Costs and Performance of NIE Networks in RP5

(1 April 2012 to 30 September 2017)

July 2020

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 (style UR Abstract)

We regulate the revenue NIE Networks receives to run and manage its business through periodic price controls. This report reflects our assessment of NIE Networks' performance during the RP5 price control, covering the period from 1 April 2012 to 30 September 2017. It covers performance on key areas including: operational expenditure, capital expenditure and deliver of outputs.

Audience

Regulated utilities, regulatory community, industry, consumers and their representative bodies and statutory bodies.

Consumer impact

This assessment provides consumers with information on the performance of NIE Networks over the RP5 price control covering the period from March 2012 to September 2017.

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Executive Summary

This assessment of NIE Network's performance for the RP5 Price Control period covers a five year and a half year period from 1 April 2012 to 30 September 2017. It shows that the company has broadly delivered its outputs for RP5. In doing so the company spent more on operational expenditure (opex) than the allowances set by the Competition Commission in its final determination for the RP5 period[1], but spent less than the capital expenditure (capex) allowances. The combined total of capex and opex funded by NI customers was £21m less than that incurred by the company for the RP5 period.

This is not the first time the UR has considered NIE Network's performance during RP5. At our request NIE Networks submitted an assessment of their performance and, in addition, the UR undertook an earlier assessment of the RP5 performance as part of the RP6 Price control process based on actual and projected data for the RP5 period. We are now publishing our more detailed assessment. Assessment of NIE Networks performance is now carried out for each year of the Price Control and it is our intention to increase transparency and produce information on NIE Network performance on a more frequent basis going forward.

NIE Networks has separate licences for the distribution and transmission networks. This report covers the costs and performance of both networks. Our key findings are summarised below:

Output Delivery

The general duties of NIE Networks[2], as set out in Article 12 of the Electricity (Northern Ireland) Order 1992, are to:

- develop and maintain an efficient, coordinated and economical system of electricity distribution and transmission which has the long-term ability to meet reasonable demands for electricity;
- facilitate competition in the supply and generation of electricity; and,
- contribute to security of supply through adequate transmission capacity and system reliability.

[1] The CC decision for RP5 may be accessed at: https://assets.publishing.service.gov.uk/media/535a5768ed915d0fdb000003/NIE_Final_determination.pdf

[2] This includes the conditions as laid out in the respective Transmission and Distribution Licences at: https://www.uregni.gov.uk/sites/uregni/files/media-files/NIE%20Transmission%20Licence%20effective%2015%20Feb%202019.pdf https://www.uregni.gov.uk/sites/uregni/files/media-files/NIE%20Distribution%20Licence%20-%20effective%2029%2001%202019.pdf

In discharging these general duties, the company must work to wide ranging codes and standards including licenced obligations, technical standards, guaranteed standards of service and legal obligations related to the health, safety and the environment.

The Competition Commission's final determination for RP5 was based on the delivery of these duties to the required standards and it did not define specific performance measures. Specific outputs were set for a number of areas of network investment such as the replacement of transformers or the refurbishment of overhead lines. The company exceeded the aggregate total of planned investment outputs in RP5 while marginally exceeding or falling short on planned investment output in individual strands.

A key indicator of network performance is the number of consumers affected by interruptions to supply and the duration of those interruptions. These are recorded as customer interruptions (CI) and customer minutes lost (CML). There was a marginal improvement against both measures in RP5 compared to the average of the four years prior to RP5. We have introduced a new mechanism in the current RP6 Price Control to incentivise the company to find new and innovative ways to improve performance in this key area.

Expenditure

The expenditure and allowances presented in this report have been converted to a common price base of 2015-16 prices to facilitate a like for like comparison. This is consistent with price base used in the final determination for the current RP6 Price Control. The figures presented in this report are rounded to the nearest £m and add due to rounding.

Expenditure in the RP5 period is compared with the final allowances for RP5 in Table 1. These final allowances include the allowances set in the CC's determination and additional allowances determined during RP5.

In 2015/16 Prices (£m)	Actual Expenditure			CC Allowances with Adjustments		
	Transmission	Distribution	Total	Transmission	Distribution	Total
Opex	68	386	454	46	340	386
Capex	133	424	558	171	440	612
Total	201	811	1012	217	781	997

Table 1: Actual expenditure in RP5 compared to final adjusted allowances

NIE Networks total operating expenditure over the RP5 period was £454m, £69m higher than the final regulatory allowances for RP5 of £386m. The company

invested £558m over the RP5 period. In doing so, it out-performed the final capex allowances for RP5 of £612m by £54m.

In its determination for RP5 the Competition Commission introduced a cost risk mechanisms. While the company spent £14m more than the final allowances for RP5, the impact of the cost risk sharing mechanisms and the disallowance of pension deficit repair costs means that consumers will fund total expenditure of £991m for the RP5 period, £21m less than the actual expenditure incurred.

Responding to COVID19

We are publishing this report on past performance at a time that consumers, communities, stakeholders and NIE Networks are focused on how to address the impact of COVID19.

