



GD17 – Cost and Performance Report 2017- 2022

Overview of Performance 2017-2022

April 2024



About the Utility Regulator

The Utility Regulator is the economic regulator for electricity, gas and water in Northern Ireland. We are the only multi-sectoral economic regulator in the UK covering both energy and water.

We are an independent non-ministerial government department and our main duty is to promote and protect the short- and long-term interests of consumers.

Our role is to 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.

We are based at Queens House in Belfast. The Chief Executive and two Executive Directors lead teams in each of the main functional areas in the organisation: CEO Office; Price Controls, Networks and Energy Futures; and Markets and Consumer Protection.



Our mission

To protect the short- and long-term interests of consumers of electricity, gas and water.



Our vision

To ensure value and sustainability in energy and water.



Our values

- Be a best practice regulator: transparent, consistent, proportionate, accountable and targeted.
- Be professional – listening, explaining and acting with integrity.
- Be a collaborative, co-operative and learning team.
- Be motivated and empowered to make a difference.



Abstract

This report reviews the performance of Gas Distribution Network Operators (GDNs), against the previous price control targets that were set, subject to updating for the Uncertainty Mechanism and any additions/extensions that have been agreed during the price control for the years 2017-2022 (6 years). It provides a summary of costs and performance for the full price control period of GD17.

Audience

Likely to be of interest to regulated companies, consumers, other regulatory bodies, government and other statutory bodies.

Consumer impact

This analysis provides information on cost and performance to date which establishes a base line and context of reviewing the Business Plan submissions as presented by the GDN's.



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Executive Summary

This paper provides an overview of the performance of each GDN across the GD17 reporting period of 2017-2022. This report covers all three GDNs Evolve, firmus Energy (FE) and Phoenix Energy (PE) with note that, for Evolve, GD17 began in 2018.

GD17 allowances, targets and projections for a number of key areas are compared with actual out-turns values. The performance of the GDNs in GD17 may inform future regulatory decisions.

Some of the cost allowances and targets included in the GD17 Final Determination (FD) are adjusted through an Uncertainty Mechanism to account for actual delivery. The Uncertainty Mechanism also takes account of other adjustments to the GD17 price control such as additional network extensions which were approved after the final determination. This report compares outturn values with the adjusted allowances, targets and projections after the application of the Uncertainty Mechanism.

GD17 ended in 2022 and this cost and performance report has been developed, alongside the Uncertainty Mechanism being updated with actuals, to provide a full view of GD17.

Below are a series of summary tables that provide comparisons between the Determined GD17 figures and the actual figures in 6 key areas:

- Mains Laid
- Properties Passed
- Connections
- Volumes
- Capex
- Opex

For Capex and Opex, this report uses the 2020 average price base for Evolve and firmus Energy, while Phoenix Energy use a September 2020 base price to make its prices consistent with the GD23 Final Determination.

Evolve

Table 1 provides a comparison of Evolve's (formally SGN, Scotia Gas Networks) actual costs and outputs (Actual Totals) against the cost allowances and targets for the five-year period of 2018 to 2023.

GD17 does not cover the full 6-year period for Evolve due to its licence being awarded in February 2015 following the Gas to the West (G2W) competition and its First Operational Commencement Date (FOCD) being set for 1 January 2018. As a result, Evolve's 2017 actuals are not part of this review. Finally, Evolve's price control allowances, including their rate of return, were set largely by the G2W competition.

Evolve outperformed against the GD17 allowance in several categories during the period. Evolve's Mains Laid were more than forecast leading to a total of 39.6 Km more than the determination. Properties passed were also above their forecast with a total 632 above the determination. Evolve's connections were 5,056 lower than forecast; similarly, Volumes were 32.2 (m) therms less than forecast. Evolve's Capex spend was below updated allowances. Evolve spent £0.2m more on capex and £4.8m more on Opex than the determined allowances.

Overall, there was an increase in Mains Laid (14%), Properties Passed (3%), but an overspend in Capex (0.6%) and Opex (77%). Connections (61%) and Volumes (27%) fell below target.

Mains Laid (KM)	2018	2019	2020	2021	2022	GD17 Total
GD17 FD	27.3	72.0	67.4	56.8	55.6	279.0
Actual	21.2	99.1	65.1	76.0	57.2	318.6
Properties Passed	2018	2019	2020	2021	2022	GD17 Total
GD17 FD	2,487	6,383	6,820	4,976	4,860	25,527
Actual	2,624	6,389	6,205	6,425	4,546	26,189
Connections	2018	2019	2020	2021	2022	GD17 Total
GD17 FD	211	2,957	1,772	1,562	1,789	8,291
Actual	324	237	759	1,068	838	3,226
Therms of Gas (M)	2018	2019	2020	2021	2022	GD17 Total
GD17 FD	5.1	21.8	28.3	31.4	32.8	119.4
Actual	3.2	11.0	23.8	24.7	24.5	87.2
Capex (£m)	2018	2019	2020	2021	2022	GD17 Total
GD17 Final Determination	5.1	14.5	11.0	8.5	9.1	48.2
GD17 After Uncertainty Mechanism Adjustments	2.5	13.3	6.4	8.6	5.5	36.3
Actual	2.2	14.2	6.0	8.6	5.6	36.5
Opex (£m)	2018	2019	2020	2021	2022	GD17 Total
GD17 Final Determination	1.0	2.5	2.3	2.0	2.3	10.0
GD17 After Uncertainty Mechanism Adjustments	0.8	0.7	1.5	1.7	1.5	6.2
Actual	1.1	1.5	2.6	3.2	2.6	11.0

Table 1: Evolve – year-on-year summary totals for each key area for GD17

firmus Energy

Table 2 provides a comparison of FE's actual costs and outputs (Actual Totals) against the adjusted costs allowances and targets (GD17 FD Totals) for the full GD17 period.

