Jersey Competition Regulatory Authority

Review of the supply of heating oil in Jersey

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Executive Summary

Households in Jersey pay more for heating oil than households in the UK. At the end of summer 2011, Jersey consumers paid about 8 pence per litre (***ppl***) – or £72 for a delivery of 900 litres – more for kerosene than UK consumers. Taxes on heating oil in Jersey and the UK are the same, at 5%. It has long been the case that Jersey consumers have paid a premium over UK prices for heating oil but, worryingly, the price difference appears to be increasing over time, with Jersey becoming more expensive relative to the UK.

It is important to stress that people living in Jersey cannot expect to pay the same price for heating oil as people in the UK. Jersey imports all of its refined heating oil by sea to serve a relatively small market which is less than 1% the size of the UK market, and Jersey does not benefit from the same economies of scale. Although relatively small, the Jersey heating oil market is important – around 30 per cent of households in Jersey rely on heating oil to provide heat and hot water for their homes and families. Notwithstanding the extra costs that may be associated with doing business in the heating oil industry in Jersey, or the global forces of supply and demand that have an overwhelming influence on the price of all petroleum products, it is as important as ever, in these difficult economic times, that people in Jersey benefit from a competitive market for heating oil.

Our conclusions are that there is room for improvement in the state of competition in the Jersey market for heating oil, and the trends in prices are a cause for some concern.

Main Findings

In the UK, with its supply of North Sea natural gas and gas interconnectors to Europe, mains gas is usually the default choice for space and water heating in homes. And most UK households do have the choice to use mains gas – in England, only 12 per cent of households are "off grid" (that is, don't have access to mains gas). This rises to about 20 per cent in Wales, and to 80 per cent in Northern Ireland, where mains gas was introduced much later than in the rest of the UK.

Jersey has no natural gas either on the Island or piped to it – all the gas used in Jersey is imported by sea as liquid petroleum gas. In sharp contrast to the UK, heating a home with gas in Jersey is

unlikely to be the cheapest option for many. This means that people in Jersey are much more reliant on other fuel sources, including heating oil, than people in the UK.

It has long been the case that Jersey households have paid more for heating oil than households in the UK. In 2000, the difference per litre for a delivery of 1000 litres, was about 2.5p, in 2009 this had risen to about 4.2p, and in 2011, to 7.9p – or about £230 more for a household using 3000 litres of kerosene a year.

It does not appear that a very high percentage of Jersey consumers are actively shopping around for heating oil, and this might be because the savings from doing so appear modest. We looked at Jersey retail prices for 139 weeks between 2009 and 2011, and considered how much a consumer would save by shopping around between the three suppliers: Fuel Supplies Channel Islands Ltd (***FSCI***), carrying the Rubis brand; Petroleum Distributors Jersey Ltd (***PDJ***); and Total (currently being rebranded as Channel Islands Fuels Limited). We found that in only five weeks out of 139 would the saving have been more than 5 per cent on a delivery of 1000 litres. Sometimes consumers might benefit from shopping around; for example, in 2011, we found one week where it would have been possible for a consumer to save £41.50 on a delivery of 1000 litres (24th August 2011). However, in general, Jersey consumers may well find that the available savings from shopping around are a lot less than this, or even zero.

One thing that hampers shopping around for heating oil in Jersey is the terms and conditions of two of the suppliers – PDJ and Rubis. Unlike the third seller, Total, these firms do not give a price that is applicable on the date of delivery, but instead give a price on the date of order and reserve the right to charge a different price on delivery. Not only does this make price comparisons and shopping around more difficult than it should be, but it seems to us to be out of line with consumer protection legislation that applies generally across Europe – it would be very unusual in most other industries, and in most other countries, for a consumer not to know the price of a good or service before agreeing to buy. The States of Jersey has consulted on bringing consumer protection legislation, similar to the European Union Directive on Unfair Commercial Practices, into force in Jersey but this is not yet in place.

Given that this practice would be so unusual in other industries, and that there is already the prospect of consumer protection legislation in Jersey that may oblige these suppliers to change their terms and conditions, we discussed with both Rubis and PDJ the scope for them to voluntarily make changes without waiting for legislation to force them to act. We are delighted to report that both companies have voluntarily agreed to change their terms and conditions, so that they will honour the price quoted to the customer at the time that the order is placed.

The gross unit margins of the heating oil suppliers in Jersey appear to be rising over time and we are not convinced that all of the increases can be explained away by rising unavoidable costs, a conclusion that some heating oil suppliers hotly dispute – some argue that the absolute difference in costs between Jersey and the UK is as much as 7 ppl, and that these costs have been rising over time. We accept that there is some room for debate about what the actual level of cost differences between Jersey and the UK might be, assuming competitive pressures were strong and driving all firms to be cost-efficient. We nevertheless consider that the increasing difference in retail price between the UK and Jersey, and the increasing gross unit margins of Jersey heating oil supply, remain cause for some concern.

What can be done?

New entry to importation of heating oil in Jersey appears unlikely, and there are no indications that any new firm is planning to enter into heating oil distribution in Jersey so as to increase the number of distributors. It is possible that the existing structure and number of players in a small market acts as a deterrent to new entry.

Any form of price regulation in this market is very unattractive. Heating oil does not have the same characteristics of a natural monopoly that networked forms of energy display. Although access to La Collette fuel farm might be seen as a significant bottleneck and barrier to new entrants, if a serious new entrant did emerge, the solution is likely to be to consider whether access to the facility should be mandated at a particular price (perhaps through an investigation under the *Competition (Jersey) Law 2005*) (***Competition Law***). Price regulation would be a significant, and no doubt costly, step. Nevertheless, unattractive though price regulation may be, it is also unattractive to contemplate an ever increasing heating oil price differential between

Jersey and the UK, without a clear explanation for this trend, with Jersey becoming relatively more and more expensive over time.

The JCRA considers that any remedies that it recommends should be both proportionate to the concerns raised and the quality of the available evidence. As such, we recommend that monitoring should be put in place in the first instance. By this, we mean data on Jersey heating oil prices, and price comparisons with the UK, should be collected on a regular basis going forward and the results made publically available, and the heating oil suppliers should be invited to provide the JCRA with a contemporaneous commentary on price and cost trends as the data is collected.

This type of monitoring remedy may have three positive effects:

- it may provide information and assurance to the people of Jersey, and policy makers, that the situation which prompted concerns remains under review;

- in the event that unavoidable costs are not driving widening price differences with the UK, it may put some informal, and public, pressure on the suppliers which may act as some constraint on trends for prices to increase; and

- it would facilitate an accurate and reliable data record available for the future, and provide a continuous flow of information which may act as a trigger for regulatory action to be reconsidered.

This proposal will, of course, impose some costs on firms, in terms of supplying data, and on the JCRA, in collecting, analysing and presenting the data, but we believe these are modest burdens and seem entirely proportionate when so many Jersey households rely on heating oil to provide warmth and hot water. In the event that the monitoring shows concerns are unfounded, the heating oil suppliers may be spared the costs of yet another study or investigation in the future.

We recommend that the Minister for Economic Development should, under Article 6(4) of the *Competition Regulatory Authority (Jersey) Law* 2001, task the JCRA for a period of not less than one year, with:

- at least once a month, collecting Jersey retail prices for heating oil, preparing a fair comparison with UK prices, and publishing these price comparisons – for each individual Jersey distributor and as an average for Jersey;

- collecting gross unit margins for each of the heating oil companies and depending on whether or not these continue to increase from their current levels, we will consider at the end of the year whether its appropriate to publish such data; and

- inviting the Jersey heating oil suppliers, both importers and distributors, to provide the JCRA with comments and views on emerging trends, and take these into account when publishing a quarterly commentary on price trends.

Thank you

Many firms, consumers, consumer representatives, and States of Jersey Departments helped us with this study. Individual consumers wrote to us to give us their views and filled in our Internet survey. Importers and distributors of heating oil provided us with data, shared their experience, and answered our questions. Many other organisations, such as the Jersey Consumer Council, the UK Office of Fair Trading (***UK OFT***), the Isle of Man Office of Fair Trading (***IoM OFT***), Jersey Electricity Company and Jersey Gas were generous with their time. We are very grateful for all of the assistance given to the JCRA.

1 Background to the review

In March 2011, the JCRA announced the launch of this market study into heating oil. The terms of reference for the study are shown below in Figure 1.1. The study was prompted in part by concerns expressed by consumers and the press about the rising cost of heating oil - winter 2010/2011 had been cold and prices were rising - and in part by the fact that it has been several years since a review of this critically important market in Jersey was undertaken. The main focus of the study has been the supply of kerosene, largely to domestic customers, although commercial supply is not explicitly excluded.

Figure 1.1 Terms of reference for the JCRA's heating oil market study

The aims of the market study in relation to heating oil are twofold:
(1) to compare the costs of heating oil in the UK with the costs of heating oil in Jersey and explain the differences to a satisfactory degree; and
(2) to assess whether there are indications that competition is not effective in Jersey, which will be reflected in comparatively high margins.

1.1.1 Main information sources

We sent several information requests to all Jersey importers and distributors of heating oil, seeking information about their prices, costs, margins, and terms and conditions. On 19th April 2011 the Minister for Economic Development wrote to the JCRA in a form which allowed it to make use of formal powers to collect information under the Competition Law, and the JCRA used these powers to complete much of its information collection. We also sent informal requests to Jersey Electricity and Jersey Gas, who were generous with their time in responding to our questions. We asked Jersey consumers to fill in an online survey (a copy of this can be found in Annex 1), and met individually with all heating oil suppliers.

In October 2011, the UK's OFT published a report of its market study into *Off-grid energy*. This study considered the competitive conditions in the main forms of energy available to UK consumers who are "off grid" – in the UK, this means consumers who do not have access to mains natural gas, the most popular form of heating. The UK OFT concluded that most consumers in the UK have a good choice of supplier and the market is generally competitive,

although the OFT expressed concerns about competition in more remote areas and also took action under consumer protection legislation against some price comparison sites, and is working with the industry to increase awareness of the UK's Consumer Protection Regulations.

The terms of reference for the JCRA's market study task us with carrying out various comparisons to the UK and so the OFT's timely report contains a lot of information that is useful to us, and we reference the OFT's report throughout this report.

1.1.2 Earlier studies

2009: Comparative Energy prices in Jersey[1]

This report was commissioned by the States of Jersey to review the size, structure and operation of all the energy markets in Jersey and update previous work, carried out in 2004[2] by the same consultants. This report concludes that the case for regulation of the energy markets had not been proven, but that a lack of value for money being achieved by all industries suggested the need for further investigation.

2001: Report by Oxera Consulting Limited[3]

This report investigated the factors influencing the prices of petrol, diesel and heating oil in the Island to explain net-of-tax price differentials between Jersey and the UK for various fuels. The report focused mainly on road fuel rather than heating oil because: *for heating oil, the margins in Jersey have remained fairly constant over time…the differential in margins between Jersey and other markets has also remain reasonably constant over a 10 year period, unlike the evidence from the petrol market.*

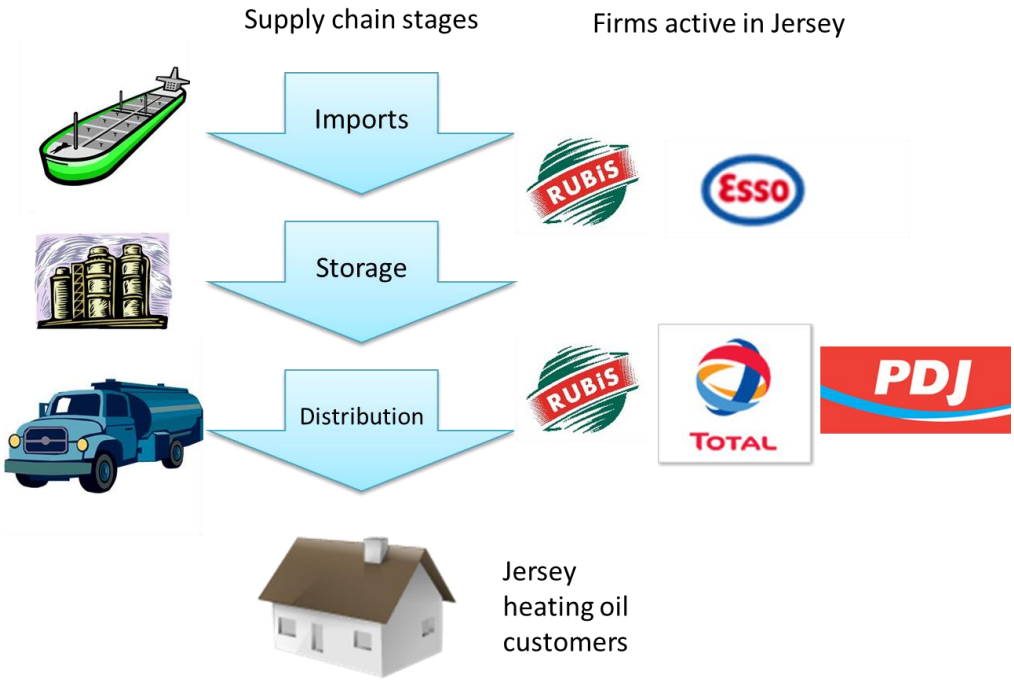
1 Consultancy Solutions (2009), *Comparative Energy Prices in Jersey*
2 Consultancy Solutions (2004) *Review of the Current Arrangements of the Importation, Storage and Supply of Petroleum Products to the Distributors and Retail System in Jersey*
3 Oxera Consulting Limited (2001), *Fuel Prices in Jersey: A Report to the Industries Committee of the States of Jersey*

2 Jersey heating oil market

There are two types of heating oil used in Jersey – kerosene and gas oil. Kerosene is also known as 28 second oil, heating oil, kero and standard kero. Gas oil is sometimes referred to as 35 second oil, heating oil or red diesel. Jet kerosene, sometimes called aircraft kerosene, JA1 or A1 kerosene, is very similar to standard kerosene but has higher sulphur content. Most domestic households and businesses that use heating oil use standard kerosene, although some larger commercial customers use gas oil. Most of the heating oil sold in Jersey is kerosene, and when we use the term "heating oil" in this report, we mean kerosene.

