

High wholesale energy costs leads to more increases in bills

Energy prices remain a significant concern for households and businesses as ongoing volatility in international wholesale fuel prices continue to impact on bills here in Northern Ireland.

Power NI recently announced a 27.5% increase to its regulated domestic electricity tariffs which will come into effect 1 July 2022. This is a direct result of the exceptional rise in international wholesale energy costs during the past 12 months. The rise in wholesale energy has been well documented, with the impact being seen in rising consumer prices across home heating oil, groceries and petrol and diesel. The wholesale cost of energy makes up around 68% of a Power NI domestic customer's bill, which has resulted in this increase.

In consultation with the Department for the Economy and the Consumer Council for Northern Ireland, we accepted the Power NI submission to increase their tariff by 27.5%. Following this increase, Power NI's tariff for an average domestic credit customer will increase by £204 to £944 a year. From 1 July 2022, Power NI's regulated domestic tariff will be 17% cheaper than the average standard tariffs in GB and Ireland.

Supplier	Average annual standard tariff	Difference
Power NI	£944	
GB Big Six average	£1,142	+17%
Ireland (average Electric Ireland, SSE and Bord Gais)	£1,142	+17%

At present, the forward price continues to remain high and well above the prices we were seeing 12 months ago. For example, the wholesale cost element of a consumer bill has increased by 105% (excluding VAT) over the last year since Power NI's tariff was set in July 2021. However, if the actual cost of the wholesale energy turns out to be lower than forecast, the extra money collected from consumers will be returned to them in the next tariff period. This is an added protection that our regulation provides.

Despite this slight drop in the day-ahead market price, the future price of gas remains extremely high. Market projections predict further increases in the future price of gas which will continue to place pressure on consumer bills. Jonathan Brearley, Chief Executive of Ofgem noted recently that they expect a further significant rise to the price cap in October as a result of the current projection for gas prices. Our system of regulation already closely reflects the key market inputs (e.g. fuel costs) and is more responsive to price movements meaning savings can be passed on quickly to consumers should wholesale prices start to fall.

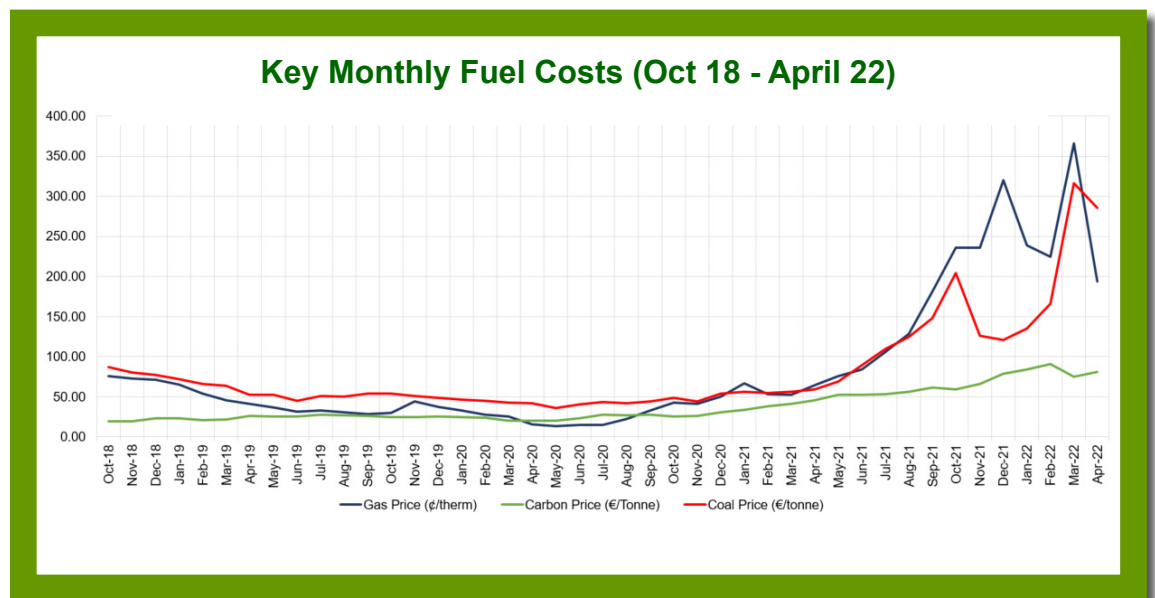
A review of the SSE Airtricity Gas tariff in Greater Belfast and West areas is ongoing with a tariff change expected within the coming weeks.

