

Consultation on the sourcing of industrial energy pricing data in the Quarterly Energy Prices publication

DTI wish to consult users of energy statistics on proposals to change the way industrial energy price data is collected by the DTI. This will involve changing the main source of industry energy price data from the Quarterly Fuels Inquiry to the new Eurostat Price Transparency Survey. Prices paid by large gas, electricity, coal, heavy fuel oil and gas oil consumers will still be available from the Quarterly Fuels Inquiry, as these are used in a number of industry contracts.

Consultee's views on the proposals are sought, particularly relating to any impact that the changes would have on the usefulness of the data for your specific needs.

Issued	15 August 2005
Respond by	11 November 2005
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Executive summary

1. This paper sets out the revised way forward for the way industrial energy price data will be collected by the DTI. It follows from the results of the consultation on the cessation of the Quarterly Fuels Inquiry held at the end of 2003, and discussions held with data users at the DTI workshop held on 18 April 2005 and subsequently.
2. Changes are necessary to the Quarterly Fuels Inquiry survey because of the declining quality of non-gas and non-electricity data. This has arisen because the use of these fuels is decreasing, meaning that it is becoming increasingly difficult to maintain an adequate sample base for these fuels. For gas and electricity, a new survey has been introduced by Eurostat that collects much the same information as the Quarterly Fuels Inquiry. This gives us the opportunity to consider what is a sustainable way forward for the sourcing of industrial energy pricing information. Under the proposals we are consulting upon, some additional gains will be made in terms of the timeliness of data, and reduced costs to industry and the DTI.
3. We propose to use the Eurostat data series as our primary source of industrial price information for gas and electricity. We will also continue to collect gas and electricity industrial price data separately for the Producer Price Index, which will be used to validate the Eurostat data.
4. Our proposal is also to stop collecting information from the Quarterly Fuels Inquiry for all but those companies falling into the large consumption sizeband from 2006. The sample of companies falling into the large sizeband for each fuel will be boosted from 2006 in order to make sure that the statistics produced will remain of good quality in future years.
5. At the workshop and in subsequent discussions it has become apparent that prices for the large sizebands were being used in the majority of industry contracts where these prices were used, and that the cessation of collecting this information would impose large additional costs on industry in terms of contract renegotiation. It is acknowledged that other sizebands and average price information is being used in some other contracts, and therefore methods are set out in Appendix A through which existing price information can be approximated to a very good degree of accuracy.
6. There are therefore three areas on which responses are requested:
 - Do users accept the move to using the Eurostat data series as the main source of industrial energy price series?
 - Do users accept the continuation of the Quarterly Fuels Inquiry as a survey of large energy users?
 - Are there further actions the DTI can undertake to make the collection of industrial price information more effective or less onerous?

How to respond.

7. Views on the proposals in this document are invited from all interested parties by 11 November 2005.

8. When responding please state whether you are responding as an individual or representing the views of an organisation. If responding on behalf of an organisation, please make it clear who the organisation represents and, where applicable, how the views of members were assembled.

9. You may make copies of this document without seeking permission. Printed copies of the consultation document can be obtained from the contact shown below.

An electronic version can be found at www.dti.gov.uk/energy/consultations/qficonsult2.pdf.

Other versions of the document in Braille, other languages or audio cassette can be made available on request.

10. There are a number of ways in which you can send us your views.

(a) by email, addressed to Peter Matejic at peter.matejic@dti.gsi.gov.uk

(b) by post, addressed to:
Peter Matejic,
Energy Markets Unit,
DTI,
1 Victoria Street,
London, SW1H 0ET.

(c) by fax, to 020 7215 2723

11. **Confidentiality & Data Protection:** Your response may be made public by the DTI. If you do not want all or part of your response or name made public, please state this clearly in the response. Any confidentiality disclaimer that may be generated by your organisation's IT system or included as a general statement in your fax cover sheet will be taken to apply only to information in your response for which confidentiality has been requested.

12. 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), the Data Protection Act 1998 (DPA) and the Environmental Information Regulations 2004). If you want other 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, amongst other things, with obligations of confidence.

13. 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 Department.

14. The Department will process your personal data in accordance with the DPA and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties.

15. If you have comments or complaints about the way this consultation has been conducted, these should be sent to:

Nick van Benschoten
Consultation Co-ordinator
Department of Trade and Industry
1 Victoria Street
London SW1H 0ET
Nick.vanbenschoten@dti.gsi.gov.uk

A copy of the Code of Practice on Consultation is in [Annex 1](#).

The future sourcing of industrial price data consultation response form

The Department may, in accordance with the Code of Practice on Access to Government Information, make available, on public request, individual consultation responses. This will extend to your comments unless you inform us that you wish them to remain confidential.

Do you want us to keep your response confidential?
[*delete as appropriate]

Yes/No*

Name _____

Company _____

Address _____

Email _____

Telephone _____

Question 1: Do users accept the continuation of the Quarterly Fuels Inquiry as a survey of large energy users? Please give the reasoning behind your response.

Question 2: Do users accept the move to using the Eurostat data series as the main source of industrial energy price series? Please give the reasoning behind your response.

Question 3: Are there further actions the DTI can undertake to make the collection of industrial price information more effective or less onerous?
Please give the reasoning behind your response.

Please add any additional comments below

Please send responses to Peter Matejic by e-mail to Peter.Matejic@dti.gsi.gov.uk, by fax to 020 7215 2723 or send to Bay 216, 1 Victoria Street, London SW1H 0ET **by 11 November 2005**.

Thank you for taking the time to let us have your views. We do not intend to acknowledge individual responses unless ask us to below.

Please acknowledge this reply
[delete as appropriate*]

Yes/No*

Consultation on the sourcing of industrial energy pricing data in the Quarterly Energy Prices publication

Background

1. This paper sets out the revised way forward for the way industrial energy price data will be collected by the DTI. It follows from the results of the consultation on the cessation of the QFI held at the end of 2003 and discussions held with data users at the DTI workshop held on 18 April 2005 and subsequently. It also takes into account the views of those responding to the discussion paper made available on the DTI website at http://www.dti.gov.uk/energy/inform/energy_prices/qfifuture.pdf.

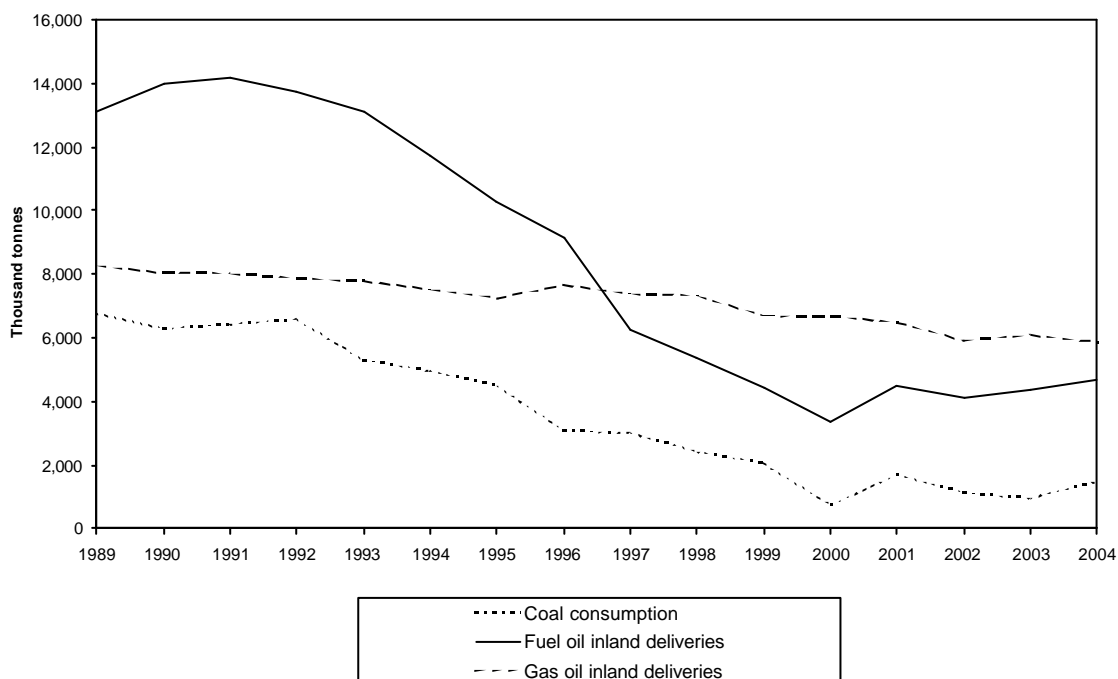
The rationale for change

2. The main reasons why changes are being considered to the Quarterly Fuels Inquiry are firstly, the fact that the use of some fuels in the survey are declining quickly, leading to concerns about the feasibility of maintaining a sufficient sample to allow a robust split into varying sizebands and secondly, the introduction of a Eurostat survey collecting the same information as the Inquiry for gas and electricity.

