



ANNUAL PLAN

April 2023



OUR ISLAND PLAN

BUILDING A SECURE, VIBRANT AND SUSTAINABLE
FUTURE FOR OUR ISLAND



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CHAIR'S FOREWORD

Tim Crookall MHK



I am pleased to present Manx Utilities' Annual Plan outlining the key priorities to be delivered to support a secure and sustainable future for our Island.

The most significant impact for Manx Utilities has been the extraordinary wholesale energy prices in Europe. We have sought to limit the impact of wholesale cost increases on our customers to the value of approximately £40 million over the last two years. However it is not possible to maintain this as reserves have depleted to the point where a deficit of £45 million is anticipated for the year ended 31 March 2023. Regrettably this has meant implementing a tariff review as the higher than average wholesale energy prices are expected to continue through 2023 and 2024. Despite the increases required Isle of Man electricity prices will still be below UK prices and will continue to support our customers who require that extra level of support through this difficult time.

Climate Change remains a key threat to the global environment, and we have continued to support the Isle of Man Government's Climate Change Targets. We are now working towards the delivery of 30MW of renewable generation on the Island by way of 20MW of wind and 10MW of solar power. Further work also continues on the additional renewable capacity required post-2026. We remain committed to placing security of supply the key deliverable for our Island.

We continue to expand our public charging network for Electric Vehicles to support demand.

The first phase of the smart meter roll-out across the Island has been completed providing prepayment customers with upgraded SmarterPAYG units and providing self-service for top-ups online in addition to time of use data to help manage consumption.

Work to improve our water resilience and reduce the impact of climate change on our water supplies has significantly increased, with schemes to replace water mains being commenced. The targeted replacement of water mains prone to burst will reduce water losses through leakage and pressure management activities. With further schemes planned, it is reassuring to see that these activities are already showing a reduction in water losses with leakage now reduced to the lowest it has been since records began.

We remain committed to the cessation of the continuous discharge of raw sewage to sea around the Island. A significant volume of work has been undertaken to identify all possible options for the remaining catchments of Peel and Garff. We continue to work with local communities and key stakeholders.

Manx Utilities' team has continued to ensure essential utility services have been delivered reliably and efficiently to customers.



ABOUT US

Manx Utilities is a Statutory Board of the Isle of Man Government sponsored by the Department of Infrastructure.

Manx Utilities is responsible for providing its customers with safe, reliable, efficient and economic supplies of electricity, natural gas and clean water; as well as processing waste water. In addition to operating a successful energy trading enterprise, Manx Utilities has two subsidiary businesses specifically focussed on commercial telecommunications and subsea cable management.

OUR STRUCTURE

Board

Mr Tim Crookall MHK Chair
Mr Peter Greenhill MLC Vice-Chair
Mr John Cowan
Mr Bill Mummery
Mr Anthony Charnley

Executive Team

Mr Phil King Chief Executive
Mr Simon Clague Finance Director
Mr Adrian Dobbins Executive Director
Mr Alan Cubbon Executive Director



OUR VISION

SUSTAINABLY DELIVERING
LIFE'S ESSENTIAL SERVICES
FOR OUR ISLAND

OUR VALUES

At our heart we are an empowered people business – an organisation that supports people to develop and be the best they can. We employ people to serve people. We believe that expressing what is important to us through a simple set of values is a great way of building working relationships, trust and high performance teams who deliver (or even exceed) stakeholder obligations and expectations. Our values were developed through many conversations across our organisation over time and have been refined for simplicity, ease of remembering (**RITE**) and include short explanatory notes to help capture more of the original staff input and meaning.

RESPECT

We believe that having self-respect and respecting others is a fundamental pillar on which to build trust and confidence. For us, respect enables high quality communication, in support of growth, learning and development (individuals and teams).

INTEGRITY

We believe that being honest, open and accountable is another cornerstone on which to build trust and confidence, helping exemplify high ethical behaviour. Coupled with respect and fairness it allows people to have confidence in being authentic, supporting a healthy learning and high growth environment through encouragement and the provision of accurate information.

TEAMWORK

We believe that great teamwork allows individual skill and effort to combine and produce the very best of organisational performance. For it to work effectively we know each of us needs to perform to the best of our professional ability whilst coordinating with our colleague's contributions.

