MONEY

BABY BUMP
JENNIFER ZAMPARELLI'S CLOTHES BUDGET GROWS BIGGER BY THE DAY
SUNDAY PAGE 5

Switches are the key to lower energy costs

Don't wait for the pain — change supplier before winter bites and save up to €300 a year, writes *Linda Daly*

NETFLIX

As the evenings draw in, you may not have as many lights on as Winona Ryder in the Netflix series Stranger Things, but your power bills are likely to rise

Energy customers should brace themselves for bigger bills over the next few months, as circumstances converge to push up prices.

The first blow will be a hike in the public service obligation (PSO) levy, a tax paid by all electricity customers. It comes into effect from today, October 1. The Commission for Energy Regulation (CER) has approved a PSO levy of €471.9m for the coming year, €79.5m more than last year. This means domestic customers will be hit with €7.69 each month, €1.79 more than previously. This will add about an extra €21 to our annual electricity bill.

"There's no way to get out of it," said Mark Whelan, head of communications with price comparison site Bonkers.ie. "You have to pay the levy."

Bills will become more expensive due to an increase in wholesale gas prices, which rose by 30% in August.

On Friday, SSE Airtricity and Bord Gais announced price increases. SSE Airtricity's electricity charges are rising by 5.6%, about €3.60 a month, from November 1. Typical Bord Gais gas bills will increase by €2.12 a month and electricity bills will go up by €4.77, from the same date. Both companies blamed rising wholesale energy costs and increases in regulated network charges.

However, it's not all doom and gloom in the energy market.

Make the switch

Consumers can take control of their energy bills by switching providers. Ireland performs well in a European context when it comes to switching. As of last year we were the second-best gas switchers and the third-best electricity switchers in the EU. However, switching rates are still "painfully low", according to Whelan, at just 15%.

Eoin Clarke of Switcher.ie said the onus was on consumers to shop around. "We carried out some research recently which found there are fear factors around switching. Some reasons people won't switch include fears there will be a loss of service or a loss of supply. There will never be a loss of service.

"There's also a fear that they won't get the best deal. If you don't sign up to a deal on the doorstep, you should shop around online. Another reason given is that it is too much hassle."

Whelan and Clarke said consumers could save up to €318 a year by switching gas and electricity providers.

"Customers who haven't switched suppliers in 12 months are almost certainly paying more than they have to, because suppliers will sign you up with a huge discount, you'll have that fantastic discount for 12 months and, at the end of that 12 months, your discount will disappear and you're paying the standard rate," said Whelan.

Switching can be done entirely online, so you do not even have to make an awkward phone call to your supplier.

Clarke said it would usually take five to seven minutes to switch. You need a copy of your electricity or gas bill and the reference numbers at the top of each. You also must physically take a meter reading and, if you are signing up to direct debit, you need your bank details, which could involve figuring out your international bank account number.

"Set aside some time, get everything together and you can do it on websites like switcher.ie," said Clarke.

Whelan advised consumers not to wait to move until they are hit with a big bill in December or January.

"Switch now so you can pre-empt the shock. Don't wait until you feel the sting," he said.

> **Set aside the time, get everything together and you can do it all on websites**

More competition

The good news for consumers is that there is more choice than ever, with nine domestic energy suppliers: Electric Ireland, Bord Gais Energy, SSE Airtricity, Flogas, Prepay Power, Pinergy, BeEnergy, Panda Power and now Just Energy.

Whelan said the Canadian company Just Energy was trying to differentiate itself from its competitors via a couple of "fairly innovative tariffs". First up is its unlimited tariff, which offers customers unlimited energy usage at a fixed price for the year, based on previous usage.

Mike Cody, country manager with Just Energy in Ireland, said the unlimited tariffs would "remove bill shock". There will be tiers of usage based on previous consumption and the package will be aimed at those on rigid budgets each month. "The idea of knowing what you're paying is very important. That is the research that we've seen through CER reports," said Cody.

Another offer from the firm is a fixed rate on a 12-month contract. The rate offers "more reassurance and gives the customer a price guarantee for 12 months", said Cody.

Just Energy's electricity rate is 14.88c per kW with a €131.59 annual standing charge. Its rate saver 12-month fixed rate comes in at €850.89 for the year for an average user, says Bonkers.ie. This compares with Energia's 33% discounted rate, the cheapest electricity deal in the market at present, which comes in at 12.67c per unit cost and a €158.05 annual standing charge – €794.39 for year one.

