



Annual Report
2018-2019



Our mission

To protect the short and long term interests of consumers of electricity, gas and water.



Our vision

To ensure value and sustainability in energy and water.



Our values

- Be a best practice regulator.
- Be professional.
- Be a collaborative, co-operative and learning team.
- Be motivated and empowered to make a difference.

Annual Report 2018-2019

Combined report of the Northern Ireland Authority for Utility Regulation (the Utility Regulator).

The Utility Regulator has decided to produce a combined energy and water and sewerage report in accordance with Article 5(5) of the Water and Sewerage Services (NI) Order 2006.

Laid before the Northern Ireland Assembly in accordance with Article 5(1) of the Water and Sewerage Services (NI) Order 2006 and Article 6(1) of the Energy (NI) Order 2003 by the Department for the Economy.

Under Article 6A of the Energy (NI) Order 2003 (as amended) the Utility Regulator is obliged to prepare an annual report in relation to the activities it has carried out in the preceding 12 months in its capacity as a designated regulatory authority for Northern Ireland. This report shall include a general survey taken and steps achieved by the UR in the performance of its functions under Article 37 of the Electricity Directive 2009/72/EC and Article 41 of the Gas Directive 2009/73/EC. This report is due to be sent to the Department, the European Commission and the Agency (ACER) by 1 July of each year. Information in this annual report is intended to also fulfil the Article 6A obligation.



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1. Chairman's foreword

Consumers are central to what we do as the regulator of Northern Ireland energy and water enterprises.

A new energy milestone was reached last year when new, more competitive and efficient market arrangements were introduced in the wholesale electricity market (the Single Electricity Market – SEM). Working closely with our regulatory colleagues in the Commission for Regulation of Utilities (CRU), system operators, government departments and industry, the new SEM went live on 1 October 2018. The successful introduction of the SEM highlights the key role regulation plays in making sure important developments such as this can be delivered, aimed at ensuring real value for consumers.

We also facilitated the further growth of the natural gas network. As well as new consumers now connected in the west and further work ongoing, expansion continues to east Down and new towns such as Whitehead. Consequently, more consumers than ever across Northern Ireland can now choose natural gas, with all the benefits that this brings over oil in particular.

Rising international wholesale energy prices early in the year led to increases in both gas and electricity tariffs. Increased prices are never good news for consumers. We continue to be vigilant to make sure any price rises are justified and any fall in wholesale costs are reflected in consumer bills as soon as possible.

Developments in the wider environment have also continued to have a significant impact on our work. There are uncertainties around the UK's exit from the European Union. We have been working closely with government, industry and stakeholders to manage the uncertainties and make sure the wholesale, all-island market can continue to operate effectively.

We could not do our job effectively without the ongoing engagement and co-operation of



those who work with us or have an interest in what we do. We are grateful for the continued support of the Department for the Economy (DfE – for energy matters) and the Department for Infrastructure (DfI – for water matters). During the last year our board also met with a number of regulated utilities and stakeholders as we continued our engagement activities across Northern Ireland.

Our new five-year Corporate Strategy was published in March 2019 following extensive dialogue with all interested parties. Our 2019-2024 strategy focuses on protecting and empowering consumers through three strategic objectives that will deliver real and tangible benefits for energy and water consumers across Northern Ireland. The strategy sets out challenging but achievable commitments that can only be met by working collaboratively and openly with our stakeholders.

Finally, it is important for me to recognise the commitment and invaluable contributions from my board colleagues in what has been another very busy year. We would like to thank Richard Rodgers and Bill Cargo for their contributions as they stepped down from the board. As a board, we would also like to express our appreciation and gratitude to the entire UR team for their dedication, commitment and all that has been achieved this year.

A handwritten signature in black ink that reads "Bill Emery". The signature is written in a cursive, slightly slanted style.

Bill Emery
Chairman



2. Chief Executive's report



In a year when we published a new, ambitious Corporate Strategy we are grateful for the contribution of our stakeholders who helped us shape our new strategic direction. With the wider strategic landscape still dominated by the lack of an Assembly and the uncertainties of an exit from the EU, ongoing dialogue is crucial. It has only been by working closely with our stakeholders that we have been able to deliver many of our key projects this year.

Our engagement with stakeholders also enriched the development of our new Consumer Protection Programme. This work over the next three years will provide an impetus to further protect all energy and water consumers, particularly the most vulnerable. Working with stakeholders is essential if we are to deliver better outcomes for all. One example of this is our expert stakeholder challenge group to help inform our price control for the transmission system operator. Our consumer engagement work on network price controls has also provided an effective channel for providing the customer perspective.

The new SEM went live at the end of October, marking the end of the ISEM project. Delivering more competitive market arrangements makes sure that consumers only pay for what they need, places competitive pressure on prices and encourages new investment. Consumers expect that we do all that we can to keep prices as low as possible and this new market helps to deliver real benefit for consumers. Further savings have been realised through the successful capacity auctions which secure necessary capacity at least possible cost. We are already seeing the new market delivering more cost reflective prices, a much better dynamic between supply and demand and, critically, growing evidence of the value of wind generation in driving prices down.

Our role in protecting consumers has not only been evident this year in market development

but in holding our licensed companies to account. We have commenced formal investigations in both electricity and gas and have conducted supplier audits for the first time. During the year we finalised our enforcement and financial penalties procedure to ensure consistency, clarity and certainty in our enforcement actions. Our market monitoring unit has expanded its capabilities to ensure effective scrutiny of the new wholesale market arrangements and our price control has ensured that NI Water continues to provide an improved overall service to consumers. We also put in place the necessary regulatory arrangements to allow for the refinancing of the gas transmission pipeline to the west of Northern Ireland which has saved consumers around £50m.

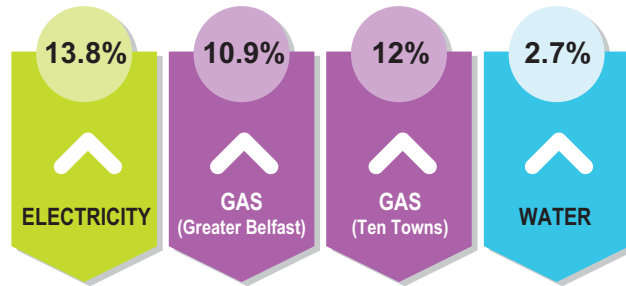
As an organisation, we recognise the importance of continual improvement both in what we do and how we do it. The development of the team and how we work together as an organisation is crucial to our success. We had our first review of our liP accreditation and developed an action plan to build on our progress.

In what has been another challenging year, I wish to recognise the commitment and professionalism of my team. It has been a very significant year of delivery of which they, like me, can be very proud. With a clear direction of travel as set out in our new strategy I commend their hard work, along with that of our board, in helping us achieve our goals on behalf of all consumers.