Over the past weeks NIE Networks and other utility companies have implemented a number of measures to respond to the COVID-19 pandemic, aimed at complying with government guidelines and protecting the health and safety of both staff and consumers. We acknowledge and are grateful for their commitment to securing supplies and maintaining services where possible and for their engagement with us as we collectively seek to navigate the current situation. The immediate and longer-term impacts of the pandemic on NI Networks and consumers is something that we will consider in all aspects of our regulatory work.

1. Introduction

Electricity supply

1.1 NIE Networks is the owner of the electricity transmission and distribution networks in Northern Ireland. This is part of the overall electricity industry which is represented in Figure 1

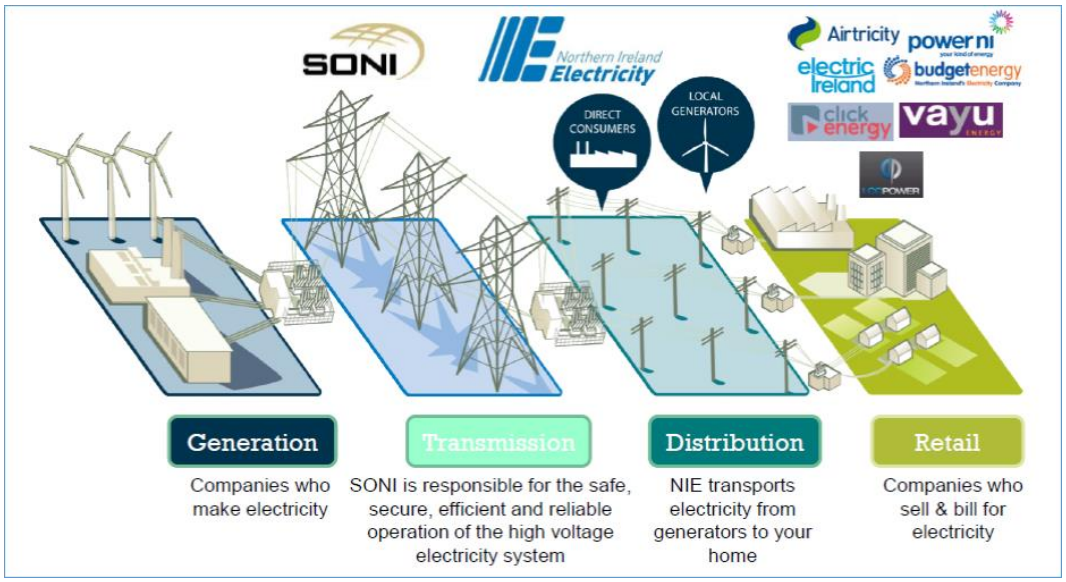

Figure 1: Structure of the Electricity Industry in Northern Ireland

1.2 Most electricity is produced by independent licenced generators who operate in an all-island Integrated Single Electricity Market (iSEM). A single Transmission Operator (TSO), SONI is responsible for planning and operating the transmission network. NIE Networks owns, constructs and maintains the transmission and distribution networks and operates the distribution network. Licenced supply companies (Retail) operate in a competitive supply market and sell and bill for electricity.

1.3 NIE Networks holds separate licences for the transmission and distribution networks. This report covers both networks while providing separate information on expenditure for each.

1.4 The Utility Regulator's (UR) principal objective in respect of the electricity industry is to protect the interests of electricity consumers. Our work includes: developing the overall processes and structures within which the industry operates; awarding licences to companies to participate in the provision of services; monitoring markets, setting revenues or prices and setting performance targets as appropriate; and, monitoring performance. Where possible, we use effective competition to promote efficient delivery.

The RP5 Price Control

1.5 Since NIE Networks is the sole, monopoly provider of the services it delivers, the Utility Regulator regulates both the amount of revenue the company receives and the outputs and performance it is expected to deliver. This ensures value for money for consumers. To do this, we scrutinise the company's revenue requirements and performance targets through periodic price controls.

1.6 The RP5 Price Control began on the 1 April 2012 and ran for five and a half years to the 30 September 2017. We set our Final Determination[3] for RP5 on 23 October 2012. However, NIE Networks did not accept the Final Determination and the Utility Regulator then referred the matter to the Competition Commission (now the CMA). The CC reviewed the price control allowances and made its decision[4] in respect of RP5 on 26 March 2014.

Cost and Performance Reports

1.7 During RP5, Regulatory Information Guidelines (RIGS) were introduced which asked NIE Networks to report cost and performance information annually. We use this information and Cost and Performance Reports to assess and report on delivery against the requirements set for the company in each price control.

1.8 This first Cost & Performance Report for NIE Networks covers the RP5 period. It reports the company's performance against the determination made by the Competition Commission and it describes:

- How the allowances available to NIE Networks in RP5 were calculated from the CC determination and further additions determined through the RP5 change mechanisms.
- How expenditure incurred by NIE Networks varied from the allowances and how this determines the final allowances which will be funded by consumers.
- The delivery of outputs and performance during RP5.

1.9 RP5 determination was set in 2009-10 prices. This Cost and Performance report uses a common 2015-16 price base throughout, consistent with our final determination for the current RP6 Price Control.

