



**Forward Work Programme  
1<sup>st</sup> April 2008 - 31<sup>st</sup> March 2009**

**A Utility Regulator Consultation  
Paper**

**20 December 2007**

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## Introduction

The Northern Ireland Authority for Energy Regulation (NIAER) was first established in 2003. It assumed the roles previously carried out by the Directors General of Electricity and Gas. The Northern Ireland Authority for Utility Regulation (NIAUR) was established on 1 April 2007. NIAUR assumed the roles of NIAER and is also the economic and customer service regulator for NI's water and sewerage industries.

NIAUR is a Non-Ministerial Department for public expenditure purposes. It is not a policy making department but its role is to ensure that the utility industries in Northern Ireland are regulated and developed within the strategic policy parameters determined by Ministers.

NIAUR's main duties in respect of the three regulated industries are as follows.

- **electricity**, to protect the interests of electricity consumers with regard to price and quality of service by promoting competition in the generation, transmission and supply of electricity;
- **gas**, to promote the development and maintenance of an economic, efficient and co-ordinated gas industry and to protect the interests of gas consumers with regard to price and quality of service;
- **water and sewerage**, to protect the interests of water and sewerage consumers with regard to price and quality of service by facilitating competition in the supply of water and the provision of sewerage services

NIAUR has three regulatory directorates - electricity, gas and water - which are responsible for the economic and customer service regulation of the three industries. These are supported by a Corporate Affairs directorate which is responsible for cross cutting strategy development; social and environmental matters; appeals; complaints and disputes; finance and administration.

Further information about NIAUR and our work can be viewed on our website at [www.niaur.gov.uk](http://www.niaur.gov.uk).

## Purpose of this Document

NIAUR has a statutory duty to publish a forward work programme before the commencement of each financial year. The purpose of this programme is to set out the projects (other than those comprising routine activities) that we intend to undertake in the 2008/09 year.

NIAER's Annual Report for 2006/07 sets out NIAER's performance against its 2006/07 FWP and targets. A copy of that report will be published on our website ([www.niaur.gov.uk](http://www.niaur.gov.uk)). NIAER achieved, or is on target to achieve, 90% of its 59 targets for 2006/07.

The aim of this document is to present a draft 2008/09 forward work programme for consultation (annex A). The plan has been constructed within the framework of the key themes which we see as defining much of our work going forward.

However, the document also aims to look forward beyond 2008/09 and give an indication of our plans for 2009/10 and 2010/11. The section on NIAUR priorities sets out our current thinking across the three year period from 2008/09 to 2010/11. The detailed programme for 2009/10 and 2010/11 will be reviewed and finalised in the context of developing the next NIAUR corporate strategy which will be produced during the summer of 2008.

Details on how you might engage in the consultation process are set out on page 9 of this document. The final forward work plan will be published in March 2008.

NIAUR places a high priority on ensuring that resources are demonstrably managed in an effective manner. The final plan needs to be delivered in the context of budget allocations which will be included in the final agreed plan.

## Priorities

The detailed Forward Work Plan for 2008/09 - 10/11 is attached at Annex A.

The planned deliverables identified in respect of the 2008/09 year represent the intended work programme for that year in light of the relevant themes and intended outcomes. We are aware of the importance of our role to the future of Northern Ireland and the need to have a clear and deliverable set of objectives and associated budget for 2008/9 - the energy and water sectors are vital to the economy, environment and community.

However, we recognize also the need to take a longer view of developments and set our direction of travel in terms of likely work areas across the various parts of NIAUR. Some projects may have timelines that run further than 2008/9, and we are already aware of some key work areas that will require attention in 2009/10 and 2010/11.

It is worth noting at this point that three important factors will impact heavily on our priorities and work planning over the 3 year horizon - though at this stage the precise impact of each remains unclear:

- In electricity, the workplan and priorities of the new SEM Committee will heavily influence our work in that arena over the 3 year horizon;
- In gas, the all-island dimension is just beginning to unfold and the medium term work priorities and actions are still being crystallized - this will clearly influence future gas workplans, priorities and NIAUR resource allocation; and
- In water, the impact of the Review being undertaken for the Executive by the Independent Panel will have to be factored into our priorities and plans.

