



Regulated Entitlement Values

2023/24 Tariff Year

6 September 2023



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

Electricity suppliers in Northern Ireland pay a number of regulated charges which they may in turn then recover from their consumers. This information paper details each regulated charge that makes up a portion of electricity bills for both business and domestic consumers. The changes to the regulated entitlement values for each charge which will take effect from 1 October 2023.

Audience

Electricity suppliers, customers, businesses and consumer groups.

Consumer impact

This paper provides information on each element of the regulated entitlements which make-up a portion of the cost of electricity paid by business and domestic consumers. The reasons for the changes are discussed within the paper.



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1. Introduction

- 1.1 Electricity suppliers in Northern Ireland pay a number of regulated charges, known as regulated entitlement values, which will be reflected in the final tariffs consumers pay to their suppliers through their electricity bills.
- 1.2 These charges include electricity network related charges, public service obligation and charges coming from the Single Electricity Market (SEM).
- 1.3 The Utility Regulator approves network charges and public service obligation (PSO) charges, whereas the Single Electricity Market Committee (SEMC) approves SEM charges. In this information note, we refer to the regulated entitlement values for each charge which can be recovered over the next tariff year (1 October 2023 - 30 September 2024).
- 1.4 Network and PSO charges are collected by NIE Networks (Northern Ireland Electricity Networks) and by SONI (System Operator Northern Ireland). SEM charges are collected by SEMO (Single Electricity Market Operator).
- 1.5 This paper outlines the changes to the regulated entitlement values for each charge which will take effect from 1 October 2023, together with explanations for these changes.
- 1.6 NIE Networks, SONI and the SEMO set tariffs to collect revenues over the forthcoming tariff year, based on cost/revenue allocation assumptions and consumption forecasts. These costs are regulated by us through price controls to ensure the costs are necessary and efficiently incurred to help protect consumers. The relevant tariffs are published on the NIE Networks¹, SONI² and SEM Committee websites³.
- 1.7 This paper has been authored and published before outturn costs have been collected or verified for the tariff year 2022/23 (1 October 2022 – 30 September 2023). The comparisons made below are therefore between two forecasted revenue entitlements. We have accounted for the latest available information to us in our forecasts for 2023/24.
- 1.8 Final consumer bills also include other costs such as wholesale energy costs, the climate change levy (for businesses only), the carbon reduction commitment, supplier charges, and VAT. The most significant of these other costs is the energy costs, and these will vary greatly between suppliers and customers, largely depending on the timing and extent of their supplier's hedging contracts.

¹ <https://www.nienetworks.co.uk/about-us/regulation/network-charges>

² <http://www.soni.ltd.uk/library/>

³ <https://www.semcommittee.com>



- 1.9 The annex to this paper shows a five-year history for easy reference over the medium term, and readers may find this helpful in conjunction with previous year's narrative. A link to previous reports has also been provided.⁴
- 1.10 Finally, it's important to note that this paper focuses on the regulated tariff changes for a given year, together with the quantum and reasons for those changes. It focuses therefore on a snapshot point in time. Inevitably, the needs for electricity system investment, wholesale market mechanisms/costs, grid and market operational costs, etc are driven over the medium term by a range of external factors. These factors include, for example, decarbonisation requirements, security of supply needs and government energy strategic goals. These are outside the scope of this paper, but they do affect the policy framework, electricity system investment and cost requirements, etc. over the medium term, and thus underlie any annual change discussion.

⁴ [Regulated Entitlement Values Information Note | Utility Regulator \(ureg.gov.uk\)](https://www.ureg.gov.uk/regulation-values-information-note)



2. Network and system support charges

Transmission & Distribution (TUoS/DUoS) charges

- 2.1 The use of system charges are derived from the price controls put in place for NIE Networks, with the RP6 price control being the most relevant for this tariff year. The NIE Networks submission is in May and their Price control runs from March to March so they must consider three years to provide the submission for the following tariff year. This year's submission includes the outturn from March 2022/23, the assumptions for their current live year and the assumptions for the first half from March 2024. The tariffs reflect our best estimate for the 2023/24 tariff year by utilising the approach that the entitlement for any tariff year (October - September) should be 50% of the entitlement for the two financial years (April - March) which it spans. These estimates include the impacts of both electricity demand and inflation.