[3] The UR Final Determination for RP5 may be accessed at: https://www.uregni.gov.uk/publications/nie-td-rp5-price-control-final-determination

[4] The CC decision for RP5 may be accessed at: https://assets.publishing.service.gov.uk/media/535a5768ed915d0fdb000003/NIE_Final_determination.pdf

2. RP5 Financial Allowances

Introduction

2.1 The funding which the company received to deliver RP5 is underpinned by allowances set by the Competition Commission in its determination subject to further adjustments were made within the rules of the CC determination to:

- Include allowances granted in the previous price control (RP4) which were carried over and used in RP5;
- Reflect actual delivery of metering activities where the final allowance was calculated using unit rates from the RP5 determination multiplied by the number of units delivered;
- Include additional allowances which reflect defined changes to the programme such as the delivery of additional major projects or the impact of changes in legislation which could not be foreseen at the time of the determination.

2.2 The final allowances for RP5 are shown in Table 2. Further information on the RP4 carry over and additional allowances is provided below.

In 2015/16 Prices (£m)	Opex			Capex		
	T	D	Total	T	D	Total
CC allowances for RP5	43	333	376	119	433	552
RP4 carry over	4	6	9	31	9	40
Other adjustments including additions and activity based allowances	-1	2	1	22	-1	20
Total	46	340	386	171	440	612
Combined opex & capex	997					

Table 2: Final RP5 allowances

2.3 The final allowances determined for RP5 were provided to enable the company to deliver its full range of obligations including for example those set out in legislation, licence or other industry arrangements. The final funding the company received for RP5 also takes account of mechanism in the RP5 determination such as the cost risk sharing mechanism. Under this mechanism the company funds 50% of expenditure in excess of the allowances and retains 50% of the difference between the RP5 allowance

and actual expenditure if it out-performs, in most cost categories. The impact of these mechanisms is described in Section 3 below.

RP4 Carryover Projects

2.4 The RP5 determination included allowances for projects which had been identified for the previous price control (RP4) and remained to be carried out during the RP5 control period. The CC did not review the allowance set for this work in the RP4 determination. Instead it carried forward the RP4 allowances to RP5 for completion of identified projects. These allowances were not subject to the 50/50 sharing mechanism. The amount of the RP4 carryover allowances are shown in Table 3.

In 2015-16 prices (£m)	Transmission	Distribution	Total
RP4 Carryover Opex	4	6	9
RP4 Carryover Capex	31	9	40
Combined opex & capex	34	15	49

Table 3: RP4 Carryover included in RP5 CC Decision

Additional allowances and adjustments added during RP5

2.5 Additional allowances were determined during RP5 under mechanisms included in the CC's determination where there was insufficient information to include an ex-ante allowance. These adjustments are summarised in Table 4.

In 2015/16Prices (£m)	Transmission	Distribution	Total
Change of law	-1	1	0
Injurious affection	0	0	0
Total Opex Adjustments	**-1**	**2**	**1**
Major projects	22	0	22
Meter replacement for theft	0	1	1
Meter volume adjustment	0	-5	-5
Costs of competition in connections	0	3	3
Total Capex	**22**	**-1**	**20**
Combined opex & capex	**21**	**0**	**21**

Table 4: Additional allowances and adjustments added during RP5

2.6 Additional Opex allowances of c£1m were added to address a change of law and injurious affection.

2.7 One major project was added to provide a new transmission line between Omagh and Tamnamore sub-station which allows renewable energy to be transferred from west to east. Other capex allowances added for meter replacement to reduce theft were off-set by lower than expected investment in metering which resulted in reduced allowances.

Comparison with the RP5 Business Plan submissions

2.8 The final allowances for RP5 were lower than those initially identified by NIE Networks in its Business Plan submissions which are shown in Table 5 below. The total difference from the Business Plan submission and the final RP5 allowances was £792M. The differences are shown in parenthesis in the table.

In 2015/16Prices (£m)	Transmission	Distribution	Total
Total Opex	**101** (+55)	**406** (+66)	**507** (+121)
Total Capex	**565** +(394)	**717** (+277)	**1,282** (+671)
Total opex & capex	**666** (+465)	**1,123** (+312)	**1,789** (+792)

Table 5: NIE Networks RP5 Business Plan Allowances

2.9 The main difference between the Business Plan submission and the final allowances for RP5 was in capital expenditure. Some of the investment that NIE Networks planned to carry out in RP5 has been has not been necessary or has been delayed to subsequent price control periods without any apparent detriment to consumers but with the advantage of reducing and delaying tariff increases.

3. RP5 Expenditure and Adjusted Allowances

RP5 Expenditure

3.1 Total expenditure in RP5 was £1,012m compared to total final allowances of £997m, an overspend of £14m. Operating expenditure of £454m was £69m higher than the final regulatory allowances for opex in RP5 of £386m. The company invested £558m over the RP5 period and outperformed the regulatory allowances for capex in RP5 of £612m by £54m. The variance between the final allowances and actual expenditure is shown on Figure 2.