EXCELLENCE

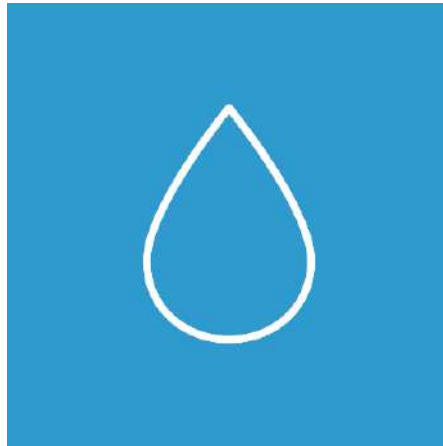
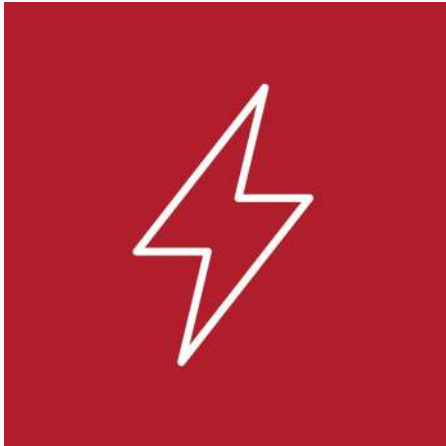
We believe that to fulfil our purpose, we must strive to achieve standards of excellence in all that we do.



WHAT WE DO

We are a Statutory Board of the Isle of Man Government sponsored by the Department of Infrastructure.

Manx Utilities is responsible for providing its customers with safe, reliable, efficient and economic supplies of electricity, natural gas and clean water; as well as processing waste water. In addition to operating a successful multi-utility, Manx Utilities has two subsidiary businesses specifically focussed on commercial telecommunications and subsea cable management.



People and businesses in the Isle of Man enjoy reliable and efficient electricity supplies from Manx Utilities, sourced from independent supply chains; natural gas, liquid fuel, electricity imports, hydro and energy from waste. Natural gas is also supplied to Manx Gas.

We supply an average of around ten billion litres of water per year to 42,800 households through a network of 1,800km of water mains. To ensure that the water is of the highest quality we perform over 42,500 water quality tests annually.

We manage, maintain, extend and develop the Island's public sewerage infrastructure and the sewage treatment and disposal systems. Ten billion litres of waste water arrives at Meary Veg on average in a year; 1,000 tonnes of sludge pellets are produced and 1,400 septic tanks are emptied annually.



e-llan Communications Limited is a wholesale supplier to the telecoms industry on the Isle of Man. It has been an alternative carrier of high volume telecoms data since 2007 and is a supplier in the B2B market.



Manx Cable Company Limited is responsible for the operation and maintenance of the electrical interconnector subsea cable between the Isle of Man and the UK.

HOW WE DO IT

HEALTH & SAFETY



We are committed to protecting the health and safety of our staff, contractors, customers, visitors and members of the public affected by our activities. We believe in a world where accidents are avoidable and we aim to do everything that is reasonably practicable to provide a safe and healthy working environment; collaborating with our stakeholders to continuously improve.

ENVIRONMENT



We recognise the value of our environment and the importance of its sustainability. We believe in understanding, managing and reducing the impacts of our operations on the environment through good governance, innovation, technology and cultural change.

QUALITY



We are committed to providing high quality services to our customers. We believe our sustainable success relies on the confidence and trust we earn from our customers and stakeholders. This in turn is dependent upon our ability to maintain, improve and provide new quality products and services of value to our community. We also believe that the quality of our internal working arrangements, processes and systems are reflected in our end product and services, and therefore a holistic supply chain approach is essential.

PEOPLE



We recognise that our people's skills, health, values and engagement are fundamental in delivering high quality utility services to our customers. We believe that investing in our people is also investing in our customers. We believe that creating and maintaining a positive work environment, where people are inspired to produce meaningful outcomes for themselves and others, helps provide the personal and team energy needed to deliver quality utilities, continuously improve and innovate.

