



Revised Gas Distribution RIGs Decision

Decision Paper
May 2024



About the Utility Regulator

The Utility Regulator is the economic regulator for electricity, gas and water in Northern Ireland. We are the only multi-sectoral economic regulator in the UK covering both energy and water.

We are an independent non-ministerial government department, and our main duty is to promote and protect the short- and long-term interests of consumers.

Our role is to make sure that the energy and water utility industries in Northern Ireland are regulated, and developed within ministerial policy, as set out in our statutory duties.

We are governed by a Board of Directors and are accountable to the Northern Ireland Assembly.

We are based at Queens House in Belfast. The Chief Executive and two Executive Directors lead teams in each of the main functional areas in the organisation: CEO Office; Price Controls, Networks and Energy Futures; and Markets and Consumer Protection.



Our mission

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



Our vision

To ensure value and sustainability in energy and water.



Our values

- Be a best practice regulator: transparent, consistent, proportionate, accountable and targeted.
- Be professional – listening, explaining and acting with integrity.
- Be a collaborative, co-operative and learning team.
- Be motivated and empowered to make a difference.



Abstract

Today, we publish our decision regarding the revision of the annual reporting requirements for the gas distribution network operators (GDNs) firmus energy (Distribution) Limited, Phoenix Energy and Evolve. The guidance requires updating to reflect changes made in the GD23 price control final determination alongside a general review of the required reporting elements.

GD23 is the distribution price control for Northern Ireland's GDNs, which covers a six-year period from January 2023 to December 2028.

This document sets out the decision regarding Regulatory Instructions and Guidance (RIGs) for the annual reporting of gas GDNs costs and outputs. It details the changes from the existing guidance, consultation feedback and the UR final decision.

Audience

This document will be of interest to the GDNs and other Northern Ireland gas network stakeholders.

Consumer impact

Annual reporting has been a part of the regulatory framework for GDNs for several years. These RIGs provide a framework for the UR to collect consistent information from the GDNs on an annual basis. This information will help monitor the GDN performance and, over time, will provide a database that will inform subsequent gas distribution price controls.



Contents

| | | |
|-----------|--|-----------|
| 1. | Introduction | 2 |
| | Purpose of this Document | 2 |
| | Background | 2 |
| | Price Control Changes | 3 |
| | Process of RIGs Revisions | 3 |
| 2. | Consultation Proposals | 5 |
| | Reporting Template and Definitions | 5 |
| | Commentary Requirements | 6 |
| | Reporting Period and Timescales | 7 |
| 3. | Consultation Responses | 8 |
| | Key Issues | 8 |
| | Consultation Responses | 8 |
| 4. | Decisions and Direction | 11 |
| | RIGs Decision | 11 |
| | Licence Direction | 11 |

1. Introduction

Purpose of this Document

- 1.1 A key role of the Utility Regulator (UR) is to protect the interests of current and future Northern Ireland (NI) gas consumers. A crucial way to achieve this is by monitoring and reporting against regulated companies cost and output performance.
- 1.2 The purpose of this paper is to set out decisions for revision of the Regulatory Instructions and Guidance (RIGs) for the annual reporting of gas distribution network operators (GDNs) costs and outputs to align with our GD23 price control final determination.
- 1.3 A consultation on this issue was published in February 2024¹. This paper details the changes from the existing reporting guidance, consultation feedback and the UR final decision.

Background

- 1.4 There are three gas conveyance licence holders for the Northern Ireland distribution networks:
 - a) Evolve (Evolve)
 - b) Firmus energy (Distribution) Ltd (FE)
 - c) Phoenix Energy (PE)
- 1.5 Each GDN has a specific licenced area as per their license conditions.
- 1.6 Decisions regarding the GDNs revenue and outputs is periodically determined (typically every six years) through the price control process.
- 1.7 The GDNs then report performance against price control allowances and outputs on an annual basis. This is done via a variety of submissions, of which, the RIGs return is one of the most important.
- 1.8 RIGs reporting was established as part of *Condition 1.21 (for Evolve) or 1.26 (for PE and FE): Regulatory Instructions and Guidance in the Licence for The Conveyance of Gas in Northern Ireland* for the GDNs.

