

RESPONSE TO THE DRAFT FORWARD WORK PROGRAMME
2016-2017

SSE AIRTRICITY RESPONSE TO
THE UTILITY REGULATOR

2016

INTRODUCTION

SSE Airtricity welcomes the opportunity to comment on the consultation on the draft Forward Work Programme 2016-2017 published by the Utility Regulator.

GENERAL COMMENTS

SSE Airtricity welcomes the publication of the Utility Regulators forward work programme. We consider it necessary for industry to be aware of the key regulatory projects that are planned so that we can plan effectively for any potential changes that may be introduced. SSE particularly welcomes the timelines indicated. However, we would suggest that market participants are provided with more detailed timelines for specific projects (e.g. the billing code of practice and the COP on theft). Without clear timelines, suppliers cannot budget or resource effectively and this will impact on their ability to introduce changes.

Given resource considerations, SSE proposes that there needs to be a staggering of consultations to ensure that stakeholders have the ability to consider proposals and effects carefully. SSE would also highlight that stakeholders should be provided with sufficient implementation time in relation to any market changes to ensure that the costs are minimised and changes are implemented as effectively as possible.

In relation to the content of the work programme, SSE appreciates that there are many priority projects included in the work programme. In the following section, SSE provides comments on some of the projects and has divided its comments into the different lead team areas.

SSE is happy to note the UR has recognised the limitations of its website. Access to current and previous decisions of a regulatory body are essential for any market participant. The functionality of the UR website, which is the only industry repository for information, is limited and the consultation zone appears to no longer work. We believe it would be very beneficial for the UR to action this in its work programme.

Retail

The retail work programme consists of the ongoing price control projects, input in the GttW project, review of the effectiveness of competition, REMM, input into I-SEM market monitoring; and the consumer protection strategy.

While SSE can see the merit in all the projects listed in the consultation, SSE is of the view that some of the projects listed in Annex 1 should be given priority. In

particular, the consumer education project (project number 1 in Annex 1) is a critical project to enhance customer awareness in the market. This is absolutely necessary to inform customers of the options open to them. This would lead to an increase in switching among customers and thus have a positive impact on competition in the market.

The Review of the Effectiveness of Competition has taken priority over a number of other projects that could immediately deliver greater levels of competition to the benefit of customers (e.g. customer education, switching/tariff comparison project). While SSE understands the relevance of the Review of Competition, we are of the view that the outputs of the Review will not deliver clarity or any immediate benefit for suppliers or consumers in the market. In fact, in the absence of the clear development of competition, the results of this review may never be required. SSE believes the UR should issue further clarity to industry on the future direction of retail market regulation (the review of competition will not deliver this). This would take the form of UR determining the exact criteria that must be met for price deregulation to occur. Without this roadmap or statement of intent, there is a risk that competition will not develop to any significant extent.

With respect to the Consumer Protection Strategy, SSE is concerned at the level of work proposed for Year 1. In the last three years, the UR has introduced considerable change for retail suppliers in the area of consumer protection which has led to high ongoing costs of implementation. While we recognise the importance of ensuring consumer protection, a continuously changing set of requirements and ongoing implementation costs have considerable impact on costs to customers, a business' ability to sustain itself and also form barriers to entry. It also impacts a business' ability to differentiate and innovate as resources are continuously employed in regulatory changes. SSE asks the UR to consider the number of retail projects proposed.

SSE supports the work on the code of practice on theft as a priority. At present there is no clear guidance and mixed messages are being presented to suppliers. SSE has in place a robust system for the protection of the customers who have difficulty paying their bills and makes every effort to work with these customers. However, SSE considers that energy theft is a serious matter which is leading to increased costs for all customers. It is essential that the UR work with industry to reduce instances of theft.

It is difficult to comment on some of the projects listed in the consultation as it is not immediately clear what the projects are referring to. An example is the deemed contract schemes project identified in Annex 1. While SSE considers that improvements can be made to the current deemed contracts scheme in Northern Ireland, it is not clear what issues will be addressed by this project.

Wholesale and Networks

The I-SEM project is recognised by all stakeholders as one of the most important projects in the all-island energy market. In relation to the implementation of the Capacity Remuneration Mechanism for I-SEM, this is an integral part of the I-SEM project and should not be seen as a separate (or lower priority) project outside of I-SEM. This project should either be subsumed into project 1 under Strategic Objective 2, or should be a flagship project in its own right. We note the UR proposal to develop an ISEM market monitoring framework. SSE would expect any monitoring framework would be developed and implemented on an all island basis. We seek clarification of this in the final work programme.

SSE welcomes the project on delivering contestability of connections. However, we are concerned that there is no objective relating to resolving network access issues created by Utility Regulator Determination DET-572, even in 'other projects'. The Utility Regulator needs to either directly address the issues around criteria for issuance of grid offers or alternatively allocate NIE Networks the money required to deliver network access to the large queue of generators. Condition 30 of the NIE licence explicitly states that NIE Networks must offer to enter into an agreement for use of, and connection to the system on application by any person. NIAUR cannot prevent NIE Networks from complying with their licence by withholding **both** funding for reinforcement in RP6 **and** the ability to define objective, technically and economically justified criteria for refusing access through DET-572. Article 32 explicitly states:

The transmission or distribution system operator may refuse access where it lacks the necessary capacity. Duly substantiated reasons must be given for such refusal, in particular having regard to Article 3, and based on objective and technically and economically justified criteria. The regulatory authorities where Member States have so provided or Member States shall ensure that those criteria are consistently applied and that the system user who has been refused access can make use of a dispute settlement procedure. The regulatory authorities shall also ensure, where appropriate and when refusal of access takes place, that the transmission or distribution system operator provides relevant information on measures that would be necessary to reinforce the network. The party requesting such information may be charged a reasonable fee reflecting the cost of providing such information.

The current regulatory position does not allow TSO/DSO to meet the requirements or 2009/72/EC or NIAUR's own licencing framework.

A number of projects are proposed under Objective 3 – Protecting the Long-Term Interests of Business and Domestic Consumers. SSE is of the view that the Utility Regulator must provide transparency around the measures to address electricity security of supply, particularly those short-term contracts for capacity covering the period between now and delivery of the North-South Interconnector. Sufficient

information has not been released to date to assure participants that the bilateral arrangements entered into have not introduced distortions into the all-island market. By contrast, the Supplementary Balancing and Demand Side Balancing Reserve contracts entered into in GB are transparent, open and underpinned by clear regulatory decisions.

CONCLUSION

In summary, SSE welcomes the publication of the consultation on the draft work programme. SSE considers that all projects have merit. We appreciate that resources are limited and agree that projects must be prioritised within the work programme. However, SSE considers that the priority projects should be those that deliver benefits to consumers and facilitate the development of competition. We have highlighted a number of points here which we feel could help deliver this.