TUoS

- 2.2 Underlying transmission revenue entitlement has increased between tariff years from £51.5 million in 2022/23 to £62.6 million for 2023/24. These figures are based on the best available forecasts of expenditure levels provided by NIE Networks and price control allowances set within RP6, updated with both actual and forecast inflation.
- 2.3 After allowing for K factor movements, which accounts for any true up of revenues in previous year's once actual values become known, approved TUoS charges are increasing from £51.1 million in 2022/23 to £72.3 million for 2023/24.
- 2.4 The net effect is that the TUoS revenue entitlement are increasing by 41.6% for 2023/24.

Transmission	2022/23	2023/24	Change on 22/23	Change on 22/23
	£m	£m	£m	%
Entitlement	51.5	62.6	11.1	21.50%
K Factor	-0.4	9.8	10.2	--
Total	51.1	72.3	21.2	41.60%

Table 1: TUoS charges

- 2.5 NIE Networks pass on all TUoS charges to SONI. Revenue is then recovered via suppliers (STUoS) and generators (GTUoS) on the basis of a 75:25 split respectively.



2.6 STUoS has increased from the 2022/23 revenue requirement of £37.4 million to £54.6 million. This represents a rise of 46% for 2023/24. The revenue increase follows the move in the total TUoS amount given that STUoS is calculated based on 75% of overall TUoS. For 2023/24 there is a K-factor impact of c. £0.3 million slightly adding to the upward costs.

DUoS

2.7 Underlying distribution revenue entitlement has increased from £235.3 million in 2022/23 to £278.2 million for 2023/24. Similar to TUoS, these figures are based on the best available forecast of expenditure levels provided by NIE Networks and price control allowances set within RP6, updated with both actual and forecast inflation.

2.8 After allowing for K factor movements, which accounts for any true up of revenues in previous year's once actual values become known, approved DUoS charges are increasing from £231.8 million in 2022/23 to £314.7 million for 2023/24.

2.9 The net effect is that the DUoS revenue entitlement increased by 35.7% for 2023/24.

Distribution	2022/23	2023/24	Change on 22/23	Change on 22/23
	£m	£m	£m	%
Entitlement	235.3	278.2	42.9	18.20%
K Factor	-3.5	36.4	39.9	--
Total	231.8	314.7	82.9	35.70%

Table 2: DUoS charges

2.10 There have been Increases in inflation both in this year and also above the inflation estimates used for our last tariff year. This is the main reason for the significant under-recoveries last year, increasing the K factor and the increased entitlement for this year in the TUoS and DUoS charges to be recovered during 2023-2024. Forecast demand was also lower than outturn and this also had an impact increasing the K factor. NIE Networks are currently forecasting an increase in demand for the new tariff year.

System Support Services (SSS) charges

2.11 These regulated charges cover the cost of SONI and the ancillary services required to operate the transmission system safely and reliably. Revenue is



apportioned across each kW of electricity consumed.

- 2.12 SSS tariff revenue has increased (50.4%) from the 2022/23 value of £58.4 million to £87.8 million in 2023/24. The underlying total SSS revenue has increased from £63.0 million in 2022/23 to £93.4 million in 2023/24. The difference in total revenue and that which flows into the SSS tariff is a result of a proportion of TSO costs (£5.7 million) being allocated to G-TUoS in line with our allocation [decision](#) to adopt the EirGrid approach in Rol.
- 2.13 The principal reasons for the SSS revenue increase are due to the following factors:
- 1) A forecast £13m uplift in the cost of ancillary services. The cost for consumers is now £63M. This is based upon a budgeted figure of 290 Euros All-Island.
 - 2) In the previous tariff year SONI had collected more money than required and this was returned to consumers. They have over-recovered again but at a much lower level. This created a much lower k-factor return to customers resulting in a £10.6m difference between this tariff year and 2022/23.
 - 3) An approximate £3M increase in revenue for ongoing projects associated with the SEM i.e. Schedule & Dispatch Programme (SDP) and Future Arrangements for System Services (FASS).
- 2.14 It is worth noting that the SSS charge (in p/kWh) has increased by a larger percentage than the regulated entitlement. Whilst revenue has risen by 50.4%, SSS tariffs have increased nominally by 56.9% from 0.805 p/kWh to 1.263 p/kWh. This is due to SONI demand forecasts falling by -4.1% since the previous year forecast however they are also forecasting a slight increase in demand from actuals next year.

