

Electricity market study frequently asked questions

Key takeaways

- We will be carrying out a market study into the electricity market in Jersey.
- A market study is the analysis of a market, using a variety of information and evidence to assess how well it is working, and whether changes could be recommended to make it work better.
- This market study relates to the supply of electricity in Jersey. The study will consider market characteristics, comparative data and findings from a previous market study, features of the electricity market (including investment in renewables and alternative generation) and the efficiency of the electricity supply in Jersey, taking into account resilience of supply.
- The study will start in October 2023 and will be completed by the end of quarter three of 2024. A draft report will be published for consultation in March 2024.
- The outcome of the study will be a report which explains the approach, findings and, if identified, recommendations for how the market could be improved. The report will be published on our website.

What is a market study?

A market study is a flexible tool to explore whether a market, or feature of a market, is working well for Jersey consumers. Market studies consider the relationship between consumer behaviour and the market structure, and the behaviour of firms in that market. By looking at these types of relationships and other factors, we can determine whether actions designed to encourage changes in consumer behaviour, or business behaviour, or both, will help address any market problems found.

An important point to note is that the focus of a market study is on the structure and behaviour of the market itself, not the actions of any specific business or firm. To view our quick visual guide to market studies, scan the QR code:

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market studies,
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What will the study consider?

The market study is being carried out against published terms of reference. It will consider market characteristics, comparative data and findings from the previous market study, features of the electricity market (including investment in renewables and alternative generation) and the efficiency of the electricity supply in Jersey, taking into account resilience of supply.

Why have we chosen to carry out this study?

As set out in our 2023 Business Plan, we select markets where a market study could potentially add value. Different markets are screened to determine those most relevant to Jersey at the present time, with each being assessed against a range of criteria. This includes an assessment against our Prioritisation Principles.

This process has resulted in the Electricity market study being selected by the Authority because:

- our last study into this market was completed over 10 years ago;
- electricity is essential for Jersey households, representing a significant proportion of household expenditure (and a key variable in the context of the cost of living); and
- there have been wider market developments since our last study, for example, the emergence of the decarbonisation/net zero focus in Jersey (and across the world).

How does this study relate to the previous market study?

The study will consider the issues and recommendations raised by the previous study in 2012. This study was carried out in a different market context and the focus will be on including those aspects that are still relevant. For example, this study will build on the work carried out in 2012, on comparing market outcomes - and prices - across different jurisdictions, and the assessment of efficiency.

What is excluded from the study?

The study is framed within the existing statutory and regulatory framework, to the extent the market study is required to consider any of these matters, it will be at a high-level only.

What will happen during the study?

We will gather and analyse information to better understand the current structure, the operation of the market and current practices and identify how well the market is working for the benefit of consumers. This will be done through various methods and is likely to include:

- the analysis of precedent or case studies, both local and international;
- the analysis of electricity operations, strategy and pricing;
- the use of structured engagement sessions with key stakeholders;
- requests for general and specific information from market participants;
- communication with stakeholders that have an interest in the market;
- consideration of economic theory and/or use of econometrics; and
- consideration of Government of Jersey energy policy and work programmes relevant to the wider energy market, such as the Carbon Neutral Roadmap.

These materials will be used to form a draft report. This report will outline key findings and proposed recommendations, and be published on our website for comment. Any feedback received on the draft report, where appropriate, will be incorporated into the final report. The final report, alongside any stakeholder responses to the draft report, will be published on our website.

What will the study outcome be?

Until completed, it is not possible to say what the outcome will be, but possible outcomes are that:

- a view that the market is working well, for example, Jersey consumers may be found to be better served than comparable international jurisdictions and/or no market issues are identified;
- consumer and/or business focused action, for example, there may be recommendations for changes to business practices, or suggested changes in consumer policy to improve transparency, choice and benefit; and/or
- recommendations to Government, for example, this could involve areas where further developments in policy are required.

Note, if as part of the study, evidence was found of a firm/s breaking Competition Law, the appropriate tool would be competition enforcement, not a market study. In this scenario the market study would be stopped and instead a formal investigation launched.

When will the study start and how long will it take to complete?

The study will formally start in October 2023 and a draft report will be published for consultation in March 2024. It is envisaged the study will be completed with the issuing of a final report by the end of quarter three of 2024.

This timetable may be subject to change if material issues are encountered.

Who will carry out the study?

A Case Officer will lead the study, project managing its implementation. An external consulting company with expertise in electricity markets will be appointed to support the delivery of the study. They will be nominated following a structured procurement process based on criteria including proven expertise, strategic fit and value for money.

How will we handle confidential information provided as part of the study?

We recognise some of the information that stakeholders may want to share to support the study could be commercially sensitive and highly confidential. As a matter of course anyone who has information relevant to the study can ask us to keep their identity and/or the information provided confidential. Our standard policy and procedures with regards to the use of personal information, and confidential business information, will be followed throughout the study.

Where is more information available?

The market study will be an open case on our website and updates will be made available during the study. Further background information on market studies is available at: <https://www.jcra.je/competition-and-regulation/market-studies/>