



Working out your ESB bill

What are ESB's standing charges and how are they applied? Can you really save money with the Nightsaver tariff? We also take a look at the recent controversy over estimated billing, and report on the new pilot scheme for smart meters.

When your ESB bill comes through the letterbox, do you ever look at it more closely and wonder how it manages to come up with a figure that almost always seems very high?

Electricity costs in Ireland are undoubtedly high relative to some other European countries. In January 2006, Ireland had the sixth-highest electricity prices for domestic households in Europe, and nearly 50% higher than the

UK, according to a recent study published by Eurostat, a European Commission research body.

Between 2005 and the end of 2007, ESB prices rose by no less than 26%, before falling by just over 5% on average in November 2007.

The Commission for Energy Regulation (CER) says that the higher prices consumers pay here are primarily due to the small size of the Irish market

and the reliance on fossil fuels to generate electricity. There is no access to cheap hydro or nuclear energy.

Furthermore, up to €4.3 billion will have been spent upgrading and maintaining the electricity network between 2001 and 2010 in a much-needed investment to support a growing economy, says the CER. These costs, along with higher fuel costs, must be recovered from all customers via

AT A GLANCE

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OVERCHARGING CONTROVERSIES

Rural/urban reclassification

In late 2004, the ESB confirmed that it had written to around 3,000 of its domestic customers advising them that they had been overcharged by the company for the previous six years.

The overcharging had arisen as a direct result of the change in the way that areas and households were designated urban or rural for the purposes of ESB standing charges. The review had been undertaken as part of the company's preparations for the deregulation of the electricity market in February 2005.

Following the review, the company admitted that around one in every 500 of its 1.5 million domestic users across the country had been overcharged an average of €200 each since 1998.

An estimated 3,000 householders across the country received a letter from the ESB explaining that they were charged at the rural rate instead of the lower urban rate since the company last carried out a review of the standing charges in 1998. These were all refunded a flat fee of €300 – slightly more the maximum that any customer was owed.

A few months later, the ESB said it would not pursue the approximately 1,000 rural customers who had been mistakenly paying the cheaper urban standing charge rather than the more expensive rural version. Those customers were moved to the rural standing charge.

According to an ESB spokesman, the classification of all areas, including existing and new developments, is now up to date and

accurate. There are roughly 600,000 customers on the rural standing charge, with one million customers on the urban standing charges.

Estimated billing

In September 2007, a newspaper report revealed that the ESB might have been overcharging up to 50,000 of its customers as a result of an anomaly in its estimating billing system.

The customers in question were those whose electricity bills were being estimated when the ESB's meter readers were unable to gain access to the building's meter.

When access was eventually gained to the correct reading, the difference between the estimated and the correct amount was charged at present-day rates, even when the electricity was used at a time when the rate was different. One customer was billed for units used since 2002 at 2007 prices, the newspaper reported.

Following the report, the Commission for Energy Regulation ordered the ESB to review charges applied to customers' accounts for the past three years applying the pro-rata system, which imposes charges in proportion to the prices ruling at the various periods of the bill when an exact meter reading is finally provided.

The ESB said that nearly 100,000 of its customers were affected. It said the typical refund was expected to be between €5 and €10, to be applied to bills during the first quarter of 2008.

DOMESTIC TARIFFS AND STANDING CHARGES

	Standing charges €				Unit charges (kwh)		
	Annually	Per day	Average 2-month	Annual night storage heating	General units	Night storage heating units	Night units
Urban	91.98	0.2520	15.37	8.03	13.24c	7.00c	n/a
Urban NightSaver	126.29	0.3460	21.11	n/a	14.15c	n/a	7.00c
Rural	122.64	0.3360	20.50	8.03	13.24c	7.00c	n/a
Rural NightSaver	159.87	0.4380	26.72	n/a	14.15c	n/a	7.00c

All charges exclude VAT @ 13.5%. Figures valid since 1st Nov 2007.

electricity charges.

Yet many consumers remain unaware or unsure of how their ESB bill is broken down or calculated. For instance, what is a standing charge and why does it differ depending on whether you live in a rural or an urban area? How does 'estimated' billing work, exactly? What is the PSO levy?

Standing charges

ESB's standing charge covers the cost of maintaining the supply network, as well as the costs associated with reading the meter, issuing and processing the bills, etc. Different standing charges apply to urban and rural customers, but they are not influenced by the amount of electricity you use. Different charges also apply if you are a NightSaver customer (see *Nightsaver tariffs – can you save?*). A small additional standing charge applies where a second meter is installed for electric storage heating.

Excluding VAT, standard charges range from €91.98 per year, or €15.37 every

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two months, to €159.87 annually, or €26.72 every two months (see our table).

Although ESB granted what it claimed was an average price decrease in electricity supply of some 5.4% after a wave of successive increases, what it didn't highlight was that standing charges were increased by 5% (see *Choice Comment*)

Rural/urban tariffs

Different standing charges apply depending on whether you live in an area designated as urban or rural. If you live in a rural area, the standing charges are more expensive than for those living in urban areas. The unit charges, which relate to the amount of electricity you use, remain the same.

The decision whether to classify a home as rural or urban is made by ESB Networks, which builds and operates the distribution network.

The criteria for classifying areas as urban or rural, which were traditionally based on a number of different factors, were changed to a simpler system in 2005. However, the transition became the subject of some controversy at the time (see *Overcharging controversies*).

According to an ESB spokesman, the current classification method is relatively simple: "For instance, if you are living on the outskirts of a town or city in a recent development and the line feeding the transformer is a single-

NIGHTSAVER TARIFFS - CAN YOU SAVE?

