



SPC23: Price Control for SSE Airtricity Gas Supply (NI) Ltd

Final Determination
December 2022



About the Utility Regulator

The Utility Regulator is the independent non-ministerial government department responsible for regulating Northern Ireland's electricity, gas, water and sewerage industries, to promote the short and long-term interests of consumers.

We are not a policy-making department of government, but we 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 through financial and annual reporting obligations.

We are based at Queens House in the centre of Belfast. The Chief Executive leads a management team of directors representing each of the key functional areas in the organisation: Corporate Affairs, Markets and Networks. The staff team includes economists, engineers, accountants, utility specialists, legal advisors and administration professionals.



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

This document sets out the UR's final determination for the price control on SSE Airtricity Gas Supply (NI) Ltd in the Greater Belfast gas supply market. The control will come into effect on 1 April 2023 until 31 March 2027

This paper outlines the UR's decisions in relation to the main areas within the SSE Airtricity control: structure and form; scope and coverage of regulated tariffs; duration of control; operating costs levels and allocations; and allowed margin.

Audience

Consumers and consumer groups; industry; and statutory bodies.

Consumer impact

The price control will protect customers by setting a maximum limit on the average price that SSE Airtricity can charge its price regulated customers for gas in the Greater Belfast and the West areas. This ensures that customers only pay for the efficient cost of the gas they receive and a fair profit margin.

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Glossary

| Name | Definition |
|----------------|---|
| CAPEX | Capital Expenditure |
| CCNI | Consumer Council for Northern Ireland |
| CMA | Competition and Markets Authority |
| CPI | Consumer Price Index |
| DfE | Department for the Economy |
| EUC | End User Category |
| Firmus | firmus energy (Supply) Ltd |
| FTE | Full Time Equivalent |
| GB | Great Britain |
| IT | Information Technology |
| I&C | Industrial and Commercial |
| LBE | Latest best estimates |
| NI | Northern Ireland |
| OPEX | Operating Expenditure |
| PAYG | Pay As Your Go (Pre-payment meter) |
| Power NI | Power NI Energy Ltd |
| Q | Quarter |
| QREMM | Quarterly Retail Energy Market Monitoring |
| RPI | Retail Price Index |
| SGN | SGN Natural Gas Limited |
| SNIP | Scotland-Northern Ireland Pipeline |
| SPC17 | Supply Price Control 2017-2020 |
| SPC20 | Supply Price Control 2020-2023 |
| SPC23 | Supply Price Control 2023-2027 |
| SSE Airtricity | SSE Airtricity Gas Supply (NI) Ltd |
| UR | Utility Regulator |

1. Introduction

- 1.1 The principal objective of the Utility Regulator (UR) in relation to gas is “to promote the development and maintenance of an efficient, economic and co-ordinated gas industry in Northern Ireland” while having regard to “the need to ensure a high level of protection of consumers of gas”.
- 1.2 To help meet this objective we retain price controls on dominant, former monopoly suppliers. This document sets out the decisions and principles that form the basis of SSE Airtricity’s Supply Price Control 2023 – 2027 (SPC23) and provides background information on the Greater Belfast and West gas market.
- 1.3 The control will apply from 1 April 2023 for SSE Airtricity until 31 March 2027.
- 1.4 This final determination follows the UR’s Consultation Paper published in June 2022 which set out our proposals for SPC23 for SSE Airtricity. We received four responses to this consultation which are published alongside this final determination and addressed where relevant within this consultation.
- 1.5 We consider that our approach has been consistent with the principles of better regulation¹ which the Utility Regulator continues to apply: transparent, consistent, proportionate, accountable, and targeted.
- 1.6 All costs presented are in October 2021 prices. These prices will be adjusted within the tariff for inflation as discussed in section 9.5.
- 1.7 Any references to a year within this document relate to the period 1 April – 31 March.

¹ Department for Business Innovation & Skills, *Principles for Economic Regulation*, April 2011: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/31623/11-795-principles-for-economic-regulation.pdf

2. Background

- 2.1 In Northern Ireland there are three separate distribution areas for natural gas. These are the Greater Belfast area, the Ten Towns area and the West area. The Greater Belfast area is served by Phoenix Natural Gas Ltd (PNGL) and the price regulated supplier is SSE Airtricity. The Ten Towns area is served by Firmus Energy (Distribution) Ltd and the price regulated supplier is Firmus Energy (Supply) Ltd (Firmus). The West area is served by SGN Natural Gas Ltd (SGN) and the price regulated supplier is SSE Airtricity.
- 2.2 The Greater Belfast market includes Belfast, Newtownabbey, Carrickfergus, Larne, Carryduff, Newtownards, North Down and East Down. There are approximately 245,000 connections to the network (comprising of 233,104 domestic and 11,680 I&C connections) in this area². Currently there are five active suppliers in the market. Only two of these companies supply to domestic customers; SSE Airtricity and Firmus.
- 2.3 The West market includes Coalisland, Cookstown, Dungannon, Magherafelt, Omagh, Enniskillen, Strabane and Derrylin. There are approximately 2,500 connections to the network (comprising of 2,477 domestic and 69 I&C connections in this area². SSE Airtricity Gas is the only supplier for domestic households and small businesses, and acts as the commissioning domestic supplier.
- 2.4 The current SSE Airtricity price control applies for the period from 1 April 2020 to 31 March 2023, in line with their accounting period.
- 2.5 SSE Airtricity is a subsidiary of SSE plc a UK-listed energy company with operations and investments across the UK and Ireland. SSE is involved in the generation, transmission, distribution and supply of electricity, the production, storage, distribution and supply of gas and in the provision of energy-related services.

² Quarterly Retail Energy Market Monitoring Report: Quarter – <https://www.uregni.gov.uk/files/uregni/documents/2022-12/Q3%202022%20QREMM%20final.pdf>

3. Scope and Duration

Scope

- 3.1 Under SPC20, the control applied to one distinct End User Category - EUC1; which is all domestic customers and those businesses using less than 2,500 therms (73,200 kWh).
- 3.2 Firmus are the only supplier competing with SSE Airtricity in the domestic market in Greater Belfast; and SSE Airtricity hold 80% domestic market share². In addition, the latest quarterly transparency report published by the UR shows that SSE Airtricity currently also hold 62% market share in the small I&C market in Belfast.
- 3.3 There are currently no competing suppliers in the domestic market in the West area, and therefore SSE Airtricity hold 100% market share in that area.
- 3.4 Due to the continued dominance of SSE Airtricity in the EUC1 category, for SPC23 we proposed to retain the scope of the control at domestic and low-consumption business customers using up to 2,500 therms (73,200kWh) per annum.