Collection Agency Income Requirement (CAIRt)

- 2.15 Moyle's transmission licence permits them to raise revenues from sales of capacity on the Moyle interconnector and to recover the balance of its revenue requirements from payments received from SONI under the Collection Agency Agreement.
- 2.16 The Collection Agency Income Requirement (*CAIRt*) which SONI collect from suppliers and pay to Moyle Interconnector Limited is apportioned across the predicted units transmitted.
- 2.17 For 2023/24, Moyle has agreed to pay an amount to SONI based on the



CAIRt arrangements, which will effectively be returned to NI customers through its distribution account.

- 2.18 Moyle has advised SONI that up to £3.25 million should be returned to customers in 2023/24. At Moyle's request, SONI has set the tariff (-0.047 p/kWh) such that £3.25 million will be returned to customers if demand equals SONI forecast of 6,950 GWh.

Overall Network and system support charges

- 2.19 Table 3 below shows that the maximum amount recoverable for network and system support costs charged to suppliers between 2022/23 and 2023/24.
- 2.20 The precise impact on individual customers will depend on various factors including the consumption profile, consumption quantity and historical consumption. Customers should refer to their individual suppliers for further details.

Entitlement	2022/23	2023/24	Change
	£m	£m	%
Supplier Transmission charges (STUoS)	37.4	54.6	46%
Distribution charges (DUoS)	231.8	314.6	35.7%
Support charges (SSS)	58.4	87.8	50.4%
CAIRt	-3.0	-3.3	-10%
Total	324.6	453.7	39.8%

Table 3: Network and System Support charges



3. Public Service Obligation (PSO) charge

PSO charges are made up of a number of sub-elements as detailed below.

Landbank

- 3.1 NIE Land Bank business was established to protect the land surrounding existing power stations for future electricity generation development. The Land Bank sites were vested and the NIE Land Bank business currently manages these sites in accordance with Condition 23 of NIE Network's Licence and directions issued by the Utility Regulator.
- 3.2 Landbank costs include ongoing maintenance and consultancy costs to ensure the sites are preserved for future generational use. There are also sites where short-term leases generate revenue.

Legacy generation costs

- 3.3 The Power Procurement Business (PPB) has historically had power purchase agreements with the power station owners in Northern Ireland. These contracts were put in place with privatisation of the industry back in 1992 and the last remaining are due to cease in September this year. PPB purchases power under the terms of these contracts and then sells this power in the SEM. Any profit or loss forms part of the levy on all customers in Northern Ireland via the PSO.
- 3.4 The PPB and the associated generation contracts are forecast to save customers £52 million in the 2023/24⁵ tariff year. This compares to a net saving of £32.4 million forecast for the 2022/23 tariff year.

Sustainable Energy Programme (NISEP) costs

- 3.5 A levy is imposed on all demand to fund the Northern Ireland Sustainable Energy Programme (NISEP). The objective of this programme is to promote energy efficiency with particular regard to vulnerable electricity customers. Costs for 2023/24 have been updated to reflect the latest forecast expenditure at £8.3 million for 2023/24. This is due to a true up of expenditure across financial years, which ensures available funding is spent on a cumulative basis.

⁵ Please note that, similar to DUoS and TUoS charges, we have changed our approach to calculating the entitlement for the tariff year, such that, the entitlement for any tariff year (October - September) is 50% of the entitlement for the two financial years (April - March) which it spans.



Overall PSO charges

3.6 To summarise: Table 2 below shows that the maximum amount recoverable for PSO will change from a £21.8m rebate to a rebate of £41.8m for 2023/24.