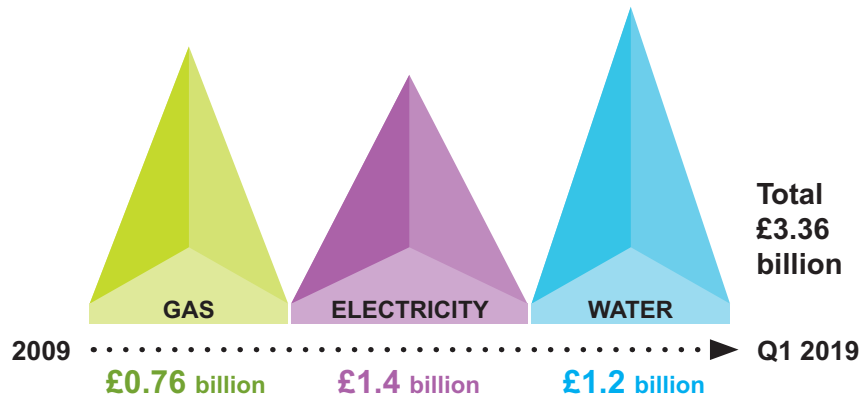
Jenny Pyper
Chief Executive

3. Our year in summary

PRICES AND CHARGES



INVESTMENT IN UTILITIES



PROMOTING COMPETITION

- ✓ New more competitive and efficient market arrangements for the SEM went live
- ✓ Two CRM auctions ran successfully delivering significant consumer savings
- ✓ Significant progress made on extending the gas network to the West and East Down
- ✓ System services procured competitively as part of the DS3 programme

PROMOTING SUSTAINABLE DEVELOPMENT





PROTECTING CONSUMERS

- ✓ Consumer Protection Programme developed
- ✓ We commenced a number of investigations into licence compliance issues in both the gas and electricity supply markets
- ✓ NI Water continues to deliver an improved overall level of service to consumers
- ✓ Our market monitoring unit extended its scope to ensure effective monitoring of the new wholesale market arrangements
- ✓ Put in place regulatory arrangements to secure savings of c.£50m for the WTL transmission pipeline

CONSUMER ACTIVITY

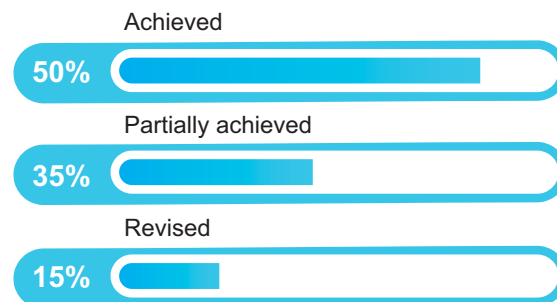


Over **784,000** electricity switches since 2010

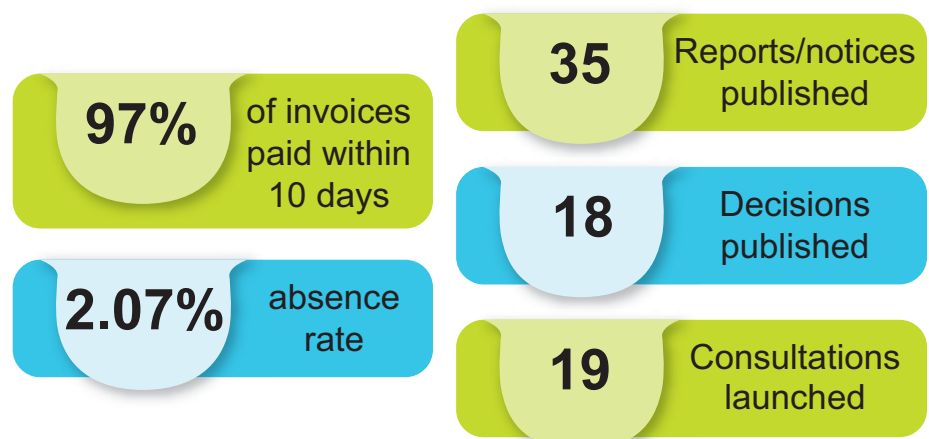


258,000 gas consumers now connected

OUTCOME AGAINST OUR BUSINESS PLAN TARGETS



EFFECTIVE AND EFFICIENT REGULATOR



4. Retail and Consumer Protection

Key developments



Formal supplier investigations commenced and first supplier audits completed



New Consumer Protection Programme launched



Increases in gas and electricity tariffs



Domestic consumer insight tracker produced



4. Retail and Consumer Protection

Protecting consumers by making sure tariffs reflect costs

For all consumers, reviewing the tariffs of regulated energy suppliers is the most visible part of our job. This affects every household in Northern Ireland. We make sure that consumers' bills reflect the actual cost of delivering energy to their homes and businesses.

In mid-2018 we reviewed the tariffs of Power NI (the regulated electricity supplier). This resulted in a tariff increase of 13.8% effective from 1 October 2018. The main reason for the increase was due to rising wholesale energy costs. Domestic electricity prices in NI continue to be lower than in Great Britain (GB) and the Republic of Ireland (RoI).

A regulated gas tariff review was also completed for SSE Airtricity in the Greater Belfast area. We approved an increase of 10.9% in October 2018.

In the Ten Towns gas distribution area we reviewed firmus energy's tariffs and approved an increase of 12% in October 2018.

While price increases are unwelcome, the NI average standard tariff for domestic gas consumers continues to be lower than comparable tariffs in RoI and at a similar level to GB.

We continually monitor electricity and gas tariffs and as soon as there is scope to reduce tariffs following reductions in costs we act. This ensures that consumers always pay a fair price that actually reflects the costs of purchasing and transporting the energy to their homes and businesses.

Gas supply price controls

We commenced the gas supply price control reviews for both SSE Airtricity and firmus. These controls will commence on 1 April 2020 and 1 January 2020 respectively.

Promoting effective competition

One of our statutory duties is to protect consumers by promoting effective competition, where appropriate.

In both electricity and gas, a large share of domestic customers remain with the previous incumbent supplier. However, as the electricity market matures, the incumbent market share



is gradually decreasing. Power NI's share in the electricity domestic market at end of March 2019 was 57%, compared with 58% last year.

In the Greater Belfast domestic gas sector, where there are two suppliers, market shares have remained relatively unchanged. SSE Airtricity's share in the domestic credit market is 82% and 73% for prepayment. firmus energy remains the only domestic supplier in the Ten Towns area.

We published a decision paper setting out measures that will make the small business energy market more transparent. This will make it easier for small business customers to engage in the market and promote competition. One of the specific proposals regarding tariff transparency for small businesses, (similar to that in the CMA report in GB), has been the development of a small business tariff comparison website by the Consumer Council of Northern Ireland (CCNI).

Supplier of Last Resort

If a gas supplier leaves the market unexpectedly, we have developed gas supplier of Last Resort (SoLR) arrangements in conjunction with the natural gas industry and consumer representative groups. The gas SoLR arrangements are necessary to clarify the requirements and the process for all industry participants should a SoLR event be initiated. Necessary licence modifications to make these arrangements mandatory on all licenses were consulted on and published during the year.

Similar protections already exist for electricity consumers.

Consumer Protection Strategy review

The Consumer Protection Strategy (CPS) was our strategy and action plan designed to bring about an enhanced level of domestic consumer protection for electricity, gas and water consumers in NI. The CPS was launched in early 2016 and committed to a formal review following year two of project delivery.

We hosted a Consumer Summit in April 2018, providing an early opportunity for stakeholders to help shape our policy priorities for consumer protection for the next three years. We also held workshop discussions and many of the issues raised were reflected in our consultation proposals. This helped inform the review of the CPS.

As part of the development of our new Corporate Strategy (2019-2024), CPS review and stakeholder feedback, a new Consumer Protection Programme (CPP) was developed and launched at an event in April 2019 alongside Dermot Nolan of Ofgem and Richard Rodgers from DfE.

From April 2019, the new CPP builds on the work of the CPS. It is a prioritised three year programme designed to provide enhanced protection to domestic electricity, gas and water consumers, especially those most vulnerable.





Domestic consumer insight tracker survey

For the first time we have developed a comprehensive survey on domestic energy consumer views and experiences. With findings to be published in May 2019, this study will help us monitor domestic consumer outcomes, attitudes and behaviours over time. It is our intention to repeat this first baseline survey bi-annually in order to track domestic consumer experiences, attitudes and energy market engagement. This will help us protect domestic consumer interests as part of the wider Consumer Protection Programme and achieve our objectives in our Corporate Strategy 2019-2024.

Best practice consumer protection

We worked with other UK economic regulators to ensure our regulatory framework for consumer protection learns from best practice elsewhere.