¹ [Consultation documents for revised Regulatory Instructions and Guidance for gas distribution network operators | Utility Regulator \(uregni.gov.uk\)](#)

Price Control Changes

- 1.9 The gas distribution price control (GD23) determination covers the period 1 January 2023 until 31 December 2028. The final determination (FD) was published in October 2022².
- 1.10 Following the price control final determination, several changes have been made, which are now reflected in the RIGs. These are outlined in section 2.
- 1.11 Furthermore, the UR has aligned GD23 Final Determination to the RIGS. UR has undertaken a review of the RIGS, which has remained largely unchanged for several price control cycles.
- 1.12 As part of this review, the reporting template was modified. This involved the assessment of relevant tables and templates, their functionality and format, to enable structured population and analysis of relevant data.
- 1.13 The format of the RIGS has also changed from an annual report template to the full price control period report template. This will enable a more efficient and convenient structure of reporting during the process.
- 1.14 This new template is designed to be consistent with the GD23 price control and will enable UR to collect the information it needs to access GDN performances and make better informed decisions for future price controls.

Process of RIGs Revisions

- 1.15 Amendments to the RIGs are made via the direction being issued by the UR to the GDNs under *Condition 1.21.4 (for Evolve) or 1.26.4 (for PE and FE) Development and modification of the RIGs*. However, the direction is of no effect unless the process as set out under *Condition 1.21.4/1.26.4* is completed. This process includes the following:
- a) UR must give notice to the licensee that it proposes to issue new RIGs or (as the case may be) to modify the RIGs:
 - (i) Specifying the date that the provisions of the document to be issued or modified should take effect.
 - (ii) Setting out the text of the RIGs to be issued or modified and the UR reasons for proposing to issue or modify; and
 - (iii) Specifying the time (which will not be less than a period of 28 days from the date of the notice) within which representations

² See GD23 final determination [publication](#).

in response to such proposals may be made.

- b) That UR considers any representations in response to the notice that are duly made and not withdrawn.
- 1.16 This paper provides the relevant detail required to fulfil the legal obligations under *Condition 1.21.4/1.26.4*. The consultation was the relevant notice required to issue new RIGs. This paper details how the UR has considered representations and made final decisions.
- 1.17 The conclusions section also includes the direction under *Condition 1.21.4 (c)* for the new RIGs to take effect.

2. Consultation Proposals

Reporting Template and Definitions

- 2.1 It was our intention that the annual/cost reporting should correspond, where reasonably practicable, with the GDNs' price controls.
- Business plan templates and submissions for upcoming price controls should build upon the structure for the annual/cost reporting.
 - Also, the annual/cost reporting should provide an indication of GDN performance within in the wider price control context. The level of detail reported with in the annual/cost report (particularly in the summary tables) should be consistent with the level of detail within the price control determinations.
- 2.2 We have sought to align the structures of the annual/cost reporting template with the GD23 final determination and provided determination data with actual data within the determination tables, to facilitate improved systematic reconciliation and efficient monitoring.
- 2.3 Non-functioning worksheets have been removed which are not required on an annual basis outside the price control determination process, particularly financial data, that will form part of the next price control business plan submission.
- 2.4 The main changes are outlined in the below table:

| Update | Details |
|---------------------------------------|--|
| Yearly Reporting Change | Format of the template changed from capturing data for single reporting year template to a full duration of the price control period reporting template. |
| Worksheet and Table Review | All tables and worksheets which had been marked as unused have been removed. |
| Unit of Measure and Price Base Detail | The unit of measure and price base for reported data has been added to the template to provide information and clarity. |
| Financial Worksheet Reduction | Several financials worksheets which captured data that is not been required annually has been removed, with only the reconciliation against the regulatory accounts financial worksheet remaining. |
| Summary Table Sections Added | Tables providing a more detailed breakdown of opex and capex cost summary in comparison to the final |

| Update | Details |
|--|---|
| | determination has been added. |
| Maintenance Tables Removed | Maintenance and metering tables that duplicated data inputs have been removed. |
| Capex Tables Removed | Capex tables that duplicated data inputs have been removed. |
| Network Asset Worksheets Amended | Unused tables have been removed or data requirements amended to capture relevant data. |
| Outputs and Environment Worksheets Updated | Emergency call and job analysis data amended to reflect GD23 determination metrics. |
| Standards of Performance Worksheet | This has been removed, as data is provided to UR through other consumer protection reporting. |
| Final Determination Variation | Several new tables have been added which show actual versus GD23 determination variation. |
| Structure of Commentary | Part 13: Emerging Issues and Part 14: Additional Reporting added |
| Appendix 1: Glossary | New Key Terms added, or definitions updated. |

Table 2.1: Proposed updates

Commentary Requirements

- 2.5 Alongside the submission of its RIGs data template, each licensee must submit supporting commentary. The commentary should provide details on specific areas to aid our understanding of the resulting data and statistics. Any additional information or documentation requested in the RIGs and / or which the GDNs deems appropriate to provide.
- 2.6 The submission must be accompanied by a letter and statement signed by a Director on behalf of the licensee confirming that to the best of their knowledge, data is accurate, complete and has been provided in accordance with their licence conditions.
- 2.7 We are not proposing to update the commentary requirements as set out in the guidance.

