

Forward Work Programme

1 April 2013 – 31 March 2014



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1. About this document

The Energy (Northern Ireland) Order 2003 and the Water and Sewerage Service (Northern Ireland) Order 2006 requires the Utility Regulator (UR) to publish a Forward Work Plan (FWP) each year. The FWP should 'contain a general description of the projects, other than those comprising routine activities in the exercise of its functions, which it plans to undertake during the year'.

A draft of this FWP was published for consultation on 19 November 2012. It set out the projects that we propose to undertake during 2013-14.

During the consultation, we sought views on:

- (1) whether we have prioritised the right projects;
- (2) whether there are other projects that should be included;
- (3) any objections to our proposed projects; and
- (4) any other comments.

The consultation closed on 18 January 2013. Fourteen responses were received. We have published these responses alongside this document (<http://www.uregni.gov.uk/publications/>). Additionally, we held a stakeholder briefing during the consultation period, where attendees had the opportunity to discuss diverse relevant points of the draft with the UR's Senior Management Team.

The majority of comments we received tended to require no action from us and we noted the points made in this regard. The overall nature of the responses tended to fall into the categories below:

- (1) Encouraging collaboration – there was a general encouragement for us to engage with stakeholders and to work in partnership on key workstreams. We agree that working with stakeholders helps us achieve our targets and we will always take the opportunity to involve and engage stakeholders where possible. We also noted an encouragement to engage early on a workstream and we will strive to do this wherever possible.
- (2) Support for projects – there was support for our proposed projects from most respondents (e.g. offshore connections policy). We confirm that those projects that we proposed to undertake, and which were supported by respondents, are included in the final FWP.
- (3) Clarify projects – several responses asked us to provide more information on the project and its scope (e.g. DS3 project). We have reviewed the wording of all projects prior to publication to ensure that they are clear and accurately reflect the scope of the project. This also includes reflecting consultees specific suggestions on certain projects.
- (4) Prioritising projects – some respondents welcomed the

greater focus on prioritisation in this year's FWP. Some respondents also urged us to progress some projects more quickly or questioned the relative spread of projects across functional areas or suggested that we give other projects a greater priority. We have in some cases made changes to prioritisation or timing (e.g. connections contestability). Resourcing constraints have prevented us from making a commitment to all suggested project re-prioritisation – even though we may agree with the suggestion.

- (5) Propose additional projects – while no respondent raised any objections to any of our projects there were some suggestions for additional projects. Some of these were already factored in as part of other projects while there were resourcing constraints around others.

Alongside these general categories of comments, there were others that were very specific. Where the comments haven't led to a change to the FWP, or where another form of communication may be more appropriate, we will provide feedback directly to the respondent if required.

2. About the Utility Regulator

The UR is the non-ministerial government department responsible for regulating the electricity and gas industries and water and sewerage services in Northern Ireland.

Our mission is:

value and sustainability in energy and water.

Our vision is:

we will make a difference for consumers by listening, innovating and leading.

Our values are:

**Be a best practice regulator:
Transparent, Consistent
Proportional, Accountable and
Targeted**

**Be a united team – One Team One
Mission**

Be collaborative and co-operative

Be professional

Listen and explain

Make a difference

Act with integrity

We are governed by a board of Directors made up of non-executive members as well as the Chief Executive. The Chief Executive leads an executive team comprising Directors representing each of the key functional areas: electricity, gas, water, retail and social and corporate affairs.

3. Introduction

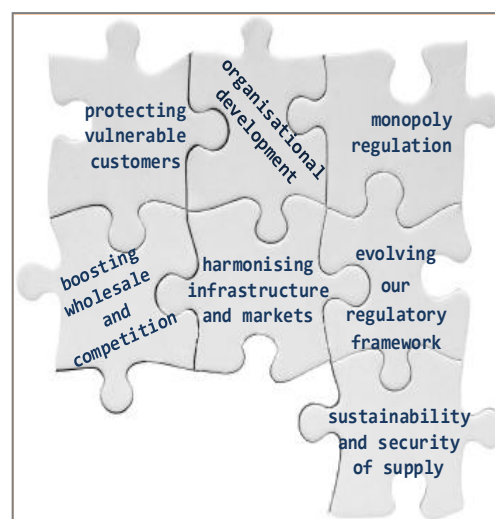
We work within a performance management framework.