We introduced a new Code of Practice relating to energy theft. This requires suppliers and network operators to work together on best practice approaches to investigating, handling and dealing with the outcome of energy theft.

We also investigated the impact of energy brokers in Northern Ireland energy markets and liaised with various stakeholders to clarify the issues round ensuring consumer protection in relation to energy broker activities.

Monitoring the retail market

We keep a close eye on the development of the retail energy market. This includes providing consumers with access to clear and easily understood information on suppliers, products, tariff and service choices.

Our existing market monitoring of the gas and electricity retail sectors means we publish annual and quarterly reports. These reports deliver transparency for both stakeholders and consumers and examine in detail essential indicators which are also used by other National Regulatory Authorities (NRAs) in Europe to monitor their retail markets.

Our Retail Energy Market Monitoring (REMM) framework allows us to monitor the supply markets, inform policy and protect consumers. Data collection is progressing on track and we continue to make necessary revisions to how we monitor our energy markets. In 2018 we revised the way in which we monitor supplier statements of compliance to further enhance scrutiny and to make sure plans are implemented to address any compliance issues. We are currently progressing our Consumer Insight and Market Analysis workstream and are reviewing our REMM database to ensure we have an accurate and efficient data collection, data processing and data storage system. This will enhance our reporting on retail market and consumer outcomes.

Retail investigations and enforcement

This year has seen a further increase in our investigations and enforcement work.

In March 2019 we announced two formal investigations in respect of an electricity and a gas licensee (which marks the first stage in the enforcement process). These investigations will establish if there is evidence of non-compliance with supply licences and/or regulatory requirements.

Supplier compliance issues

We expect regulated companies to be able to demonstrate compliance with their licence obligations. We have enhanced how suppliers self-report any compliance issues via REMM.

During the year we procured an external audit firm to undertake supplier audits (via site visits) on complaints handling. The audit has also reviewed REMM submissions against suppliers' internal records and sought evidence of suppliers' compliance with their Code of Practice on Complaints Handling Procedure. We are reviewing the audit conclusions and engaging with suppliers on a one-to-one basis. A general report on the results of the audits will be published later this year.

5. Electricity

Key developments



New SEM market arrangements went live on 1 October 2018



Enhanced market monitoring arrangements in place



Two capacity auctions ran successfully securing sufficient capacity to meet security of supply needs



SONI price control process commenced and challenge group established





5. Electricity

Promoting efficiency and monitoring the investment plans of regulated companies

The System Operator Northern Ireland (SONI) Competition and Markets Authority (CMA) referral process concluded in February 2018. Further work was carried out to implement necessary licence modifications including the implementation of the CMA cost order and modifications relating to the Transmission Interface Agreement with NIE Networks.

We commenced work on the 2020-2025 SONI price control, engaging with the company as well as consulting on and publishing an approach document and timetable. To enhance stakeholder engagement, provide additional challenge and scrutiny and we set up a Stakeholder Expert Challenge Group (SECG) to help inform the price control process and decisions.

In line with our commitment to monitoring and cost reporting activities, we continued to develop and implement a structured reporting framework for all network companies. This will form the basis for building a robust data set for comparative analysis between network companies, performance reporting and efficiency challenges.

We continue to engage with Northern Ireland Energy Networks (NIEN), Phoenix, Firmus, SONI, Gas Networks Ireland (GNI) and Mutual Energy Limited (MEL) on the regulatory information and guidance (RIGS) which allows comparison with other companies and provides transparent annual cost reporting. This is a significant pillar in our on-going monitoring of the effectiveness of regulation within Northern Ireland for network companies.

As part of our drive to introduce greater reputational incentives for our network companies to improve service for the consumer, the Consumer Engagement Advisory Panel (CEAP) continues to meet quarterly to monitor NIEN's consumer engagement. This will help inform the incentives set for the next price control period.

The CEAP includes representation from NIEN, CCNI and DfE. Whilst modelled on a similar grouping for water, the CEAP agreed new terms of reference to focus on delivering new 'actionable data' to monitor and inform continued improvement within the company.

Promoting market development and competition

New market arrangements for the Single Electricity Market (SEM) became operational on 1 October 2018, allowing the coupling of the all-island market with the wholesale market



in Europe. The new SEM delivers a more efficient, competitive market making best use of all the power on the system and ensuring that the interconnectors operate in the most efficient way. The launch of the new market is the culmination of work on the detailed design which began in September 2014 when the decision on the shape of the high level design was published. The new market is a significant step forward for consumers which ensures that they pay competitive prices for the generation that is required to meet demand. It also sends out the right market signals to investors planning to enter or leave the market and reward generation that best meets our needs.

Amending the implementation date of the new market to 1 October 2018 facilitated further preparation and system testing which ensured a smooth transition from the previous market arrangements. This involved the introduction of new price controls for the Single Electricity Market Operator (SEMO) along with SEMOpX which operates the day-ahead and intra-day markets in the new SEM. We also ensured robust review of the costs of implementing the new market, which were incurred by SONI and EirGrid.

Market auctions ensure consumers pay competitive prices for the capacity required. Two of these auctions took place for the delivery of capacity during 2019-2020 and 2022-2023. These will ensure that enough generation capacity is available to meet forecast demand. Those generators who are successful in the auction receive regular

payments, in return they are obligated to generate power when the system is stressed.

Market monitoring

The market monitoring unit (MMU) for the SEM is based in our offices and now has an extended scope following creation of the additional markets which exist in the new SEM. The MMU closely monitors the new market, paying particular attention to bidding controls and the behaviour of market participants to ensure compliance and identify market issues.

Quarterly update reports on the performance of the SEM are published and are available on the SEM Committee website. The first report following the introduction of the new market arrangements has been published, covering the first four months of its operation (see box below).



MMU Report

Key highlights of new SEM

- There is active engagement in the market from suppliers and generators.
- The ex-ante markets are performing as expected, with high liquidity concentrated in the Day-Ahead market.
- The interconnectors with GB are flowing efficiently helping to produce competitive prices.
- Increased wind generation is putting a downward pressure on prices.
- Auctions have secured sufficient generation capacity to ensure security of supply.

Capacity Remuneration Mechanism

New Capacity Remuneration Mechanism (CRM) arrangements for the SEM are designed





to promote security of supply and provide investment signals for new generation capacity over the long term.

In December 2018 the second T-1 auction for capacity year 2019-2020 was successfully completed. This auction secured capacity at a significantly lower cost than the previous capacity payment mechanism which ended in September 2018.

Additionally, in March 2019 the first T-4 auction for capacity year 2022-2023 was successfully completed with sufficient capacity secured to meet demand as determined by the system operators.

These CRM auctions included locational capacity constraints for the Northern Ireland and Dublin areas to ensure sufficient capacity was secured for both areas at competitive price. The auction outcomes ensure that there will be savings of around £50m per annum for Northern Ireland electricity consumers with a total of £200m savings across the island.

Addressing security of supply and promoting sustainability

With ageing plant and limited interconnection, security of electricity supply in Northern Ireland remains a medium to long-term risk. We continue to work with DfE and SONI to assess and manage any security of supply issues.

Most critical to addressing this risk is the construction of a second north-south electricity interconnector. Work continues to ensure the appropriate permissions are in place to build this infrastructure and we are working with both NIEN and SONI to ensure the appropriate monies are available to deliver this project for the benefit of Northern Ireland consumers.

Following the outcome of the first T-1 auction in December 2017, AES submitted requests to close four generating units in Northern Ireland. Upon receipt of expert advice from the system operator SONI, we gave permission for two old generating units at Ballylumford to close by the end of December 2018. This allowed for the exit of older, uncompetitive plant not required for system security, reliability or stability. As part of this process AES Kilroot and SONI



entered into a systems services contract for the period to October 2019 for two generating units at Kilroot.

