

Annual Report | **2015-16**





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.

Annual Report 2015-2016

Combined report of the Northern Ireland Authority for Utility Regulation (the Utility Regulator).

The Utility Regulator has decided to produce a combined energy and water and sewerage report in accordance with Article 5(5) of the Water and Sewerage Services (NI) Order 2006.

Laid before the Northern Ireland Assembly in accordance with Article 5(1) of the Water and Sewerage Services (NI) Order 2006 and Article 6(1) of the Energy (NI) Order 2003 by the Department for the Economy.

Under Article 6A of the Energy (NI) Order 2003 (as amended) the Utility Regulator is obliged to prepare an annual report in relation to the activities it has carried out in the preceding 12 months in its capacity as a designated regulatory authority for Northern Ireland. This report shall include a general survey taken and steps achieved by the UR in the performance of its functions under Article 37 of the Electricity Directive 2009/72/EC and Article 41 of the Gas Directive 2009/73/EC. This report is due to be sent to the Department, the European Commission and the Agency (ACER) by 1 July of each year. Information in this annual report is intended to also fulfil the Article 6A obligation.



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1. Chairman's foreword

We have had another busy year as the economic regulator of energy and water utilities in Northern Ireland (NI). We are ever mindful that our work impacts both directly and indirectly on businesses, households and communities across NI.

Along with the Commission for Energy Regulation (CER), work is progressing to deliver an enhanced new wholesale electricity market, the I-SEM, and is on-track to open in October 2017. The partnership with the two transmission system operators and ongoing consultation with market participants is also vital.

We have also been reviewing our energy supply market to make sure that it works for the benefit of NI consumers. We are also looking closely at the Competition and Markets Authority's (CMA) energy supply market inquiry in Great Britain.

Our work contributes to the achievement of energy and water policy in NI. Working closely with the Department of Enterprise, Trade and Investment (DETI, which from May 2016, is the Department for the Economy DfE) we have ensured that consumers have a safe and secure electricity supply. Our focus on making sure that consumer prices reflect costs, chimes with key recommendations from the Economy Minister's advisory panel on energy prices for manufacturing businesses. We note and welcome that energy prices for most consumers in NI compare favourably with the UK and the Republic of Ireland (RoI). We completed a review of NI Water's handling of supply disruptions in late 2014/early 2015.

As an economic regulator we add value through independent, expert analysis which both incentivises and ensures that regulated companies provide services that protect the short- and long-term interests of their consumers. This is not just a desk job. Effective engagement with industry and consumers is something that we welcome and is vitally important. During the last year our board met with the leadership team of several utility companies and conducted visits and meetings across NI. We also approved a memorandum of understanding with the CMA. We are also active in the UK Regulators' Network (UKRN) and the UK Competition Network (UKCN) to support our goal of being an ever better regulator by learning from others and sharing experiences and insights.



I am pleased that significant progress has been made towards achieving the objectives we set in our Corporate Strategy 2014-2019. This augurs well for the final three years of the strategy, particularly if the network utilities accelerate their work towards achieving excellence in asset management. Given the encouraging progress, on behalf of the board, I would like to express our gratitude to our staff for their ongoing enthusiasm and commitment.

Finally, during the last year we said goodbye to David Strahan and I thank him for his excellent contribution to the work of the board. Jon Carlton and Alex Wiseman joined the board in November and they have already made a positive impact. I thank all my board colleagues for their ongoing support and dedication.

A handwritten signature in black ink, which appears to read 'Bill Emery'. The signature is fluid and cursive.

Bill Emery
Chairman



2. Chief Executive's report

It's often been said that what matters most is not what you do but how you do it. During the last year, as an organisation, we reviewed our mission, vision, values and behaviours to make sure that they fit with how we would like to carry out our business. Our Mission Statement, protecting the short- and long-term interests of consumers, firmly places consumers at the heart of what we want to do and achieve.

Consumers consistently tell us that what concerns them most is high prices. During 2015-2016 our reviews of electricity and gas tariffs resulted in price reductions which meant that most local consumers had amongst the lowest prices in the UK or RoI. This is a fairly exceptional outcome driven largely by falling wholesale gas but one that reflects the benefits of regulation acting for consumers to make sure that prices are as low as they can be. We recognise however, that for a small group of large energy users prices remain comparatively high and we are committed to playing our part to address this situation.

Putting in place a competitive energy market is another driver of lower prices. While we are working to a challenging timetable, progress towards delivering the I-SEM is encouraging. The last year also saw new suppliers enter the electricity supply market - a sign of growing competition. We want the retail energy market to work for consumers and have established a new market monitoring system to allow us to assess the effectiveness of the market. Our review of the energy supply market has also moved forward and we expect to conclude this during 2016.

The growth of the natural gas industry here remains a success story. Work to extend the network to the west of NI has commenced and

we approved an application to extend the network to East Down in December 2015. In the same month, the number of consumer connections to the natural gas network reached the landmark figure of 214,000.



Of course protecting consumers means taking action to secure not just the current but also our future energy supplies. We have worked with DETI and others to address short-term risks to security of supply, but the need to have a second north-south electricity interconnector remains critical. Our review of NI Water's handling of supply disruption in 2014-2015 led to us producing an action plan on which the company has acted. The publication of our Consumer Protection Strategy in February 2016 showed our commitment to protecting domestic consumers in a joined-up and more comprehensive way, working with partners in the third sector.

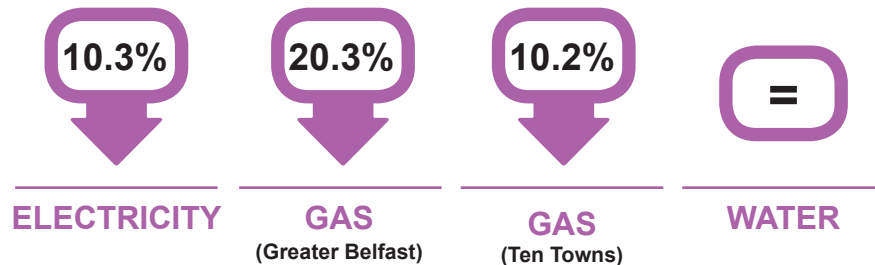
As an organisation we continue to strive to be the best. We have engaged with a wider range of stakeholders than ever. Our active membership of the UKRN and the UKCN, along with EU organisations such as the Council for European Energy Regulators (CEER), Centre for Regulation in Europe (CERRE) and Business in the Community, reflect our desire to learn and improve. Our human resources strategy aims to help us support the development of our staff.

In everything that this organisation does, the passion and commitment of my team shines through. The protection of consumers is front of mind in everything we do. After another year of progress and achievement during 2015-2016, we look forward to the new challenges of the new year.

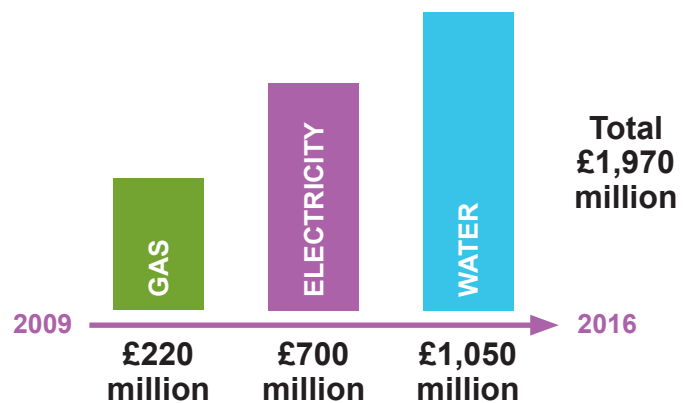
Jenny Pyper
Chief Executive

3. Our year in summary

Prices and charges



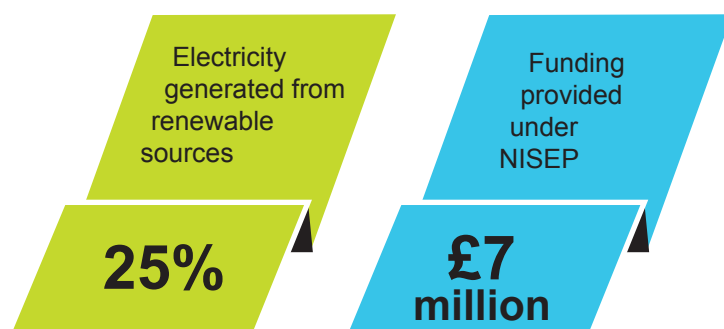
Investment in utilities



Promoting competition

- Significant progress on I-SEM
- Second phase of retail energy market review complete
- Construction of Gas to the West network commenced
- Approval to extend gas network to East Down
- Prospect of opening up of grid connections to competition moved closer