Rubis, PDJ and Total distribute heating oil to Jersey homes and businesses, and Rubis and Esso are active in the importation of heating oil to Jersey.

Figure 2.1 Firms and the supply of heating oil in Jersey

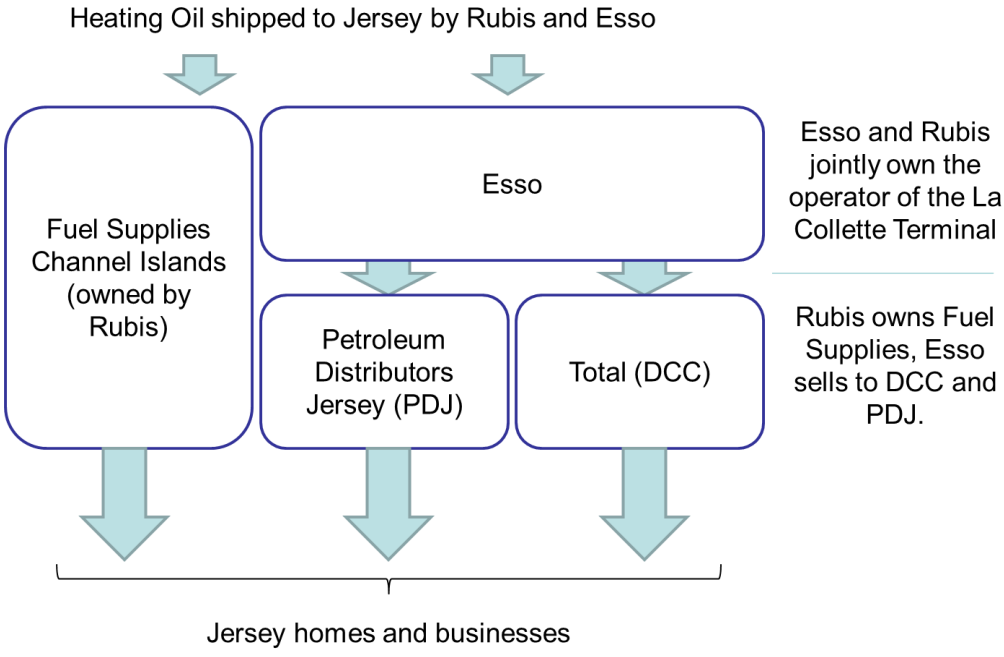


Source: JCRA

Jersey has no refinery, and all refined petroleum products are imported; unlike the UK, which has eight active refineries, some supplied with crude oil by pipeline and some supplied by boat, as well as refined products being imported directly to some of the 16 UK coastal oil terminals that receive refined products from both foreign and UK refineries. Northern Ireland, like Jersey, has no refinery and all heating oil is transported by boat into Belfast or Derry.

All petroleum products imported into Jersey are handled by the La Collette Terminal. The operation, and history, of the La Collette Terminal has been covered in detail in many reports[4] about the importation and distribution of petroleum products in Jersey - and so the detail is not repeated here. In summary, the facts relevant to our competition analysis of heating oil are that La Collette Terminal Limited (***LCTL***) operates the terminal on behalf of a consortium comprising LCTL, owned by Rubis, and Esso UK. LCTL owns 60% of the consortium assets and Esso UK owns 40%. LCTL is a wholly-owned subsidiary of Rubis and acquired 60% of the assets of the terminal from Shell UK in 2009.

Figure 2.2 Suppliers of heating oil in Jersey



Source: JCRA

4 See reports referenced in section 1

FSCI and Esso import heating oil into Jersey. Total purchases its requirements from Esso. Esso sells heating oil to PDJ. FSCI distributes under the Rubis brand. In June 2011, Total sold its Channel Islands businesses and, as of 31 October 2011, DCC plc owns the assets of Total (Jersey) Limited. Total's operations are in the process of being re-branded as Channel Islands Fuels. For convenience, given the very recent name change, DCC's operations are referred to as Total in this report. Apart from the recently-announced transfer of Total's operations, the structure of the market appears to have changed little over time, although assets and operations have changed hands.

2.1 Market size and market shares

In 2010, Jersey households and businesses used about 35 million litres of heating oil – by contrast, the UK's consumption is more than 100 times larger[5]. Although the Jersey market for heating oil is, of course, much smaller than that of the UK, it is still a significant market with a 2010 value of about £17 million.

Figure 2.3 Jersey heating oil market size and shares

Kerosene Only Volumes (litres)	**PDJ**	**Rubis**	**Total**	Total
2009	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	33,938,230
2010	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	35,279,733
2011 (to August)	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	21,139,552
Value (£)	**PDJ**	**Rubis**	**Total**	Total
2009	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	£13,655,508
2010	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	£17,464,650
2011 (to August)	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	£13,177,025
Ratio value/volume	**PDJ**	**Rubis**	**Total**	Total
2009	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	0.40
2010	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	0.50
2011 (to August)	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	0.62

Source: JCRA, from data collected from Jersey suppliers

5 Based on statistics from the UK Department of Energy and Climate Change (***DECC***)

Rubis is the largest supplier, with about 50% of the Kerosene sales by value, followed by PDJ at 37%, and Total at about 13%. Market shares appear steady, apart from a shift between Rubis and PDJ of about 6% in 2010/11, which is likely to be accounted for by PDJ winning the States of Jersey contract from Rubis in 2010.

The Jersey market for kerosene appears to be growing, at least recently, with an increase in volumes of 1.3 million litres between 2009 and 2010. The UK market for Kerosene is also steady – the UK OFT's recent report[6] states that there hasn't been a decline in the UK heating oil volumes for about 10 years.

Figure 2.4 Jersey heating oil share of market (Kerosene)

Volumes	PDJ	Rubis	Total	
2009	32%	55%	13%	100%
2010	33%	54%	13%	100%
2011 (part year)	39%	48%	13%	100%
Value	**PDJ**	**Rubis**	**Total**	
2009	30%	57%	13%	100%
2010	32%	55%	14%	100%
2011 (part year)	37%	50%	13%	100%

Source: JCRA from data collected from Jersey suppliers

2.2 Entry and exit, barriers to entry

There has been no new entry into the market, or exit from the market, to change the number of suppliers in recent times and the number of importers and distributors has remained constant over time with two importers and three distributors. The assets of various companies have changed hands over the years; for example, DCC's recent acquisition of Total's distribution activities, Rubis' acquisition of Shell's operations in 2009, and Total's acquisition of BP's operations in 1996. During this study, stakeholders pointed out the withdrawal of the oil majors (excluding Esso) from the Jersey petroleum products market(s), and queried whether this should be of concern. From a competition point of view, generally speaking, the number of competitors

6 UK OFT, October 2011, *Off-grid energy*

importing and distributing is more important than particular forms of ownership but we note that the withdrawal of the oil majors from downstream operations is a long-standing trend seen worldwide[7] - with Total's sale of its retail operations in the UK, no oil majors remain in retail distribution of heating oil, and no UK refiners also distribute heating oil[8]. So the withdrawal of the oil majors from downstream activities is not a trend unique to Jersey.

Any new entrant who wished to import fuel would need access to the La Collette fuel farm. The lease for La Collette, signed in 2007 for ten years between the States of Jersey, and Esso and Shell (now Rubis for these purposes) contains a clause which suggests that third parties may seek access to facilities for the throughput and storage of petroleum products at La Collette (although, of course, whether this is feasible and practical for a third party would depend on the price charged). If a new entrant ever sought access to La Collette, it is possible that JCRA would be called on to resolve any dispute about terms and conditions through an investigation under the Competition Law.

At the distribution level, barriers to entry appear lower than for importation. In the UK, due to the distances from the refineries, new entrants often require depots and storage facilities, which creates some barriers to entry[9]. A new entrant in heating oil distribution in Jersey would need tankers and the means to serve retail customers and, of course, access to a wholesale fuel supply from either Rubis or Esso. We are unaware of any attempted new entry into the distribution of heating oil in Jersey, and whether a new entrant could easily gain access to a wholesale supply is unknown - although since Esso is not involved in distribution, and already supplies two distributors, it is possible that if the business opportunity seemed attractive, new entry in retail distribution of heating oil may be possible with a wholesale supply from Esso.

7 Exane BNP Parabas, Rubis Equity Research, June 2010
8 UK OFT, October 2011, *Off-grid energy*
9 UK OFT, October 2011, *Off-grid energy*

3 Choices for Jersey consumers: heating oil, gas and electricity

In the UK, the default choice for energy to heat homes and supply hot water, for most consumers, is natural gas[10] and this is often the cheapest option available. In Jersey, there is no natural gas available on, or piped to, the island and the gas supplied to Jersey homes and businesses is a manufactured liquid petroleum gas which is imported by sea. This is a significant difference between the UK and Jersey, and means the choices facing the Jersey consumer, with or without access to Jersey's main gas grid, is different from that for most consumers in the UK. Space and water heating using gas in Jersey will often not be the cheapest option for many consumers. In the UK, the typical cost of heating a three bedroom house is around 50 per cent higher with heating oil compared to mains gas[11]; however, in Jersey, this is not the case, with gas appearing to be a more expensive option than heating oil.