FE outperformed against the GD17 allowances across all categories other than volumes during the GD17 period. FE's Mains Laid were more than forecast for all years leading to a total of 214.2 Km more than the target. Properties passed were also consistently above their forecast with a total 15,065 above target. FE's connections were 3,348 higher than forecast, only dipping below target in 2022. Volumes were 9.4 (m) therms less than forecast, with the biggest reduction occurring in 2022. FE's total Capex and Opex spend were below allowances by £12.5m and £2.7m respectively.

By achieving more Mains Laid (31%), Properties Passed (21%), and Connections (11%) while spending less in Capex (12%) and Opex (6%) the data shows improved efficiency in delivery for FE in GD17.

Mains Laid (KM)	2017	2018	2019	2020	2021	2022	GD17 Total
GD17 FD	120.7	119.3	117.9	116.3	118.9	119.5	712.6
Actual	130.4	150.0	158.5	165.5	172.3	150.1	926.8
Properties Passed	2017	2018	2019	2020	2021	2022	GD17 Total
GD17 FD	12,166	11,871	12,328	11,214	11,565	12,473	71,617
Actual	13,109	14,031	15,243	15,568	15,695	13,036	86,682
Connections	2017	2018	2019	2020	2021	2022	GD17 Total
GD17 FD	4,218	4,558	4,884	5,151	5,405	5,684	29,900
Actual	5,070	5,360	6,460	5,553	6,558	4,247	33,248
Therms of Gas (m)	2017	2018	2019	2020	2021	2022	GD17 Total
GD17 FD	62.0	60.4	62.5	64.7	67.0	69.4	385.9
Actual	58.2	61.3	61.6	63.9	68.1	63.4	376.5
Capex (£m)	2017	2018	2019	2020	2021	2022	GD17 Total
GD17 Final Determination	19.4	16.2	16.4	16.7	17.0	17.4	103.0
GD17 After Uncertainty Mechanism Adjustments	17.5	18.8	19.4	20.7	21.8	15.8	114.0
Actual	14.4	17.4	17.3	18.2	19.9	14.3	101.5
Opex (£m)	2017	2018	2019	2020	2021	2022	GD17 Total
GD17 Final Determination	7.4	7.3	7.5	7.7	8.0	8.4	46.2
GD17 After Uncertainty Mechanism Adjustments	7.2	7.3	7.8	7.3	8.2	6.5	44.5
Actual	6.9	7.2	7.0	7.2	7.3	6.1	41.8

Table 2: FE – year-on-year summary totals for each key area for GD17

Phoenix Energy

Table 3 provides a comparison of PE's actual costs and outputs (Actual Totals) against the adjusted cost allowances and targets (GD17 FD Totals) for the full GD17 period.

PE outperformed against the GD17 allowances in the majority of categories during the GD17 period. PE laid 28.1 Km more mains and passed 3,556 more properties than forecast, with the most substantial difference between forecast and actual figures occurring in 2017 and 2018. PE's connections overall were broadly in line with the GD17 forecast (405 below). As noted, PE's volumes were 19.9 (m) therms less than forecast. PE spent £2.7m less in Capex across the period, with marginally lower capex spend in each year, and, similarly, lower Opex spend across the period resulting in a £5.2m lower Opex spend overall.

By achieving more Mains Laid (6%), Properties Passed (8%), with less Connections (0.8%) while spending less in Capex (3%) and Opex (5%), overall, the data shows improved efficiency in delivery for PE in GD17.

Mains Laid (KM)*	2017	2018	2019	2020	2021	2022	GD17 Total
GD17 FD	31.4	45.0	87.7	95.2	101.2	101.7	462.3
Actual	80.9	81.5	92.7	84	77.9	73.4	490.4
Properties Passed*	2017	2018	2019	2020	2021	2022	GD17 Total
GD17 FD	3,073	4,020	8,103	8,728	9,650	8,679	42,252
Actual	7,262	7,364	9,109	7,821	8,002	6,250	45,808
Connections*	2017	2018	2019	2020	2021	2022	GD17 Total
GD17 FD	8,343	8,299	8,334	8,469	8,578	8,631	50,655
Actual	8,594	8,776	9,398	7,979	9,083	6,420	50,250
Therms of Gas (M)	2017	2018	2019	2020	2021	2022	GD17 Total
GD17 FD	148.9	152.5	156.2	159.9	163.6	167.3	948.2
Actual	144.9	157.8	157.7	158.6	162.6	146.7	928.3
Capex (£m) 2020 Prices	2017	2018	2019	2020	2021	2022	GD17 Total
GD17 Final Determination	13.3	15.1	18.9	20.8	19.2	18.5	105.8
GD17 After Uncertainty Mechanism Adjustments	15.5	18.7	19.2	17.3	18.6	14.8	104.2
Actual	15.0	17.8	18.7	17.3	18.3	14.4	101.5
Opex (£m) 2020 Prices	2017	2018	2019	2020	2021	2022	GD17 Total
GD17 Final Determination	16.8	16.5	16.4	16.3	16.2	16.3	98.5
GD17 After Uncertainty Mechanism Adjustments	16.3	16.7	17.0	16.5	16.7	15.0	98.2
Actual	15.4	15.2	15.7	15.9	15.9	14.8	93.0

Table 3: PE – year-on-year summary totals for each key area for GD17

*Please note that Mains Laid, Properties Passed and Connections have been adjusted for projects which were approved during GD17.