ASSETS



Our assets represent the substantial infrastructure required to deliver essential utility services for our Island. They comprise an extensive range of technologies, often with long life expectancies and attract significant cost. We believe that effective investment decision-making and asset management processes are critical to achieve high standards of operational performance. We also believe that innovation, new technology and continuous improvement are vital requirements to deliver sustainable solutions for our community and organisation.

GOVERNANCE



Governance is the system by which we direct and control our activities, functions and engagement with stakeholders. We believe in preserving the interests of our wider community through the good governance principles of integrity, openness and accountability. We also believe in basing our policies on sound ethics.

OUR FOCUS

COST OF LIVING CRISIS

The unprecedented increases in the cost of wholesale natural gas over the last 18 months has resulted in significant increases in the energy supply costs that Manx Utilities needs to meet. The strategy of forward purchasing natural gas has reduced these costs by around £40 million compared to what they would have been without the strategy being in place. Tariff increases have been considered carefully and a price freeze was implemented by the Council of Ministers in August 2022, supported by a £26 million loan facility agreed by Tynwald. The loan facility has not been drawn upon due to a subsequent fall in wholesale energy costs (which remain around three times higher than historic averages); a total of £25 million has been withdrawn from the Bond Repayment Fund to support Manx Utilities' cash position and meet the deficits arising from cash payments exceeding cash receipts. Manx Utilities' cash reserves have also reduced to mitigate the deficits and a cost review process has been implemented to reschedule deferrable maintenance activities and to prioritise expenditure.



ENERGY CRISIS

Over the last two years Manx Utilities has shielded customers from the wholesale natural gas market volatility by forward purchasing gas and absorbing price rises by using reserves. Costs not passed on to customers were circa £40 million however, in March 2023 Manx Utilities announced that electricity tariffs would need to increase as reserves were now depleted and the business financial status challenged.



SMART METERS

Manx Utilities has now installed the first phase of SmarterPAYG smart meters as the process of upgrading its domestic metering infrastructure to smart meters continues across the Island.



The first phase involved Manx Utilities' prepayment customers being switched to 'SmarterPAYG' and having their 'key' electricity meter upgraded to a smart meter. These customers can download Manx Utilities' free SmarterLiving app to use in conjunction with their new meter to both top up their credit to cover electricity usage, and to gain near real-time information on energy consumption.

Phase two will deliver smart meters for our credit meter customers.

WATER SUPPLY RESILIENCE

Mindful of Climate Change and the recent frequency of Temporary Use Bans (Hosepipe Bans) Manx Utilities is developing its water resiliency plans. The main risk to the resiliency of services supplied is the increase of customer consumption alongside longer periods of reduced rainfall. As such, the water resiliency plans will be key strategies and must be closely monitored, particularly noting the aspiration to grow the economy and population.



A water resiliency plan is being progressed, and additional investment in aged water mains is being made to reduce water losses from the network.

Our strategy includes pressure reduction to minimise bursts, renewal of aged and obsolete water mains and a forensic targeting of leaks within the water supply system. The 'Use Water Wisely' publicity campaign is also an integral part of our resilience plan.



An external surveillance audit on water quality has led to ISO9001 re-accreditation of our Island's drinking water with a performance rating of 99.95%.