A number of agencies can provide free and independent advice, including Advice NI, Money and Pensions Service and Christians Against Poverty. The NI Energy advice line also offers free comprehensive advice on saving energy in the home and energy efficiency grants.

Wholesale energy prices overview

The price of gas traded in international markets today is over double the price compared to the same period last year. Gas fired units provide the largest portion of fossil fuelled electricity generation in our market. This means the price of gas has a significant impact on end market prices. In April the average price of gas decreased by 47%, but was still a 202% increase on April 2021. The average price of coal increased by 10% compared to March 2022 and a massive 384% in comparison to March 2021. The trend in these commodity costs is illustrated in graph 1.

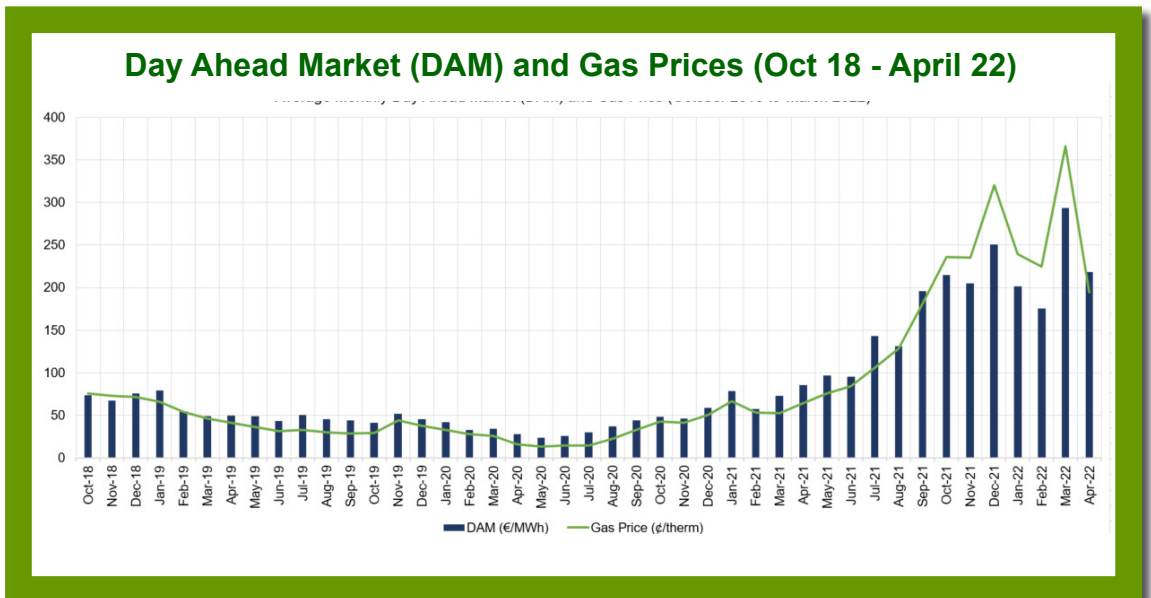
Graph 1



In April 2022, the average price of carbon emissions was €81.09/tonne. This was a 9% increase on last month and a 77% increase than that seen in April 2021. In April 2022, the average day-ahead market price was €218.26/MWh, a 155% increase when compared to the same month last year but a 26% reduction on last month. Several key drivers of this slight decrease in price were lower gas price than had been seen in previous months (down approx. 47% on last month). As this fuel source provides a majority of the large thermal generation on the island it continues to have a significant impact on prices.