The aim of the 'Delivering a Secure, Sustainable Electricity System' (DS3) Programme is to meet the challenges of operating the electricity system in a secure manner while achieving the 40% renewable electricity target by 2020. Levels of non-synchronous generation capacity is increasing i.e. wind and solar, and there is further interconnection to the all-island power system. It is necessary to measure and limit the non-synchronous penetration (SNSP) to ensure safe and prudent operation of the system.

The successful implementation of the DS3 programme to date has increased the operational limit and increased the levels of renewable generation the system can manage from 50% to 65%. One of the DS3 goals is to move the operational limit to 70% and then to 75%. We are also progressing with NIEN and SONI an increase to the generator interface protection settings associated with small scale generation. This will facilitate these higher levels of SNSP by ensuring generator compliance with Rate of Change of Frequency (RoCoF) to 1Hz/s.

Over the year system services were procured from service providers in Northern Ireland under the DS3 system services procurement process. Several DS3 system services industry forums and workshops were held to inform participants of the qualification trials, contracts

and the DS3 programme transition plan to 2020. Alongside the CRU, we are working closely with SONI and EirGrid to develop cost control measures to ensure consumers are getting value for money from the increased provision of these system services.

European Network Codes, are designed to provide sustainable, secure and competitive markets across Europe. We continue to work with stakeholders and the system operators to implement these network codes, to safeguard consumers of electricity and gas with regard to price and quality of service.

We continue to host the Renewables Grid Liaison Group (RGLG) to provide a forum for addressing renewables issues. It was set-up in 2012 in response to the 2020 40% renewable energy target. The group includes representatives from SONI, NIEN, and the renewable generation sector. During this year, five RGLG meetings took place discussing updates on renewables, connections, constraints and contestability. The associated minutes and documents are available on our website.

Addressing electricity connections issues

As more renewable generators connect to the network, additional strain is put on the electricity grid. We continue to work with NIEN and SONI to ensure any connections that can be accommodated are dealt with quickly.

We engage with NIEN, SONI and other stakeholders in a connections innovation working group to find solutions that facilitate the connection of further technically and commercially feasible distributed energy resources (DER - Generation and Storage) projects in Northern Ireland.

Protecting consumer interests

In addition to facilitating greater engagement between electricity utilities and consumers, we continue to work with our regulated companies to ensure adherence with their compliance plans. These plans help to ensure companies comply with their licence conditions.

Under our direction NIEN continue to manage vacant power station sites which we refer to as land bank.

Two formal electricity complaints ongoing from the last reporting year were completed. Three further formal complaints regarding electricity were raised and completed.

We successfully defended a judicial review of our decision in relation to deemed export of electricity by small scale generators associated with domestic properties with the outcome published.

A further judicial review is ongoing. This relates to our decision on a formal dispute between a wind farm and SONI.



6. Gas

Key developments



Refinancing of WTL pipeline secured c.£50m savings for consumers



Significant extensions to the gas market



Published the first cost and performance report for gas distribution companies



Just under 260,000 customers now connected to the natural gas network



6. Gas

Promoting the development of the gas industry

Significant progress has been made on extending the gas network in the past year. We have engaged regularly with SGN, Mutual Energy and Phoenix Natural Gas to monitor developments and promote the economic development of the gas industry in Northern Ireland.

Progress continued on the major works for the construction of the Gas to the West pipelines (serving Dungannon, Enniskillen, Omagh, Magherafelt and Cookstown). We expect this area to be substantially complete by the end of 2019.

Work on constructing the gas network to East Down continues. We have also approved the pipeline extension of the existing network to bring gas to the town of Whitehead. This work has been facilitated by our GD17 price control and provides for an additional £61m investment in the natural gas network. This will allow for over 29,000 more consumers to have access to natural gas and its benefits.

Once the Gas to the West, Gas to East Down, Whitehead and GD17 network developments are complete, around 70% of Northern Ireland consumers will have access to natural gas. By 2022 we expect that over 50% of Northern Ireland consumers will have connected to gas.

Our incentives on gas distribution network operators to make new connections continues to be successful. At the end of 2018 the number of consumers connected to the natural gas network is just under 260,000. This exceeds our 2014-2019 corporate strategy target to have 250,000 connections by March 2019.

Security of supply

We worked with the gas transmission system operators on the preparation of the gas capacity statement, which was published by the single system operator in 2018. The report assesses the ability of the Northern



Ireland transmission system to meet future demands on the network and stated that the gas network continued to be in a position to meet expected demand. We continued to work with government and industry to meet the requirements of the EU regulation 2017/1938 on security of gas supply.

We are also working with government and industry to progress potential gas infrastructure projects in Northern Ireland as part of the Trans-European Energy Infrastructure Regulation 347/2013. The Islandmagee gas storage project and physical reverse flow on the Scotland to Northern Ireland Pipeline (SNIP) project are candidates for inclusion on the EU's Projects of Common Interest (PCI) list.

There were developments in other service areas aimed at protecting consumers during the last year. In particular we standardised, following consultation, licence arrangements with respect to connections across high and low pressure gas conveyance licences. These modifications addressed the findings from a connection dispute, enhanced transparency of licence drafting and improved consistency of regulatory arrangements. We also implemented a number of other licence modifications to ensure further protection for consumers in Northern Ireland and assist in the delivery of EU compliance.



Promoting efficiency and monitoring the investment plans of regulated companies

A key part of the West Transmission Ltd (WTL) licence application bid for the conveyance of gas to the west of Northern Ireland was the proposal for WTL to obtain finance by raising a bond for the investment once the network is fully operational. Given the historically low cost of debt for corporate bonds, WTL asked to explore the potential to raise the bond for the investment, whilst construction of the network is still ongoing. We put in place a number of regulatory arrangements to facilitate this. The financing deal secured by WTL means that the cost of debt repayments will be around 35% less than they were expected to be when WTL won the Gas to the West tender in 2014. This amounts to an additional saving of around £50m in present value terms over and above the customer savings already expected from the bidding process.

We conducted a governance review of Mutual Energy Limited (MEL) gas companies. We were pleased to find high levels of compliance with the UK Corporate Governance Code and Financial Conduct Authority Rules.

The transportation agreement is an agreement between GNI (UK) Limited and Premier Transmission Limited (PTL). It underpins direct access by Northern Ireland suppliers to the

gas market in GB. More specifically it enables PTL to use infrastructure owned by GNI (UK) in Scotland to make available capacity as a seamless service from Moffat to Northern Ireland. The TA is currently set to come to an end in 2021. Work on the extension of this agreement is ongoing and expected to continue throughout the next year.

The Gas Market Operator for Northern Ireland (GMO NI) is a contractual joint venture between the MEL gas transmission companies and GNI (UK). Since it was established in October 2017, it has become the single interface for suppliers with a single transmission network code and a single IT interface.

We are working with the transmission system operators, gas distribution networks and gas shippers to improve shipper nomination behaviour as a result of issues raised by network users. These inter-connected issues have an impact on the code charges levied from the Single Transmission Code. We have developed a workplan in collaboration with the GMO NI to improve shipper nomination behaviour, improve forecasting data and consider better ways to allocate actual usage. The primary vehicle for reporting progress is the shipper forum.

We have taken steps to comply with the EU Regulation on Harmonised Transmission Tariffs for Gas. We consulted on how gas transmission is charged and set out our proposals to meet



the new limits on how charges can be allocated between users. Licence modifications which are required to effect the decision were then consulted on. The modifications, which serve to change the capacity commodity split and embed the new publication requirements, will be effective from June 2019.

This Regulation includes a new obligation to hold an annual consultation on elements of the transmission charges, specifically the seasonal multipliers and certain potential discounts. We carried out the first annual consultation between January and February 2019.