OUR FOCUS

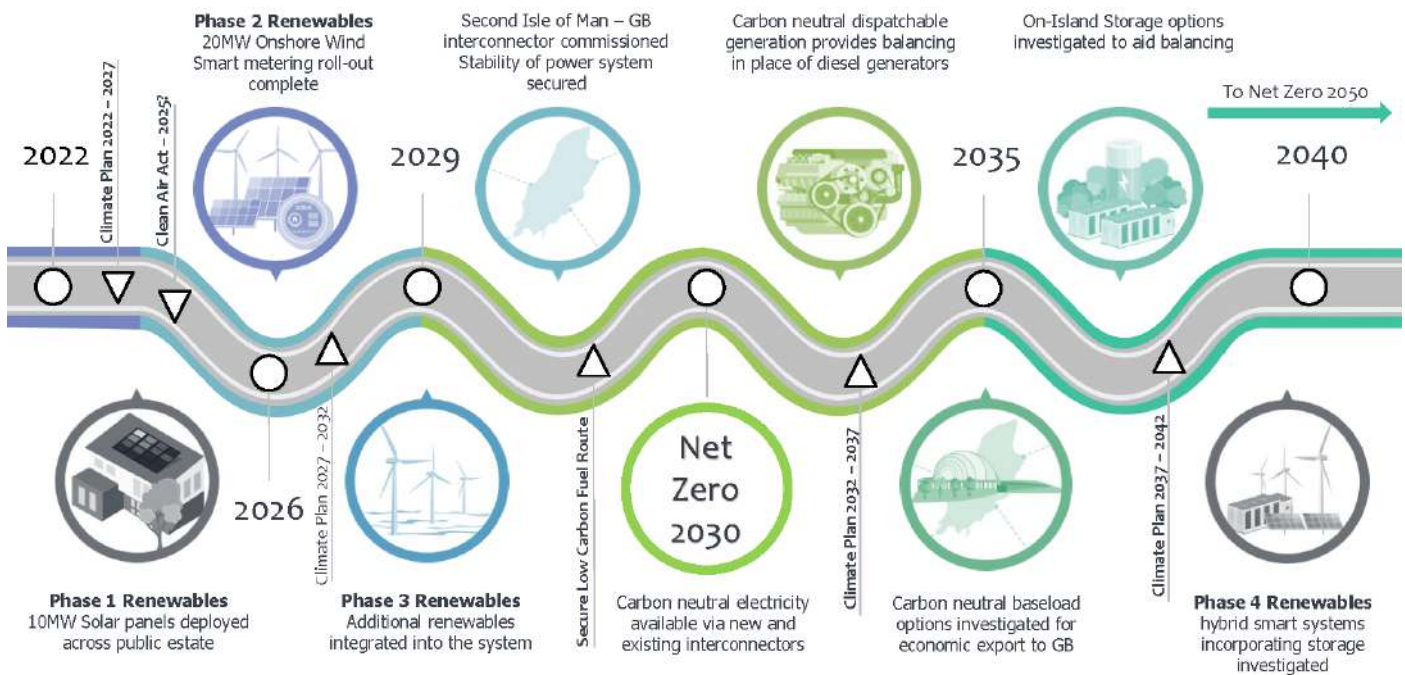
ENERGY TRANSITION

Isle of Man Government declared a climate change emergency in May 2022. As Manx Utilities produces a significant proportion of the Isle of Man's carbon emissions through its electricity supply operations, we will play a key role in reducing the Isle of Man's emissions to meet Government's commitment of net zero by 2050.

Electrification of the energy supply will form part of the Isle of Man's transition to net zero emissions. This is expected to modify how electricity is distributed through Manx Utilities' electrical network. Technologies such as Air Source Heat Pumps will allow Manx Utilities to sell additional units of electricity while enabling customers to reduce their environmental impact and costs.



On 18 October 2022, Tynwald formally adopted the [Climate Change Plan 2022-2027](#). This plan requires the complete decarbonisation of Manx Utilities' generating assets by 2030 and we have developed a strategy to deliver the plan. Isle of Man Government's Island Plan also formalises the commitment to the deployment of at least 20MW of onshore renewable electricity capacity by December 2026.



OUR FOCUS

REGIONAL SEWERAGE TREATMENT STRATEGY

We are committed to ceasing the continuous discharge of raw sewage into the sea and ensuring the Isle of Man can meet Tynwald's commitments to bathing water quality. This requires the completion of modern day sewage treatment for the remaining catchments of Peel, Baldrine and Laxey.

Consultation with Local Authorities and community groups have been undertaken and further public consultations are planned following completion of site acquisition.

We believe that the regional solutions that we are developing offer a low carbon footprint, low cost, and low community impact as opposed to a centralised approach previously adopted for IRIS. In addition regional solutions are considerably cheaper from both a capital and whole-life costing perspective and are expected to deliver on Manx Utilities' obligations for bathing water quality.

Updates on progress are uploaded to our [website](#) and shared with local MHKs, Local Authorities and via our social media channels.