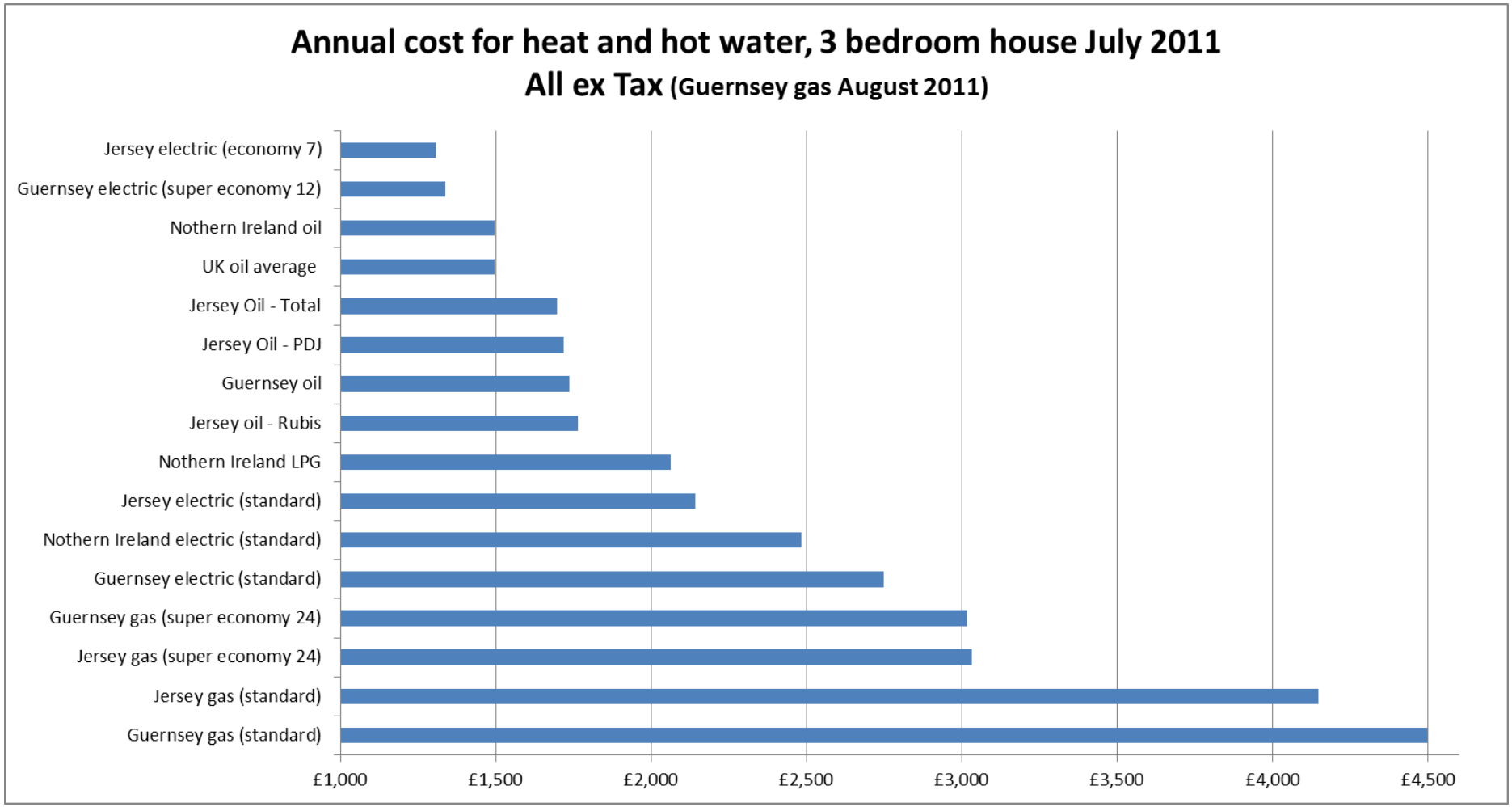
3.1 Cost comparisons between fuel types

Figure 3.1 uses a standard set of assumptions to calculate the running costs of heating and hot water for a typical three bedroom house. These assumptions include the amount of energy required and this varies depending on household requirements, the size, age and type of the property, the level of insulation, and the efficiencies of the appliances used. Newer, condensing boilers are more efficient than older boilers, gas boilers have a different efficiency than electric radiators and immersion heaters, and so on. So the diagram shown in Figure 3.1 is a comparison of fuels based on one set of assumptions, but the cost for any single household may be different. This is particularly so if the life-time cost of the heating and hot water installation itself is considered, which may vary dramatically from household to household and between different types of fuel.

We show the cost calculations for a house with a requirement of 16,300 KwH per year, split 85% heating and 15% hot water, with a non-condensing gas, oil or LPG boiler, electric radiators or storage heaters and electric hot water immersion heaters, as appropriate to the fuel source and

10 Although the UK looks set to become more dependent on the importation of LPG see: http://www.nationalgrid.com/uk/Gas/Pipelines/milfordhaven/
11 UK OFT, October 2011, *Off-grid energy*

Figure 3.1 Comparison of space and water heating for a typical three bedroom house



Source: JCRA calculations with data from suppliers, public sources and some data from the Sutherland Tables.

See report text for a description of assumptions used in the calculations.

tariff chosen. Standard gas and electricity tariffs are shown, although note these are not marketed as being suitable for households who use a high percentage of energy for heating, with the economy tariffs – Economy 7 electricity tariff, and the Super Economy 24 gas tariff –being marketed as solutions for those customers[12].

The use of 16,300 KwH in our calculations is based on a standard assumption used in the Sutherland tables[13], but Jersey Gas tells us that this is higher than most Jersey gas consumers would use in a year – this difference may be due to many factors, including, of course, the cost of gas in Jersey. If a lower KwH were used to create Figure 3.1, then the annual cost would reduce for all fuel types. Finally, note also that the oil prices shown in Figure 3.1 are for mid-July 2011; and if a different month were chosen, then the cost of heating oil supplied by the three Jersey oil distributors shown may be different.

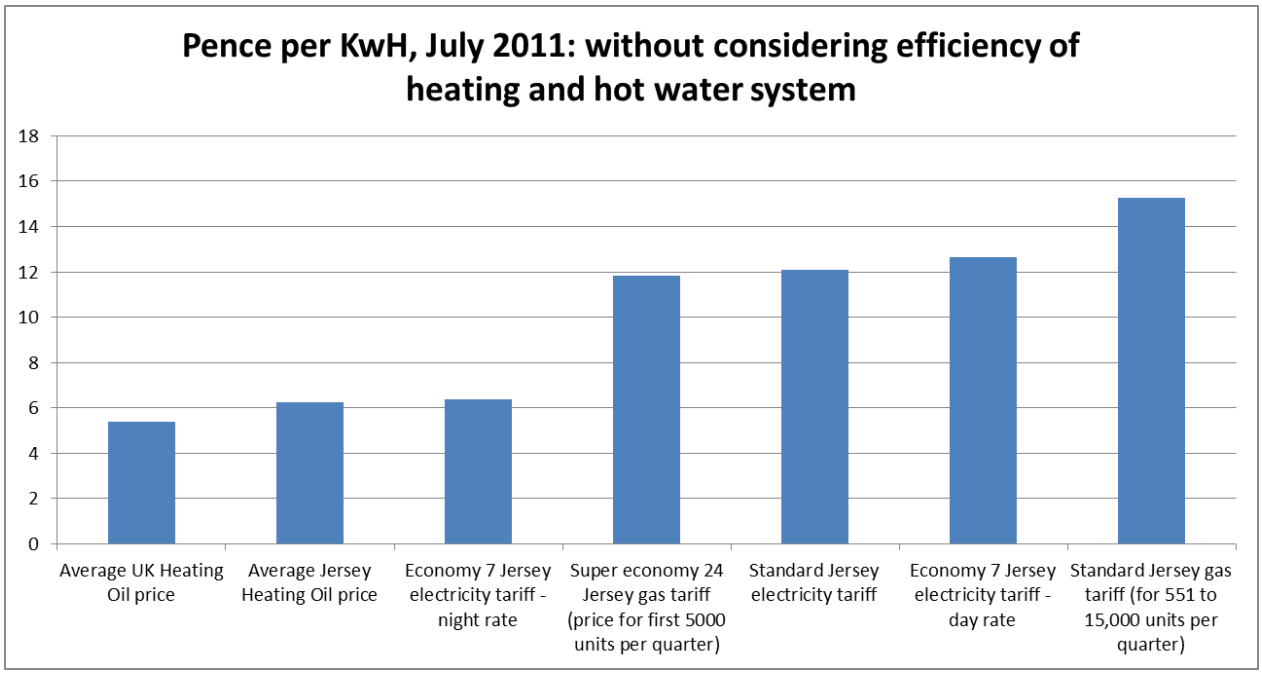
Our calculations show that, in Jersey, the annual running costs for space and water heating with heating oil lie between the lower costs of the Jersey Economy 7 electricity tariff, and the higher cost of Jersey gas on both standard and economy tariffs, and above the average cost of heating oil for Northern Ireland and the UK overall.

For completeness, and to present a balanced picture, Figure 3.2 shows the pence per KwH, stripping out all assumptions about the efficiency of appliances for Jersey gas, electricity and oil, and the average price of UK heating oil, for July 2011. Here, we can see less difference between electricity and gas – because the assumption that electric appliances are more efficient has been removed – and that per KwH, heating oil is very close to, and very slightly below, the cheapest electricity tariff when assumptions about the efficiency of an oil-fired boiler compared to electric heating are removed. The same caveats as mentioned previously about data from a single month apply.

12 Jersey Electric also offers a Comfort Heat tariff

13 The Sutherland Tables provide comparative costs for space heating and hot water for the most common fuels across a range of standard house types throughout the UK and Ireland. See http://www.sutherlandtables.co.uk/

Figure 3.2 Pence per KwH, July 2011



Source: JCRA calculations from data supplied by heating oil distributors and public information

3.2 Switching between fuel types

Jersey's 2008 social survey[14] reported that 10 per cent of Jersey households use gas to heat their homes, 32 per cent heating oil, 29 per cent electricity only, 11 per cent a combination of fuel sources, and 8 per cent other forms of fuel. In Jersey, about 80 per cent of households are not gas customers; this compares to England, where 88 per cent of households have access to the mains gas grid and, as discussed previously, most will choose to heat their homes with natural gas. In Northern Ireland, where mains gas was introduced much later than for the rest of the UK, 80 per cent of households are not connected to the mains gas grid.

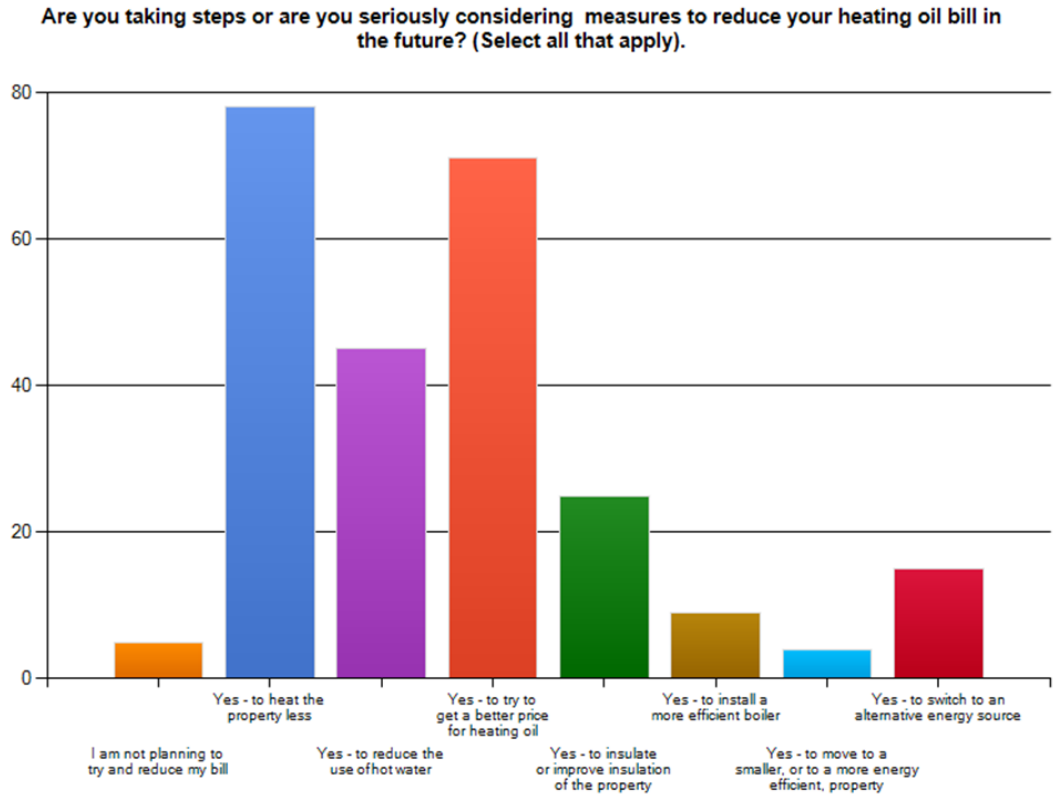
A consumer's choice of fuel type is not, of course, decided only by considering running costs; availability is also a key consideration. Some consumers will not have a choice at all because they live in multiple occupancy buildings and do not control the choice of fuel, or they have no access to the gas grid, or an urban location means heating oil is impractical.

14 States Statistics Unit (2009), *2008 Jersey Annual Social Survey*, pp.20-22

Even where a choice is theoretically available, however, for existing housing with an installed heating and hot water system, consideration of running costs is still only part of the picture – the costs of converting from one fuel source to another are likely to be substantial and it is unlikely that many consumers will choose to switch primary fuel source unless the refurbishment of their home and/or heating system was planned for other reasons.

During this study, we asked Jersey consumers[15] what steps they might seriously consider to reduce their heating oil bill in the future. Few consumers say they were considering switching to an alternative energy source, a lot fewer than the most popular options of using less fuel or trying to get a better price on heating oil.

