Economy Committee presentation from the Utility Regulator

Wednesday 3 November 2021

John French

Chief Executive

Who we are

The independent non-ministerial government department responsible for regulating Northern Ireland's electricity, gas, water and sewerage industries.

Board and Chair appointed by the Department of Finance

Accountable to the NI Assembly

Energy

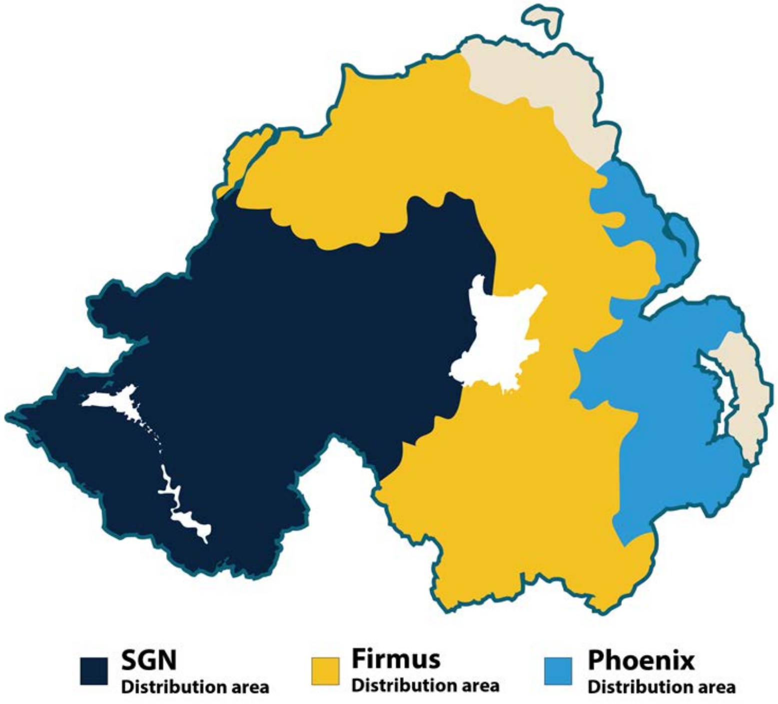
Protecting the interests of electricity consumers with regard to price and quality of service by promoting effective competition where appropriate.

Promoting the development of an efficient, economic and co-ordinated gas industry.