Bearing these in mind, but seeking to look forward as clearly as we may, the key priorities for NIAUR over the 3 year planning horizon will include:

### **Retail Markets**

Effective retail competition is a driver of efficiency, reduced costs and improved customer service. It is also a policy objective heavily championed by EU energy policy and legislation.

Retail competition is immature in several of the sectors we regulate (electricity and gas) and is not yet on the policy agenda in respect of water in Northern Ireland. It is, however, something that we will seek to develop in our energy sectors.

In relation to the electricity and gas sectors, our first priority is to produce a retail competition strategy in 2008/9 that will focus on identifying how and where NIAUR can act to encourage greater levels of retail competition in energy markets in NI. NIAUR will then move to engage in the identified work areas that will further promote the development of effective competition in the energy sector. For example, in respect of electricity we will be engaging with NIE, CER and other stakeholders to assess the optimum market mechanisms and processes that would promote greater levels of retail competition for both business and, moving forward, domestic customers also. In gas, we will be seeking to build upon the very early genesis of retail competition in the Phoenix licence area through identifying regulatory actions and strategies that can deliver early and effective retail competition for both business and domestic consumers.

### **Wholesale Markets**

In terms of electricity and gas, we will be seeking to ensure that the operation of the relevant gas and power wholesale arrangements operate in the public interest and align with our strategic priorities and overall policy direction.

In electricity, the SEM Committee workplan and priorities remain to be clarified and this will clearly influence our planned priorities over the 3 year horizon. Facilitating a competitive market is a priority. Beyond SEM, SONI divestment and Kilroot Contract issues are likely to feature in our forward work programme.

### **Monopoly Controls**

As noted above, competition is very limited in most sectors of the NI utility industries - in this context our roles in regulating monopolies and limiting the exercise of dominance remain of great importance. This means controlling prices through formal controls, and it also means prompting monopolies to provide customers' desired standard of service for the appropriate cost.

Across all three of the regulated sectors important formal price control work will be taking place during the 3 year horizon of this FWP. In water, preparation for the first price control from 2010 will be a key priority. In gas, completion of the Firmus network price control and the second Phoenix Supply Price Control will be priorities. In electricity, PPB, SONI, NIE T&D and NIE Supply price control work projects will all take place during the workplan horizon.

NIAUR wishes to investigate and pursue a cross utility approach to key work areas such as price controls. Elements of our price control work would also benefit from analysis and consultation on a cross utility basis. Examples may include efficiency analysis and frontier approaches, dealing with common cost arguments, benchmarking best practice, possible alignment of timetables for controls or alternatively time profiling of controls to allow experienced price

control resources to flow from one control to another.

### **Metering**

Metering issues are important, relevant and becoming pressing across all three of the regulated sectors. The metering issues will be prioritised and feature significantly in our workplan as they interface with several important aspects of our work with the regulated sectors: customer payment mechanisms and tariff options; price control information and costs; patterns of customer use and behaviour; sustainability; fuel/water poverty issues; information provision between customer, supplier and network operator; customer switching issues; etc.

In particular, in water, gas and electricity, we will be seeking to establish long term policy positions on domestic and industrial metering (best practice/process for NI) through consultation and engagement with stakeholders. We will also be seeking to assess the best way forward in terms of “smart” metering in the energy sectors and establish any read across in due-course for the water/sewerage sector.

### **Environmental**

We consider that developing a strategy around what a Utility Regulator’s role in sustainable development should be, to be an early priority. This is a key issue in the context of climate change. The role of the regulator in this area requires consideration in a structured and focused way and we plan to consult on our strategy in this area in the coming year and develop our workplan for the medium term on the back of that strategy.

We are also keen to understand how we can tackle environmental and sustainability issues in a cross-utility context.. How and to what degree we factor in environmental/sustainability issues into our price control processes requires more joined-up thought internally and more discussion with external stakeholders.

### **Quality of Service**

Across all the regulated sectors we will be seeking to review and where necessary put into place more effective guaranteed and overall standards of performance. Our priorities here will include survey work to reveal consumer ideas and preferences, establishment of best-practice processes and regulatory principles, and developing targets across the various utilities.