Promoting sustainable development

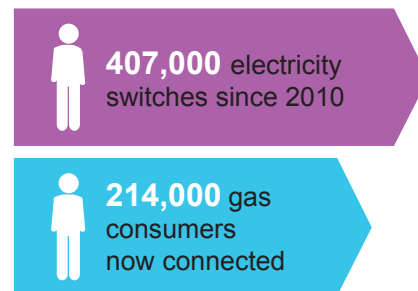




Protecting consumers



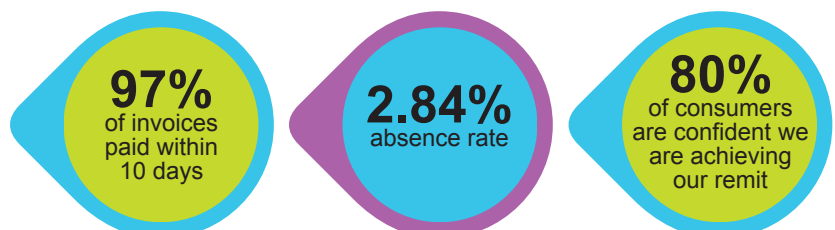
Consumer activity



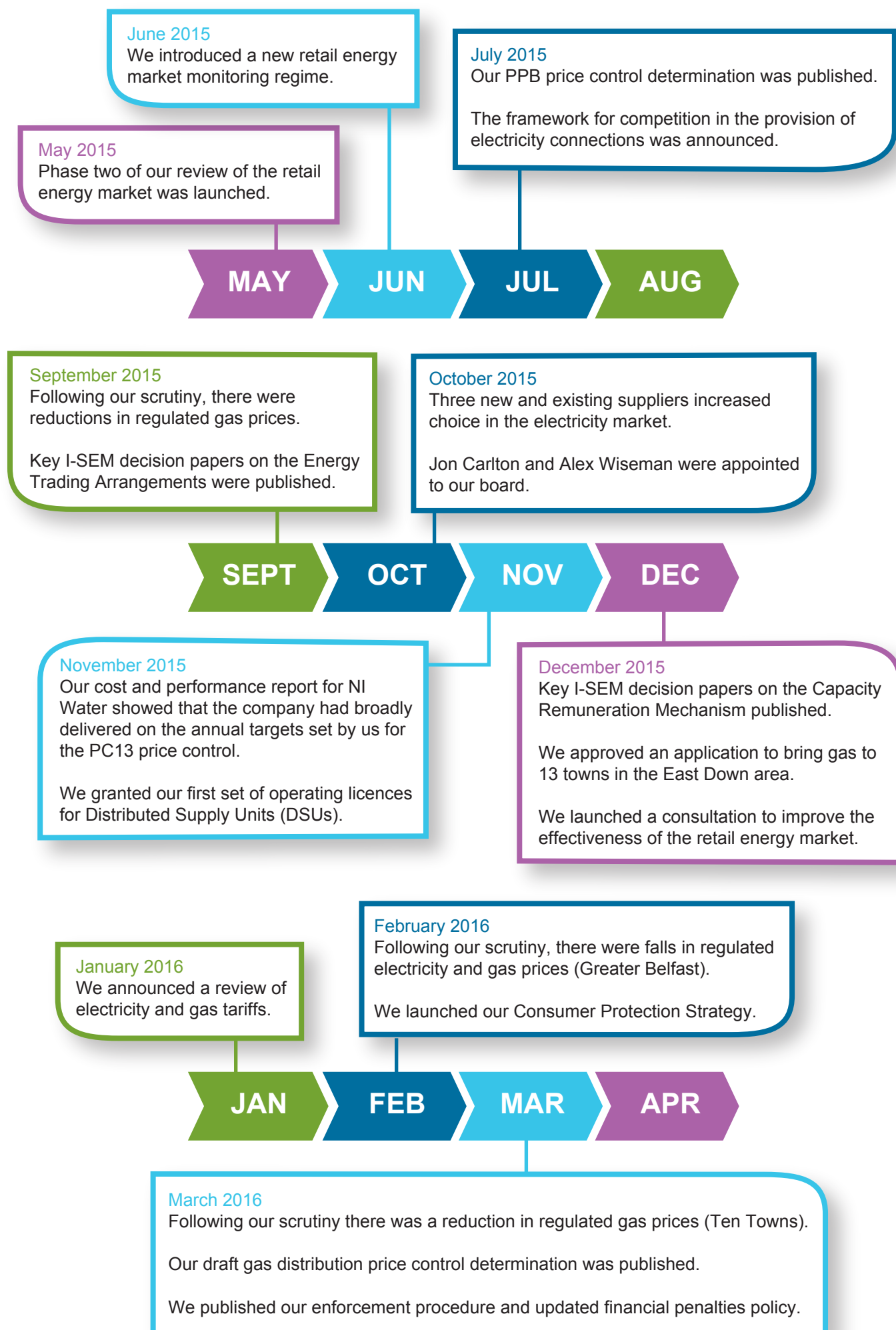
Outcome against our business plan targets



Effective and efficient regulator



Key developments in 2015/2016



4. Retail and consumer protection

In brief

- We carried out five tariff reviews which led to reductions in electricity and gas bills.
- The retail energy market continues to grow with nine suppliers in electricity and six in gas.
- Phase Two of the retail energy market review has been advanced.
- We launched our Consumer Protection Strategy in early 2016.



4. Retail and consumer protection

Protecting consumers by making sure tariffs reflect costs

For consumers the most visible part of our job is our role in reviewing the tariffs of regulated energy suppliers. We act on behalf of consumers to make sure that their bills reflect the actual cost of delivering energy to their homes and businesses.

2015-2016 was another busy year and we carried out five tariff reviews.

Power NI is the regulated electricity supplier providing services to over 500,000 customers.

We announced the initiation of the review of Power NI's tariffs in early 2016. It was clear

from our scrutiny that wholesale electricity costs, which make up a large portion of the tariff, had fallen along with the forecast of future costs. As a result, we approved a 10.3% reduction in consumer bills.

Two regulated gas tariff reviews were completed for SSE Airtricity Gas Supply NI in the Greater Belfast area. We approved a reduction of 10.1% in October 2015 and a further reduction of 10.2% in April 2016.

In the Ten Towns gas distribution area, we reviewed firmus energy's tariffs and approved a reduction of 5% in October 2015. In April 2016 we approved a further reduction of 7.7%.

As a result of these tariff reviews, consumers in NI continued to enjoy amongst the lowest standard tariff electricity and gas rates in the UK¹.

Promoting market opening and competition

Protecting consumers where appropriate by promoting effective competition is one of our statutory duties.

The number of suppliers and increased switching figures are evidence that our retail market is developing. During the year, the number of licensed suppliers grew and there are now nine suppliers in electricity and six in gas.

The total number of domestic customers in NI at the end of December 2015 was 786,102. A large share of these domestic customers (65%) remain with the incumbent Power NI.

However, as the retail energy market matures this position has been gradually changing.

¹ Compared to the standard rates of the Big 6 supply companies in GB as at 1 April 2016.





Power NI's share in the domestic credit market is 75% and their share of the prepayment market is 53%. In the gas sector too, increased competition and switching has begun to erode the domestic market share of the incumbent suppliers.

We initiated a review of retail market competition, in both electricity and gas, in 2014-2015. Phase Two of this review started in 2015-16. This examines the potential options for a future regulatory framework which could be implemented once the current form of price regulation on the former incumbents ends.

We have been working to determine what these options could be, which included considering the regulatory frameworks in other countries. The consultation for this was published in December 2015 and closed in March 2016. The responses are now being considered and final decisions are due in the autumn. We are also considering the relevance of any findings from the retail market review being undertaken by the CMA in Great Britain.

A final report on our review of the retail energy market will be published in 2016-2017.

Consumer protection measures

Following public consultation and engagement with stakeholders, we launched our Consumer Protection Strategy (CPS) in February 2016. This sets out a five-year (2016-2021) strategy and action plan to address the long-term needs of domestic consumers.

The CPS is designed to build upon the existing regulatory protections and so enhance the level of protection present in NI for energy and water consumers.

The CPS has four main objectives: (1) focus on affordability, (2) ensure consumers have equal access to utility services, (3) empower consumers through education and transparency and (4) provide leadership through being a best-practice regulator.