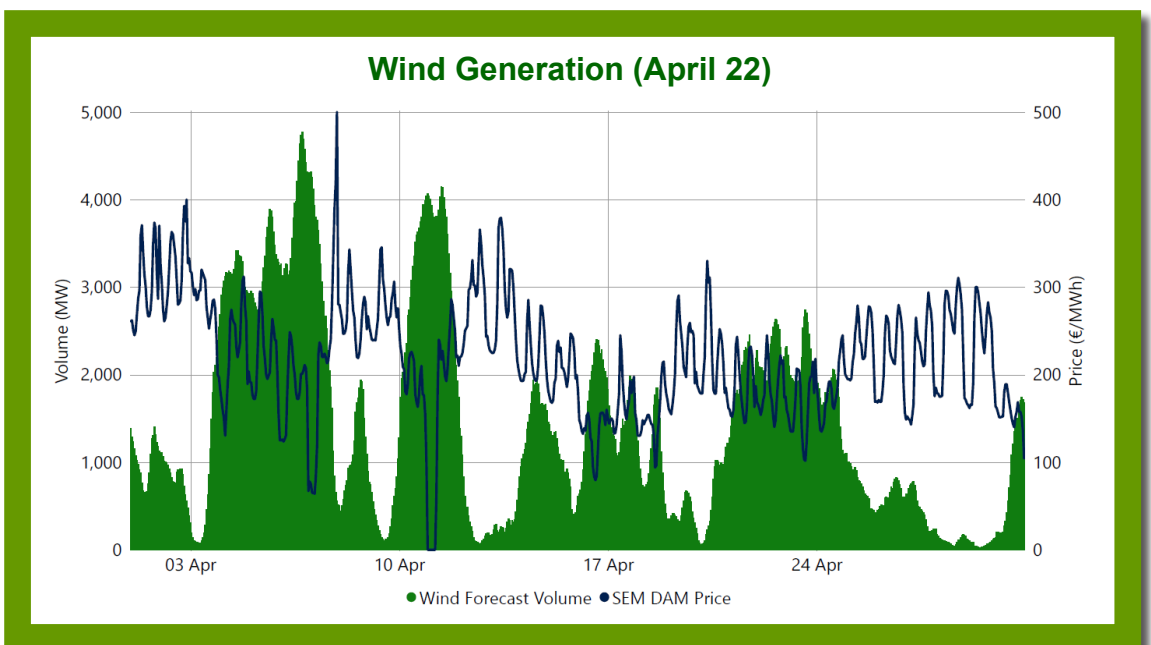
The day-ahead market is the main market in which electricity is sold by generators and purchased by suppliers. Electricity consumers will see the price outcomes from this market in their bills.

Graph 2



Graph 2 shows the prices formed in this market relating to the gas price. A direct correlation between increased gas prices and increased market prices can be seen. As we continue to expand the use of renewables on our electricity system, we look closely at the level of wind availability and end prices. We continue to see when wind availability is low, prices are higher and we get lower prices when wind availability is high. Wind availability was lower overall in April 2022 when compared to March 2022. Graph 3 shows the link between the level of wind availability on the system and end prices.

Graph 3



Price control decisions for Northern Ireland's gas transmission networks, GT22, published

We have published the [final determination](#) for our gas transmission price control (GT22). GT22 is the price control review for the high pressure gas network in Northern Ireland for the five year period from 1 October 2022 to 30 September 2027.

The high pressure gas network comprises five gas transmission pipelines operated by four conveyance licence holders, which we refer to as Transmission System Operators (TSOs):

- GNI (UK)
- Premier Transmission Limited (PTL)
- Belfast Gas Transmission Limited (BGTL)
- West Transmission Limited (WTL)

PTL, BGTL and WTL are part of Mutual Energy Limited (MEL).