Figure 3.3 Options considered to reduce heating oil bill



Source: JCRA internet based survey, April 2011

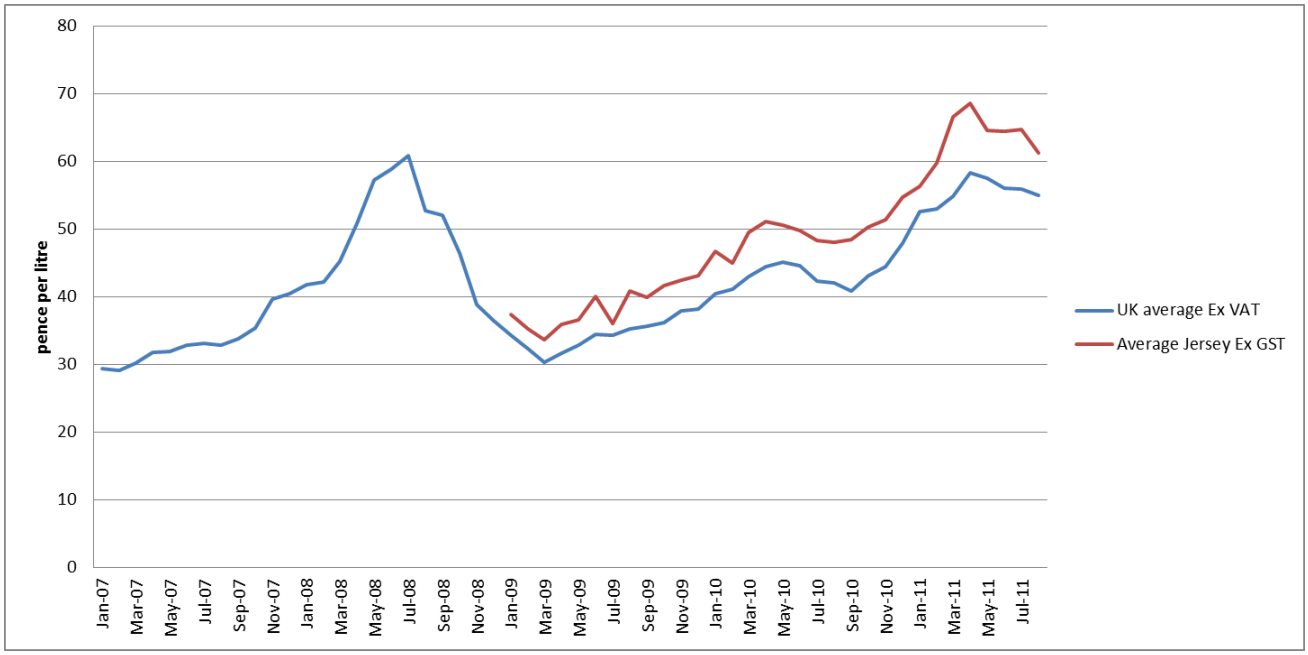
15 This survey was run in April 2011, and was an Internet based survey – this means the respondents were self-selecting and so likely to be more engaged in the issue of the supply and price of heating oil than average. 149 people answered the survey, although not all answered every question.

Some households may have the ability to use more than one fuel source; for example, households with gas or oil fired boilers may still have the option to use electric radiators and electric immersion heaters, or wood burners or solid fuel for room heating. It is also the case that in some circumstances, when buying a new build house, for example, consumers have a much freer choice of fuel source. Generally, however, it seems that there are substantial constraints on the ability of consumers to switch between fuel sources. It seems unlikely that different fuel sources provide a strong competitive constraint on one another, so that, in all probability, heating oil in Jersey lies in a separate economic market from both gas and electricity.

4 Retail prices for heating oil: comparisons

Retail prices for heating oil have been following a steady upward trend in Jersey and the UK. After the historically high levels seen in 2008, when Brent crude reached $147.50 a barrel in July 2008, they fell briefly, only to rise again subsequently[16]. Many factors govern how much a consumer pays for a litre of heating oil and, overwhelmingly, in Jersey as in other states, these factors are global ones of supply and demand for the underlying commodity petroleum products. Such global factors are outside the control of local Jersey energy and competition policies. Nevertheless, many people in Jersey depend on heating oil to supply warmth and hot water for their homes and families and so, notwithstanding the global rising prices, it is more important than ever, in difficult financial times, that Jersey consumers benefit from a competitive market in the importation and distribution of heating oil.

Figure 4.1 Heating Oil (Kerosene) price per litre, for a delivery of 1000 litres, excluding all tax, UK and Jersey



Source: DECC, and JCRA calculations from data supplied by Jersey heating oil distributors

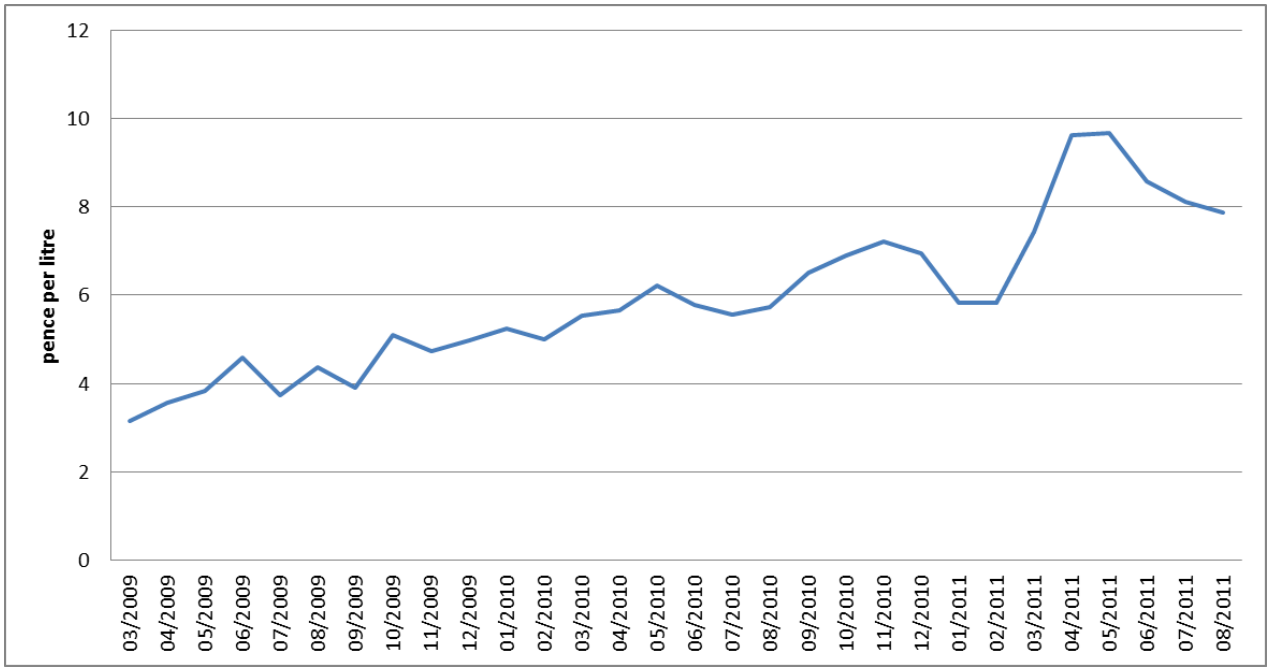
The data shown in Figure 4.1 is an average price for the UK and Jersey excluding all taxes. In the past, there has been a difference between the UK and Jersey in terms of tax on heating oil –

16 Reuters Business, *Super-spike predictor sees oil tight again*, October 2011

from 1994, UK VAT on domestic heating was set at 8 per cent, reducing to 5 per cent in September 1997, and Jersey GST was introduced in Jersey at 3 per cent from May 2008, increasing to 5 per cent in June 2011. Today, however, both consumers in the UK and in Jersey pay the same 5 per cent level of tax on heating oil.

The DECC data shown in Figure 4.1 is for a delivery of 1000 litres and representative of UK prices paid on the 15th of each month. The Jersey data is a straight average of retail price data supplied by the three Jersey suppliers taken on the nearest date to the 15th of each month for which Jersey data is available[17]. The prices in Jersey and in the UK appear to follow a very similar trend; this is unsurprising since a key driver will be the underlying commodity wholesale price common to both countries.

Figure 4.2 Heating Oil (Kerosene) price per litre, for a delivery of 1000 litres, excluding all tax, average Jersey price minus average UK price (moving average)



Source: DECC, and JCRA calculations from data supplied by Jersey heating oil distributors

It is to be expected that heating oil in Jersey may be more expensive than in much larger markets such as the UK. Some costs may be higher in Jersey, and the relatively small Jersey market does not have the economies of scale of larger markets. Nevertheless, the UK heating oil market,

17 A weighted average, by supplier, for Jersey would tend to be higher than the figures shown in this section

while not free from concerns, has recently been given a broad clean bill of health by the UK's OFT[18] and so the average UK price is a reasonable benchmark to use as an assumed competitive price. By this, we mean that we do not present the price comparisons with the UK in the expectation that prices in Jersey *should* be the same, but as a starting point from which we go on to explore how much of the difference may be accounted for by extra costs, and how much may be accounted for by the state of competition between firms supplying heating oil in Jersey.

There is a clear increasing trend in the price difference between heating oil supplied in Jersey and the UK, with Jersey heating oil becoming relatively more expensive over time. In late summer 2011, Jersey consumers paid, on average, about 8 ppl more than UK consumers for a litre of heating oil when ordering a delivery of 1,000 litres. As Figure 4.2 shows, this price difference peaked in recent years around March and April 2011, when Jersey consumers paid nearly 10ppl more than UK consumers.

Figure 4.3 Heating Oil (Kerosene) price per litre, difference between UK and Jersey (price for delivery of 1000 litres)

Date	Jersey compared to UK
1998 – 2000	+ 2.52 ppl
2004	+ 2.96 ppl
2009	+ 4.15 ppl
2010	+ 6.19 ppl
2011	+ 7.90 ppl

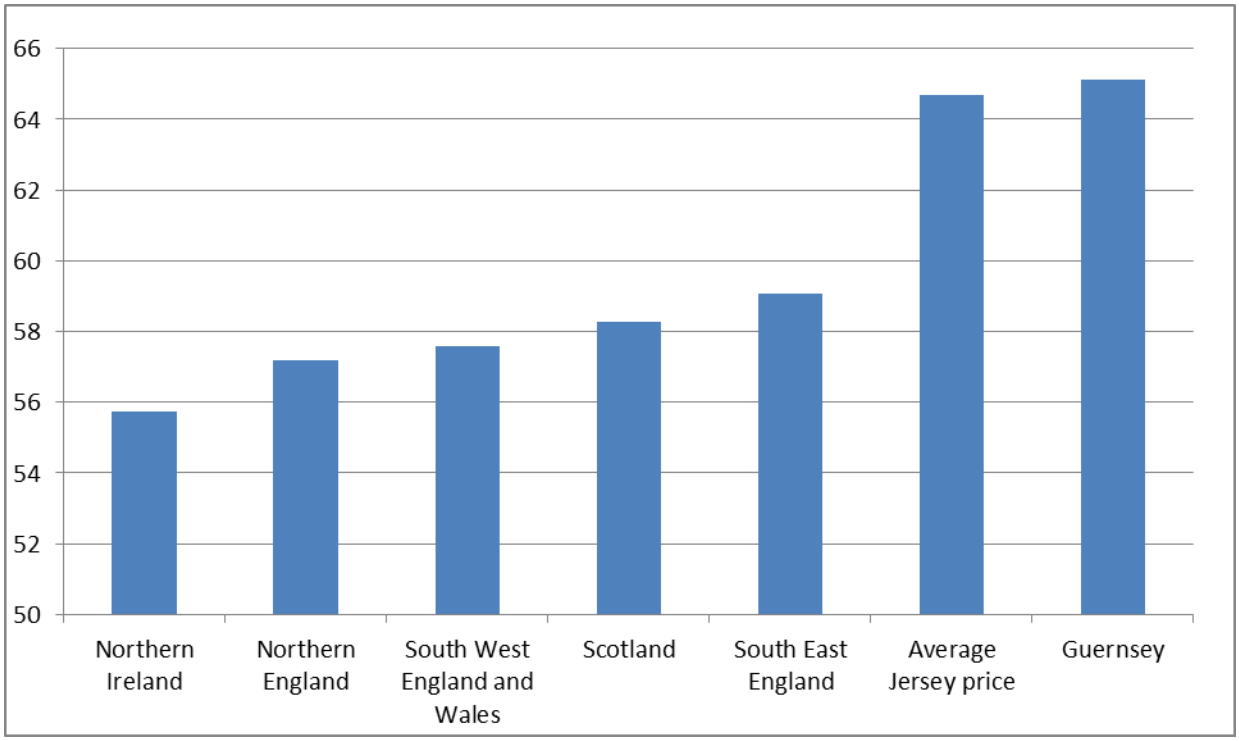
Source: 1998-2000 Oxera[19], 2004 Consultancy Solutions[20], 2009 – 2011 JCRA calculations from data supplied by Jersey heating oil distributors and DECC data

This increasing, and now long-standing, trend in the price difference between Jersey and the UK is, on the face of it, concerning. As we explain above, while it would be unsurprising to find that heating oil in Jersey may be more expensive than in the UK, the trend for the difference to increase, particularly between 2009 and 2011 when the difference almost doubled, seems hard to explain.

18 UK OFT, October 2011, *Off-grid energy*
19 See report referenced in section 1
20 See report referenced in section 1

It is not possible to recreate Figure 4.2 for other, smaller, jurisdictions, as the required extensive data set is not available. Data can be compared on certain dates, however, and some comparisons for various areas of the UK, and Guernsey, are shown in Figure 4.4.

