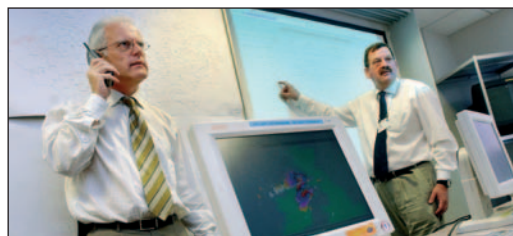


Northern Ireland Authority for Energy Regulation

niaer



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Introduction

1. Background

The Northern Ireland Authority for Energy Regulation (NIAER) is a body corporate established under the terms of the Energy (Northern Ireland) Order 2003.

2. Statutory Duties

The Energy (NI) Order 2003 attempted to simplify energy regulation in Northern Ireland by giving the NIAER two main objectives.

- The principal objective in respect of Electricity is to protect the interests of consumers of electricity supplied by authorised suppliers, wherever appropriate by promoting effective competition between persons engaged in, or in commercial activities connected with, the generation, transmission or supply of electricity.
- The principal objective in respect of Gas is to promote the development and maintenance of an efficient, economic and co-ordinated gas industry in Northern Ireland.

The Energy Order also transferred responsibility for the protection of Electricity and Gas consumers to the General Consumer Council for Northern Ireland (GCCNI). The Authority and the GCCNI have signed a Memorandum of Understanding which will lead to an open, constructive and effective relationship between the two bodies.

3. Copies of this Document

Copies of this document can be requested in writing, by phone, or by e-mail and will be made available (on request) in large print, Braille, Audio Cassette and in minority languages. It can also be accessed on the internet on the NIAER's website at <http://ofreg.nics.gov.uk>.



- **Contacting NIAER**

Enquiries about the Authority's 2006/07 Forward Work Programme can be made by mail, phone, fax or e-mail to:

Eddie Gaw, Queens House, 10-14 Queen Street, Belfast, BT1 6ER

Tel: 028 9031 6628

Fax: 028 9031 1740

E-mail: eddie.gaw@ofregni.gov.uk



The NIAER's Energy Work Programme 2006-2007

The Authority's objectives for 2006/07 are as follows:

ELECTRICITY

General

- E1** Regulate and enforce licences.
- E2** Increase the transparency by which costs are reflected in tariffs.
- E3** Oversee the Moyle interconnector contracts.
- E4** Continue to explore the options the future role of Kilroot Power-Station.

Transmission & Distribution

- E5** Facilitate the separation of the combined Public Electricity Supply, Transmission and Distribution licence held by NIE to comply with EU directive.
- E6** Agree the functions which SONI will undertake in the SEM as Single Market Operator.
- E7** Issue a licence to SONI to comply with EU Directives and its SEM role.
- E8** Facilitate the ongoing work into the connection from Rathlin Island to the mainland.

Supply

- E9** Facilitate the opening of the electricity market to all customers by 31 July 2007 This will include, inter alia, approval of programme structure with industry, approving the detailed market design and expenditure by industry participants. Formulating policy where necessary.
- E10** Formulation of a metering policy and programme for Northern Ireland
- E11** Oversee and maximise the return for customers on the sale of spare inter-connector capacity and review the terms of interconnector trading.
- E12** Amend the regulations on meter certifications to reflect updated programme.

Price Control

- E13** To put in place a new PPB Price Control.
- E14** To put in place a new SONI Price Control
- E15** To establish a price control for the Northern Ireland responsibilities of the Single Market Operator.
- E16** To put in place a new Transmission and Distribution Price Control.
- E17** To put in place a new NIE Supply Price Control.

Energy Efficiency Levy

- E18** To carry out a review of the Energy Efficiency Levy.

Single Electricity Market

- SEM1** Design and create a new single market for the wholesale trading of electricity that is beneficial to Northern Ireland consumers.
- SEM2** Ensure value for money in the procurement and use of external advice to the SEM project.

Legislation

- SEM3** Ensure that appropriate legislation is in place to deliver a competitive wholesale electricity market.
- SEM4** Establish a decision making body that will oversee the regulation of the wholesale electricity market.

Modelling

- SEM5** Complete a Cost Benefit Analysis of the impact of new wholesale market on the island of Ireland.
- SEM6** Determine the distributional effects of impact of the wholesale electricity market on Northern Ireland.
- SEM7** Publish results of modelling of the potential market outcomes from the new market design.

