



# Annual Report 2019-2020



## 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 2019-2020

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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 Utility Regulator 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



Our Corporate Strategy 2019-2024 signalled a new ambitious vision for our regulation of energy and water services in Northern Ireland (NI). The new strategy places consumers at its centre and we are focussed on promoting effective competition, informed choice and fair outcomes. By enabling 21st century networks and unlocking the promise of a low carbon future, we will deliver longer-term benefits for consumers. As an organisation, we are alive to the need for fundamental change in our future use of energy and are committed to playing our role to achieve this.

In the first full year of the new Single Electricity Market we saw evidence of effective competition and the impact of renewable generation placing downward pressure on market prices. Our determination to protect vulnerable consumers is evident in our Consumer Protection Programme. We also took further steps to better understand consumer preferences and this led to the development of our first consumer insight tracker. Finally we have actively undertaken enforcement activity to protect consumers during 2019-2020.

We continue to exercise our regulatory oversight to ensure that the bills consumers pay reflect the actual cost of supply. Regulated electricity prices increased in the autumn due to a combination of a number of factors, including an increase in network charges and wholesale costs. However, 2019-2020 saw a series of gas price decreases due to a significant drop in wholesale gas costs.

Our strategy on networks is focussed on the future. We advanced work on a price control determination for SONI and commissioned a call for evidence as part of a review of the company's governance arrangements. We moved forward the critical price control on NI Water which will set the funding requirement for water and sewerage services from 2021 onwards. Price control reviews were completed for Power NI Power Procurement Business, SSE Airtricity (gas supply) and firmus energy (supply).

Delivering a low carbon future is critical. The Department for the Economy (DfE) has been developing a new energy strategy and we have supported the Department in taking this important work forward. Additionally we have worked with DfE to transpose the Clean Energy Package by the end of 2020 which will put in place the legal framework that will facilitate development of the strategy.

We are working in partnership with others to promote discussion on the energy transition to

a low carbon future. We facilitated investment in renewables and during 2019-2020, the proportion of generation from renewables exceeded the NI Executive's target. While we have a track record of successfully enabling the development of the natural gas network in line with government policy, we recognise that future development needs to reflect the wider strategic context. Our strategic focus also saw us participate in the review of renewables and energy efficiency being led by DfE.

We could not do our job effectively without our stakeholders who work with us and help us deliver on our commitments. We are particularly grateful for the continued support of 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, including DfE and DfI as we continued our engagement activities across NI.

The external context has had a significant impact on our work. Brexit has required us to work closely with other government departments and industry to prepare extensively for the UK's departure from the EU. We welcomed the return of the NI Assembly and have been actively providing support to the new administration. Additionally, towards the end of the business planning year, the Covid-19 pandemic was having an unprecedented impact on our work as we strived to ensure the safety of our employees. Our staff have worked tirelessly to continue delivering our key work while also facilitating the industry in dealing with the impact of the pandemic.

Finally, it is important for me to recognise the commitment and invaluable contributions from my Board colleagues and we welcomed David de Casseres and Claire Williams as new members during the year. As a Board, we would also like to express our appreciation to the entire Utility Regulator team for their dedication, commitment and all that has been achieved this year. I would also like to personally thank Jenny Pyper, as she will be retiring after seven years as CEO, for her transformational leadership, outstanding commitment and unstinting support. We all wish her well for the future.

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



Looking back over the last year the impact of external developments on our work has never been more pronounced. For much of the year our team has been working hard to manage the uncertainty created by the Brexit process and to ensure that energy and water consumers are protected following the UK's departure from the EU. The return of the NI Assembly has also given welcome new impetus to strategic energy and water issues.

However, the unprecedented impact of the Covid-19 pandemic was to eclipse everything as we reached the end of the business year in March. It will challenge and have implications for every organisation, every business and everyone personally, for a long time to come. In the coming months, we will consider the emerging issues, including affordability, fuel poverty and debt and their implications on our future work.

Despite the challenges of the external context, we have made huge progress on delivering against all of the objectives set out in our Corporate Strategy 2019-2024.

When I became CEO in 2013 the development of a new cross border electricity market (the I-SEM) was in the early stages. The new market went live in late 2018 and is delivering greater security of supply, enhanced competition, increased use of renewables and exerting downward pressure on prices. I am delighted that the SEM is now positively shaping the future for electricity on the island of Ireland by promoting the kind of modern, sustainable power generation that will help us deliver the low carbon future that both domestic and business consumers need.

Protecting consumers is not just about competition. It is also about proactively setting out how to protect the most vulnerable, and we progressed this through our new Consumer Protection Programme. We have also stood up for consumers by taking action against those companies which have failed consumers. This led to £700,000 being paid in penalties and charitable donations by companies during 2019/2020.

The one thing that we can always point to is that no matter what, we will always be proactive in making sure that the bills we all pay reflect actual costs. This means that sometimes, prices go up – as they did with electricity tariffs last year. But they can also go down – as we saw with very substantial falls in gas prices. In the long-run, our price regulation protects consumers and has consistently led to lower average prices for most NI consumers compared to Great Britain (GB) or the Republic of Ireland (RoI) equivalents.

The kind of scrutiny we apply to tariffs is also applied to our price control reviews. We want to make sure that consumers' money is invested prudently so that all households and businesses benefit. We moved forward the NI Water price control significantly this year and this demonstrates our commitment to our vision for enabling 21st century networks. I am also pleased that this year has marked the full commissioning of the Gas to the West network, whose commencement was originally announced in 2014. This provides further evidence of our track record in developing the natural gas network.

Our price control reviews ably demonstrate the impact of our regulation. We have enabled billions of pounds of investment in utility infrastructure over the last decade. As we seek to play our part in enabling a low carbon future, the fact that generation from renewables reached 46.8% during 2019-2020 demonstrates how we can collectively meet the challenges of the future.

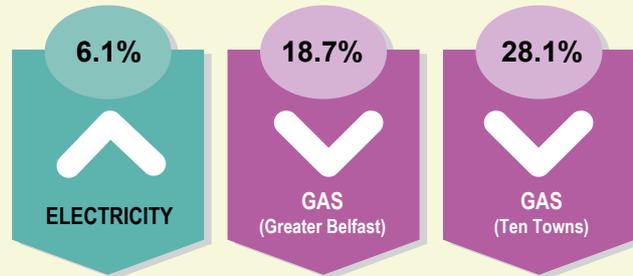
Looking ahead, we look forward to working with DfE on a new energy strategy and with DfI on the Living with Water Programme. There are huge challenges, including the emerging issues from the impact of Covid-19, the UK's exit from the EU and our continuing price control work. But with all of these, comes opportunities which we will grasp hold of to play our role in helping NI succeed and prosper in the coming decades.

Despite all of the external challenges and a very busy agenda, I am proud of the commitment shown by everyone and the support provided by our Board. As my time as CEO comes to an end I have nothing but admiration for the professionalism and support of my team and colleagues. Together we have ensured that our regulation is fit for purpose, balanced and proportionate, with the aim of improving and facilitating successful utilities that deliver for consumers and the wider economy. I am honoured to have led the Utility Regulator team on our own journey of improvement over the past seven years and look forward to its further success as a key player in the economy and society of NI.