Duration

- 3.5 In the November 2021 Information Paper we stated that we considered a four year period to be the most appropriate duration for the price controls as it balances the resource implications of carrying out a control with the ability to forecast accurately over the medium term.
- 3.6 Therefore, it was our proposal to apply the control for a period of four years; from 1 April 2023 to 31 March 2027, in line with SSE Airtricity's financial year.

Response to Consultation

- 3.7 SSE Airtricity made no comment on scope and duration in its response to the consultation.
- 3.8 In its response, Energy Saving Trust supported retaining the scope of the control at 2,500 therms per annum and the proposed four-year price control period.

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- 3.9 It is the decision of the UR that the control will apply for a period of four years; from 1 April 2023 to 31 March 2027. The remainder of the scope will remain structured as in SPC20; and as is laid out in the SPC23 consultation.

4. The Regulated Tariff

4.1 The gas supply licence confers on the UR the power to control charges if deemed necessary:

2.4.1 Control over Charges

“The Licensee shall take all reasonable steps to secure that in any Relevant Year the average price per unit of gas supplied by it to Regulated Premises³ shall not exceed the maximum price calculated”

4.2 A price control is the mechanism that the UR uses to determine the costs which make up the maximum average price per therm that a price regulated gas supply company can charge.

4.3 In granting consent, we review the maximum average price to ensure that it is constructed in line with the provisions within the price control.

4.4 This price control sets out the treatment of each cost element which makes up the maximum average price. These are:

- Network Costs;
- Wholesale Gas Costs;
- Supply Operating Costs; and
- Margin.

K Factor

4.5 In addition to the costs outlined above the maximum average price will also include a k factor adjustment.

4.6 Within the consultation we proposed that some costs should be treated as retrospective costs, as has been the case in prior controls. Some of the retrospective costs will be pass through costs, meaning that the company is allowed to recover the actual levels of costs incurred; whereas other retrospective costs will be subject to a retrospective adjustment to calculate the level of allowed cost based on pre-determined factors (i.e for some items, certain rates may be fixed and the adjustments are carried out on the basis of actual numbers / volumes).

4.7 Within the tariff we will include a forecast for these retrospective costs based

³ Regulated Premises means premises supplied by the Licensee in the Ten Towns Area at which the normal annual consumption of gas is reasonably expected not to exceed 73,200 kilowatt hours.

on historical performance and Latest Best Estimates (LBE). Each year a reconciliation is carried out to calculate the actual allowed costs based on pass through cost, or the retrospective adjustment as appropriate.

- 4.8 The k factor is the difference—whether positive or negative—between all of the pass through and retrospectively adjusted actual costs incurred, and what was forecast for them. This difference will then be taken off or added to the next tariff revenue requirement respectively at the next tariff change.
- 4.9 It is our intention to maintain the k factor at a minimum level through the use of regular tariff reviews and a trigger mechanism to monitor the tariff closely and thus minimise the impact of the k factor on the tariff.
- 4.10 At each tariff change the UR will publish the k factor to allow for transparency.

Tariff Review

- 4.11 A tariff review is the process of analysis and discussion of the SSE Airtricity regulated tariff to consider if a change to the tariff is needed, and to decide the magnitude and timing of any change.
- 4.12 We review the gas tariffs on a bi-annual basis. In addition, we will be able to initiate a tariff review under the trigger mechanism as discussed below. We consider that regular reviews minimise the impact of k factor on the tariff and can help mitigate tariff volatility for consumers.
- 4.13 We have established a process in consultation with SSE Airtricity, the Consumer Council NI (CCNI) and the Department for the Economy (DfE) which sets out the timescales and information required in setting the tariff.
- 4.14 The tariff review process is a consultative one where all parties bring their expertise and opinion in relation to the needs of the gas supplier, the needs of the consumer, and the wider impact on the economy. Therefore, it is important that all parties are aware of and in agreement with the formal process.
- 4.15 This process provides a robust procedure, which is in line with the requirements of the licence to ensure that all parties are consulted in a timely, prescribed, and comprehensive manner for both anticipated and unanticipated tariff reviews.

Trigger Mechanism

- 4.16 In addition to the bi-annual tariff reviews we establish a trigger mechanism within the price control. The aim of this trigger mechanism is to initiate a tariff review should the cost of wholesale gas purchased by the gas supplier vary

significantly from the cost forecast within the tariff.

- 4.17 The trigger mechanism will operate to allow the UR to initiate a tariff review should the tariff costs change between review periods, either increase or decrease, so as to change the tariff by 5%.
- 4.18 We consider the 5% level to be an appropriate level, any level under this and volatility in the wholesale market could necessitate a number of tariff reviews in a year. Tariff reviews can be costly and complex for the company.
- 4.19 Where a review is initiated by the trigger mechanism, the tariff review group will look at a number of factors including:
- Volatility in the wholesale gas market
 - Time since last tariff review
 - Level of k factor
 - Amount of gas purchased by the supplier
- 4.20 The UR also retains the flexibility to initiate a review at any stage it considers is in the interest of customers.

Tariff Structure

- 4.21 The domestic credit tariff for SSE Airtricity is made up of two charges; a pro-rated higher charge for the first 2,000 kWh used per annum and a second charge for any usage above 2,000 kWh per annum.
- 4.22 Pay as You Go (PAYG) customers pay a flat tariff for each unit used.
- 4.23 The tariff from industrial and commercial customers using less than 73,200 kWh (2,500 therms) is made up of two charges; a pro-rated higher charge for the first 2,000 kWh used per annum and a second charge for any usage above 2,000 kWh per annum.
- 4.24 At each tariff review we will require the supplier to demonstrate the assumptions used to create the tariff structure in order to ensure that the average weighted price charged to customers is equal to or less than the maximum average tariff.

Response to Consultation

- 4.25 SSE Airtricity stated that its prepayment transaction rates are currently being renegotiated with the service provider, and new rates will be in place within a few months. Therefore, the supplier asks that the rates also be considered a retrospective item along with the volume of transactions.