This price control also includes the Gas Market Operator for Northern Ireland (GMO NI), which is a Contractual Joint Venture between the TSOs to deliver a single system operator service.

We received [four responses to the draft determination](#), three from the companies involved (GNI (UK), MEL and GMO NI)) and one from the Consumer Council for Northern Ireland (CCNI). We considered the additional justification provided by the companies and have increased their allowances.



Our key decisions on the price control are:

- We have increased allowances in some cost lines as a result of further evidence and justification;
- While forecast costs were generally well justified, we have disallowed some insufficiently justified cost lines;
- We will continue to liaise with the TSOs on development in areas relevant to the NI Energy Strategy; and
- A weighted average cost of capital (WACC) for GNI (UK) of 2.66% has been unchanged from the draft determination.

Overall, we are allowing 90% of MEL's submitted amount, 92% of GNI (UK)'s and 86% of GMO NI's.

In the midst of increasing gas tariffs as a result of wholesale gas prices, we are confident that the outcome of GT22 will not make any noticeable change to the postalised tariff.



Further information on the support available to energy customers is available at www.nidirect.gov.uk and on the Utility Regulator's website [Energy debt information](#). The [Consumer Council's website](#) has energy advice for consumers during these difficult times and also provides an independent [energy price comparison tool](#) to help consumers save money.



Supporting our charity - The Welcome Organisation

Our marathon relay team, Shane Byrne, Daniel Squires, Maeve McSparron, Owen Kearns and Sarah Maybin, did a fabulous job on Sunday 1 May. They completed the relay in 3hrs 36mins and came 133rd out of around 1,400 relay teams.

Our total raised so far is £560 if you'd like to donate, here is the [link](#).



SUBSCRIBE TO OUR NEWS ALERTS

Get the latest news updates directly to your email by [subscribing to our news alert service](#).

CONTACT US:

By post: Utility Regulator Queens House 14 Queen Street Belfast BT1 6ED
By telephone: +44 (0) 28 9031 1575
By email: info@uregni.gov.uk

To contact individual staff members:
firstname.surname@uregni.gov.uk



STAFF PROFILE

Samantha Young Admin Officer in Retail

I joined the UR in December 2001, well OFREG as it was then! I started in Reception/Finance, then as Admin Officer in the Electricity Team and I am now settled in the Retail Directorate.

I support the work of the busy directorate which focuses on retail market and consumer protection issue. No two days are the same, I could be co-ordinating responses to consumer queries or complaints one day, or organising meetings with third sector stakeholders or helping the team with procurement support or being the secretariat for industry working groups

It was always my dream to be a hairdresser so when I left school I worked and trained as a hairdresser for three years before joining the Civil Service.

I have two children, Ellie 21 (I know, I don't look old enough to be mum to a 21 year old ha ha!!) and Cale who is 12. Golf takes up ALL of my free time as Cale is a dedicated golfer and we travel all over Ireland for him to compete in competitions. I have actually taken up golf lessons myself so I can join him and his dad on the course. I know all the rules just need to learn how to hit the ball, which is harder than it looks!!



Consultations/news update

Throughout the last month we published the following consultations.

Please click on the link for further details:

- [Launch of consultation on SONI's draft Transmission Development Plan](#)
- [Price control decisions for Northern Ireland's gas transmission networks, GT22, published](#)
- [Decision to grant an electricity generation licence for Kells BES Limited](#)
- [Review of regulated electricity tariff commenced](#)
- [SONI Evaluative Performance Framework stakeholder responses to SONI FWP and invitation to stakeholder meeting](#)
- [Consultation on revised gas licence fee methodology for gas storage published](#)
- [Extension for responding to the consultation on the approach to RP7, the next price control for NIE Networks](#)
- [Update to GD23 price control review – calculation of interest cover](#)