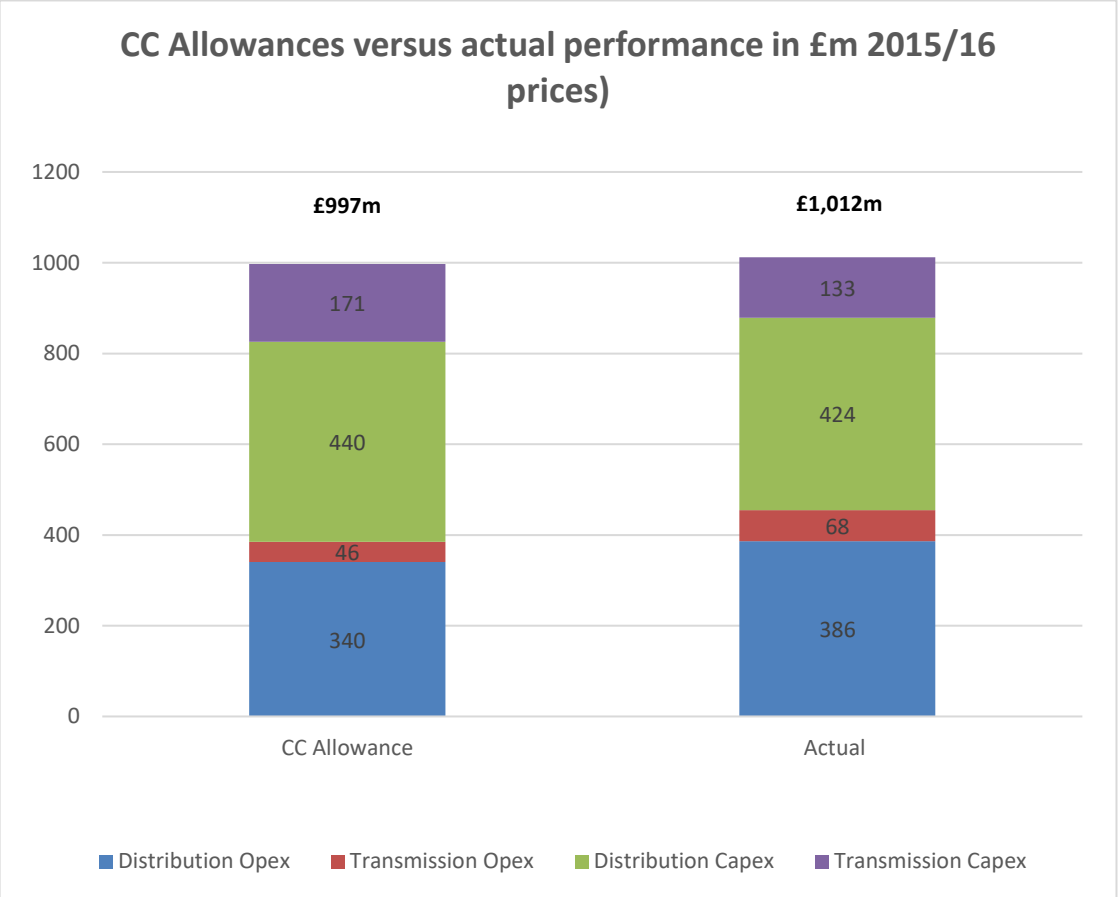

Figure 2: RP5 expenditure compared to the final allowances.

Opex variance

3.2 NIE Networks overspent its final opex allowance for RP5 of £386m by £69m (or 18%) across the transmission and distribution networks. Key areas where expenditure exceeded the RP5 allowances included:

a) Expenditure on 'indirect' costs was £33m greater than a final allowance of £191m. These indirect costs cover the general staff and other costs necessary to deliver the service.

b) RP5 pension expenditure was £25m greater than the RP5 allowances. This was mainly due to the CC not providing full allowances for the early retirement deficiency costs that arose prior to RP5. The Pension allowances are not subject to the 50/50 cost risk sharing mechanism.

c) Business rates exceeded the RP5 allowance by £6m following a revaluation by Land & Property Services which affected the last two years of RP5.

Capex variance

3.3 NIE Networks invested £54m (9%) less than the final allowance for RP5 of £612m. Key areas of variance between the actual expenditure and the RP5 allowance included:

a) The company spent £14m less on capex indirect costs that the final RP5 allowance. These indirect costs cover the general staff and other costs necessary to deliver the service.

b) Metering costs were £5m less than the adjusted allowance set in the RP5 determination. This reduction in costs has been matched by an equivalent reduction in the final allowance under the activity volume mechanism for metering.

c) Direct costs of distribution network investment was £22m less than the allowances included in the CC final determination and direct costs of transmission network investment was £18m lower. These savings were distributed over a wide range of individual work items.

3.4 In view of the level of out-performance on the network investment programme we undertook a more detailed review of two projects to understand how the savings were delivered:

a) **Kells 110kV substation**. The plant was up-graded to improve its capacity to withstand fluctuations caused by network failure. The works was delivered at a saving of over c£4m compared to the CC allowance included by the CC in its determination. Our review showed that the company had identified an alternative technical solution to that included in its Business Plan which delivered at reduced cost. This emphasises the need for a range of options to be

considered when Business Plans are prepared to reduce the likelihood of similar levels of underspend occurring in the future.

b) **11 kV re-engineering**. This work covers work on 11kV circuits which includes replacement of conductors. The work was delivered for c£4m (14%) less that the allowanced determined by the CC. We reviewed how NIE Networks had manage the work to confirm that the savings delivered were sustainable and had not been achieved by deferring more expensive schemes into the future.

