

ESB Customer Supply & Group Services



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Safety Review

Customer Supply and Group Services continues to prioritise safety and health to achieve our goal of an injury free workplace.

During 2008 a significant Health and Safety Improvement programme was implemented including formal Occupational Health and Safety Assessment Series (OHSAS) assessments, a comprehensive auditing programme and regular reviews of performance. An increased focus has been placed on health and well-being of staff during 2008, including initiatives relating to managing stress, health screening and healthy lifestyle choices.

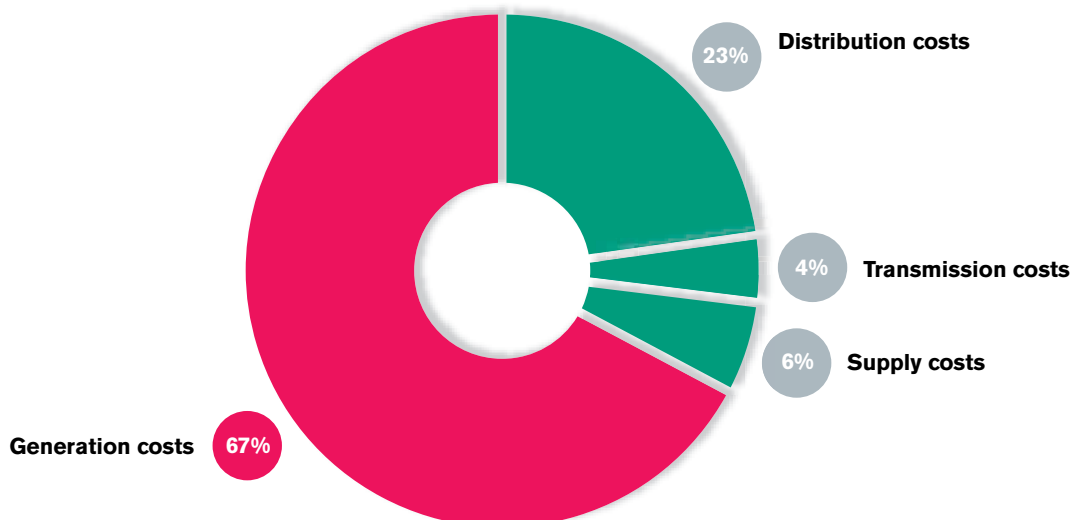
The number of Lost Time Injuries (LTI) in the business was 11 in 2008 (14 in 2007). Eliminating workplace injuries is an ongoing challenge and we are committed to ensuring that all our staff and contractors work in an environment which reduces risk of injury.

Customer Supply

Operational Review

ESB Customer Supply (licensed as the Public Electricity Supplier) provides an electricity supply service to over two million customers in the Republic of Ireland retail market. Its terms and conditions are subject to approval by the Commission for Energy Regulation (CER). ESB Customer Supply operates on a standalone basis from other businesses within ESB Group. It purchases electricity from the Single Electricity Market (SEM) in order to supply the electricity needs of its customers. It charges customers for this electricity based on tariff rates that are set in advance of the usage period. Tariff rates are set in line with agreed principles of satisfying economic purchase obligations, achieving cost reflectivity and transparency and are approved by the CER.

Generation costs, mainly fuel, drive the customer tariff



The above chart represents the breakdown of the customer supply tariff for 2008

The retail electricity market has been fully open to competition since February 2005, with all electricity users, business and residential, having the freedom to choose from a number of independent licensed suppliers, including ESB Customer Supply. While the number of customers (business and residential) served by ESB Customer Supply increased from 2.06 million to 2.1 million during 2008, market share of the SEM remained substantially unchanged at the end of 2008 at 40%.

Customer Service Delivery

ESB Customer Supply provides a quality service to its customers. The National Customer Contact Centre again exceeded its service targets and also achieved the accreditation under the Customer Contact Centre Association Revised Global Standard.