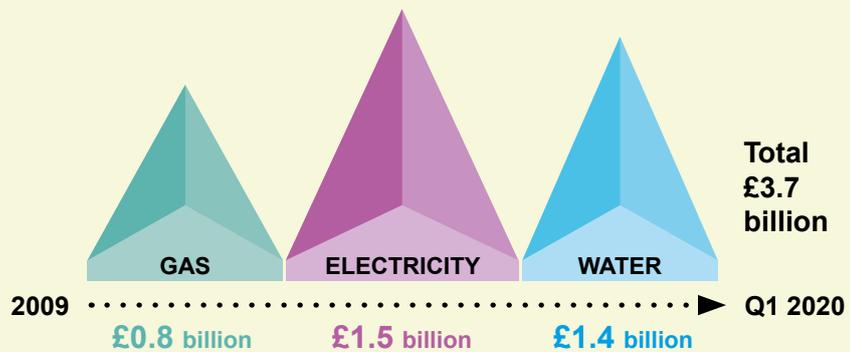
Jenny Pyper  
Chief Executive

# 3. Our year in summary

## PRICES AND CHARGES



## INVESTMENT IN UTILITIES



## DOMESTIC CONSUMER SURVEY



## PROMOTING SUSTAINABLE DEVELOPMENT





## PROTECTING CONSUMERS

**PROTECTION**

- ✓ Our Consumer Protection Plan work increased protections and empowered domestic energy and water consumers, especially the most vulnerable.
- ✓ Our price regulation and tariff reviews consistently led to lower average prices for domestic electricity and gas consumers, compared to GB and RoI.
- ✓ We promoted improved transparency in the small business market aimed at increasing competition and making it easier for businesses to engage in the market.
- ✓ We carried out compliance investigations which resulted in two suppliers paying £450,000 to local charities.
- ✓ As the Covid-19 pandemic started to impact NI, we worked with other stakeholders to protect energy and water consumers.

## CONSUMER ACTIVITY

OFF

ON

Electricity switches in 2019: **116,444** – an increase of **4,818** from 2018.

Gas domestic connections in 2019: **258,088** – an increase of **15,715** from 2018.

## EFFECTIVE AND EFFICIENT REGULATOR

**92%**

of invoices paid within 10 days

**27**

reports/notices published

**20**

decisions published

**2.43%**

absence rate

**25**

consultations launched

# 4. Electricity

## Key highlights:



SEM capacity auctions secured sufficient generation capacity until September 2023 and at a significantly lower cost than the previous capacity payment.



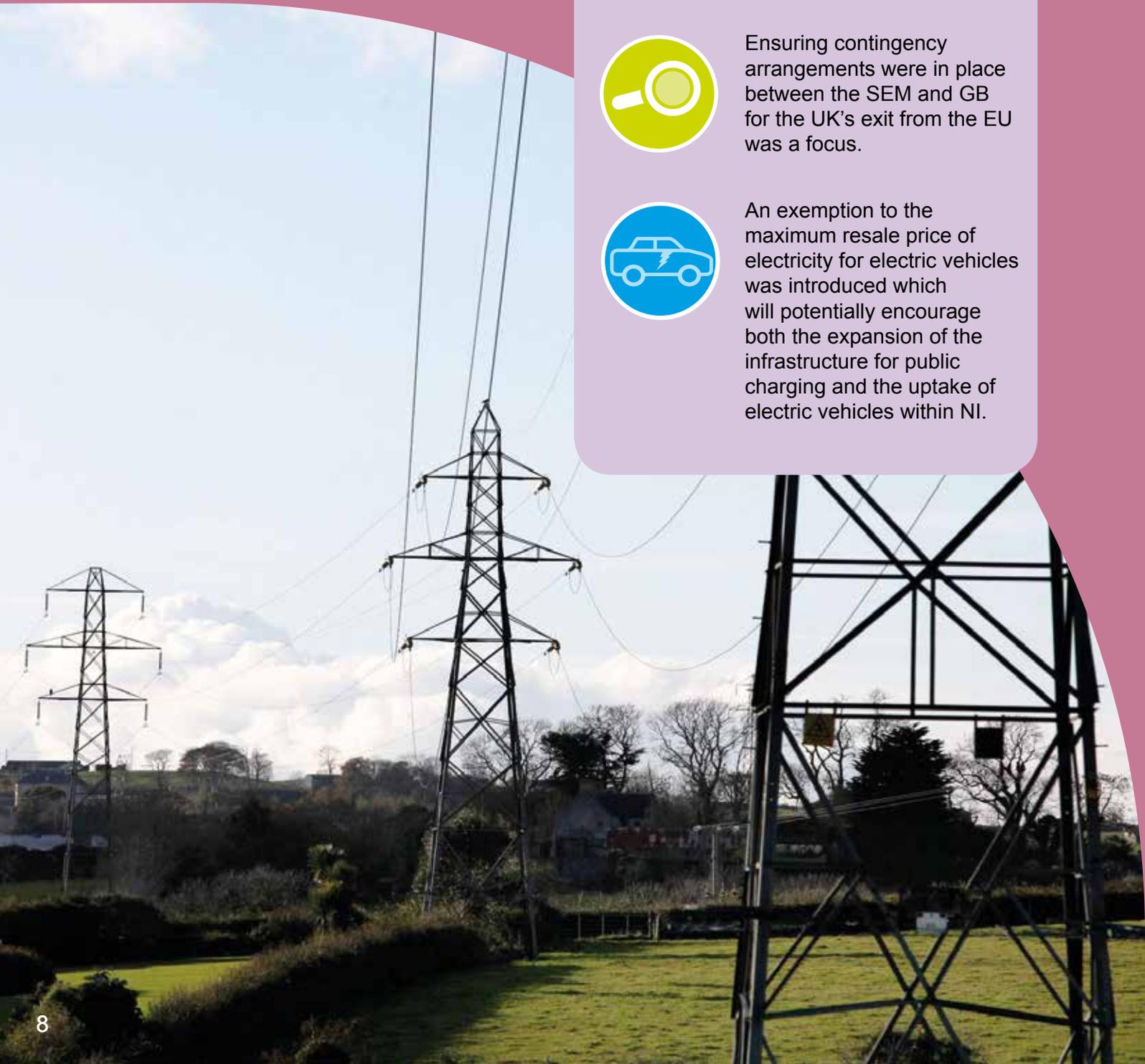
Average day ahead prices in the SEM were down 36.8% from the previous year.



Ensuring contingency arrangements were in place between the SEM and GB for the UK's exit from the EU was a focus.



An exemption to the maximum resale price of electricity for electric vehicles was introduced which will potentially encourage both the expansion of the infrastructure for public charging and the uptake of electric vehicles within NI.





# 4. Electricity

## Promoting market development and competition

We continue to see the benefits of the new Single Electricity Market (SEM), which went live in October 2018.

Both generators and suppliers are playing an active role in the market, increasing competition in the day-ahead market. The electricity system is able to accommodate more wind generation than ever which is having a direct impact on prices, with significant reductions during those times when there is high wind.

Important progress has been made to ensure delivery of the second SEM T-4 capacity auction, which took place in April 2020 and secured capacity for 2023/2024. The provisional results of this auction show that significant new investment has been secured in NI in gas-fired generation which will replace older coal generation units.

## Promoting the efficiency and monitoring the investment plans of regulated companies

In March 2019, we published the 'Approach' document for the System Operator for Northern Ireland's (SONI) next price control, due to come into effect later in 2020. We subsequently reviewed SONI's business plan and this will inform our draft price control proposals that we expect to publish in June 2020.

As a means to explore opportunities to innovate during our price control review, we continue to use the Stakeholder Engagement Challenge Group (SECG) as a form of engagement on the framework for SONI's system operator (TSO) activities. The aim of the group is to engage key stakeholders in a process designed to assist both ourselves and SONI to improve clarity, accountability and transparency.

## Market monitoring

Alongside the Irish regulatory authority, the Commission for the Regulation of Utilities (CRU), we continue to develop systems and capabilities to react to the demands of the new market. The Market Monitoring Unit (MMU), which we operate, has developed and utilised systems to allow us to effectively monitor market behaviour.

The primary role of the MMU is to monitor the trading activity in the wholesale energy market products. The team detect and prevent trading based on inside information, market manipulation and market abuse. The MMU also act to enhance transparency in the market by publishing quarterly reports in a format that can be readily understood by non-industry experts.



Key SEM highlights emerging from our market monitoring are outlined below:

- the average day-ahead price for the period was £39.07 (€44.15), down 36.8% from the previous year;
- over 89% of volumes traded in the SEM were traded through the day-ahead market. This confirms that the vast majority of supplier volumes continue to be purchased in the day-ahead market;
- the average forecast wind at the day-ahead stage was 1500MW. Wind is a key driver behind market prices in the SEM. High levels of wind reduce prices in the market as these units tend to bid in zero prices and are price takers; and
- average balancing market price for the period was £37.11 (€41.94). Balancing prices are more volatile than in any other market in the SEM. This is to incentivise suppliers to be balance responsible and to move liquidity into the ex-ante markets.