3.5 The total indirect costs (capex and opex) incurred by the company was £20m greater than allowances as provided in the CC determination for RP5. For RP6 Price Control we tested the efficiency of level of indirect costs by applying comparative benchmarking against GB distribution network operators. This is an area we will continue to explore for the RP7 Price Control.

3.6 When we made our final determination for RP6 we took account of the cost savings delivered in RP5 based on the latest information of the unit costs of delivery. We have reviewed this assessment using the final out-turn costs for RP5 and have been able to confirm that, for like for like areas of work, the RP6 final determination has captured the unit cost savings made in RP5 and requires the company to deliver further efficiency savings over the RP6 period.

Impact of the RP5 Cost Sharing Mechanism

3.7 The Competition Commission introduce a cost sharing mechanism in its determination for RP5. Under this mechanism, the company is able to retain half of any underspend but funds half of any overspend against the final allowances. The mechanism provides an incentive to manage costs, to minimise over-spends and reveal lower costs for delivery which can be captured in future Price Control determinations. The mechanism did not apply to all costs. For example, the company retained the full benefit of any underspend and baring the full cost of overspend on repair costs of historical pension deficits and RP4 carry over expenditure.

3.8 The full impact of the cost sharing adjustments is shown on Table 6. Actual expenditure is £14m greater than the final RP5 allowance. The company spent £25m on pension deficit repair costs. The CC determination did not include an allowance for these costs in RP5 and they are not covered by the 50/50 cost risk sharing mechanisms. Excluding these pension deficit repair costs, the company spent £10m less than the final RP5 allowances for other areas. The gain share from the elements of this underspend subject to the

50/50 cost risk sharing mechanism is £6m (less than 0.5% of the final RP5 allowances). As a result, the total revenue funded by consumers is:

- Actual expenditure of £1,012m.
- Less pension deficit repair costs of £25m which the company does not recover from consumers.
- Plus £6m of gain share under the 50/50 cost risk sharing mechanism.

3.9 The total adjusted allowance funded by consumers for the RP6 period is £991m, £21m less than the costs incurred by the company in Table 6 below.

In 2015/16 prices (£m)	Final RP5 allowance	Actual expenditure	Variation	Cost sharing adjustment	Adjusted allowance	Performance against the adjusted allowance
Transmission	217	201	-16	-15	202	0
Distribution	781	811	30	9	789	-21
Total opex & capex	997	1,012	14	-6	991	-21

Table 6: RP5 cost sharing adjustments

3.10 Table 7 provides a comparison of actual RP5 expenditure to allowances, with the adjusted allowance representing the amount funded by consumers. It compares this with actual expenditure and the final RP5 allowances broken down by transmission/ distribution and capex/opex.

In 2015-16 prices (£m)	Actual Expenditure		Final RP5 Allowance		Adjusted allowance	
	T	D	T	D	T	D
Opex	68	386	46	340	49	357
Capex	133	424	171	440	152	432
Total opex & capex	201	811	217	781	202	789
Total	1012		997		991	

Table 7: Actual expenditure in RP5 compared to final allowances.

4. Performance against outputs and other key activities

Introduction

4.1 The general duties of NIE Networks[2], as set out in Article 12 of the Electricity (Northern Ireland) Order 1992, are to:

- develop and maintain an efficient, coordinated and economical system of electricity distribution and transmission which has the long-term ability to meet reasonable demands for electricity;
- facilitate competition in the supply and generation of electricity; and,
- contribute to security of supply through adequate transmission capacity and system reliability

4.2 In discharging these general duties, the company must work to wide ranging codes and standards including licenced obligations, technical standards, guaranteed standards of service and legal obligations related to the health, safety and the environment.

4.3 The CC identified specific outputs for some strands of network investment such as the replacement of transformers or the refurbishment of overhead lines. The direct investment related to these outputs was 39% of the final capital investment allowance and 21% of the total allowances. This did not create an obligation on the company to deliver specific outputs in the RP5 period. Instead it provided a statement of the activity the CC had estimated would be necessary when it reached its decision on allowances for RP5. The company had the option of deferring work which did not prove to be necessary to a future price control. A deferral mechanism was introduced to ensure that consumers did not pay a second time when the work was eventually carried out.

4.4 In this section we have:

- assessed NIE Network's delivery against the Planned Investment Outputs defined by the CMA; and,
- reported performance on supply interruptions as a key indicator of the medium term effectiveness of the company's operation and asset management of the network.

Planned Investment Output Delivery

4.5 Performance against planned investment outputs for RP5 is shown on Table 8 for the distribution network and Table 9 for the transmission network.