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- 4.26 Given the timing of the renegotiation, the UR agrees that provided we deem the renegotiated rates to be reasonable, that these rates be treated as retrospective. SSE Airtricity must submit these rates to the UR for approval.
- 4.27 The remainder of the regulated tariff will remain structured as it was in SPC20; as is laid out in the consultation.

| Retrospective cost line | Determination Basis |
|--|---|
| Network costs | Pass through cost |
| Wholesale gas costs | Pass through cost |
| Safety inspections and meter exchanges <i>(within Operations Costs)</i> | Retrospective adjustment (Rates fixed; adjusted for actual number of safety inspections and meter exchanges) |
| Information Technology <i>(within Operations Costs)</i> | Retrospective adjustment (Operational contract cost fixed as outlined in “Gemserv Report on the Proposed Update to the SSEA Gas NI Billing System”. Retrospectively adjusted to reflect actual customer numbers). |
| Bad debt <i>(within Billing costs)</i> | Retrospective adjustment (Percentage fixed; adjusted for actual tariff credit revenue) |
| Customer information processing & postage <i>(within Billing costs)</i> | Retrospective adjustment (Rates fixed; adjusted for actual number of bills) |
| Prepayment transaction costs <i>(within Billing costs)</i> | Retrospective adjustment (Adjusted for actual rates as approved by the UR—see paragraph 4.26—and for actual number of transactions) |
| Meter reading costs <i>(within Billing costs)</i> | Retrospective adjustment (Rates fixed; adjusted for actual number of meter reads) |

5. Network Costs

- 5.1 Network costs are the charges incurred by SSE Airtricity for their use of the NI gas transmission and distribution systems. These charges are reviewed and approved by the UR.
- 5.2 The costs for the transmission system are those costs involved in bringing gas from Scotland to NI, via the Scotland to NI Pipeline (SNIP), and all the transmission pipelines within NI. These costs are published on the Gas Market Operator for NI (GMO NI) website⁴.
- 5.3 The costs for the distribution system are those costs associated with moving gas throughout the distribution networks area to homes and businesses. These can be found on the Phoenix Natural Gas website⁵ for the Greater Belfast area and on the SGN Natural Gas website⁶ for the West area.
- 5.4 Distribution costs are also subject to price control by the UR. The impending price control, GD23, runs from the period of 1 January 2023 for to 31 December 2028.
- 5.5 Within the previous controls for SSE Airtricity, the network costs have been treated as pass through costs. This means that the customer pays for the actual cost of the network charges that SSE Airtricity incur, and no more than that.
- 5.6 We propose that network costs remain as pass through costs as these are costs which are outside the control of the supplier.

Response to Consultation

- 5.7 SSE Airtricity made no comment on the treatment of network costs in its response to the consultation.

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- 5.8 It is the decision of the UR that the treatment of network costs will remain as it was in SPC20; as is laid out in the consultation.

⁴ GMO NI charges: <https://gmo-ni.com/tariffs>

⁵ Phoenix Natural Gas network charges: <https://www.phoenixnaturalgas.com/about-us/about-phoenix/network-information/network-charges>

⁶ SGN Natural Gas charging statements: <https://sgnnaturalgas.co.uk/index.php/publications/>

6. Supply Operating Costs

- 6.1 Supply operating costs are those costs which relate to the day to day operating of the SSE Airtricity gas supply business; and include among other things salaries, IT costs, metering costs, rent and rates, consultancy/legal fees and bad debt.
- 6.2 In November 2021 the UR provided SSE Airtricity with an initial information request for the operating costs wholly incurred by the gas supply business in the provision of gas to customers within all gas distribution areas: Greater Belfast, West, and Ten Towns. This included the total operating costs for serving both price controlled and non-price controlled customers using more than 73,200 kWh per annum.
- 6.3 The submission requested historical actual costs, an LBE of current costs (2021), and a forecast of costs for 2022 and the four years of the price control period 2023-2027. We stated that we would welcome any evidence to support the figures given in the submission. Additionally, the information request was clear that the burden of proof rests with SSE Airtricity to justify the cost base set out in the submission.
- 6.4 In June 2022 we published the consultation paper which set out our proposals for the price control. SSE Airtricity and others submitted responses to the consultation in August 2022.
- 6.5 In the following section we set out our final decisions for the supply operating costs for SSE Airtricity. These decisions are shown against the requested costs of the companies and the draft determination.
- 6.6 In reaching our final determination we have considered the responses made by SSE Airtricity, CCNI and others to the consultation, requested additional information, and engaged further with SSE Airtricity in order to arrive at our final position.
- 6.7 The costs shown throughout this paper are the total SSE Airtricity gas supply business costs (i.e. including SSE Airtricity's unregulated gas supply business in all three distribution areas). The apportionment allocation of costs determines the appropriate level of costs to the tariff sector (i.e. the price regulated sector of SSE Airtricity). This ensures there is no cross-subsidisation between the tariff and non-tariff businesses. In order to calculate the apportionment, each cost line is apportioned on the basis of the most appropriate cost driver and these apportionments summed to provide the overall percentage. A list of the apportionment cost drivers can be found in Annex 1.
- 6.8 We consider that the allowances set are an efficient allowance, and given

the relatively short duration of the Control we determine that an efficiency factor of 0% is appropriate for the duration of the control.

6.9 Table 1 below shows the total (price regulated and non-price regulated) costs for the SSE Airtricity total supply business. We present here the costs summarised into three main cost categories; Manpower, Operations, and Billing. It is not our intention to provide a line-by-line budget for the supplier to spend, but rather to provide an efficient overall allowance, derived from a reasonable assessment of the various cost requirements, for it to spend running the price regulated supply business.