Data quality for non-gas and non-electricity fuels

3. The QFI data for non-electricity and non-gas fuels is of declining quality. This is because the use of these fuels is declining rapidly and therefore it is becoming increasingly difficult to maintain an adequate sample frame of companies using these fuels, allowing a breakdown into the relevant sizebands. Chart 1 below shows the consumption of the relevant fuels across the UK.

Chart 1 – Total inland deliveries of fuel oil and gas oil, and total consumption of coal by industry



4. It can be seen that the inland deliveries of fuel oil have declined by around two thirds over the period 1989 to 2004 and inland deliveries of gas oil have fallen by around 30 per cent, whilst the consumption of coal by industry has declined by over 80 per cent over the same period. This has meant that a declining number of companies in the sample are now using these fuels. This in turn means that the number of companies using each fuel in each size-band for coal, heavy fuel oil and gas oil are also declining, making it more difficult to derive a robust price for these bands.

The Eurostat price transparency survey

5. At the Energy Statistics Committee meeting in July 2002, Eurostat started to look at the way gas and electricity price data was collected. There was a general perception that the methodology previously used by Eurostat was not suitable for a market liberalised framework and that changes needed to be made in order that the system would be able to deal with more participants in the market, individually negotiated prices and varying types of consumers, whilst still maintaining comparability between EU countries.

6. The way Eurostat proposed to deal with these issues was to introduce a survey of energy suppliers to give the price paid for gas and electricity by various sizebands for the domestic and non-domestic sectors, which will be referred to as the Eurostat New Price Transparency Survey. It was agreed to proceed with the New Price Transparency Survey at the Energy Statistics Committee meeting in May 2004. Members agreed to trial the survey across Europe with the first data corresponding to Q1 2005 being submitted to Eurostat by the end of March 2005. There was further confirmation of progress on adopting the survey across the EU25 given at the Committee meeting in June 2005

7. The data collected from the New Price Transparency Survey is comparable with that collected by the Quarterly Fuels Inquiry (QFI), with the main difference that the QFI data is collected by the consumers of the energy, while the Eurostat survey collects the information from the energy suppliers. It is also the case that different sizebands are used for the Eurostat survey. The new data collects non-domestic energy prices, rather than industrial prices. It also allows the separation out of prices excluding and including the Climate Change Levy.

8. The DTI started trialing collecting information for the New Price Transparency Survey in 2003, with the first full data being available corresponding to Q1 2004. We have carried out extensive validation of the Eurostat data, including comparing the data with that from the QFI, and are content that the Eurostat data is robust. We believe that the degree of correlation between the two series is such that it is no longer necessary to collect gas and electricity data on the Quarterly Fuels Inquiry. Instead, this data can be sourced from the New Price Transparency Survey. Data for large consumers will still be collected from the Quarterly Fuels Inquiry, as these are the series that are mainly used in contracts. Methodologies to derive other Quarterly Fuels Inquiry series are also being made available. See Appendix

A for a comparison of the Eurostat and QFI data. Appendix B gives more details about the New Price Transparency Survey.

Timeliness

9. There will be a gain in timeliness in using the new sources of non-domestic price data, compared to the current system. Provisional data from the Quarterly Fuels Inquiry is available at a lag of one quarter, so, for instance, provisional figures for Q1 2005 were published in the June Quarterly Energy Prices publication. Final figures are however published at a six months lag. The new methods would allow final data to be available at a lag of only one quarter.

Costs to the industry and DTI

10. The main reasons why changes have been proposed to the way we collect non-domestic data are that some change is necessary to maintain data quality for the other fuels and that a statutory replacement series is now in place for non-domestic electricity and gas prices. There are further benefits to looking to change the QFI for both industry, in terms a possible reduction of the costs of complying with the Quarterly Fuels Inquiry, which requires 1,300 companies to undertake a survey of all their fuel use every quarter, and for the DTI, who can save resources used for data collection.

The Current State of Play

11. In September 2003, we issued a consultation regarding the discontinuation of the Quarterly Fuels Inquiry. Responses to the consultation were made by 31 organisations. Virtually all of the respondents objected to the proposals. The main concern was that the information produced from this survey is used by companies as price escalators in their contracts for the transportation, processing and supply of fuels (mainly gas, using HFO or gas oil as price escalators). Several respondents have indicated that the changes we propose would mean that their contracts would need to be renegotiated and that this is likely to be a lengthy and expensive process.

12. In the Quarterly Energy Prices for March 2004, we published the responses to the consultation on the future of the Quarterly Fuels Inquiry. Given the strong objections to the original consultation proposals, the Department stated its plan to continue the Quarterly Fuels Inquiry for at least one more year. It was stated that the DTI would consider the longer term sourcing of the data over the coming months and that respondents would be kept informed of progress. As a way of doing this, we organised a workshop on 18 April 2005 with respondents to the original consultation and other interested parties to discuss the proposals for future sourcing of industrial price data.

13. Following the workshop held on 18 April 2005, a discussion paper was circulated setting out a possible way forward, inviting comments on whether this was a workable solution.

14. At the workshop it emerged that the large price series were those primarily used in contracts and that it might be acceptable to users for the

data collected from the non-large users to be discontinued, given there was some mechanism through which the non-large series could be approximated for the minority of contracts that used the non-large data series. This forms the basis of the proposed way forward.

The Proposed Way Forward

15. We remain convinced that it is not sustainable to publish data for all sizebands for the non-gas and non-electricity fuels. The use of many of these fuels is declining, so even a boosted sample size may only be a temporary solution. We also still believe that collecting two series of essentially the same information is not necessary, which is now the case for gas and electricity, with alternative data being available from the New Eurostat Price Transparency Survey.

16. We do, however, acknowledge the importance of maintaining and improving the quality of the aspects of the QFI survey that are being used extensively by the consultation respondents and workshop attendees. We have therefore tried in these proposals to achieve a workable compromise.

17. Our broad proposal is that the QFI changes from a series containing data for all sizebands to one that only collects data for large energy users. We will provide scaling factors to move from the large series to series for average prices that might be used in a minority of contracts. The future sourcing of DTI data on prices to non-large sizeband electricity and gas users will be through the new Eurostat price transparency survey (which can be used to derive approximate small or medium QFI sizeband prices), while the average price for the other fuels will be sourced directly from suppliers, and no non-large user prices for sizebands will be published. The sections below set out what is being proposed for each fuel. Table 1 summarises the proposed way forward.

Heavy fuel oil and Gas oil

18. We propose to maintain a large HFO and Gas Oil price series sourced from the QFI. We will take steps to boost the sample of HFO and Gas Oil users in order that the viability of the series is maintained for as long as is feasible. We are not convinced that maintaining this series is feasible in the long-term as the use of these fuels continues to decline, although it is likely to be possible until around 2010. Data for non-large users will no longer be collected from 2006, but the remaining sample will be boosted from this year.

19. Appendix A sets out how scaled series for average prices for HFO and Gas Oil can be produced. It can be noted that the correspondence is very good and that movements in the scaled series do reflect to a very good degree movements in the original series. Scaled approximate series for small and medium prices could be produced in the same way.

20. As described in the discussion paper for the workshop, we have carried out a lot of work on producing scaling factors to convert the large heavy fuel oil prices from producers to the prices for the extra large and moderately large sizebands currently produced. The scaled alternative heavy fuel data for the

moderately large and extra large sizebands are extremely close to those sourced from the Quarterly Fuels Inquiry. Charts comparing the differences between the two scaled series and original data are given in Appendix A.