The Nightsaver tariff is advertised by ESB as a way to make 'substantial' savings on your electricity bill by maximising the use of electricity during the night-time, when electricity is cheaper. For example, to heat a full cylinder of water, NightSaver unit charges are 7.00 cent between the hours of 11 p.m. and 8 a.m. (Wintertime) and between midnight and 9 a.m. (Summertime), compared to the standard 24-hour rate of 13.24 cent.

However, many customers have criticised the fact that those on the Nightsaver tariff are charged a higher tariff for their daytime usage than customers on the normal tariff. The cost per unit of electricity for ordinary customers during the day is 13.24 cent, while for NightSaver customers it is 14.15 cent.

Furthermore, the standing charge for a NightSaver customer is €126 a year, while the similar charge for ordinary customers is €92.

As if that wasn't enough, NightSaver customers also have to pay a once-off installation cost of €256 to add a second NightSaver meter. This means that it takes some time before any savings offset the cost of the installation. This charge also covers what ESB says are the extra costs associated with administering the account from meter reading to calculation and billing.

ESB insists that it is possible for NightSaver customers to make savings on their bills compared to ordinary customers, although this depends on the number of electricity uses that customers can switch to the cheaper overnight rate.

A spokesman told *Consumer Choice* that charges for ordinary customers are based on the average cost of generating electricity during a 24-hour period, which would be more expensive during the day and cheaper at night. But NightSaver customers were already availing of the cheap night rates, so their daytime usage cost was based only on the cost of generating electricity during the day, he said.

The spokesman also pointed out that, unlike the general domestic tariff, standing charges were reduced last November 2007 along with the decrease in unit charges.

Night-time electricity use is more environmentally responsible, as the ESB uses its most efficient generating systems at that time.

phase rural line the premises is deemed to be rural. Equally, if the line is a three-phase urban line then the premises is deemed to be urban."

Estimated billing

Domestic customers are billed every two months and these bills are based on actual or estimated meter reads. ESB Networks' accounting policy is to take four meter readings each year. This will result in two planned estimations arising during the year of units used. Any necessary adjustment between the estimated reading and the actual reading is made when the next reading is obtained.

However, many consumers have questioned how realistic this procedure is as they are receiving more estimated accounts than planned.

If you have missed the ESB meter reader, you can submit a meter reading online by visiting ESB's website or by calling the lo-call number 1850 372 372.

The ESB's estimated billing system works on a pro-rata basis, so that if a meter is not read for some time, it imposes charges according to the prices in force at the period of each bill when an exact meter reading is finally provided. However, this was not always the case (see *Overcharging controversies*).

PSO levy

The Public Service Obligation (PSO) levy, which appears as a separate item on all customers' bills, is intended to cover the additional cost of sourcing electricity from indigenous, renewable and sustainable sources. This is done in the interests of fuel diversity, security of supply and environmental protection. At the

SMART METERS

The Government announced in November 2007 a national programme to install a new smart electricity meter in every home, beginning in 2008 with a pilot phase that will see 25,000 homes installed with the meters in various parts of the country.

Smart meters are designed to operate like fuel gauges in cars so that people can see exactly how much electricity they use and at what cost. The programme is designed to help householders cut their costs by using electricity efficiently and in the process to help to reduce the country's level of carbon emissions.

The national roll-out of the scheme, which is expected to last four years, will be coordinated by the Commission for Energy Regulation with input from ESB Networks and Sustainable Energy Ireland. The scheme is designed to cut electricity demand by about 10% for every household.

Smart meters have a number of other benefits,

moment, most of the funds from this levy go towards wind generators and peat stations.

In recent times, however, the market costs of other fuels, especially oil and coal, have risen dramatically to a point where there is now very little difference in the cost of production between these plants and the PSO plants.

As a result, the CER, which sets the levy, has deemed that for 2008 the additional costs associated with obtaining electricity from the PSO plants is so low that it would have effectively cost more money to administer the levy than the actual total that was being collected. So customers will not be charged the PSO levy for the time being and this will be listed on bills as €0.00.

The CER reviews the PSO costs annually, as required by legislation. The PSO levy for 2009 will be published on or before 31 July 2008.

including better methods of selling power back to the national grid for micro-generators. They also equip electricity suppliers with real-time information, and allow for remote reading, which means ESB inspectors or estimated bills would no longer be required.

A spokesman for the CER said that the estimated cost for rollout of smart meters will be €500 million, but it had no figures for the likely cost of installing and operating each smart meter. However, assuming two million customers in any national rollout, this would equate to about €250 per customer.

The pilot scheme, during which the participants will not be expected to pay for installation, is expected to provide a more accurate estimate of the eventual cost of installing and running the meters, the spokesman said.

Most householders at present have no idea what the electricity meter reading in their home means because it deals in kilowatt hours, and gives no indication of the cost of the electricity being used.

choice comment

The recent decision by ESB to reduce average electricity prices by 5.4% was welcome, but any goodwill generated by this move has almost been squandered by the fact that it has increased the standing charge by 5%.

Since the beginning of 2007 there has been an increase of almost 7% per kWh, which, given the increases in the cost of fuel, is acceptable. What is not acceptable, however, is the increase in the same period of some 34% in the standing charge.

In addition, this charge bears unfairly on those who are small users, making the cost per kWh proportionally much higher than for a heavy user.

ESB says the standing charge increase is needed to cover the costs of the operation and maintenance of the network. This raises serious questions about the inefficiency of ESB Network's operations. The irony of this is that those on lower incomes, or who aim to reduce their overall usage in the interests of the environment, are paying a disproportionately higher price.

The CAI demands that the installation charge of the smart meters be borne in full by ESB. After all, the associated costs will surely be offset by the savings achieved by the company through not having to physically read meters. Efficiencies must be equitably applied.