Table 1: SPC23 submission and consultation proposals

| Operating Expenditure Totals | Initial Submission | | | | Consultation Proposals | | | | Final Determination | | | |
|------------------------------|--------------------|---------------|---------------|---------------|------------------------|---------------|---------------|---------------|---------------------|---------------|---------------|---------------|
| | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
| Manpower Costs | 4,347 | 4,397 | 4,445 | 4,503 | 3,969 | 3,969 | 3,969 | 3,919 | 4,160 | 4,155 | 4,155 | 4,104 |
| Operations Costs | 3,779 | 3,542 | 3,530 | 3,513 | 3,447 | 3,350 | 3,328 | 3,299 | 3,471 | 3,350 | 3,328 | 3,299 |
| Billing Costs | 4,431 | 4,708 | 5,007 | 5,380 | 4,014 | 4,276 | 4,579 | 4,950 | 4,083 | 4,349 | 4,655 | 5,029 |
| Other | 101 | 101 | 101 | 101 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Costs | 12,657 | 12,747 | 13,082 | 13,497 | 11,430 | 11,595 | 11,876 | 12,168 | 11,714 | 11,854 | 12,137 | 12,432 |

6.10 The following section discusses each of these three main cost headings above in greater detail to explain the basis for the consultation proposals.

Manpower

Table 2: Manpower costs

| Manpower | Initial Submission | | | | Consultation Proposals | | | | Final Determination | | | |
|------------------------|--------------------|--------------|--------------|--------------|------------------------|--------------|--------------|--------------|---------------------|--------------|--------------|--------------|
| | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
| Salaries | 3,547 | 3,583 | 3,616 | 3,660 | 3,179 | 3,179 | 3,179 | 3,129 | 3,370 | 3,365 | 3,365 | 3,314 |
| Staff Engagement | 14 | 14 | 15 | 15 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 |
| Training | 46 | 44 | 46 | 45 | 41 | 41 | 41 | 41 | 41 | 41 | 41 | 41 |
| Labour Recharge | 696 | 710 | 724 | 738 | 696 | 696 | 696 | 696 | 696 | 696 | 696 | 696 |
| Travel and subsistence | 44 | 44 | 45 | 45 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 |
| Total Costs | 4,347 | 4,397 | 4,445 | 4,503 | 3,969 | 3,969 | 3,969 | 3,919 | 4,160 | 4,155 | 4,155 | 4,104 |

Salaries

- 6.11 During the SPC20 period, SSE Airtricity undertook considerable recruitment beyond its set allowance in an effort to address operational and performance issues that arose within the business. The SPC20 allowance for FY22 was set at 72.8 FTEs, but as at 31 March 2022 the supplier had 104.3 FTEs employed (meaning the supplier itself was funding an additional 31.5 FTEs).
- 6.12 Given the operational and performance issues experienced by SSE Airtricity during this period (not least with customer service which UR was made aware of), as well as the fact that this additional manpower was funded by SSE, we were minded to accept that this increase was indeed necessary and should be supported under SPC23.
- 6.13 However, beyond the recruitment it had already undertaken, the supplier asked for a further net increase of 14.5 FTEs (+16.5 FTEs, but with 2 FTEs being removed in the final year of SPC23); taking its FTE count from 104.3 as at end of FY22 to 118.8 by FY27.
- 6.14 In our Consultation Paper, we proposed to accept the recruitment of a Customer Service trainer. However, regarding the additional request for a further 13.5 FTEs, the UR felt the supplier had not provided sufficient evidence to suggest any additional FTEs were required to support their operations. The supplier did not sufficiently identify gaps or constraints, but rather relied on a new methodology that assessed forecasted customer numbers and forecast calls. We felt such a broad approach was unsuitable.

Table 3: FTE numbers

| Department | SPC20 | SSE Proposal (SPC23) | Draft Determination | Final Determination |
|-------------------------|-------|----------------------|---------------------|---------------------|
| Central Service & Admin | 5.8 | 8.8 | 7.8 | 7.8 |
| Customer Service | 21.5 | 41 | 37.5 | 39 |
| Business Improvements | 4 | 6 | 6 | 6 |
| Back Office | 9 | 19 | 14 | 15 |
| Credit Control | 13.5 | 19 | 17 | 17 |
| Accounts Receivable | 7 | 10 | 10 | 10 |
| Billing | 6 | 9 | 7 | 7 |
| PPM | 4 | 4 | 4 | 4 |
| LTNA | 2 | 2 | 2 | 2 |
| Total | 72.8 | 118.8 | 105.3 | 107.8 |

Consultation Response

- 6.15 On customer service, the supplier highlighted that its call centre has continued to receive calls at levels above forecast. SSE Airtricity argued that given the continuing cost of living crisis and escalating price of energy, it does not foresee any reduction in call volumes and customer contacts into the business in the next price control as efficiency gains are outstripped by the level of contacts from customers. Therefore, the suppliers stated that to achieve acceptable levels of performance into the next price control, the FTEs in the submission (+3.5 Customer Service Agent FTEs) should be the “minimum level required to meet acceptable standards”. The supplier provided metrics to support its request.
- 6.16 Regarding the more general FTE increase requested, the supplier maintained that these additional 10 FTEs were required to complete the various organisational tasks required. The supplier provided a breakdown of these roles along with ‘bottom-up analysis’ detailing the total time required to complete each team’s tasks.
- 6.17 SSE Airtricity also asked that the UR agree a mechanism for review of FTEs in advance of Winter 2023 correlated to updated forecast call volumes linked to prevailing customer contact rates, so that gas customers are not adversely impacted.
- 6.18 In its response, CCNI stated it agreed that providing one additional FTE CS trainer could help to support and develop the CS agents.

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- 6.19 Regarding customer service, we acknowledge the increasing level of calls the SSE Airtricity call centre is facing. Given the current climate, both in the energy market and the wider economy, we agree that a decrease in calls

over the short term cannot be assumed. Therefore, we benchmarked SSE Airtricity's call centre staffing level in 2021 against the forecast level of calls for 2023-27, and it is the decision of the UR to provide an increase of 1.5 FTEs customer service agents beyond what was put forward in the Consultation Paper. Therefore, this would take the total customer service FTEs to 39 (31 of those being customer service agents).

