



Annual Report 2021/2022





Annual Report 2021/2022

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.



Contents

Foreword	4
Chief Executive's report	6
2021/2022 in summary	9
Promoting markets that deliver effective competition, informed choice and fair outcomes.....	11
Enabling 21st century networks	21
Enabling security of supply and a low carbon future.....	29
Efficient and effective regulator.....	36
Sustainability report.....	46
Performance Report.....	48
 Financial report for the year ended 31 March 2022.....	49
 Corporate Strategy key success measures report.....	50
 Forward Work Programme 2021/2022 report	53
Glossary and list of abbreviations.....	60

Foreword



After a year when the Covid-19 pandemic made a considerable impact on our work, along came the challenge of energy prices. Northern Ireland's energy consumers, like those across other parts of the UK, Ireland and Europe, experienced a series of unprecedented price increases. Extraordinary wholesale cost pressures drove these prices upwards. As a regulator, we applied our expert scrutiny to ensure that any price increases were justified. We also worked across government and industry to try and find ways to mitigate, in part, the impact of the energy price increases on consumers.

We all hope that high energy prices will subside, in time. The current cost-of-living crisis and affordability play into long-term strategic considerations for consumers. The Department for the Economy's energy strategy, published last year, recognised the importance of affordability. The new strategy is a welcome development for Northern Ireland's energy future.

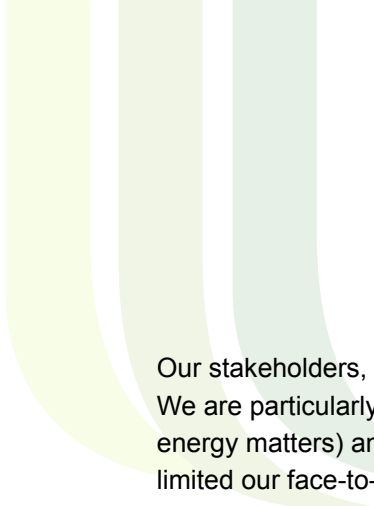
I am also pleased that there has been further progress during the year towards meeting our Corporate Strategy 2019-2024 objectives.

DfE's energy strategy has a decarbonisation focus. We are undoubtedly at a critical strategic juncture in reaching the net zero carbon target. The Northern Ireland Assembly approved a Climate Change Act in March 2022. We think that it is vital that consumers are engaged in efforts to promote decarbonisation. By enabling a low carbon future, we have a contribution to make to decarbonisation while ensuring that consumers see the benefits.

We have a track record of facilitating investment in renewables, which has supported the achievement of the Northern Ireland Executive's generation from renewables target. The transition to a low carbon future is underway and we have been at the forefront of enabling this. For example, we have authorised investments in infrastructure to support electric vehicles, and have facilitated engagement on biomethane injection into the natural gas network.

Our focus is also on enabling modern 21st century networks that benefit consumers. We regulate utilities worth billions of pounds and our regulatory oversight provides the opportunity to determine improvements in utility networks at the lowest cost to consumers. We were delighted to complete one of our biggest price control reviews during the year, for Northern Ireland Water. Our determination enables a substantial boost in investment in the water and sewerage infrastructure for years to come, subject to the allocation of adequate funding.

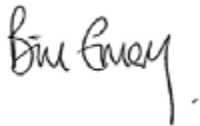
Keeping the lights on, and providing a reliable water and gas supply to homes and businesses, remains vital. We were pleased that the gas transportation agreement, to enable ongoing direct access to the gas market in Great Britain, was concluded. The effectiveness of the Single Electricity Market in facilitating a stable electricity supply to Northern Ireland's consumers is proven.



Our stakeholders, who work with us, remain critical to helping us deliver on our commitments. We are particularly grateful for the continued support of the Department for the Economy (for energy matters) and the Department for Infrastructure (for water matters). While Covid-19 limited our face-to-face engagement opportunities, our Board continued to meet stakeholders.

We continue to work closely with other government departments and industry to protect consumers following the UK's departure from the European Union. We have continued to operate effectively, despite the ongoing impact of Covid-19.

Finally, I would like to place on the record my thanks to Board colleagues for their commitment and valuable contributions during another busy year. The Board and I have been supported by a staff team who have performed impressively during a very challenging year.



Bill Emery
Chairman

Chief Executive's report



Unfortunately, over the last nine months households and businesses have experienced a global price shock in energy prices of a scale not seen since the oil crisis of the 1970s. A combination of Russia's invasion of Ukraine, and post Covid-19 increases in energy demand, have caused the price pressures that we continue to face today.

With household finances under acute pressure, we have undertaken a significant amount of work to transparently explain the reasons and outlook for energy prices. This has been done to highlight the likely price implications for business and household budgets, and to give government the evidence to be able to make decisions about additional support for consumers. This work with government departments and the Consumer Council for Northern Ireland has helped pave the way for the introduction of direct government financial support for vulnerable energy consumers in Northern Ireland, over the 2021/2022 winter.

Last year also saw the UN Climate Change Conference (COP26) in Glasgow, which was aimed at stopping dangerous climate change. At a local level, this has been supported with the publication of the Department for the Economy's (DfE) Energy Strategy, which sets out a pathway to achieve net zero energy and affordable energy by 2050. We have worked closely with DfE, and will continue to support this strategy, to ensure it is a success. At the heart of DfE's Energy Strategy is developing policies that enable and protect consumers through the energy transition.

Our work is focused on protecting consumers by encouraging informed choice, fair outcomes, and promoting competition. The Single Electricity Market continues to provide effective competition through a series of capacity auctions and facilitating renewable generation, which is placing a downward pressure on wholesale electricity prices.

Following the UK's departure from the European Union, we continued to engage with government and industry on post-Brexit trading arrangements between Great Britain and the island of Ireland. We launched a call for evidence on our supply licences to facilitate retail market innovation and advanced our price control review of gas supply companies.

Correctly understanding the needs of consumers in Northern Ireland is central to us doing the best job possible on their behalf. Our research on the impact of the energy transition on consumers was an important contribution to informing DfE's energy strategy. In addition, we continue to gain crucial insights on both the behaviour of domestic and non-domestic consumers through our monthly tracker research.

Taking practical steps to protect consumers is also critical to our work. During the year, our Consumer Protection Programme, which focuses on protecting the needs of vulnerable consumers in Northern Ireland, has been updated. We consulted on the domestic marketing code of practice. For the first time, we developed proposals to identify and establish best practice principles and measures that utility companies should implement to identify, support and protect consumers in vulnerable circumstances. Finally, when Bright Energy exited the market in February 2022, we ensured that their customers' electricity supply was unaffected.

The future needs of Northern Ireland's energy system are critical to the energy strategy and we have a key role in enabling utility networks to meet the needs of the future. We apply our expert scrutiny on behalf of consumers to provide the funding for tomorrow's energy and water networks. One of our biggest price control reviews, for Northern Ireland Water, concluded and saw over £2 billion of funding approved. We are committed to supporting the Department for Infrastructure's "Living with Water" programme that supports economic growth through an integrated approach to drainage and wastewater infrastructure. Our gas transmission (GT22) and gas distribution (GD23) price control proposals were published in December 2021 and March 2022 respectively.

Safeguarding electricity security of supply continued through the effective operation of the Single Electricity Market. Following the completion of the price control review, we introduced an evaluative framework for the electricity system operator, SONI. Our review of the company's governance arrangements moved forward with a consultation on licence modifications to give effect to review outcomes. Following a significant level of engagement, a new transportation agreement, enabling ongoing direct access to the gas market in Great Britain, was published in September 2021.

We will continue to work with industry, government and the third sector to ensure our energy and water future is greener, more resilient, and protected from future price shocks. The proportion of generation from renewables reached 41.3% during 2021. We approved additional investment to support the roll out of the electric vehicle infrastructure and facilitated engagement on biomethane injection. We contributed to the Northern Ireland Audit Office's NI Renewable Obligation investigation.

We increased the level of engagement with the NI Assembly and have actively provided support through advice, briefings for MLAs and responding to queries and questions. We have also commenced work with the Department on ensuring that our legislative vires will be fit-for-purpose in a new low carbon economy.

The Covid-19 pandemic has continued to have an impact on our work. We worked closely with government, industry and other representative organisations to protect consumers. Our enhanced monitoring arrangements, to assess energy supplier financial risks and any signs of customer distress, continued. Although public health restrictions recently eased, our staff worked remotely and have continued to deliver.
















We continued to aim to be a best practice regulator. Our UR People plan sets an integrated approach to supporting and developing our staff. We were awarded the initial bronze accreditation by Diversity Mark NI, and our staff completed our second Best Companies survey in which we were awarded 'One to Watch' status. We commenced a leadership programme for the senior leadership team and managers. An extensive staff engagement exercise on future ways of working was completed in March 2022.

Finally, I would like to thank the Board and all the staff at the Utility Regulator for their support during what has been an unprecedented year. I am full of admiration for what we have achieved together in what has been a difficult and challenging year.