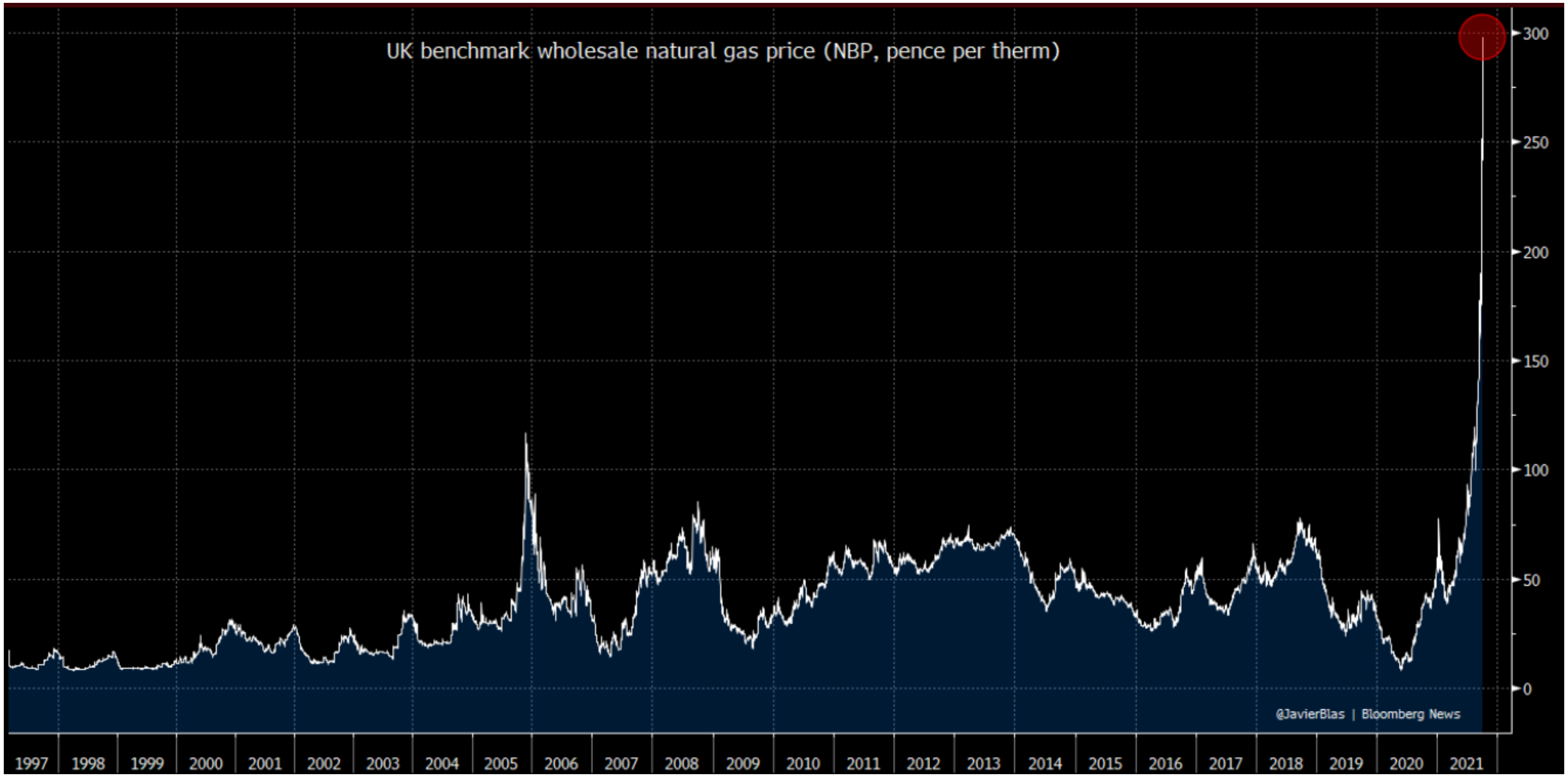
Water

Protecting the interests of water and sewerage consumers by promoting an efficient industry delivering high quality services.

Natural Gas


SGN
Distribution area
Firmus
Distribution area
Phoenix
Distribution area

Wholesale Natural Gas – UK National Balancing Point (NBP)



Wholesale Natural Gas – UK National Balancing Point (NBP)

Natural Gas – Day Ahead Market (Monthly Average) pence per therm

March	April	May	June	July	August	September	October*
45.32	55.64	65.64	72.21	91.68	111.01	158.72	222.78
% Change	+22.8%	+17.3%	+10.2%	+27.0%	+21.1%	+43.0%	+40.4%
Overall Increase							**+391.6%**

*As at 29/10/21

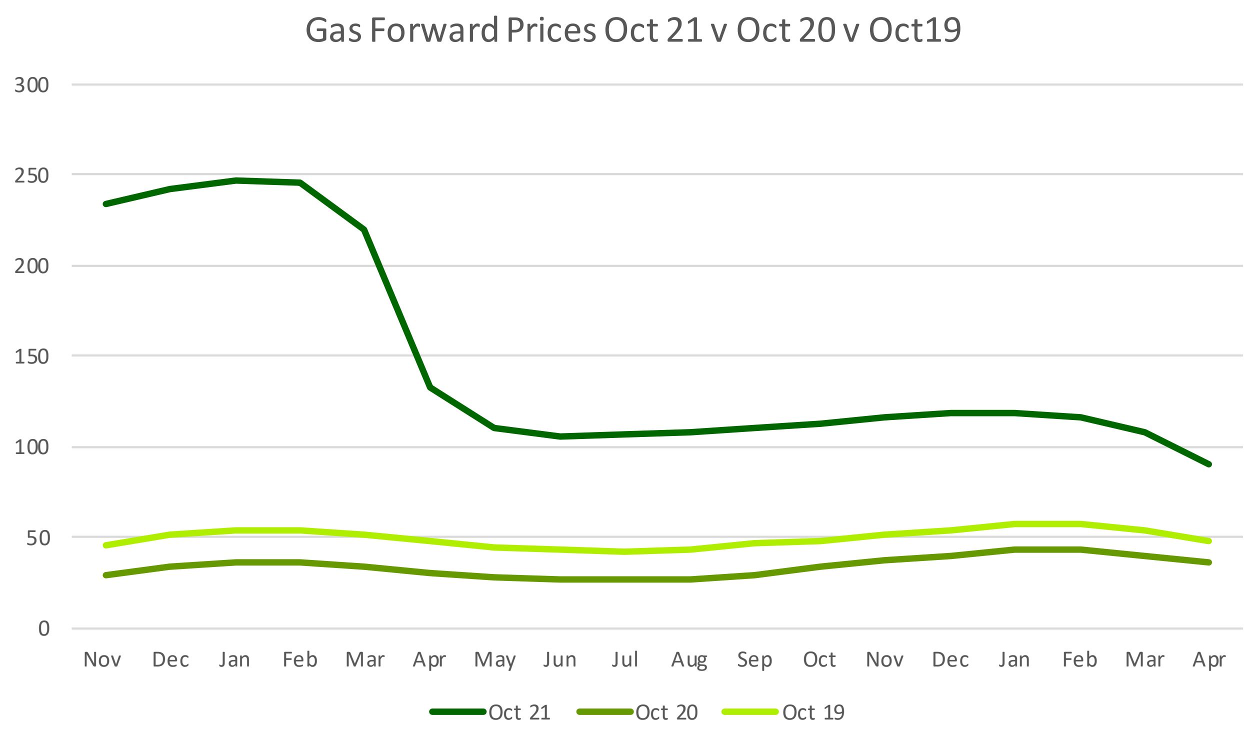
Natural Gas – Next Quarter (Monthly Average) pence per therm