The best deals for customers tend to be available only online or through direct debit. Cody said Just Energy would offer flexible payment methods on its best offers, with options of paper billing or through cash and cheque. "Online billing and direct debit is mandatory for our unlimited price plan only," he said.

When it comes to the renewal process, Cody said Just Energy would contact all customers when they come near to the end of their current contract pricing.

"We will make sure that we have something else to offer, which will avoid going on to the big standard variable tariffs at the end of the year."

Best deals on the market

The biggest savings to be had at present are through separate suppliers for gas and electricity. According to Bonkers.ie, Energia's electricity-only deal is the cheapest at €794 a year. Just Energy has the cheapest gas-only deal with a fixed unit rate of 4.23c before VAT. This adds up to €608 annually for an average domestic user. For those who like to pay their bills together, the Energia dual fuel deal is the cheapest at €1,429 over 12 months.

Special offers

Bord Gais, SSE Airtricity and Electric Ireland all have big cashback offers for new customers. Bord Gais Energy and SSE Airtricity are both offering €100 cashback to new electricity customers while Electric Ireland is offering €175 to new gas customers.

"If you take the cashback, you will end up paying a slightly higher unit rate than you would if you just went with the cheapest supplier," said Whelan.

"If your household uses a very low amount of gas or electricity, the cashback offer should be very tempting. If you're smart you'd get €275 cash back – by going with Bord Gais or SSE Airtricity for your electricity and Electric Ireland for your gas," said Whelan.

If you want to invest in smart appliances, which allow you to control your heating remotely, some of the providers are offering packages. SSE Airtricity provides a free Climote to customers who sign up to a two-year contract. Electric Ireland has a Climote for €90.

"Ultimately, if you go for the two-year contract with Electric Ireland, you'll get your free Climote – but it's not exactly free because you'll end up paying more than you would in that second year," said Whelan.

Clarke argued that smart thermostats could be worthwhile investments in the long term. "If you leave the house during the day, technology like Hive will recognise that you've left the house. You can really control your electricity use."

Extra ways to save

Clarke said there were simple ways to cut energy costs.

"Turning the thermostat down by 1C can cut your bills by 10%," he added. "Plugging out devices at night can also reduce costs. Even closing your curtains can help keep the heat in. You can rein in your consumption."

He advised consumers to submit regular meter readings up to six times a year. "If you don't submit them, there's a chance your bill will be estimated. It could come in at more than you consumed," said Clarke.

MARKET MOVER
JOHN BRUDER

John Bruder is managing director of Burlington Real Estate, a specialist independent asset and development management company. Burlington is adviser to the Appian Burlington property fund, established in November 2016 to invest in Irish commercial property. The fund is run by Appian Asset Management, which is responsible for more than €800m in assets. The minimum investment is €100,000. There is a two-year lock-in from the date of investment, and the fund deals on a quarterly basis.

Bruder is a former chief executive of Treasury Holdings in Ireland and a former head of property with AIB Investment Managers.

Fund philosophy

The fund invests in office, retail and industrial properties in the greater Dublin area and regional urban centres. "There is a compelling opportunity for a specialist Irish fund that focuses on retail, office and industrial property," said Bruder.

"The retail and suburban office sectors are at an inflection point and the economic backdrop is improving and will drive the market. Irish commercial property is very attractive relative to most other investment classes."

The fund is targeting both on-market and off-market deals.

Performance

The fund has performed well since its inception in 2016, with an increase in its net asset value of 5.93% to June 30, 2017. "We're targeting returns in the medium term of 6% to 10% per annum after all costs," said Bruder.

Buying and selling

The fund targets properties with a price tag of €5m to €15m in Dublin or regional cities, with offices accounting for 30% to 50% of the portfolio, retail accounting for 30% to 50% and industrial up to 20%. "We're focusing on the greater Dublin area, where our aim is to deploy at least 80% of the fund," said Bruder, *pictured*.

It has acquired a 20,000 sq ft office block in Sandyford and a 7,000 sq ft retail /commercial investment in Drogheda. It has also agreed to buy a further three properties in Dublin and Cork in the next few weeks.

One target is the quality suburban office market in Dublin. "It's still possible to buy properties let at rentals close to €20 per sq ft but the economics of developing new stock dictate that rents need to be €25 per sq ft for a developer to break even," said Bruder. "We don't see much new development in these locations until rents exceed this level".