John French
Chief Executive

2021/2022 in summary

	Average electricity bills rose from £571 to £741	Average notional water bill rose from £421 to £424	
	Average gas bills in Greater Belfast rose from £516 to £626 Average gas bills in the Ten Towns area rose from £518 to £1293		
	£2 billion of investment in water and sewerage network	Overall investment in networks since 2009 = £4.5 billion	
	£43 million electricity network investment approved in low carbon technology	Single Electricity Market auctions secured capacity at lowest cost	
	£8 million provided under the NI Sustainable Energy Programme	A new agreement to provide access to gas markets in Great Britain was finalised	
	We supported DfE to develop a new Northern Ireland Energy Strategy	Our enforcement action running total exceeded the £1 million mark	
	We protected Bright Energy's customers' supply when the company left the market	Best Practice Framework proposals were developed to protect consumers	
	93% of Forward Work Programme projects were achieved or partially achieved	We attained the Diversity Charter mark, bronze accreditation	



Promoting markets that deliver effective competition, informed choice and fair outcomes

We want our regulation to balance competition with consumer protection; ensuring energy markets deliver maximum value for consumers. By empowering consumers to help them participate in utility markets, we want to make sure these markets work for, and protect, all consumers (particularly vulnerable consumers).

Making sure consumer bills reflect costs

During 2021/2022 unprecedented increases in wholesale gas costs led to price increases for Northern Ireland's electricity and gas consumers.

The last year saw unprecedented increases in international wholesale gas costs. Since these costs make up around half of a typical consumer's bill, these increasing costs had an impact on Northern Ireland's electricity and gas bills.

Reviewing the tariffs of regulated energy suppliers plays a key role in how we protect consumers. Regulated suppliers are required to seek our approval before there are any changes to tariffs. As part of these tariff reviews, we scrutinise the costs and financial position of regulated suppliers. Our role is to make sure that consumer bills reflect the actual and efficient cost of delivering energy to homes and businesses.

The extraordinary nature of wholesale gas price increases, and ongoing volatility, saw us complete eight regulated tariff reviews between April 2021 and March 2022. Two of these reviews were for the regulated electricity supplier, Power NI. Two reviews were completed for the regulated gas supplier in the Greater Belfast market, SSE Airtricity. Four reviews were completed for the regulated gas supplier in the Ten Towns market, Firmus Energy.



Regulated consumer prices: 2021/2022

1st April 2021

£571	£514	£518	£421
Electricity	Gas (Greater Belfast)	Gas (Ten Towns)	Water

31st March 2022

£741	£626	£1,293	£424
Electricity	Gas (Greater Belfast)	Gas (Ten Towns)	Water

During this difficult time for consumers, we took steps to help them. We brought forward reductions in gas network costs to offset increases in bills. Our communication with suppliers pro-actively emphasised their regulatory obligations to protect and support customers in debt.

We also brought together the Department for the Economy (DfE), the Department for Communities, and the Consumer Council for Northern Ireland, to look at ways to ease the energy price impact on consumers. This co-operation paved the way for direct financial support to consumers. The Minister for Communities announced £55 million of support in January 2022, through an Energy Payment Support Scheme for vulnerable people struggling to meet rising energy costs. The scheme provided a one-off payment of £200, and was made to around 280,000 eligible people receiving benefits.

Protecting consumers

As well as having a dedicated Consumer Protection Programme, we also worked with industry on identifying best practice principles and measures to protect consumers. We communicated with consumers around debt and a supplier's exit from the market. We safeguarded trading arrangements between the Single Electricity Market and Great Britain.



Our Consumer Protection Programme (CPP) is our primary means of delivering fair and equitable results for all domestic consumers of electricity, gas and water, including those in vulnerable circumstances.

During 2021, in the context of the Covid-19 pandemic, we reviewed the CPP to make sure the projects were providing the best outcomes for consumers. Following this review, we updated our proposed work plan for CPP years two and three to include a renewed focus on debt and affordability. The refreshed CPP will run until 2023/2024 in order to integrate timings with our next Corporate Strategy

Alongside our CPP, we took steps to put in place a best practice framework to protect consumers. The framework will identify and establish best practice principles and measures for both utility suppliers and Distribution Network Operators (DNOs) in Northern Ireland. In implementing these principles and measures, suppliers and DNOs will identify, support and protect consumers in vulnerable circumstances.

We carried out rigorous engagement with the water, gas and electricity industries. Additionally, we hosted workshops with both industry and consumer representatives with expert speakers on consumer vulnerability, and the Information Commissioners Office to discuss data sharing and data protection.

Following this extensive engagement with stakeholders and consumer protection experts, we published our proposed approach to the best practice framework in January 2021. The framework approach is based around ten core principles whilst also highlighting the measures to be implemented by industry.

During 2021, we wrote to all domestic suppliers, before the winter period, to ensure that they continued to have effective systems in place to help their customers. We highlighted the need for a sympathetic approach with regard to customer debt, and reminded them of the obligation to assess an individual customer's ability to pay. Finally, we requested that signposting and referrals to advice/support organisations are included in any communications. Suppliers were also asked to make contact with relevant advice agencies to ensure a relationship is in place to support consumers.

All domestic electricity and gas suppliers responded to our letter, and confirmed that they are aware of, and acting in line with, the codes of practice. Suppliers also confirmed that there are support arrangements in place for consumers in debt, and suitable arrangements made to engage with a variety of debt advice agencies to help customers. We will continue to work with suppliers, consumer representatives and government.

In order to increase awareness of debt, we carried out an awareness campaign. This involved highlighting the key message that consumers should contact their supplier if they are worried about debt. This message was carried across broadcast and print media and social media channels, supported by a video.



We continue to engage with stakeholders on various aspects of our consumer work. One example is our Consumer Vulnerability Working Group (CVWG). During 2021/2022, we arranged for CVWG members to meet with SONI to discuss “Shaping our Electricity Future”. The group also met with the three gas network operators about the gas distribution (GD23) price control review.

When Bright Energy exited the electricity market, we took steps to protect the around 1,000 Bright Energy customers. We managed Bright Energy’s orderly exit from the market under existing supplier of last resort market arrangements. On 13 February 2022, all Bright Energy customers were transferred as planned to Power NI, ensuring there was no loss of supply. All these customers moved to a regulated tariff under the same terms and conditions as all other regulated customers of Power NI.

Finally, since the UK’s departure from the EU, cross border wholesale market trading between the Single Electricity Market (SEM) and Great Britain has been sub-optimal. This is because the main SEM market (the day ahead) is no longer coupled with the

Great Britain market. Principles for new trading arrangements between Great Britain and the EU Internal Energy Market (which the SEM is part of) set out in a Trading and Cooperation Agreement (TCA) have been agreed. However, the implementation of such arrangements is behind schedule. Along with the Commission for the Regulation of Utilities (CRU), a consultation was launched on possible enhancements to the current trading mechanisms with Great Britain in January 2022. Improvements to the current set of arrangements should add additional liquidity and competition to the SEM. This, in turn, should produce prices that are even more efficient for consumers.



Promoting effective competition

We carried out price control reviews on dominant suppliers and market operators to protect consumers' interests. Our retail and wholesale market monitoring continued. Our enforcement activity saw total donations exceed £1 million.

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

At a wholesale market level, the SEM has continued to operate efficiently and deliver significant consumer benefits. The SEM ensures that generators and suppliers continue to play an active role in the market. Prices continue to reflect the underlying market fundamentals, such as wholesale fuel input costs, carbon prices, demand and the amount of available generation and wind capacity.

SEMO is the SEM market operator jointly regulated by CRU and us. In September 2021, we completed a price control review for SEMO, commencing on 1 October 2021. Arising from the review, we introduced the first participant consultative forum to provide input and feedback from a wide range of industry representatives. The SEM Committee, the market decision-making committee, approved a capital expenditure programme of around £25 million and an operating expenditure allowance of around £32 million. It was recognised that we are in a period of transition and that it is difficult to scope some projects in detail. For this reason, a discretionary fund was approved for SEMO to enable it to prioritise key projects. Development of an enhanced reporting regime, to streamline existing reporting and to include more involvement by market participants, is underway.

Key Single Electricity Market metrics 2021/2022



Day Ahead Market made up 85.04% of the traded ex ante-volume (MWh)



The average wind forecast for the same period was 1477 MW



5.5% increase in system demand from 4208 MW to 4441 MW

SEMOpX provides day-ahead and intraday electricity market trading as part of the SEM and is subject to a regulated price control. SEMOpX is the designated Nominated Electricity Market



Operator (NEMO) in Ireland and Northern Ireland since 2015, having been re-designated in 2019 until September 2022. A review to establish revenue recovery arrangements and a re-designation of SEMOpx as NEMO is underway.

In both the electricity and gas retail markets in Northern Ireland, a significant proportion of domestic customers remain with the previous incumbent supplier. For this reason, they remain in dominant positions in the domestic market.