A number of projects have been identified under each of the four objectives. The projects that will take place in year one of the strategy are listed in our Forward Work Programme (FWP) 2016-2017.



While our CPS provides a planned programme of activity to protect vulnerable consumers, we have also made progress in other areas.

Final decisions on minimum standards guidance on supplier codes of practice were published in June 2015. The codes will ensure that consumer protection is enhanced in several areas. This includes arrangements for the payment of bills, complaint handling, prepayment meters and the provision of services for persons who are of pensionable age, disabled or chronically sick.

We received draft codes of practices from all suppliers operating in the NI energy market. As part of the approval process for these codes we are undertaking a compliance review. We expect to grant final approval of the codes of practice in spring 2016.

Cross border co-operation with other regulatory authorities – harmonising retail markets

We have continued to work with CER and the network companies and suppliers in the area of co-ordinated retail markets. NI and the RoI now share a single harmonised market schema. This makes it easier for new suppliers to operate both sides of the border and allows them to link more efficiently with network operators.

The retail markets coordination steering group, which is co-chaired by us and the CER, supports the ongoing operation of the single all-island schema. The benefits of harmonisation include reduced costs for suppliers and ease of entry for those new suppliers that intend to operate in both RoI and NI.

Ensuring consumers energy supply is protected

During 2015 we have worked with gas suppliers, distribution network operators and

transmission network operators to develop detailed supplier of last resort (SoLR) arrangements for the gas industry.

We have also fully tested electricity SoLR arrangements. Much of the gas SoLR processes have now been documented and we will work with the gas industry to finalise arrangements.

These arrangements provide reassurance of uninterrupted supply to consumers in the unlikely event of any supplier leaving the market suddenly.

Monitoring the retail market

Our duty to keep the development of the retail energy market under review was further enhanced by the IME3 directive which requires us to monitor how the market is working. In order to fulfil our statutory duties we also wish to provide consumers with access to clear and easily understood information on suppliers, products and tariff/service choices.

As part of the existing market monitoring we carry out in the gas and electricity retail sectors we publish quarterly reports (QTRs) at the end of February, May, August and November. These reports deliver transparency for stakeholders and consumers and examine in detail essential indicators which are also used by other National Regulatory Authorities (NRAs) in Europe when monitoring their retail markets.

We consulted on proposals for an enhanced monitoring framework, called the Retail Energy Market Monitoring (REMM) framework, in January 2015. The purpose of REMM is to implement an effective and proportionate monitoring framework on the electricity and gas sectors in NI. REMM will allow us to monitor the supply markets, inform policy and protect consumers.



Following a consultation and a series of bilateral meetings we published the final decision paper in June 2015. Subsequently we began a testing phase to ensure suppliers and network companies had a full understanding of the REMM indicators and how they should be collated.

We are expecting our first live submission of data in April 2016 and will begin a process of publishing the new indicators. There will be a further consultation on the form in which the indicators will be published.

Access to consumer consumption data

The Energy Efficiency Directive places requirements on member states in the area of consumer consumption and billing transparency.

DETI brought in the Energy Efficiency Regulations (NI) 2014 in July 2014. We consulted on the licence modifications required in order to implement the directive (including providing consumers with additional access to consumption data) in January 2015 and published the decision paper in November 2015.

The Energy Efficiency Directive establishes a common framework of measures for the promotion of energy efficiency within the EU. As part of the implementation of the directive we will consult on and publish a billing code of practice which suppliers must comply with. This code will help to ensure energy bills are clear, timely and in an easily understandable format.





5. Electricity

In brief

- Significant progress has been made on making the new electricity wholesale market, the I-SEM, a reality.
- The process to facilitate increased the efficient use levels of renewables, through the DS3 programme, has also advanced significantly.
- Work has moved forward on the electricity network price control and final determinations for SONI and Power NI PPB have been issued.
- The opening up of grid connections to competition has moved closer.



5. Electricity

Promoting efficiency and monitoring the investment plans of regulated companies

The next NIE Networks (NIEN) price control (RP6) will run from October 2017.

We have made significant progress on RP6. A key development was setting out an agreed approach to the price control. We consulted on this and published a final approach document in December 2015.

Our approach document sets out, in high level terms, how we will carry out the price control. This includes the approaches to innovation and incentives for NIEN, the duration of the price control, reporting and benchmarking and consumer and stakeholder engagement.

We established, along with NIEN, the Consumer Council for Northern Ireland (CCNI) and DETI, a Consumer Engagement Advisory Panel (CEAP). This will provide consumers with an opportunity to give their views. Consumer views will therefore play a much bigger role in the overall price control process. A number of focus groups and workshops have taken place and stakeholder views will be reflected within NIEN's business plan submission.

We have worked closely with NIEN on the information structure and definitions that the RP6 submission should follow. It is based on the significant work with NIEN on regulatory information and guidance (RIGS), and allows comparison with GB electricity companies and provides transparent annual cost reporting.

Our price control approach document sets out the timetable for RP6 with the final determination due in May 2017.

We completed the price control for the electricity system operator in NI, SONI. Our final determination was published in February 2016, and covers a five-year period (2015–2020). IT project-related investment is proposed together with an overall efficient set of allowances. The additional investment includes funding to deal with an increased amount of wind on the system and sets out clear outputs. The price control will also facilitate the operation of the I-SEM and the secure, sustainable, electricity system programme (DS3) projects.

Finally, we published our final determination for the Power NI Power Procurement Business (PPB) in July 2015. This set out a reduction in PPB's allowed revenue compared to the historical levels.

Promoting market opening and competition

The Single Electricity Market (SEM) has been in place since 2007 and ensures that the price of electricity charged to consumers reflects costs.

Progress has been made, along with the CER, to improve the working of the existing market and set up the new wholesale market, the I-SEM.



The SEM market monitoring unit (MMU), based at our offices, continues to monitor the SEM and carried out a number of investigations into bidding practices in the market. The MMU's quarterly update report provides an overview of the SEM market as well as information about the volume and price of directed contracts.

MMU quarterly reports - key facts

- The system marginal price (SMP) in the SEM reduced from an average of €57/MWh in 2014 to €51/MWh in 2015.
- Gas has been the dominant fuel type since the SEM began and represented 41% of total fuel consumed on average for 2015.
- Levels of demand were broadly similar to those seen in 2014.

A project looking at competitiveness within the SEM was initiated. The focus of the project was on start-up costs and the bidding of gas transportation capacity costs with regards to the Bidding Code of Practice. Learning from the project is being used to inform the future design of the new market.

The Annual Capacity Payment Sum for 2016 was also calculated. This is the revenue earned by generators in the SEM in return for the provision of available capacity. The detailed calculation was approved by the SEM Committee following consultation. This resulted in a reduction of €60m from the 2015 pot. For domestic consumers in NI this reduction equates to around a £6 per household per annum saving, with larger decreases for industrial and commercial consumers.

Delivering the I-SEM

The EU Commission Regulation 2015/1222 on establishing a guideline on capacity allocation and congestion management (CACM) was finalised on 24 July 2015. This regulation has been the main driver for the new electricity market, the I-SEM, which we have been working on along with CER.

The market design will also be compliant with the European target model. The I-SEM project is timely; it allows the two regulators to take account of other changes in the electricity market. This includes a substantive increase in renewables on the system and interconnection with GB through the east west interconnector. The redesign is focused on ensuring the most efficient deployment of all the power on the system and achieving an acceptable level of security of supply.

It is expected that the benefits of the I-SEM will be greater market transparency and efficiency of interconnection with the wider European market, as well as increased competition.

We progressed the work across all the significant I-SEM workstreams: energy trading arrangements, capacity remuneration mechanism, governance and licensing, forwards and liquidity and market power.

A number of industry liaison groups have been formed and we are working, along with the system operators (SONI and EirGrid), to ensure the necessary systems and processes are in place to aid market readiness.

Additionally, as part of a wider communications strategy, the SEM Committee commissioned a new website. The website went live in early April and will provide a basis for communications with all stakeholders on the wholesale electricity market.

Addressing security of supply and promote sustainability

A number of key factors have combined to increase the electricity security of supply risk to NI. The risk was outlined in SONI's all-island generation capacity statement 2014-2023.

We have continued to work with DETI and SONI to reduce both the short- and long-term security of supply risk. This has included commissioning AES to provide an additional



250 MW of generation capacity for the three-year period from January 2016. Separately, Mutual Energy signed a contract with suppliers to install new low voltage cables to restore the Moyle interconnector to full capacity by late 2016.

However, the longer-term security of supply risk remains. We continue to play our part in emphasising the critical importance of having a second north-south electricity interconnector in place by 2019. Without this it is possible that there could be periods when electricity demand outstrips the available supply.