	2022/23	2023/24	Change
	£m	£m	%
Landbank	0.6	0.0	-
Legacy generation	-32.4	-52.0	-60%
NISEP	8.9	8.3	-7%
K factor	1.1	1.9	73%
Total	-21.8	-41.8	-92%

Table 4: PSO charge



4. Charges regulated by the SEM Committee

- 4.1 The Single Electricity Market (SEM) is the wholesale electricity market for the island of Ireland and is regulated by the SEM Committee. The SEM consists of a number of electricity trading markets and is administered by SEMOpx (day-ahead and intraday markets) and SEMO (balancing market).
- 4.2 Since new market arrangements were introduced in October 2018, they have delivered significant benefits. These include making more efficient use of the interconnectors that connect the SEM with the GB market, delivering a market that reflects the underlying cost of generation and delivering increased competition. More detail on the trends and performance of the SEM is available on the SEM Committee website⁶.
- 4.3 In addition to regulating the SEM, the SEM Committee also oversees a number of all-island electricity market tariffs, including charges for generation capacity, the operation of the market (for SEMO and SEMOpx) and market imperfections (for constraints). These charges are fed through to suppliers and will then make their way into end customer bills. Details of the movements in the maximum amount recoverable for these SEM charges on an all-island basis are set out in Table 5 below.

Capacity charges

- 4.4 The Capacity Remuneration Mechanism (CRM) is designed to ensure that enough capacity is available to meet the demand of electricity on the island of Ireland. Through a competitive auction process, capacity providers sell qualified capacity to the market, based on generation capacity required in a future capacity year. Capacity Auctions held for Capacity Year 2023-24 cleared at a cost of €450.2m. In addition, €5.9m of multi-year Reliability Options, successfully awarded within previous Capacity Auctions, is added to the total cost for 2023-24. The K-factor adjustment is added to the total capacity cost. The K-factor amount is €7.4m, which accounts for adjustments to the recovery of Supplier Capacity Charges in previous years. The sum of these three values forms the basis for Supplier Capacity Charges in the upcoming tariff year.

⁶ <https://www.semcommittee.com/market-monitoring>



Imperfection charges

- 4.5 Imperfections charges are mainly the costs associated with constraints on the all-island transmission network. Constraint costs occur due to the differences between the market determined schedule of generation to meet demand and the actual instructions issued to generators by the TSOs. These constraints result in the system operators (SONI and EirGrid) taking action to 'balance' the system in order to ensure stability of the electricity system. These actions are a normal and necessary part of electricity markets in other jurisdictions but are particularly important in the SEM, which is a small and highly constrained electricity system that has a high level of renewable generation. Constraints are caused by network bottlenecks (such as the North South Interconnector, which is the most significant). These constraints may require the system operator to increase or decrease generator output in any given area to ensure electricity can travel across the network from where it is generated to meet demand.
- 4.6 The imperfections charge is made up of a number of components to enable the management of the transmission system, the largest of which relates to Dispatch Balancing Costs (DBC's), and in particular constraint costs. SEMO levies these charges on suppliers.
- 4.7 The imperfection costs for 2023/24 have been driven predominately by a significant reduction in the forward prices of key commodities that contribute to electricity prices, i.e. the price of coal and gas. For 2023/24, the imperfections charge is €448.81 million (constraint costs €539.98m – k-factor adjustment €91.17m) compared to €834.53 million for 2022/23.
- 4.8 The SEM Committee continues to scrutinise the core drivers of these costs and has developed a biannual review of the costs covered by Imperfections charges. Where appropriate, this enables any reductions in these costs to be passed on to consumers as quickly as possible. Further detail on the breakdown of imperfections costs is made available on the SEM Committee website.

Market Operator charge

- 4.9 SEMO incurs operational costs while carrying out its balancing market functions and recovers these costs, together with capital related costs including a rate of return, through Market Operator tariffs and fees, which are levied on market participants. To facilitate this recovery of costs, the Market Operator submits proposals on its allowed revenue and the charges required to recover this revenue to the Regulatory Authorities.



- 4.10 SEMO has submitted its Market Operator revenue requirement for tariff year 2023/24 which has been approved by the Regulatory Authorities. The revenue requirement specific to 2023/24 is €24.868m.
- 4.11 The K-factor (under-recovery) in respect of the 2022/23 tariff year is an over-recovery of €0.321m.
- 4.12 SEMO will therefore receive a revenue for 1st October 2023 until 30 September 2024 of €24.546m⁷. This is reflected in the SEMO charging statement for 2023/24 published on the SEMO website.