We report regularly to the SEM Committee on the operation of the market and address emerging issues. Further detail on our work in relation to the SEM is detailed in the SEM Committee's Annual Report<sup>1</sup>.

## Capacity Remuneration Mechanism

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The Capacity Remuneration Mechanism (CRM) protects consumers from very high prices by promoting competition between market participants and ensures payments reflect more closely the value provided by the capacity. The new CRM arrangements for the SEM are also designed to promote security of supply and provide investment signals for new generation capacity over the long term.

In late 2019, auctions for capacity years 2020/2021 and 2021/2022 were successfully completed and sufficient generation capacity was secured until September 2023. These auctions secured capacity at a significantly lower cost than the previous capacity payment mechanism which ended in September 2018.

The auctions included locational capacity constraints for the NI and Dublin areas to ensure sufficient capacity was secured for both at a competitive price. In comparison to the old arrangements, the outcomes of these auctions ensures that there will be savings of around £50 million per annum for NI electricity consumers with a total of £200 million savings across the island.

## Addressing security of supply and promoting sustainability

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During the year, we have continued 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 NIE Networks (NIEN) and SONI to ensure the appropriate monies are available to deliver this project for the benefit of NI consumers. We are currently awaiting Ministerial approval

regarding the planning decision for the north-south interconnector.

Most recently the second T-4 auction secured capacity until September 2024, including new gas-fired generator units which will replace existing coal units that are expected to close due to environmental restrictions. T-4 capacity auctions will continue on a rolling basis. They are a key tool for helping ensure long term electricity security of supply in both NI and RoI, which will be most efficiently delivered by the construction of the second north-south interconnector.

We have continued to assess and approve further investment on the development of the electricity transmission and distribution networks through the D5 mechanism. This is part of NIEN's RP6 price control. In the last year we have approved pre-construction allowances for Airport Road switchgear to secure electricity supplies and on work for the Ballylumford to Eden overhead line.

Throughout the year we have engaged with NIEN on their 'Greater Access to the Distribution Network in NI' workstream and with SONI on their Transmission Development Plans for NI.

In November 2019, we launched a consultation to seek views on introducing an exemption to the maximum resale price (MRP) of electricity as it applies to charge points for electric vehicles. Following consideration of the responses and the wider strategic directions within government, we introduced an exemption to the MRP of electricity as it applies to the propulsion of electric vehicles. This



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<sup>1</sup> <https://tinyurl.com/y7ypjeyt>



will harmonise the approach in NI with other adjacent jurisdictions and potentially encourage both the expansion of the infrastructure for public charging and the uptake of electric vehicles within NI.

We have continued to host the Renewables Grid Liaison Group (RGLG) to provide a forum for addressing renewables issues. During this year, four RGLG meetings took place discussing updates on renewables, connections, constraints and contestability.

To ensure consumers receive value for money from the increased provision of DS3 system services, we continue to work closely with SONI and CRU to develop cost control measures. These arrangements have been designed to facilitate new and existing technologies to provide services to facilitate the maintenance of a resilient power system when up to 75% of demand is met by non-synchronous technologies, such as wind and solar.

We have also continued to monitor and contributed to SONI's delivery of ROCOF (rate of change of frequency) conversions in NI. The SNSP (system non-synchronous penetration) level, which is the amount of renewable generation that can be accommodated on the electricity grid, is currently 65% with SONI moving ahead with the DS3 RoCoF trial plan to increase to 70%. We actively monitor the procurement of system services to ensure they provide best value to consumers and to inform future policy development. In regards to the system service arrangement procurement, there has been growth in both the number of contracts awarded and in the volumes per service procured. Of particular note is the increased interest of service provisions from new non-conventional technologies, including renewables and storage.

## EU exit readiness

In relation to the EU exit process, we supported both the Department for Business, Energy and Industrial Strategy (BEIS) and DfE in the development of contingency energy trading arrangements for a range of different EU exit scenarios. Among these, we were largely responsible for developing the Day One arrangements for trading of power between



Photo credit: NIE Networks

the SEM and GB which would operate in the absence of a free trading agreement. We also supported BEIS and DfE in developing legislative instruments to implement relevant provisions of the Withdrawal Agreement and Protocol in NI.

## Engagement with consumers

The work of the Consumer Engagement Advisory Panel (CEAP) continues with quarterly meetings to monitor NIEN's consumer engagement and provide input into their consumer programme. We chair the CEAP meetings, which includes representation from NIEN, Consumer Council for NI (CCNI) and DfE.

During the year, CEAP organised a workshop to help share their learnings with the gas network companies. It was recognised that similar events should take place again to share best practice amongst the industry, in relation to customer service delivery.

We have begun work on a new consumer focussed metric, the 'net promoter score' that will help drive improved customer service. It will produce 'actionable data' that will provide us with both comparability across the network companies we regulate and insight into how they are meeting customer expectations.

## Protecting consumer interests

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We commenced a governance review of SONI and issued a call for evidence in July 2019. The focus of this review is to ensure that the company's governance is, and will continue to be, fit for purpose and adequately protect the interests of consumers and other stakeholders in NI. This work will continue into 2020 and will be aligned to the new price control.

In addition to facilitating greater engagement between NIEN and consumers, we have also continued to work with them to ensure adherence with their compliance plan. Compliance plans help everyone involved to ensure that companies are complying with their licence conditions. We also reviewed and approved the annual NIEN tariffs charged to consumers and ensured they were in line with the price control determinations.

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

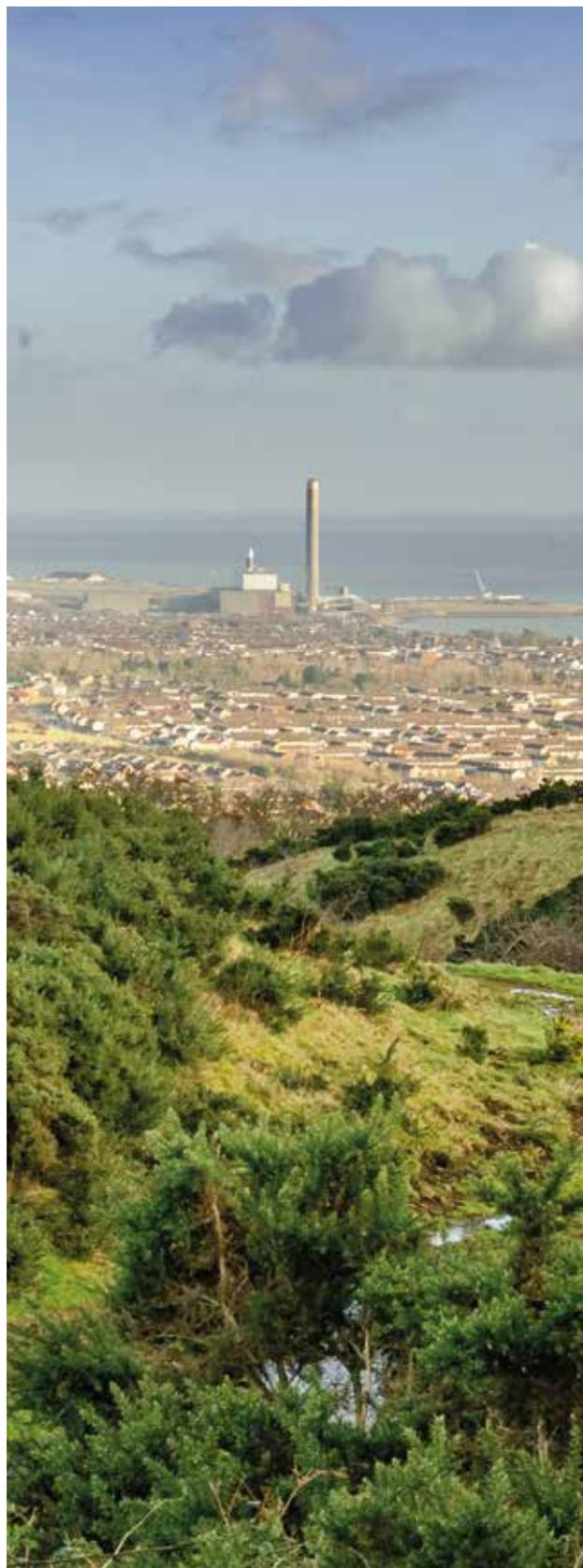
Throughout the year we have continued to review and, where appropriate, approve network code submissions in line with EU Directives to ensure compliance is maintained. Some of this work, in relation to joint approvals, has been progressed in conjunction with CRU. We publish all our approvals on our website.