There are three parts to this framework: (1) Corporate Strategy, (2) Forward Work Plan, (3) directorate/branch plans.

Our Corporate Strategy sets out the high level direction for our work.

There are seven strategic themes which comprise the strategic direction (Figure 1).

Figure 1: Our strategic themes



A new Corporate Strategy will be in place from 1 April 2014.

Our Corporate Strategy themes provide the context for, and objectives of, the projects set out in the FWP.

FWP targets are also reflected in the branch plans within each directorate, along with projects and workstreams which are more routine in nature. Finally, these determine the personal

workplans and objectives for our staff.

Our FWP provides an outline of the key projects to be undertaken by us in the forthcoming year. It should be stressed that these key projects are only one aspect of our work and we also undertake a broad range of routine regulatory activities. These include: management and oversight of the **Northern Ireland Renewables Obligation (NIRO)**, the **Climate Change Levy Exemption Scheme (LECs)**, the **Northern Ireland Sustainability Programme (NISEP)**, the assessment of NI Water's costs and performance, the implementation of a new records management system, etc.

The projects are listed by the directorate leading on the work and also identified by the strategic theme they relate to.

We will report on progress against each of the projects in our Annual Report.

Key terms used in the FWP are highlighted in **purple** and explained in a Glossary (at the end of the document).

4. Key challenges

We regulate three different utility industries and this creates a unique and challenging context for our work.

Key challenges during the forthcoming year include:

- continuing to keep consumer bills as low as possible by scrutiny of

regulated company costs in **price controls** and tariffs;

- ensuring efficient investment by utility companies to provide a modern, high-performing and sustainable infrastructure;
- promoting effective competition in our energy retail markets while ensuring consumers remain adequately protected;
- promoting effective competition in the wholesale **Single Electricity Market** and working with **Ofgem**, **CER** and **ACER** to move to a **regional European electricity market** by 2016;
- facilitating the further development of the natural gas network in Northern Ireland and regional harmonisation consistent with EU policy;
- advancing strategic projects associated with the next **price control** for **NI Water** (called **PC15**);
- developing a new Corporate Strategy, together with an organisational structure and capability to deliver it as required.

5. FWP projects overview

In our draft FWP we categorised projects in terms of priority- with priority 1 projects being mandatory. Following the consultation, and being cognisant of the scale of work required, this final FWP lists only those projects that are mandatory.

Clearly there are several other workstreams, not listed in the FWP, which we would like to undertake if resources allowed. These include projects such as: undertake research on customer experiences of new competitive energy retail markets; undertake a review of our **Social Action Plan**; review standards of performance/**Guaranteed Standards of Service**; review the value of introducing contestability for connections to the electricity network; implement approach for regulating supply tariffs in the firmus distribution area; and completing an analysis of NI Water's costs and performance compared to PC10 price control targets. We will review, as the year progresses, the opportunities to undertake these projects should resources become available.

In this section we provide an overview of key projects we will conduct in 2013-14.

We have included an assessment of the timing for delivery of the projects. Projects that have been categorised as Q4 are those that span a significant part of the year or will not complete until towards the end of the year.

We will complete **price controls** in electricity (for **Power NI** and **SEMO**) and gas (for **firmus distribution** and **Phoenix Natural Gas** distribution). Work to complete our **price control** for **NI Water (PC15)** will also be advanced.

Wholesale, network and retail regulated tariff reviews will be completed in electricity and gas. In respect of **PC15** specifically this will cover broader long-term sustainability issues and approaches to ensure compliance with

the **Water Framework Directive**. We will look to ensure that the regulatory regime supports such approaches and resultant integrated catchment solutions. We will continue to require NI Water to improve its information set and will publish our approach to asset maintenance which will require improved data sets if specific increases in investment are to be funded. We will continue to review our approach to benchmarking NI Water's performance in terms of operational and capital costs and levels of service taking into account, as appropriate, the Northern Ireland context. This major strategic undertaking is in addition to our ongoing monitoring of NI Water costs and performance and charging approval role.