SEMOpX charge

- 4.13 SEMOpX is the designated Nominated Electricity Market Operator (NEMO) for the all-island market and offers its trading facilities via power exchanges. This means SEMOpX provides the only route to access the day ahead and intra-day markets. A price control mechanism currently exists for SEMOpX to allow for the recovery of operational costs together with capital related costs including a rate of return. To facilitate this recovery of costs, SEMOpX submits proposals on its allowed revenue and the charges required to recover this revenue to the Regulatory Authorities (RAs).
- 4.14 The 2019-22 SEMOpX Price Control covers the period 3 October 2019 to 2 October 2022,⁸ and in the immediate term the RA's have proposed to roll over the final year of the current price control for a further year.
- 4.15 SEMOpX's approved revenue requirement for tariff year 2023/24 is €5.027m. Combined with a K-factor under recovery reduction of €0.931 million for the 2021/22 tariff year, SEMOpX will receive a revenue for 1st October 2023 until 30 September 2024 of €5.957 million.

Residual Error Volume

- 4.16 Residual Error Volume Price relates to differences between actual and metered volumes that can swing in both positive and negative directions.
- 4.17 This error volume can occur due to a number of reasons including; differences between actual consumption and profiled consumption of non-interval metered customers, and differences between loss-adjustment factors

⁷ [2023-08-21 SEMO Information Paper UPDATED.pdf](#)

⁸ [SEMOpX Price Control Decision Paper | SEM Committee](#)



and actual losses on the transmission and distribution systems.

- 4.18 The total Residual Error Volume amount for 2023/24 is estimated at €27.3m million. Taking account of a K-factor adjustment for under recovery of €9m million the total amount for 2023/24 is €36.3 million.

Overall SEM charges

- 4.19 Table 5 below shows the amount recoverable under some of the main SEM charges in 2023/24. The amount has increased by 60%:

	2022/23	2023/24	Change
	€m	€m	%
Capacity	344.9	463.5	34%
Imperfections charge	834.5	448.8	-46%
Market Operator charge	16.9	24.5	45%
SEMOpX charge	4.5	6.0	32%
Residual Error Volume	-12.8	36.3	-
Total	1188.1	979.1	-18%

Table 5 : Main charges regulated by the SEM Committee



ANNEX – Five-year history tables.

The tables below show the charges over five years for ease of reference. The narrative for the five years is available in the previous years [Regulated Entitlement Values Information Note](#) on the Utility Regulator website.

Network and system support charges

Entitlement	2019/20	2020/21	2021/22	2022/23	2023/24
	£m	£m	£m	£m	£m
Supplier TUoS	34.1	34.3	35.4	37.4	54.6
DUoS	214.4	219.1	203.3	231.8	314.6
Support charges (SSS)	55.9	53.6	69.4	58.4	87.8
CAIRt	0.0	-3.5	0.0	-3.0	-3.3
Total	304.4	303.6	308.0	324.6	453.7

All prices in nominal terms

Public Service Obligation charge

Entitlement	2019/20	2020/21	2021/22	2022/23	2023/24
	£m	£m	£m	£m	£m
Landbank	0.1	0.2	0.4	0.6	0.0
Legacy generation	-10.1	-4.9	-23.3	-32.4	-52.0
NISEP	8.5	9.3	8.9	8.9	8.3
K factor	-8.7	-9.6	1.3	1.1	1.9
Total	-10.2	-5.0	-12.7	-21.8	-41.8

All prices in nominal terms

Charges regulated by the SEM Committee

Entitlement ⁹	2019/20	2020/21	2021/22	2022/23	2023/24
	€m	€m	€m	€m	€m
Capacity	344.9	370.3	372.7	344.9	463.5
Imperfections charge	355.8	301.1	330.8	834.5	448.8
Market Operator charge	14.0	16.5	20.7	17.0	24.5
SEMOpX charge	3.7	3.1	3.9	4.5	6.0
Residual Error Volume ¹⁰	0.0	28	13.0	-12.8	36.3
Total	718.3	719	741.1	1188.1	979.1

All prices in nominal terms

⁹ Go-Live of revised SEM arrangements took place in October 2018. This table therefore provides information about both pre- and post- Go-Live.

¹⁰ In legacy SEM, a residual error volume charge was incurred on a real-time basis. However, information is not available for this period, hence values appear as zero.