## Efficient and effective regulatory action

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We have a quasi-judicial role with regard to the determination of industry complaints and disputes. The majority of these complaints relate to the cost of connecting to the electricity distribution system and exemptions from the electricity standards of performance regulation following severe weather. Generally, complaints are resolved informally without the need to involve our dispute resolution

powers. However, this year we completed one determination and two are currently ongoing. A judicial review is also ongoing, which relates to our decision on a formal dispute between a wind farm development company and SONI.



# 5. Gas

## Key highlights:



A new milestone for gas network development was reached with the commissioning of the main transmission and distribution pipelines in the Gas to the West area.



Around 275,000 customers are now connected to the natural gas network across NI.



Price control reviews, that will determine further investment in the gas network from 2022, were moved forward.



Looking to the future we have been engaging with stakeholders on the regulatory challenges in relation to the energy transition, including the injection of biomethane into the gas network.

# 5. Gas

## Promoting the development of the gas industry

This year, we have continued to engage with firmus energy, Mutual Energy, Phoenix Natural gas and SGN to promote the economic development of NI's gas industry.

The major works for the construction of the Gas to the West pipelines by Mutual Energy and SGN (serving Dungannon, Enniskillen, Omagh, Magherafelt and Cookstown) continued. We issued the 'First Operational Commencement' certificate as the main transmission and distribution pipelines were commissioned in July 2019. SGN continues to provide local gas distribution mains and connection of new gas consumers in the West.

Other gas development includes the provision of new gas mains by Phoenix Natural Gas for connection to 13 towns and villages in East Down. Phoenix Natural Gas and firmus energy have also continued provision of infill gas mains and connections in their licence areas.

We approved a further extension of the gas network in County Antrim and continue to engage with gas distribution networks on other potential developments.

Overall there has been a very significant development of the natural gas network in NI since 1996:

- there are now around 275,000 customers connected to gas;
- 55% of all domestic properties in NI have access to natural gas; and
- we estimate that approximately 65% of domestic properties will have access to natural gas by 2022.

The map above shows the coverage of the three gas network companies, demonstrating the growth of the natural gas across NI.



## Addressing security of supply and promoting sustainability

To allow direct access by NI suppliers to the gas market in GB, a transportation agreement is in place between GNI (UK) Limited and Premier Transmission Limited (PTL). More specifically, it enables PTL to use infrastructure owned by GNI (UK) in Scotland to make capacity available to NI. The transportation agreement is currently set to come to an end in 2021 and we are progressing work on its extension with GNI (UK) and PTL.

The South North Pipeline, which is partially located in the RoI, forms part of the infrastructure that allows for gas to be brought into and conveyed within NI. In the context of a planned offtake from the pipeline in the Dundalk region, we have been working with CRU and the relevant system operators to ensure the interests of NI consumers are protected and the relevant regulatory arrangements are in place.

Working with the transmission system operators, we have reviewed the operation of the above ground installation at Carrickfergus. This facility links the transmission networks operated by Mutual Energy to those operated by GNI (UK), as gas moves from entry on the east of NI to customers beyond the Greater Belfast area. We anticipate that implementation of the outcome of this review will improve gas pressures across the network resulting in fewer balancing actions without requiring any capital investment. Both GNI (UK) and Mutual Energy are supportive of a move to a new operating protocol and we have requested them to implement the changes to operation at Carrickfergus as soon as possible.



We continue to work with the transmission system operators, gas distribution networks and gas shippers to improve shipper nomination behaviour, improve forecasting data and consider better ways to allocate actual usage.

We have engaged with stakeholders on the regulatory challenges for gas in the context of the energy transition. In particular, we have considered the suitability of the current regulatory framework to facilitate biomethane injection into the gas network. In a number of industry workshops we have explored the changes that may be required and are now developing a multi-year programme of work to address these.

### Promoting efficiency and monitoring the investment plans of regulated companies

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We have started the next set of price controls for the gas transmission and distribution companies, due to begin in 2022 and 2023. In relation to the distribution price control, referred to as GD23, we are finalising the Approach document which will be consulted on in mid-2020. We have also started considering the future of gas connections incentives.

We are progressing work on the Cost and Performance Report for the gas distribution companies. Our report will review progress against targets that were set for the current price control, GD17. We expect to publish the report later in 2020.

### Engagement with consumers

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Throughout this year, gas network distribution companies engaged with CEAP, the electricity consumer engagement group, in a cross-sector workshop. With consumer demands growing, there is recognition around the benefits of cross-sectoral learning and discussion. As a result of this workshop there is an increasing appetite from the gas network companies for a similar partnership approach to continuous consumer engagement as already exists for NI Water (CEOG) and NIEN (CEAP). We are working with the companies to facilitate this.



### Protecting consumer interests

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The Gas Market Operator for NI (GMO NI) operates the single transmission network code for gas, as a contractual joint venture between the TSOs. We have been in consultation with GMO NI as it moves to ensure that the NI gas transmission network complies with the EU Regulation on Gas Balancing of Transmission Networks. Through joint discussions with EU representatives, we have highlighted that due to the small size of the NI gas market, the options for possible compliance are not cost effective. Along with GMO NI, we continue to work with EU representatives to finalise a suitable compliance route.

To ensure ongoing compliance with the EU Regulation on Harmonised Transmission Tariffs for Gas, we issued the second annual consultation on the seasonal multiplier factors and potential discounts in February 2020.

We also reviewed the annual tariffs that network gas companies applied ensuring they were in line with the price control determinations.



# 6. Water

## Key highlights:



An assessment of NI Water's performance during the current (PC15) period showed that the company met and exceeded performance targets and continued to deliver an improved overall level of service to customers.



NI Water submitted its PC21 business plan and we progressed proposals for investment in water and sewerage services from 2021.



The annual scheme of charges was reviewed but deferred due to Covid-19.



Engagement has continued with DfI on the Long-Term Water Strategy and initiatives to deliver improved levels of water and sewerage services at a reasonable cost.



# 6. Water

## Promoting efficiency and monitoring the investment plans of regulated companies

During 2019, we assessed NI Water's performance in the fourth year of their PC15 price control and the resulting Cost and Performance Report for 2018-2019 was published in May 2020.

Our report showed that the company continued to deliver an improved overall level of service. However the company again underperformed against its operational expenditure target. Key findings for 2018-2019 were:

- NI Water's operating expenditure was £215.5m. This is above our regulatory allowance of £203.5m (in current prices), a difference of £12m.
- The company invested £170m of capital expenditure (capex), contributing to a total investment of £622m in the four years of PC15. 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 will continue to assess cumulative delivery over the medium term, taking account of changes in budget, inflation and the delivery of capital efficiency.
- The company met or exceeded planned delivery in 35 of the 45 outputs set for PC15. This includes 12 out of 15 consumer service measures and all but one of the water and sewerage quality outputs.
- NI Water met and exceeded the Overall Performance Assessment (OPA) target. This is a composite performance score used to assess NI Water's overall delivery of service to customers.

## Engagement with consumers

Throughout the development of our approach to PC21 and NI Water's preparation and subsequent submission of their PC21 Business



Plan, the Consumer Engagement Oversight Group (CEOG) has provided advice over the direction of consumer research. To inform its PC21 Business Plan, NI Water carried out a number of research projects, providing specific feedback from vulnerable consumers and customers who have recently connected to the network.

The Customer Measures/Customer Satisfaction working group, which we chair, includes representation from NI Water, CCNI and DfI. The group has guided the development of new consumer focussed, actionable data and metrics to help improve customer service.

