

The supply of domestic bulk LPG in Northern Ireland

1. An estimated 1 per cent of households in Northern Ireland use bulk LPG—2.5 per cent of those outside the mains gas network. The majority of domestic bulk LPG customers (around [REDACTED]) are supplied by [REDACTED], the remainder by [REDACTED].
2. Calor NI told us that [REDACTED]¹ Calor NI and Flogas NI standard prices appear to have been within [REDACTED] of one another in recent years, as shown in Figure 1. As Figure 2 indicates, prices in Northern Ireland appear to be somewhat lower than those in GB. Calor NI told us that this reflected the different cost factors and circumstances of the market in Northern Ireland. We compared suppliers' prices to domestic and commercial customers. Calor NI's prices to domestic customers [REDACTED]. Flogas NI's prices to domestic customers [REDACTED]²

FIGURE 1

Average monthly prices to domestic customers for Calor NI and Flogas NI

[REDACTED]

FIGURE 2

Average monthly prices to domestic customers for Calor, Calor NI, Flogas and Flogas NI

[REDACTED]

3. Standard prices to domestic customers appear to be the norm in Northern Ireland. Calor NI told us that this reflected 'local market conditions'. Calor NI told us there was no discretion for price reductions to its domestic customers, although 'independent price variations only exist where a customer may also have for example a business account'. Flogas NI told us [REDACTED].
4. An estimated one in eight Calor NI customers in 2003 were in the mains gas area, which has recently been extended. Flogas NI told us [REDACTED].³ Calor NI told us that the nuisance factor of having to get a service pipe and meter installed meant some customers stayed with domestic bulk LPG.
5. Calor NI told us that [REDACTED]. Flogas NI [REDACTED]. However, the level of switching between the two suppliers is clearly very low.
6. Calor NI told us [REDACTED]. Flogas NI told us [REDACTED]. [REDACTED] the General Consumer Council of Northern Ireland had until recently monitored the price terms for domestic bulk LPG customers and its findings were made known generally. [REDACTED]

¹The question of whether customer satisfaction explains the low level of switching is discussed at length in Appendix G.

²[REDACTED]

³[REDACTED]

7. Calor NI told us that the vast majority of domestic tanks were classified as 600 kg vessels. The average cost of installing such a tank was [€]. A new tank costs [€] without fittings, [€] if refurbished. The average charge to the customer was [€]. It told us that the tank cost was recovered over approximately a [€]-year period.
8. Calor NI told us the cost of removing a tank was [€]. The average charge to the customer was [€]. In 2003, [€] customers were charged [€] for tank uplift, and [€] were charged [€], the higher price applied where removal of gas was required. [€] of these refused to pay. The value of the recovered tank would depend on age and date refurbishment, but would be in the order of [€].
9. For Flogas NI, the average cost for tank installation was [€]. Flogas NI's standard installation charge for a single domestic tank in 2003 was [€]. This installation charge is not varied, but was waived in approximately [€] the new installations made in 2003, giving an average installation charge of [€].
10. Flogas NI reported the average cost for removal of tanks in 2003 as [€].

TABLE 1 Installation and removal costs and charge [€]

| | Calor NI | Flogas NI |
|---------------------------------------|----------|-----------|
| Cost of new tank* | [€] | [€] |
| Cost of refurbishment | | |
| Cost of installation | | |
| Standard installation charge‡ | | |
| Average installation charge‡ | | |
| Removal cost | | |
| Standard removal charge—gas remaining | | |
| Standard removal charge—empty tank | | |
| Average removal charge | | |

Source: Calor NI and Flogas NI.

*Based on [€].
 †[€]
 ‡All charges are net of VAT.

11. Calor NI contracts have a 15-month period of exclusive supply and a three-month notice period. It said that the three-month notice period ensured that there was sufficient time for the customer to use the LPG in the tank. [€]
12. Otherwise, and unless the customer is still in the initial 15-month contract, changeover takes place within seven days. 'Very few give any notice—generally we find out when the customer contacts us to uplift tank.' Calor NI told us that tanks were lifted at the earliest possible convenience in planned runs. This did not disrupt customers as the tank could be moved to one side, if necessary, to make way for any other fuel storage. Where a customer had a particular problem with space or access they were given priority.
13. When signing a new contract, Flogas NI's customers [€].
14. Although only 13 respondents to the ORC survey were customers in Northern Ireland, they appeared to give similar answers to customers in Great Britain when

asked what had discouraged them from switching, including: costs and inconvenience of changing tanks and contracts, uncertainty about contract conditions and concern about being liable for penalties. Despite the presence of only two suppliers in Northern Ireland, very few of the 13 respondents could name the supplier they were not using. Calor NI and Flogas NI noted, and we agree, that the sample was far too small to draw any statistically-reliable conclusions.

15. Calor NI told us it had [redacted] with individual underground tanks. However, [redacted] of its domestic customers living in apartments or in metered estates were supplied from underground tanks in 2003, [redacted]. In contrast, Calor NI [redacted] above-ground domestic customers, and [redacted], in 2003. It told us that switching costs would be much greater for central storage developments given the cost practicalities of underground tanks. Calor NI has concentrated on sales to apartments and metered estates in recent years.
16. The underground tanks installed by Flogas NI in 2003 [redacted].
17. Flogas NI told us that [redacted].
18. No new firms have entered the market in the past ten years.