Bruder also noted that rents in Dublin city centre have doubled in the past three years and many occupiers are now looking to the suburbs. "Most of the quality space in the suburbs has been snapped up and, with no new development coming, rents are getting higher as occupiers compete for the space available."

Outlook

Values are still an average of 44% below their peak, said Bruder, but yields average 5.8%, which he said is higher than government bonds. "It is still possible to buy in suburban locations for less than the cost of developing new assets".

He said yields are getting better and there is a marked upturn in tenant activity: "The positive trend that started in Dublin city is moving out to the suburbs and to regional centres and Brexit is likely to benefit the market further."

Gary Connolly

You can try the bitcoin bandwagon — just pick the right one

Hope springs eternal. The optimism which drives us to buy lottery tickets, visit bookies or to anticipate little traffic on the way to Brittas is born of a quintessential human characteristic of ignoring overwhelming odds.

To this unholy trinity, we may in time add investing in cryptocurrencies. The popularity of bitcoin, the original and most significant of the cryptocurrencies, is near fever-pitch.

I'm increasingly asked about it, no doubt influenced by the stratospheric rise in its value. At the start of 2017, bitcoin was just under $1,000. By September, the price was in touching distance of $5,000.

My response to date has been a lazy one; it's in my too hard pile but it has all the hallmarks of a bubble.

The question of what the prospects are for cryptocurrencies is a complex one. Though they seem to have many tulip-like qualities, dismissing them as a passing fad is increasingly at odds with the data. As of August 2017, the combined market value of all cryptocurrencies was $145bn.

Bitcoin is defined as an open source peer-to-peer currency and a digital payment system. It operates without any central authority, bank or administrator, with payments processed between participants on an open network.

The financial services industry is not lauded for the societal value created by many of its innovations – some think the last useful one was the ATM 40 years ago. But cryptocurrencies are not a financial innovation per se, they are a technological innovation. Herein lies much of the difficulty: the technology is complex.

Bitcoin arrived in 2009 at a time of distrust in government-backed "fiat" currencies – those that a government has declared to be legal tender, but which are not backed by a physical commodity. Today there are hundreds of digital currencies – including 11 with market capitalisations of more than $1bn – and no limits on new ones. So-called initial coin offerings, or ICOs, have turned into 2017's most remarkable financial craze. According to the Financial Times, more than $1.8bn has been raised by developers of new currencies with names such as Tezzies and Basic Attention Tokens. My favourite cryptocurrency name is Ether, as it seems to capture much of the zeitgeist in its short title.

Part of the rationale for cryptocurrencies is that they can't be debased in the way a fiat currency can (think Zimbabwean dollar or Venezuelan bolivar) as there is a maximum issuance. But even bitcoin itself has split. At the end of July, people who wanted it to expand quickly broke off and created a rival digital currency, "bitcoin cash", that can handle more transactions.

Cryptocurrency enthusiasts argue that the case for buying today, despite a rise in the price, is that if bitcoin is accepted as a currency to rival the dollar, you could make 70-140 times your money. That's a fair leap, but what drives investor enthusiasm is that success doesn't have to be highly probable with such a huge potential return.

This lottery-ticket quality is reminiscent of the dotcom boom in 1999-2000. Amazon chief Jeff Bezos's annual letter to shareholders provides a salutary tale from that era. Appended to this year's letter is his first from 1997. Here's a sentence that catches the eye: "We established long-term relationships with many important strategic partners, including America Online, Yahoo!, Excite, Netscape, GeoCities, AltaVista, @Home, and Prodigy." Twenty years on, most of those names don't exist or are irrelevant.

Bitcoin's obituary has been written hundreds of times, so I'm not going to add another. Likely the most enduring part of this phase in markets may be the blockchain and not the currencies themselves. The potential applications are significant, but the extent to which it realises its potential will depend in part upon how well stakeholders steward its development.

That doesn't mean the currencies are doomed to failure. The cryptocurrency game is still young and the players each claim to have the panacea for eventual acceptance. However, as technologies and preferences evolve, there will be an inevitable thinning of the herd. This is the problem with investing in the next great thing – typically only a few firms win.

As Warren Buffett once pointed out, 2,000 or so car companies operated around the time that Henry Ford started his assembly lines. Investing in the auto sector was correct, but investing in most of those companies was not. The lessons are there, but in the battle of hope and experience, the former is the usual victor.

Gary Connolly is managing director of iCubed, the training, research and consulting firm; gary@icubed.ie, @gconno1