## Protecting consumer interests

We approved NI Water's annual scheme of charges during February. These were due to come into effect in April 2020 and would have seen price rises at, or lower than, inflation. However, this approval was subsequently updated following a request from NI Water as a result of the Covid-19 pandemic, which led to some charges being deferred.

## Addressing security of supply and promoting sustainability

We have continued to work with NI Water and other stakeholders as part of a project steering group on the company's water resource and supply resilience plan. This plan, which was published in March 2020, is aimed at improving security of supply to 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.

## Delivering the PC21 price control

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We have continued to work on the next price control for NI Water, PC21, which will set price limits for NI Water for the six year period from April 2021 to March 2027.



During this year, we completed phases 2 and 3 of the process, meeting all of our key milestones, which included:

- issuing our financial model for PC21 following consultation with NI Water;
- ongoing engagement with NI Water and other stakeholders which established new efficiency models and helped identify key consumer and investment priorities; and
- review of the company's outline capital submission for the business plan period which helped inform decisions on the capital investment proposals to be included in the company's final business plan submission.

We are now in the process of reviewing and assessing NI Water's PC21 Business Plan, which was submitted to us in January 2020. We asked NI Water to prepare its PC21 Business Plan on the basis of identified need so that the impact of any ongoing constraints can be assessed. We will continue to engage with DfI on any concerns we have over funding provision and the service that the company is able to deliver.

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. We are currently assessing the extent to which the company has met these objectives.

We expect to publish the draft determination for PC21 during 2020/2021.

## Contributing to the strategic agenda on water

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We monitor and report on NI Water's performance against the OPA measure in our annual Cost and Performance Report. This is reported to DfI which is then used as the water target in the NI Executive's draft Programme for Government.

We have continued to actively engage with DfI on the 'Long-Term Water Strategy' and the 'Living with Water Programme'. These initiatives are intended to help secure the delivery of improved levels of water and sewerage services in the medium and long term at a reasonable cost. The work being undertaken for the Living with Water Programme will help identify the strategic capital infrastructure investment required to facilitate growth and improve environmental compliance in the Belfast area, along with a realistic profile for delivery of the investment over forthcoming price control periods.



# 7. Retail and consumer protection

## Key highlights:



Improved transparency in the small business market was promoted with the aim of increasing competition and making it easier for businesses to engage in the market.



Tariff reviews of the regulated suppliers saw significant decreases for gas customers and an increase for electricity customers.



The publication of our first domestic consumer insight tracker was an important step towards enhancing our understanding of consumer attitudes and preferences on utility issues.



Two formal investigations, which led to the companies involved donating £450,000 to local charities, were closed.

# 7. Retail and consumer protection

## Protecting consumers by making sure tariffs reflect costs

Reviewing the tariffs of regulated energy suppliers plays a key role in how we protect consumers. It is also of key importance to households and many small businesses across NI. Through our regulation, we ensure that consumer bills reflect the actual cost of delivering energy to their homes and businesses.

In July 2019 we reviewed the regulated tariffs of Power NI (the regulated electricity supplier). This resulted in a tariff increase of 6.1% effective from 1 October 2019. The main reason for the increase was due to rising wholesale energy and network costs. However, domestic electricity prices in NI continue to be lower than in GB and RoI. We started a new process in March 2020 to review Power NI's regulated tariff and are hopeful a decrease will be announced before the summer.

Two regulated gas tariff reviews were completed for SSE Airtricity in the Greater

Belfast area. No change was required for October 2019, however, in March 2020 we approved a decrease of 18.7%. In the Ten Towns gas distribution area, we reviewed firmus energy's tariffs and approved decreases of 8.8% in October 2019 and 21.2% in March 2020. For both suppliers these decreases were primarily due to falls in the wholesale cost of gas. The NI average standard tariff for domestic gas consumers continues to be lower than comparable tariffs in RoI and GB.

## Gas supply price controls

In November 2019 we published the final determination for SSE Airtricity's supply price control in the Greater Belfast gas supply market. The price control sets the costs which make up the maximum average price per therm that the supplier can charge. The price control came into effect on 1 April 2020 and will run to 31 March 2023.

The final decision for the firmus energy supply price control in the Ten Towns area was published in September 2019. The price control came into effect on 1 January 2020 and will run until 31 December 2022.

## Promoting effective competition

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





In both electricity and gas, a significant portion of domestic customers remain with the previous incumbent supplier. However, as the electricity market matures, Power NI's market share is gradually changing. Power NI's share in the electricity domestic market at the end of 2019 was 56% which compares with 57% for the previous year.

In the Greater Belfast domestic gas sector, the market share of the two suppliers, SSE Airtricity and firmus energy has remained relatively unchanged. SSE Airtricity's share in the domestic credit market is 83% and 74% for prepayment. In the Ten Towns area, firmus energy remains the only domestic supplier.

In January 2020 we published licence modifications to increase transparency in the small business energy supply market. These measures will become effective from May 2020 and are aimed at promoting competition and making it easier for small business customers to engage in the market. One of the specific proposals - improving tariff transparency for small businesses - was the development of a tariff comparison website by CCNI. This website went live in September 2019.

## Backbilling in the retail energy market

A backbill occurs when a customer has not been correctly charged for the energy they have consumed, resulting in them receiving an additional or updated bill for the additional energy.

Backbills have the potential to cause significant financial hardship, as well as subjecting the recipients to varying degrees of inconvenience and stress. Where customers are not at fault, it is our view that they should be afforded some protection from long-term backbills. Therefore, in January 2020, following a consultation period, we published our final decision detailing the implementation of a 13 month limit on energy backbills. The obligation on suppliers will come into effect on 1 October 2020. This will apply to both electricity and gas domestic consumers and microbusinesses, across all payment types.

## Consumer Protection Programme

We launched our new Consumer Protection Programme (CPP) in April 2019. This three year programme is focussed on protecting and empowering domestic energy and water consumers, and particularly those who are most vulnerable. The aim of the programme is to bring improved clarity, consistency and best practice to consumer protection in NI's energy and water industries.

During 2019, our CPP work focussed on:



**Best Practice Frameworks** – We issued a Call for Evidence to capture existing best practice activity for vulnerable consumers and will benchmark this to GB outcomes.

**Review of Quick Check 101** – Our review of this unique telephone service found that the service is operating well and providing vulnerable consumers with a sense of additional protection. Two gas suppliers have now joined the partnership and it is planned that by 2021, all suppliers will be part of the scheme.

**Debt communications** – We developed proposals to integrate new innovative supplier communications.

**Working with CVWG** – The Consumer Vulnerability Working Group (CVWG) is an independently chaired group of consumer representative bodies who provide challenge and guidance to the development and practical implementation of our consumer protection policy. The group continues to support us by providing unique insights on delivering fair outcomes to NI consumers.

**Increased learning from GB** – We have continued to maintain our relationships across the GB regulated sector, including engagement with the UK Regulators' Network's (UKRN) vulnerability group.

## Domestic consumer insight tracker survey

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In May 2019, we published the results of our first domestic consumer insight tracker survey. This was an important piece of research to help ensure that our regulation reflects consumer views and continues to protect consumers. The results showed that in general, domestic consumers have responded positively to outcomes of our regulation, including the introduction of competition, the extension of the gas network and the provision of consumer support services. Other key results included:

- the majority of consumers spend between £30 and £59 per month for electricity in NI, which is in line with the UK average monthly spend of around £49 per month;
- the majority of respondents who have switched energy supplier have had a positive experience;
- trust and satisfaction with suppliers are relatively high; and
- doorstep selling remains the most common way to switch, particularly amongst those aged 65+.

We intend to use the results to monitor, and have a better understanding of how domestic energy consumer experiences, attitudes and engagement with the energy markets change over time.

## Gas supplier of last resort

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In the event of a gas supplier leaving the market unexpectedly, we have supplier of last resort (SoLR) processes in place which are to be followed by all industry participants. Compliance with these arrangements is made binding for all industry participants through conditions within their supply and conveyance licences.

In collaboration with the network operators and designated SoLR suppliers, we have also developed a plan for testing the gas SoLR arrangements. We intend to complete the first test of these arrangements later in 2020 and on an annual basis thereafter.