We therefore continue to carry out price control reviews on Power NI (in electricity) and Firmus Energy and SSE Airtricity (in gas, in the Ten Towns and Greater Belfast areas). The Power NI control covers only domestic customers, as competition in the small business market in electricity is sufficient to protect customers. In gas, however, both the Firmus Energy and SSE Airtricity price controls cover both domestic and small business customers.

We commenced the retail gas price controls for both Firmus Energy in the Ten Towns Area and SSE Airtricity in the Greater Belfast Area. We intend to issue consultation papers for both in May and June 2022. The process of consultation and the issuing of a determination (along with licence modifications) will complete by the end of 2022.

Ongoing monitoring of the retail energy market, aimed at protecting the interests of consumers, continued. Our retail energy market monitoring (REMM) allows us to monitor actively developments 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 Northern Ireland's energy market performance using indicators employed by other National Regulatory Authorities (NRAs). We continue to explore new ways to improve how we monitor the retail market. For example, we enhanced our REMM publications (both the quarterly and annual reports) with positive feedback received on the changes.

We continued to advance a workstream, developed following the outbreak of Covid-19 pandemic, to monitor the impacts of the pandemic on suppliers and their customers. Additionally, we implemented a number of important quarterly and annual metrics to monitor compliance with the suppliers' codes of practice.

The importance of keeping our overall approach to retail market regulation up to date, to ensure it remains fit for purpose, is paramount. At the start of the year, we completed an initial review of our retail market regulatory framework, and published a position paper in April 2021. Any further work in this area will follow the completion of the supplier price control reviews.



Finally, we continued to monitor suppliers' compliance with their licence obligations. As a result of these activities there have been further contributions to charities, and the total donations to date are £1,013,291.

At a wholesale market level, against a background of rising fuel and carbon prices, we have continued to monitor market performance, including generator compliance with the Bidding Code of Practice (BCoP) and other market rules.

Systems within the SEM Market Monitoring Unit (MMU) have developed further over the year with new back end infrastructure, and enhanced market monitoring tools being tested and deployed. This has enabled the unit to detect more effectively any instances of market manipulation and abuse.

During the last year, we have undertaken a number of market queries into generator behaviour. We have successfully worked with a number of generator units to ensure that regulated offers in the market are in line with licence requirements.

We have also published a market wide communication on inside information disclosure requirements under the regulation on wholesale energy market integrity and transparency (REMIT). Moreover, we have also outlined our expectations with regard to the quality and timing of urgent market messages.

Finally, we have successfully completed our System Services Future Arrangements (SSFA) High Level Design. This sets out a framework for the competitive procurement of System Services, required for the stable and secure operation of the power system. These services will also be vital if we are to meet the Climate Change Act's 2030 renewables targets. We are working with the Transmission System Operator (TSO) to commence the detail design of the project.

Better understanding the needs of consumers




Our programme of research continued, to help us better understand consumer views and inform our work and the wider policy agenda.

Building on quantitative research (in 2021) into energy consumer views on climate change and the energy transition, we commissioned deliberative research in February / March 2022 to explore consumer views on the energy transition. This research included interviews and workshops. The research explored barriers for consumers in engaging with the energy transition, the different forms of support they may need to overcome these barriers, and any protections that may be required as part of any future regulatory frameworks. A final report and presentation were produced in April 2022, with conclusions and recommendations on consumer preferences on achieving net zero.

We also conducted our second domestic insight tracker research. The research included collecting views around areas such as: energy usage, consumer understanding of the energy market, switching behaviour and vulnerability alongside deeper investigation of issues around debt and digital exclusion.

Key headline findings included: consumers reducing the amount of energy they are using; low awareness and use of support services showing that many eligible consumers are missing out on support, and a degree of digital exclusion meaning that some customers may not be able to engage in the market.

The full report was published in March 2022 and we are using the evidence from the survey to identify, and apply to, current and future projects in the CPP.

Domestic Insight tracker: key findings		
	34%	have reduced the amount of electricity they are using
	28%	have reduced the amount of gas they are using
	10%	1 in 10 do not have internet access
<div style="display: flex; align-items: center;"> <div style="background-color: #008000; color: white; padding: 2px 5px; margin-right: 5px;">63% not aware</div> <div style="width: 100px; height: 10px; background: linear-gradient(to right, #008000, #ccc);"></div> </div>	2021	Awareness of support services for vulnerable customers has decreased over the past two years
<div style="display: flex; align-items: center;"> <div style="background-color: #008000; color: white; padding: 2px 5px; margin-right: 5px;">53% not aware</div> <div style="width: 100px; height: 10px; background: linear-gradient(to right, #008000, #ccc);"></div> </div>	2019	



LOYAL & DEVOTE

FORSMAN
APPRENTICE
LABOR

DOCKERS
AND
ARTERS

DRAWING
OFFICES

LODGE

Enabling 21st century networks

We want our utility network companies to compare with the best. Promoting customer focused service standards, and managing valuable assets to make sure they are resilient, are the hallmarks of high performing network companies. Our price control reviews ensure that network company costs are efficient and we want to support innovation and the companies' development.

Ensuring that investment in network utilities is efficient







We concluded a price control review for Northern Ireland Water with over £2 billion of investment approved. Our SONI price control review introduced a new evaluative framework for assessing the company's performance. Gas distribution, transmission and network reviews were all progressed.

Water

The determination for our Northern Ireland Water price control review (called PC21) was published in May 2021, and set out the price limits Northern Ireland Water can charge its non-domestic customers, and the outputs to be delivered, during the six-year price control period 2021-2027.

Our price control allows Northern Ireland Water to continue to deliver the essential service it provides for consumers, at improved levels of efficiency and quality. Additionally, our price control supports a sustainable approach to water services (including sustainable catchment management), an integrated approach to drainage and a reduction in carbon footprint. The PC21 price control is our biggest price control, with the key decisions including:

- Increased investment in water and wastewater services.**
An increase in capital investment to £2.1 billion, which 84% greater than the previous price control (PC15). This will begin to address the lack of capacity in wastewater systems and address development constraints in 49 areas by the end of PC21.
- Lower costs of financing investment.**
A reduction in the cost of financing investment will save consumers £135 million
- Greater stability in tariffs.**
Typical bills for unmeasured non-domestic consumers will fall in real terms by the end of the six-year period.
- Improved efficiency.**
By the end of PC21 Northern Ireland Water will operate at an equivalent level of efficiency to the upper quartile of similar companies in England and Wales today. These improvements in operational efficiency will save consumers £62 million during the price control period.
- Improved service.**
Existing performance measures for pressure, interruptions to supply and flooding pollution incidents will improve. New consumer service measures and targets will drive incremental and continuous improvement, with an increased focus on vulnerable consumers.
- Introduction of a new consumer protection programme.**
Our determination recognises that Northern Ireland Water needs to provide vulnerable domestic consumers with additional support, bespoke regulatory, and company interventions.

NI Water price control key decisions	
 <p>£2.1 billion of capital investment</p>	 <p>£135 savings to consumers from lower financing costs</p>
 <p>£62 million of operational efficiency savings</p>	 <p>Real terms fall in typical bills for unmeasured non-domestic customers</p>
 <p>New customer service measures and an increased focus on vulnerable consumers</p>	 <p>Introduction of new consumer protection programme</p>

Our PC21 final determination also included an allowance for a number of projects where further development work was necessary to confirm an efficient scope and cost. The company provided a programme of development work, comprising of four submissions, which would allow the cost of these schemes to be determined by the PC21 Mid-Term Review. Around two-thirds of this investment is associated with the Department for Infrastructure's (DfI) Living with Water Programme. The first two submissions, totalling £18 million and £114 million respectively, were received from Northern Ireland Water on 30 September 2021 and 31 March 2022.

Electricity

We moved forward the electricity network price control (called RP7) for NIE Networks, and published our proposed price control approach in March 2022. NIE Networks develops, maintains and operates the transmission and distribution networks that bring electricity to our homes and businesses. The RP7 price control will cover the period April 2024 to March 2030.

The proposed approach promotes engagement on the price control process, the consumer focus of the price control, delivering on the energy strategy, and network resilience and financial issues. Given the critical strategic juncture, particularly in the context of the energy transition and DfE's energy strategy, the RP7 price control will set the direction for investment in the electricity network to 2030 and beyond.

Our ambition is that RP7 price control will enable NIE Networks to deliver quality outputs that customers need, and set a medium-to-longer term direction for investment in the electricity network in a period of transition, at the lowest cost to consumers.

Following the conclusion of the consultation on our approach, we are planning to move forward with the aim of concluding the RP7 price control review during 2023.

During 2021/2022, we also continued to approve additional investment by NIE Networks under the RP6 price control to deliver improvements to the capacity and capability of the transmission network identified by SONI. Total investment of £17.6 million was approved including major works on the Ballylumford to Eden overhead line.