21. We will need to carry an evaluation of data quality for the large Gas Oil and HFO series in 2009 to determine whether the series is still fit for purpose.

Coal

22. We propose to continue to produce a large coal price series sourced from the QFI. We will take steps to boost the sample of large coal users in order that the viability of the series is maintained for as long as is feasible. We are not convinced that maintaining this series is feasible in the long-term as the use of coal continues to decline, although it is likely to be possible until around 2010. Data for non-large users will no longer be collected from 2006, but the sample will be boosted from this year.

23. Appendix A sets out how scaled series for average prices for coal can be produced. It can be noted that the correspondence is very good and that movements in the scaled series do reflect to a very good degree movements in the original series. Note, however, that scaled series for small or medium consumers cannot be sourced from this information. HM Customs and Revenue data will be used to source average industrial price information to be used by the DTI.

24. We will need to carry an evaluation of data quality for the large coal series in 2009 to determine whether the series is still fit for purpose.

Gas

25. We propose to continue to produce a large gas price series sourced from the QFI. Data for non-large users will no longer be collected from 2006. We will periodically seek to determine whether the large data series are still need for contracts, with the first of these reviews being planned for 2009.

26. Appendix A sets out how scaled series for average prices for gas can be produced. It can be noted that the correspondence is very good and that movements in the scaled series do reflect to a very good degree movements in the original series. Eurostat data for all sizebands will continue to be published and will replace the QFI as the main source of DTI industrial gas price information.

27. The small gas series can be approximated by the small Eurostat series (the small Eurostat band ranges from 23,446-234,457kWh/annum, while the small QFI sizeband ranges covers consumption of less than 1,500,000kWh/annum), while the medium gas series can be approximated by the median Eurostat sizeband (the medium Eurostat band ranges from 234,457-2,344,568kWh/annum, while the medium QFI sizeband ranges covers consumption of between 1,500,000-8,800,000kWh/annum). Further detail of this work is given in Appendix A.

28. It is recognised that the comparison between the data series is only possible over a limited time, so we have supplemented our analysis for 2004 with analysis of the Eurostat data for 2003, which was only collected on a trial basis from companies to test out our collection and processing methodology. There is a good correlation between the two series that improves in 2004, as the sampling and validation methodology is refined.

Electricity

29. We propose to continue to produce a large electricity price series sourced from the QFI. Moderately large and extra large price information will continue to be published. Data for other users will no longer be collected from 2006. We will periodically seek to determine whether these large data series are still need for contracts, with the first of these reviews being planned for 2009.

30. Appendix A sets out how scaled series for average prices for electricity can be produced. It can be noted that the correspondence is very good and that movements in the scaled series do reflect to a very good degree movements in the original series. Eurostat data for all sizebands will continue to be published and will replace the QFI as the main source of DTI industrial electricity price information.

31. The small electricity series can be approximated by a weighted average of the small and small/medium Eurostat series (the small Eurostat band ranges from 50-500MWh/annum and the small/medium band ranges from 500-2,000MWh/annum, while the small QFI sizeband ranges covers consumption of less than 880MWh/annum – the most appropriate weighting is giving three times as much weight to the small Eurostat band as to the small/medium band), while the medium gas series can be approximated by the median Eurostat sizeband (the medium Eurostat band ranges from 2,000-18,000MWh/annum, while the medium QFI sizeband ranges covers consumption of between 880-8,800MWh/annum). Further detail of this work is given in Appendix A.

32. It is recognised that the comparison between the data series is only possible over a limited time, so we have supplemented our analysis for 2004 with analysis of the Eurostat data for 2003, which was only collected on a trial basis from companies to test out our collection and processing methodology. There is a good correlation between the two series.

Table 1: Changes to the Quarterly Fuels Inquiry by fuel and data year

	Change by data year		
Fuel	2005	2006	Post 2006
Coal	No Change, except 10% and 90% deciles no longer published.	Large sizeband QFI based data collected with boosted sample. Scaling factors available to derive average price. DTI use Customs data as main data source.	Revisit methodology around 2010 to see whether data quality is still acceptable.
Heavy Fuel Oil	Moderately large and extra large sizeband no longer published. Scaling factors available to derive these sizebands. 10% and 90% deciles no longer given.	Large sizeband QFI based data collected with boosted sample. Scaling factors available to derive existing sizebands. DTI use supplier data as main data source.	Revisit methodology around 2010 to see whether data quality is still acceptable.
Gas Oil	10% and 90% deciles no longer published.	Large sizeband QFI based data collected with boosted sample. Scaling factors available to derive existing sizebands. DTI use supplier data as main data source.	Revisit methodology around 2010 to see whether data quality is still acceptable.
Electricity	No Change. New Eurostat Price Transparency Survey data available.	Large sizeband QFI based data collected, with split between moderately and extra large maintained. Methods available to derive existing sizebands. DTI use Eurostat data as main data source.	Revisit issue around 2010 to see whether data is still needed in contracts.
Gas	No Change. New Eurostat Price Transparency Survey data available.	Large sizeband QFI based data collected. Methods available to derive existing sizebands. DTI use Eurostat data as main data source.	Revisit issue around 2010 to see whether data is still needed in contracts.

ANNEX 1

The Consultation Code of Practice Criteria

1. Consult widely throughout the process, allowing a minimum of 12 weeks for written consultation at least once during the development of the policy.
2. Be clear about what your proposals are, who may be affected, what questions are being asked and the timescale for responses.
3. Ensure that your consultation is clear, concise and widely accessible.
4. Give feedback regarding the responses received and how the consultation process influenced the policy.
5. Monitor your department's effectiveness at consultation, including through the use of a designated consultation co-ordinator.
6. Ensure your consultation follows better regulation best practice, including carrying out a Regulatory Impact Assessment if appropriate.

The complete code is available on the Cabinet Office's web site, address <http://www.cabinetoffice.gov.uk/regulation/consultation/index.asp>.

Comments or complaints

If you wish to comment on the conduct of this consultation or make a complaint about the way this consultation has been conducted, please write to Nick van Benschoten, DTI Consultation Co-ordinator, 1 Victoria Street, London SW1H 0ET; telephone on 020 7215 6206; or email to: nick.vanbenschoten@dti.gsi.gov.uk.

ANNEX 2

PARTIAL REGULATORY IMPACT ASSESSMENT

Sourcing of industrial energy pricing data in the Quarterly Energy Prices publication

A. Full title of proposal

1. Public consultation on the sourcing of industrial energy pricing data in the Quarterly Energy Prices publication

B. Purpose and intended effect of measure

(i) The objective:

2. To produce a sustainable data sourcing methodology for the collection and publishing of industrial energy pricing information.

(ii) Background

3. Changes are necessary to the Quarterly Fuels Inquiry survey because of the declining quality of non-gas and non-electricity data. This has arisen because the use of these fuels is declining rapidly, meaning that it is becoming increasingly difficult to maintain an adequate sample base for these fuels. For gas and electricity, a new survey has been introduced by Eurostat that collects much the same information as the Quarterly Fuels Inquiry. This gives us the opportunity to consider what is a sustainable way forward for the sourcing of industrial pricing information. Under the proposals we are consulting upon, some additional gains will be made in terms of the timeliness of data, and reduced costs to industry and the DTI.

(iii) Rationale for Government Intervention

4. Having robust and reliable data to look at the price of energy to industrial customers is important is assessing UK competitiveness and specifically as a background indicator to DTI PSA3, to “Ensure the UK ranks in the top 3 most competitive energy markets in the EU and G7 in each year”.

5. Statistics from the Quarterly Fuels Inquiry are also used extensively by the energy industry and business to index prices in contracts. It is important that data used in these contracts is robust. It would also be costly if a large number of these contracts might need to be renegotiated under any methodological changes.

(iv) Business sectors affected

6. The main impact will be on businesses that use these statistical indices in their contracts. Much work has, however, been undertaken by DTI to minimise such impacts. There will also be some impact on more general users of the Quarterly Energy Prices publication, as some of the series currently available in Tables 3.1.1 to 3.1.4 will not be produced in future.