SECURITY OF SUPPLY

Customer minutes lost for 11 months as at 28 February 2023:

Electricity KPI <20 Actual: 12.00

Water KPI <30 Actual: 15.67

OUR ISLAND PLAN

■ On track/complete
 ■ Risk to deliver
 ■ Not on track

Strategic Programme	OBJECTIVE	TARGET		STATUS
Implement Waste Strategy	Deliver effective and sustainable sewerage treatment infrastructure for Peel operational by Dec 2025.	Dec 25	Green	The original Target Date was set at December 2024. Manx Utilities have confirmed that this will now move to 2025 although will try and improve on this if at all possible. The movement in target dates was presented to the Council of Ministers on 16 February 2023.
	Deliver effective and sustainable sewerage treatment infrastructure for Garff operational by Q1 2026.	Q1-26	Green	The original Target Date was set at December 2024. Manx Utilities have confirmed that this will now move to 2025 although will try and improve on this if at all possible. The movement in target dates was presented to the Council of Ministers on 16 February 2023.
Water Security Strategy	Develop and publish a Plan for Water Security.	Jun-23	Green	Develop a Water Resilience Plan and present to COMIN by late March/early April.
Onshore 20MW Renewable Energy by 2026	Initial feasibility report into commercial options.	Feb-23	Complete	Consultants Bird & Bird presented to the Council of Ministers on 26 January 2023.
	Commence implementation.	Jul-23	Green	Environmental Impacts progressing Cost Consultant to be appointed Solar Workshops with local Installers undertaken Website updates are now available
	Minimum 20MW onshore renewable energy.	2026	Green	30MW to be delivered by 2026 comprising of 20MW of onshore wind and 10MW of solar

FINANCIAL SUMMARY

The following table shows the expected performance for the current financial year (2022-23) and the current budget for 2023-24:

	Budget 2022-23 £'000s	Forecast 2022-23 £'000s	Comments on 2022-23 Forecast	Budget 2023-24 £'000s
Electricity - Island Demand				
Sales	70,891	70,987	Local electricity revenues currently in line with projections.	98,414
Energy Costs	(49,308)	(44,530)	Slight reduction in energy costs as the year has progressed.	(56,190)
Contribution	21,582	26,457		42,224
Energy Gross Margin				
Natural Gas Sales - net income	1,777	1,683	Total sales for the year expected to be £17 million.	1,729
Gas Transmission Costs	(5,162)	(7,540)	Increased UK National Transmission System exit capacity costs.	(4,703)
Electricity Export - net income	4,627	18,630	Increased UK wholesale electricity prices (increased spread between selling price and cost of generation).	6,716
Energy Gross Margin	22,824	39,230		45,967
Overall Gross Margin				
Water Income	18,058	17,497	Increased provision for debts.	19,635
Sewerage Income	14,041	13,752	Increased provision for debts.	15,241
Other Income	2,998	2,351	Reduced income anticipated from customer contributions, public lighting maintenance and service alterations.	2,959
Overall Gross Margin	57,921	72,830		83,802
Overheads				
Employment Costs	(22,605)	(23,343)	Pay awards higher than budgeted for.	(25,030)
Other overheads	(19,799)	(18,675)	Increased review of costs and maintenance programmes.	(25,647)
Total Overheads	(42,404)	(42,018)		(50,678)
Core Contribution	15,517	30,812		33,124
Telecoms Contribution	(131)	73	Additional short-term income and reduced costs for the year.	26
Operating Surplus Before Depreciation	15,386	30,885		33,151
Depreciation	(21,182)	(20,223)	Depreciation charge estimated during the year and will be finalised at year end.	(20,719)
Net Finance Costs	(44,640)	(55,272)	Higher than expected reversal of previous unrealised gains on forward purchase gas contracts and reduced performance of the Bond Repayment Fund.	(21,910)
Net Surplus/(Deficit)	(50,436)	(44,609)		(9,478)

The budget for 2023-24 was approved by the Board in March 2023. Key changes from 2022-23 are as follows:

- Increased local electricity sales income due to the 12 pence per kWh tariff increase announced in March 2023.
- Increased energy supply costs due to reduced opportunities for forward purchases of natural gas.
- Reduced electricity export contribution due to expected stabilisation of UK wholesale prices.
- Lower net finance costs due to significantly reduced reversal of previous unrealised revaluation gains on natural gas forward purchase contracts.
- Overall a deficit of £9.5 million is expected for the year, principally due to the staggered implementation of the 2023 tariff increase.



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