

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