C. Consultation

14. A copy of the consultation has been sent to interested parties and workshop attendees. A list of those to whom the consultation has been sent is available upon request.

D. OPTIONS

7. Options include:

(a) Retaining the current system

This is unlikely to be a sustainable way forward for the future, as the sample sizes for non-gas and non-electricity fuels continues to decline. As sample sizes fall, the results from this data source will become more volatile with a higher level of uncertainty, undermining industry confidence in the series.

(b) Boost the Quarterly Fuels Inquiry sample and maintain the current system

This would increase the burden on small businesses in terms of the surveys they need to fill in. It would also necessitate a large increase in the sample to ensure that all sizebands for all fuels can continue to be produced, meaning that costs will increase. There will be duplication with very similar data being collected from the Eurostat and Quarterly Fuels Inquiry surveys. It is also the case that at events and in discussions it has emerged that data for the non-large sizebands is not heavily used.

(c) Boost the Quarterly Fuels Inquiry sample base for large users and discontinue the survey for other sizebands. Use the Eurostat survey as the main industrial energy pricing data source.

We see this as having the advantages of:

- (i) ensuring the part of the Quarterly Fuels Inquiry mainly used in contracts is maintained on a sustainable and reliable basis;
- (ii) rationalising the collection of industrial price information, with very similar data not being collected from two separate sources;
- (iii) reducing the statistical burden placed on small business, helping the DTI to meet its Hampton review obligations;
- (iv) reducing administrative costs for Government.

E. Benefits

8. Benefits from the proposals would be a more robust and sustainable energy price series for large users sourced on the same basis as previously which can be used in contracts. There will be a lessening of the burden on small businesses of DTI's statistical data collection and a small reduction in administrative costs of surveys to Government.

F. Costs for business

9. There is likely to be some costs to industry (mainly large companies) in terms of considering the implications of these changes on their contracts, however this should have been minimised by the maintaining of a consistent large Quarterly Fuels Inquiry based series. For those contracts that use other Quarterly Fuels Inquiry based series, there might need to be some contract

re-negotiation, however this will have been limited by the methodology set out in the consultation to derive very good approximations to the original data.

G. Impact on small firms

10. There will be some savings to up to 1,000 small businesses that will no longer need to provide information for the survey. There may be some increase in energy costs to some companies depending on whether contracts will need to be re-negotiated.

H. Competition assessment

11. There is unlikely to be any impact on competition both within the United Kingdom and outside through this change in statistical data collection methodology.

I. Enforcement and sanctions

12. The new Eurostat survey of gas and electricity supply companies will have a legislative base once the current trial has concluded.

J. Monitoring and review

13. Our aim is a data collection methodology that will remain valid in the long term. This will depend in part on how the use of non-gas and non-electricity fuels by industry evolves. We aim to consider the sourcing of this information again in 2010 to determine whether the large Quarterly Fuels Inquiry series are still necessary.

K. Summary and recommendation

15. There have been a series of meetings and a workshop to discuss the future sourcing of industrial energy pricing information. We believe the current proposal represents a pragmatic way forward that maintains the series most important to industry, improves data quality and rationalises the data DTI collects to reduce costs to Government and industry.

Appendix A: QFI and alternative data sources compared

Heavy fuel oil

Chart A.1 presents a comparison of a scaled large HFO price series used to approximate the actual extra large prices. There is a good correspondence between the actual extra large price series and the scaled replacement series based on the large series. On average, the price paid by an extra large HFO consumer from the QFI is 3 per cent less than that of a large consumer.

Chart A.1 – Prices paid by extra large HFO consumers on the QFI and the scaled replacement series

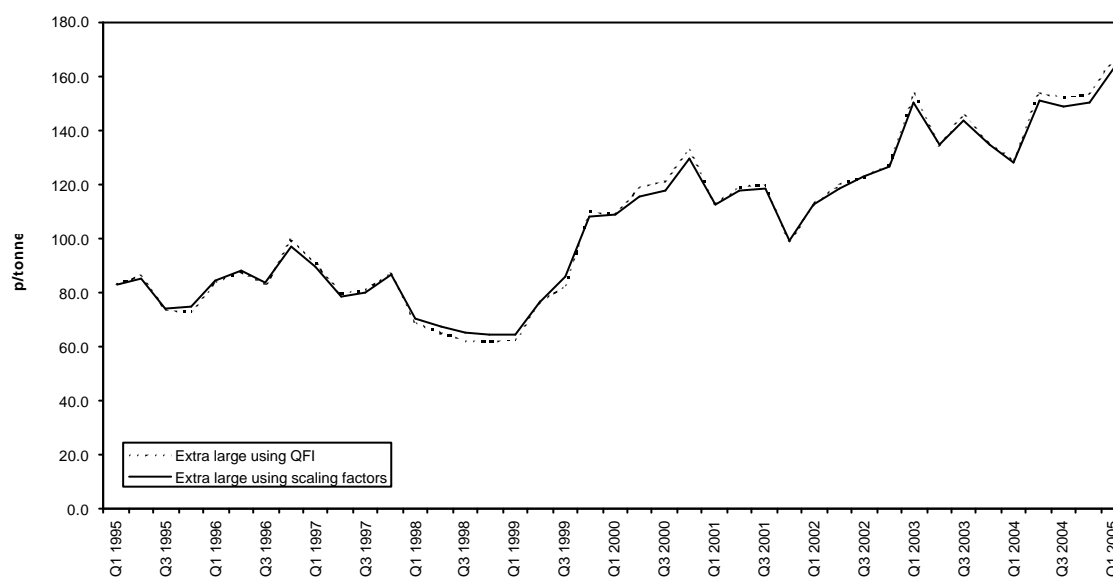


Table A.1 – Differences between prices paid by extra large HFO consumers and the scaled replacement series

	Percentage difference
Lowest difference	0.1
First quartile	0.5
Mean difference	1.6
Median difference	1.2
Third quartile	2.3
Highest difference	5.4

Chart A.2 presents a comparison of a scaled large HFO price series used to approximate the actual moderately large prices. There is a good correspondence between the actual moderately large price series and the scaled replacement series based on the large series. On average, the price paid by a moderately large HFO consumer from the QFI is 5 per cent more than that of a large consumer.

Chart A.2 – Prices paid by moderately large HFO consumers on the QFI and the scaled replacement series

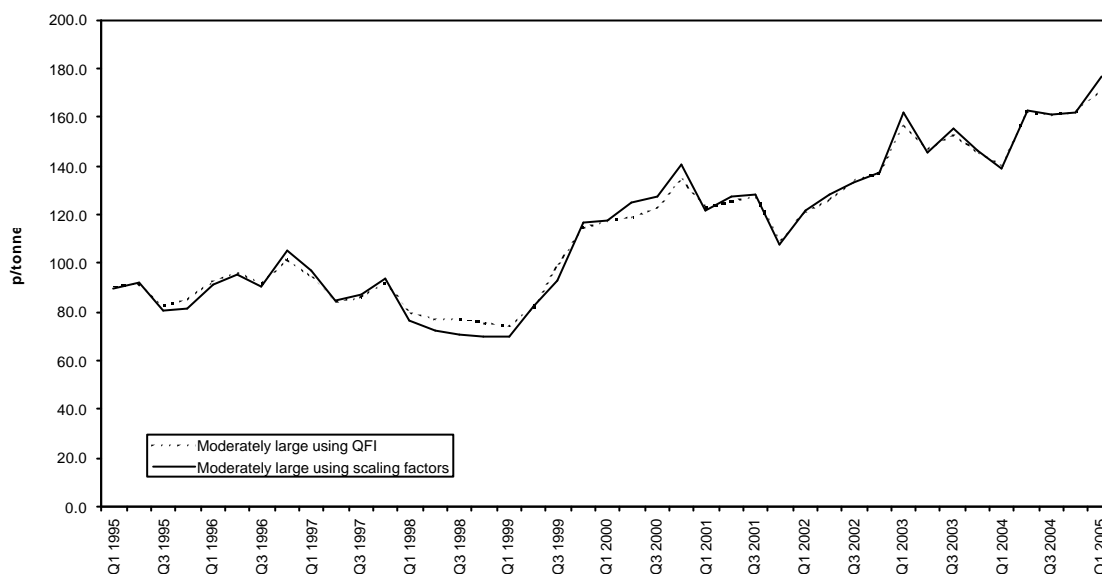


Table A.2 – Differences between prices paid by moderately large HFO consumers on the QFI and the scaled replacement series

	Percentage difference
Lowest difference	-
First quartile	0.7
Mean difference	2.3
Median difference	1.5
Third quartile	3.8
Highest difference	8.2

Chart A.3 presents a comparison of a scaled large HFO price series used to approximate the actual average prices. There is a good correspondence between the actual average price series and the scaled replacement series based on the large series. On average, the price paid by an average HFO consumer from the QFI is 6 per cent more than that of a large consumer.