We are engaging with the transmission system operators on a review of the operating arrangements of key parts of the transmission network to ensure efficient and effective operation. Specifically, we started a project to review the operation of the above ground installation at Carrickfergus to explore if a change would improve linepack and reduce balancing actions.

Wide ranging engagement with stakeholders on the regulatory challenges for gas in the context of the energy transition took place. In particular, work is ongoing on the consideration of the suitability of the current regulatory framework to facilitate biomethane injection into the gas network.

The first cost and performance report for our gas distribution network operators



was published and we engaged with them on the findings. Overall, the companies made a positive contribution to the ongoing development of the gas industry and performed well against the price control.

For gas transmission and system operation, building on the work undertaken as part of the last price control process, we implemented regulatory instructions and guidance for annual cost and performance reporting and have now received the submissions from the operators.



7. Water

Key developments



NI Water delivered on performance targets in the first half of the price control period



Improved overall level of service to consumers



Non-domestic bill increases



Commenced work on the next NI Water price control, PC21



7. Water

Delivering lower costs and improved levels of performance for consumers

We carried out an assessment of how NI Water performed in the third year of the PC15 price control. Following this assessment, we published our cost and performance report for 2017-2018 in February 2019.

NI Water has broadly delivered on its final determination performance targets in the first half of the PC15 price control period. The company continued to deliver an improved overall level of service to consumers but marginally underperformed against its operational expenditure (opex) efficiency target.

The key findings were:

- NI Water's operating expenditure was £208.6m in 2017-2018. This is above our regulatory allowance of £202.9m (in current prices), a difference of £5.7m.
- The company invested £152.6m of capital expenditure (capex) in 2017-2018, contributing to a total investment of £451m in the first three years of the PC15 price control period. Capital investment in real terms has

been constrained by the available public expenditure budget and we have worked with NI Water, DfI and other key stakeholders to ensure that the company delivers the best possible package of outputs within the funding available. We continue to assess cumulative delivery over the medium term taking account of changes in budget, inflation and the delivery of capital efficiency.

- NI Water met and exceeded our PC15 Overall Performance Assessment (OPA) target in 2017-2018. This is a composite performance score used to assess NI Water's overall delivery of service to customers.
- The company met or exceeded planned delivery in 35 of the 45 outputs set in the PC15 final determination. This includes 12 out of 15 consumer service measures and all but one of the water and sewerage quality outputs.
- Delivery of development objectives to improve planning capability in time to inform the business plan submission for PC21 is a key requirement for NI Water in PC15. Work on these development objectives continues and is critical to inform plans for investment and consumer service improvements in PC21. We will continue to review delivery through our ongoing engagement with NI Water in the PC21 process and when we assess the delivery of PC15 outcomes for our PC21 price control determination.



Continued engagement with consumers

The Consumer Engagement Oversight Group (CEOG) established a Customer Measures/ Customer Satisfaction working group (CM/ SAT), which we chair. Like the CEOG, the CM/ SAT includes representation from NI Water, CCNI and DfI.

The collaborative partnership model assists with the development of more consumer-focused measures to monitor NI Water's performance against both GB and international service providers. Whilst Annual Information Returns (AIR) continue to reflect our new consumer survey questions on satisfaction with the company and consumer advocacy, we intend through the PC21 price control process to use the CM/SAT to examine how we might turn these into PC21 targets and KPIs for the company.

The CM/SAT is also expected to help facilitate our review of the OPA of the company. We intend examining the extent to which new and additional measures of service might be included within a revised OPA and whether our new consumer focused metrics might also be included.

We maintain our time series of the OPA of NI Water which enables a useful examination of the continuing extent of gap in service provision compared to the company's nearest England and Wales comparator water companies. It is also a key input to the Department of Finance's Outcomes Delivery Plan 2018-2019 improving wellbeing for all - by tackling disadvantage and driving economic growth (June 2018).

The CEOG was recently re-constituted and is leading the development of joint, collaborative consumer research to inform not just NI Water's business plan and our own PC21 determinations but with delivering actionable research and data across the PC21 six-year period. This enables ongoing consumer engagement as well as continuous improvement for the consumer across the life of the next price control period.



Ensuring consumers are charged fairly

We are required to approve NI Water's annual scheme of charges. This is to make sure charges are within the price limits determined by our price control. We also seek to make sure there is no undue preference or discrimination by NI Water in setting charges between different consumer groups.

As well as assessing information provided by NI Water, we engaged with CCNI. Following this engagement and scrutiny, we approved NI Water's charging proposals for 2019-2020 which will see charges for their non-domestic customers increase at or below the rate of inflation (set at 3.19%).

Domestic consumers are not billed for water and sewerage, however the average notional domestic bill is now £420 (combined water and sewerage).

PC21 price control

We commenced our PC21 price control process which will set price limits for NI Water for the six year period from April 2021 to March 2027. Following initial stakeholder engagement and consultation we published our final approach document. This outlined our proposals for key areas of the price control process, the timeline and key milestones leading to the publication of our final determination in December 2020.

Stakeholder working groups have been helping determine the priorities and outcomes that NI Water should deliver during the PC21 period in key areas of investment. These discussions helped inform our approach to asset maintenance. It is also helping inform the development of social and environmental guidance for the period by DfI and the content of NI Water's business plan submission for the period.

In line with recommendations published in our PC15 mid-term review, we considered whether we should move from price cap regulation to revenue cap regulation for PC21. After consultation, we decided to continue to regulate NI Water on the basis of a price cap. We published our decision and rationale at the start of 2019.

Our PC21 information requirements were published. These define the information we require the company to submit in its business plan to allow us to determine price limits for the six year price control period. At the same time we published our minded to approach to efficiency which explains our developing thoughts on how we will assess NI Water's costs on a comparative basis in coming to our determination.

Contributing to the strategic agenda on water

Our OPA measure has been included as the water target in the NI Executive's draft Programme for Government (PfG). We monitor and report on NI Water performance against this measure in our annual Cost and Performance Report and will support DfI in reporting for the purposes of the programme for government when required.

We have continued to work with NI Water and other stakeholders on the company's water resource and supply resilience plan. This helps protect consumers in the longer term by identifying the investment required to meet water demand projections until 2042-2043 as well as options for improving the overall resilience of the water supply network. This will help confirm the investment priorities for the remainder of PC15 and for PC21 and help provide NI consumers with some clarity on the level of service that they can expect to receive following the delivery of the proposed investment.

In the past NIW's business plans and our determinations have been limited by indicative public expenditure budgets set out in DfI's Social and Environmental Guidance with the recent draft guidance indicating that these constraints will continue. This limitation creates a significant risk that NI Water may not be able to deliver all of its obligations. We will continue to engage with DfI on our long-term funding concerns.

We have also continued to actively engage with DfI on the 'Long-Term Water Strategy' and the 'Living with Water Programme'. These initiatives are intended to help to secure the delivery of improved levels of water and sewerage services in the medium and long-term at a reasonable cost. They will also help identify the strategic capital infrastructure investment requirements for Belfast for consideration as part of the PC21 price control.

In line with the principles of better regulation we have considered options for reducing the regulatory burden in consultation with NI Water. We amended our annual information reporting requirements for 2018-2019 to align with the transition from UK GAAP to IFRS reporting. We helped promote familiarity and efficiency in the PC21 process by broadly continuing with the approach, structures and information requirements adopted for PC15. We have taken steps to reduce the regulatory burden by removing elements of the submission and reviewing our approach to effective assessment.