March	April	May	June	July	August	September	October*
43.77	50.65	61.89	71.40	95.57	116.03	169.35	252.86
% Change	+15.7%	+22.2%	+15.4%	+33.9%	+21.4%	+46.0%	+49.3%
Overall Increase							**+477.7%**

*As at 29/10/21

Wholesale Natural Gas – UK National Balancing Point (NBP)

Wholesale Natural Gas – forward prices

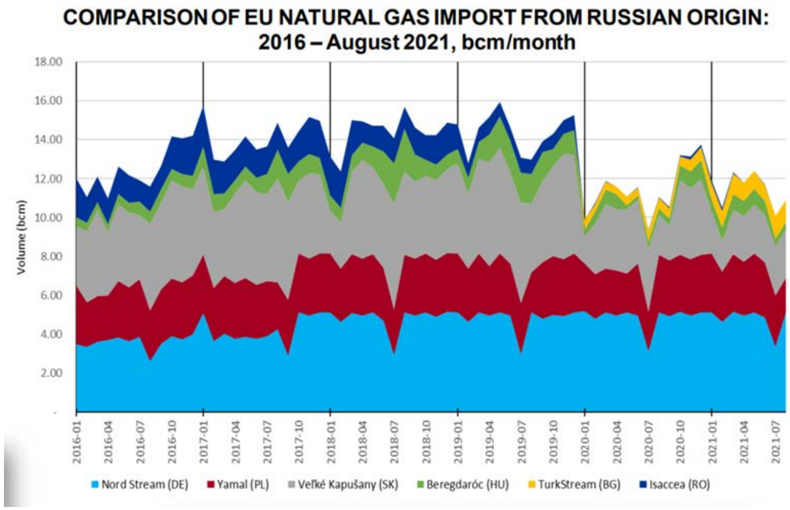


These unprecedented high gas prices are set to continue right through the winter, with current forward prices to drop slightly from the spring but remaining about 100p/therm right through to April 2023. They remain significantly higher than historic gas prices.

Utility Regulator
ELECTRICITY GAS WATER

Wholesale Gas

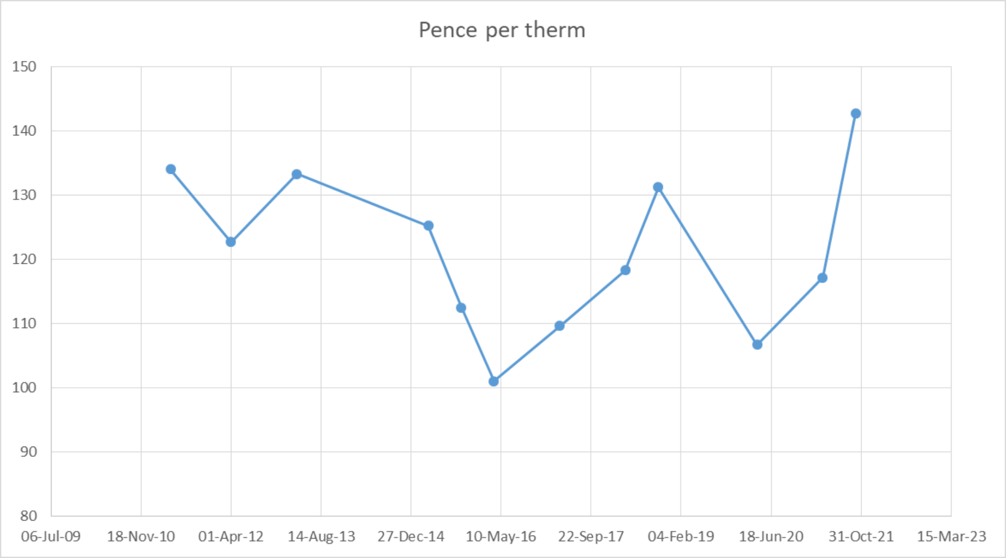
- Forecasted gas costs on the forward curve have increased significantly, particularly for winter 2021 and into 2022.
- This is due in part to:
  - Russia reducing supply to Europe;



  - Demand for LNG from Asia and South America (diverting supply away from Europe);
  - Gas storage supplies already depleted from the 2020 winter had not been replenished as quickly as usual due to high summer gas prices; and
  - High price of carbon driving a higher demand for gas.