Chart A.3 – Prices paid by average HFO consumers on the QFI and the scaled replacement series

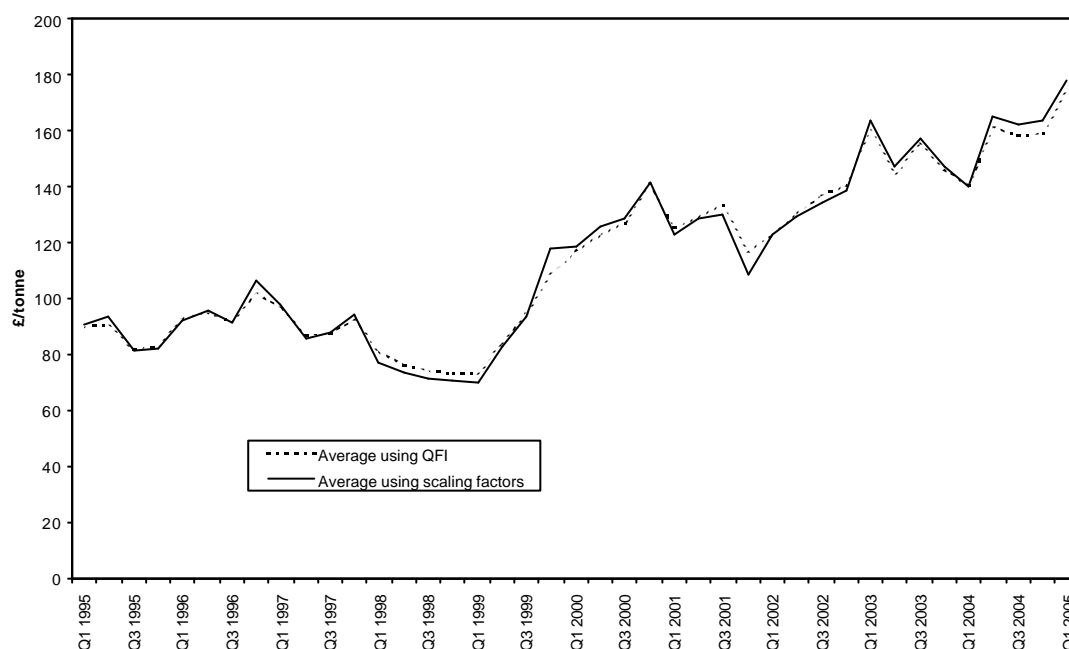


Table A.3 – Differences between prices paid by average HFO consumers on the QFI and the scaled replacement series

	Percentage difference
Lowest difference	-
First quartile	0.9
Mean difference	2.0
Median difference	1.6
Third quartile	2.9
Highest difference	8.7

Similar exercises are possible to derive small and medium sizeband prices for heavy fuel oil. The differences are larger because, as expected, there is a greater divergence between large and small or medium prices. The scaled estimates do, however, still follow closely those of the actual series and could be used to approximate these series. Please contact the DTI for further information.

Gas oil

Chart A.4 presents a comparison of a scaled large gas oil price series used to approximate the actual average prices. There is a very good correspondence between the actual average price series and the scaled replacement series based on the large series. On average, the price paid by an average gas oil consumer from the QFI is 1.5 per cent more than that of a large consumer.

Chart A.4 – Prices paid by average gas oil consumers on the QFI and the scaled replacement series

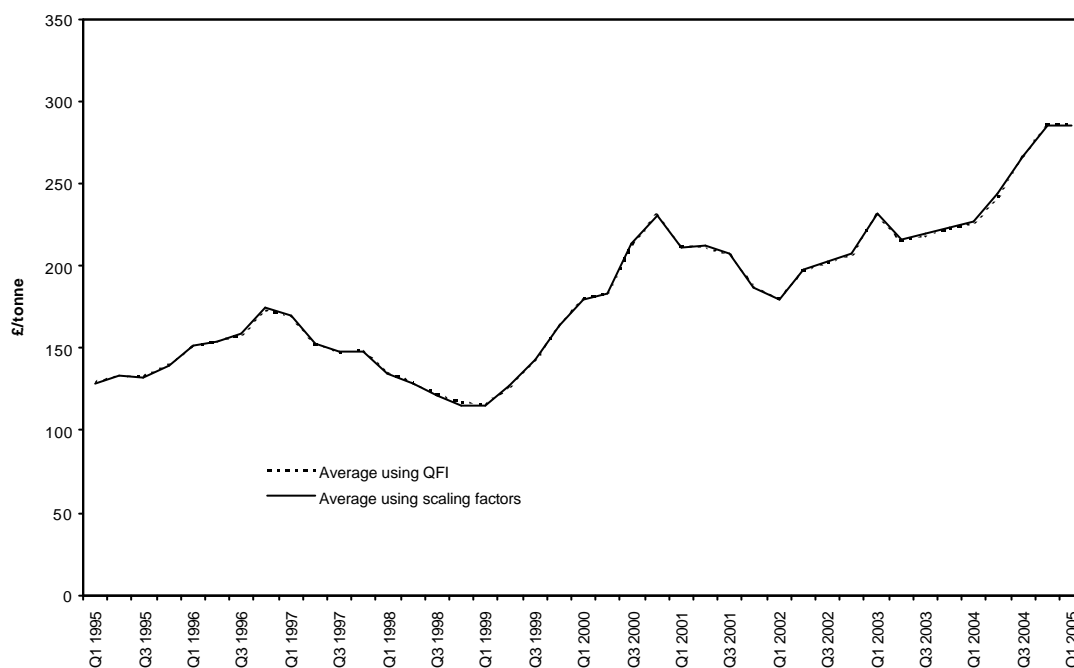


Table A.4 – Differences between prices paid by average gas oil consumers on the QFI and the scaled replacement series

	Percentage difference
Lowest difference	0.1
First quartile	0.2
Mean difference	0.4
Median difference	0.4
Third quartile	0.6
Highest difference	1.3

Similar exercises are possible to derive small and medium sizeband prices for gas oil. The differences are slightly larger because, as expected, there is a greater divergence between large and small or medium prices. The scaled estimates do, however, still follow closely those of the actual series and could be used to approximate these series. Please contact the DTI for further information.

Coal

Chart A.5 presents a comparison of a scaled large coal price series used to approximate the actual average prices. There is a very good correspondence between the actual average price series and the scaled replacement series based on the large series. On average, the price paid by an average coal consumer from the QFI is 6.5 per cent more than that of a large consumer.