Interim arrangements for the **regional integration** of the electricity market will be significantly advanced with the Commission for Energy Regulation (**CER**), Ofgem and **ACER**.

In conjunction with **DETI**, and where it is economically feasible, we will implement any decision(s) to extend the natural gas network, including the award of licence(s) or the extension of licences.

We will carry out several projects to implement residual **IME3** related workstreams. This will include **certification** arrangements for electricity and gas **transmission system operators (TSOs)**. We will also monitor and ensure compliance with the consumer protection measures that have already been implemented.

Several projects will be advanced to support the development of renewable generation. We will consider licensing

arrangements for **offshore** wind generation. We will also implement any new requirements arising from the **Energy Bill** including the development of any energy efficiency obligation and **small scale feed-in tariff scheme**.

NIE T and D rejected our price control determination and the Competition Commission will likely make a determination on that during 2013-14. Following the outcome of the Competition Commission referral we will consider technical and financial reporting arrangements for the **NIE T and D price control**. This will include the possibility of establishing the position of a **Reporter** to provide independent assessment.

Finally, we will produce a new corporate strategy for 2014-19 and put in place a revised organisational structure to deliver it.

6. Resourcing

We place a high priority on ensuring that our resources are demonstrably managed in an efficient manner.

Part of our job is to ensure that utility companies operate efficiently. We are also focused on the efficient use of our resources.

Having significantly reduced our budget in the last five years we are seeking to keep our budget within an RPI (inflation) – 2% range.

The budget for 2013-14 is presented in Table 1 below and it is lower than the opening budget for 2012-13... However, there will always be some uncertainty regarding the detailed scope of some of the actions

planned for 2013-14 and the budget will be monitored and reviewed as required.

For example, the scope of the significant **regional integration** workstream is still being assessed and estimated costings have yet to be finalised.

The FWP is based on the current complement of around 70 full-time equivalent staff currently organised across five directorates and the Chief Executive's office. In recent years we have focused on developing our staff resources and that has enabled us to reduce the extent of reliance external support.

With the exception of the costs associated with some environmental responsibilities, all of our funding is received through licence fees. Corporate and shared costs (such as finance, HR, accommodation and IT) are included in the Other Costs and are, along with the Chief Executive's office, recharged across the utilities for the purpose of calculating the fees payable by each utility licensee. Elements of Strategy, Social and Environmental Costs will also be recharged to the relevant industry directorates on an activity-driven basis.

The process of preparing this budget has been aligned with the development of the objectives set out in this forward work programme.

Table 1: Budget 2013-14

	CA	CEO	Electricity	Gas	Retail	Water	Total	12/13 Budget
Salaries	1,223,000	270,000	1,082,000	771,000	499,000	737,000	4,582,000	4,603,000
Programme	100,435	5,000	859,289	379,607	318,929	309,740	1,973,000	2,138,840
Other Costs	724,200	6,600	39,100	18,100	7,100	12,700	807,800	850,336
Total	2,047,635	281,600	1,980,389	1,168,707	825,029	1,059,440	7,362,800	7,592,176
12/13 Budget	2,183,265	305,463	1,612,425	1,714,118	753,951	1,022,954	7,592,176	

7. List of FWP projects by priority and directorate

Ref	Strategic theme/Objectives	Project	Directorate	To be finalised by
1	Monopoly Regulation	Complete Power NI price control , for the period commencing April 2014.	R&S	Q4
2	Monopoly Regulation	Complete wholesale, network and retail regulated tariff reviews for electricity and gas, including in-year monitoring of over/under recoveries.	R&S/E/G	Q2
3	Regulatory Framework	Assist DETI to deliver supply and distribution licence exemptions and guidance, as required by new DETI legislation.	R&S/E/G	Q1
4	Competition	Implement further supply licence and retail market monitoring on: <ul style="list-style-type: none"> • licence and new Codes of Practice compliance • EU mandatory requirements • more gas coverage • non-domestic electricity prices 	R&S	Q4
5	Protection	Ensure ongoing compliance with IME3 customer protection framework (e.g. revised consumer checklist and if necessary UR guidelines on energy bills).	R&S/E/G	Q3 (for R&S) Q4 for E Q1 (for gas)
6	Competition	Begin review of effectiveness of competition in electricity retail markets and implications for NI regulatory framework.	R&S	Q4 This project will continue into 14/15
7	Regulatory Framework	Implement new and enhanced supplier Codes of Practice following IME3 (in relation to marketing (new mandatory code), customers in debt, vulnerable customers , energy efficiency, prepayment customers and complaints handling).	R&S	Q4
8	Harmonising energy markets	Influence and develop, in conjunction with the Commission for Energy Regulation (CER), Ofgem and ACER , interim and enduring arrangements for regional integration of the electricity market, by January 2014 and January 2016 respectively.	E	Q4
9	Monopoly Regulation	Consider annual reporting for NIE T and D (including network developments and renewable generation and connections). This will also include the implementation of the "Reporter" role.	E	Q3