Figure 4.4 Heating Oil (Kerosene) price per litre, for a delivery of 1000 litres, excluding all tax, July 2011



Source: Average Jersey price: JCRA calculations, all other data: Sutherland tables

The average Jersey price for July 2011 appears very similar to Guernsey, but is more expensive than all regions of the UK – in this example, 9ppl more expensive than Northern Ireland and 5.6ppl more expensive than South East England.

4.1 Jersey tariff structures and delivery size

In the JCRA's consumer Internet survey on heating oil[21], we asked Jersey consumers how many litres they had ordered at their last delivery. The average delivery size in response to this question was given as 819 litres. The average order size given by UK consumers in response to a

21 See footnote to figure 3.3

recent survey[22] was a little under 800 litres. Jersey heating oil distributors told us that they had seen a trend of declining order sizes, which they feel is a result of consumers finding household finances stretched and seeking to reduce the size of a single outlay on heating oil. This trend is also reflected in reports from heating oil firms in the UK[23].

It is clear that although the average delivery size for both Jersey and the UK appear to be similar, some consumers in both countries will wish to order smaller amounts. All of the Jersey heating oil distributors offer tariffs that vary by volume, with smaller deliveries being more expensive per litre than larger ones. Figure 4.5 shows the volume discounts available from each Jersey supplier.

Figure 4.5 Heating Oil (Kerosene) volume discounts and small load premiums – Jersey

Order size	**Discount or premium**
Total	
< 699 litres	0
700 – 1499 litres	2.0 ppl discount
1500 – 2299 litres	2.25ppl discount
> 2299 litres	2.50ppl discount
PDJ	
0 – 799	1.50 ppl premium
799 – 2249	0.45 ppl premium
2250 – 4499	0.30 ppl premium
> 4499	0
Rubis	
Less than 899	0
900 – 2249	0.45ppl discount
2250 – 4999	0.54ppl discount
More than 5000	0.9 ppl discount

Source: Tariffs collected by JCRA from Jersey heating oil distributors

From the premiums and discounts given above, a customer in Jersey ordering 500 litres would pay between 0.45ppl and 2ppl more than a customer ordering 1000 litres. This difference for smaller orders is about the same as in the UK – the OFT reported[24] that the difference in

22 SPA for the OFT: *Consumers' experience of off grid energy*, September 2011
23 See paras 4.86 – 4.88, UK OFT, October 2011, *Off-grid energy*
24 UK OFT, October 2011, *Off-grid energy*

Northern Ireland in July 2011, between an order for 500 litres and an order for 1000 litres was 1ppl, and the average UK difference between the prices for 500 litres and 1000 litres was also close to 1ppl. The OFT went on to analyse the margins available for smaller and larger orders and concluded there was no reason to think that costs were disproportionately loaded onto smaller orders. Given the price differential between smaller and larger orders appears similar in the UK and Jersey, it seems likely that there is also no reason to be concerned about the extra cost for smaller order sizes in Jersey.

4.2 Price comparisons – conclusions

Consumers in Jersey at the end of Summer 2011 were paying, on average, about 8ppl more for heating oil than consumers in the UK. Earlier in 2011, in March and April, Jersey consumers were paying about 10ppl more than consumers in the UK. There appears to be a long standing trend of the price of heating oil in Jersey becoming more expensive compared to the UK, with an acceleration of this difference between 2009 and 2011.

Jersey consumers may be paying about the same as consumers in Guernsey, although in our aim of comparing Jersey with a benchmark competitive market, we believe it is better to take note of the comparisons with the UK average, rather than with other small markets which may be less competitive. We note that the OFT's recent market study[25] discussed some concerns about competition in more remote areas of the UK, and there are reports that the OFT's investigations into these areas continues, for example in Orkney and Shetland[26].

25 UK OFT, October 2011, *Off-grid energy*
26 Carmichael and Scott press OFT on Isles fuel prices, Friday, 09 December 2011 (http://www.alistaircarmichael.co.uk/index.php?option=com_content&view=article&id=197&catid=1&Itemid=72)

5 Shopping for heating oil

Active consumers, shopping around and seeking the best deal, may be a key driver of competition in a market, stimulating competitors to seek to offer the best price or service, and driving down costs and inefficiencies in order to be able to do so. Consumers who are insensitive to price, or inactive, may combine with a less than competitive market, so consumer inertia and dampened competition create a negatively reinforcing circle. That is, competitors do not compete keenly on price, and those consumers who do shop around may feel that the rewards for doing so are insufficient to be worth the effort in future, further reducing suppliers' incentives to compete.

In the JCRA's Internet survey on heating oil, 27 per cent of consumers said they had shopped around for the best price before placing their last order for heating oil, and 20 per cent of respondents said they had used a different supplier than their current one in the last two years. This level of shopping around is lower than the levels reported in the UK[27], where 38 per cent of consumers report seeking competitive quotes every time they buy heating oil. The OFT reported these levels as representing:

a mixed picture […]. Although 38 per cent of heating oil consumers surveyed obtain quotes from different suppliers every time they buy and 19 per cent do so sometimes, 42 per cent never obtain more than one quote.

Our internet survey was made up of self-selecting respondents. That is, we did not seek out people, but invited them to fill in the survey on a web site. We think this means that the people that filled in our survey are more likely to be engaged in issues relating to the price and supply of heating oil than the general Jersey population, and we therefore do not believe our results for the percentage of people shopping around are likely to be an under-estimation of the levels found in the general population of Jersey consumers, and in fact may well over-estimate the inclination of Jersey people to shop around for heating oil.

It is not possible to be definitive about what is a "good" level of switching in a market. It is possible, particularly if prices are competitive and similar between suppliers, that a competitive

27 SPA for the OFT: *Consumers' experience of off grid energy*, September 2011

market may show a low level of switching. On the other hand, if prices between suppliers are similar but do not represent a competitive level, a low level of switching may represent a lack of competitive pressure, in that suppliers are not dropping their price to win customers.

There do not appear to be many significant barriers to switching between suppliers for Jersey heating oil customers. We did not find any significant contractual ties. Some distributors do offer tariffs that involve remote monitoring and automatic fill-ups, and also payment plans that spread the cost of heating oil in monthly payments. These mechanisms may represent a barrier to some consumers switching. For example, if a customer has an arrangement that the tank will be filled up automatically when required, s/he would have to cancel this service before arranging for another supplier to fill up the tank – and in this way, heating oil becomes more similar to other utilities supplied on a contract and where some regulators have expressed concern about the levels of switching[28]. When a consumer has arranged to pay for heating oil on a monthly basis, and wishes to continue such an arrangement with a new supplier, then, in order to switch, the customer might either face a significant bill (if a balance with an existing supplier needs to be cleared), or the inconvenience of establishing new direct debits with the new supplier. One supplier told us that 15% of its customers pay by direct debit, and 8% of its customers use automatic top up arrangements, which is similar to the levels seen in the UK where 14% of customers are reported to pay on a regular basis, and 15% have automatic top up arrangements[29].

5.1 Is shopping around for heating oil in Jersey worthwhile?

In a market for a product such as heating oil, where the underlying wholesale price represents a large proportion of the final price, it is not unusual to find that retail prices across suppliers are similar. In Jersey, there is a trend towards retail prices converging over time, as shown in Figure 5.1 below – although of course the key question for this review is whether these prices are converging on a price which represents a competitive level or are converging on a point some way above it.

28 See, for example, the UK's gas and electricity regulator, Ofgem, 2008 retail market review
29 UK OFT, October 2011, *Off-grid energy*

Figure 5.1 Average price differences between Jersey heating oil suppliers, Kerosene, ex tax

Delivery of 1000 litres

Ppl	Total	PDJ	Rubis
Average 2009	38.0	39.0	42.5
Average 2010	49.2	48.8	51.9
Average 2011	63.2	62.7	64.7
	Total	**PDJ**	**Rubis**
Difference from average 2009	-4.6%	-2.1%	6.6%
Difference from average 2010	-1.5%	-2.3%	3.8%
Difference from average 2011	-0.5%	-1.3%	1.8%

Source: JCRA calculations

Delivery of 600 litres

Ppl	Total	PDJ	Rubis
Average 2009	40.0	40.1	42.9
Average 2010	51.2	49.8	52.3
Average 2011	65.2	63.7	65.1
	Total	**PDJ**	**Rubis**
Difference from average 2009	-2.4%	-2.3%	4.7%
Difference from average 2010	0.1%	-2.5%	2.4%
Difference from average 2011	0.8%	-1.5%	0.7%

Source: JCRA calculations

The prices shown above in Figure 5.1 are broad averages, and it should not be concluded that these levels always represent the price difference between the distributors, which may vary from week to week and, as can be seen, from tariff to tariff.

The average price differences shown above may hide savings that are available week by week, so we also looked at 139 weeks between 2009 and 2011 where price data for more than one Jersey heating oil supplier was available. The results are summarised in Figure 5.2. We found that in only 5 weeks out of 139 would the saving from shopping around have been more than 5 per cent of the average bill for a 1000 litre delivery of heating oil.

Figure 5.2 Savings available from shopping around between Jersey suppliers, 1000 litres, Kerosene, 2009 – 2011

Between 2009 and 2011		% of weeks observed
number of weeks saving on 1000 litres would be above £20	48	35%
number of weeks saving on 1000 litres would be above £30	23	17%
number of weeks saving would be more than 5% of bill	5	4%
number of weeks observed between 2009 - 2011	139	

Source: JCRA calculations

It is clear that sometimes consumers might benefit from shopping around; for example, in 2011, we found one week where it would have been possible for a consumer to save £41.50 on a delivery of 1000 litres (24th August 2011). However, in general, Jersey consumers may well find that the available savings from shopping around are a lot less than this, or even zero.

During this study, we have not observed significant signs of price competition between heating oil suppliers. For example, we have not observed significant price promotions or advertisements based on price, even in the summer months, when we would expect heating oil suppliers to have spare capacity. However, we also appreciate that consumers may not tend to buy heating oil in the summer, and in peak winter months, capacity to meet orders may be stretched and incentives to increase demand further weakened.

Total, the supplier with the lowest volumes, told us that it did attempt to win business, by staying competitive on price, by sending letters offering promotions to customers who haven't ordered recently, and also by offering discounts for introducing a friend or for new customers (for example, £10 off a first order, and £20 off a second order, or a £25 discount for introducing a friend). Other suppliers argued that customers did not switch because they were loyal to an existing supplier who offered good service and competitive prices.

5.2 Consumer price information

The Jersey Consumer Council regularly publishes heating oil price comparisons in its newsletters. While this is certainly useful information for consumers, it does not substitute for obtaining quotes from suppliers when prices may change from week to week. None of the Jersey

heating oil suppliers advertise their prices on their websites, so in order to shop around, consumers must call all three suppliers. Since there are only three suppliers in Jersey, this represents a relatively low cost of shopping around. Nevertheless, in the UK, there are more tools available to consumers seeking to compare prices for heating oil, including increasingly popular Internet price comparison sites – although the UK's OFT recently said that[30]:

The OFT found that some websites offering to find consumers the best price for heating oil were not clear about whether they were price comparison sites or sites for ordering heating oil directly from a single supplier. […]

Consumer price information: terms and conditions

We looked at the terms and conditions for all three Jersey heating oil distributors and found that only one, Total, gives a consumer a price set on the day of order. That is, a consumer shopping around for heating oil may well call three suppliers, but can only be sure what price s/he will pay on the day of delivery if an order is placed with Total. PDJ's terms and conditions state that the price paid by the consumer is the price on the day of delivery, regardless of when the order is made. Rubis' terms and conditions state that the price paid is the price applicable on the day of delivery, irrespective of the date of order.

Some stakeholders argued that a consumer may well benefit from this arrangement when the wholesale price of fuel reduces and this feeds through to the retail price. However, since the wholesale price of kerosene is generally on an upward trend, we are doubtful that this represents a significant benefit to consumers that outweighs the disadvantages of: a) not being sure what price will be paid and b) difficulty in shopping around for heating oil.

In the UK, this practice has been investigated by Carmarthenshire Trading Standards, who found that[31]:

30 Press releases 2011 - OFT takes action against heating oil companies and price comparison websites, 9 September 2011

31 http://www.tradingstandardswales.org.uk/prosecutions/carmarthengboils.cfm

- *Many of the customers who complained were charged approximately 15p/litre more than they had been quoted or than they had expected to pay and said that if they had known the actual price that would be charged they would not have bought the oil from G B Oil and would have shopped around with competitors selling the same product for much lower prices at that time.*

The States of Jersey, in November 2010, published a consultation document[32] on the introduction of consumer protection legislation. The proposed legislation is very similar to the EU Directive on Unfair Commercial Practices, which has been implemented in the UK by the Consumer Protection from Unfair Trading Regulations 2008 (CPRs). If the proposed Jersey legislation is passed, and it can be demonstrated that a consumer might have taken a different decision if the price s/he paid on delivery had been known at the time of order[33], it is possible that the practice of charging a price on delivery of heating oil which is different from the price quoted at the time of order, may breach this legislation.