## Monitoring the retail market

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We continue to explore new ways to improve how we monitor the retail market. This has involved developing new reporting categories for supplier information returns. We are currently progressing our consumer insight and market analysis workstream. We are also reviewing our retail energy market monitoring (REMM) database to ensure that we are maximising this tool as a means of collecting, storing and processing accurate and efficient data. Any changes adopted will serve to enhance our reporting capabilities and confirm the reliability and transparency of the data we use to inform policy and take associated actions designed to protect consumers.

We actively monitor developments in the retail energy market via our REMM framework, which allows us to monitor changes and trends in the market. It also allows us to keep consumers and stakeholders informed through the publication of transparent and easy-to-understand quarterly and annual reports. It also provides a mechanism to benchmark NI's energy market performance using indicators employed by other National Regulatory Authorities (NRAs).



## Retail market investigations and enforcement

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During 2019, we closed two formal compliance investigations, leading to the two companies involved agreeing to pay a total of £450,000 to local charities. The companies have also made significant changes to internal procedures and have agreed to carry out comprehensive and independent compliance audits. We continue to monitor the progress both companies



are making with these commitments, which have been designed to facilitate sustained compliance with their regulatory obligations.

We are also advancing with other investigatory work and will report on this progress in line with the provisions included within our Enforcement Procedure. Our website now has a dedicated 'compliance and enforcement' area which provides further information on the outcomes we have achieved on behalf of consumers. This has also increased the transparency of our compliance and enforcement activities.

## Supplier compliance issues

Regulated companies have an obligation to operate in line with their licences and we expect all suppliers to be able to actively demonstrate compliance. To support this expectation, we use the annual REMM submission and its associated statement of licence compliance, to enable suppliers to self-report any compliance issues. This has prevented, in many cases, the need for us to take additional formal and resource-intensive enforcement action.

In 2019 we carried out external audits of complaint handling by electricity and gas suppliers to further examine each regulated entity's compliance with this key licensed activity. A report on the audit results will be published later in 2020.

## The energy transition

With a particular focus on the energy transition, we began a joint collaborative project this year with the Ulster University, entitled NIREV – Northern Ireland Reforming Energy Vision. The project is focussed on ensuring the consumer is central to the energy transition and also on putting regulatory frameworks in place to facilitate the transition. We are particularly focussed on ensuring that no one (including the vulnerable) is left behind or disadvantaged by the energy transition.

During the year we jointly organised two workshops featuring experts involved in similar programmes on a global scale and also those involved in local innovative energy projects. We are progressing more workshops to continue to stimulate discussion and debate on how to apply best practice energy transition to NI's energy system and consumers. We also provided a series of talks by external speakers to our staff on a variety of energy transition topics.



# 8. Promoting sustainability

## Key highlights:



The proportion of electricity consumption from renewable sources rose to 46.8%, exceeding the Executive's target.



Over £8m of funding was provided to vulnerable consumers through energy efficiency schemes under the NISEP.



A financial penalty, due to a noncompliance with the requirement to make a payment into the NIRO buyout fund, was imposed.



Along with Ofgem and DfE, we have worked with the NI Audit Office regarding their investigation into the NIRO.





# 8. Promoting sustainability

## Promoting sustainable energy for consumers

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.

As well as protecting consumers, particularly those who are vulnerable, energy efficiency and affordability are key concerns.

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### Key NISEP metrics (2018 – 2019):

- over £8 million was spent on NISEP schemes overall;
- total lifetime energy savings were a substantial 482.814 GWh;
- 64,708 tonnes of lifetime carbon savings;
- almost £44 million in lifetime gross consumer benefit savings; and
- over achievement on energy saving targets, earned almost £14,000.

NISEP is the only NI energy efficiency scheme which contributes to NI's European energy efficiency target. NISEP is currently under review and to date we have issued a discussion paper, call for evidence, held focus groups throughout NI and carried out a series of structured interviews to gather stakeholder views. The Clean Energy Package (CEP) has a strong focus on energy efficiency, therefore our Board has approved the continuation of NISEP until March 2025 to allow DfE to launch the new energy strategy and to consider options for future energy efficiency support mechanisms.



## 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 46.8% for the 12 month period ending 31 March 2020.

We are responsible for the 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 (or a combination of both). ROCs are issued directly to renewable generators or their respective agents.

Following scheme closure in March 2017, there were a number of grace periods allowed for generators to gain ROCs accreditation, however the scheme is now closed. 64% of ROCs issued in NI went to onshore wind

generating stations. 5.7 million ROCs were issued to NI generators in 2018-2019.

In December 2019, we imposed a financial penalty on Project Plug Ltd (trading as Click Energy) for failing to comply with the requirement to make a payment into the NIRO buyout fund for the 2017/2018 obligation period.

During this year, we have engaged with the NI Audit Office in respect of their wider investigation into 'generating electricity from renewable energy', which includes aspects of the NIRO. Along with Ofgem and DfE, we have provided responses to draft reports and are awaiting final publication of the report.

### **Providing fuel mix information to consumers**

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We are required to ensure that all electricity suppliers provide reliable information on customer bills and promotional materials 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 the SEM Operator (SEMO) to ensure suppliers provide this information to their customers.



# 9. Efficient and effective regulator

## Key highlights:



In this first year of our new Corporate Strategy, we made good progress against all our corporate objectives.



Significant progress has been made to support and develop our staff through a UR People Programme.



During the year, we determined on one dispute and took two enforcement actions.



Business continuity arrangements were activated to deal with the Covid-19 pandemic to ensure that all of our staff could work from home and we worked with government and industry to protect consumers.

# 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 financial figures. Our statutory accounts can be obtained from the Stationery Office or from our website. 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)	9,362
Income	9,142
Operating costs (net)	220

We are committed to the prompt payment of bills for goods and services received. During 2019-2020, 97% of undisputed invoices were paid within 10 days.

## Developing our staff

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

During 2019-2020 our absence rate was 2.43% (5.3 days per employee, based on employee numbers at 31 March 2020) which is below the NICS rate. NICS absence rate in 2018-2019 (the latest figures available) was 5.8% or 12.6 days lost per staff year.



Without our staff's continuing commitment we couldn't do our job effectively, therefore we take proactive steps to support their development.

We had the second annual review of our accreditation with Investors in People in February 2020. This review looked at progress in developing and implementing actions that arose from the accreditation process.

During 2019-2020 we made significant progress on the delivery of our UR People action plan. The delivery of this action plan is overseen by an internal cross-directorate group.

A leadership programme for directors and managers was developed and delivered. This included a series of facilitated sessions as well as a programme which featured a number of external speakers talking about their leadership experience. The positive feedback from the programme is reflected in our plans to set-up an ongoing leadership forum to promote communication, best practice, learning and development.

We carried out an extensive engagement programme with our staff around our 'ways of working'. This involved a series of meetings with directorates to discuss how we might improve in four areas: (1) learning and development; (2) internal communications; (3) leading and managing staff; and (4) working collaboratively.

Following engagement with staff and acting on their feedback, we have been making firm plans to put several aspects into action. These



include providing a learning and development programme for analyst and administrative grades and changes to our performance management process to promote learning and development.

We continued to take steps to improve our internal communications and our UR People work provides the focus for this. With all of our staff working remotely during the Covid-19 pandemic, this emphasised the importance of internal communications. We pro-actively took steps to keep staff informed through weekly news updates, CEO video blogs and text messaging. Using video conferencing technology we were also able to hold all staff meetings. Our intranet site, the Utility Room, continues to be a key source of internal information for staff. We have started the re-design of our intranet and will move the site to a new, more sustainable content management system later in 2020.

We are a member of Business in the Community and our staff have participated in volunteering activities during the year that have had a wider positive impact on staff, community and the environment.

## Performing effectively as a regulator

### Corporate Strategy

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At the end of the first year of our Corporate Strategy 2019-2024, we have made good progress against our corporate objectives.

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

### Forward Work Programme

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Our Forward Work Programme (FWP) sets out the key projects that we intend to undertake each year. These projects are aligned with our Corporate Strategy objectives.