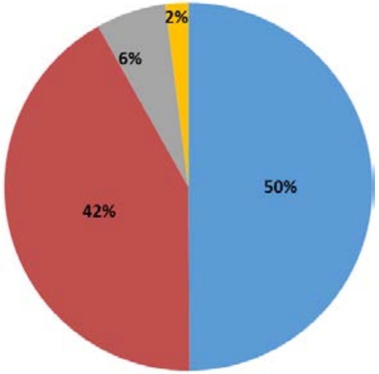
Greater Belfast and West (SSE Airtricity)

Effective Date	% increase/decrease	Pence per therm	Average Household Annual Gas Bill
01-Oct-21	21.8%	142.67	£626
01-Apr-21	9.80%	117.15	£514
01-Apr-20	-18.70%	106.67	£468
01-Oct-18	10.90%	131.17	£576
01-Apr-18	7.80%	118.25	£520
31-Mar-17	7.60%	109.63	£482
01-Apr-16	-10.20%	101.01	£448
01-Oct-15	-10.00%	112.5	£499
01-Apr-15	-7.80%	125.17	£554
01-Apr-13	8.70%	133.26	£602
01-Apr-12	-8.50%	122.64	£554
01-May-11	39.10%	133.97	£605



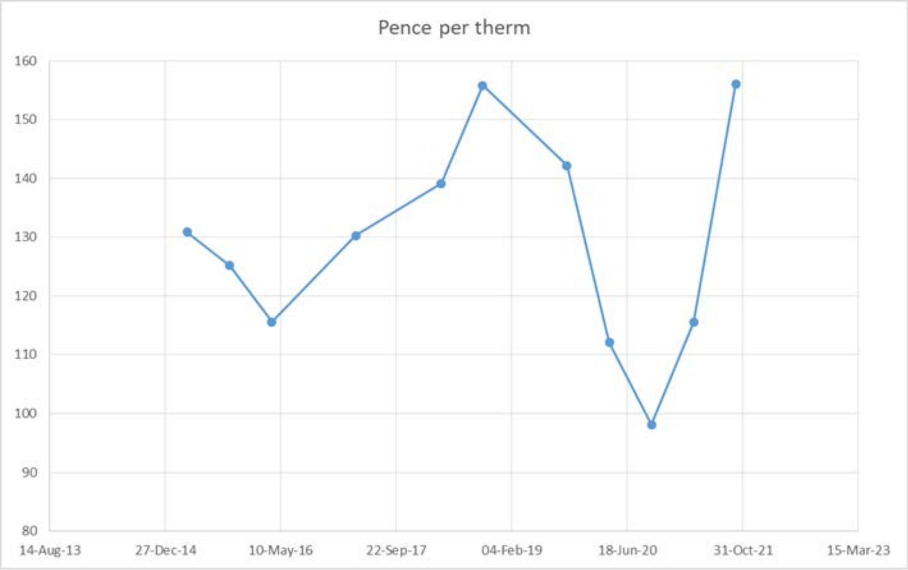
SSE Airtricity's Tariff is made up of:

- Wholesale Gas – 50%
- Network Costs – 42%
- Operating Costs – 6%
- Regulated Margin – 2%
- (GB Price Cap Margin: 3%. Average ROI Margin: 3.5%)



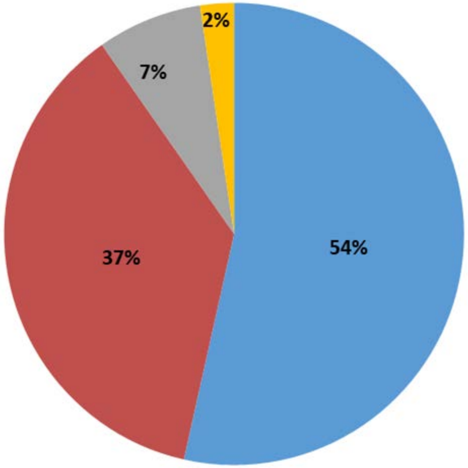
Ten Towns (Firmus Energy)

Effective Date	% increase/decrease	Pence per therm	Average Household Annual Gas Bill
01-Dec-21			
01-Oct-21	35.15%	156.07	£701
01-Apr-21	17.75%	115.48	£518
01-Oct-20	-12.50%	98.08	£440
01-Apr-20	-21.15%	112.07	£503
01-Oct-19	-8.77%	142.14	£638
01-Oct-18	12.00%	155.8	£699
05-Apr-18	6.80%	139.1	£624
31-Mar-17	12.20%	130.27	£585
01-Apr-16	-7.70%	115.61	£521
01-Oct-15	-5.00%	125.16	£565
01-Apr-15	-	130.85	£550



Firmus Energy's Tariff is made up of:

- Wholesale Gas – 54%
- Network Costs – 37%
- Operating Costs – 7%
- Regulated Margin – 2%