- 6.20 Regarding the request for a more general increase of 10 extra FTEs (spread over 4 departments), broadly speaking the UR does not accept SSE Airtricity's bottom-up analysis. In the Consultation Paper, the UR proposed a 34% increase in FTEs across these 4 departments when compared with SPC20. SSE's analysis would suggest that an additional 22% increase in FTEs was required for the supplier to be able function and serve its customers adequately, which we view as an excessive increase.
- 6.21 The supplier was asked to justify this bottom-up analysis, and SSE Airtricity provided a breakdown of the total 'minutes of work' required by each team per month to complete its tasks. We view this as an insufficient and unverifiable justification for a further, considerable increase in FTEs.
- 6.22 The basis of supply price controls has always been assessing what resources the supplier currently has against new business needs and challenges being faced. To that end, the Consultation Paper proposed an already considerable increase to staff (compared with SPC20) in the areas the supplier has highlighted in order to remedy the customer service and compliance issues SSE Airtricity has experienced in recent years. We view the additional requests made by SSE Airtricity to be excessive and not sufficiently justified.
- 6.23 However, we accept the potential for increased switching over the course of SPC23. Therefore, it is the decision of the UR to provide 1 additional FTE to back office staff to manage increased switching. Therefore, this takes the total back office FTEs to 15 (2 of which are Back Office FTC Switching)
- 6.24 Therefore, the proposal for the final determination takes the overall FTE count to 107.8 (Table 3)
- 6.25 Whilst we maintain this is the correct level based on the evidence provided at this stage, we acknowledge this tumultuous environment makes forecasting manpower requirements particularly difficult at this point. Therefore, we see the merit in reviewing manpower allowances in advance of Winter 2023, and therefore will implement a mechanism for doing so via E_t. However, the onus will be on SSE Airtricity to clearly demonstrate and evidence whether any change is required, which will then need to be approved by the UR.

Other Manpower Costs

- 6.26 Staff Engagement - We proposed to accept the submission as it was in line with SPC20.
- 6.27 Training - We proposed to maintain at the FY22 forecast level, as there is a broadly similar staffing level thereafter.
- 6.28 Travel and subsistence (including Fleet Costs) – We proposed to maintain at the FY22 forecast level, as there is a broadly similar staffing level thereafter.
- 6.29 Recharges – We did not propose to accept the blanket above inflation salary increase for all SSE recharge salaries. Therefore, we proposed to maintain the recharges allowance at the FY22 forecast level.

Response to Consultation

- 6.30 SSE Airtricity made no comment on these other allowances in its response to the consultation.

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- 6.31 It is the decision of the UR to maintain these others costs at the level laid out in the consultation.

Operation Costs

Table 4: Operation Costs

| Operation Costs | Initial Submission | | | | Consultation Proposals | | | | Final Determination | | | |
|-----------------------------|--------------------|--------------|--------------|--------------|------------------------|--------------|--------------|--------------|---------------------|--------------|--------------|--------------|
| | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
| Office Costs | 411 | 432 | 450 | 467 | 403 | 416 | 427 | 436 | 403 | 416 | 427 | 436 |
| Rates | 50 | 52 | 53 | 55 | 50 | 52 | 53 | 55 | 50 | 52 | 53 | 55 |
| Professional and Legal Fees | 181 | 184 | 188 | 192 | 178 | 178 | 178 | 178 | 178 | 178 | 178 | 178 |
| Insurance | 30 | 30 | 31 | 31 | 30 | 30 | 31 | 31 | 30 | 30 | 31 | 31 |
| Information Technology | 1,670 | 1,543 | 1,492 | 1,437 | 1,555 | 1,428 | 1,377 | 1,322 | 1,555 | 1,428 | 1,377 | 1,322 |
| CAPEX | 1,061 | 1,061 | 1,061 | 1,061 | 1,006 | 1,006 | 1,006 | 1,006 | 1,006 | 1,006 | 1,006 | 1,006 |
| Licence Fee | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Network Maintenance | 151 | 161 | 172 | 182 | 151 | 161 | 172 | 182 | 151 | 161 | 172 | 182 |
| Customer Engagements | 222 | 77 | 81 | 86 | 72 | 77 | 81 | 86 | 96 | 77 | 81 | 86 |
| Total Costs | 3,779 | 3,542 | 3,530 | 3,513 | 3,447 | 3,350 | 3,328 | 3,299 | 3,471 | 3,350 | 3,328 | 3,299 |

IT CAPEX

UR Consultation

- 6.32 The UR provided SSE Airtricity with approval for cost recovery for a new billing system in a letter in 2021, and we stated in the Consultation Paper that we did not now propose contesting that in SPC23.
- 6.33 However, SSE Airtricity was also previously provided a CAPEX allowance to upgrade the billing system under SPC17, and it was agreed that any unspent monies of that allowance were to be deducted from the final IT billing system cost. During the SPC23 process SSE Airtricity stated £219k of this allowance had been spent on various IT projects unrelated to the billing system upgrade (£106k of which was CAPEX related to Work From Home hardware required for COVID).
- 6.34 In the SPC23 Consultation Paper, the UR proposed that we deduct the £219k spend from the agreed IT billing system CAPEX.

Consultation Response

- 6.35 Although Working From Home was not directly prescribed by regulation, in its consultation response SSE Airtricity argued that:
- 6.36 The NI Executive stated “Where a business is failing to observe the

Department for the Economy guidance and breaching the legal duty on health and safety, the statutory authorities will take robust action, which may include prosecution for criminal offences”.

- 6.37 Failure to apply the guidance could also potentially have been enforced through the risk assessment requirement, by the Management of Health and Safety at Work Regulations (NI) 2000 and under the Health and Safety at work Order 1978.
- 6.38 SSE Airtricity therefore asked for acknowledgement from the UR of the legitimacy of the £106k spent on hardware to continue to operate within the NI Guidance at the time. The supplier stated this cost was an unavoidable IT CAPEX cost which was directly related to the Health and Safety of its staff and the continuity of provision of services to its customers of an essential service.
- 6.39 In its response, CCNI agreed that SPC17 allowance that was spent on unrelated CAPEX projects, be subtracted from the SPC23 IT CAPEX allowance.

UR Final Determination

- 6.40 It is the UR decision to maintain our position from the Consultation Paper in not allowing this cost. The UR was clear during the two previous SPC reviews that whilst this billing system project has straddled two price controls, this allowance was a ring-fenced amount and that any unspent allowance would be subtracted from the projects final costs. Therefore, we view this £219k (incl. the £105k of WFH costs) as an overspend on SSE Airtricity’s part, and that it be subtracted from IT CAPEX costs.