Overall, we achieved or partially achieved 81% of our FWP projects for 2019-2020. This was accomplished in a challenging external environment with increasing pressures on our resources.

Appendix 1 includes an overview of progress against the FWP projects for 2019-2020.

### Regulatory action

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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 also a process for determining the amount of the penalty. We also have a quasi-judicial role with regard to the determination of industry complaints and disputes. During this year, we have determined on one dispute and taken two enforcement actions.

We also hold competition powers concurrently with the Competition and Markets Authority (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.

### Enhancing how we work

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The delivery of our Corporate Strategy not only depends on what we do, but also relies on how we do things.

As noted above, we have developed an action plan for the delivery of our UR People work. A key part of this is the active involvement of a core group of staff from across the organisation working under the UR People umbrella.

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

We considered our resilience to deal with an emergency event arising in the office (such as loss of facilities) and externally. A business continuity test based on a scenario involving the loss of our offices for several months was undertaken in December 2019 which yielded a number of significant and valuable learning points which have been incorporated into a revised plan. In addition, further learnings are

being taken on board as to how the business is responding to the Covid-19 pandemic.

Another key enabler of implementing our Corporate Strategy is around improving our external 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. We have sought to work with others to provide a platform for strategic discussions. One such example of that was a major conference on the energy transition. The conference was held in conjunction with the Energy Institute in June 2019 before a capacity audience of senior stakeholders with internationally well-known speakers.

The need to develop ongoing engagement is also key to our stakeholder programme. Given the return of the NI Assembly we have increased our efforts to reach out to and inform local representatives.

Our social media presence on Twitter continues to provide a valuable opportunity to promote consumer facing aspects of our work.

As part of an overall initiative to improve accessibility, we continue to take steps to enhance the format and style of our corporate publications.

We continue to participate in the UKRN and working groups, which provides a valuable opportunity to both share and learn from best regulatory practice.

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

During the year, we received one complaint about the way we carried out our work. As a result of the complaint, we undertook to carry

out a full review of our administrative processes and procedures with regard to complaints that are made to us by energy consumers, particularly domestic consumers, in respect of complaints against their energy supplier. We will then ensure that, where and as required, the policy is updated to reflect any changes that are recommended as a result of the review.

## Corporate governance

### Governance and audit

The Department of Finance (DoF) appoints the chair and members of our Board. Two new members of the Board, David de Casseres and Claire Williams, were appointed in May 2019 succeeding Bill Cargo and Richard Rodgers.

We are accountable to the NI Assembly and produce this 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 procurement, monitoring of licence compliance and approach to legal risk. Our internal auditors also supported a review of our approach to risk management with specific reference to identification of risk appetite. We work to implement audit recommendations as a matter of priority and again achieved a 'satisfactory' overall assurance rating for 2019/2020.





## Board and sub-committees

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Our Board formally met nine times during 2019-2020.

Our Board continued to undertake a planned series of meetings and activities with a diverse range of 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 Jim Oatridge (independent chair), Alex Wiseman and in June, Claire Williams joined the committee. The Board Chairman also attends meetings periodically. The Chief Executive, as Accounting Officer, and Director of Corporate Affairs also attend, as do other members of the senior management team by invitation. The NI Audit Office and Head of Internal Audit have standing invitations to attend meetings. The Chair also meets internal and external auditors without the senior management team present, typically twice a year.

Our remuneration committee met twice. Its membership comprises Teresa Perchard (chair), Jon Carlton and in June, David de Casseres joined the committee. The Board Chairman also attends periodically. The Chief Executive, as Accounting Officer, and Director of Corporate Affairs also attend as do other members of the senior management 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 key policy issues.

The SEM Committee meets monthly to take decisions in respect of the exercise of relevant functions of CRU or us, in relation to a SEM matter on behalf of each regulator. NI'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.

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

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Our information management committee oversees the governance arrangements and compliance with the General Data Protection Regulation (GDPR). The Board is the Utility Regulator's Data Controller and our Head of Legal has been appointed as Data Protection Officer for these purposes. The Board will receive its second annual compliance report in May 2020.

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 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

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During 2019-2020 we received three requests under the Freedom of Information Act and Environmental Information Regulations. Responses to two out of the three requests were issued within the statutory period prescribed by the Act. The short delay to one of our responses was due to an impact on our resources during the Covid-19 pandemic.



# Appendix 1 – Performance report





## (i) Financial report for the year ended 31 March 2020

### Central government financing

£220,000 was borne by central government in respect of expenditure on areas not covered by current licences such as management of the climate change levy 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	5,079
Gas	1,963
Water	916

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 £714,080, of which £223,323 was attributed to electricity, £168,472 to gas and £322,285 to water.

### Accounts

The statement of comprehensive net expenditure shows that salary costs increased from the previous year (£5,651,000 in 2018-2019 against £5,986,000 for 2019-2020). This reflected an increase in employers' pension contributions, additional staff to resource key work streams and annual pay increments. Other costs decreased as a result of a reduction in external support costs during the year.

The percentage of staff costs to total costs in 2019-2020 of 64% represents an increase from that in 2018-2019 of 60%.

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	2019-2020 (£000s)	2018-2019 (£000s)
Segment 1 (electricity)	6,404	6,852
Segment 2 (gas)	2,019	1,780
Segment 3 (water)	939	814

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

## (ii) Report on progress against Corporate Strategy key success measures

Objective 1: Promoting markets that deliver effective competition, informed choice and fair outcomes		
Key success measures	Status	Year 1 progress
<ul style="list-style-type: none"> <li>• % of customers who trust and are satisfied with their energy supplier.</li> <li>• % of customers who are satisfied with consumer protection arrangements in NI.</li> <li>• % of customers who are satisfied with the switching process.</li> </ul>	On track	<p>The domestic consumer insight tracker was published and included baseline metrics on success measures identified.</p> <p>The first non-domestic tracker research was delayed by Covid-19 and procurement issues, but it has now been scoped and consultants appointed for the fieldwork.</p>
<ul style="list-style-type: none"> <li>• Enhanced market analysis and monitoring in place facilitating consumer protection, assurance of compliance and enabling enforcement as necessary.</li> </ul>	On track	Enhanced retail market monitoring, reporting and publication (information) work is ongoing and will continue for the rest of year.
<ul style="list-style-type: none"> <li>• Increased efficient deployment of interconnector flows evidenced by harmonisation across the interconnectors between GB and the SEM.</li> </ul>	On track	More efficient deployment of interconnector flows has been achieved since enhanced SEM went live in October 2018.
<ul style="list-style-type: none"> <li>• Efficient wholesale energy prices that benchmark favourably with comparator markets.</li> </ul>	On track	Wholesale prices reflecting underlying fundamentals of fuel, demand, wind and generation availability as well as tracking GB market prices since enhanced SEM went live in October 2018.
<ul style="list-style-type: none"> <li>• Consumer Protection Programme priority projects are delivered.</li> </ul>	On track	All priority projects are underway. Covid impacts are currently being assessed and CPP priorities may need revised.

Objective 2: Enabling 21st century networks		
Key success measures	Status	Year 1 progress
<ul style="list-style-type: none"> <li>• All network utilities deliver asset management strategies and long-term network development plans.</li> </ul>	On track	Work being progressed in these areas as part of network price reviews.
<ul style="list-style-type: none"> <li>• Innovation plans are delivered as part of price control reviews.</li> </ul>	On track	Work being progressed in this area as part of network price reviews.
<ul style="list-style-type: none"> <li>• Price control reviews improve services and save money for consumers.</li> </ul>	On track	Price control reviews for NI Water and SONI are progressing as planned at end of March 2020.
<ul style="list-style-type: none"> <li>• A review of electricity network tariffs is completed.</li> </ul>	On track	The timing of this work has been extended to align with the new DfE energy strategy and terms of reference will be finalised based upon the outcome of this work.
<ul style="list-style-type: none"> <li>• Over 300,000 gas customers connected to the natural gas network.</li> </ul>	On track	275,000 now connected to natural gas network.
<ul style="list-style-type: none"> <li>• Best practice guaranteed standards of service are introduced for energy companies.</li> </ul>	Delayed	Progress has been made to advance the consumer survey work to identify expectations on the standards delivered by regulated electricity companies.
<ul style="list-style-type: none"> <li>• Cost and performance reports are published for all network utilities.</li> </ul>	On track	Programme of work in place to deliver gas DNO and TSO, SONI TSO and NIEN cost reporting. Consideration being given to plan for timetable of cost and performance reports for each company.