8. Promoting sustainability

Key developments



Renewable electricity consumption increased to over 38%



£7.1m funding for energy efficiency schemes



8. Promoting sustainability

Promoting sustainable energy for consumers – the NI Sustainable Energy Programme

We have a duty to promote efficiency in the use of electricity and gas and sustainable long-term energy supplies with due regard to the environment and vulnerable consumers. The Northern Ireland Sustainable Energy Programme (NISEP) delivers energy efficiency measures with 80% of the funding aimed at vulnerable/low-income consumers.

Over £7.1m of NISEP funding was spent in 2017-2018 (the most recent year of reported data). The schemes delivered just over 602 GWh of energy saved and £78m of gross consumer benefit (net present value, over the lifetime of the measures).



Key NISEP metrics (2017-2018):

- £7,177,302 was spent on NISEP schemes overall;
- total lifetime energy savings were a substantial 602,122 GWh;
- 107,459 tonnes of lifetime carbon savings;
- £76,507,635 in lifetime gross consumer benefit savings; and
- £79,286 was earned in incentives for over achievement on energy saving targets.

As well as protecting consumers, particularly those who are vulnerable, energy efficiency and affordability are key concerns. Northern Ireland is expected to contribute energy savings each year to the UK-wide energy efficiency target as required by the EU's Energy Efficiency Directive.



The NISEP is the only Northern Ireland energy efficiency scheme which contributes to Northern Ireland's European energy efficiency target. NISEP is currently under review and to date we have issued a call for evidence, held focus groups throughout Northern Ireland and carried out a series of structured interviews to gather stakeholder views. The NISEP is currently set to run to March 2020 but there is an option to extend the scheme subject to the progress of the review.

Supporting renewable development

We are committed, wherever appropriate, to playing our role in increasing the proportion of electricity generated from renewable sources.



The percentage of electricity consumption from renewable sources rose to 38.2% for the period ending 31 December 2018.

We are responsible for administration of the NI Renewables Obligation (NIRO). The NIRO is a statutory requirement on electricity suppliers to source an increasing amount of their electricity from renewable sources. Suppliers can meet their obligation by either presenting renewable obligation certificates (ROCs) or paying into a buyout fund. ROCs are issued directly to renewable generators.

During the year 2017-2018, 118 additional generating stations in NI received ROC accreditation with a capacity of 168 MW. 66% of ROCs issued in NI went to onshore wind generating stations. Five million ROCs were issued to NI generators in 2017-2018.

The NIRO closed to all new generation on 31 March 2017, with exceptions to closure in the form of grace periods for eligible projects as set-out in the closure legislation.

We continue to work closely with Ofgem and DfE on grace period NIRO applications.

Providing fuel mix information to consumers

We ensure that all electricity suppliers provide reliable information on bills and promotional materials sent to customers regarding



the contribution of each energy source to their overall fuel mix and the associated environmental impacts in the preceding year. We work with colleagues in CRU and SEMO to ensure suppliers provide fuel mix information to their customers.



9. Efficient and effective regulator

Key developments



New five year corporate strategy published



First annual review of progress under IIP accreditation



Published revised enforcement procedure and financial penalties policy



Worked to ensure preparedness for UK exit from the EU





9. Efficient and effective regulator

Making the best use of our resources

Our finances

As a non-ministerial government department, our funds are voted by the NI Assembly. A summary of our financial performance is included at Appendix 1.

Table 1 is an overview of the key figures. Our statutory accounts can be obtained from the Stationery Office or from our website (www.uregni.gov.uk). Most of our costs are collected from annual fees paid by electricity, gas and water licensees.

Table 1: Overview of financial position

Expenditure	Actual (£000s)
Operating costs (gross)	9,446
Income	9,141
Operating costs (net)	305

We are committed to the prompt payment of bills for goods and services received. During 2018-2019 the standard payment was 97% of undisputed invoices within 10 days. This was achieved in seven months of the year.

Developing our staff

Our staff group is diverse and mostly directly recruited. We also have a small group of secondees from the wider Northern Ireland Civil Service (NICS).

During 2018-2019 our absence rate was 2.07% (4.6 days per employee, based on employee numbers at 31 March 2019) which is below the NICS rate (NICS absence rate in 2017-2018 was 6% or 13 days lost per staff year).



Without our staff's continuing commitment we cannot do our job and so we are always ready to support their development.

We had the first annual review of our accreditation with Investors in People (IiP) in February 2019. This review looked at progress to date in developing and implementing actions that arose from the accreditation process. Following extensive consultation across the staff group, a plan has been developed to implement actions identified as a result of the IiP process. A delivery team, made up of representatives from across the office, has been established to drive forward delivery of the action plan.

We continue to develop proposals for training based on staff needs and corporate priority areas. These include specialist training in regulatory disciplines, work related higher education and other development opportunities. We also facilitate sharing best practice and current thinking through regulatory networking and facilitate inward secondments and student placements.

Our intranet site, 'Utility Room', continues to be a key source of internal information for staff. Our Chief Executive contributes frequent, topical blogs. Given the obvious synergies, we decided to move forward on our internal communications as part of the work on delivering the IiP action plan.

As part of this we have commenced the initial steps to deliver a new intranet.

As part of our corporate social responsibility programme, our staff have participated in a number of activities throughout the year. Our volunteering and fundraising efforts have had a real and positive impact on the wider community. We are a member of Business in the Community and through this partnership our staff have participated in a number of initiatives throughout the year. This has included our involvement in the Time to Read programme which aims to improve literacy, foster a love of reading and build confidence and social skills in local primary school children.

Performing effectively as a regulator

Corporate Strategy

At the end of the final year of our Corporate Strategy 2014-2019, it is clear that we have completed or made significant progress against our key performance indicators.



A final report on progress to achieve our corporate strategy objectives is included in Appendix 1.

Simultaneously, we moved forward the process to develop and produce a new corporate strategy.

This included significant external and internal stakeholder engagement. We held external stakeholder workshops in June 2018 and January 2019. As well as a board and SMT workshop in August 2018 we also held a series of workshops with our staff in September 2018.





Following an extensive process of development we published our draft corporate strategy in November 2018.

An excellent response to the consultation saw much consensus on our strategic direction. Placing consumers at the centre, we published our Corporate Strategy 2019-2024, on 31 March 2019.

Forward Work Programme 2018-2019

Our plan sets out the key projects that we intend to undertake each year aligned with our corporate strategy.

Overall, we achieved or partially achieved 85% of our Forward Work Programme (FWP) projects for 2018-2019. This was accomplished in a challenging external environment with increasing pressures placing additional strain on our resources. Work continues on the completion of the revised or deferred projects.

Appendix 1 includes an overview of progress against the FWP projects for 2018-2019.

Regulatory action

We published our new approach to enforcement and financial penalties policy following consultation. Our enforcement procedure provides information on what to expect when we initiate an investigation or take enforcement action. The financial penalties policy covers both whether to impose a financial penalty and a process for determining the amount of the penalty. Several enforcement related actions were progressed in year.

We also hold competition powers concurrently with the CMA. We have published competition guidelines which provide a framework for handling competition related matters and we continue to work closely with the CMA on all competition related matters.

We have a quasi-judicial role with regard to the determination of industry complaints and disputes. This year we have completed four of these matters.

Exit from the EU

The potential impact of the UK's exit from the EU on our energy markets has been a significant focus of our work. The operational arrangements of the SEM and potential impact on the gas and water markets has required substantial analysis and consideration.

Extensive contingency planning has been undertaken with key stakeholders in Northern Ireland, Dublin, London and Brussels in an attempt to address numerous, potential risks. This has included a range of mitigation measures, high-level contingency SEM market designs as well as more detailed, technical specifications on how these designs might be implemented.

We have engaged extensively with the UK government, relevant departments, CRU, market participants and other key stakeholders in order to minimise the impact of these risks.

We have published a range of information to ensure market participants are informed and prepared should the UK exit the EU in the absence of a withdrawal agreement. This work continues as further negotiations continue.