Chart A.5 – Prices paid by average coal consumers on the QFI and the scaled replacement series

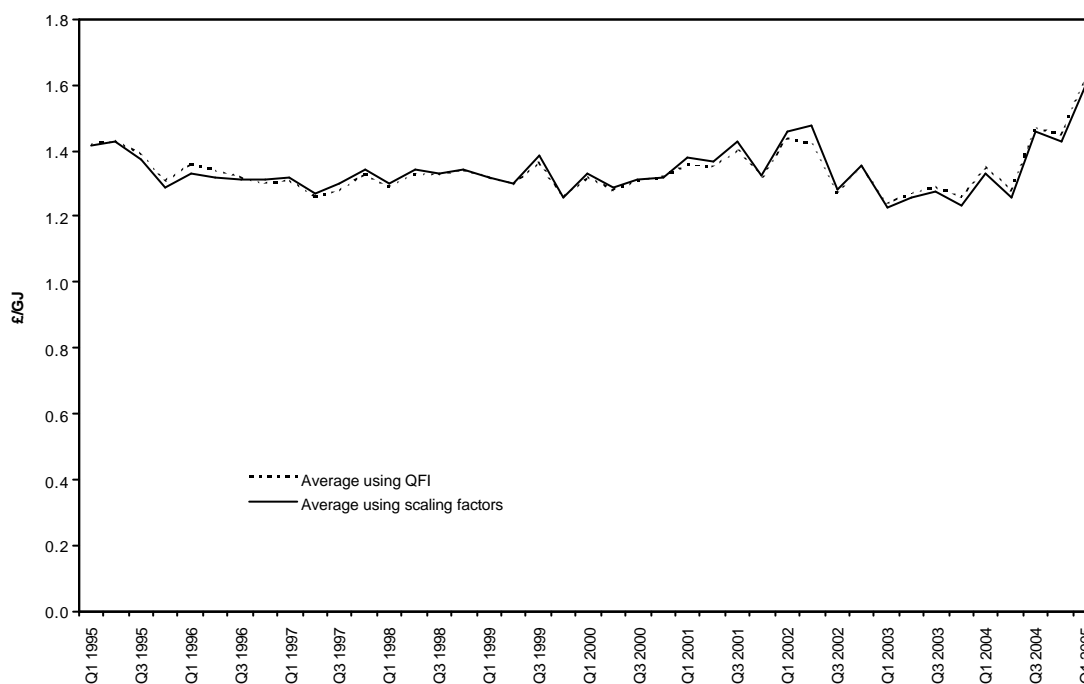


Table A.5 – Differences between prices paid by average coal consumers on the QFI and the scaled replacement series

	Percentage difference
Lowest difference	-
First quartile	0.5
Mean difference	1.0
Median difference	0.9
Third quartile	1.5
Highest difference	3.7

It is not possible to conduct similar exercises to derive small and medium sizeband prices for coal because the small and medium prices are not always subject to the same influences as the large series, meaning that the trends diverge. Under this proposal it is therefore not possible to maintain a scaled small or medium time series for coal. Please contact the DTI for further information.

Gas

Chart A.6 presents a comparison of a scaled large gas price series used to approximate the actual average prices. There is a very good correspondence between the actual average price series and the scaled replacement series based on the large series. On average, the price paid by an average gas consumer from the QFI is 5.5 per cent more than that of a large consumer.

Chart A.6 – Prices paid by average gas consumers on the QFI and the scaled replacement series

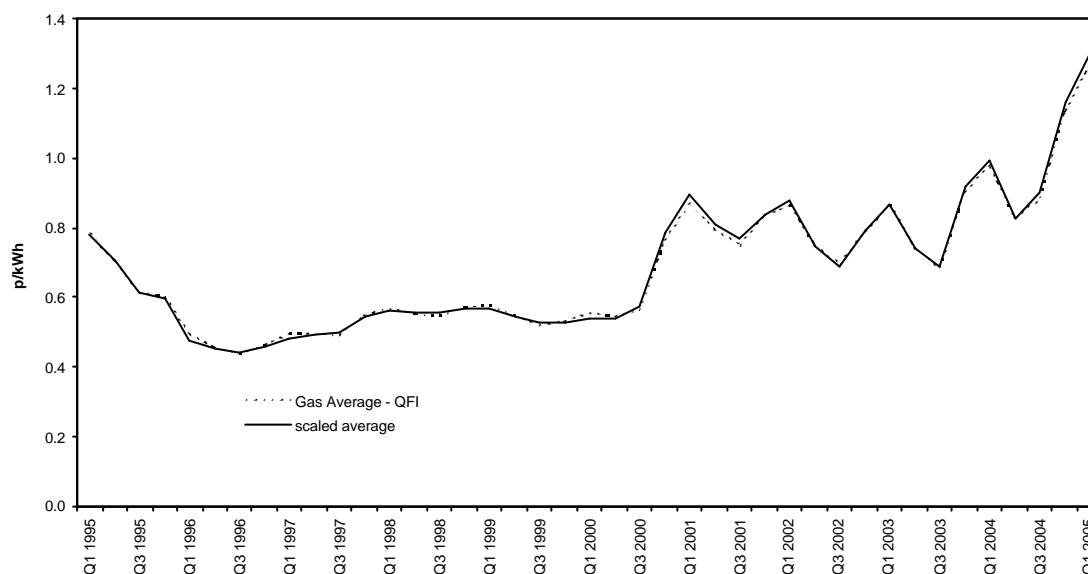


Table A.6 – Differences between prices paid by average gas consumers on the QFI and the scaled replacement series

	Percentage difference
Lowest difference	-
First quartile	0.6
Mean difference	1.3
Median difference	1.4
Third quartile	1.7
Highest difference	3.7

It is not possible to conduct similar exercises to derive small and medium sizeband prices for gas because small and medium prices are not always subject to the seasonal pricing component to the same degree as the large series. It is therefore not possible to maintain a scaled small or medium time series. Instead the new Eurostat price transparency data can be used to derive an approximation.

Charts A.7 and A.8 present a comparison of the Eurostat and QFI medium gas price series and a comparison of the Eurostat and QFI small gas price series respectively. There is a reasonable correspondence between the relevant series, although differences do exist.

Chart A.7 – Prices paid by medium QFI gas consumers and medium Eurostat gas consumers

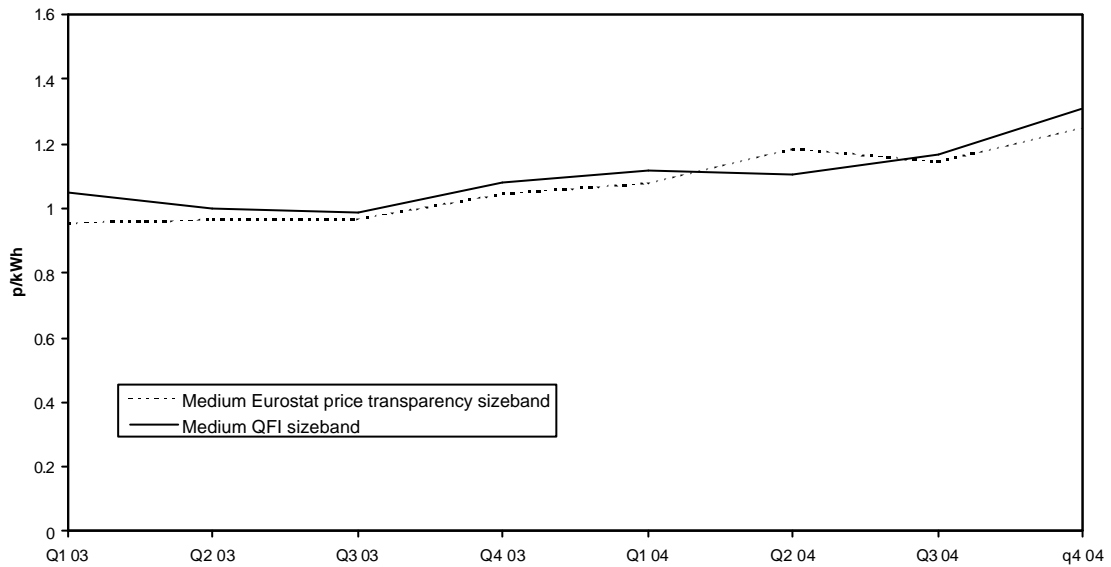
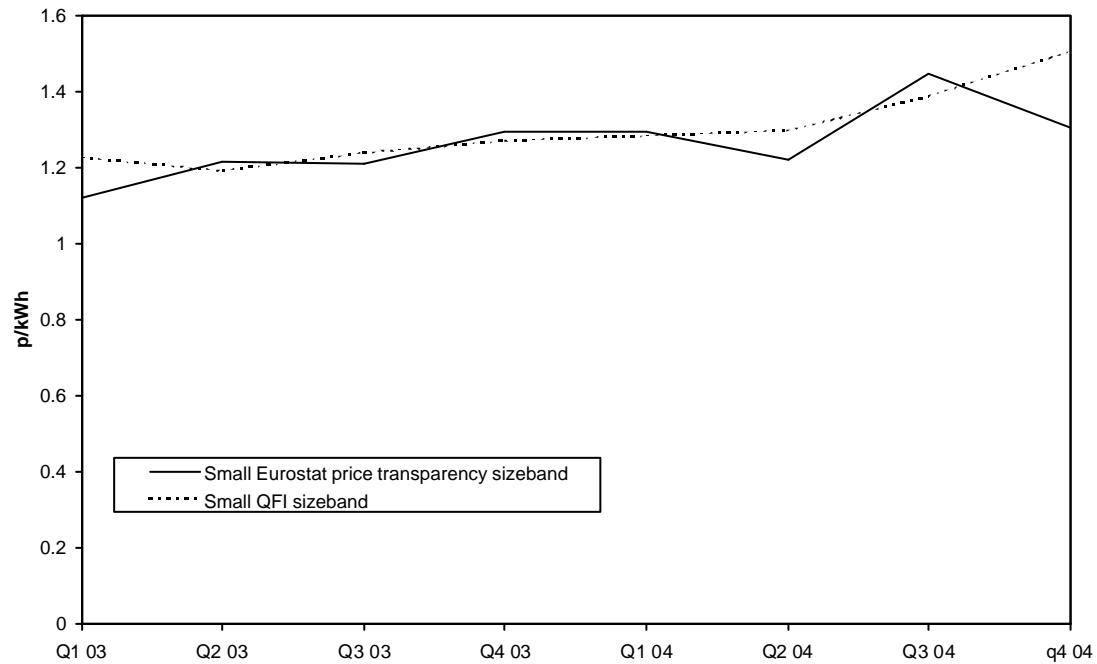