We also took steps to promote sustainability. In order to address the impacts that increasingly high levels of wind place on the electricity system, we have been progressing the delivery of a secure, sustainable electricity system

(DS3) programme with CER. The objective of DS3 is to facilitate increased levels of renewables and effectively decrease the levels of curtailment.

The current operational limit on fluctuating generation (such as wind) at any given time is 50%. Through the successful completion of the DS3 programme, this limit may be increased to 75%. The past year saw the successful trialling of increasing the limit to 55%.

The past year has also seen the development of the detailed design phase for the DS3 procurement. Six significant consultations have been carried out in relation to a number of key workstreams for this project. Interim arrangements will be in place for 2016 with further steps to an enduring process for

system services scheduled to be in place by October 2017.

These additional system services will allow the electricity system to respond more flexibly to fluctuations in wind on the system. These services will be procured through a competitive process where sufficient competition exists or through regulated tariffs where this is not the case. Along with CER, we have limited the level of spend on such systems to reflect the level of benefit that will be received by consumers of such services.

We moved forward the licensing arrangements for aggregated generator units (AGUs) and demand side units (DSUs). AGUs and DSUs have a role to play in the electricity market, providing some further flexibility on the system and a means to incentivise and access demand side management.

In May 2015 we granted our first licence for a DSU.

Finally, the renewables grid liaison group (RGLG) continues to provide a forum for addressing issues associated with renewables.

The RGLG is a stakeholder group to facilitate engagement between renewable generators and network companies and to improve NIE's connections processes. The group reviewed its terms of reference with a view to widening its engagement to include the energy storage industry.

Addressing electricity connections issues

Connections to the electricity grid by developers and micro generators continue to be an area of extensive external interest. We have ruled on a number of disputes in this area. The UK Government's decision to end the Renewables Obligation has contributed to an increase in the number of outstanding connections applications.

After a disputes determination, in August 2015, NIEN decided to review its processes for connections and remove the requirement that all connection applications should include valid planning permission. This has also led to a significant increase in requests for applications. Given the unprecedented situation we allowed NIEN and SONI time to develop new





methodologies and consult further on the best operational processes.

Due to the significant number of renewable generators now connected to the grid, saturation is now evident across parts of NI. Significant transmission investment would be required to accommodate the current level of applications and this is likely to take a number of years to complete.

This has significant implications for those generators looking to avail of subsidy arrangements under the Northern Ireland Renewables Obligation (NIRO).

We will continue to work with NIEN and SONI to ensure any connections that can be accommodated without transmission investment will be dealt with quickly.

Work continues to introduce competition in providing connections. We published our decision on the implementation of contestability and the draft of NIEN/SONI implementation processes.

Given the innovative nature of this work we have sought to work closely with stakeholders. We have set up an expert working group to ensure contestability moves forward in a timely way. NIEN and SONI have indicated that limited contestability will be available in spring 2016 while the market will be fully open in 2017.

Addressing quality of service and service standards issues

There were developments in other service areas aimed at protecting consumers during the last year:

- We continue to work with the electricity regulated companies to ensure adherence with their compliance plans.
- Landbank is the portfolio of land used or held for generating purposes and is managed by NIEN under our direction. A number of sites within the Landbank are less likely to



be suitable for electricity generation and therefore are in the process of being sold to release value to consumers. Any proceeds from these sales will be placed in the Public Service Obligation (PSO) element of the tariff.

- We resolved three disputes in regard to connections and a further two disputes reached the draft determination stage prior to withdrawal. We currently have no outstanding disputes.
- We assisted DETI as they considered further the implementation of smart metering.
- As part of our wider metering strategy we reviewed the meter replacement programme. We also initiated a programme to look at introducing a code of practice on theft.



6. Gas

In brief

- Our price control proposals for gas distribution companies, setting out £210m of further investment, were published in March 2016.
- Work to extend the gas network to the west began during 2015/2016.
- We approved an application to extend the gas network to East Down in December 2015.
- The total number of gas consumers connected in NI reached 214,000 at the end of 2015.



6. Gas

Promoting efficiency and monitoring the investment plans of regulated companies

Work on the next price control for the gas distribution companies – Phoenix Natural Gas (PNGL), firmus energy (fe) and SGN (called GD17) has reached a significant stage. This builds on the progress delivered during the previous price control and covers costs which make up around 35% of the final customer gas bill.

In April 2015 we set out our approach and focus for GD17. The main aim of the price control is to encourage continued growth of the gas network and customer connections. We also emphasised the need for an increased focus on consumer engagement.

Taking account of lessons from previous price control reviews we are improving information gathering processes. This includes updating the guidance to make sure costs are reported consistently.

Our GD17 price control proposals were published, as scheduled, in March 2016. The key features of the price control proposals were:

- £210m of further investment in the gas network;
- 93,000 new connections;
- 1,438 km of new gas mains; and,
- 145,000 additional customers will have gas outside their properties.

We will engage further with the gas distribution companies and consider comments received during the consultation period. The final GD17 determination will be published in September.

Promoting the development of the gas industry

We continue to promote the economic development of the natural gas industry in NI.

The work to extend the natural gas network to the west of NI continues apace. During 2015-2016 construction of the Strabane element of the project has started. For the high pressure pipeline, work has progressed on finalising the design and route and preparing for the planning submission.

We expect that construction will be complete on the connection to Strabane towards the end of 2016 with construction on the high pressure pipeline to commence in 2017, subject to planning approval.

Following a submission from PNGL, we approved an application to extend the gas network to East Down. This £58m investment will see 27,000 consumers enjoy the benefits of access to natural gas.

Work on construction has now commenced with plans for first connections at the end of 2016 with the full rollout by 2018.

Once the Gas to the West, Gas to East Down and GD17 network developments are completed, it will mean that 67% of consumers



in NI will potentially be able to choose gas. The network coverage will run from Derrylin in the West to Bangor in the East, from Coleraine in the north to Newry in the south.

Our incentives on gas distribution network operators to roll out the network and make new connections, continues to be successful. At the end of 2015 the number of consumers connected to the natural gas network had increased to 214,000. This is encouraging given our corporate strategy key performance indicator of 250,000 connections by 2019.

Establishing a single gas transmission system operator (TSO)

NI is obliged to implement Gas Regulation (EC) 715/2009, including the European network codes required by Article 8. The regulation requires extensive changes to transmission system operator (TSO) licences, transportation codes, other industry contracts, IT systems and processes.

Working closely with other regulators in GB and RoI we successfully implemented a number of European network codes at cross border points by October 2015, including new rules on the allocation of gas capacity. Moreover, we have also continued to engage at a European level on the drafting of the European network code on tariffs.

Additionally, we continue to work with the gas transmission operators to deliver a more streamlined industry with a single code, control room, management team and IT system. This will lead to a more efficient and co-ordinated industry and work will continue in 2016-2017 on implementing this. The target date for single system operations is October 2017.

At the request of the gas industry we initiated a review of the gas exit rules, including the products available at exit points from the



transmission system within NI. This will continue into 2016-2017.

Security of supply

We published the gas capacity statement which assesses the ability of the NI transmission system to meet future demands on the network. This stated that the gas network continued to be in a position to meet expected demand. We continue to work with government and industry to meet the requirements of the EU regulation 994/2010 on security of gas supply.

There were developments in other service areas aimed at protecting consumers during the last year:

- Following an enforcement process we confirmed our decision to fine a regulated company £500,000.
- We reviewed the rate of return conditions in GNI(UK)'s licence to ensure these remain appropriate and in the interests of consumers. We consulted on a number of modifications to the licence and will conclude this work before the next price control period commences on 1 October 2017.
- A number of licence modifications were consulted on to ensure further protection for consumers in NI and assist in the further delivery of EU compliance.



7. Water

In brief

- Our review of NI Water's PC13 price control performance showed that the company has broadly delivered on the annual targets set by us.
- We worked with NI Water to increase the amount and quality of stakeholder engagement.
- NI Water's scheme of charges for 2016-2017 will see no change to charges for the majority of customers.
- NI Water has delivered on all of the actions from our review of its handling of industrial action in early 2015.

7. Water

Delivering lower costs and improved levels of performance for consumers

Our cost and performance report was published in October, reflecting our assessment of NI Water's performance during the two-year PC13 price control from April 2013 to March 2015.

It is clear from assessing the data that, in overall terms, NI Water has broadly delivered on the annual targets set by us. The company outperformed its operational (opex) efficiency target, while at the same time improving levels of service.