We also concluded our price control review for the electricity system operator, System Operator for Northern Ireland (SONI), in November 2021 when we published our licence conditions. The price control allowed a new outcomes focused Evaluative Performance Framework (EPF) which promotes higher levels of performance by SONI for customers, consumers and electricity system partners. We provided a cost allowance of £88 million for SONI to run its business, compared to £118 million sought by the company, with a flexible framework to manage and consider future, uncertain costs, in a timely way. We also allowed a rate of return of 4.03% which, while lower than that requested by SONI, reflects the risks faced by the company.



We have set up the EPF independent expert panel in March 2022, and received SONI's first performance plan. As part of the EPF the panel will challenge SONI performance on an annual basis and provide recommendations for us to take account of as part of our decision on whether to financially reward or penalise SONI.

Gas

An important aspect of our regulation of gas network companies is our review of their cost and performance. A cost and performance report was published for Firmus Energy Distribution (FE), Phoenix Natural Gas Limited (PNGL) and SGN Natural Gas Limited (SGN), which reviewed actual performance against the current price control (GD17) for the years 2017- 2020.

This is an important part of the scrutiny process that is used in accessing the business plan submissions made by the Gas Distribution Networks (GDNs) for the next price control, GD23. All GDNs have broadly kept to the current price control determination allowances.

In terms of the two gas network price control reviews, we made significant progress during 2021/2022.


The GD23 price control review covers Northern Ireland's (GDN) operators - FE, PNGL and SGN. This network has 300,000 existing gas customers, with the potential for a further 250,000 that could be connected.

We set out our GD23 price control proposals for consultation in March 2022.

Our key price control proposals include:

- Overall investment of £149.2 million compared to £226.5 million proposed by the GDNs.
- Overall operational expenditure of £162.9 million compared to £213.2 million proposed by the GDNs.
- In overall numbers the GDNs requested £2.7 billion in the Business Plan submissions and the draft determination has approved around £2.3 billion. The area developed by SGN, commonly referred to as "Gas to the West", which has only been in operation since 2017, has focused on connecting large industrial customers at first. It is continuing to steadily grow, with over 1,000 customers connected and 185km of pipe laid, which will offer the choice of consumers to connect to natural gas for the first time.





Progress was also made on our GT22 price control for the high pressure gas network in Northern Ireland. This covers the five gas transmission pipelines operated by four conveyance licence holders, known as Transmission System Operators (TSOs). The TSOs are: GNI (UK), Premier Transmission Limited (PTL), Belfast Gas Transmission Limited (BGTL), and, West Transmission Limited (WTL). The gas transmission pipelines transport gas from Scotland to the gas distribution networks (PNGL, FE Distribution and SGN Natural Gas) and to the gas-fired power stations, Ballylumford Power Station and Coolkeeragh Power Station.

Following on from our other recent network price controls, we introduced a business plan assessment process in GT22. This looked at service contribution to good outcomes; services and costs; and, trust in delivery. We were pleased that all the business plans were assessed as good, reducing the level of regulatory intervention.

Our GT22 price control proposals, for the five-year period from 1 October 2022 to 30 September 2027, were published for consultation in December 2021. Key proposals disallowed included some insufficiently justified costs. Overall 89% of MEL's submitted amount, 86% of GNI (UK)'s and 80% of GMO NI's were allowed. Promoting liaison with TSOs on development in areas relevant to DfE's Energy Strategy was endorsed. We decided on a rate of return for GNI (UK) of 2.66%, which is lower than their current rate of 3.17%.

We expect to conclude the GT22 price control review in May 2022.

Protecting the consumer interests through electricity network regulation

The review of SONI's governance arrangements reached a significant milestone with licence modification proposals reflecting actions to support greater independence.

During the year we progressed two further stages of the review into SONI's TSO governance arrangements. This followed a call for evidence in 2019, which sought views on a range of issues related to SONI TSO's governance.

Following the analysis of the information received through the call for evidence, we concluded that the current governance structure of SONI TSO is inadequate to protect the interests of Northern Ireland consumers over the long-term. In order to mitigate these risks, and protect the interests of Northern Ireland consumers, we launched a consultation on four options for the governance of SONI TSO in April 2021. Our preferred options would each require (among other things) the establishment of an independent SONI Board.

We reviewed the responses received to our April 2021 consultation, and concluded that changes to SONI TSO's governance are needed to ensure the company's independence, transparency and accountability. The licence modifications needed to implement the changes needed to SONI TSO governance, following our review, were published for consultation in January 2022.

The licence modifications would establish an independent SONI Board, a general requirement for independence from EirGrid (where a derogation from the independence requirement is not in place), a derogation process and the establishment of a compliance officer and compliance plan.

We will take final decisions on governance once we have considered the responses to the consultation on the proposed licence modifications.



Promoting engagement on future electricity network regulation

Our network regulation never stands still. We continue to explore ways of engaging with customers to drive better service standards. We reviewed electricity tariff reform and started to assess networks digitalisation.

We recognise that, by engaging with customers, they can help shape higher standards of service. A range of consumer engagement groups continued to meet, most notably around identifying consumer focused metrics for Northern Ireland Water as part of the PC21 price control review.

Our work with the retail team on the Best Practice Framework will help inform the development of vulnerability metrics as part of PC21. Working with Northern Ireland Water and the Consumer Council we are progressing new codes of practice

Along with NIE Networks and the Consumer Council we comprise the Consumer Engagement Advisory Panel (CEAP). A key focus of the panel has been to assess consumer research reports to identify opportunities to improve service to electricity network customers.

We also commenced a dialogue with consumers and the industry on electricity tariff reform. In June 2021, we published the electricity distribution tariff call for evidence.

Given the range of experience and expertise demonstrated by respondents, we gained a valuable insight on the key issues across the electricity market - from suppliers through to consumers. This gives us confidence that the overall views expressed reflects the range of stakeholders in the electricity market.

A responses report was then published in December 2021, and this will help us make more informed decisions on how tariff reform can best help facilitate the energy transition.

Finally, we have undertaken a scoping exercise for digitalisation regulatory policy to support DfE's energy strategy, which builds on work undertaken as part of the electricity networks price control. We will be engaging with SONI and NIE Networks and DfE in due course.





Enabling security of supply and a low carbon future

Working with government and industry, we want to make sure that consumers enjoy a secure energy and water supply. We want to facilitate investment that supports the journey to a low carbon future.

Addressing security of supply

The Single Electricity Market continues to ensure that there is sufficient electricity supply to power Northern Ireland's homes and businesses. A new transportation agreement, providing ongoing direct access to the gas market in Great Britain, was finalised.

The Single Electricity Market

The Single Electricity Market (SEM) has a critical role in safeguarding electricity generation needs for Northern Ireland. The SEM's Capacity Remuneration Mechanism (CRM) is designed to procure enough capacity to meet the required security of supply standard, helping to ensure security of supply at a competitive cost.

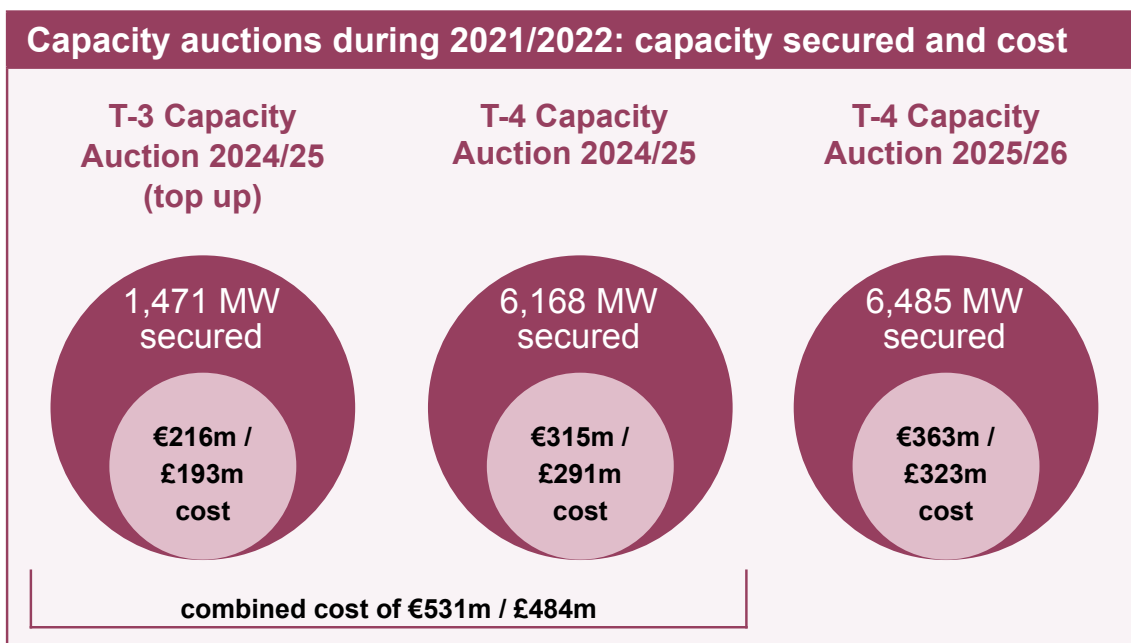
The CRM was part of revised SEM arrangements that went live on 1 October 2018, and replaced the capacity payment mechanism under the previous arrangements. Capacity providers sell qualified capacity to the market, based on generation capacity required in a future capacity year. This takes place in the form of capacity auctions. Auctions normally take place between one and four years ahead of delivery. Capacity providers who are successful in a capacity auction receive a regular capacity payment. This payment assists with funding generation capacity. The level of capacity required is assessed by the TSOs in advance of the auction.