As in 2007/08, NIAUR will be responsible for dealing with certain determinable appeals, complaints and disputes across all three of the main utilities of electricity, gas and water. The Authority’s Practice and Procedures for Appeals, Complaints and Disputes details those determinable matters we may become involved in and is available for download from our website at [www.niaur.gov.uk](http://www.niaur.gov.uk)

## **Organisational Development**

NIAUR is a cross utility regulator which needs effective corporate services. We will seek to:

- Further embed governance processes;
- Deliver value for money through the implementation of best practice processes;
- Lead internally in terms of cross utility thinking and strategy development;
- Be a good employer; and
- Communicate effectively with our partners and stakeholders

## Resources

At 1 April 2008 NIAUR will have a staffing complement of approximately 65 staff across four directorates and the Chief Executive's office. It is estimated that the budgetary requirement for 2008/09 will be in excess of £7m. The final Forward Work Programme, to be published by 31 March 2008, will include details of NIAUR budget allocations by objective.

## Consultation

NIAUR would welcome comments on any aspect of this consultation document. In January 2008 (dates to be announced), NIAUR will hold two open meetings where stakeholders can comment on and discuss the themes of this paper. One of these meetings will be for the companies we regulate and the second will be for consumer groups and special interest groups (e.g. fuel poverty, environmental).

Please note that we may choose to refer to comments received in response to this consultation in future publications. In deciding whether or not to do so, we will have regard to the need for excluding from publication, as far as that is practicable, any information relating to a business which, if published, would or might, in our opinion, significantly harm the individual's interests or, as the case may be, the legitimate business interests of that business ("confidential information"). If you consider that your response contains such information, that information should be marked "confidential information" and an explanation given as to why you consider it is confidential. All information received is subject to Part 9 of the Enterprise Act 2002.

If you are replying by email, these provisions override any standard confidentiality disclaimer that is generated by your organisation's IT system.

## Next Steps

NIAUR asks for responses in writing to the contents of this paper by **5.00pm on 1 February 2008**.

Enquiries about consultation arrangements and responses to this document can be made to Ian Campbell at:

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## Annex A

### Forward Work Programme 2008/09 to 2010/11

Electricity Directorate			
Theme	3 Year Aims	Programme for Year 1	Outline Programme for Years 2 & 3
Retail Markets	<p>Review of directed &amp; non directed contracts process with CER</p> <p>Harmonise tariff inputs with CER</p> <p>Position on Enduring Solution to retail market opening systems</p>	<p>Agree process for hedging in SEM</p> <p>Agree tariff timetable / inputs with CER</p> <p>Agree with NIE T&amp;D programme for new system requirements</p>	<p>Implement (yrs 2 &amp; 3)</p>
Wholesale Markets	<p>SONI Divestment</p> <p>Kilroot contract cancellation</p> <p>MMU - effective tackling of dominance/market abuse</p> <p>Capacity Payment Mechanism</p> <p>T&amp;SC Compliance &amp; development</p>	<p>Ensure divestment in place</p> <p>Ongoing monitoring of bidding activity in SEM</p> <p>Calculate capacity pot by August</p> <p>Review T&amp;SC parameters</p> <p>Monitor section 7 issues</p> <p>Complete priority 'Day 2' issues</p>	<p>Consultation (yr3) on poss. decision to cancel contract</p> <p>Ongoing monitoring of bidding activity in SEM (yrs 2/3)</p> <p>Calculate capacity pot by August each year (yrs 2/3)</p>

	SEM Harmonisation	Harmonise ancillary services	
Monopoly Controls	Continue ongoing cycle of price controls for electricity businesses	PPB and NIE Supply price controls for period commencing 1 April 2009  T&D price control- review capex annual report for efficiency savings Price control for MO for period commencing 1 April 09	T&D price control- review capex annual report for efficiency savings (yrs 2&3)  SONI price control for period commencing 1 April 2010 (yr2)  T&D price control for period commencing 1 April 2010 commenced (yr3)
Metering	Implement long-term policy on smart metering	Approve pilot project	Decide on long-term policy (yrs 2&3)
Environment	Treatment of Wind in SEM	TBC	TBC (yrs 2&3)
	All-island Grid Study	TBC	TBC (yrs 2&3)
Quality of Service	Review and enforce new guaranteed and overall standards	Complete survey research, draft new standards	Enforcement (yrs 2&3)