Key findings for the PC13 period were:

- NI Water's opex costs reduced in nominal terms from £190.7m in 2013-2014 to £187.5m in 2014-2015. This translates into a £3.2m nominal fall and once inflation is taken into account this represents a 3.5% real terms reduction in the day-to-day running costs of the business.
- The full capital investment budget was utilised in PC13. Our assessment indicates that the company has delivered value for the capital committed over PC13.
- NI Water did not meet our 2014-2015 Overall Performance Assessment (OPA) target, primarily due to the effects of the industrial action. Had this been excluded, the company would have met its target for interruptions to supply greater than 12 hours. Despite this, NI Water still ended 2014-2015 with a higher OPA score than at the start of PC13.
- The company has met most of the key performance indicators set by us in the PC13 monitoring plan, including seven out of 14 consumer service measures and all of the water and sewerage quality measures. It has delivered the majority of output measures and maintained stable serviceability.

Overall, our assessment identified that NI Water continued to perform well in respect of our price control determination.

We will continue to benchmark NI Water's costs against comparable companies taking account of special factors such as the scale of the company and the local economy.

Improving engagement with consumers

We continued to work with NI Water to improve both the amount and quality of engagement with stakeholders.

The partnership with CCNI, Department for Regional Development (DRD, which in May 2016, became the Department for Infrastructure DfI) and NI Water has allowed us to propose new consumer measures for monitoring the company's performance going forward.

The Consumer Engagement Oversight Group (CEOG) partnership working model was first applied to NI Water through the existing price control, PC15. The CEOG established a Customer Measures/Customer Satisfaction working group (CM/SAT) chaired by us. Like the CEOG, the CM/SAT includes representation from the company, CCNI, DRD and ourselves.

Our chairing of CM/SAT has helped set the agenda for delivery on the PC15 by introducing: (i) more consumer focused measures and (ii) a new consumer satisfaction survey. This enables benchmarking of NI Water against other similar providers, other regulated utilities and other service providers not just nationally but internationally. Furthermore, learning from this engagement with NI Water will inform the PC15 mid-term review.

The consumer engagement approach developed for NI Water is one we are considering across our other regulated sectors. We have already established a Consumer



Engagement Advisory Panel (CEAP) to inform NIEN latest price control RP6.

Moreover, as part of our draft GD17 determination for local gas network companies, we have also highlighted our aspiration to enable benchmarking across local utility providers and their consumers.

Ensuring consumers are charged fairly

We are required to approve NI Water's annual scheme of charges. The key purpose of the approval is to make sure charges are within the price limits determined by our price control. We also seek to make sure there is no undue preference or undue discrimination by NI Water in setting charges between different consumer groups.

We commenced the process for setting the scheme of charges in August 2015. As well as assessing information provided by NI Water, we also engaged with other stakeholders, particularly CCNI. Following this engagement and scrutiny, we approved NI Water's charging proposals for 2016-2017 in March 2016.

Following the review, charges for the majority of NI Water's non-domestic customers will remain largely unchanged. Whilst there is an increase of 2.8% to trade effluent charges, those consumer affected will be benefitting from no change in their water and sewerage charges.

Domestic consumers are not billed for water and sewerage however the average notional domestic bill reduced from £411 to £408.

Protecting water and sewerage service consumers

In early January 2015, there was significant disruption to water supply in parts of NI. This occurred during a period of industrial action by NI Water employees which began on 22



December 2014. The industrial action was suspended on 21 January 2015 and normal levels of service to consumers were restored shortly afterwards.

Following a request from the Minister for Regional Development we commenced a review of the incident. We subsequently presented the report of our review at the end of April.

Since then, NI Water has developed an implementation plan to address any shortcomings identified by our review. This included actions to strengthen contingency planning and improvements to NI Water's communication and interaction with consumers during a major incident. We have monitored NI Water's progress against this plan which is now complete, with arrangements in place to address all of our recommendations.

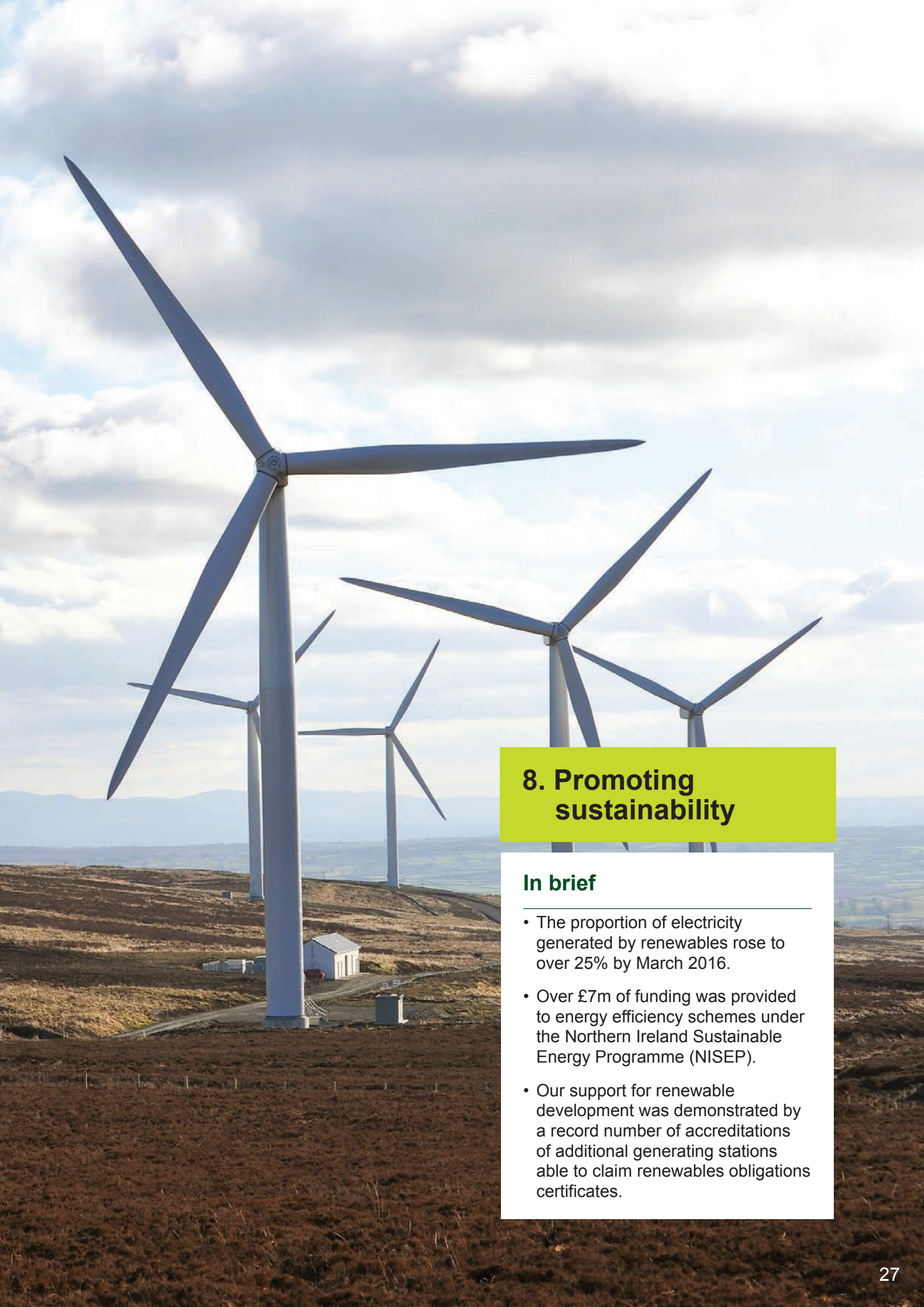
Contributing to the strategic agenda on water

In line with our duties to protect consumers we worked on water resource and supply resilience within NI along with other stakeholders.

We also actively engage with the DRD 'Living with Water' programme to ensure that capital infrastructure development in Belfast on drainage systems aligns with outputs from PC21. This will help secure the future delivery of improved levels of water and sewerage services in the medium and long term at a reasonable cost.

In line with the principles of better regulation we consulted on the reduction of the regulatory burden on NI Water by simplifying requirements on the company going forward. This is a reflection on how far the company has progressed in terms of service for consumers.





8. Promoting sustainability

In brief

- The proportion of electricity generated by renewables rose to over 25% by March 2016.
- Over £7m of funding was provided to energy efficiency schemes under the Northern Ireland Sustainable Energy Programme (NISEP).
- Our support for renewable development was demonstrated by a record number of accreditations of additional generating stations able to claim renewables obligations certificates.