IT OPEX

UR Consultation

- 6.41 Following the UR consultant’s Gemserv review of the costs of SSE Airtricity’s new billing system and our subsequent letter of approval, the OPEX in the finalised contract included an additional £460k (c. £115K per annum over the 4 years of the new control). This is an extra cost to meet SSE Airtricity’s liability cover (£15m for GDPR/Data loss breach) to meet level of risk, i.e. 10% of Turnover and meeting SSE Airtricity’s SLA and service level requirements.
- 6.42 The additional £460k of OPEX was not something the UR or its consultants had an opportunity to review or approve. In our approval letter we stated increases to the agreed CAPEX and OPEX amounts would not be allowed. Therefore, in our Consultation Paper we proposed to exclude this from SPC23.

Consultation Response

- 6.43 In its response, SSE Airtricity reiterated that the costs of these insurances are essential for any organisation procuring such a service and are therefore legitimate and should be recovered as part of the price control. They stated that it was not possible for SSE Airtricity—or the consultants Gemserv—to include this cost in the original submission for approval due to the timing of the approval by Gemserv in the overall tender timeline. Therefore, SSE Airtricity argue it should not be expected to absorb this cost due to circumstances beyond its control.

UR Final Determination

- 6.44 We propose to maintain our position from the Consultation Paper in not allowing this cost. As stated previously, neither the UR nor its consultants had an opportunity to review or approve this cost when assessing the procurement. The UR has not been able to assess the requirement for this insurance, nor the cost effectiveness of the option procured. Therefore, we view this additional cost as an overspend.

Customer Engagements

UR Consultation

- 6.45 SSE Airtricity stated that with the transition to its new billing system, it aims to shift customers onto this new platform which it believes will be more convenient for some customers. Customers can avail of digital communications including online bill access, meter reading input and consumption analysis. SSE Airtricity proposed writing a letter to all customers outlining the new digital services available and suggesting that customers shift away from paper to digital communication. This letter would be a one-off cost of ~£150k.
- 6.46 In our Consultation Paper, we stated that SSE Airtricity had provided limited evidence regarding the cost effectiveness of such a communication. Therefore, it was our proposal to not provide this allowance, but that we remained open to any responses or evidence SSE Airtricity may provide during the consultation phase.

Consultation Response

- 6.47 In its response, CCNI agreed this proposal did not offer value for money.
- 6.48 SSE Airtricity reviewed how it can most cost effectively communicate to customers, and proposed that rather than a standalone letter it would instead include a one-page leaflet to all customers with tariff change notifications. The estimated cost for this is £23,500 (a reduction of £126,500).

UR Final Determination

- 6.49 We accept this alternative approach as cost effective, it is the UR decision to accept the £23,500 cost outlined.

Other Operations Costs

- 6.50 Office Costs (including stationery, telephone and postage) – We proposed a slight reduction to office costs to reflect the lower than requested FTE number. This is primarily focused on those costs affected by FTE number, such a stationary and telephone costs.
- 6.51 Rates – SSE Airtricity have applied a nominal 3% uplift above inflation (as per the last price control). We proposed to allow these costs as submitted.
- 6.52 Professional and Legal Fees – We accepted SSE Airtricity’s Year 1 forecast to be reasonable. However, we proposed to maintain it at that level for the duration as spend will not rise significantly with customer growth.
- 6.53 Insurance – SSE Airtricity have applied a reasonable 2% uplift. We proposed to allow these costs as submitted.
- 6.54 Licence Fee – We proposed to accept the submission as the forecasts are reasonable.
- 6.55 Network Maintenance (including safety inspections) – We proposed to accept the submission as the unit rates for maintenance items and safety inspections are set by the network company and the volumes are retrospectively adjusted.

Response to Consultation

- 6.56 SSE Airtricity made no comment on these allowances in its response to the consultation.

Final Determination

- 6.57 It is the decision of the UR to maintain these allowances at the level laid out in the consultation.

Billing Costs

Table 5: Billing Costs

| Billing Costs | Initial Submission | | | | Consultation Proposals | | | | Final Determination | | | |
|-------------------------------------|--------------------|--------------|--------------|--------------|------------------------|--------------|--------------|--------------|---------------------|--------------|--------------|--------------|
| | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
| Bad debt (Tariff only) | 1,092 | 1,132 | 1,159 | 1,183 | 691 | 724 | 757 | 790 | 760 | 796 | 833 | 869 |
| Paypoint costs & credit check costs | 790 | 827 | 864 | 901 | 790 | 827 | 864 | 901 | 790 | 827 | 864 | 901 |
| Bank and Interest Charges | 248 | 260 | 271 | 283 | 248 | 260 | 271 | 283 | 248 | 260 | 271 | 283 |
| Meter reading | 1,050 | 1,146 | 1,282 | 1,484 | 1,050 | 1,146 | 1,282 | 1,484 | 1,050 | 1,146 | 1,282 | 1,484 |
| Customer Information | 866 | 932 | 999 | 1,068 | 866 | 932 | 999 | 1,068 | 866 | 932 | 999 | 1,068 |
| Letter of Credit | 326 | 342 | 357 | 373 | 326 | 342 | 357 | 373 | 326 | 342 | 357 | 373 |
| Tracing costs | 35 | 36 | 38 | 39 | 35 | 36 | 38 | 39 | 35 | 36 | 38 | 39 |
| Text alerts | 26 | 34 | 37 | 49 | 10 | 10 | 11 | 11 | 10 | 10 | 11 | 11 |
| Bad Debt Management | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Bill Processing | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Costs | 4,431 | 4,708 | 5,007 | 5,380 | 4,014 | 4,276 | 4,579 | 4,950 | 4,083 | 4,349 | 4,655 | 5,029 |

Bad Debt

UR Consultation

- 6.58 In SPC20, SSE Airtricity was provided a Bad Debt allowance of 0.47% of tariff credit turnover (i.e. non-prepayment customer turnover). In its initial submission for SPC23, SSE Airtricity stated that during the existing control external factors such as increased cost of gas and customer behaviour has led to a higher than expected level of both live and closed (“written off”) debt. The supplier stated that these external factors are set to continue into SPC23, and that it requires the existing actual write off provision for Bad Debt to increase to 0.65% of tariff credit turnover. In addition, due to the increased level of debt experienced in 2020 and 2021 resulting from the same external factors, the supplier also asked for an additional 0.32% provision for ‘aged live debt’ for existing customers.
- 6.59 Overall, SSE Airtricity asked for 0.97% of tariff credit turnover as a Bad Debt allowance.
- 6.60 From analysis of the supplier’s financial accounts and responses to numerous UR Information Requests, we confirmed that actual Bad Debt experienced by SSE Airtricity did indeed increase during SPC20. However, we did not propose providing SSE Airtricity with a separate “aged live debt” allowance as it has requested.