Chart A.8 – Prices paid by small QFI gas consumers and small Eurostat gas consumers



Note that we are currently investigating the reason why the two series diverge between Q3 2004 and Q4 2004.

Electricity

Chart A.9 presents a comparison of a scaled large electricity price series used to approximate the actual average prices. There is a good correspondence between the actual average price series and the scaled replacement series based on the large series. On average, the price paid by an average electricity consumer from the QFI is 11.5 per cent more than that of a large consumer.

Chart A.9 – Prices paid by average electricity consumers on the QFI and the scaled replacement series

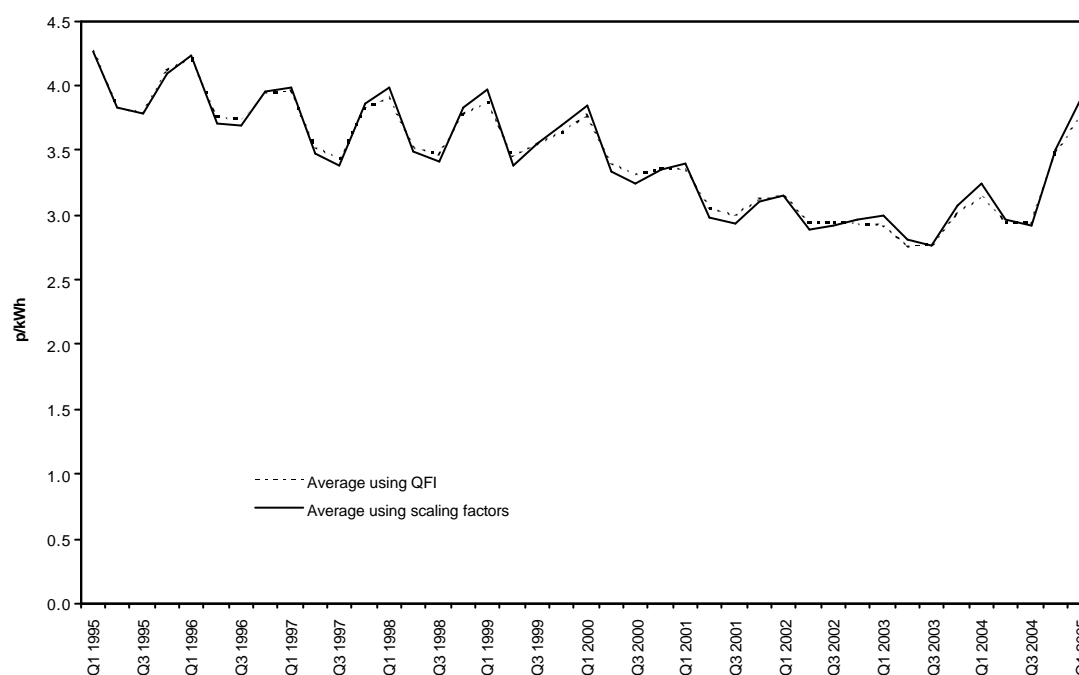


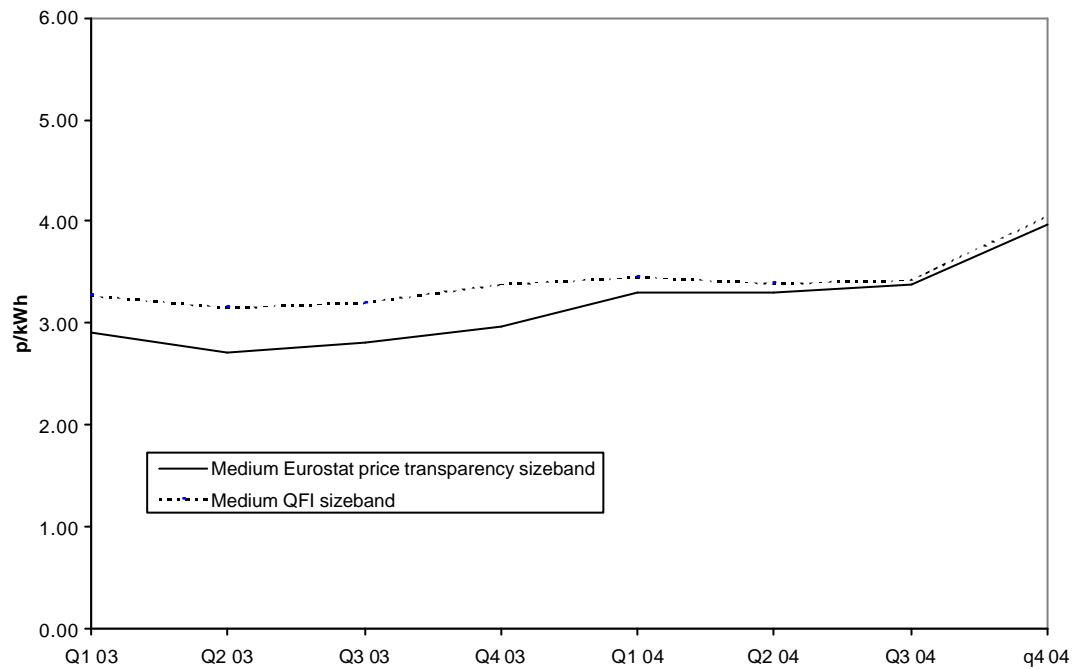
Table A.9 – Differences between prices paid by average electricity consumers on the QFI and the scaled replacement series

	Percentage difference
Lowest difference	0.1
First quartile	0.6
Mean difference	1.3
Median difference	1.2
Third quartile	1.9
Highest difference	3.3

It is not possible to conduct similar exercises to derive small and medium sizeband prices for electricity because small and medium prices are not always subject to the seasonal pricing component to the same degree as the large series. It is therefore not possible to maintain a scaled small or medium time series. Instead the new Eurostat price transparency data can be used to derive an approximation.