Ref	Strategic theme/Objectives	Project	Directorate	To be finalised by
10	Regulatory Framework	Determine and implement offshore connection policy and consult on new offshore generation licensing.	E	Q4
11	Sustainability	Consult on arrangements for the roll out of smart metering in NI.	E	Q4
12	Sustainability	Implement arrangements for payments to generators if a fuel security event occurs.	E	Q4
13	Monopoly Regulation	Complete SEMO price control for the period commencing October 2013.	E	Q3
14	Monopoly Regulation	Implement new licence modifications and monitoring arrangements for an independent TSO in accordance with IME3 requirements.	E	Q4
15	Sustainability	Access options, and take action if necessary, to ensure generation security of supply in NI beyond 2016.	E	Q4
16	Sustainability	Consider arrangements proposed by Moyle Interconnector Limited to ensure long-term reliability of the Moyle interconnector .	E	Q4
17	Competition	Implement effective market monitoring for intraday trading .	E	Q1
18	Regulatory Framework	Implement generation connection policy and firm access quantity allocation.	E	Q2
19	Monopoly Regulation	Determine on, any proposals to extend the natural gas network, including licence award competition where required.	G	Q4
20	Harmonising energy markets	Implement IME3 regulation requirements in light of CAG project review, including entry exit tariff system and single TSO .	G	Q4
21	Harmonising energy markets	Work with ACER to finalise and implement EU network codes at Interconnector Points.	G	Q4
22	Monopoly Regulation	Complete price control for firmus Distribution.	G	Q3
23	Monopoly Regulation	Complete price control for Phoenix Natural Gas Distribution.	G	Q3
24	Sustainability	Work with DETI on the formulation and implementation of Energy Efficiency Directive requirements.	G/CA/R &S/E	Q4
25	Monopoly Regulation	Advance price control for NI Water (PC15) in line with published approach document and associated programme timetable. Finalise by December 2014.	W	Q4
26	Monopoly Regulation	Review NI Water's PC13 Monitoring Plan to ensure that PC13 FD outputs are properly reflected.	W	Q4

Ref	Strategic theme/Objectives	Project	Directorate	To be finalised by
27	Regulatory Framework	Review approach to Opex and Capex benchmarking to inform approach for PC15 .	W	Q2
28	Organisational development	Produce a new Corporate Strategy, for the period 2014-2019, and a revised organisational structure to deliver it as required.	CA	Q4
29	Sustainability	Ensure the requirements of the Renewable Obligation Order (2013) are effectively implemented and work with DETI on the introduction of new support mechanisms for renewables, post the Renewables Obligation (including working with DETI to assess electricity market reform proposals).	CA	This work will be ongoing through the year
30	Sustainability	Continue to operate and improve the Climate Change Levy Exemption process, taking due consideration of any updates that will be required to by the Finance Act 2013.	CA	Q4
31	Regulatory Framework	Work with the Competition and Markets Authority and other regulators to develop a shared approach to dealing with competition issues.	CA	Q4
32	Sustainability	Work with DETI to progress implementation of the Energy Bill.	CA/E/G/R	Q4
33	Monopoly Regulation	To support the Competition Commission in reaching a final determination for NIE T and D price control.	E	Q3