The UK OFT states[34] that it is continuing to investigate complaints that consumers have been charged a different price on delivery to that quoted on order, and says that:

To ensure compliance with the Consumer Protection from Unfair Trading Regulations 2008 (CPRs) firms should provide either a firm price, or where the price cannot be reasonably calculated in advance, the way it will be calculated, since failure to do so could be a misleading action and/or omission that changes the consumer's transactional decision.

Consumer price information: price discrimination

One distributor **[REDACTED]** told us that it operated an informal "price match" which is not advertised – that is, when a consumer calls, obviously shopping around for heating oil, the distributor offers to match the price of a competitor who is cheaper. So, for example, if a consumer tells the supplier that another distributor is cheaper, an offer will be made to match the price. The distributor said that this applies to a "significant number" of calls.

32 States of Jersey, Green Paper, A law to protect consumers from unfair trading practices 2nd November 2010
33 That is, the trader's practice materially distorted the consumers' decision – see paragraph 2.10 of the Green paper of footnote 32.
34 See paragraph 1.13 UK OFT, October 2011, *Off-grid energy*

Price discrimination is not always harmful, and may sometimes be beneficial, and it is common in everyday purchases where consumers bargain or individually negotiate, or in prices for items such as off-peak travel tickets. Price discrimination is not always positive, however, particularly in markets where a competition authority may have concerns about the state of competition. One potential disadvantage of the type of unadvertised price matching described may be that where consumers are not particularly active in shopping around, a firm may drop its price to consumers who are price-sensitive, while not dropping its price to others. This may mean that price constraints across the market from consumers shopping around may be limited.

We have only a verbal account of this "price-match", and this was given to us in a different context as part of an argument that Jersey consumers are active in shopping around, so we do not have sufficient indication that the price-match is harmful, or indeed amounts to much more than a willingness to respond to individual consumers who attempt to bargain. As such, we do not intend to investigate this issue further at this stage, but note that if other evidence comes to light, the JCRA may be compelled to investigate further.

5.3 Shopping for heating oil: conclusions

Consumers who shop around are, potentially, a powerful force to stimulate competition between suppliers. While we acknowledge that the benefits of shopping around may appear limited, given the current prices charged by suppliers, there are still savings to be had. Moreover, encouraging shopping around is likely to have a positive effect – the more people who shop around, the greater the pressure on suppliers to respond with keener prices.

An inability to obtain the actual price that will be paid on the day of delivery will certainly hamper shopping around, and also seems to represent a fundamental unfairness to heating oil consumers, since they are unable to know the price that will ultimately be charged when they place an order. We acknowledge that the underlying wholesale price may well vary, but this is not unique to heating oil – many suppliers are obliged to quote a certain price to consumers when they are not sure how the cost of their own supplies may change.

We believe that it is in the best interests of individual consumers, and competition, that people should know the price of heating oil before they place an order. As noted above, this is only currently possible if ordering from Total. Following discussions with the JCRA, both Rubis and PDJ have agreed to implement changes to their terms and conditions so that consumers will in the near future be quoted a firm price which will be honoured when a delivery is made. We believe this to be a significant benefit for consumers.

6 Retail and wholesale margins

It is to be expected that margins in Jersey will be higher than in UK: the costs of doing business in Jersey may be higher and the Jersey market is smaller with fewer economies of scale. However, higher margins might also result if the Jersey market is less competitive than the UK market. This section looks at the costs and gross unit margins of the Jersey suppliers of heating oil, both in absolute terms to compare, where possible, to the UK and also explores the trend in margins over time.

6.1 Gross unit margins

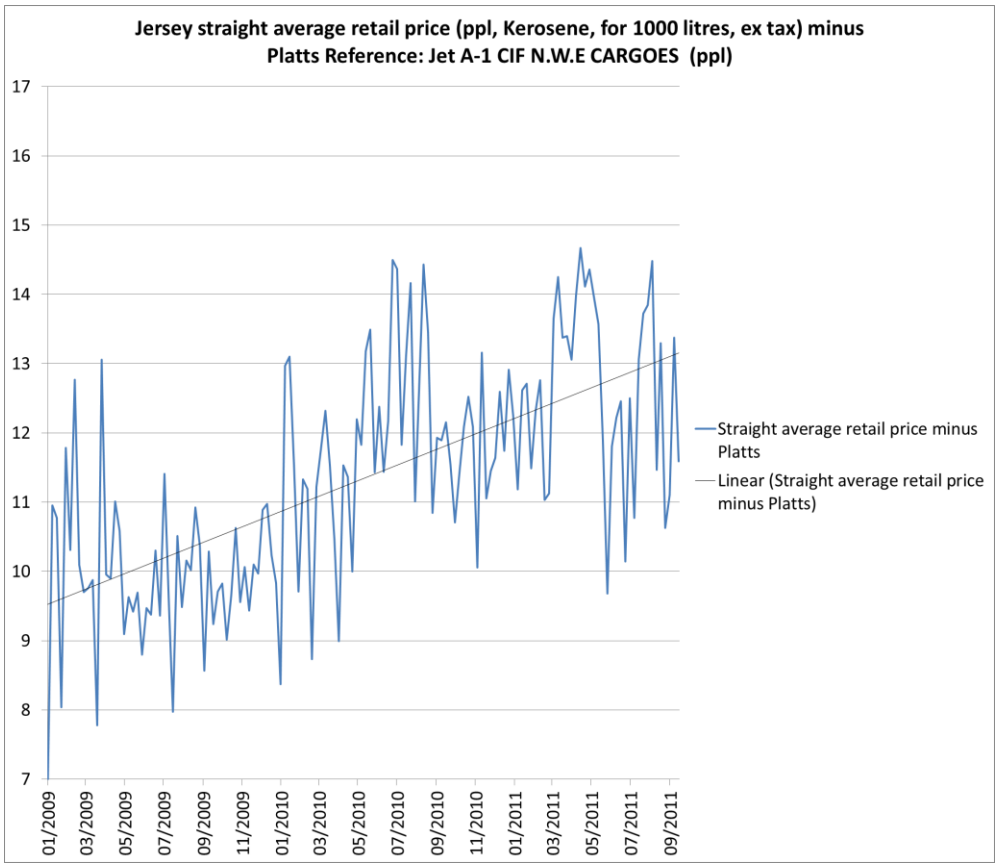
As we discussed in section 4, we have observed a trend for the retail heating oil price differences between the UK and Jersey to widen over time – this would suggest that the gross unit margins of Jersey suppliers are increasing, which may indicate that competitive pressures for the supply of domestic customers are not as strong as they might be, or that the costs of importing and distributing heating oil in Jersey are rising faster than in the UK, or a combination of factors may contribute to the trend.

As a cross-check of the conclusion from the retail price comparisons, which are based on UK and Jersey average data for a typical domestic tariff, we have also looked at the trend in Jersey retail prices compared to a measure of the underlying commodity wholesale price. This is also based on a measure of Jersey retail prices for a domestic delivery of 1,000 litres, but does not require the use of UK retail price data.

The retail price of heating oil supplied by PDJ and Total is made up of the wholesale price charged by Esso plus the margin of the distributors. Esso sources its fuel from its own refinery in Norway, while Rubis buys from European refineries or wholesalers. It is typical for the wholesale price of heating oil to be closely related to the international wholesale price of jet kerosene, and the traded commodity price of jet kerosene is published. Shown in Figure 6.1 is the difference, in ppl, over time, between the traded commodity price of jet kerosene and the retail price in Jersey for a delivery of 1000 litres of heating oil. The absolute difference covers all of the costs of the supply chain from the commodity petroleum product to the consumer in Jersey – shipping, importation, storage and distribution.

We can see that the absolute difference between the price of jet kerosene and a measure of the retail price in Jersey is volatile, but there is an upward trend for the difference to increase as shown by the linear average line – this rises from about 9.5ppl in 2009, to just over 13ppl in 2011. This is an indication that, somewhere in the supply chain of heating oil to Jersey consumers, gross unit margins are rising and not all of the price increase is due to the rise in the underlying price of the petroleum product.

Figure 6.1 Difference in ppl between Jersey retail price for kerosene and the international price for jet kerosene



We collected the wholesale prices charged by Esso to PDJ and Total, and the retail prices of Rubis, PDJ and Total, by week from 2009 to autumn 2011. Using the collected wholesale prices, and the international commodity price of jet kerosene, and a measure of the Jersey retail price, we observe gross unit margins of the Jersey suppliers increasing, on average, by about 30%

between 2009 and 2011. Data for individual firms is obviously confidential, but it appears that gross unit margins have increased for all firms[35], including those involved only in distribution.

In the next section, we go on to look at the difference between the costs of supplying heating oil in Jersey and the UK. We are doing this with a view to exploring both the absolute difference, and the trends we observe in the retail comparisons with the UK and the comparison with the margin over the commodity cost of kerosene (in Figure 6.1). That is, not only are we looking for reasons why the costs of supplying heating oil in Jersey are higher than for the UK, we are also looking for reasons why these costs are rising over time in comparison to the UK.

6.2 Cost differences between Jersey and the UK

It is important to note that the purpose of comparing prices, margins and costs is to infer from the results whether competition is delivering an efficient and competitive price to end consumers. So we are interested in *efficiently-incurred costs*, that is, the unavoidable extra costs of doing business in Jersey, not costs that are incurred due to inefficiencies perhaps allowed by competitive forces which are weaker than they might be.

The nature of doing business in the heating oil market in Jersey, compared to the UK, may involve higher:

- shipping costs between refinery and La Collette, due to the smaller size of tankers, greater distance and other diseconomies of the small scale of the market;
- port and harbour dues and other costs incurred in the importation of fuels to Jersey;
- costs associated with the relatively small throughput of fuels through La Collette; and
- labour costs.

On the other hand, however, some costs in Jersey might be lower, at least for distribution. Owing to the smaller land size of Jersey, there are fewer miles to drive between customers, and every distributor is able to load directly from the storage tanks at La Collette. In contrast, in the UK, the distances from the refinery to customers mean that distributors often require their own

35 **[REDACTED]**

storage tanks and remote depots, which may represent significant additional costs compared to Jersey.

In 2004, Consultancy Solutions estimated that the additional costs of the Jersey heating oil supply chain, compared to the UK, amounted to about 1.1ppl. In early 2011, the JCRA employed Consultancy Solutions to update its 2004 analysis to 2011. This analysis, estimating the extra costs of Jersey at 1.26ppl, is shown in figure 6.2 below.

Figure 6.2 Consultancy Solutions estimation of January 2011 extra costs

	JERSEY	UK	
	Jan-11	Jan-11	Delta
Primary Distribution Cost	0.90	0.55	0.35
Transit Stock loss	0.03	0.03	0.00
Port Dues	0.76	0.01	0.75
Terminal Throughput Fees	0.40	0.24	0.16
Terminal Stock Loss	0.03	0.03	0.00
Additive Cost on Jersey	-	-	
Downgrade Costs	-	-	
Secondary Distribution	2.50	2.50	0.00
Total of Jersey or UK costs	4.62	3.36	1.26

Source: Consultancy Solutions for JCRA

Consultancy Solutions estimates the total Jersey costs as 4.62ppl, and, in relation to the difference between Jersey and UK costs, attributes an extra 0.35ppl to higher freight costs for Jersey, an extra 0.75ppl to higher port and harbour dues in Jersey, and 0.16ppl to cover the diseconomies resulting from the small scale of La Collette. However, the calculation attributes zero extra costs to secondary distribution – that is, Consultancy Solutions considers that the

overall costs associated with delivery of heating oil to homes and businesses in Jersey is the same as those incurred in delivering to homes and businesses in the UK. The rationale for this is that heating oil distributors in the UK may well be serving rural areas which are larger, and less densely populated, than Jersey, and while there may be higher labour costs and smaller tankers in Jersey, these may well be offset by the cost savings from shorter distances involved in distributing heating oil.

The data shown in Figure 6.2 are estimates, so it is useful to compare them with any other data available for islands similar to Jersey. The IoM OFT 2010 Report on liquid fuel prices (discussed in section 6.3 below) put the cost of shipping and importation of kerosene between 0.92 and 1.88 ppl[36], and storage and distribution between 2.21 and 2.64 ppl[37] – in total, between 3.13 and 4.52ppl. The upper end of this range is close to the estimates generated by Consultancy Solutions for Jersey.

6.3 Cost differences between IoM and the UK

During this review, there have been some discussions between the JCRA and Jersey heating oil suppliers about the correct interpretation of cost and price differences for kerosene for IoM, as presented in the IoM OFT's 2010 report, *An Investigation into Liquid Fuel prices in the Isle of Man*. The JCRA has spoken to the IoM OFT about this report and we explain below why we maintain it is correct to say that the findings about the extra costs involved in supplying heating oil on a small island are in line with those of Consultancy Solutions for Jersey.