- 6.61 We proposed averaging the supplier’s actual “written off” bad debt for the last 3 years (FY20-22) and providing that as a percentage of tariff credit turnover for the allowance for SPC23. This methodology would provide the supplier with a 0.6% Bad Debt allowance.

Consultation Response

- 6.62 In its response, SSE Airtricity highlight that Bad Debt will be of particular importance in the next few years as the supplier said it “expects to see the value of debt increase exponentially as customers struggle to pay elevated energy prices as well as the overall increase in cost of living”.
- 6.63 SSE Airtricity asked that the UR consider making this item retrospectively adjusted, ensuring that suppliers are able to recover Bad Debt and any savings could be passed to customers through the annual reconciliation.
- 6.64 SSE Airtricity also proposed that the UR considers a two-year average, rather than three. This would give a provision 0.73% of turnover for SPC23 which would be more reflective of current market conditions.
- 6.65 In its response, CCNI agreed that the number of people in debt and the value of debt are likely to increase due to record high gas prices, and the likelihood of more tariff increases in the coming months. CCNI agreed that providing the supplier with a 0.6% Bad debt allowance for SPC23 was appropriate.

UR Final Determination

- 6.66 We agree that Bad Debt is difficult to forecast and that the economic outlook would appear worse than the conditions that have been in place for the historic period. However, we do not wish to make this a retroactively adjusted item, as this could remove the incentive for suppliers to reduce Bad Debt.
- 6.67 It is the UR’s decision to uplift the Bad Debt allowance that was outlined in our Consultation Paper by 10%, taking it to 0.66% of tariff credit revenue. This is to create a buffer for SSE Airtricity due to the economic uncertainty that many customers in NI are facing due to the current energy price crisis.
- 6.68 The figure of 10% represents an informed estimate, as there is little empirical data or forecasts of how much consumer debt will increase that we can call upon to set the uplift. However, we feel it broadly recognises that bad debt levels will likely rise due to the cost of living crisis. Furthermore, the uplift is for a 4-year period and hopefully the current hardship faced by customers will ease in the latter half of the control. On that basis we see 10% as a reasonable figure.

Text Alerts

UR Consultation

- 6.69 We proposed to use FY21 LBE as a baseline, and increase the allowance for each year of the control in line with customer growth.

Consultation Response

- 6.70 SSE stated that it is essential for SSE Airtricity to increase the number of text message we issue, to properly maximise the benefits of new functionality available in its new billing system. The increase in text message costs is to reflect the upturn in processes using text messages and volume of text messages sent.

UR Final Determination

- 6.71 It is the decision of the UR to maintain these allowances at the level laid out in the consultation, as they represent a sufficient allowance.

Other Billing Costs

- 6.72 Paypoint Costs & Credit Check Costs - We proposed to accept the submission as these rates are agreed and numbers are retrospectively adjusted.
- 6.73 Bank and Interest Charges – We proposed to accept the submission as the forecasts are reasonable.
- 6.74 Meter reading - We proposed to accept the submission as the rates are set and numbers are retrospectively adjusted.
- 6.75 Customer Information Processing and Postage - We proposed to accept the submission as these rates are agreed and numbers are retrospectively adjusted.
- 6.76 Letter of Credit - We proposed to accept the submission as the forecasts are reasonable.
- 6.77 Tracing Costs - We proposed to accept the submission as the rates are in line with customer growth.

Response to Consultation

- 6.78 SSE Airtricity made no comment on these allowances in its response to the consultation.

Final Determination

6.79 It is the decision of the UR to maintain these allowances at the level laid out in the consultation.

7. Gas Costs

- 7.1 Gas Costs relate to the cost of wholesale gas as well as the costs for transporting gas through Great Britain (GB) to the SNIP. These transportation costs are published by National Grid⁷. Previous controls have determined that these costs are pass through which means that SSE Airtricity is allowed to recover the actual cost of gas. Therefore, where wholesale gas costs increase or decrease, the difference in costs is passed on to customers.
- 7.2 In the Consultation Paper, we proposed to allow wholesale gas costs and the related transportation costs as pass through costs. Wholesale gas costs will be allowed as pass through at the level purchased at the National Balancing Point (NBP).

Energy Balancing

- 7.3 In reviewing the gas costs we consider it appropriate to set an additional allowance for energy balancing. The energy balancing amount is a figure included within the tariffs to account for the cost of buying gas within the month as opposed to on the forward curve. The actual wholesale cost of the gas remains pass through, this figure is to ensure the tariff reflects the impact of the timing of purchasing the gas. SSE Airtricity will hedge the majority of their purchases before the month but some gas will remain to be purchased within the month to match the actual consumption profile.
- 7.4 We will set the energy balancing figure in the tariff as follows:
- Where SSE Airtricity has 40% or less of their gas requirements for the month remaining to be secured, there will be a 10% premium applied to the remaining gas to be purchased.
 - Where SSE Airtricity has more than 40% of their gas requirements for the month remaining to be secured, there will be a 10% premium on 40% of the total purchases for the month.

- 7.5 This is in line with the energy balancing figures currently within the SSE Airtricity tariff. We will discuss the parameters of the energy balancing element of the tariff with SSE Airtricity during the consultation period.

Credit Support

- 7.6 SSE Airtricity submitted details of credit arrangements in place to cover transmission, distribution, and gas costs and other relevant costs. Currently

7 National Transmission System (NTS) charges: <https://www.nationalgrid.com/gas-transmission/charging/transmission-system-charges>

credit cover costs are allowed at an agreed pence per KWh.

- 7.7 The submission for the supplier's credit costs are reasonable when benchmarked to other suppliers in the energy supply industry. We therefore propose to allow this level of credit cover.

Response to Consultation

- 7.8 SSE Airtricity made no comment on gas costs in its response to the consultation.
- 7.9 CCNI questioned whether there should be a greater incentive to purchase more gas in advance and whether 10% premium was too much to cover the cost of purchasing gas within month.
- 7.10 Energy Saving Trust argued that any balancing mechanism should incentivise effective procurement strategies as wholesale costs clearly form a major element of current energy expenditure and the cost-of-living crisis.