8. Glossary

Agency for the Co-Operation of Energy Regulators (ACER)	ACER was formally established in 2011. It brings together European energy regulators with the objective of co-ordinating their actions whenever necessary to achieve a competitive, sustainable, secure and transparent Internal Energy Market by 2014.
Certification of Transmission System Operators (TSOs)	A key aspect of IME3 is the requirement for a greater separation of transmission interests from generation, production and supply interests. Member States must implement the requirements to allow transmission system operators to be ownership unbundled. National regulatory authorities are required to certify transmission system operators as compliant with this legislation.
Commission for Energy Regulation (CER)	CER is the energy regulator for the Republic of Ireland.
Common Arrangements for Gas (CAG)	CAG is the project aimed at establishing common arrangements for the buying, selling, transport, operation, development and planning of the natural gas market on an all-island basis.
Competition and Markets Authority	The CMA, from 2014, will be formed by merging the Office of Fair Trading and Competition Commission (CC).
Department of Enterprise, Trade and Investment (DETI)	DETI is the Department that formulates and delivers economic development policy in terms of enterprise, social economy, innovation, energy, telecoms and tourism in Northern Ireland. DETI and the UR work closely in the development and regulation of the electricity and gas industry.
DS3 (Delivering a secure, sustainable electricity system)	A project involving both regulatory authorities (the UR and CER) and the TSOs on the island of Ireland aimed at ensuring continued security of supply and assist in the delivery of renewable targets in respect of electricity. The three main work areas relate to: (1) system performance, (2) system policies and (3) system tools.
Energy Bill	The Energy Bill relates to DETI proposal on making new primary legislation to allow for greater powers for sustainable energy and additional regulatory measures relating to natural gas and electricity.
Energy Consumers Checklist	Under IME3 each Member State is required to produce a set of energy market information for consumers. The checklist provides information relating to supplier switching, rights, payment methods, bills, alternative supply offers, etc.

Energy Efficiency Directive	This Directive establishes measures for the promotion of energy efficiency in order to ensure the achievement of the European Union's 2020 20 % target on energy efficiency, and to pave the way for further energy efficiency improvements beyond that date.
EU network codes	Network codes are the rules established by the network owner that governs contractual arrangements with the network user. The Third Energy Package requires the European Network of Transmission System Operators to develop the European network codes, in accordance with framework guidelines set by ACER . The objective of this work is to improve regulatory harmonisation and facilitate the effective functioning of the internal electricity and gas markets.
IME3 - EU Third Energy Package of directives	This is the two directives and three regulations aimed at liberalizing gas and electricity markets across Europe. It focuses on developing internal markets but also adds new customer protection and information aspects.
Intraday trading	Intraday trading refers to the changes to the SEM trading arrangements introduced in 2012 to maximise the use of existing and future Interconnectors' within-day capacity and comply with the requirements of the Congestion Management Guidelines set out in 'Regulation 714/2009 of the European Parliament and of the Council of 13 July 2009.
Firm access	Firm access entitles a generator to receive constraint payments in the event that it is available but has not been dispatched onto the network.
firmus Energy Supply and firmus Distribution	firmus energy is Bord Gáis' distribution and supply business in Northern Ireland. It won the supply and distribution licences for ten towns in 2005 and supplies gas to 90% of the large industrial and commercial businesses in these towns. In addition, it holds supply licences for both the natural gas market in Greater Belfast and electricity across Northern Ireland.
Generation Unit Agreement (GUAs) or Power Purchase Agreements (PPAs)	GUAs/PPAs are long term contracts between two parties, one who generates electricity for the purpose of sale (the generator) and another one who buys the electricity.
Guaranteed Standards of Service	The guaranteed standards are regulations set by the Utility Regulator with the consent of DETI that set out service levels that must be met by utilities. They involve individual customers getting standard payments when a company fails to deliver on prescribed levels of service.