8. Promoting sustainability

Promoting sustainable energy for consumers – the NI sustainable energy programme

We have a duty to promote efficiency in the use of electricity and gas and sustainable long-term energy supplies with due regard to the environment and vulnerable consumers. The NISEP delivers energy efficiency measures with 80% of the funding aimed at vulnerable/ low-income consumers.

Over £7m of NISEP funding was spent in 2014-2015 (the most recent year of reported data). The 2014-2015 schemes delivered approximately 784 GWh of energy saved and £98.9m of gross consumer benefit (net present value, over the lifetime of the measures).

For the year 2015-2016, a total of approximately £9.6m in NISEP funding (this figure includes underspend from previous years) was made available for schemes. Post-implementation reviews will verify the outputs and benefits from these schemes over the coming months.

Key NISEP numbers (2014-2015):

- £7,092,877 was spent on NISEP schemes overall;
- total lifetime energy savings were a substantial 784.09 GWh;
- 130,787 tonnes of lifetime carbon savings;
- £98,898,671 in lifetime gross consumer benefit savings; and
- £399,409 was earned in incentives for over achievement on energy saving targets.



Key concerns for us are the protection of consumers, particularly those who are vulnerable; efficiency in the use of electricity and gas and affordability. We recognise the important role energy efficiency plays in this regard. In addition, NI is expected to contribute energy savings each year to the UK-wide energy efficiency target as required by the EU's Energy Efficiency Directive.

The NISEP is currently the only NI energy efficiency scheme which contributes to NI's European energy efficiency target. However, after April 2017 the NISEP will no longer be in place.

As the lead NI Department for implementation of the Energy Efficiency Directive, DETI is taking forward development of the Energywise



scheme, which is intended to commence in April 2017. This scheme is also supported by the Office of the First Minister and Deputy First Minister (now the Executive Office) and Department for Social Development (DSD, which in May 2016 became the Department for Communities, DfC) through an interdepartmental project board and we are also represented on this board.

Energywise should provide a means of accessing support for groups including those which would have otherwise benefitted from NISEP support.

We have been working with DETI to facilitate the development and funding of Energywise and a joint consultation is due to be launched in mid May 2016.

Supporting renewable development

We are committed, wherever appropriate, to playing our role in increasing the proportion of electricity generated from renewable sources in NI in support of the Executive's energy policy.

The percentage of electricity generated by renewables rose to over 25% by March 2016.

We have a statutory responsibility to administer the NIRO. The NIRO is a statutory requirement on electricity suppliers to source an increasing amount of their electricity from renewable sources. Suppliers can meet their obligation by either presenting renewable obligation certificates (ROCs) or paying into



a buyout fund. ROCs are issued directly to renewable generators.

Within the year 2014-2015, 6,243 additional generating stations in NI received ROC accreditation (98% of which were micro generators, mostly solar photovoltaic) with a capacity of 150 MW. 78% of ROCs issued in NI went to onshore wind generating stations. 2.1m ROCs were issued to NI generators in 2014-2015.

The climate change levy exemption scheme

In 2015 the government announced its intention to withdraw the exemption from the Climate Change Levy (CCL) for renewable electricity from 1 August 2015. This change meant that we did not issue Levy Exemption Certificates (LECs) for electricity generated by renewable technology stations after 31 July 2015.

Electricity utilities can continue to use LECs to apply the exemption until 31 March 2018.

Providing fuel mix information to consumers

In billing information and promotional materials, electricity suppliers are required to specify the contribution of each energy source to the overall fuel mix used over the previous year. This requirement derives from the EU's IME3 directives. In addition, suppliers are required to provide information on the environmental impact of their electricity.





9. Efficient and effective regulator

In brief

- We continued to achieve high levels of performance in meeting our business plan targets.
- Other indicators around our payment of suppliers and staff absence rates compared favourably with similar organisations.
- A human resource strategy was launched to support the development of our staff.
- We reviewed and developed a new mission, vision and values to help us deliver our corporate strategy.

9. Efficient and effective regulator

Making the best use of our resources

Our finances

As a non-ministerial government department, our funds are voted by the NI Assembly. A summary of our financial performance is included at Appendix 1.

Table 1 is an overview of the key figures. Our statutory accounts can be obtained from our website (www.uregni.gov.uk). Most of our costs are collected from annual fees paid by electricity, gas and water licensees.

Table 1: Overview of financial position

Expenditure	Actual (£000s)
Operating costs (gross)	8,113
Income	(8,001)
Operating costs (net)	112

We are committed to the prompt payment of bills for goods and services received. During 2015-2016 the standard payment was 97% of undisputed invoices within 10 days. This was achieved in seven months of the year.

Developing our staff

Our staff group is diverse and mostly directly recruited. We also have a small group of secondees from the wider NI Civil Service (NICS).

During 2015-2016 our absence rate was 2.84% (6.95 days per employee- based on employee numbers at 31 March 2016) which is below the NICS rate (NICS absence rate in 2014-2015 was 4.9% or 10.8 days lost per staff year).

Our staff are important to us and without their continuing commitment we can't do our job. Valuing our staff means we are always ready to support their development. This has included providing in-house training, such as specialist training in regulatory disciplines. We have also facilitated the sharing of best practice and current thinking through regulatory networking. Staff are also supported on work-related higher education and other development opportunities. We also facilitate inward secondments and student placements.

Moreover, we also understand our responsibilities to create a positive and inclusive work environment. During 2015-2016, we began implementing our internal communications plan. This has included developing a new intranet, which we expect to launch in May 2016. We also initiated a series of staff knowledge sharing seminars and continue to promote ongoing, scheduled team meetings across the organisation.





We are a member of Business in the Community and are developing opportunities for our staff to participate in activities that will have a positive impact on the wider community.

Performing effectively as a regulator

Corporate Strategy 2014-2019

At the end of the second year of our corporate strategy implementation it is clear that we continue to make progress against the key performance indicators.

A report on progress to achieve our corporate strategy objectives is included at Appendix 1.

Forward Work Programme 2015-2016

Our plan sets out the key projects that we intend to undertake each year.

Overall, we achieved or partially achieved 93% of the time-limited tasks listed to be completed during 2015-2016.

Appendix 1 includes an overview of progress against the projects for 2015-2016.

Regulatory action

Following consultation, we published an enforcement procedure and updated financial penalties policy in March 2016. The procedure provides transparent information and identifies a clear process for our enforcement activity. This will assist stakeholders in knowing what to expect if they are being investigated or having enforcement action taken against them.

Following an investigation in March 2016 into Gas Networks Ireland (UK) Limited, we confirmed our decision to impose a penalty of £0.5m for their failure to comply with Condition 2.2.2(c)(ii)(ab) of their gas conveyance licence.

Our investigation followed a whistleblower complaint.

We also carried out a number of informal investigations and as a result of regulatory action we:

- accepted undertakings from a number of licensees during the year with remedial action to secure licence compliance; and
- agreed that suppliers pay approximately £60,000 to a number of charities as a result of compliance and enforcement work.

Enhancing how we work

Of course the delivery of our corporate strategy depends not just on what we do but also relies on how we do things.

Following consultation with our staff, we have reviewed the mission, vision and values that underpin the way we conduct our business.

Our new mission is 'To protect the short- and long-term interests of consumers of electricity, gas and water'. This is supported by a new vision 'To ensure value and sustainability in energy and water'.

Our values are expressed as follows:

- **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.**

This work has been done in tandem with the implementation of key stages within our HR strategy. Its purpose is to set out goals across six key themes affecting how we look after and develop our staff.

Achievements have included: the development and rollout of a revised competence framework and simplified performance management processes; new arrangements for identifying, co-ordinating and delivering priority training; and talent needs. We have also focused on improving business resilience and flexibility through measures to develop our succession planning capability.

We also considered our resilience to deal with an emergency event arising in the office (such as loss of facilities) and externally. This led to us testing, and subsequently revising, our business continuity and crisis communication plans. A test scenario was developed and played out in order to assess the effectiveness of management and communications with staff and stakeholders should such a circumstance arise.

Another key plank of implementing our corporate strategy is around improving our communications.

Stakeholder engagement

Our stakeholder engagement programme is central to our communications approach. We have continued to provide opportunities for us to reach out to more organisations than ever. During 2015-2016 we made presentations at a large number of conferences, workshops and events.

The need to develop ongoing engagement is also key to our stakeholder programme. For instance, we now plan ongoing meetings with panels comprising consumer and business representative organisations.

We introduced new guidance to our staff to improve the accessibility of our information.