Work Programme	Investment Category	UoM	Target Outputs	Actual Outputs
OHL	Distribution Tower Lines	Km	26	26
OHL	33kV Overhead Lines	Km	1,138	1,145
OHL	11kV Overhead Lines	Km	7,629	7,641
OHL	LV Lines	Km	1,777	1,784
OHL	Undereaves	Units	17,600	17,641
Distribution Plant	LV cut-outs	Units	8,800	8,811
Distribution Plant	Primary Plant	Units	416	417
Distribution Plant	Primary Transformers	Units	32	32
Distribution Plant	Secondary Plant	Units	2,468	2,468
Distribution Cables	HV & LV Cables	Metres	35,500	35,025
Distribution Cables	Ancillaries	Units	12	12
Total Outputs			**75,397**	**75,002**

Table 8: Distribution Outputs Delivered

Work Programme	Investment Category	UoM	Target Outputs	Actual Outputs
Transmission Plant	Switch house Refurb	Sites	2	2
Transmission Plant	275/110 kV Stations	Sites	3	3
Transmission Plant	110kV Switchgear	Units	32	38
Transmission Plant	Plant Ancillaries	Units	97	50
Transmission Plant	Transformers	Units/sites	67	57
Transmission OHL	275kV	Tower Sides	2,012	2,178
Transmission OHL	110kV	Tower Sides / Poles/ Units	2,208	2,934
Transmission Cables	Cable Replacement	Metres	2,600	3,065
Transmission Cables	Cable Ancillaries	Units	60	66
Total Outputs			**7,079**	**8,391**

Table 9: Transmission Outputs Delivered

4.6 Delivery of distribution HV and LV cables was lower than the CC planning assumption. Delivery of transmission plant ancillaries and transformers was also lower than the CC planning assumption. In all other areas of the company either met the CC planning assumption or delivered more. The aggregate number of outputs across all areas exceeded the CC planning assumption.

4.7 As part of our determination for the RP6 Price Control we reviewed the projected outturn for RP5. We identified one item of output deferral relating to permanent flood protection at substations and reduced investment in RP6 by £0.37m as a result. We will review this assessment when we make our determination for RP7.

Customer interruptions

4.8 The CC determination for RP5 was designed to provide sufficient funding for the company to meet its general obligation to develop and maintain an efficient, coordinated and economical network while allowing the company the flexibility to decide how best to do this.

4.9 In these circumstances we have used customer interruptions as a key indicator of the health of the network and the service received by consumers over the RP5 period.

4.10 Interruptions to supply are measured in two ways:

- ***Number of Interruptions*** – defined as total customer interruptions per 100 connected customers (CI). This is also referred to as the Security Index; and,
- ***Duration*** – the average length of interruptions i.e. the time it takes to restore supplies. Defined as total customer minutes lost per connected customer (CML). This is also referred to as the Availability Index.

4.11 Some customer interruptions are planned by NIE Networks as it undertakes work to maintain and develop the network. Other interruptions are unplanned and are mainly caused by adverse weather, asset failure, third party interference, trees / branches falling on lines, and bird strikes. In this section we have reported planned and unplanned interruptions separately. Reported performance excludes the impact of severe weather events because these major events will mask underlying trends which provide a more stable indicator of performance.

Interruptions to supply

4.12 The profile of planned and unplanned interruptions to supply from 2003/04 to 2017/18 are shown in Figure 3 and Figure 4 respectively.