Levy Exemption Certificate (LEC)	The LEC is the certificate that exempts payment from the Climate Change Levy (CCL). Only renewable electricity with a LEC is exempt from the levy.
Moyle interconnector	The Moyle Interconnector is the undersea link between the electricity grids of Northern Ireland and Scotland. It provides electricity from GB to NI.
Northern Ireland Water (NI Water)	NI Water is the Government Owned Company (GoCo) that was set up in April 2007 as the sole provider of water and sewerage services in Northern Ireland.
Northern Ireland Sustainability Programme (NISEP)	The Utility Regulator NI Sustainable Energy Programme (NISEP) is used to provide funding for energy efficiency and renewable energy schemes through allocating the money collected from all electricity customers through a Public Service Obligation (PSO).
NIE Energy Power Procurement Business (NIE PPB)	NIE PPB is part of the Viridian group and manages a portfolio of Power Purchase Agreements (PPAs) with a total contracted generation capacity of 1,532 MW and is required to sell all the electricity generated under the PPAs into SEM .
NIE Transmission and Distribution (NIE T and D)	NIE T and D is owned by the Electricity Supply Board (ESB) and is the company responsible for the planning, development, construction and maintenance of the transmission and distribution electricity network in Northern Ireland and for the operation of the distribution network.
Offshore Developments	Development of an electricity transmission network in offshore waters.
PC13	PC13 is the name of the Utility Regulator price control , currently being developed, relating to NI Water for the period 2013-15.
PC15	PC15 is the name of the Utility Regulator price control , which is at the early stage of development, relating to NI Water for the period 2015-20.
Phoenix Natural Gas (PNG)	Phoenix Natural Gas Limited (PNG) own and operate the distribution network in the Greater Belfast area and Larne. The distribution business is responsible for the development of the pipeline network and for providing operational and transportation service platform to gas suppliers.
Power NI	Power NI is the supply company of the Viridian Group and supplies electricity to homes and businesses across Northern Ireland.

Price Controls	Price controls are one of the key regulatory tools used to protect consumers. This involves the regulator scrutinising the business plans of monopoly utility companies and determining the revenue required to finance its activities while providing incentives to invest in the business.
Regional Integration	Regional integration refers to the integration of electricity markets in Europe.
Renewable Obligation (RO)	The RO is a UK scheme designed to encourage renewable generation into the electricity generation market. This scheme places an obligation on licensed electricity suppliers to source an increasing proportion of electricity from renewable sources. Suppliers meet their obligations by presenting sufficient Renewables Obligation Certificates (ROCs) to cover their obligations. Where suppliers do not have sufficient ROCs to meet their obligation they must pay an equivalent amount into a fund known as buy-out the proceeds of which are paid back on a pro-rated basis to those suppliers that have presented ROCs.
Reporter	A Reporter is an independent professional appointed to act as an auditor, certifier and commentator on the various regulatory submissions made regulated companies to the regulator over a medium to long term.
RP5	RP5 is the name of the Utility Regulator price control , currently being developed, relating to NIE T and D for the period from 2012-17.
SEMO	SEMO is the Single Electricity Market Operator, responsible for the administration of the wholesale electricity market, called the Single Electricity Market .
Single Electricity Market (SEM)	The SEM is the single all-island wholesale market for electricity, operating in the RoI and NI, set up in November 2007. It aims to enhance security and diversity of supply, encouraging market efficiencies and economies of scale and promoting greater competition.

Small scale feed-in tariff scheme	<p>The Feed-in Tariffs (FITs) scheme will be introduced around 2015 or 2016, under powers in the Energy Bill. Through the use of FITs, DETI hopes to encourage deployment of additional small-scale (less than 5MW) low-carbon electricity generation particularly by organisations, businesses, communities and individuals that have not traditionally engaged in the electricity market.</p> <p>This will allow many people to invest in small-scale low-carbon electricity in return for a guaranteed payment from an electricity supplier of their choice for the electricity they generate and use as well as a guaranteed payment for unused surplus electricity they export back to the grid.</p>
Social Action Plan (SAP)	The SAP is a plan which sets out all the actions to be taken by the Utility Regulator to protect vulnerable consumers .
Transmission system operator (TSO)	A TSO is an operator that transmits electrical power from generation plants over the electrical grid to regional or local electricity distribution operators. The TSO in NI is SONI.
Vulnerable Consumers	Vulnerable consumers , following the Energy Order definition, are those electricity consumers of pensionable age who are disabled or chronically sick, on low incomes or dwelling in rural areas and those gas consumers who are of pensionable age who are disabled or chronically sick or on low incomes.
Water Framework Directive	This Directive commits EU Member States to achieve a 'good status' for all ground and surface waters (rivers, lakes, transitional waters, and coastal waters) in the EU.