined below.



A more detailed indicative breakdown of domestic electricity and gas bills, as of June 2020, is shown in the charts below, followed by more explanation of each component. Wholesale and network costs comprise circa 70% of electricity bills, with the remainder divided between supply costs, the PSO levy and VAT¹. For gas, wholesale and network account for circa 62% of the bills, with the remainder consisting of supply costs, the carbon tax, and VAT.

The precise cost components of domestic electricity and gas bills differ for each supplier. Therefore, the cost breakdown of bills in this factsheet is an indication rather than an exact representation.



¹ VAT is applied at 13.5%. This shows up in the pie chart as 11.9% because the chart shows VAT as a percentage of the final bill.

WHOLESALE COSTS

As shown in the above charts, one of the primary components of electricity and gas bills is the cost of purchasing wholesale energy, i.e. the costs of electricity generation in the wholesale Single Electricity Market (SEM) for electricity supply companies and of wholesale gas for gas supply companies.

The reliance of Ireland on imported fossil fuels, especially gas, means that the cost of our electricity generation and the cost of our gas supply can fluctuate based on international markets and currencies. Suppliers can adopt hedging strategies that help them to smooth these variations over a time period for their customers. This can lead to a lag in how quickly changes (up or down) in wholesale energy prices feed through to customer bills. This extent of this lag for domestic electricity and gas customers varies based on each supplier's hedging strategy, but it typically is in the order of a number of months.



ELECTRICITY

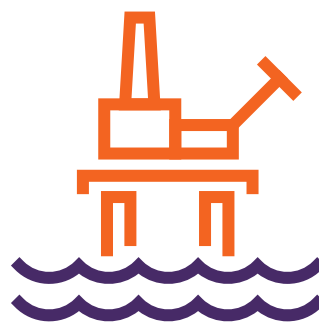
The SEM is the wholesale electricity market covering the island of Ireland. The decision-making body which governs the market is the SEM Committee, which is comprised of the CRU in Ireland, the Utility Regulator in Northern Ireland, and an independent member.

The SEM integrates the all-island electricity market with European electricity markets, enabling the free flow of energy across borders via electricity interconnectors. It is designed to run the cheapest electricity generators, such as gas plants or wind farms, to meet electricity demand on the island of Ireland. Suppliers buy electricity in the SEM at different timeframes. Electricity can be traded from over a year to one month ahead of the trading day, and from one day ahead of the trading day up to shortly before real-time. In order to ensure that the demand for electricity is always met, generators may also receive a payment for being ready to generate electricity, related to their fixed costs, known as the Capacity Remuneration Mechanism. In addition to these SEM wholesale costs, suppliers pay Single Electricity Market Operator charges to recover the costs for administering the SEM. All of these charges are normally passed on by suppliers to their customers. Details of the all-island SEM can be found through this [link](#).



GAS

Ireland has an indigenous source but also imports gas from Great Britain. The wholesale price of gas in Ireland is typically set by reference to the wholesale price at the trading hub in Great Britain, the National Balancing Point, plus the cost of transport to Ireland via gas interconnectors. Suppliers can buy gas in the wholesale gas market on the day, but also well in advance based on what they think their needs and costs may be in the future to balance their risk.



NETWORK COSTS

Energy network costs comprise a significant proportion of domestic electricity and gas bills as shown in the earlier charts. Energy networks are regulated by the CRU in customers' interests and consist of the following:

Electricity Transmission Network: consists of high voltage wires used to transmit electricity in bulk form from large generator plants across the country to very large customers or the local distribution network. EirGrid operates this network, while ESB own it.

Electricity Distribution Network: consists of low/medium voltage wires used typically to distribute electricity from the transmission network to domestic, small, and medium customers. ESB Networks operates this network, while ESB own it.

Gas Transmission Network: consists of high-pressure pipes which are used to transmit large volumes of natural gas. Very large users of natural gas, such as power stations, are supplied directly from the transmission network. Gas Networks Ireland (GNI) operates and owns this network.

Gas Distribution Network: consists of smaller distribution pipes which typically supply domestic, small, and medium customers. Each distribution system is connected to the higher-pressure transmission system at a pressure reduction station. GNI operates and owns this network.

Electricity and gas network providers in Ireland are monopoly service providers with no competition from other operators. Consequently, network revenues and charges to network users (such as electricity generators and suppliers) are set directly by the CRU in the interests of energy customers, with an emphasis on providing for security of supply, a high-quality service and value-for-money.

The CRU undertakes multi-year revenue reviews known as "Price Controls" or "Price Reviews" for EirGrid and ESB Networks in electricity, and GNI in gas. These revenue reviews consider the efficient costs of any essential development of the electricity or gas network infrastructure, as well as maintaining and operating these networks. On the basis of five-yearly revenue controls, the CRU approves the level of charges that the network operators may levy users including suppliers.