GB/ROI/NI – Domestic Gas Price Comparisons

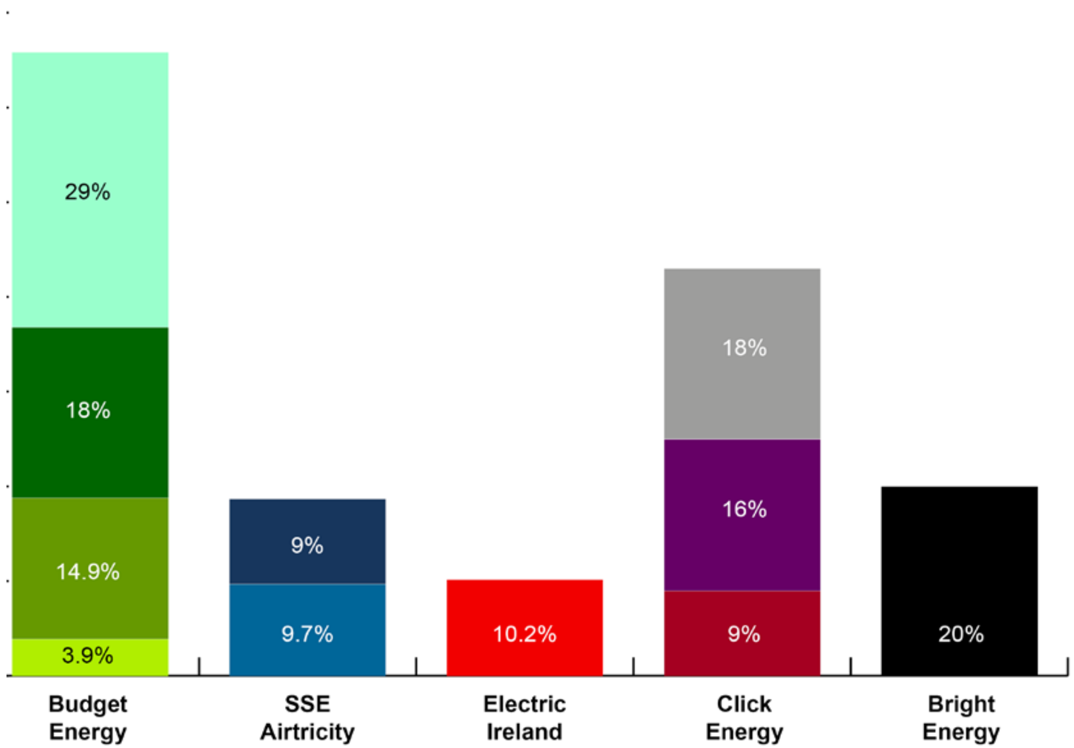
Gas Tariff	Typical Household Annual Cost (12,000KWh / year)	Status
Firmus Energy (Ten Towns)	£701	From 1 October 2021
SSE Airtricity (Greater Belfast and West)	£626	From 1 October 2021
GB (Price Cap)	£625	From 1 October 2021
RoI (Bord Gais)	£908	From 24 October 2021

Electricity

- Power NI are the only regulated domestic electricity supplier. They increased their tariff by 6.9% on 1 July 2021.

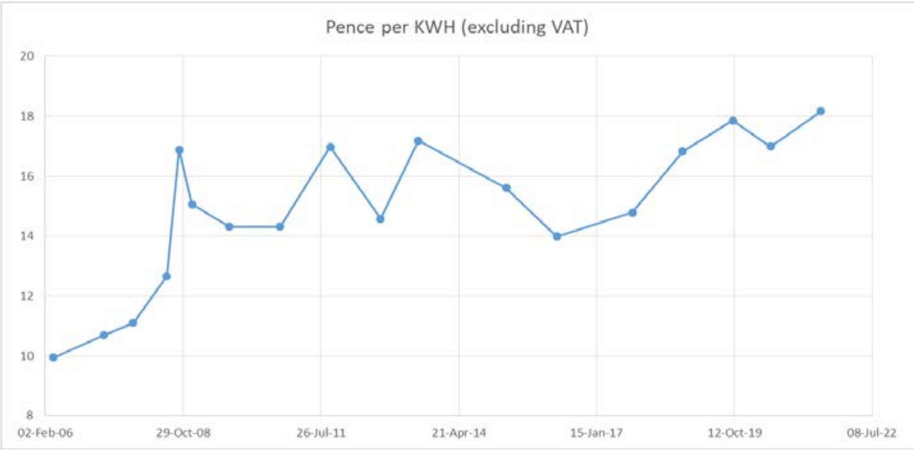
Electricity Tariff	Average Annual Bill	Status
Power NI	£610	From 1 July 2021
GB	£812	From 1 Oct 2021
ROI	£884	Current average bill of the 3 largest suppliers

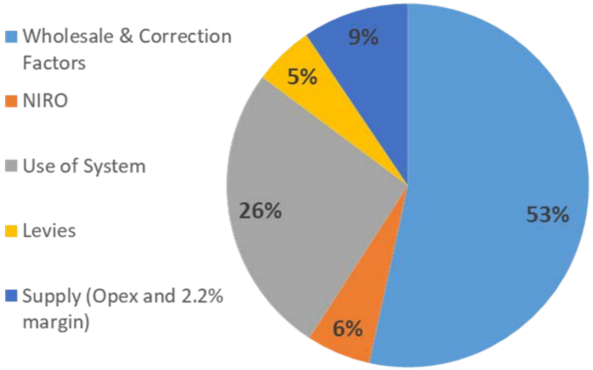
- During 2021, other electricity supply companies have announced increases in their tariffs (which are not price regulated).