Capacity Payment Mechanism

- SEM8** Design an appropriate capacity payment mechanism to be included as part of the wholesale electricity market.
- SEM9** Work with relevant parties to create a Generation Security Standard that is compatible with all island market.
- SEM10** Work with relevant parties to determine a methodology to deliver an overall sum of money to be allocated in the capacity payment mechanism.

Market Power

- SEM11** Develop market power arrangements that mitigate the impact of market power on the island of Ireland
- SEM12** Undertake a review of generation ringfencing arrangements.

SEMI3 Agree bidding principles and local market power mitigation strategy.

SEMI4 Establish a Market Monitoring Unit.

Trading and Settlement Code

SEMI5 Finalise a Trading and Settlement Code that will deliver the wholesale electricity market.

Renewable energy and Carbon

SEMI6 Ensure that the design of the wholesale trading arrangements does not conflict with existing measure to promote the development of renewables.

SEMI7 Ensure that carbon emissions are controlled in a manner that is beneficial to Northern Ireland.

Demand Side Management

SEMI8 Explore the feasibility of demand management schemes in the wholesale electricity market.

Generation Issues

SEMI9 Issue amended licences for generation.

SEM20 Ensure that the appropriate changes are made to contracts to allow the introduction of the new wholesale electricity market.

Participant Readiness

SEM21 Ensure that market participants are ready to participate in the wholesale electricity market.

Social Action

S1 Continued development of Social Action Plans

Internal Management

IM1 Put in place an efficient and effective Risk Management Strategy.

IM2 Ensure processes are in place to enable the delivery of a full statement of internal control in respect of the F.Y.E 31 March 2007.

IM3 Comply with HMT initiative – “Faster Financial Closing” – in respect of annual accounts to complete, audit and publish.

Natural Gas

G1 To regulate and enforce gas licences to meet our statutory duties.

G2 To progress and finalise the Phoenix Transmission and Distribution price controls and decide on the way forward in terms of the Supply business price control.

G3 To ensure appropriate unbundling and business separation is in place for the Phoenix licenced entities.

G4 To progress and finalise the modifications to the licences to implement the EU Gas Directive.

G5 To progress work with the Gas Market Opening Group to ensure the appropriate environment is created for effective competition to emerge.

G6 To review and if necessary amend the Standard Conditions of Gas licences in conjunction with DETI.

G7 To progress and finalise the BGE(UK) Transmission and PTL Operational Expenditure reviews.

G8 Progress licence and code modifications to ensure transmission regime continues to operate effectively.

G9 Finalise the BGE(UK) Transmission licence.

G10 To conclude discussions with the owners of Phoenix Natural Gas on the long term licensing arrangements.

Promotion

- PG1** Facilitate the introduction of the South North gas transmission pipeline into the NI system.
- PG2** Work with CER to analyse the benefits to customers of an all-island gas market, including the potential of all-island Gas Capacity Statement.
- PG3** Review rationalisation of NI operational system.
- PE1** To facilitate the continuing operation of a UK wide ROC trading arrangement.
- PE2** To administer a Renewable Electricity Guarantee of Origin Scheme.
- PE3** To administer the Climate Change Levy Exemption Scheme on behalf of HM Customs and Excise.

Code	Project Summary	Outcome/Target	Timescale
E1	Regulate and enforce licences	Ongoing	31 March 2007
E2	Increase Tariff Transparency	Costs within Tariffs are made more transparent	31 Dec 2006
E3	Oversee Moyle contracts	Ongoing	31 March 2007
E4	Kilroot Power Station	All possible options explored	31 March 2007
E5	Separation of the combined Public Electricity Supply, Transmission and Distribution licence held by NIE	Licences separated	31 March 2007
E6	Functions of SONI as Single Market Operator in SEM	Functions agreed	31 March 2007
E7	Issue licence to SONI	New licence issued	31 March 2007
E8	Connection of Rathlin to the mainland	Facilitate ongoing work	31 March 2007
E9	Domestic Market opening	Open to all customers	31 March 2007
E10	Metering policy	Establish programme	31 March 2007
E11	Sale of spare inter-connector capacity	Maximise returns for customers	31 March 2007
E12	Amend the regulations on meter certifications	Regulations amended	31 March 2007
E13	Set parameters for new PPB Price Controls	New Control in Place	1 July 2007
E14	Set parameters for new SONI Price Controls	New Control in Place	1 July 2007
E15	Establish new MO price control	New Control in Place	1 July 2007
E16	Set parameters for new T+D Price Controls	New Control in Place	30 August 2006
E17	Set parameters for new NIE Supply Price Controls	New Control in Place	1 July 2007
E18	Review of the Energy Efficiency Levy	Customer benefits	30 Sept 2006
SEM1	Design new market	Ongoing	March 2007
SEM2	Ensure value for money	Ongoing	March 2007
SEM3	Deliver Legislation	Legislation	March 2007
SEM4	Form decision making body	New body	31 Jan 2007
SEM5	Complete CBA	Produce report	31 Dec 2006
SEM6	Determine distributional effects of new market	Produce report	31 Dec 2006