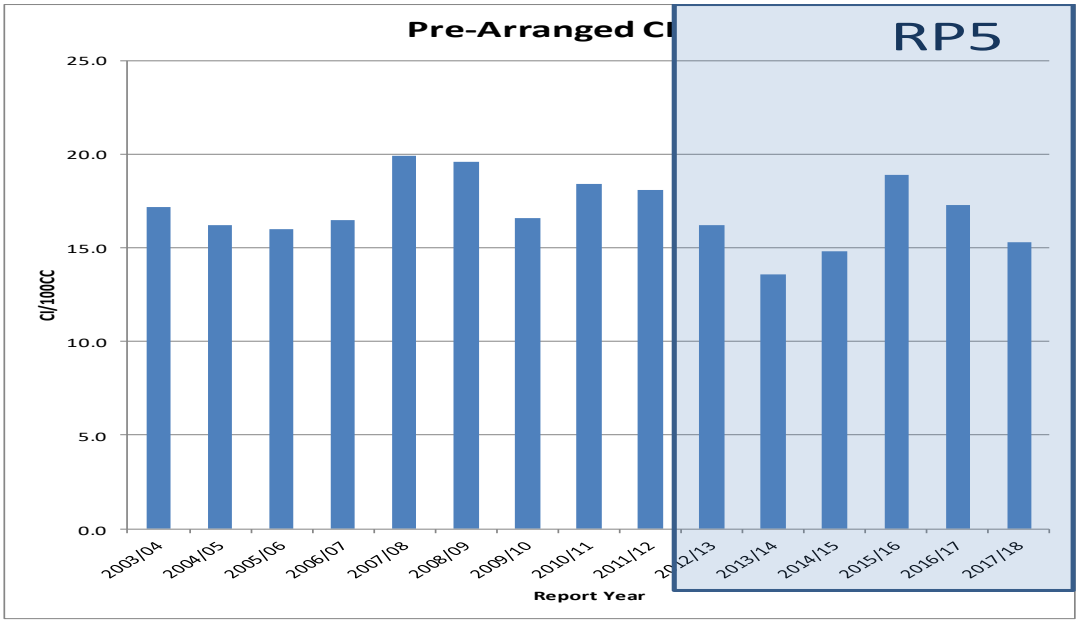

Figure 3: Planned interruptions to supply during RP5

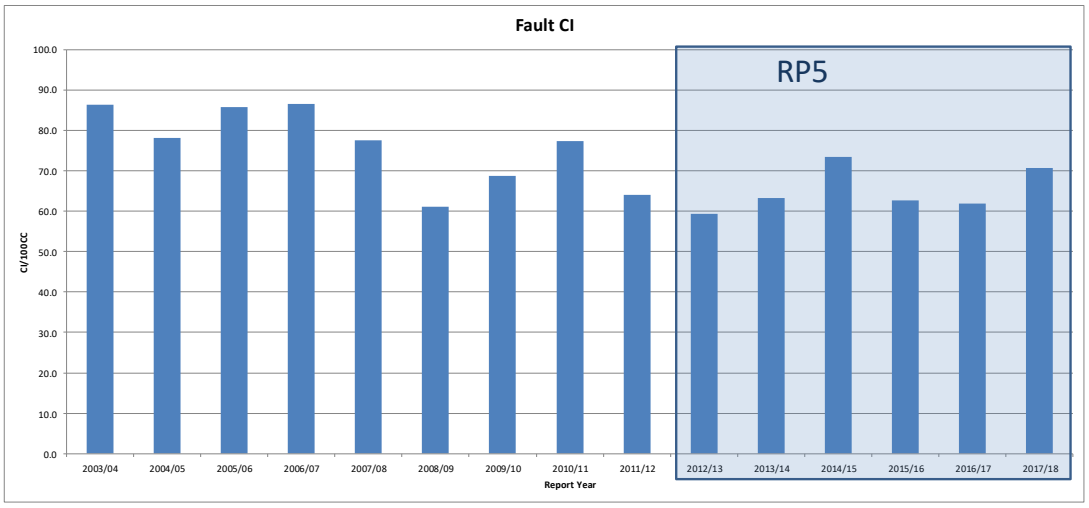

Figure 4: Unplanned interruptions to supply during RP5

4.13 The average level of planned interruptions in RP5 was 12% lower than in the 4 years leading into RP5. Comparing the same period, unplanned interruptions were 4% lower in RP5. On this measure, performance and service has been maintained with a marginal improvement.

Customer Minutes Lost

4.14 The profile of planned and unplanned interruptions to supply from 2003/04 to 2017/18 are shown in Figure 5 and Figure 6 respectively.