<b>Water Directorate</b>			
<b>Theme</b>	<b>3 Year Aims</b>	<b>Programme for Year 1</b>	<b>Outline Programme for Years 2 &amp; 3</b>
Retail Markets	Monitor developments in E&W and Scotland		Review progress in GB (yr3)

Wholesale Markets	Monitor developments in E&W and Scotland		Review progress in GB (yr3)
Monopoly Controls	2-year price review (2010 to 2012) and begin work on a longer-term control (2010 - 17)	Consult on PR10 methodology	Determine NIW price control covering 2010-12) (yr 2)  Consultation on approach to PR12 (yr3)
Metering	Implement long-term NI policy on domestic metering  Universal and accurate non-domestic metering	Consult on metering proposals	Implementation (yrs 2&3)
Environment	NIW develops clear environmental drivers - incentives to this identified in consultation with environmental regulators and embodied in Ministerial guidance  Effective monitoring and enforcement in co-ordination with EHS  Clarify with NIW its corporate social responsibility commitments in this area	Consultation on PR10 methodology	Implement final Ministerial guidance to cover environmental drivers (yr 2)  Determine NIW price control covering 2010-2012 (yr2)

Quality of Service	Put in place and enforce guaranteed and overall standards	Complete survey research Draft guaranteed and overall standards scheme in consultation with key stakeholders (DRD, CCNI and NIW)  Implementation (if appropriate by submission to DRD)  Agree monitoring arrangements with NIW	Enforce standards (yrs 2&3)
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<b>Gas Directorate</b>			
<b>Theme</b>	<b>3 Year Aims</b>	<b>Programme for Year 1</b>	<b>Outline Programme for Years 2 &amp; 3</b>
All Island Project	Identify and introduce all island structures where beneficial	Scope exercise Develop common understanding of tariff issues	Implementation of Project Plan which might include (yr2): <ul style="list-style-type: none"> <li>○ All-island Operations</li> <li>○ EC 1775</li> <li>○ Storage</li> <li>○ SN Issues</li> <li>○ Security of Supply - Pressure Report</li> <li>○ NTS Exit Reform</li> </ul> Consider connection policy v network expansion
Retail Markets	Facilitate competition	Address domestic market entry barriers Work with GMOG to identify and implement code changes and appropriate IT	Monitor market to ensure competition (yrs 2&3)

		Clarify and consult on Licence Fee Methodology	
Wholesale	All-island balancing point	Scope benefits	
Monopoly Controls	Implement robust price controls  Review of licences & network codes  European work inc. new Directive	Firmus and Phoenix Supply price controls  Create a better process for monitoring network development and costs between price controls  Initiate review of standard licence conditions. Participate in RGI and Directive consultations	Create a better process for monitoring network development and costs between price controls (yr 2) Consider future of Phoenix supply price control (yr 2) Prepare for directive implementation (yrs 2 & 3)
Metering	Clarify approach to metering for industry and consumers	Metering review on smart and pre-payment meters	
Environment	Promote gas as lower carbon alternative to oil	Design appropriate marketing regime in NI	
Quality of Service	Put in place and enforce guaranteed and overall standards.	Complete survey research Draft guaranteed and overall standards scheme in consultation with key stakeholders (DETI, CCNI and Phoenix, firmus) Implementation (if appropriate by submission to DETI) Agree monitoring arrangements with Phoenix, firmus	Enforcement (yrs 2&3)