SEM7	Publish results of modelling	Publish results	31 August 2006
SEM8	Design Capacity Payments Mechanism	Consultation on design	30 June 2006
SEM9	Create Generation Security Standard	Publish standard	30 January 2007
SEM10	Determine overall size of Capacity Payments Mechanism	Ongoing	Ongoing
SEM11	Develop market power mitigation arrangements	Publish decision	31 August 2006
SEM12	Review ringfencing	Publish decision	31 August 2006
SEM13	Agree bidding principles and locational market power mitigation strategy	Publish decision	31 August 2006
SEM14	Establish Market Monitoring Unit	Publish decision	31 August 2006
SEM15	Finalise Trading and Settlement Code	Publish TSC	31 January 2007
SEM16	Ensure consistency with development of renewables	Ongoing	Ongoing
SEM17	Efficient emission of carbon	Ongoing	Ongoing
SEM18	Explore the feasibility of demand management schemes in market	Ongoing	Ongoing
SEM19	Issue amended licences for generation	Issue licences	31 March 2007
SEM20	Change contracts	Ongoing	Ongoing
SEM21	Ensure participant readiness	Ongoing	Ongoing
SI	Continued development of Social Action Plans	Customer benefits	31 March 2007
IM1	Risk Management Strategy	Updated	31 July 2006
IM2	Internal Control processes	Updated	31 July 2006
IM3	Publication of resource Accounts	Revised completion date	30 June 2006
G1	Regulation & Enforcement of gas licences to meet our statutory duties.	Ongoing	31 Mar 2007
G2	Finalise the Phoenix Transmission and Distribution price controls	Ongoing	31 Mar 2007
G3	Ensure appropriate unbundling and business separation is in place for the Phoenix licenced entities.	Ongoing	31 Mar 2007
G4	Finalise the modifications to the licences to implement the EU Gas Directive.	Ongoing	31 Mar 2007

G5	Progress work with the Gas Market Opening Group to ensure the appropriate environment is created for effective competition to emerge.	Ongoing	31 Mar 2007
G6	Review and if necessary amend the Standard Conditions of Gas licences in conjunction with DETI.	Ongoing	31 Mar 2007
G7	Finalise the BGE(UK) and PTL reviews.	Ongoing	30 June 2006
G8	Progress licence and code modifications to ensure transmission regime continues to operate effectively.	Ongoing	31 Mar 2007
G9	Finalise the BGE(UK) Transmission licence.	Ongoing	30 June 2006
G10	To conclude discussions with the owners of Phoenix Natural Gas on the long term licensing arrangements	Ongoing	30 June 2006
PG1	South North Gas pipeline	Construction started	31 Oct 2006
PG2	Analyse Potential of All-island Gas Market and Joint Capacity Statement	Ongoing	31 Jan 2007
PG3	Review rationalisation of NI operational system.	Ongoing	31 Mar 2007
PE1	Administer NI ROC Scheme in conjunction with OFGEM.	Operational scheme	1 Apr 2006 – 31 Mar 2007
PE2	Administer REGO scheme	Operational scheme	31 Mar 2007
PE3	Administer CCL exemption scheme	Maintain schemes integrity	31 Mar 2007



Expenditure on Energy

Projected expenditure on key areas is based on full costs of the NIAER, including all direct and indirect costs such as internal administrative overheads, accommodation costs, capital expenditure and depreciation.

WORK AREA	COST £K
Gas Regulation	840
Gas Promotion	160
Electricity Regulation	900
Electricity Market Opening	100
All Island Electricity	1,500
TOTAL	3,500

FUNDING FOR NIAER	COST £K
Licence Fees	2,000
Central Government	1,500
TOTAL	3,500

Notes