Final Determination

- 7.11 We determine that gas costs will remain as pass through costs. In response to CCNI the 10% premium will pass through the K factor if it is not needed. It is more the supplier's hedging strategy, rather than the gas balancing figure, that will determine how much gas is purchased in advance.

8. Margin

- 8.1 During SPC17, the UR—along with external consultants—carried out a complete review of margin. For this we used the framework of analysis developed during the 2013 Power NI price control review to understand what an appropriate margin would need to be in order for the two gas companies to be in a position to earn a profit equivalent to the amount of financial capital in a supply business multiplied by the cost of that capital (i.e. a capital base x cost of capital calculation).
- 8.2 In the case of the capital base, we assessed the size of requirements of the following: fixed assets, customer acquisition costs, collateral and security deposits, working capital, and standby risk capital.
- 8.3 In terms of cost of capital, we applied the methods that regulators typically use when calculating the weighted costs of capital (WACCs) of regulated companies more generally. This entails, in particular, the use of the capital asset pricing model (CAPM) to estimate the cost of equity.
- 8.4 The SPC17 Final Determination approved a margin of 2% of allowable turnover. This was determined to strike an appropriate balance between the calculations of the CMA, UR external consultants and both Firmus and SSE Airtricity and their advisors, whilst at the same time taking account of other benchmarks in the energy industry. Both companies accepted the same margin in SPC20 given little underlying change to market conditions.
- 8.5 In GB, the margin set in the Standard Variable Tariff ~3% (Margin is a fixed percentage of 1.9% of turnover; and added headroom set as fixed percentage of costs—excluding network costs—at 1.46%).
- 8.6 The regulated gas tariffs in NI also importantly include a ‘K-Factor’ to address under / over recoveries within the tariff. This serves as an important cost / risk mitigation mechanism, therefore reducing the need for added risk premiums within the margin.
- 8.7 We do not believe that market conditions have changed sufficiently to warrant any amendment to this level of margin agreed in SPC23. SSE Airtricity still retain a dominant position in supply to price regulated customers, as well as cost pass through of volatile wholesale costs; plus the freedom to change tariffs at any time of the year in order to collect under recoveries and future increased forecast costs. Therefore, we propose no change to the allowed margin.

Consultation Responses

- 8.8 CCNI responded to the consultation questioning whether the margin should

be reviewed and tapered to a lower percentage when wholesale prices increase but operating costs remain the same. CCNI believe that this would help alleviate some of the pressure being placed on gas consumers in the Greater Belfast area.

8.9 National Energy Action (NEA) also responded and suggested a tapering of margin.

8.10 In its response, Energy Saving Trust stated that it accepted the proposed 2% margin together with the K-factor to address under/over recovery.

Final Determination

8.11 SSE Airtricity made no comment on margin in its response to the consultation.

8.12 The UR proposes no change at this point to the margin for SPC23. We note CCNI's and NEA's suggestion that the margin should be tapered. We also note that very recently Ofgem have published an initial consultation on reviewing the margin in the GB price cap in response to the energy price crisis. Changing the structure or methodology for margin in response to these recent events is not something that could be completed within the time frame for setting the new price control as full consideration would need given to the outcome of the Ofgem consultation and our own analysis completed. We will however assess the effect of the consultation and consider with board whether there needs to be any future specific margin focused discussions for NI.

9. Reconciliation

9.1 This section sets out how the price control will be reconciled to actual allowed costs on an annual basis.

Reconciliation

9.2 On an annual basis we will reconcile the forecast costs that are allowed in the price control with the actual allowed costs (i.e. the retrospectively adjusted allowed costs) to determine a reconciliation amount. This amount will then form part of the k factor.

9.3 The reconciliation will take into account:

- Costs which are retrospectively adjusted
- Ring-fenced allowances (if any)
- Inflation
- Rate of interest applicable
- Possible Other items (to be confirmed)

9.4 In addition to the information required to complete this reconciliation, we will also require from SSE Airtricity annual cost reporting to show their actual costs on a line-by-line basis reconciled with regulatory accounts.

Inflation

9.5 All costs presented in this paper are in October 2021 prices. These costs will be adjusted to account for inflation where appropriate. Inflation will be treated as a pass through. The costs used to make up the tariff at each tariff period will be adjusted to reflect the current price base. For reconciliation purposes the inflation figure will be the average figure for the year being reconciled. The inflation index used will be Consumer Prices Index Including Owner Occupiers' Housing Costs (CPIH).

Rate of Interest

9.6 We propose that any reconciled amounts, whether under or over recovered, will be rolled forward at an interest rate of Bank of England Base Rate plus 1.5%. The Bank of England Base Rate will replace LIBOR which was previously used. The proposed rate of interest reflects the cost to the suppliers of financing the under recovery or the benefits to them of holding any over recovery.

Response to Consultation

- 9.7 SSE Airtricity made no comment on reconciliation in its response to the consultation.

Final Determination

- 9.8 It is the decision of the UR that reconciliation will remain structured as it was in SPC20; as is laid out in the consultation.

Annex 1

Apportionment Cost Drivers

| Cost | Driver |
|--|---|
| Manpower | FTEs |
| Staff Engagement | FTEs |
| Training | FTEs |
| Recharges | FTEs |
| Travel and Subsistence | FTEs |
| Office Costs including stationery, telephone and postage | FTEs |
| Rates | FTEs |
| Professional and Legal Fees | Customer number |
| Insurance | FTEs |
| IT OPEX | Customer bills |
| IT CAPEX | Customer bills |
| Licence Fee | Load in therms |
| Network Maintenance including safety inspections | SSE Airtricity Energy Care Scheme customers |
| Customer Engagements | Customer number |
| Bad debt | Credit Revenue ⁸ |
| Paypoint costs & Credit Check Costs | PAYG customers ⁸ |
| Bank and Interest Charges | Load in therms |
| Meter reading | Customer numbers ⁸ |
| Customer Information Bill Processing and Postage | Customer numbers ⁸ |
| Tracing Costs | Customer numbers |
| Text Alerts | Tariff only |

⁸ This is how this cost line is apportioned for this consultation. This cost is then retrospectively adjusted to actual numbers.