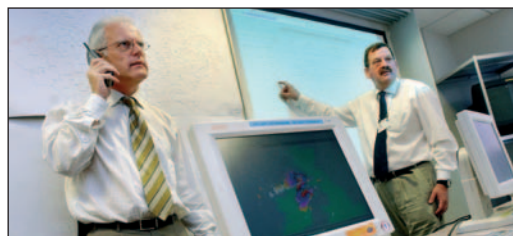


Northern Ireland Authority for Energy Regulation

Consultation Paper

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. Consultation Process

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>.



• Responses

Responses are invited on all aspects of NIAER's proposed work programme. It would be helpful when replying if you could say who you are, who your organisation represents (if appropriate) and who, if anyone, you have consulted about the paper before drawing up your submission.

• Responses

The deadline for responses to this consultation process is **16th March 2006**.

• Contacting NIAER

Enquiries about consultation arrangements and responses to this document can be made by mail, phone, fax or e-mail to:

Eddie Gaw, Queens House, 10-14 Queen Street, Belfast, BT1 6ER
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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** Oversee the decommissioning of Belfast West and Coolkeeragh Power Stations at least cost to customers.

Transmission & Distribution

- E3** Facilitate the separation of the combined Public Electricity Supply, Transmission and Distribution licence held by NIE.
- E4** Issue a licence to SONI

Supply

- E5** Facilitate the opening of the electricity market to all customers by 31 July 2007
- E6** Oversee and maximise the return for customers on the sale of spare inter-connector capacity.

Price Control

- E7** To set the parameters for innovative price controls which maximise the benefit to electricity customers.
- E8** To put in place a new PPB Price Control.
- E9** To put in place a new SONI Price Control.
- E10** To put in place a new Transmission and Distribution Price Control.

Energy Efficiency Levy

- E11** To carry out a review of the Energy Efficiency Levy.

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.

Promotion

- PG1** Facilitate the introduction of the South North gas transmission pipeline into the NI system.
- PG2** Work with CER to examine potential of all-island Gas Capacity Statement.
- PG3** Review rationalisation of NI operational system.
- PE1** In conjunction with CER and the electricity stakeholders in Ireland progress the development and implementation of a single electricity wholesale market for the island of Ireland.
- PE2** To facilitate the continuing operation of a UK wide ROC trading arrangement.
- PE3** To administer a Renewable Electricity Guarantee of Origin Scheme.
- PE4** 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 Mar 2007
E2	Power Station decommissioning	Sites available to land bank	31 Mar 2007
E3	Issue licence to SONI	New licence issued	31 Mar 2007
E4	Market opening	Open to all customers	31 Mar 2007*
E5	Sale of spare inter-connector capacity	Maximise returns for customers	31 Mar 2007
E6	Set parameters for innovative price controls	Parameters to be set	31 Mar 2007
E7	Set parameters for new PPB Price Controls	Parameters to be set	31 July 2007
E8	Set parameters for new SONI Price Controls	Parameters to be set	31 July 2007
E9	Set parameters for new T+D Price Controls	Parameters set	31 Mar 2007
E10	Put in place a new Transmission and Distribution Price Control	Parameters to be set	31 Mar 2007
E11	Review of the Energy Efficiency Levy	Customer benefits	30 Sep 2006
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
PG1	South North Gas pipeline	Construction started	31 Oct 2006
PG2	All-island Gas Capacity Statement	Ongoing	31 Jan 2007
PG3	Review rationalisation of NI operational system.	Ongoing	31 Mar 2007
PE1	Progress towards the establishment of an all-island electricity market	Parameters agreed on all-island basis	31 Mar 2007
PE2	Administer NI ROC Scheme in conjunction with OFGEM.	Operational scheme	1 Apr 2006 – 31 Mar 2007
PE3	Administer REGO scheme	Operational scheme	31 Mar 2007
PE4	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

