

NIE Transmission & Distribution (NIE T and D) Price Control 2012 – 17 (RP5)



Utility Regulator ELECTRICITY GAS WATER

Outline of presentation

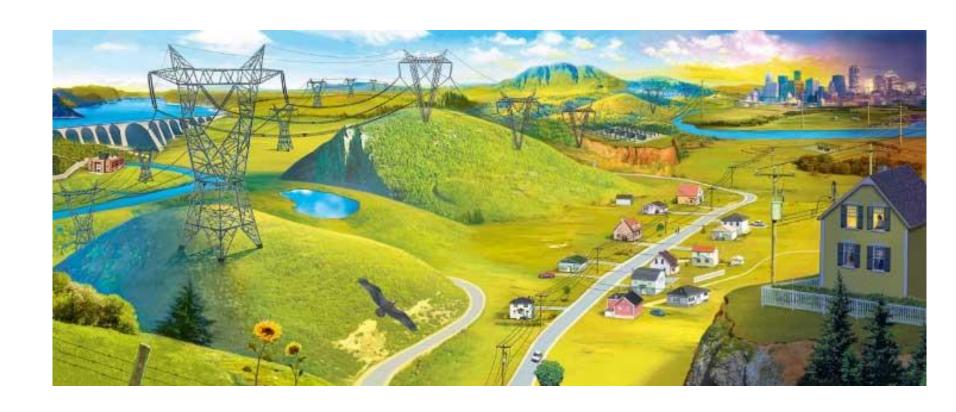
- Background
- Key principles
- Highlights
- Utility Regulator Proposals
- Impact on Consumers
- Next Steps

Background



- NIE T&D (owned by ESB) is the owner of the transmission and distribution electricity network in NI.
- The network comprises overhead lines, underground cables and substations.
- The network connects power stations and other sources of electricity generation to businesses and homes.
- NIE T&D is a monopoly business, so the Utility Regulator regulates the amount of revenue which NIE T&D can achieve via a 'price control'.
- The regulated costs associated with NIE T&D are recovered from customers through network charges.
- Network charges makes up approximately 24% of domestic electricity bill.





Key principles



- The protection of consumers
 - Consumers do not pay twice
- Provide appropriate allowance for NIE T&D to finance its regulated activities
- Ensure renewable investment is provided in a timely manner

HIGHLIGHTS



- Covers 1st October 2012 30th September 2017
- £314M Capex for reliability and growth
- Special treatment renewables and interconnector investment
- Facilitates delivery of energy policy
- £257M Opex
- £22M Pension
- All price 2009/10



- Capital Expenditure Capex
 - Renewable investment will be made a special case, up to £306 million of ring-fenced funding, process to ensure timely approvals
 - The high level of investment for RP4 will be maintained for RP5, £314 million of funding allocated to maintain NIE's high level of network performance and growth.

	RP4 Actual	RP5 (NIE)	RP5 (Ureg)
Capex (BAU)	£289M	£717M	£288M
Capex Connections	£67M	£59M	£27M
Renewables	£18M	£306M	Project-by-project



- Operational Expenditure Opex
 - Efficiencies indentified and incentivised
 - 9% gap with GB peers
 - X of 1 to apply

	RP4	RP5 (NIE)	RP5 (Ureg)
Opex	£284M	£345M	£257M



Pensions

- Ongoing costs of the pension accepted in full (£10.5 million)
- Deficit in NIE's defined benefit pension fund of £87M at 31 March 2011
- £69M associated with regulated business
- Deficit repair for
 - unavoidable costs of £36M
 - avoidable costs £33M
 - Customers will pay £12M in RP5



- Rate of return (WACC)
 - allowance of 4.45% for reliability and growth capex (pre tax real)
 - allowance of 4.0% for renewables and interconnection (pre tax real)

	GB DNOs	NIE T&D	Our
			proposals
Pre-tax WACC (real)	5.6%	6.4%	5.25%
Vanilla WACC (real)	4.7%	5.34%	4.45%
Vanilla WACC	7.5%	8.5%	7.9%
(nominal)			

To convert the real vanilla WACC to a nominal WACC, the inflation used for GB DNOs was 2.7%, 3% for NIE T&D and 3.35% (average) for the Utility Regulator proposals.



Impact on consumers

- Further high levels of capital investment to ensure continued reliability of network
- Support for renewables
- Inflation excluded

		2016/ 17	2016/17
		Excluding	Renewables
		Renewables and	and
	Current	Interconnector	Interconnector
Domestic (4041 kWh/year)	£146	£122	£128
Small Business	£505	£421	£441
EHV Customer (27			
GWh/year)	£138,850	£115,259	£139,010





- Consultation period ends 19 July 2012 @ 5pm
- Focus on extensive consultation with stakeholders over the consultation period – to also focus on issues such as capitalisation practice
- Final determination expected before the end of the year



QUESTION AND ANSWER SESSION



Thank you for your participation

Responses to RP5 Draft Determination by 19 July @ 5pm