Enhancing how we work

The delivery of our corporate strategy depends not just on what we do but also relies on how we do things.

As noted above, we have developed a plan for the delivery of actions identified as part of the liP process. A key part of this is the active involvement of a core group of staff from across



the organisation working under the umbrella of UR People. The focus of the UR People is to support our staff through initiatives around enhancing leadership skills, promoting better ways of working, improving communications and providing development opportunities.



We continue to place importance on training and development for our staff and identify, coordinate and deliver priority training. We have also focused on improving business resilience and flexibility through measures to develop our succession planning capability.

We reviewed our resilience to deal with an emergency event (such as loss of facilities). A full business continuity test based on a scenario involving loss of access to our offices was undertaken in December 2018 and yielded a number of valuable learning points which have been incorporated into a revised plan.

Another key enabler of implementing our corporate strategy is around improving our communications.

Our stakeholder engagement programme remains central to our communications approach. We have continued to expand the opportunities for us to reach out to more organisations than ever. One example of this was a joint event with the Electricity Association of Ireland in January 2019. This provided an opportunity for stakeholders to discuss future strategic issues.

The need to develop ongoing engagement is also key to our stakeholder programme. For instance, we continue to organise meetings with panels comprising consumer and business representative organisations.

Efforts to improve our online communications have also moved forward. Arising from a new communications strategy we launched a social media presence by going live with a @UREGNI Twitter account. This has provided a valuable opportunity to promote consumer facing aspects of our work.

We have taken steps to freshen up the format and style of our corporate publications as part of an overall initiative to improve accessibility.

This included taking steps to present more visual content to improve attractiveness and accessibility of information.

We continue to participate in the United Kingdom Regulators' Network (UKRN) and working groups. UKRN provides a valuable opportunity to both share and learn from best regulatory practice.

Additionally we play an active role in the United Kingdom Competition Network (UKCN) which aims to promote competition and to prevent anti-competitive behaviour. We also meet the CMA quarterly to discuss competition-related issues and contribute to the CMA's annual concurrency report.

Corporate governance

Governance and audit

The Department of Finance appoints the chair and members of our board. Two members of the board are coming to the end of their terms. Bill Cargo and Richard Rodgers will be succeeded by two new appointees in May 2019.

We are accountable to the NI Assembly and produce an annual report which DfE lays before the Assembly on our behalf. Our decisions are subject to external review by, for example, the CMA and the courts.

Our internal audit is outsourced to Ernst and Young. Areas reviewed during the past year included the operational ISEM market, compliance with the General Data Protection Regulation (GDPR), network price controls and the Gas to the West project. We work to implement audit recommendations as soon as





possible and again achieved a "satisfactory" overall assurance rating for 2018/2019.

Board and board sub-committees

Our board formally met nine times during 2018-2019.

Our board continued to undertake a planned series of meetings and activities with a diverse range of stakeholders. This included holding board meetings, visiting utility assets and meeting with stakeholders. Board members and external guests also provided briefings on a range of topics.

There were four meetings of our audit and risk committee during the year. Its membership comprised James Oatridge (independent chair), Richard Rodgers and Alex Wiseman.

The chair of the board also attends audit and risk committee meetings periodically. The Chief Executive, as Accounting Officer, and Director of Corporate Affairs also attend, as do other members of the executive team by invitation. The Northern Ireland Audit Office and Head of Internal Audit have standing invitations to attend meetings. The Chair also meets internal and external auditors without the executive team present, typically twice a year.

Our remuneration committee met twice. Its membership comprised Bill Cargo (chair), Teresa Perchard and Jon Carlton. The chair of the board also attends periodically. The Chief Executive, as Accounting Officer, and Director of Corporate Affairs also attend as do other members of the executive team by invitation.

During the past year our Board Advisory Forum met five times. Membership comprises non-executive directors and senior staff. It allows the office to benefit from the advice and guidance of non-executive directors as well as challenge and provide scrutiny on the key policy issues.

The SEM Committee is the decision making authority for the SEM on the island of Ireland and meets monthly. Northern Ireland's current SEM Committee members, appointed by DfE and the Department of Communications, Climate Action and the Environment (DCCAE) are Jenny Pyper, Bill Emery and Jon Carlton. The Committee also consists of CRU

commissioners and two independent members also appointed by the Departments.

Our senior management team continued to meet weekly. In addition, there were regular SMT workshops throughout the year on a series of strategic organisational issues.

Information technology and governance

Our information management committee oversees the governance arrangements and compliance with the GDPR. The board is our Data Controller and our Head of Legal has been appointed as Data Protection Officer for these purposes. The board will receive its first annual compliance report in May 2019.

During the year, the terms of reference for the information management committee were revised and updated to include specific oversight of compliance with GDPR. Further work has also been done on the design of a revised file plan reflecting the cross utility structure of the office.

All of our desktop, telephony and IT infrastructure services are provided by IT Assist, the NICS managed service provider of IT services. This provides a secure, fully managed IT support service. IT Assist manages the resilience of the infrastructure to deal with cyber-attacks and is constantly revising and updating its security measures with that in mind. Major incidents are reported to our business relationship manager and through the Enterprise Shared Service Operations Management Board on which we have a seat.

Freedom of Information

In 2018-2019 we received five requests under the Freedom of Information Act. Responses to all requests were issued within the statutory period prescribed by the Act. Two previous FOI requests were referred to the Information Commissioner. One request was closed following our amended response to the initial request. The second request was fully investigated by the ICO who determined that we had complied with our obligations and did not require any further action.

Appendix 1 – Performance report





(i) Financial report for the year ended 31 March 2019

Central government financing

£305k was borne by central government in respect of expenditure on areas not covered by current licences such as management of the CCL exemption scheme, the electricity (guarantees of origin of electricity produced from renewable energy sources) scheme and the Renewables Obligation Order (NI) 2005 scheme and notional costs.

Licences

A breakdown of licence fee income is set out in Table 2 below.

Table 2: Licence fees by utility	Total licence fees (£000s)
Electricity	5,633
Gas	1,705
Water	782

We also collect fees on behalf of CCNI. This is for work done under the Energy (NI) Order 2003 and Water and Sewerage Services (NI) Order 2006. The total fees collected were £647,732, of which £197,067 was attributed to electricity, £148,665 to gas and £302,000 to water.

Accounts

The statement of comprehensive net expenditure shows that salary costs increased slightly from the previous year (£5,375,000 in 2017-2018 against £5,651,000 for 2018-2019). This reflected the office operating largely at full complement for the year and annual pay increments. Other costs increased primarily as a result of a price control referral that progressed in 2017-2018 with significant external costs and the completion of the ISEM

project during 2018-2019. The percentage of staff costs to total costs in 2018-2019 of 60% represents an increase from that in 2017-2018 of 49%.

Our gross expenditure in pursuit of our objectives as detailed in the statement of operating costs by operating segments (see Table 3) was as follows.

Table 3: Expenditure by segment	2018-2019 (£000s)	2017-2018 (£000s)
Segment 1 (electricity)	6,852	8,477
Segment 2 (gas)	1,780	2,048
Segment 3 (water)	814	507

More detailed financial information on costs can be found in our accounts.

(ii) Report on progress against Corporate Strategy Key Performance Indicators

Objective 1: Promoting effective and efficient monopolies	
What we said we would do (our KPIs)	What we achieved
1. Excellence by network utilities in asset management.	✔ All network companies now provide reports on asset management and we have started to benchmark asset management excellence through our price control reviews.
2. Network utility costs and performance measure favourably against comparator companies.	✔ We have introduced improvements in costs reporting and there is evidence that some network utilities measure favourably against comparators.
3. Our regulatory tools help regulated utilities drive further effective innovation.	✔ Evidence that some network utilities are starting to focus on innovation.
4. Regulated companies to deliver price control outputs on time and within budget.	✔ Progress has been made on setting clear price control outputs across all network utilities with associated costs and performance reporting to be introduced.
5. Deliver over 250,000 network gas connections.	✔ 258,000 connections achieved.