Efforts to improve our online communications have also moved forward. We have, in tandem with colleagues in CER, successfully launched a new SEM Committee website. Work is also well underway on our new website which we expect to launch later in 2016.

While much of the feedback on us and our communications is provided directly we also regularly seek the views of consumers on our work.

We took the opportunity to assess the views of consumers about our work and key energy and water issues. Key survey findings showed significantly higher levels of awareness of us and understanding of our work. 80% of respondents also indicated that they were confident that we were achieving our remit.

Developing best practice

We have participated in the UKRN decision-making bodies and working groups during 2015-2016. This has led to our involvement in projects ranging from the preparation of a guide for investors, to cost of capital and affordability projects. UKRN provides a valuable opportunity to both share and learn from best regulatory practice.

Additionally we play an active role in the UKCN which aims to promote competition



and to prevent anti-competitive behaviour. We also availed of CMA expertise to assist with the development of our draft competition guidelines which are due to be published for consultation early in 2016/2017. We also meet CMA quarterly to discuss competition-related issues and contribute to the CMA's annual concurrency report.

Corporate governance

Governance and audit

The Department of Finance and Personnel (DFP, which in May 2016 became the Department of Finance, DoF) appoints the chair and members of our board. David Strahan stood down from the board in September 2015. Two new board members, Jon Carlton and Alex Wiseman, were subsequently appointed. Jon Carlton has also been appointed as a member of the Single Electricity Market Committee.

Our chief executive is the accounting officer and a member of the board.

We are accountable to the NI Assembly and produce an annual report which DETI lays

before the Assembly on our behalf. Our decisions are subject to external review by for example the CMA and the courts. Assembly committees may ask for evidence to be given on matters relevant to their work.

We received an unqualified opinion from the NI Audit Office in respect of the 2015-2016 accounts

Our internal audit is outsourced to Capita Consulting. Areas reviewed during the past year included corporate governance, creditors, human resources, payroll, travel and work on the single electricity market. We work to implement audit recommendations as soon as possible and again achieved a "satisfactory" overall assurance rating for 2015-2016.

Board and board sub-committees

Our board formally met nine times during 2015-2016.

Our board continued to undertake a planned series of meetings and activities with a diverse range of stakeholders. This included holding board meetings, visiting utility assets



and meeting with stakeholders in Ballymena and Newcastle. The board also hosted a stakeholder breakfast in September 2015 at which the guest speaker was Dermot Nolan, Chief Executive of Ofgem. Board members and external guests also provided briefings on a range of topics.

There were four meetings of our audit and risk committee during the year. Its membership comprised James Oatridge (independent chair), Richard Rodgers and David Strahan (until September 2015). Alex Wiseman replaced David Strahan and attended his first meeting in February 2016. The chair of the board may also attend meetings. The Chief Executive, as Accounting Officer, and Director of Corporate Affairs also attend, as do other members of the executive team by invitation. The NI Audit Office and the Head of Internal Audit have standing invitations to attend meetings of the committee.

Our remuneration committee met twice. Its membership comprised Bill Cargo (chair) and Teresa Perchard. Jon Carlton has also been appointed. The chairman of the board may also attend. The Chief Executive, as Accounting Officer, and Director of Corporate Affairs also attend as do other members of the executive team by invitation.

During the past year our Board Advisory Forum (BAF) met five times. Membership comprises non-executive directors and senior staff. The BAF allows the office to benefit from the advice and guidance of non-executive directors as well as challenge/scrutiny on the key policy issues.

The SEM Committee meets monthly to take decisions in respect of the exercise of relevant functions of CER or us in relation to a SEM matter on behalf of each regulator. NI's current SEM Committee members (as of 31 March 2015), appointed by DETI and the Department of Communications, Energy and Natural Resources are Jenny Pyper and Bill Emery.

Jon Carlton has been appointed to the SEM Committee with effect from 1 April 2016.

Our senior management team continued to meet weekly. In addition, there were regular SMT workshops throughout the year on a series of strategic organisational issues.

Information technology and governance

Our information management committee oversees governance arrangements for the provision of secure and efficient information storage and transfer.

During the year, progress was made on the design of a revised file plan which reflects the new cross utility structure of the office and which will, when completed, facilitate eventual migration to an electronic data records management system.

All of our desktop, telephony and IT infrastructure services are provided by IT Assist, the NICS managed service provider of IT services. This provides a secure, fully managed IT support service. A new SEM website has been launched and work is well underway on redesigning our own website. Both of which have been delivered through in house NICS resources. We continue to work with IT Assist to identify further opportunities to avail of new technologies including printing, mobile technology and video conferencing.

Freedom of Information

In 2015-2016 we received eight requests under the Freedom of Information Act. Responses to all requests were issued within the statutory period prescribed by the Act.



Appendix 1 – Performance report



(i) Financial report for the year ended 31 March 2016

Central government financing

£112,000 was borne by central government in respect of expenditure on areas not covered by current licences such as management of the CCL 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	4,628
Gas	2,272
Water	467

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 £634,493, of which £177,004 was attributed to electricity, £132,753 to gas and £324,736 to water.

Accounts

Our gross expenditure in pursuit of our objectives is detailed in the statement of operating costs by operating segments (see Table 3).

Electricity costs increased to facilitate delivery of the I-SEM. Water related costs were reduced this year as a consequence of all the work needed to deliver PC15.

Table 3: Expenditure by segment	2015-2016 (£000s)	2014-2015 (£000s)
Segment 1 (electricity)	5,415	4,188
Segment 2 (gas)	2,352	2,292
Segment 3 (water)	487	1,139

More detailed financial information on costs can be found in our accounts.



(ii) Progress during 2015-2016 against Corporate Strategy 2014-2019 key performance indicators

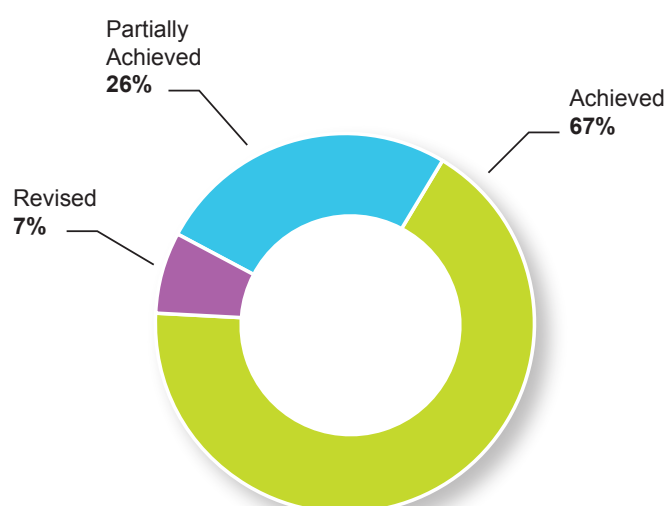
Objective	Key performance indicators	Progress during 2015-2016
1: Promoting effective and efficient monopolies	<ol style="list-style-type: none"> 1. Network utilities will be able to demonstrate their excellence in asset management, which is benchmarked against other utility companies. 2. Network utility costs and performance measure favourably against the top quarter of appropriate comparable companies. 3. Our regulatory tools have helped make sure that regulated utilities drive further effective innovation, such as smart grids and meters. 4. Regulated companies deliver the outputs required by our price control decisions, on time and within budget. 5. Network gas extensions have been delivered leading to over 250,000 connections by 2019 	<p>Asset management is now incorporated within network price controls with all utilities required to set out their asset management capability. All utilities also have a PAS55 (or equivalent) certification plan. We have included development objectives for NI Water to demonstrate improvement in its asset management approach.</p> <p>NI Water has reduced its level of inefficiency compared to GB from 49% in 2007-2008 to 13% on 2014-2015. RP5 price control indicated that NIEN is inefficient relative to GB comparators and RIGs are now in place to allow NIEN to be benchmarked as part of RP6. GD17 analysis has shown that the NI gas distribution network operators are not top quartile for operational expenditure but work is ongoing in this area.</p> <p>We have been working with NIEN to improve the approach to electricity connections / manage impact of changes in government policy. Price controls all have incentives in place to allow companies the freedom to drive innovation. We have been assisting DETI in developing a new costs benefit assessment for smart meters and considered further a meter strategy in relation to smart metering role out in ROI.</p> <p>Cost and performance review in place for NI Water including links to updated benchmarking efficiency analysis and output performance against price control targets.</p> <p>Target on track with 214,000 connections up to end of 2015. Gas to West and East Down extensions approved and in development.</p>