The IoM OFT published two documents: the main report referred to above, and a second, referred to in the main report as the "layman's guide": Summary of the Main Findings taken from the 2010 Liquid Fuel Price Investigation Report. In this summary document, the IoM OFT made a statement[38] to the effect that, for kerosene, up to 6.3 ppl of the retail price differential with the UK could be explained by "Isle of Man" factors; for example, the higher costs of supplying heating oil to consumers in IoM. However, the main report gave a breakdown of the

36 IoM OFT, *An investigation into liquid fuel prices in the Isle of Man,* April 2010
37 IoM OFT, *An investigation into liquid fuel prices in the Isle of Man,* April 2010
38 IoM OFT, *Summary of the Main Findings taken from the 2010 Liquid Fuel Price Investigation Report*, April 2010, Section 13, Page 14.

costs incurred in shipping, importation, storage and distribution of kerosene[39] on IoM in 2008 (the figures for which we have set out above in section 6.2). In total, all these costs were estimated at between 3.13 and 4.52 ppl.

In Section 4.5.2 of the main report, the IoM OFT considered whether it could account for a 7.23 ppl price differential with the UK and stated:

> *As summarised in Table 21, some of the [retail price] differential [with the UK] can be accounted for by the analysis of wholesale and retail costs and margins, in particular:*
>
> - *the higher cost of importation and shipping to the Island is approximately 0.92 - 1.52 ppl for the combined fuels;*
>
> - *the level of discounting is significant in the market and has increased over time. In 2008, the average discount for kerosene is estimated at 4.84 ppl, compared to 2.11 ppl for gasoil.*
>
> - *Up to 6.36 ppl of the price differential can therefore be explained for kerosene…*

There are several points to make in relation to this section of the main report.

First, and most significantly, in our analysis, we do not need to make the adjustment of 4.84 ppl for discounting. This was necessary in the IoM OFT analysis because, it appears, the headline tariff information used in the analysis was not indicative of the prices actually paid by consumers. This is not the case in Jersey – the retail price information we have used in our review appears typical of what consumers actually pay, with only a relatively small difference between the Jersey calculated retail price and the overall average ppl earned by the suppliers.

Secondly, one of the conclusions that the IoM OFT reaches[40] is that with three competitors and transparent pricing behaviour, the high margins may just be indicative of the efficient allocation

39 IoM OFT: An investigation into liquid fuel prices in the Isle of Man, April 2010, Table 19 – Estimated wholesale and retail costs and profits, in ppl, Page 45.

of fixed costs to the most insensitive group of customers; the domestic market. While we do not disagree that there may be a similar, albeit limited, distribution of cost recovery in Jersey, the JCRA is disinclined to conclude that domestic customers bearing a disproportionate amount of the costs of heating oil supply is necessarily a desirable outcome or one that does not raise concerns.

Thirdly, we note that the IoM analysis appears to be based on actual costs of suppliers, which of course means there is a difficulty in distinguishing between unavoidable higher costs, and those that are allowed because competitive forces may not be strong.

However, the critical point is that the extra costs of importation and shipping kerosene to IoM, relative to the UK, are estimated at 0.9-1.5 ppl, which is consistent with the estimates for the cost difference calculated by Consultancy Solutions for Jersey and the UK.

6.4 Views of Jersey heating oil suppliers on cost difference with the UK

JCRA asked all of the importers and distributors of heating oil for their views on both the absolute cost differences between Jersey and the UK and also whether any costs in Jersey have been rising over time in comparison to the UK, to account for the widening differences between the retail prices of Jersey compared to the UK. No supplier argued that gross unit margins are not increasing, but most argued that at least some costs were increasing, and some – but not all – suppliers argued that cost increases account for all of the increases in gross unit margins and the widening retail price differential with the UK.

One stakeholder we spoke to **[REDACTED]** said that it thought the cost estimates in Figure 6.2 were a bit low for Jersey but too high for the UK, and estimated the real extra costs in Jersey being around 4ppl, split down as follows:

- 1.4 ppl for extra shipping costs;
- 1 ppl extra costs due to costs at La Collette; and
- 1.6 ppl extra due to smaller tanker sizes in Jersey and high wages.

40 IoM OFT: An investigation into liquid fuel prices in the Isle of Man, April 2010, Page 48.

One stakeholder **[REDACTED]** said that the operating costs at La Collette have been increasing over the period, but did not claim that these could account for all of the increase in the retail price difference between Jersey and the UK and also could not point to a reason why the cost should be increasing. We note this comment, and the underlying (confidential) evidence provided for it, but must consider whether these increasing costs at La Collette are efficiently incurred. We have no practical means to make this assessment, but it remains the case that there are no apparent competitive pressures on the operator of La Collette that might drive cost efficiencies. Another stakeholder **[REDACTED]** also said that it thought that the cost of terminal throughput was considerably higher than was stated in Consultancy Solutions estimates. However, we note that the relevant party is not a through-putter at La Collette, and it admitted that it was therefore unable to be certain of the true extent of the terminal's costs.

One stakeholder **[REDACTED]** said the extra costs in Jersey were between 6ppl and 7ppl and said the reason for increasing gross margins is that increasing margins are needed to cover increases in supply, importation, storage and distribution costs. This stakeholder gave only one concrete reason for the increase in costs over time compared to the UK – it is becoming more difficult to source delivery of petroleum products to Jersey by multi-product small tankers.

One stakeholder **[REDACTED]** told us that delivery drop sizes in Jersey have been decreasing and were now much smaller than the UK. The data from our Internet survey does not indicate that drop sizes in Jersey are much smaller than the UK, and the fact of tight household budgets leading to smaller order sizes appear to be occurring in a similar way in Jersey and the UK.

We also considered claims from another stakeholder **[REDACTED]** that more customers in Jersey are having remote monitoring equipment installed and this had led to higher costs. We note that although there is some evidence that the use of remote monitoring equipment is becoming more prevalent, based on the limited data we have, there has not been a significant increase over the last two years. In any event, however, at least some tariffs for customers using remote monitoring equipment have a premium added to them, no doubt to reflect the amenity value of the equipment and to cover any extra costs, and these higher tariffs have not been included in our price comparisons in this report.

We also heard arguments from **[REDACTED]** that employing qualified drivers in Jersey is inflexible compared to the UK, with drivers needing to be employed all year, not just in the winter, and that Jersey requires smaller tankers than the UK, which is a significant diseconomy of scale. We accept that the Jersey distributors may need smaller tankers than some areas of the UK, but many UK heating oil consumers are in rural areas, and the need for 4 wheel tankers and "baby" tankers is such in the UK that these are standard options on UK heating oil price comparisons sites when ordering heating oil. It is also not clear why these reasons might account for the trends we observe rather than just the absolute difference with the UK – for example, it seems unlikely that the need for smaller tankers in Jersey compared to the UK is becoming more significant over time.

One supplier **[REDACTED]** said that the policy of the States of Jersey to reduce hydrocarbon consumption means that overall volumes of petroleum products consumed are decreasing, and since costs are largely fixed, this means per unit costs are increasing. We acknowledge that if fixed costs are significant, and overall volumes are declining, unit costs will rise. We do not, however, believe that this explanation could account for the need for gross unit margins to rise at all level of supply chain – for example, it is doubtful that the significance of fixed costs is the same for importation and for distribution. In addition, at least until 2008, there was a modest decline in the use of petroleum products in Jersey as shown in Figure 6.3 below. Nevertheless, we accept that significant fixed costs and declining volumes may be part of the answer to the trends we observe, and if this is so, the remedy that we suggest as a conclusion to this market study should reveal the extent of this effect over time to provide an explanation for future trends or, alternatively, if petroleum consumption does not significant decrease further, we should not see gross unit margins continuing to increase.

Figure 6.3 Consumption of petroleum products in Jersey (tonnes of oil equivalent)

	2007	**2008**	
Road fuels	42,170	42,970	1.90%
Gas oil	22,600	22,180	-1.86%
Heating oil	32,170	32,780	1.90%
Other petroleum products	19,730	17,920	-9.17%
	116670	**115850**	**-0.70%**

Source: Jersey energy trends 2008

Finally, an argument was put to us by **[REDACTED]** that some larger commercial contracts, including the States of Jersey contract, may be provided at prices that effectively mean that domestic customers are subsidising such contracts. It is possible that commercial customers are more price-sensitive than domestic customers, and it is also the case that our price comparisons in this report are based on tariffs for volumes typically provided to domestic customers. We think that it is plausible that the supply of heating oil to price-sensitive commercial customers is more competitive than to domestic customers. We note, however, that the average prices used in our comparisons are very similar to the average ppl obtained by dividing the suppliers' total revenues for kerosene by the total volume supplied, so this suggests that even if prices for commercial customers are such that suppliers are recovering more of their costs from domestic customers than commercial customers, this could only explain part of the trends we have observed. Moreover, concerns about the prices paid by domestic customers, and the competitiveness of those prices, would remain.

6.3 Margins: conclusions

It seems clear that, at least in respect of supply to domestic customers, gross unit margins for heating oil in Jersey are increasing, and given the reliance of a large number of Jersey consumers on heating oil, this is cause for some concern. Most industry players argue that cost differences account for the difference between Jersey and UK retail prices, and increasing costs over time account for the trend for gross unit margins to increase. However, specific and concrete evidence about the actual costs, and why these costs – at all levels of the supply chain - should be increasing over time compared to the UK, seems less than compelling.

We accept that there is room for doubt about what the extra unavoidable and efficiently-incurred costs of supplying heating oil in Jersey compared to the UK may be. Nevertheless, even accepting some of the arguments about cost differences between the UK and Jersey, the trend for margins to increase, and the prospect that this trend might continue, remains a concern.

7 Conclusions

We have considered a broad range of indicators of the state of competition in the heating oil market in Jersey including:

- market structure, entry and exit, and barriers to entry
    - there has been no change in the number of suppliers over time, and barriers to entry are likely to be significant at some levels of the supply chain

- results from price comparisons, both with UK prices and between Jersey retailers
    - the price difference with the UK has widened over time, while the prices of the Jersey retailers appear to be converging

- available data on switching and shopping around
    - market shares are steady
    - it is unlikely that a very high percentage of consumers are shopping around, perhaps because to do so does not seem worthwhile

- consumer price transparency
    - price transparency seems quite poor and, in particular, the practice of two suppliers in charging prices on delivery, not on order, may have hampered shopping around. We are please to note that both Rubis and PDJ have agreed to charge now on order and not on delivery.

- evidence about gross unit margins
    - gross unit margins appear to be increasing over time, and it is not clear that this trend can be explained by increases in unavoidable costs

We conclude that there is room for improvement in the strength of competitive forces seen in the Jersey market for heating oil.

What can be done?

New entry for importation seems unlikely, as the small size of the Jersey market is unlikely to be attractive to a new entrant facing two existing importers and, in addition, access to the facilities at La Collette may be problematic. However, in the event that a new entrant is interested in using the facilities at La Collette, the terms of the lease between the terminal operator and the States of Jersey provide a useful starting point. It is also possible that an investigation under Competition Law would find in favour of a new entrant seeking fair access. Barriers to entry at the distribution level appear lower, providing a new entrant can source a wholesale supply of heating oil.

Apart from encouraging new entry, other remedy options include some form of regulatory price control. This would be a significant step. Although other forms of energy, such as gas and electricity, are often the subject of regulation, heating oil is not a networked industry, and there are fewer reasons to think that it has elements of a natural monopoly sufficient to justify price controls. Price regulation of heating oil would impose significant costs, not only in the direct cost of regulation itself, but also costs on the firms, costs of imperfections in regulation, and costs in terms of reducing the attractiveness of Jersey both to any potential new entrants and to existing suppliers. Therefore, intervention to control prices appears unattractive. However, allowing the trend of an ever-widening gap between Jersey and UK heating oil prices to continue, perhaps for many more years, is also unattractive.

One of the difficulties encountered in undertaking an analysis of the heating oil market, and other energy markets, in Jersey, is the lack of good quality data on costs, and finding explanations for historic trends in retail prices and costs. This has been discussed in other reports in relation to Jersey energy markets over the years. Allowing this report to conclude – as other reports have concluded – that the trends are worrying, but intervention is undesirable, would seem to make it inevitable that there will be yet another report in the future that reaches similar conclusions. In order to break this cycle, and bearing in mind that any step now must be both proportionate to the concerns raised and the quality of the available evidence, the JCRA has decided to recommend that data on Jersey heating oil prices, and price comparisons with the UK, be collected on a regular basis for a period of not less than one year. The results would be made

publically available, and the heating oil firms invited to provide the JCRA with a contemporaneous commentary on price and cost trends as the data is collected.