Holders of a capacity contract are expected to be available to provide their agreed generation volumes or load reductions (in the case of demand side units) when



required at times of system stress or high demand. If a generator is unable to do this, they risk being exposed to substantial charges.

In 2022, two capacity auctions took place - (1) a T-3 “top up” capacity auction (to secure further capacity for three years hence) took place in January, and (2) a T-4 capacity auction (to secure further capacity for four years hence) took place in March.



The gas transportation agreement

In 1996, Premier Transmission Limited (PTL) and GNI (UK) Limited (GNI (UK)) entered into a gas transportation agreement. For a period of 25 years, the agreement allowed for reservation of sufficient capacity of 8.08 million standard cubic meters per day at 56 bar in the pipeline between Moffat and Twynholm, which is owned and operated by GNI (UK). Together with the capacity in the Scotland-Northern Ireland Pipeline (owned and operated by PTL), PTL could provide this capacity as a seamless service for gas shippers from Moffat to Northern Ireland, thereby directly linking the gas market with Great Britain and avoiding additional entry and exit charges.

In 2021, PTL and GNI (UK) proposed to enter into a new transportation agreement which allows for PTL’s capacity reservation to be extended for a fixed 15-year term to 30 September 2036 on fair commercial terms. We assessed and approved this new agreement, which we consider to be in the best interests of Northern Ireland consumers. It will secure continued access to the gas market in Great Britain and will promote security of supply at an economic cost.

Working with government to promote the journey to a low carbon future

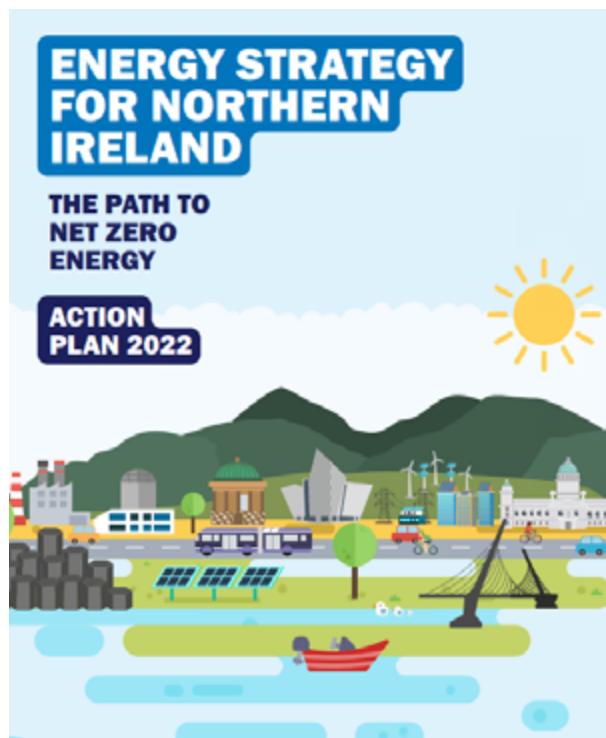
The publication of the Northern Ireland Energy Strategy was a significant milestone for decarbonisation. As well as developing the new strategy, we are working with DfE on the strategy action plan's implementation.

Much of our energy work is within the context of a policy framework set by DfE. We have been supporting DfE in the development of a new energy strategy for Northern Ireland. This included our involvement in thematic working groups set up by DfE to provide direction to the development of the energy strategy. We also provided our perspective and analysis on the various areas (such as on informing policy papers), including the cost impacts on consumers of the different policy options being considered by DfE.


DfE published the 'Energy Strategy – the Path to Net Zero energy' - in December 2021. The energy strategy set out a pathway for energy to 2030 that will aim to deliver a vision of net zero carbon and affordable energy by 2050. An associated action plan, setting out 22 actions for the first year of the strategy's implementation, was published in January 2022.

Several of the actions in the first year of the strategy require our involvement and we will work closely with DfE.

Having exceeded Northern Ireland's target of 40% electricity to come from renewable sources by 2020, the Northern Ireland Renewables Obligation (NIRO) has laid a firm foundation for the new energy strategy and a Climate Change Bill for Northern Ireland.



We contribute to the development of the energy efficiency section of the new strategy, including future support for energy efficiency. The strategy action plan included a commitment to introduce a pilot retrofit scheme in 2022. The scheme will take an area-based approach to delivery, and will support investment in improved energy efficiency measures in domestic buildings. It will also include access, where relevant, to low carbon heating support. We continue to work with DfE on future support for energy efficiency, and have had discussions with DfE on energy efficiency models elsewhere, the role of energy companies and our role.



We have continued engage with DfE on their transposition of the Clean Energy Package into legislation. DfE is continuing to prioritise those issues that are consistent with the Northern Ireland Protocol and impact the wholesale market. Work has also progressed on implementing remaining provisions that could affect the wholesale market.

In a separate aspect to our work on renewables support, we worked to provide the Northern Ireland Audit Office (NIAO) with information and support for the completion of their investigation into to the NIRO. Subsequently, we worked with DfE to provide information and analysis for the Public Accounts Committee (PAC) on the completion of their report in September 2021. While the NIAO report contained no recommendations regarding our administration of the NIRO, it did recommend that the DfE carry out work on the rates of return achieved by renewable generators in Northern Ireland. We have continued to work with DfE and Ofgem, including assessing evidence in relation to rate of return estimates for renewable generators. The PAC also made no recommendations on our administration of the NIRO. However, the PAC report included a number of recommendations that will be taken into consideration when developing any new systems to support the new renewable electricity target in energy strategy.

Facilitating low carbon innovation

We have been facilitating the journey to a low carbon future by supporting investment in electric vehicles and facilitating engagement on biomethane injection into the gas network. We also granted a number of energy storage licences to aid security of supply and allow participation in the all-island wholesale market, and continue to facilitate demand side.

During the last year, we continued to support the integration of low carbon technology on the electricity network, which will be necessary for the delivery of net zero over the long-term. In July 2021, we approved additional funding for low carbon technology through a mid-term review of for the NIE Networks RP6 Price Control. Our mid-term review provides a further fixed allowance of £825,000 for general upgrades and an allowance of £439 for each electric vehicle (EV) (at home) fast charger connected to the network in the second half of the price control. The total additional funding will be dependent on the number of EVs connected and reported to NIE Networks. The additional funding is expected to be around £8 million by the end of RP6.

We have also been working with NIE Networks on its proposals for additional investment through a 'Green Recovery' programme. This work funds investment in electricity distribution network in advance of need: to develop the supply chain in face of increasing investment; and, reduce the risk that low carbon technology connections will be delayed while network reinforcement is delivered. This work led to the approval of additional allowances of £41 million in April 2022 to remove older transformers from the network, upgrade sub-stations and replace low capacity conductors on overhead lines. All of the work to the network will improve its ability to adapt to the significant uptake of electric vehicles across Northern Ireland.

In February 2022, we approved additional funding for NIE Networks of £1.8 million to support EV managed charging trials. During this trial, the network operator will actively manage customers' use of EV charging in order to maximise network capacity. This will provide an understanding of how managed charging might be used to control peak loads on the network and mitigate the need for investment over the longer-term.

Investment in low carbon technology



Green Recovery programme
£41 million



Electric Vehicle charging trial
£1.8 million



Network upgrades
£8 million

As we continue with our RP7 price control review, it is likely that new mechanisms will be required to deal with the uncertainty over the rate at which low carbon technology will be adopted, and the impact this will have on the network.

Following the development, in 2020/2021, of a base case for the facilitation of biomethane injection into the gas network, we have continued to engage with the gas operators on relevant changes to the regulatory framework.

We hosted a biomethane industry briefing in March 2022, which provided an update on this project. Work in this area will continue over the next year, with the implementation of the required regulatory framework changes.

Finally, we issued a call for evidence for our review of supply licences to facilitate retail market innovation in July 2021. Our review is aimed at identifying whether aspects of the existing supply licence framework inhibit or prevent suppliers from innovating. The context for this review is key, and the transition to a low carbon future will transform how consumers use energy and engage with the energy industry.

In terms of facilitating storage with a view to ensuring security of supply, we have granted two licences to 50MW battery storage facilities this year, having granted another two during 2020/2021. We have also commenced a programme of work to explore an enduring arrangement for Demand Side Units to be in receipt of energy payments in the wholesale energy market. This is to incentivise availability of this technology when demand reduction is required.