Objective	Key performance indicators	Progress during 2015-2016
2: Promoting competitive and efficient markets	<ol style="list-style-type: none"> 1. The I-SEM is delivered on time and is consistent with the EU target model. 2. The Retail Energy Market Monitoring (REMM) system is in place and reported on each year, increasing consumer protection. 3. The effectiveness of competition in our energy markets has been assessed and we have put in place the associated regulatory and policy frameworks. 	<p>Detailed programme agreed and being regularly monitored along with trending of risks.</p> <p>REMM final decisions and reporting templates now in place and communicated to stakeholders. Formal testing phase now also completed.</p> <p>NI compliant with EU network code requirements for gas from October 2015.</p> <p>We published our decision on the implementation of contestability and publication of NIEN /SONI implementation processes and initiated expert working group to support delivery.</p> <p>The second phase of our review of competition in energy markets is now complete.</p> <p>Under I-SEM we have reviewed fundamental policies to support a more liberal market with proportionate regulation to address market structure limitations.</p>

Objective	Key performance indicators	Progress during 2015-2016
3: Protecting the long-term interests of business and domestic consumers	<ol style="list-style-type: none"> 1. More energy will be generated from renewable sources between 2014 and 2019 in line with the NI Executive's targets. 2. The immediate risk to electricity security of supply has been addressed by 2016, and longer-term concerns are dealt with by working with DETI and SONI. 3. We have delivered the Consumer Protection Strategy and have put in place revised energy supplier codes of practice. 4. Consumer research shows a high level of satisfaction with consumer-protection measures and how consumers are able to make informed decisions. 	<p>Renewable generation has increased to 25% in December 2015 compared to 40% by 2020 in the Executive target.</p> <p>DS3 program in place and system non-synchronisation penetration (SNSP) operational rate increased to 55% in 2016 allowing additional renewable generation onto the system.</p> <p>Put in place a local security of supply contract to address immediate risk to security of supply.</p> <p>Working with DETI and SONI in strategic working group to consider longer term security of supply issues.</p> <p>Considering local security of supply issues and how they will be addressed within the I-SEM capacity remuneration mechanism (CRM) reliability option auction process.</p> <p>Consumer Protection Strategy developed, consulted upon and decided upon during 2015-2016. Final Consumer Protection Strategy launched in February 2016, including five year action plan.</p> <p>Work on revised supplier codes of practice progressed throughout 2015-2016, including consultation, Board decisions.</p> <p>Work has commenced on two new Codes of Practice: (i) customer billing clarity; and (ii) Energy Theft.</p> <p>Consumer disputes addressed and any enforcement issues addressed.</p> <p>The NI Water incident review led to an action plan for improving service delivery.</p> <p>Several areas of work already complete to ensure consumers are empowered and aware of key issues: such as on tariff rates, ending of tariff discounts, ability to switch, supplier marketing requirements.</p>



(iii) Overall outcome for FWP projects 2015-2016 (27 projects)



Partially achieved projects (7 projects)

Project	Report
Completing the SONI price control review and publishing the final decisions.	Price control determination published with delay on publication of licence modifications.
Reviewing and finalising the changes to the market operator's (SEMO) licence to give effect to the price control review.	Consultation on licence modifications complete. Delay on publication of final modifications.
Working with the electricity network company (NIEN) to deliver a new approach to electricity connections.	NIEN and SONI have consulted on a new approach and we are scoping a review of connections.
Contributing to sustainable water strategies being developed by DRD.	Engaged on water resilience and their living with water programme.
Continuing to develop new ancillary services to generate electricity from renewable sources, in line with the DS3 initiative.	Some slippage on project milestones has led to review of project programme and some delay.
Developing Phase 2 of the review of the effectiveness of competition in retail electricity and gas.	Consultation on Phase 2 completed and final decision to be made.
Working with DETI and DECC to help introduce the aspects of electricity market reform that are relevant to NI.	Initial engagement with DETI undertaken pending final decisions on NI participation.

Revised projects (2 projects)	
Project	Report
Developing the process for a mid-term review of the water price control.	Postponed due to some uncertainty regarding NI Water's public expenditure funding allocation.
Developing and consulting on billing guidance for energy suppliers.	Project postponed due to need to prioritise resources to address market investigation issues.



Appendix 2 – Glossary and list of abbreviations

Glossary of terms

Annual Capacity Payment Sum – revenue earned by generators in the Single Electricity Market in return for the provision of available capacity.

Capital expenditure – also referred to as capex. Funds used by a company to acquire or upgrade physical assets such as property, industrial buildings or equipment.

Cost and Performance Report – an annual report that outlines our independent assessment of how NI Water has performed against efficiency targets and key performance indicators outlined in their price control.

DS3 - an initiative to deliver a secure, sustainable electricity system. This initiative involves us, the Commission for Energy Regulation and the transmission system operators in NI and the Republic of Ireland and aims to: make sure there is a constant electricity supply; and help meet renewable targets relating to electricity. The three main work areas relate to system performance, system policies and system tools.

GUAs – Generator Unit Agreements are long-term contracts between two parties, one who generates electricity for the purpose of sale and another one who buys the electricity also referred to as Power Purchase Agreements (PPAs).

High level design – in relation to the I-SEM, it is a set of principles that underline the trading arrangements of the wholesale electricity market.

LECs – Levy Exemption Certificates are issued through the CCL scheme to accredited generators in NI and the RoI.

NIRO – the NI Renewable Obligation is a statutory requirement on electricity suppliers to source an increasing amount of their electricity from renewable sources.

NISEP – the NI Sustainable Energy Programme (NISEP), which was previously known as the Energy Efficiency Levy (EEL) provides funding for energy efficiency and renewable energy schemes. It will close in April 2017.

Operating expenditure – also referred to as opex. Ongoing cost for running a product, business or system.

Quarterly Transparency Reports (QTR) – quarterly reports that provide a range of information about the retail electricity and gas markets in NI.

Renewables Obligation Certificates (ROCs) – are green certificates issued by us to operators of accredited renewable generating stations for the eligible renewable electricity they generate. Operators can then trade the ROCs with other parties, with suppliers ultimately using the ROCs to demonstrate that they have met their obligation.

Abbreviations

AGU – Aggregated Generator Unit

BAF – Board Advisory Forum

CMA – Competition and Markets Authority

CCL – Climate Change Levy

CCNI – Consumer Council for Northern Ireland

CEAP – Consumer Engagement Advisory Panel

CEOG – Consumer Engagement Oversight Group

CEER – Council for European Energy Regulators

CER – Commission for Energy Regulation

CERRE – Centre on Regulation in Europe

CM/SAT – Customer Measures/Satisfaction

CPM – Capacity Payment Mechanism

CPS – Consumer Protection Strategy

CRM – Capacity Remuneration Mechanism

DETI – Department of Enterprise Trade and Investment (which has replaced by the Department for the Economy from May 2016)

DFP – Department of Finance and Personnel (which has replaced by the Department of Finance from May 2016)

DRD – Department for Regional Development (which has replaced by the Department for Infrastructure from May 2016)

DSD – Department for Social Development (which has replaced by the Department for Communities from May 2016)

DSU – Demand Side Unit

fe – firmus energy

FWP – Forward Work Programme

IME3 – Third Internal Energy Market Package

I-SEM – Integrated Single Electricity Market

LECs – Levy Exemption Certificates

MMU – Market Monitoring Unit

MWh – Megawatt hour

NEMO – Nominated electricity market operator (for the I-SEM)

NRA – National Regulatory Authorities

NIEN – Northern Ireland Electricity Networks

NIRO – Northern Ireland Renewable Obligation

NISEP – Northern Ireland Sustainable Energy Programme

OPA – Overall Performance Assessment

PC13 – Price Control (for NI Water) 2013-2015

PC15 – Price Control (for NI Water) 2015-2019

PNGL – Phoenix Natural Gas Limited

PPB – Power Procurement Business

PSO – Public Service Obligation

REMM – Retail Energy Market Monitoring

RGLG – Renewables Grid Liaison Group

RIGS – Regulatory Information and Guidance

ROCs – Renewable Obligation Certificates

RP5 – Regulatory Price Control Period 5

SEF – Strategic Energy Framework

SEMC – Single Electricity Market Committee

SEMO – Single Electricity Market Operator

SGN – Scotia Gas Networks

SNSP – System Non-Synchronisation Penetration

SoLR – Supplier of Last Resort

SONI – System Operator of Northern Ireland

TSOs – Transmission System Operators

UKCN – UK Competition Network

UKRN – UK Regulators' Network





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