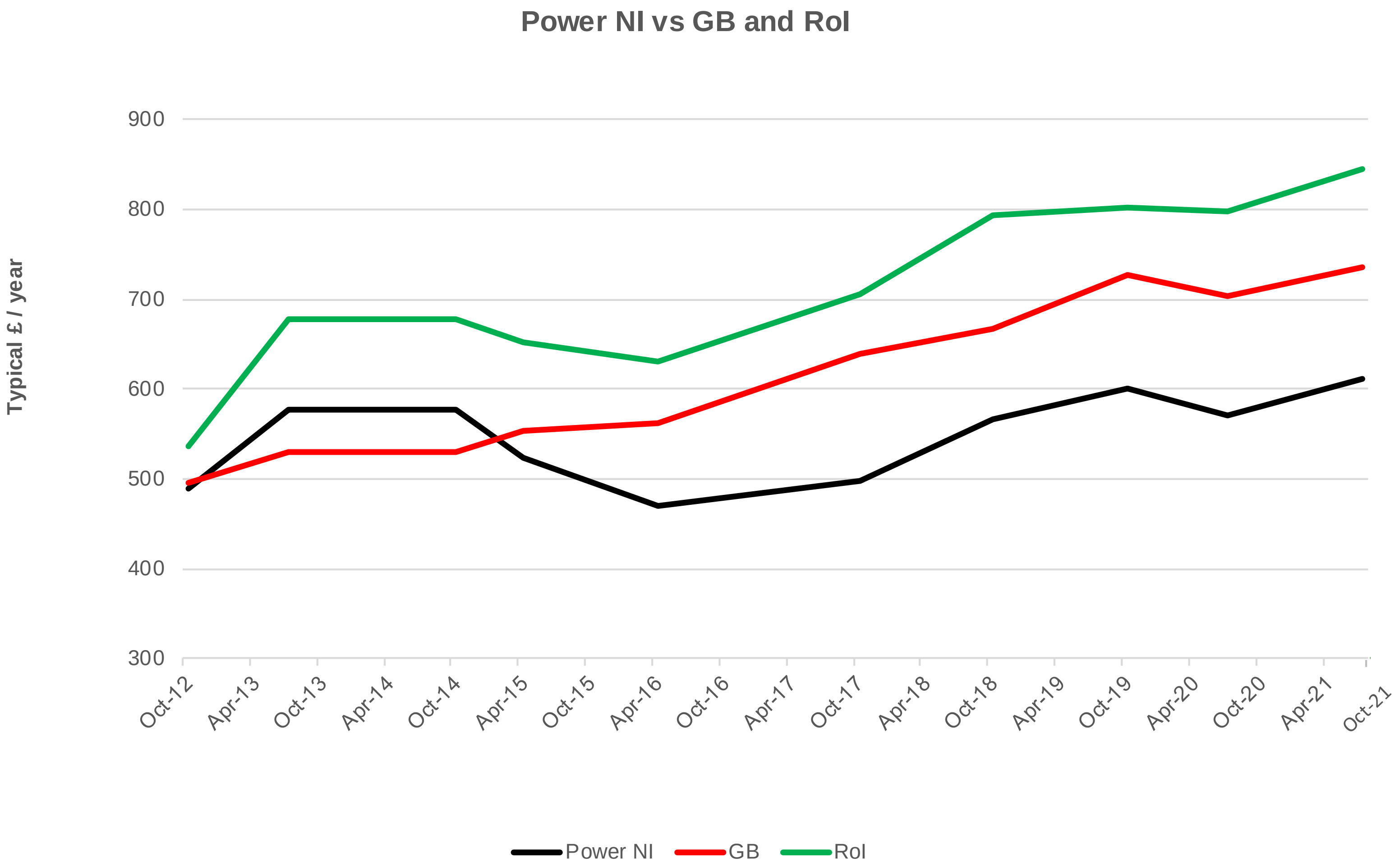


Regulated Electricity Prices – Power NI

Effective Date	% movement	Pence per KWH (excluding VAT)	Pence per KWh (including VAT)	Average Household Annual Bill (£) incl VAT
01-Jan-22				
01-Jul-21	6.90%	18.16	19.07	£610
01-Jul-20	-4.80%	16.99	17.84	£571
01-Oct-19	6.10%	17.85	18.74	£600
01-Oct-18	13.80%	16.82	17.66	£565
01-Oct-17	5.60%	14.78	15.52	£497
01-Apr-16	-10.30%	13.99	14.69	£470
01-Apr-15	-9.20%	15.60	16.38	£524
01-Jul-13	17.80%	17.18	18.04	£577
01-Oct-12	-14.10%	14.58	15.31	£490
01-Oct-11	18.60%	16.97	17.82	£570
01-Oct-10	0%	14.31	15.03	£481
01-Oct-09	-5.00%	14.31	15.03	£481
01-Jan-09	-10.80%	15.06	15.81	£506
01-Oct-08	33.30%	16.88	17.72	£567
01-Jul-08	14.00%	12.66	13.29	£425
01-Nov-07	3.60%	11.11	11.67	£373
01-Apr-07	-3.00%	10.69	11.22	£359
01-Apr-06	-10.80%	9.95	10.45	£334