Efficient and effective regulator

Being a best practice regulator is important to us. As a well-run, efficient, high-performing regulator, we aim to be responsive to the needs of stakeholders, enabling successful utilities, protecting consumers.

Performing effectively as a regulator

Further progress was made on meeting our corporate strategy objectives and there was a high level of achievement against our annual Forward Work programme.

At the end of the fourth 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.

Our Forward Work Programme (FWP) 2021/2022 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 93% of our FWP projects for 2021/2022. 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 2021/2022.



Effectively managing our financial and people resources

We continued to prudently manage our financial resources. We've been increasing our staff resources to meet the challenges of the strategic energy agenda. Our staff absence rate was 4.03%, below the Northern Ireland Civil Service (NICS) average.

As a non-ministerial government department, our funds are voted by the Northern Ireland 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 (£'000)
Operating costs (gross)	9,826
Income	9,561
Operating costs (net)	265

We are committed to the prompt payment of bills for goods and services received. During 2021/2022, 91.3% of undisputed invoices were paid within 10 days (93.1% in 2020/2021).

Our staff group comes from a range of backgrounds and are mostly directly recruited. We do however also have a small group of secondees from the wider (NICS).

In the context of the wider decarbonisation agenda, and the publication of DfE's Energy Strategy, we have taken steps to increase our staff complement to enable us to meet the strategic challenges. A rolling programme of recruitment to help bring on board additional staff and expertise, commenced in Autumn 2021.

During 2021/2022, our absence rate was 4.03% or 8.9 days per employee, based on employee numbers at 31 March 2022 (this compares to an absence rate of 2.04% in 2020/2021) which is below the NICS rate in 2020/2021 (the latest figures available) of 4.4% or 9.8 days lost per staff year.

Being an employer of choice

We commenced a new UR People Programme to support and develop our staff. We are developing an approach to future ways of working that will provide hybrid working for staff. Our commitment to diversity and inclusion saw us receiving an initial bronze accreditation under Diversity Mark NI.

We want to be an organisation that attracts and retains the best people. Without our staff's continuing commitment, we could not do our job effectively and we take proactive steps to support their development.

At the heart of the support we provide for our people, is the UR People (URP) Programme. URP is an integrated approach, bringing together HR and communications staff with representatives from other parts of the organisation, to deliver a joined up programme to support and develop our staff.

Following the Investors in People Silver accreditation, awarded last year, the URP has been pivotal to progressing learning and development activity. A new URP programme was agreed and work to implement this programme has been moved forward. This has included an organisational learning and development plan. A key feature of this plan has been the rollout of a leadership programme across the senior leadership team and managers, delivered by an external provider.

While most of our staff continued to work remotely during the year, we are looking to the future. We have developed a new future model of working, based on a hybrid approach where staff will spend their time working from Queens House and remotely. Our staff have helped to shape this approach and the URP team carried out an extensive staff engagement exercise in February/March 2022.



The accent on staff feedback is an important aspect of how we work. Part of this is about taking the opportunity to compare ourselves with other organisations, to identify how we can improve. We are also working with Best Companies, which will help shape approaches to how we improve as an organisation.

Being an employer of choice is also about harnessing the abilities and talents of everyone who works for us. We are committed to creating a diverse and inclusive workforce. As well as establishing a cross-directorate group to drive our commitment to diversity and inclusion, we also attained the bronze accreditation under the Diversity Mark NI scheme.



One aspect of supporting our staff is through effective and transparent internal communications. We have developed a new staff intranet that has shown excellent levels of staff engagement since its launch. Weekly all-staff meetings have continued. We also sought staff views on our internal communications as part of the wider URP-led staff engagement exercise. A new internal communications strategy is being developed to reflect staff views.

We continued to work closely with colleagues in IT Assist (the NICS in house IT provider) to ensure all staff are provided with the facilities needed to work fully from home.

Reaching out, explaining, engaging with stakeholders


We reached out to more stakeholders than ever, to raise awareness of and explain the value of our work. We used the full range of communications channels to set out and explain the reasons for price rises.

Our work does not take place in isolation. We recognise the value of effective external communications through building relationships, working with others and collaboration. Effective external communications is also a critical enabler, helping us to deliver our corporate strategy and the achievement of our FWP projects.

Our stakeholder programme remains a key focus for our communications. We have reached out further than ever before to stakeholders including business and consumer representatives, political representatives, academia and individuals alike to help inform them about key issues and our role. We have made numerous appearances at the Economy Committee, and before local councils, to provide clear responses to their questions and allow for debate as we continue to find new ways to reach out to our elected representatives. Our focus on reaching as many people as possible saw us publish our consultations on the CitizenSpace online portal for the first time.

As we seek new ways to continue to build on our external engagement, we have made significant improvements to the data and information we publish, providing a great insight into the workings and outcomes of our energy and water markets. As we work to further enhance this data and insight into our markets, we also launched a new monthly newsletter to provide further market transparency and an update on our work. We will continue to build on this information, and the scope of the data we publish, to further enhance understanding and educate around our energy and water regulatory role.





During a challenging year regarding energy price increases our external communications has been more important than ever. We pro-actively increased the volume of our communications in the public domain to explain the reasons for energy price increases – through an unprecedented level of public relations activity. To increase the reach of our communications, we also upscaled our social media posts and developed our Facebook and LinkedIn presence. We also developed video content, producing a corporate video and a series of explainer videos.

As ever, we spoke and delivered presentations to a range of stakeholder organisations and conferences, and facilitated events and workshops on specific areas of our work, such as our non-domestic consumer tracker research.

As a regulator, we continued to participate in the UK Regulators' Network (UKRN) and a range of 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 Competition and Markets Authority (CMA) quarterly to discuss competition-related issues and contribute to their annual concurrency report.

Ensuring our organisation is well-run – corporate governance

Good governance is important to us. We supported board and board sub-committees and the Single Electricity Market Committee (SEMC). Our IT infrastructure and business continuity arrangements continue to support the effective delivery of our work remotely.

Governance and audit

The Department of Finance (DoF) appoints the Chair and members of our Board. We are accountable to the Northern Ireland Assembly and produce this Annual Report, which DfE lays before the Northern Ireland 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 regulated tariffs, disputes, procurement, the NIE Network's Landbank and PC21. We achieved a "satisfactory" assurance level and are committed to implementing recommendations from these audit reports and also to the Report to Those Charged with Governance issued by the NIAO as a priority. The latter provided an unqualified audit opinion for 2021/2022.

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.

Board and board sub-committees and the SEM Committee

Our Board met formally eleven times during 2021-2022. Because of the public health restrictions, all but one of these meetings was held via video conference. Despite the challenge of not meeting in person, the Board meetings conducted remotely have ensured the efficient transaction of Board business.

Although the public health restrictions constrained the extent of Board engagement with external organisations, the Board still managed to meet – via video conference – with several stakeholders. Board members also took part in board sub-groups and attended conferences and seminars.



There were four meetings of our Audit and Risk Committee during the year. Its membership comprised Jim Oatridge (independent chair), Alex Wiseman and Claire Williams. The Board Chair 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 NIAO and Head of Internal Audit have standing invitations to attend meetings. The Chair also periodically meets internal and external auditors without the senior management team present.

Our Remuneration Committee met four times. Its membership comprises Teresa Perchard (Chair), Jon Carlton and David de Casseres. The Board Chair 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 four 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 provides scrutiny on key policy issues.

Our senior leadership team (SLT) continues to meet weekly. In addition, there were regular SLT workshops throughout the year on a series of strategic organisational issues.

The SEMC meets monthly to take decisions in respect of the exercise of relevant functions of both the CRU and/or the Utility Regulator, in relation to a SEM matter on behalf of each regulator. The Utility Regulator's current SEM Committee members, appointed by DfE and the Irish Government's Department of Communications, Climate Action and the Environment (DCCA), are John French, Bill Emery and Jon Carlton.

We provide the secretariat for the SEMC. During the year, we developed and published the FWP for the SEMC for October 2021 – September 2022 and have published a mid-term review of the delivery of those projects. This document sets out the key projects to help us achieve our strategic objectives as well as pointing to emerging work areas and key issues impacting on the market. For the first time we reported on the achievement of our first Forward Work Programme (FWP) goals set in 2020-2021 in our published SEMC Annual Report for the same period. We continue to support the SEMC in all its communication activities including in the production and publication of key market data.



Regulatory action

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 two disputes and have taken no enforcement actions.

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.

Information technology and governance

Our Information Management Committee oversees governance arrangements and compliance with the General Data Protection Regulation (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 a compliance report in June 2022.