Objective 2: Promoting competitive and efficient markets	
What we said we would do (our KPIs)	What we achieved
1. The ISEM is delivered on time.	✔ ISEM went live on 1 October 2018.
2. The Retail Energy Market Monitoring (REMM) system is in place.	✔ The REMM is in place.
3. The effectiveness of competition in our energy markets has been assessed.	✔ Review of effectiveness of competition complete with projects to implement progressed during 2018-2019.

Objective 3: Protecting the long-term interests of business and domestic consumers	
What we said we would do (our KPIs)	What we achieved
1. More energy will be generated from renewable sources between 2014 and 2019.	✔ Proportion of energy consumed from renewable sources reached 38% in 2018 with government target likely to be exceeded in 2020.
2. The immediate risk to electricity security of supply has been addressed by 2016, and longer-term concerns are dealt with by working with DfE and SONI.	✔ Immediate risk to security of supply addressed and longer-term concerns being dealt with.
3. We have delivered the Consumer Protection Strategy and have put in place revised energy supplier codes of practice.	✔ Consumer Protection Strategy produced and new supplier energy codes of practice in place. Review of Strategy implementation led to a revision to project priorities.
4. Customer research shows a high level of satisfaction with customer-protection measures and how consumers are able to make informed decisions.	✔ Significant progress on activities to help consumers make informed decisions. Project during 2018-2019 to measure level of customer satisfaction.

Key to status markings

✔ Target fully achieved

✔ Target progressed but not fully achieved



(ii) Overall outcome for Forward Work Programme projects 2018-2019 (26 projects)

Achieved:	50%
Partially Achieved:	35%
Revised:	15%

Partially achieved and revised projects

Outlined below are details of the ongoing projects that were not completed as planned before the end of the FWP 2018-2019 project year.

Partially achieved	
Develop annual reporting cost and performance reports across all network companies.	Work has commenced in this area and will continue into 2019/2020.
Implement ISEM market day two projects as committed to or in line with work plan to be agreed by SEMC.	Many of the ISEM day two projects are either completed or are currently out for consultation however there remains a number of projects to be completed.
Agree and implement ISEM market post go live structures within CRU and UR.	Many of the new market structures have been put in place however all procedures are not fully completed.
Develop Retail Energy Market Monitoring: Consumer Insight and Market Analysis (CIMA) phase.	Much of this work has been completed however work continues in relation to improving data handling processes and publication.
Extend contestability in electricity connections to all customers.	Liability issues outstanding with working continuing.
Complete arrangements to continue to provide access to GB gas markets after 2021.	Work has progressed however heads of terms still to be agreed.
Implement improved market measures for small businesses.	Project developed, consulted upon, and decisions made however licence modifications and work on exit fees to be completed shortly.
Inform discussions regarding appropriate regulatory arrangements following on from the UK decision to leave the EU.	Significant work completed with contingency planning in place however due to the deferral of the exit date, this work continues.
Review NISEP.	Initial consultation and stakeholder engagement complete however further consultation now necessary on the future and will follow.

Revised	
Reshape incentivisation arrangements for SONI and SEMO.	In order to gather data following the introduction of the new SEM market arrangements this project was deferred.
Re-appoint market operator (NEMO) for ISEM and as necessary advance SEMOpX price control.	As a result of ISEM implementation revised go-live date of 1 October 2018, the process to re-appoint a NEMO was deferred. A consultation on NEMO re-designation commenced with work ongoing.
Comply with market development and consumer protection arrangements.	Work progresses on this project through the Clean Energy Package implementation.
Review generating unit agreements (GUAs) and potential cancellations.	Given other priorities in relation to the new market arrangements this has been deferred.

Appendix 2 – Glossary and list of abbreviations

Glossary of terms

Capacity Remuneration Mechanism (CRM)

– the system by which revenue is earned by generators in the SEM via a competitive auction for the provision of available capacity.

Capital expenditure – also referred to as capex. Funds used by a company to acquire or upgrade physical assets such as property, industrial buildings or equipment.

Cost and performance report – an annual report that outlines our independent assessment of how NI Water has performed against efficiency targets and key performance indicators outlined in their price control.

DS3 – an initiative to deliver a secure, sustainable electricity system. This initiative involves us, the CRU and the transmission system operators in NI and RoI and aims to: make sure there is a constant electricity supply; and help meet renewable targets relating to electricity. The three main work areas relate to system performance, system policies and system tools.

NIRO – the NI Renewable Obligation is a statutory requirement on electricity suppliers to source an increasing amount of their electricity from renewable sources.

NISEP – the NI Sustainable Energy Programme (NISEP), which was previously known as the Energy Efficiency Levy (EEL) provides funding for energy efficiency and renewable energy schemes.

Operating expenditure – also referred to as opex. Ongoing cost for running a product, business or system.

Quarterly Transparency Reports (QTR) – quarterly reports that provide a range of information about the retail electricity and gas markets in NI.

Renewables Obligation Certificates (ROCs) – are green certificates issued by us to operators of accredited renewable generating stations for the eligible renewable electricity they generate. Operators can then trade the ROCs with other parties, with suppliers ultimately using the ROCs to demonstrate that they have met their obligation.



Abbreviations

BAF – Board Advisory Forum

BGTL – Belfast Gas Transmission Ltd

CMA – Competition and Markets Authority

CCNI – Consumer Council for Northern Ireland

CEAP – Consumer Engagement Advisory Panel

CEOG – Consumer Engagement Oversight Group

CIMA – Consumer Insight and Market Analysis

CRU – Commission for the Regulation of Utilities (formerly Commission for Energy Regulation)

CM/SAT – Customer Measures/Satisfaction

CPM – Capacity Payment Mechanism

CPP – Consumer Protection Programme

CPS – Consumer Protection Strategy

CRM – Capacity Remuneration Mechanism

DECCA – Department of Communications, Climate Action and the Environment

DfE – Department for the Economy

DoF – Department of Finance

DfI – Department for Infrastructure

DNO – Distribution Network Operator

FWP – Forward Work Programme

GDN – Gas Distribution Network

GNI – Gas Networks Ireland

ISEM – Integrated Single Electricity Market

MMU – Market Monitoring Unit

MWh – Megawatt hour

NEMO – Nominated Electricity Market Operator (for the ISEM)

NRA – National Regulatory Authorities

NIAO – Northern Ireland Audit Office

NIEN – Northern Ireland Electricity Networks

NIRO – Northern Ireland Renewable Obligation

NISEP – Northern Ireland Sustainable Energy Programme

OPA – Overall Performance Assessment

PC15 – Price Control (for NI Water) 2015-2019

PNGL – Phoenix Natural Gas Limited

PTL – Premier Transmission Ltd

PPB – Power Procurement Business

PSO – Public Service Obligation

REMM – Retail Energy Market Monitoring

RGLG – Renewables Grid Liaison Group

RIGS – Regulatory Information and Guidance

ROCs – Renewable Obligation Certificates

SEF – Strategic Energy Framework

SECG – Stakeholder Expert Challenge Group

SEMC – Single Electricity Market Committee

SEMO – Single Electricity Market Operator

SGN – Scotia Gas Networks

SNSP – System Non-Synchronisation Penetration

SoLR – Supplier of Last Resort

SONI – System Operator of Northern Ireland

TPIs – Third party intermediaries

TSOs – Transmission System Operators

UKCN – UK Competition Network

UKRN – UK Regulators' Network

WTL – West Transmission Ltd



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