## (ii) Report on progress against Corporate Strategy key success measures

Objective 3: Enabling security of supply and a low carbon future		
Key success measures	Status	Year 1 progress
<ul style="list-style-type: none"> <li>Facilitate investment in low carbon technologies.</li> </ul>	On track	<p>Ongoing review of ancillary services. Decision on maximum resale price for electric vehicles published. Engagement with gas companies on potential for biogas injection commenced.</p> <p>Extensive engagement with DfE on its energy strategy review as well as on the strategic review of energy efficiency.</p> <p>Reviews of NIRO and NISEP being progressed.</p>
<ul style="list-style-type: none"> <li>Facilitate the delivery of the second north-south interconnector.</li> </ul>	Delayed	<p>Planning permission has not yet been granted in NI however we continue to engage with SONI and NIEN to ensure work can commence when required.</p>
<ul style="list-style-type: none"> <li>A new transportation agreement to ensure access to GB gas supply after 2021.</li> </ul>	Delayed	<p>Companies providing update on their engagement and we are awaiting confirmation of a timetable for referral to an expert for their judgement.</p>
<ul style="list-style-type: none"> <li>Along with the DfE, Clean Energy package requirements are met by 2024.</li> </ul>	On track	<p>Work ongoing with DfE, CRU and other key stakeholders on identifying and transposing the CEP provisions that need to be in place before the end of the year and beyond.</p>
<ul style="list-style-type: none"> <li>Sufficient generation is secured to meet demand through the SEM Capacity Remuneration Mechanism.</li> </ul>	On track	<p>First six capacity auctions have secured sufficient generation capacity at reduced cost compared to previous arrangements.</p>

## (iii) Overall outcome for FWP projects

Despite the challenging external context, particularly in respect of Brexit, as well as unanticipated additional work, for example around disputes and enforcement activity and also in dealing with the impact of Covid-19, we achieved or partially achieved 21 out of 26 projects.

Achieved: 8%      Partially Achieved: 13%      Revised: 5%

### Partially achieved and revised projects

Outlined below are details of the ongoing projects that were not fully completed as planned before the end of the FWP 2019-2020 project year. It should be noted that several of the partially achieved projects are multi-year projects and were not due to complete in 2019-2020 and others were not completed as they rely on action by other organisations.

Partially achieved	
Complete the REMM consumer impact market analysis (REMM CIMA) project.	Enhancement of the market is an ongoing project and we have been working to ensure we are maximising this tool.
Deliver CPP projects in line with final CPP decisions on priorities.	This is a three year project and we have completed year one. All priority projects have commenced.
Ensure EU network code implementation is complete.	Shortfall in SONI resources impacted on completion however progress is now being made.
Implementation programme to comply with SEM European market requirements.	SEM conforms to fundamental requirements for markets but further work is ongoing to ensure compliance with CEP.
Deliver work to complete SONI 2020-2025 price control review in line with project schedule.	Project is progressing and draft determination will now be published in June.
Develop annual cost and performance reports across all network companies and review reporting requirements for NI Water.	NI Water's cost and performance report published. NIEN's is due now in 2020/2021.
Review ancillary services effectiveness.	Review has commenced and is now being considered as part of SONI's price control workstream.
Complete arrangements to continue to provide access to GB gas markets after 2021.	Work is ongoing and a formal timetable for resolution has been identified within the current arrangements.
Work with DfE to progress the implementation of the CEP.	The work in this area spans more than one year. We worked with DfE and key stakeholders and are now in final stages of implementation.
Work with DfE to ensure effective management of NIRO and undertake a post-implementation review.	Effective management completed. Review partially completed but delayed due to NIAO work.
Work with DfE and other partners to review NISEP and progress the design of any successor scheme.	Review complete, however decision paper to be completed. Options for future energy efficiency support will be considered in the context of work to develop the new energy strategy.
Implementation of Investors in People action plan.	Action plan being delivered through staff groups with reporting to SMT and Remuneration Committee.
Facilitate implementation of appropriate regulatory arrangements following the UK decision to leave the EU.	We have fed into all of BEIS statutory instruments (SI) in relation to the different scenarios. However, the 'no deal' SIs were put on hold until negotiations progressed.

Revised	
Complete and publish first business consumer insight tracker	Due to delays in tender process and further impact due to Covid-19, project will now be completed in 2020/2021.
Complete an assessment of Moyle's current regulatory framework in light of the new SEM arrangements.	Due to other priorities, including Brexit work, this will now be progressed in 2020/2021.
Review network price control approach.	This will now be progressed in 2021/2022 due to allocation of resources to the Living with Water Programme and new energy strategy workstream.
Carry out review of electricity network tariff structures.	This will be developed in line with DfE's new energy strategy and associated energy policy.
Consider future energy change scenarios and plan regulatory requirements to deliver	Postponed until the publication of DfE's energy strategy.

# Appendix 2 – Glossary and list of abbreviations



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## 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 a regulated company has performed against efficiency targets and key performance indicators outlined in their price control.

### **D5**

A term within the NIEN licence to allow approval of transmission investment not covered within the price control allowance.

### **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)**

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

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**BEIS** – Department for Business, Energy and Industrial Strategy

**CCNI** – Consumer Council for Northern Ireland

**CEAP** – Consumer Engagement Advisory Panel

**CEO** – Chief Executive Officer

**CEOG** – Consumer Engagement Oversight Group

**CEP** – Clean Energy Package

**CMA** – Competition and Markets Authority

**CPP** – Consumer Protection Programme

**CRM** – Capacity Remuneration Mechanism

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

**CVWG** – Consumer Vulnerability Working Group

**DCCA** – Department of Communications, Climate Action and the Environment

**DfE** – Department for the Economy

**DfI** – Department for Infrastructure

**DNO** – Distribution Network Operator

**DoF** – Department of Finance

**EU** – European Union

**FWP** – Forward Work Programme

**GB** – Great Britain

**GD 17** – Gas distribution network operators' price control from 2017 - 2022

**GD 23** – Gas distribution network operators' price control from 2023 - 2029

**GDPR** – General Data Protection Regulations

**GMO (NI)** – Gas Market Operator Northern Ireland

**GNI** – Gas Networks Ireland

**IT** – Information Technology

**KWh** – Kilowatt hour

**MMU** – Market Monitoring Unit

**MRP** – Maximum Resale Price

**MWh** – Megawatt hour

**NI** – Northern Ireland

**NICS** – Northern Ireland Civil Service

**NIEN** – Northern Ireland Electricity Networks

**NIREV** – Northern Ireland Reforming Energy Vision

**NIRO** – Northern Ireland Renewable Obligation

**NISEP** – Northern Ireland Sustainable Energy Programme

**NRA** – National Regulatory Authority

**Ofgem** – Office of Gas and Electricity Markets (regulator of electricity and gas in GB)

**OPA** – Overall Performance Assessment

**PC15** – Price control for NI Water for 2015-2021

**PC21** – Price control for NI Water for 2021 onwards

**PNGL** – Phoenix Natural Gas Limited

**PSNI** – Police Service of Northern Ireland

**PTL** – Premier Transmission Ltd

**REMM** – Retail Energy Market Monitoring

**RGLG** – Renewables Grid Liaison Group

**ROCOF** – Rate of Change of Frequency

**ROCs** – Renewable Obligation Certificates

**SECG** – Stakeholder Engagement Challenge Group

**SEM** – Single Electricity Market

**SEMO** – Single Electricity Market Operator

**SGN** – Scotia Gas Networks

**SI** – Statutory Instrument

**SNSP** – System Non-Synchronisation Penetration

**SoLR** – Supplier of Last Resort

**SONI** – System Operator of Northern Ireland

**TSOs** – Transmission System Operators

**UK** – United Kingdom

**UKCN** – UK Competition Network

**UKRN** – UK Regulators' Network



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