All of our staff have been able to work fully remotely during the year which has meant minimal disruption to the conduct of our business and delivery of objectives. This has been achieved in partnership with our NICS IT provider, IT Assist, who look after all of our desktop, infrastructure and network security services. In addition to individual staff workstations, which provide full and secure access to our network, we have been able to maintain contacts and meetings with stakeholders and regulated companies through online meeting platforms. Our Board and committees have also adopted an online meeting tool which includes the facility to access board papers by secure electronic means. This is typical of innovations introduced of necessity to allow us to continue operating in an emergency context and build a more resilient operating model for the future. This will also be of lasting usefulness as we move towards a new form of longer term working which will involve a mix of online and in person engagement. Whilst we recognise the importance and value of face to face meetings and engagement, these new tools will allow us to conduct more of our business in ways which have the potential to offer significant savings in time, cost and environmental impact.

A further significant benefit is the significantly enhanced resilience that the technology offers from a business continuity perspective. We are no longer reliant, in the short term at least, on needing to find alternative accommodation for staff should Queens House become unavailable for some reason. With the experience of using the remote technology that we now have behind us, and the high levels of assurance around its reliability, we are able to focus our business continuity efforts on how to address what might be needed, should there need to be some restrictions imposed in a future public health emergency. This will be to the benefit of staff in terms of their individual wellbeing. It also means that business continuity planning can be more focussed on a narrower, though as we have learned, no less significant range of scenarios.



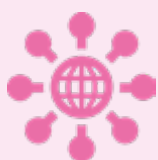
Freedom of Information

During 2021/2022, we received seven requests under the Freedom of Information Act and Environmental Information Regulations. Five out of the seven responses were issued within the statutory period. The requests that saw a delay in response, were to the same requester. The delays were caused by the large volume of relevant documents that had to be processed as part of our response.

Sustainability report

The Northern Ireland Renewables Obligation support scheme, supported 3.7 TWh of renewable generation. Over £8 million of funding was provided to energy efficiency schemes under the Northern Ireland Sustainable Energy Programme.

Northern Ireland Sustainable Energy Programme in figures



£8 million
spent on NISEP
schemes overall



481.9GWh
total lifetime
energy
savings



44,847 tonnes
of lifetime
carbon savings



Over £22m
in lifetime gross
consumer benefit
savings

Promoting sustainable energy for 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. Northern Ireland is expected to contribute energy savings each year to the UK-wide energy efficiency target.

NISEP is the only energy efficiency scheme in Northern Ireland which contributes to the UK's energy efficiency target. NISEP is currently under review and to date we have issued a discussion paper, call for evidence, held focus groups throughout Northern Ireland and carried out a series of structured interviews to gather stakeholder views. Our Board has agreed to continue NISEP until March 2025, This will enable any final decision regarding NISEP or any successor scheme to be consistent with the requirements of the next energy strategy for Northern Ireland.

Supporting renewable development

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

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.

The NIRO scheme is now closed to new entrants.

During the year, we worked with DfE to provide them with information for use by the Public Accounts Committee for Northern Ireland (PAC). This enabled the completion of the PAC report on generating electricity from renewable sources, published September 2021.

Providing fuel mix information to consumers

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. Along with colleagues in CRU and SEMO, we worked to ensure suppliers provide fuel mix information to their customers. We publish this report in August each year.

Appendix 1

Performance Report



Financial report for the year ended 31 March 2022

Central government financing

£220k 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.

Corporate Strategy key success measures report

Strategic objective 1

Promoting markets that deliver effective competition, informed choice and fair outcomes

Key success measures	Status	Year 1 progress
<p>% of customers who trust and are satisfied with their energy supplier.</p> <p>% of customers who are satisfied with consumer protection arrangements in Northern Ireland.</p> <p>% of customers who are satisfied with the switching process.</p>	On track	<p>The second domestic consumer insight tracker was published and included baseline metrics on success measures identified plus further metrics on debt and vulnerability. The domestic tracker will now be conducted on an annual basis.</p> <p>The second non-domestic tracker, and third domestic tracker, will be conducted during 22/23.</p>
Enhanced market analysis and monitoring in place facilitating consumer protection, assurance of compliance and enabling enforcement as necessary.	On track	<p>Enhanced retail market monitoring (new metrics have been added to monitor Supplier Codes of Practice), and enhanced reporting and publication (newly formatted Quarterly and Annual REMM publications). REMM enhancement work is ongoing and will continue to ensure consumer protection. The REMM framework will be reviewed fully in 2022/23 and consulted on.</p> <p>In addition the impact of Covid continues to be monitored via supplier and network operator submissions in addition to REMM.</p>
Increased efficient deployment of interconnector flows evidenced by harmonisation across the interconnectors between GB and the Single Electricity Market (SEM).	Revised	Work is ongoing in relation to TCA implementation and SEMC have issued a consultation on whether additional measures should be taken to improve SEM-GB trading.
Efficient wholesale energy prices that benchmark favourably with comparator markets.	On track	Wholesale prices reflecting underlying fundamentals of fuel, demand, wind and generation availability. Prices have largely tracked GB market prices.
Consumer Protection Programme (CPP) priority projects are delivered.	Re-scoped CPP published.	The revised programme was published during 2021/22. Years two and three of the programme include a renewed focus on debt and affordability.

Strategic objective 2

Enabling 21st century networks

Key success measures	Status	Year 1 progress
All network utilities deliver asset management strategies and long-term network development plans.	On track	Work being progressed in these areas as part of network price reviews. Commitment from MEL and GNI (UK) to develop an ISO55000 accredited asset management system within GT22. NI Water has development targets identified as part of PC21. SONI publishes a 10 year development plan for the electricity network annually and the Gas Transmission Operators publish a gas capacity statement annually.
Innovation plans are delivered as part of price control reviews.	On track	Approval in place for NIE Networks Green Recovery work including an Electric Vehicle trial. NI Water's PC21 Final Determination includes Low Carbon Technology investment.
Price control reviews improve services and save money for consumers.	On track	Price control draft determinations published for Gas distribution and Transmission companies. An Approach document was published for NIE Networks next price control. Work is on-going for all price controls.
A review of electricity network tariffs is completed.	On track	A call for evidence and responses have been published, Further work on this will align with DFE Energy Strategy.
Over 300,000 gas customers connected to the natural gas network.	Achieved	Over 307,000 customers connected to natural gas network.
Best practice guaranteed standards of service are introduced for energy companies.	Delayed	Progress is being made on GSS. Consultation paper to be published in 2022.
Cost and performance reports are published for all network utilities.	On track	<p>Programme of work in place to deliver gas Distribution Network Operator (DNO) and Transmission System Operator (TSO), SONI TSO and Northern Ireland Electricity Networks cost reporting</p> <p>Assessment of TSOs and GMO Cost and Performance for the years 2017 -2020 was published in September 2021</p> <p>Water and Sewerage Services Cost and Performance Report for 2019-20 was published in January 2022</p> <p>Assessment of DNO Cost and Performance Report for the years 2017 -2020 was published in March 2022</p>

Strategic objective 3

Enabling security of supply and a low carbon future

Key success measures	Status	Year 1 progress
Facilitate investment in low carbon technologies.	On track	<p>System Services Future Arrangements High Level Design paper published.</p> <p>Engagement and workshops continued on potential for biogas injection. Work will complete in 2022 with a possible first connection within the year.</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 Northern Ireland Renewable Obligation (NIRO) and Northern Ireland Sustainable Energy Programme (NISEP) being progressed.</p>
Facilitate the delivery of the second north-south interconnector.	Delayed	Engagement continues with the companies on delivery of the north-south interconnector.
A new transportation agreement to ensure access to GB gas supply after 2021.	Achieved	A new transport agreement is now in place.
Along with DfE, Clean Energy Package requirements are met by 2024.	On track	Work has been completed in identifying those elements essential for the ongoing operation of the wholesale electricity market and to update UR's statutory duties. UR has also supported DfE in preparing changes necessary for the first round of implementation measures.
Sufficient generation is secured to meet demand through the SEM Capacity Remuneration Mechanism.	On track	Capacity auctions have continued to secure sufficient generation capacity at reduced overall cost compared to previous arrangements.