In addition, ESB Customer Supply continued to deliver service levels in line with its Customer Charter and Customer Service Codes of Practice. During 2008 a number of new customer service initiatives were introduced including:

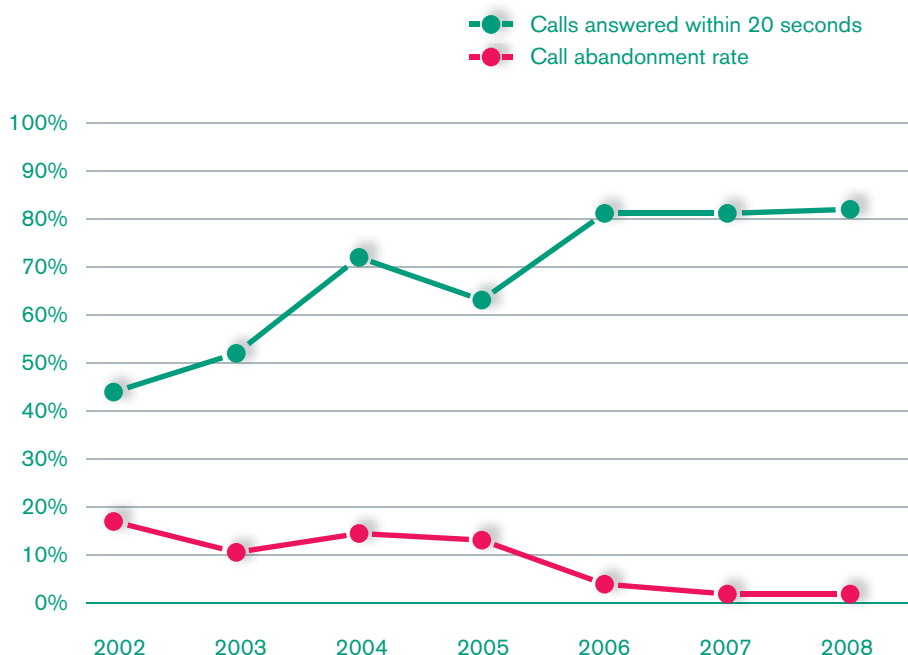
- ★ an improved website with valuable information on more efficient use of electricity; and
- ★ the launch of a new e-billing service providing an online bill and information on the customer's pattern of electricity usage. E-billing also contributes to a better environment by avoiding the need for paper bills.



In 2008 ESB Customer Supply dealt with almost 4 million customer telephone calls – 82% of which were answered within 20 seconds

National Customer Contact Centre service performance trend

Customer Supply National Customer Centre Speed of Call Answering & Call abandonment rate (2002 – 2008)



“The energy efficient house”

from www.esb.ie/home



Sustainability Initiatives

ESB Customer Supply has worked with customers for many years to help them to reduce electricity usage and get better value from their electricity consumption. This continued during 2008 with ESB Customer Supply helping customers to save more than 350 GWh of electricity, equivalent to a reduction in CO₂ emissions of 190,000 tonnes (538 g/KWh). These savings were achieved through the promotion of energy efficient products and awareness campaigns on electricity usage. These campaigns included lighting promotions, energy efficiency advice and web based tools including “The energy efficient house”, launched on the internet site during 2008.

The planned introduction of Smart Metering will enable electricity users to manage their consumption more efficiently with cost and environmental benefits. ESB Customer Supply is playing a lead role in the assessment and rollout of this innovative technology in order to maximise the benefits for our customers.

As part of our drive to improve energy efficiency and aligned with our Corporate Social Responsibility objectives, ESB Customer Supply works with a number of organisations including St Vincent de Paul, the Money Advice and Budgeting Service (MABS) and other agencies. We undertook a number of initiatives with these organisations to support customers experiencing energy affordability issues and those with special requirements. These

included debt repayment programmes, information on budgeting for electricity costs and advice on how to use energy more efficiently.

Changing Market Environment

A major development and important milestone for the electricity market in Ireland was the successful introduction of the SEM on 1st November 2007. The SEM is a wholesale electricity pool market, into which all electricity generated on or imported into the island of Ireland must be sold, and from which all wholesale electricity must be purchased. Under regulatory requirements ESB Customer Supply participates in this market as a standalone supply business. A comprehensive set of new processes, systems and capabilities were operated successfully during 2008 to facilitate ESB Customer Supply's participation in this wholesale energy trading environment for the benefit of its customers.

