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ANTRIM
BT41 4LZ

Briege Tyrie
The Utility Regulator
Queens House
14 Queen Street
Belfast
BT1 6ED

17 February 2017

Dear Briege,

Draft Forward Work Programme 2017-2018

Firmus energy operates a bundled distribution and supply business within our Ten Towns Licence Area pursuant to an established regulatory framework, made up of the terms of the licences granted in March 2005 and the legislative regime set down in the Gas (Northern Ireland) Order 1996 (as amended). In the Greater Belfast and Larne Area firmus energy has held a gas supply licence since February 2006.

Firmus energy is committed to working with the Utility Regulator (UR), Department for the Economy (DfE), the Consumer Council for Northern Ireland (CCNI) and other stakeholders in order to provide the benefits of natural gas to as many consumers as possible in Northern Ireland – in a socially responsible and consumer focused manner. To this end, we welcome the opportunity to respond to this consultation on the draft forward work programme 2017-2018.

Business Plan Projects

We recognise the importance of the business plan projects relating to the gas industry that will be addressed during 2017-2018 and have provided comments accordingly.

Strategic Objective 1: Promoting efficient and effective monopolies

Ref 5: Commence retail price control (SPC19) and regulated tariff reviews

Firmus energy Supply Ltd will continue to proactively engage with the UR in relation to price control reconciliations and tariff reviews to ensure improved processes throughout the SPC17 period. This will be to the benefit of consumers and suppliers. Such on-going engagement, alongside the lessons learnt from SPC17, will enable preparation for the 2020 gas supply price control to begin on a sound footing.

We are mindful the SPC17 licence modifications that come into effect on 1 April 2017 have implications for the tariff review process. While the new licence conditions place the onus on the supplier to ensure its maximum average price is set correctly, we note that many of the designated parameters that make up the maximum average tariff price calculation remain subject to regulatory approval. As such, firmus energy recognises that close cooperation and engagement between the company and the UR is essential in order to ensure a robust tariff review process.

Ref 6: Develop cost and performance reports across all network companies

Firmus energy supports the UR in its objective to improve reporting processes and requirements. At present firmus energy Distribution Ltd is required to submit annual RIGs, Regulatory Accounts and the non-monetary REMM information. These are used as both performance indicators and for comparison against price control targets. We will continue to engage with the UR and other DNOs in an effort to develop and realise more streamlined, less burdensome cost and performance reporting.

Strategic Objective 2: Promote efficient and competitive markets

Ref 6: Create a single Transmission System Operator (TSO) and improve gas market trading arrangements

Firmus energy will continue to work with the UR, the TSOs and other relevant stakeholders to ensure a smooth transition to a single TSO and the subsequent improved trading arrangements for the benefit of consumers, DNOs and gas suppliers.

Ref 8: Review financial penalties policy and associated guidance

Firmus energy responded to the UR's consultation on financial penalties on 9 October 2015 and maintains its position of support for a fair, reasonable and proportionate penalties policy that protects consumers and discourages improper business practices. In line with the UR approach to Price Controls¹, firmus energy would welcome the adoption of a light touch to assessment of companies who have a robust historic compliance record.

Strategic Objective 3: Protecting the long-term interests of business and domestic consumers

Ref 2: Contribute to the CMA inquiry on the GD17 price control in line with timetable

We note the Competition and Market's Authority (CMA) is considering an appeal by firmus energy Distribution Ltd against the decision by the UR to modify the conditions of firmus energy's conveyance Licence and that the appeal process will proceed over the first 2 quarters of 2017.

Ref 3: Protecting non-domestic Energy Consumers

Firmus energy fully supports the UR's intention to assess the protection available to non-domestic energy consumers. In this regard firmus energy Distribution Ltd will engage with the UR and other DNOs to review the classification of priority customers. In addition, we note the

¹ Price Control Principles. GD17 Final Determination paragraphs 3.23 – 3.30

opportunity that deregulation of the IC2 market in Belfast provides to enhance competition to the benefit of industrial and commercial consumers. Firmus energy Supply Ltd will seek to engage with the Utility Regulator to scope the opportunity for similar deregulation in the Ten Towns given the level of market activity within this customer category.

Ref 5: Implement Consumer Protection Strategy (CPS) Action Plan in line with project timetable

Firmus energy continues to work with the UR's Retail Directorate to assist with the implementation of the Consumer Protection Strategy. We welcome the opportunity provided to have significant input into this project to the benefit of Northern Ireland energy consumers.

Ref 6: Advance REMM and Retail Investigations Compliance & Enforcement (ICE) workstream.

Firmus energy prioritises its regulatory obligations and consistently works to ensure full compliance with its Distribution and Gas Supply licences. It is our opinion that the risk of non-compliance is significantly mitigated by meaningful engagement with the UR.

Since its introduction firmus energy has undertaken full engagement with the REMM project. We will continue to work with UR and trust that this will assist the development of an ever more efficient and effective market. As such, we welcome the recent changes to compliance status reporting that are intended to capture a complete picture of licence compliance over each twelve month period.

Ref 7: Assess the implications of the UK leaving the EU for the energy and water regulation.

Given the uncertainty surrounding Brexit we fully support any work by the UR that can assist in assessing the energy implications of the UK leaving the EU and will engage fully with the UR as required.

Issues not reflected in the Forward Work Plan

Meter Reading

Firmus energy would welcome advancement of the proposed review into the governance arrangements relating to gas metering. We would request that this is given priority status in the UR's 2017 – 2018 workstream.

NISEP Funding

Firmus energy acknowledges the DfE's direction to UR to extend the Northern Ireland Sustainable Energy Programme Funding (due to conclude in March 2017) for another year.

Firmus energy recognises that the NISEP scheme remains under review and is likely to be replaced in future. We would highlight that the original proposals for the HeAT Scheme and now EnergyWise require significant further development. Therefore, we would support the continuation of NISEP until such time as a suitable replacement scheme is identified. We would highlight that, even with its various stipulations, NISEP still benefits many low income and vulnerable customers throughout Northern Ireland and as a result should not be discontinued without due consideration and consultation. Firmus energy has, to date, assisted

4,353 households since 2009 through NISEP funding. Last year alone firmus energy facilitated grants for 778 households. Therefore, we see NISEP as highly effective in helping thousands of NI homes actively addressing fuel poverty with a long term sustainable solution.

Deregulation of IC2 Customers

As discussed previously (Ref 3: Protecting non-domestic Energy Consumers) we would be keen to engage with UR over the deregulation of the IC2 market in the Ten Towns Licensed Area, as per Greater Belfast.

Commissioning Suppliers

Firmus energy is keen to engage with the UR regarding a review of the criteria for commissioning suppliers across the 3 gas networks in Northern Ireland. The UR's Strategic Objective 2: *Promote efficient and competitive markets* upholds the need to review and evaluate the work of the commissioning gas suppliers across the Northern Ireland networks. It is our opinion that any assessment and change implemented as a result of this work would be beneficial to all domestic gas consumers. We would request that this is given priority status in the UR's 2017 – 2018 workstream.

Conclusion

Firmus energy welcomes the opportunity to respond to this consultation and recognises the important role to be played in assisting the UR in implementing to the 2017/2018 strategic objectives referenced above.

Should you have any further questions, please do not hesitate to contact me.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Niall Martindale', written in a cursive style.

Niall Martindale
Director of Regulation and Pricing