Forward Work Programme 2021/2022 report

Strategic objective 1:

Promoting markets that deliver effective competition, informed choice and fair outcomes

Ref	Project description	Scope and anticipated outcome/s	Status (achieved, partially achieved or revised)	Explanation if partially achieved or revised	Lead team
1	Deliver our Consumer Protection Programme (CPP)	Delivering our revised Consumer Protection Programme projects will provide safeguards for customers, particularly vulnerable customers.	Partially Achieved & Revised	CPP programme delivered in part; and also has been re-scoped in year and re-published publically (out to 2023/2024)	Retail
2	Deliver a Second Domestic Consumer Insight Tracker	Completing and publishing the second Domestic Consumer Tracker report will help inform our interventions to support domestic consumers in the retail energy market.	Achieved		Retail
3	Complete Retail Regulatory Framework Review	We will issue a position paper before the end of Q1 which will determine if our retail and consumer regulatory regime is fit for purpose and that the interests of consumers are protected.	Achieved		Retail
4	Facilitate innovation in energy markets by reviewing licences	Examine options, and implement changes to licence requirements to assist innovation in line with our Statutory duties and Corporate Strategy	Partially achieved	Consultation undertaken on Supply licence aspect. Not progressed on Wholesale and Network licences	All

5	Commence energy supply price control reviews	Begin the three Supply Price control projects in electricity and gas sectors. Ensures that the price regulated suppliers produce quality outputs at lowest cost to consumers and have sufficient revenues to run their business efficiently.	Achieved		Retail
6	Commence review of gas exit capacity arrangements	Consider how the gas exit capacity arrangements and SEM work effectively together and identify if any changes are required to continue to protect the interests of customers.	Revised	This work was deferred and included in the FWP for 2022/2023.	Networks
7	Develop more competitive future arrangements for system services	Consult on options and develop approach to ensure that there are competitive procurement arrangements in place after 2023.	Partially Achieved	A high level design decision was published. This will be a multi-year project with work on going in relation to detailed design.	Wholesale
8	Work to enhance SEM-GB Trading Arrangements	Work with stakeholders following EU Exit to develop measures that improve the efficiency of trading between SEM and GB and protect the interests of NI energy consumers	Partially Achieved	We have continued to engage with key stakeholders on implementing the Trade and Co-operation agreement. A separate SEM Committee consultation has taken place.	Wholesale
9	Complete SEMO price control review	Consult and decide upon SEMO 2021 price control proposals to ensure that the company produces quality outputs at reasonable cost to consumers and has sufficient revenues to run its business.	Achieved		Wholesale

Strategic objective 2:

Enabling 21st century networks

Ref	Project description	Scope and anticipated outcome/s	Status (achieved, partially achieved or revised)	Explanation if partially achieved or revised	Lead team
1	Review the Moyle Interconnector regulatory framework	Review the Moyle regulatory framework in light of new legislative requirements.	Revised	Scope of work under review.	Wholesale
2	Put in place a customer focused framework to deliver enhanced performance and transparency (including new licence obligations on Digitalisation)	Will facilitate delivery of net zero by putting in place a Digitalisation Strategy for Northern Ireland which delivers access to information on Network operation from NIE Networks and SONI.	Partially achieved	We have considered the scope of new licence provisions for data sharing / open data for NIEN and SONI. This will continue into the following year.	Networks
3	Complete PC21 water price control	Our price control determination will ensure that the company produces quality outputs at lowest cost to consumers and has sufficient revenues to run its business.	Achieved		Networks
4	Scope a review for the effective treatment of NI Water depreciation	The review will ensure water company has a sustainable model with costs appropriately apportioned between short-and long-term.	Partially achieved	Work has started to scope and model this issue. Engagement to be planned with NI Water and DfI. This will continue into the following year.	Networks

5	Commence NIE Network RP7 price control review	Ensures that the electricity distribution company produce quality outputs at lowest cost to consumers and has sufficient revenues to run its business while facilitating the energy transition.	Achieved		Networks
6	Commence assessment of NI Water's Living With Water programme	Will ensure that the water company produce quality outputs in a collaborative way giving overall lowest costs for Northern Ireland.	Achieved		Networks
7	Scope a review of electricity network tariff structures	Ensures the structure of tariffs remain appropriate for network industries and customers in light of the energy transition and new DfE Energy Strategy.	Achieved		Networks
8	Continue GD23 price control review	The review will ensure that the gas distribution network companies produce quality outputs at lowest cost to consumers and have sufficient revenues to run their businesses.	Partially achieved	Draft Determination published. Engagement with companies ongoing. This will complete in 2022.	Networks
9	Deliver effective licence obligations to reflect the outcome of the SONI Governance review	Updated licence obligations will ensure that SONI operates effectively in the interests of Northern Ireland consumers.	Partially achieved	This is a multi-year project which will continue into the following year.	Networks
10	Continue GT22 price control review	Ensures that the gas transmission network companies produce quality outputs at lowest cost to consumers and have sufficient revenues to run their businesses.	Achieved		Networks

Strategic objective 3:

Ensuring security of supply and a low carbon future

Ref	Project description	Scope and anticipated outcome/s	Status (achieved, partially achieved or revised)	Explanation if partially achieved or revised	Lead team
1	Deliver SEM capacity auctions in line with programme	Preparations for T-4 2025/26, T-3 2024/25 and T-1 2022/23 capacity auctions will be completed. Ensures the appropriate volume of capacity is secured through the capacity market considering constraints and other factors while optimising security of supply with cost to consumers.	Achieved		Wholesale
2	Implement the Electricity Regulation in SEM	Continues progress on implementing key aspects of the Electricity Regulation in relation to SEM energy and capacity markets.	Achieved		Wholesale
3	Support DfE to progress the implementation of the Clean Energy Package (CEP)	Ensures Northern Ireland is compliant with the aspects of CEP which have been transposed in advance of exit day.	Partially achieved	This will continue into the following year following DfE's implementation plan.	All
4	Support DfE in the development of a consumer-centric energy strategy to help deliver net-zero (including the future of energy efficiency)	Will assist DfE in developing a revised long-term framework for energy in Northern Ireland that will focus on the needs of consumers and help deliver net-zero.	Partially achieved	This will continue into the following year.	All

5	Complete arrangements to continue to provide access to GB Gas markets after 2021	Ensures the continued efficient operation of the gas transmission system.	Achieved		Networks
6	Advance work on reviewing the gas regulatory framework to facilitate possible biomethane injection	Scope and implement changes to existing framework to facilitate injection of biomethane onto the gas grid. Liaison on with Regulated companies, DfE and interested stakeholders to ensure policy alignment.	Achieved		Networks
7	Support DfE to further enhance NIRO and implement the NI Audit Office recommendations	Statutory duties in respect of NIRO are demonstrated. Building the foundation for the next stage of energy transition to decarbonised electricity supplies.	Achieved		Corporate Affairs
8	Support DfE to design a pilot energy efficiency home retrofit scheme and develop quality standards and an appropriate quality assurance approach for Energy Services providers within NISEP	Consumers who receive and/or invest in energy services products can be confident of a high quality service and outcome.	Partially achieved	This is a multi year project that is being progressed in accordance with Departmental timetables. NISEP quality assurance proposals are also in development.	Corporate Affairs

Organisational Projects

Ref	Project description	Scope and anticipated outcome/s	Status (achieved, partially achieved or revised)	Explanation if partially achieved or revised	Lead team
1	Review the adequacy of our legislative remit in the context of emerging industry requirements and change	Review of existing legislative framework to determine future requirements. Liaison with DfE to ensure policy alignment and progression of legislative amendments.	Partially achieved	Senior engagement has taken place between the UR and DfE. Priority work areas are being identified that will be progressed jointly with DfE.	Corporate Affairs
2	Review and implement appropriate licensing regime to reflect the terms of EU Exit	Ensure all our licences and codes align with the terms of EU Exit.	Achieved		Corporate Affairs
3	Develop and implement a new UR People plan (working in a post Covid world)	New URP plan to focus on the aim of being a best practice employer by benchmarking with the best and delivering new initiatives to promote diversity and learning and development.	Achieved		Corporate Affairs

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.

Contestability

Contestability is used to describe the introduction of competition to elements of new electricity connections work, with consumers having a choice of provider to undertake this work.

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 NIE Networks licence to allow approval of transmission investment not covered within the price control allowance.

Dt

A term which refers to certain categories of price control excluded costs, which are considered on an individual basis by us. These costs are referred to within the price control determination as 'Dt' costs.

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

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
CM/SAT	Customer Measures/Customer Satisfaction Working Group
CPP	Consumer Protection Programme
CRM	Capacity Remuneration Mechanism
CRU	Commission for the Regulation of Utilities
CVWG	Consumer Vulnerability Working Group
DECC	Department for Environment, Climate and Communications
DfE	Department for the Economy
DfI	Department for Infrastructure
DNO	Distribution Network Operator
DoF	Department of Finance
EU	European Union
EWIC	East-West Interconnector
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
GMSG	Gas Metering Solutions Group
GNI	Gas Networks Ireland
GSS	Guaranteed standards of service

IT	Information Technology
MMU	Market Monitoring Unit
MWh	Megawatt hour
NIAO	Northern Ireland Audit Office
NI	Northern Ireland
NICS	Northern Ireland Civil Service
NIEN	Northern Ireland Electricity Networks
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
PTL	Premier Transmission Ltd
REMM	Retail Energy Market Monitoring
RGLG	Renewables Grid Liaison Group
OSP	Overall Standards of Performance
ROCs	Renewable Obligation Certificates
SEM	Single Electricity Market
SEMO	Single Electricity Market Operator
SoLR	Supplier of Last Resort
SONI	System Operator of Northern Ireland
TNPPs	Transmission Network Pre Construction Projects
TSOs	Transmission System Operators
UK	United Kingdom
UKCN	UK Competition Network
UKRN	UK Regulators' Network



Queens House
14 Queen Street
Belfast BT1 6ED
T: 028 9031 1575
E: info@uregni.gov.uk
www.uregni.gov.uk