Reporting Period and Timescales

- 2.8 The relevant reporting year for the provision of information runs from 1 January to 31 December. For example, a reporting year of 2023 means the year ended on 31 December 2023. The template and guidance cover the entirety of the GD23 price control. The UR does not intend on issuing guidance each year unless something is incorrect, or updates/changes are required.
- 2.9 GDNs must provide its submission, completed in accordance with these RIGs, no later than 30 June immediately following the end of the reporting year; that is, six months after the end of the reporting year. For example, information for the reporting year ended 31 December 2023, must be provided by 30 June 2024. For the avoidance of doubt, this means that the data submitted for GD23 (in respect of the reporting years) would use the RIGs as modified.
- 2.10 GDNs must provide a submission annually.

3. Consultation Responses

Key Issues

3.1 UR asked for all relevant feedback on these annual reporting template updates, requesting respondents may however wish to focus on the following questions:

- a) Do you consider that the template and reporting guidance align with the GD23 Final Determination?
- b) Is there other information regarding cost and performance which the GDNs should be reporting in line with the GD23 Final Determination?
- c) Would any additional reporting be beneficial?

Consultation Responses

3.2 UR welcomed feedback on all aspects of the consultation. We have provided a summary of the responses received in the below table.

| | Respondent comments summary and UR responses |
|---------------|--|
| Evolve | Evolve welcomed early engagement and opportunity to provide informal feedback prior to the consultation. Evolve is supportive of the changes proposed and agrees that the changes aim to align with the GD23 Final Determination. Evolve agrees with the UR that it will not be necessary to issue guidance each year unless something is incorrect. |
| UR Response | UR welcomes Evolves response to this consultation and thanks it for its engagement and input during this process. |
| firmus energy | firmus energy welcomed the opportunity to respond to this consultation. It provided feedback on each of the three questions set out in the consultation. On question a) it noted the close work with the UR in arriving at this version and said that it |

| | |
|----------------|--|
| | <p>was not until the template begins to be populated that specific issues may be identified to which they would work with the UR to resolve. It welcomed the change in moving from single reporting years to the full duration of the price control. It also welcomed the removal of information that was captured elsewhere or no longer required. firmus energy noted paragraph 1.23 which requires the firmus board to be satisfied that all relevant connections were burning a minimum quantity of gas and provide its response from 2022. On question b) firmus energy believes that the template in combination with the GD23 Uncertainty Mechanism captures the information needed to report in line with the GD23 Final Determination. However, if other information requires capturing firmus energy will work with the UR to resolve this. Finally on question c), firmus energy cited its response to question b) in that it does not believe there is any further information to add but that if any further work is required, it is willing to work with the UR on this.</p> |
| UR Response | <p>UR welcomes firmus energy's response to this consultation and thanks them for their engagement and input during this process. On paragraph 1.23 we are content with how firmus energy has been responding in previous submissions.</p> |
| Phoenix Energy | <p>Phoenix Energy noted that it has engaged extensively with the UR on the development of the revised RIGS in advance of this consultation. It noted that the streamlining of information will allow for an easier comparison of performance across the six years of the price control. In its response it highlights that the structure of the template will only be tested for accuracy once first submissions are made. Phoenix Energy welcomed the clarity on the two new requirements (Part 13 & Part 14) and said that it will capture these within its existing commentary framework. A typo was noted in paragraph 1.17.</p> |

| | |
|-------------|---|
| UR Response | UR welcomes Phoenix Energy's response to this consultation and thanks it for its engagement and input during this process. We note and have corrected the typo in paragraph 1.17. |
|-------------|---|

Table 3.1: Consultation Response Summary

4. Decisions and Direction

RIGs Decision

- 4.1 Based on the responses to the consultation, UR has made the necessary changes suggested to the guidance and reporting template.
- 4.2 Further review of RIGs reporting may be necessary following completion of the next gas distribution price control or if further areas need to be reported during the current price control or unforeseen circumstances.

Licence Direction

- 4.3 Under *Condition 1.21.4 (for Evolve) or 1.26.4 (for PE and FE)* of the GDNs licence, the UR hereby issues a direction to implement new RIGs as set out in the guidance and reporting template published alongside this decision paper.
- 4.4 The new guidance will take immediate effect and should be implemented for information relating to the 2023 reporting year. UR accepts that such cost and activity reporting had not been agreed prior to the start of the year. UR would therefore request that the data be compiled on a 'best endeavours' basis.