Power NI vs GB and RoI
Typical £ / year
900
800
700
600
500
400
300
Oct-12
Apr-13
Oct-13
Apr-14
Oct-14
Apr-15
Oct-15
Apr-16
Oct-16
Apr-17
Oct-17
Apr-18
Oct-18
Apr-19
Oct-19
Apr-20
Oct-20
Apr-21
Oct-21
Power NI
GB
RoI

SEM - Dashboard

Monthly Averages	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21
DAM (€/MWh)	**44.30**	**48.19**	**45.83**	**58.82**	**78.38**	**57.56**	**72.87**	**85.43**	**96.73**	**95.00**	**143.41**	**131.47**	**195.54**
% Change from previous month	20%	9%	-5%	28%	33%	-27%	27%	17%	13%	-2%	51%	-8%	49%
% Change from previous year	0%	17%	-12%	29%	86%	74%	113%	205%	310%	266%	377%	256%	341%
Actual System Demand (MW)	**4084**	**4303**	**4519**	**4693**	**4727**	**4695**	**4503**	**4292**	**4188**	**4081**	**4111**	**4098**	**4274**
% Change from previous month	4%	5%	5%	4%	1%	-1%	-4%	-5%	-2%	-3%	1%	0%	4%
% Change from previous year	3%	1%	-2%	5%	3%	0%	1%	14%	14%	8%	6%	5%	5%
Actual Wind Generation (MW)	**1262**	**1829**	**1777**	**2001**	**1513**	**2448**	**1601**	**1089**	**1069**	**998**	**449**	**846**	**873**
% Change from previous month	31%	45%	-3%	13%	-24%	62%	-35%	-32%	-2%	-7%	-55%	88%	3%
% Change from previous year	-1%	20%	25%	10%	-23%	-7%	-15%	16%	-9%	-14%	-62%	-13%	-31%
Gas Price (¢/therm)	**33.00**	**42.43**	**41.03**	**50.01**	**66.40**	**53.08**	**52.75**	**64.26**	**75.53**	**83.80**	**106.10**	**128.38**	**181.11**
% Change from previous month	47%	29%	-3%	22%	33%	-20%	-1%	22%	18%	11%	27%	21%	41%
% Change from previous year	16%	43%	-7%	33%	101%	91%	107%	310%	477%	466%	630%	472%	449%
Carbon Price (€/Tonne)	**27.69**	**25.28**	**26.49**	**31.00**	**33.74**	**38.21**	**41.30**	**45.75**	**52.26**	**52.67**	**53.43**	**56.37**	**61.79**
% Change from previous month	3%	-9%	5%	17%	9%	13%	8%	11%	14%	1%	1%	6%	10%
% Change from previous year	7%	2%	8%	22%	38%	58%	109%	125%	162%	124%	94%	111%	123%
Coal Price (€/Tonne)	**44.40**	**48.31**	**44.27**	**53.69**	**55.85**	**54.74**	**56.50**	**58.92**	**68.91**	**89.10**	**109.61**	**124.48**	**147.85**
% Change from previous month	6%	9%	-8%	21%	4%	-2%	3%	4%	17%	29%	23%	14%	19%
% Change from previous year	-18%	-11%	-13%	10%	20%	22%	32%	42%	92%	120%	153%	196%	233%
EWIC % Periods Import	27.78%	34.14%	20.02%	32.66%	27.96%	29.02%	53.75%	55.28%	64.25%	37.00%	81.18%	38.06%	39.20%
EWIC % Periods Export	62.22%	57.12%	58.57%	56.72%	39.25%	54.91%	31.92%	15.97%	23.66%	14.00%	0.42%	15.42%	13.92%
EWIC % Not Flowing	10.00%	8.74%	9.41%	10.62%	31.18%	16.07%	14.32%	28.75%	12.10%	49.00%	18.40%	46.52%	46.88%
Moyle % Periods Import	40.42%	47.31%	46.63%	39.78%	43.13%	36.46%	62.35%	74.44%	73.12%	72.00%	97.53%	69.30%	70.52%
Moyle % Periods Export	59.58%	52.69%	53.37%	60.22%	56.32%	63.54%	37.65%	25.56%	26.88%	28.00%	2.47%	30.70%	29.48%
Moyle % Not Flowing	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.14%	0.56%	0.00%	0.00%	0.00%	0.00%	0.00%

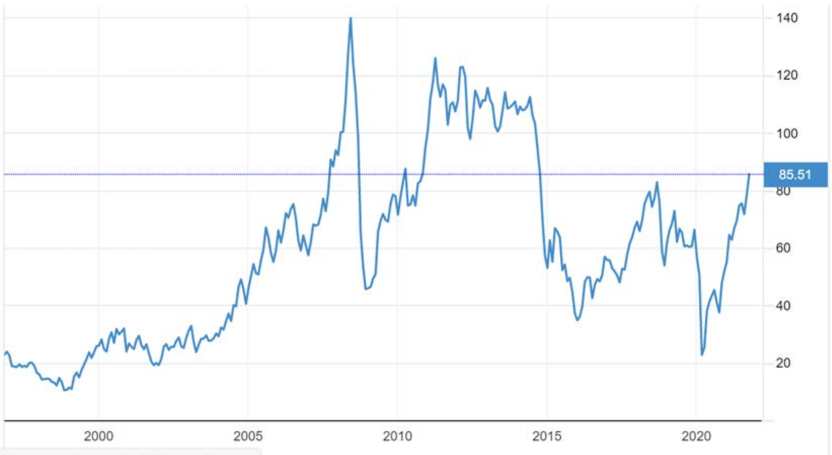
Wholesale Electricity Price Increases can be broadly explained by the following factors:

- Increase in Input Costs (Gas, Coal & Carbon)
- Lower plant availability
- Slightly Increased levels of demand and lower generation from renewables (wind).

Coal and Oil Prices

Rotterdam Coal Futures (USD)

Brent Crude Oil (USD/Bbl)



- European coal prices rise to a 13-year high due to power plant demand
- Brent Crude reaches 6-year high amid increased demand and constrained supplies

Carbon Price – EU Emissions Trading System Price (EUR)

Economic Context

- This unprecedented rise in fuel costs has come at time of considerable financial pressure for the customers of NI, due to:
  - o end of furlough;
  - o end of universal credit increase;
  - o lower average wages / household incomes in NI; and
  - o rising prices of non-energy commodities

Suppliers are obligated by the Code of Practice on Payment of Bills to identify if consumers are experiencing financial difficulty and provide payment arrangements and monitoring.

Support for consumers

- We have been working with Department for Communities, Department for the Economy and the Consumer Council to identify practical measures to alleviate the burden of price increases on consumers this winter

- Our system of regulation means we have complete transparency of all the costs that make up regulated prices and fully scrutinise each element of the tariff to ensure it is justified. We also cap the amount of profit (2% for Firmus and SSE Airtricity and 2.2% for Power NI) these regulated companies are allowed to make.

- We brought forward a reduction in network gas costs which will reduce the impact of wholesale price rises to households by up to £20 per year.

- We have written to all energy suppliers reminding them of their licence responsibilities in relation to consumers facing difficulty in paying their bills. We are also working with consumer advice organisations to help signpost consumers to available support.

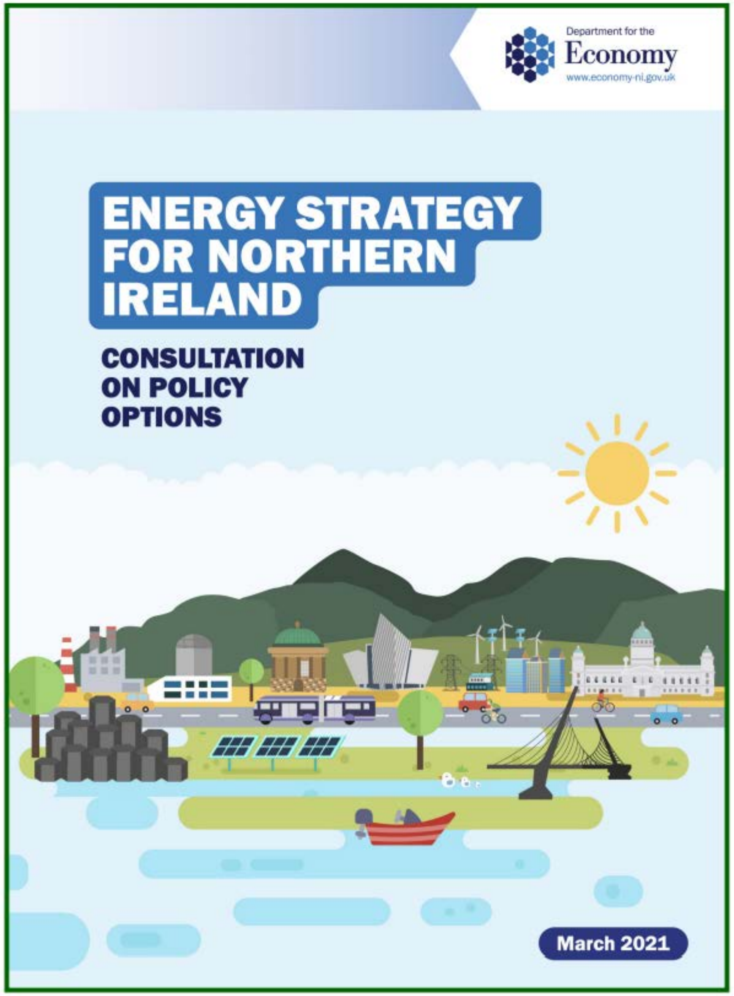
NI Energy Strategy

- The strategy needs to have a focus on:

1. Affordability/Cost
2. Security of Supply/Resilience
3. Carbon Consumption.

Our Statutory Duties need to evolve to support the strategy. We need to be able to focus on:

- Enabling net-zero;
- Protecting current and future consumers – affordability/vulnerable;
- Economic Development; and
- Security of Supply.



Thank you.

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