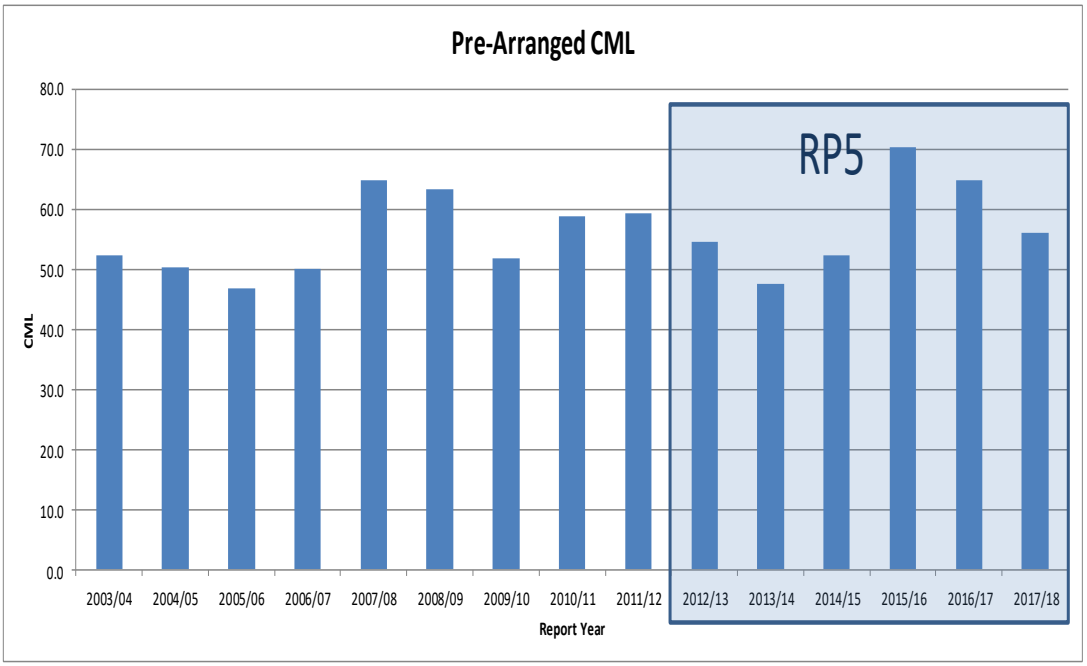

Figure 5: Planned Customer minutes lost over RP5

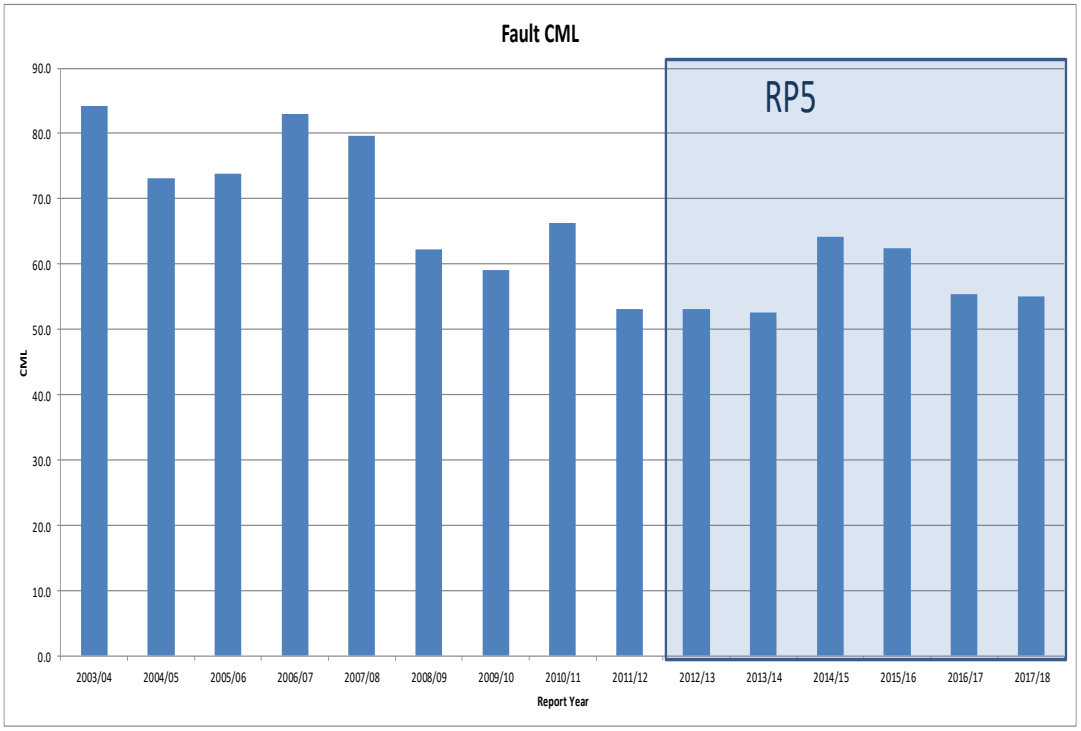

Figure 6: Unplanned Customer minutes lost over RP5

4.15 The average level of planned CML in RP5 was 1% lower than in the 4 years leading into RP5. Comparing the same period, unplanned CML was 5% lower in RP5. On this measure, performance and service has also been maintained.

Overall assessment of interruptions

4.16 Overall, the company has maintained performance in respect of customer interruptions in RP5 and delivered a marginal improvement compared to average performance over the 4 years prior to RP5. On this measure both the health of the network and the service to consumers has been maintained.

4.17 The profile of interruptions show the variability in performance year on year which are, in part, driven by external issues such as weather. The level of planned interruptions is also affected by the level of work undertaken by the company to maintain and develop the network. As a result, any improvement in performance can only be judged over the longer term.

4.18 We have introduced a new mechanism in the current RP6 Price Control to incentivise the company to find new and innovative ways to improve performance in this key area.

5. Future Reporting

5.1 We have developed reporting guidance (RIGs) for RP6 for the Price Control period to allow regular reporting of costs going forward and allow performance to be measured against price control allowances and targets.

5.2 As we prepare for the (RP7) which starts in 1 April 2024, we will continue to develop key areas of our approach to Price Controls including:

- ***Customer Engagement***. We are developing a continuous customer engagement model with NIE Networks to deliver various developmental objectives over RP6. We indicated in our FD for RP6 that we would be incorporating the recommendations from the Consumer Engagement Advisory Panel (CEAP) report "Empowering consumers: beginning a conversation on consumer priorities for the Northern Ireland electricity network," to be developed through RP6 and beyond. The CEAP is a joint collaborative partnership group comprising NIE Networks, CCNI, Department for the Economy and ourselves.

- ***Guaranteed Standards of Service (GSS)***. NIE Networks maintained continuous good customer service as measured by customer minutes lost and Guaranteed Standards of Service metrics over RP5. As part of our Forward Work Programme we are undertaking a review of Guaranteed Standard of Services with a view to having new standards in place for RP7. We intend developing this area and introduce more consumer focused KPIs and measures during RP6 including new consumer measures where these provide actionable data for the company and ourselves going forward, including new customer contact measures such as response times and customer satisfaction.

- ***Asset Management Excellence***. NIEN is developing its systems of asset management assessment during RP6. We will continue to work with the company on reporting of Load indices and Asset Health indices in preparation for RP7.