Changes to the approved charges generally come into effect on the 1st of October annually. While it is the decision of each supplier, they typically pass through these charges to customers in their bills.

More information about energy networks can be found on the CRU [website](#).



SUPPLY COSTS

Supply costs refer to suppliers' operating costs for their business, in addition to the wholesale and network costs, and include:

- **Obligatory Costs:** costs imposed through regulatory or government policy decisions, which may include customer protection, energy efficiency, market audits and monitoring.
- **Sales and Advertising, Customer Acquisition and Retention Costs:** costs which suppliers, according to their specific commercial strategies, may spend on acquiring and retaining electricity and gas customers.
- The cost of installing and maintaining **Pay-As-You-Go meters** for suppliers that offer this as a lifestyle choice option.
- **Bad Debt:** cost associated with customers in arrears and on payment plans or for non-payment of bills.
- The **day-to-day costs** associated with supply businesses including facilities, rent, insurance etc, as well as a profit margin.



The CRU does not set energy prices as the retail markets are competitive with suppliers setting their own prices, but it does monitor supplier prices.

TAXES AND LEVIES

Taxes and levies are decided by Government and charged by suppliers to electricity and gas customers. They are identified as a separate line item on the bills as follows:

Public Service Obligation Levy (PSO)

The PSO levy is a subsidy that all electricity suppliers are obliged by Government to apply to electricity customers in Ireland. The levy consists of various subsidy schemes to support national policy objectives related to renewable energy. The two schemes currently supported by the PSO levy are: (i) the Alternative Energy Requirement (AER) and (ii) the Renewable Energy Feed in Tariff (REFIT). Furthermore, the new Renewable Electricity Support Scheme (RESS) will be supported by the PSO in future. The proceeds of the levy are used to contribute to the additional costs incurred by PSO-supported electricity generators which are not recovered in the wholesale electricity market.

The PSO levy is a separate charge identified on electricity bills. The level of the PSO levy is set by the CRU in accordance with Government policy. Please see [here](#) for further information.

Carbon Tax

The carbon tax is a State tax applied to carbon-based fuels such as coal, peat, oil and natural gas. All gas suppliers must apply this tax to customers' bills. The tax is intended to reduce carbon dioxide emissions and is part of Ireland's strategy to support a greener and cleaner environment.

The carbon tax is a separate charge identified on gas bills to customers.

Value Added Tax (VAT)

VAT of 13.5% is paid on all domestic electricity and gas bills and is separately identified in customers' bills.

HOW CAN CUSTOMERS SAVE MONEY?



Switching Supplier or Tariff

Switching energy supplier or tariff plan is free², fast and simple and can help customers save money.

Customers can switch supplier by simply taking out a contract with a new energy supplier. This [step-by-step guide](#) as well as information on what customers need to know before switching will help them in the switching process. The estimated annual bill (EAB), calculated using typical annual consumption figures, is an easy to understand indicator for consumers to compare and contrast energy tariffs on offer from suppliers. If customers are thinking about switching supplier, the CRU recommends using an accredited price comparison website to compare energy tariffs. The CRU accredits [price comparison websites](#), a process which ensures that the website is clear, impartial and accurate in its comparisons for customers. While non-accredited price comparison websites exist, these have not undergone checks to ensure they meet these standards. The three CRU accredited price comparison websites are: www.bonkers.ie, www.powertoswitch.ie and www.switcher.ie.

If customers prefer to stay with their current supplier, they could talk to them to see if they have any cheaper tariffs than the one the customer is currently on.



Energy Saving Advice

There are lots of ways that customers can make their home more energy efficient and comfortable. Small behavioural changes such as turning off appliances, using timers, lowering thermostats and regularly servicing boilers can all result in a noticeable drop in energy costs.

The Sustainable Energy Authority of Ireland (SEAI) is the leading organisation in Ireland on sustainable energy thinking, research, understanding and analysis. It provides a range of useful information on how to save energy and reduce bills. If customers want to learn more about the sustainable solutions provided by SEAI, they should visit the [Energy Saving Tips](#) page on SEAI's website.



In addition to SEAI's energy saving tips, customers might want to find out more about the home energy grants that are available from SEAI as these will help them save more! SEAI has home energy grants available for homeowners and landlords that want to upgrade their home. There are also grants available to funds energy efficiency improvements to the homes of vulnerable people in, or at risk of, energy poverty. To find out more about the different grants available from SEAI, visit the [Home Energy Grants](#) page of its website.

Payment Methods

Customers may be able to save money on their energy bills by prompt payment or by opting to pay by direct debit. Most energy suppliers have online billing and offer discounts if customers don't get their bills in the post. Customers can speak to their energy supplier about possible savings.



² There is no supplier switching fee applied. However, customers that are on a contract with an energy supplier and decide to leave before the end of the contract period, may have to pay an early termination fee.