<b>Corporate Affairs Directorate and Cross Utility Programmes</b>			
<b>Theme</b>	<b>3 Year Aims</b>	<b>Programme for Year 1</b>	<b>Outline Programme for Years 2 &amp; 3</b>
Retail Markets	Consult on and finalise NIAUR strategic approach to retail energy competition	Complete consultation phase on strategic development  Develop a final strategic approach paper by end June. Handover implications to NIAUR operational Groups	
Monopoly Controls	Assess NIAUR strategic approach to control of monopolies and cross-utility approach to price controls and regulation issues	Set up cross directorate group  Undertake internal thinking/work	Ongoing assessment of implications for internal thinking/work patterns (yr 2)
Metering	Cross utility aspects of metering to be investigated and best practice approach identified  Consider implications for retail strategy.	Assess cross directorate implications of retail strategy for metering issues and ensure communication across NIAUR	Ensuring each industry group brings into operation issues and lessons learned from cross directorate team.
Environment	Ensure continued smooth operation of Renewables Obligation, Climate Change Levy and REGOs.	Ensure efficient delivery of environmental support schemes - Renewables Obligation, Climate Change Levy Exemption Certificates and Renewable Energy Guarantees of Origin.  Ensure administration and operation of	ROCs, LECs, REGOs - ongoing administration.

		support schemes continues to operate smoothly within the SEM	
	Ensure sound basis for, and effectiveness of, all energy efficiency delivery programmes.	Review the operation and administration of the EEL.	Ensure sound operation and delivery of energy efficiency programmes. Investigate options for Energy Services Companies (ESCOs).
	Ensure systems in relation to Energy Services Directive (2006/32/EC) are effective	Work with DETI in relation to the Energy Services Directive implementation	Ongoing monitoring of licence holder work in relation to the Energy Services Directive (2006/32/EC)
	Establish and clarify Utility Regulators Role and position in relation to sustainability.	Complete consultation on sustainability, publish responses and set out priorities.	Progress on work falling from consultation.
	Ensure customers are given accurate and easily understood information regarding the environmental impact of the energy they consume.	Establish effective system for Fuel Mix Disclosure.	Monitor the operation of Fuel Mix Disclosure.
Quality of Service	Major progress in tackling fuel poverty in Northern Ireland.	Complete research in respect of Social Action and publish comprehensive Social Action Plan for consultation	Progress programme of work as set out in Social Action Plan

	<p>Enhanced understanding of social issues in relation to water.</p> <p>Further improve and consider policy approach and communication with consumer groups</p>		<p>Review NIAUR's approach on consumer issues</p>
Org Dev	<p>Develop and improve HR processes</p> <p>Ensure compliance with equality legislation and promotion of diversity</p>	<p>Implement HR strategy  Develop T&amp;D plan for NIAUR  Review provision of HR services within NIAUR  Develop performance management framework  Roll out best practice HR policies</p> <p>Review and implement as necessary policies and procedures to support NIAUR activities  Annual fair employment monitoring by 1 May 2008  To complete annual equality scheme progress report by 31 Aug 2008  Review equality scheme timetable  Review Disability Action Plan</p>	
	<p>Develop and implement a three year corporate strategy</p>	<p>Issue and consult on strategy paper.</p>	<p>Embed strategic priorities in future FWPs</p>
	<p>Further embed and improve procurement processes</p>	<p>Maintain cross directorate procurement group.</p>	

	Performance Management	<p>Develop a call list in respect of specialist consultancy advice to advance in house procurement capability</p> <p>Live within NIAUR budget</p> <p>Submit annual resource accounts for audit by 2 June 2008</p> <p>Further embed risk management processes</p> <p>Deliver internal audit plan</p> <p>Formally review performance against workplan every quarter</p> <p>Review methodology for calculation and apportionment of licence fees</p>	
	<p>Monitor developments in EU and competition issues and relevant legislation</p> <p>Enhancing Board and Executive Governance processes and performance</p>	<p>Establish key contacts and undertake GAP analysis of issues to be tackled. Assess implications for NIAUR duties</p> <p>Develop the organisation's online communications</p> <p>Develop the organisation's corporate branding</p> <p>Enhance organisational internal communications</p>	<p>Develop stakeholder engagement (yr2)</p> <p>Public affairs (yr3)</p>
	DETI Strategy Review	Co-ordinate NIAUR input in medium term and ongoing work required on policy/strategy development	