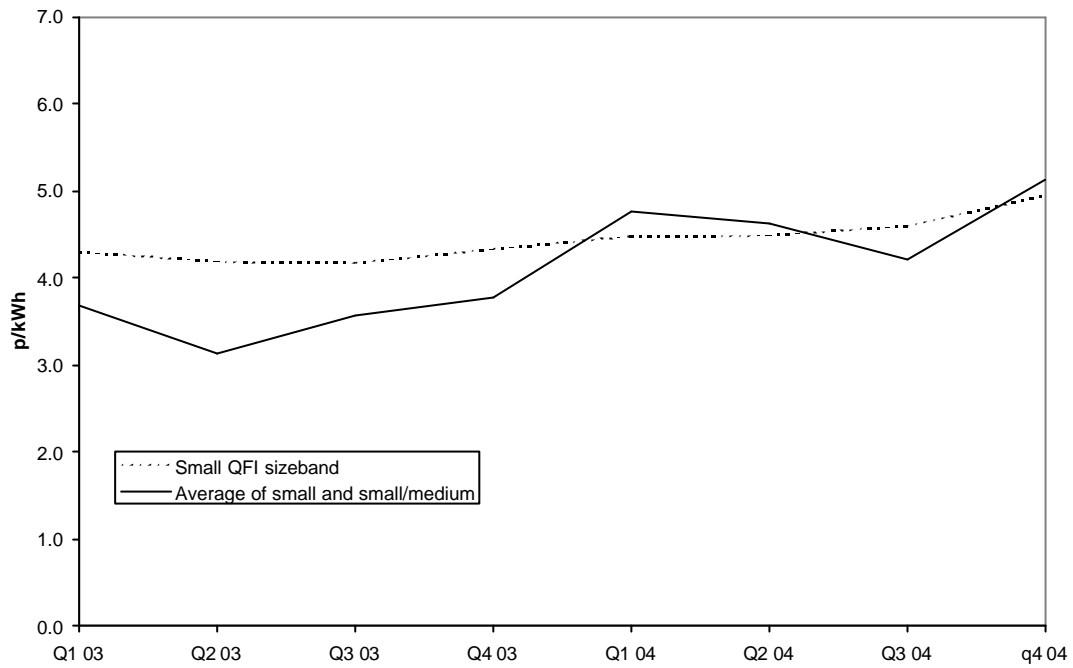
Charts A.10 and A.11 present a comparison of the Eurostat and QFI medium electricity price series and a comparison of a weighted average of the small and small/medium Eurostat series and QFI small electricity price series respectively. There is a reasonable correspondence between the relevant series, although differences do exist.

Chart A.10 – Prices paid by medium QFI electricity consumers and medium Eurostat electricity consumers



There is a good correlation between the two series that improves in 2004, as the sampling and validation methodology is refined.

Chart A.11 – Prices paid by small QFI electricity consumers and a weighted average of the small and small/medium Eurostat series electricity consumers



The correspondence in 2003 is not good, however this improves in 2004, as the sampling and validation methodology is refined.

Appendix B: Details of the new price transparency survey

The following sections give further details of the Eurostat survey of gas and electricity prices.

Section B.1 - GAS PRICES

Gas prices will be collected and compiled according to the following methodology:

1. Only natural gas distributed through mains has to be considered.
2. Prices to be reported are prices paid by eligible end-consumers, that is, those consumers buying gas for their own use.
3. Uses of gas considered are residential (households) and non-residential uses (industry, business and services). However, the system excludes consumers who use gas:
 - a) for electricity generation in power plants,
 - b) in non-energy uses (e.g. in the chemical industry),
 - c) above 8,000,000 GJ per year.
4. Prices recorded are to be based on a system of standard consumers defined by a range of annual gas consumption.
5. Prices will be collected twice per year, at the beginning of each six-month period, (January and July) and will be referred to the complete prices paid by the end-consumers for their gas over the previous twelve months.
6. Prices must be expressed in national currency per GigaJoule (GJ). The unit of energy used is measured on the basis of the gross calorific value (GCV).
7. Prices must include all charges payable: network charges plus energy consumed minus any rebates or premiums plus other charges (meter rental, standing charges, etc). Initial connection charges should not be included.
8. Once per year, together with the January price reporting, information about the main average characteristics and factors affecting the prices reported for each consumption band will be communicated to Eurostat.
9. Prices are to be recorded as national average prices representing the country as a whole. Regional prices will be provided only when national average figures cannot be calculated, but only during a transitional period.
10. The data compilation system will follow the next rules:
 - a) As a general rule the figures will represent weighted average prices, using as weighting factors the market shares of the gas operators surveyed. Arithmetic average prices will be provided only when weighted figures cannot

be calculated. In any case, Member States will ensure that a representative share of the national market is covered in the survey.

b) Market shares should be based on the amount of gas and the associated revenue actually invoiced by the gas operators to end-consumers. If possible, the market shares will be calculated separately for each standard consumer band. This information used for calculating weighted average prices will be managed by Member States respecting confidentiality rules.

c) Once per year, together with the January price reporting, information about the compilation system applied will be communicated to Eurostat and particularly: a description of the survey and its scope (number of operators surveyed, aggregated percentage of the market they represent, etc), the criteria used to calculate the weighted average prices as well as the aggregated consumption volumes represented by each consumer band.

11. Three levels of prices are to be provided:

- a) Prices excluding taxes.
- b) Prices excluding VAT and other recoverable taxes.
- c) Prices all taxes included.

12. The rates and method of calculation as well as a description of the taxes levied on gas sales to end-consumers should also be reported. The description has to include any non-tax levy covering system costs and public service obligations.

13. Gas prices will be surveyed for the following categories of non-residential consumers:

Non-residential consumers	Annual gas consumption (GJ)	
	Lowest	Highest
Small business and professional activities	160	=800
Small enterprise	800	=8 000
Medium enterprise	8 000	=80 000
Large enterprise	80 000	=800 000
Very large enterprise	800 000	=8 000 000

Section B.2. - ELECTRICITY PRICES

Electricity prices will be collected and compiled according to the following methodology:

1. Prices to be reported are prices paid by eligible end-consumers, that is, those consumers buying electricity for their own use.
2. Uses of electricity considered are residential (households) and non-residential uses (industry, business and services).
3. Prices recorded are to be based on a system of standard consumers defined by a range of annual electricity consumption.
4. Prices will be collected twice per year, at the beginning of each six-month period, (January and July) and will be referred to the complete prices paid by the end-consumers for their electricity over the previous twelve months.
5. Prices must be expressed in national currency per kWh.
6. Prices must include all charges payable: network charges plus energy consumed minus any rebates or premiums plus other charges (capacity charges, commercialisation, meter rental, etc). Initial connection charges should not be included.
7. Once per year, together with the January price reporting, information about the main average characteristics and factors affecting the prices reported for each consumption band will be communicated to Eurostat.
8. Prices are to be recorded as national average prices representing the country as a whole. Regional prices will be provided only when national average figures cannot be calculated but only during a transitional period.
9. The data compilation system will follow the next rules:
 - a) As a general rule the figures will represent weighted average prices, using as weighting factors the market shares of the electricity operators surveyed. Arithmetic average prices will be provided only when weighted figures cannot be calculated. In any case, Member States will ensure that a representative share of the national market is covered in the survey.
 - b) Market shares should be based on the amount of electricity and the associated revenue actually invoiced by the electricity operators to end-consumers. If possible, the market shares will be calculated separately for each standard consumer band. This information used for calculating weighted average prices will be managed by Member States respecting confidentiality rules.
 - c) Once per year, together with the January price reporting, information about the compilation system applied will be communicated to Eurostat and

particularly: a description of the survey and its scope (number of operators surveyed, aggregated percentage of the market they represent, etc), the criteria used to calculate the weighted average prices as well as the aggregated consumption volumes represented by each consumer band.

d) Once per year, together with the January price reporting, a breakdown of the electricity prices into their main components will be communicated to Eurostat.

10. Three levels of prices are to be provided:

- a) Prices excluding taxes.
- b) Prices excluding VAT and other recoverable taxes.
- c) Prices all taxes included.

11. The rates and method of calculation as well as a description of the taxes levied on electricity sales to end-consumers should also be reported. The description has to include any non-tax levy covering system costs and public service obligations.

12. Electricity prices will be surveyed for the following categories of non-residential consumers:

Non-residential consumers	Annual electricity consumption (MWh)	
	Lowest	Highest
Small business and professional activities	=50	
Small enterprise	50	= 500
Small/Medium enterprise	500	=2 000
Medium enterprise	2000	=18 000
Large enterprise	18 000	=70 000
Very large enterprises	> 70 000	