This type of monitoring remedy may have three positive effects:

- it may provide information and assurance to the people of Jersey, and policy makers, that the situation which prompted concerns remains under review;

- in the event that unavoidable costs are not driving widening price differences with the UK, it may put some informal, and public, pressure on the suppliers, which may act as some constraint on trends for prices to increase; and

- it would facilitate an accurate and reliable data record available for the future, and provide a continuous flow of information, which may act as a trigger for regulatory action to be reconsidered.

This proposal will, of course, impose some costs on firms – they are likely to spend management time providing information to JCRA and responding with comments if price trends continue to raise concerns. This burden, however, appears proportionate when so many Jersey consumers rely on heating oil to provide warmth and hot water. In the event that the monitoring shows concerns are unfounded, then the heating oil suppliers may be spared the costs of yet another investigation in the future.

Therefore, we recommend that the Minister for Economic Development should, under Article 6(4) of the Competition Regulatory Authority (Jersey) Law 2001, task the JCRA for a period of not less than one year, with:

- at least once a month, collecting Jersey retail prices for heating oil, preparing a fair comparison with UK prices, and publishing these price comparisons – for each individual Jersey distributor and as an average for Jersey;

- collecting information from each of the oil companies on their gross unit margins and depending on the trends, determining whether it is appropriate to publish this information at the year end; and

- inviting the Jersey heating oil suppliers, both importers and distributors, to provide JCRA with comments and views on emerging trends, and taking these into account when publishing a quarterly commentary on price trends.

In section 5 above, we discuss the consumer terms and conditions that allow Rubis and PDJ to charge based on the price at the time of delivery, not the time of order. We also discussed proposed consumer legislation that may be introduced in Jersey, which might oblige these suppliers to change their terms and conditions to offer consumers a firm price on order. We believe that it is in the best interests of individual consumers, and competition, that people should know the price of heating oil before they place an order. We are pleased that both Rubis and PDJ have agreed to change their terms and conditions now, without waiting for the introduction of consumer protection legislation that may oblige them to change, and we intend to monitor the implementation of this change. Pending the companies introducing this change, we would expect them to be very clear with customers as to the precise terms on which their orders are being accepted.

Annex 1: Internet survey questions and results

1. DO YOU USE HEATING OIL IN YOUR HOME AND DO YOU PAY THE BILL OR PART OF THE BILL FOR THE HEATING OIL?			
	ANSWERED QUESTION	149	
	SKIPPED QUESTION	0	
	RESPONSE PERCENT	RESPONSE COUNT	
YES		94.6%	141
NO		5.4%	8
I DO NOT KNOW		0.0%	0

2. DO YOU WORK FOR A COMPANY INVOLVED IN THE SALE OR DISTRIBUTION OF HEATING OIL (SUCH AS TOTAL, FUEL SUPPLIES CI/RUBIS OR PETROLEUM DISTRIBUTORS/ESSO) OR A COMPANY SUPPLYING AN ALTERNATIVE TO HEATING OIL (SUCH AS FOR EXAMPLE JERSEY GAS OR JERSEY ELECTRICITY) IN JERSEY?			
	ANSWERED QUESTION	140	
	SKIPPED QUESTION	9	
	RESPONSE PERCENT	RESPONSE COUNT	
YES		2.1%	3
NO		97.9%	137
I DO NOT KNOW		0.0%	0

3. DO YOU:			
	ANSWERED QUESTION	137	
	SKIPPED QUESTION	12	
	RESPONSE PERCENT	RESPONSE COUNT	
ORDER AND PAY THE FULL COST FOR HEATING OIL FOR YOUR HOME?		98.5%	135
SHARE THE BILL FOR HEATING OIL FOR YOUR HOME WITH OTHERS?		1.5%	2

4. DO YOU HAVE ANY SAY IN THE CHOICE OF SUPPLIER FOR HEATING OIL?			
	ANSWERED QUESTION	137	
	SKIPPED QUESTION	12	
	RESPONSE PERCENT	RESPONSE COUNT	
YES		92.0%	126
NO		8.0%	11

5. THINKING ABOUT THE LAST DELIVERY OF HEATING OIL FOR YOUR HOME, DID YOU SHOP AROUND TO FIND THE BEST PRICE BEFORE YOU ORDERED?			
	ANSWERED QUESTION	127	
	SKIPPED QUESTION	22	
	RESPONSE PERCENT	RESPONSE COUNT	
YES		26.8%	34
NO		72.4%	92
I DO NOT REMEMBER		0.8%	1

6. THINKING ABOUT THE LAST DELIVERY OF HEATING OIL FOR YOUR HOME, PLEASE PROVIDE THE FOLLOWING DETAILS. WHO WAS THE SUPPLIER?			
	ANSWERED QUESTION	136	
	SKIPPED QUESTION	13	
	RESPONSE PERCENT	RESPONSE COUNT	
PETROLEUM DISTRIBUTORS/ESSO		36.8%	50
FUEL SUPPLIES CI/RUBIS		45.6%	62
TOTAL		17.6%	24
I DO NOT REMEMBER		0.0%	0

7. OVER THE PAST TWO YEARS, HAVE YOU USED A SUPPLIER FOR HEATING OIL OTHER THAN THE SUPPLIER THAT MADE THE LAST DELIVERY?				
	ANSWERED QUESTION	135		
	SKIPPED QUESTION	14		
	RESPONSE PERCENT	RESPONSE COUNT		
YES		20.0%	27	
NO		78.5%	106	
I DO NOT REMEMBER		1.5%	2	

8. THINKING ABOUT THE LAST DELIVERY OF HEATING OIL TO YOUR HOME, WHAT WAS THE AMOUNT OF THE BILL (ROUNDED TO THE NEAREST POUND)?				
	ANSWERED QUESTION	119		
	SKIPPED QUESTION	30		
	RESPONSE AVERAGE	RESPONSE TOTAL	RESPONSE COUNT	
TOTAL BILL £		551.34	65,610	119

9. THINKING ABOUT THE LAST DELIVERY OF HEATING OIL TO YOUR HOME, WHAT WAS THE APPROXIMATE QUANTITY OF HEATING OIL DELIVERED?				
	ANSWERED QUESTION	118		
	SKIPPED QUESTION	31		
	RESPONSE AVERAGE	RESPONSE TOTAL	RESPONSE COUNT	
QUANTITY IN LITRES		819.49	96,700	118

10. HOW MANY LITRES DOES YOUR TANK HOLD?				
	ANSWERED QUESTION	117		
	SKIPPED QUESTION	32		
	RESPONSE AVERAGE	RESPONSE TOTAL	RESPONSE COUNT	
CAPACITY IN LITRES SHOW RESPONSES		1,301.98	152,332	117

11. ON AVERAGE HOW MANY TIMES A YEAR DO YOU RECEIVE A DELIVERY OF HEATING OIL?			
	ANSWERED QUESTION	117	
	SKIPPED QUESTION	32	
	RESPONSE PERCENT	RESPONSE COUNT	
APPROXIMATELY ONCE PER YEAR		6.8%	8
APPROXIMATELY TWICE PER YEAR		33.3%	39
APPROXIMATELY THREE TIMES PER YEAR		28.2%	33
APPROXIMATELY FOUR TIMES PER YEAR		17.9%	21

9. THINKING ABOUT THE LAST DELIVERY OF HEATING OIL TO YOUR HOME, WHAT WAS THE APPROXIMATE QUANTITY OF HEATING OIL DELIVERED?			
MORE THAN FOUR TIMES PER YEAR		12.8%	15
I DO NOT REMEMBER		0.9%	1

12. THINKING ABOUT THE LAST DELIVERY OF HEATING OIL TO YOUR PROPERTY, HOW SATISFIED WERE YOU WITH THE PRICE?			
	ANSWERED QUESTION	117	
	SKIPPED QUESTION	32	
	RESPONSE PERCENT	RESPONSE COUNT	
VERY SATISFIED		0.9%	1
FAIRLY SATISFIED		2.6%	3
NEITHER SATISFIED OR DISSATISFIED		12.0%	14
FAIRLY DISSATISFIED		30.8%	36
VERY DISSATISFIED		52.1%	61
I DO NOT REMEMBER		1.7%	2

13. THINKING ABOUT THE LAST DELIVERY OF HEATING OIL TO YOUR PROPERTY, HOW SATISFIED WERE YOU WITH THE TIME BETWEEN PLACING THE ORDER AND THE DELIVERY OF THE HEATING OIL?			
	ANSWERED QUESTION	117	
	SKIPPED QUESTION	32	
	RESPONSE PERCENT	RESPONSE COUNT	
VERY SATISFIED		43.6%	51
FAIRLY SATISFIED		31.6%	37
NEITHER SATISFIED OR DISSATISFIED		12.8%	15
FAIRLY DISSATISFIED		4.3%	5
VERY DISSATISFIED		5.1%	6
I DO NOT REMEMBER		2.6%	3

14. WHAT DO YOU USE HEATING OIL FOR IN YOUR HOME? (SELECT ALL THAT APPLY)			
	ANSWERED QUESTION	117	
	SKIPPED QUESTION	32	
	RESPONSE PERCENT	RESPONSE COUNT	
ROOM HEATING		94.0%	110
HOT WATER FOR DOMESTIC USE		96.6%	113
HEATING FOR THE SWIMMING POOL		1.7%	2
OTHER (PLEASE SPECIFY)	12		

15. DOES YOUR PROPERTY ALLOW YOU TO USE AN ALTERNATIVE TO HEATING OIL (FOR EXAMPLE, A CHIMNEY OR A MAINS CONNECTION TO THE GAS GRID) OR WOULD THIS REQUIRE CHANGES TO THE PROPERTY? (SELECT ALL THAT APPLY).

ANSWERED QUESTION	117	
SKIPPED QUESTION	32	

	RESPONSE PERCENT	RESPONSE COUNT	
THERE ARE NO ALTERNATIVES		37.6%	44
GAS (BOTTLED OR FROM THE GRID)		16.2%	19
ELECTRICITY FROM THE GRID		49.6%	58
SOLID FUEL		34.2%	40
SOLAR POWER		3.4%	4
WIND POWER		1.7%	2
OTHER (PLEASE SPECIFY)	6		

16. THINKING ABOUT YOUR USE OF HEATING OIL OVER THE PAST WINTER (2010/11), DID YOU TAKE ANY MEASURES TO REDUCE THE BILL? (SELECT ALL THAT APPLY).

ANSWERED QUESTION	116	
SKIPPED QUESTION	33	
	RESPONSE PERCENT	RESPONSE COUNT
I/WE TOOK NO MEASURES TO REDUCE THE HEATING BILL	18.1%	21
I/WE DID NOT HEAT THE HOME AS MUCH AS I/WE WOULD HAVE LIKED	73.3%	85
I/WE RESTRICTED THE USE OF HOT WATER	30.2%	35
I/WE TRIED TO GET A BETTER PRICE	16.4%	19
I/WE INSULATED THE PROPERTY	22.4%	26
I/WE INSTALLED A MORE EFFICIENT BOILER	12.9%	15
I DO NOT KNOW OR CANNOT REMEMBER	1.7%	2

17. ARE YOU TAKING STEPS OR ARE YOU SERIOUSLY CONSIDERING MEASURES TO REDUCE YOUR HEATING OIL BILL IN THE FUTURE? (SELECT ALL THAT APPLY).

	ANSWERED QUESTION	116	
	SKIPPED QUESTION	33	
	RESPONSE PERCENT	RESPONSE COUNT	
I AM NOT PLANNING TO TRY AND REDUCE MY BILL		4.3%	5
YES - TO HEAT THE PROPERTY LESS		67.2%	78
YES - TO REDUCE THE USE OF HOT WATER		38.8%	45
YES - TO TRY TO GET A BETTER PRICE FOR HEATING OIL		61.2%	71
YES - TO INSULATE OR IMPROVE INSULATION OF THE PROPERTY		21.6%	25
YES - TO INSTALL A MORE EFFICIENT BOILER		7.8%	9
YES - TO MOVE TO A SMALLER, OR TO A MORE ENERGY EFFICIENT, PROPERTY		3.4%	4
YES - TO SWITCH TO AN ALTERNATIVE ENERGY SOURCE		12.9%	15

18. WHAT ALTERNATIVES TO HEATING OIL ARE YOU ACTIVELY CONSIDERING TO USE IN YOUR PROPERTY? (SELECT ALL THAT APPLY).

	ANSWERED QUESTION	87	
	SKIPPED QUESTION	62	
	RESPONSE PERCENT	RESPONSE COUNT	
GAS (BOTTLED OR FROM THE GRID)		8.0%	7
ELECTRICITY		59.8%	52
SOLID FUEL		37.9%	33
SOLAR POWER		21.8%	19
WIND POWER		8.0%	7
OTHER (PLEASE SPECIFY)	30		