During 2009, there will also be increased competition in the residential market which will provide new challenges and opportunities to ESB Customer Supply and our customers. ESB Customer Supply intends to further develop our services to meet the needs of our customers, providing excellent customer service while offering good value for money.

Group Services

Group Services is responsible for a number of business activities and provides internal services for the various business lines within the ESB Group including:

- ★ Information Communication Technology (ICT) Group provides essential IT and telecommunications infrastructure services and project support which underpin ESB's day to day business operations;
- ★ A wholly-owned subsidiary of ESB and part of the ICT Group, ESB Telecoms Limited is the leading independent network provider in Ireland and competes strongly in the telecoms market providing wholesale telecom services and infrastructure to almost all telecom operators in Ireland;
- ★ Shared Services provide a range of support services including facilities management for properties used by ESB staff, HR and payroll administration for staff and pensioners, accounting services and professional services such as procurement, property and legal services;
- ★ The Pensions Office supports the pension arrangements within the ESB Group, including administration and investment support;
- ★ ESB Contracts Limited constructs and maintains public lighting for local authorities and installs major electrical projects for external commercial customers; and

Smart Meters will allow consumers to better manage energy consumption, resulting in economic and environmental benefits

- ★ The Energy Services business was established during 2008 to promote and deliver energy efficiency solutions to the residential and business markets.

Operational Review

ICT Group and Shared Services worked closely with other ESB businesses during 2008 to consolidate service delivery and to improve efficiency and customer service in the services being provided.

Significant milestones for ICT Group in 2008 included the commissioning of Customer Supply's e-billing service, mobilisation of the Smart Metering projects, establishment of a 24/7 telecom operations centre and a number of significant infrastructure and application upgrade programmes.

ESB Contracts Limited continued to provide excellent service to our customers and worked closely with Local Authorities to ensure service standards in the area of public lighting are met.

Sustainability Initiatives

In line with ESB Corporate Strategy, Group Services are playing a significant role in delivering a number of internal sustainability initiatives including waste management, building efficiency, sustainable procurement, IT sustainability, and staff advice and training on sustainability.

Shared Services has been actively involved in reducing ESB's internal carbon emissions for a number of years. Over 76% of the total waste generated in ESB Head Office was recycled in 2008 compared to 40% in 2005.

Energy Services was established in 2008 under ESB's Strategic Framework. ESB is committed to providing leadership on the energy challenges facing Ireland. The Energy Services team will work with the Government and other agencies to achieve the national energy efficiency target of a 20% reduction in energy use by 2020.

The Energy Services team will use ESB's expertise and experience and will build on our strong technical and managerial resources and capability to:

- ★ work with a wide range of stakeholders and communities to achieve success;
- ★ support people implementing energy efficiency measures in their homes and businesses;
- ★ act as a catalyst to support the development of the energy efficiency sector; and
- ★ support, through effective and innovative projects, the achievement of national energy efficiency.

Challenges Ahead

The challenges facing our businesses include the serious economic downturn, increasing customer expectations and increased competition. We must also contribute to meeting the challenge posed by climate change and Ireland's obligations to reduce carbon emissions.

Against this backdrop the key priorities for 2009 include:

- ★ Continuing to provide excellent customer service. ESB Customer Supply intends to build on its strong customer service performance, as evidenced again in 2008, by further developing our services

to meet the needs of our customers while offering good value for money. ESB Telecoms and ESB Contracts will continue to work closely with our customers to ensure we meet their service needs;

- ★ Promoting sustainability and energy efficiency, by increasing awareness among customers and ESB staff of the need to use electricity efficiently and by supporting customers in making the necessary changes;
- ★ Developing the Energy Services business by working with the Government and relevant agencies, thus making a significant contribution to helping homes and businesses become more energy efficient during 2009 and in the future;
- ★ The development of Smart Metering technology has the potential to have a major impact on how electricity customers manage their use leading to cost and environmental benefits. ESB Customer Supply and ICT Group will play leading roles in ensuring the technology and design will maximise the benefits to our customers;
- ★ For both ESB Customer Supply and Group Services, cash collection and cost management will be even more important in the context of the economic and competitive environment; and
- ★ ESB Customer Supply will continue to provide support to more vulnerable customers and to work closely with the relevant agencies and support organisations.