

**NIAUR Draft Forward Work
Programme 1 April 2011 – 31
March 2012**

Consultation

NIE Energy Supply's Response



Introduction

NIE Energy Supply (NIEES) welcomes the opportunity to respond to the Utility Regulator's (NIAUR) Draft Forward Work Programme for the period 01 April 2011 to 31 March 2012.

As stated in our previous responses NIEES welcome this process of consultation as a constructive step towards providing visibility of regulatory strategy and an indication of the key short to medium term NIAUR priorities. As the electricity supplier to circa 780,000 customers within Northern Ireland, NIEES has reviewed the document and would make the following comments with regard to specific matters of interest –

NIEES Price Control and Tariff Review

While NIEES welcome the move away from a series of one year price controls, the timeframe for engagement and the likely retrospective effective date of the current programme is disappointing. NIEES would urge NIAUR to begin price control interactions as early as possible in future, thereby affording an appropriate timeframe for information provision, analysis and implementation. For example, NIEES is very concerned that as the data request process for the 2011 price control review was only initiated on the 24 December 2010, NIAUR have now set an unrealistic timetable for the preparation and analysis of this data. We believe this process should have started in early October 2010 in order to have had any realistic chance of producing a properly informed price control consultation prior to the 31 March 2011.

As part of the ongoing NIEES/NIAUR interactions regulated tariffs are under constant review. Given this regular interaction and the dynamic nature of the market post SEM, the tariff review process is now a quarterly rather than an annual event.

NIEES have also noted that there was no reference within the NIAUR Forward Work Programme in relation to the production of a deregulation roadmap. With active competition in all sectors of the electricity supply market within Northern Ireland, it is the expectation of NIEES that NIAUR would outline their glide path to full electricity deregulation in a similar manner to the CER publication in the Republic of Ireland. The system of retail market monitoring which NIAUR intend to implement under the "evolving regulatory framework" would therefore be positioned to publish and confirm when the pre defined criteria are satisfied.

Single Electricity Market (SEM)

The advent of the SEM in 2007 fundamentally changed all aspects of wholesale power purchasing and settlement. To adequately regulate the new market the SEM Committee is a required joint regulatory body. NIEES however would ask NIAUR, as part of its ongoing review, to consider methods

of enhancing the transparency and engagement of the SEM Committee with market participants.

NIEES acknowledges that the SEM modifications in relation to dispatch, scheduling, capacity payments, global aggregation and the treatment of loss adjustment factors are all important work packages which will either directly or indirectly impact prices paid by Northern Ireland consumers. It is cognisant of that fact that NIEES was disappointed with the recent conclusion reached by the SEM Committee in relation to the effect of transmission loss adjustment factors through to the Error Supplier Unit and the policy misalignment which sets loss factors on an all island basis, while the apportionment through to NIEES remains jurisdictional.

Market liquidity continues to be of significant concern to NIEES and we would therefore urge NIAUR to ensure that the current review is comprehensive and delivers tangible improvement.

Network Regulation

In relation to the work to be undertaken on the transmission and distribution price control, NIEES would urge NIAUR to consider NIE T&D's responsibilities to Suppliers as well as those directly with consumers. Many of Suppliers interactions with customers are dependent upon the actions of NIE T&D, the accuracy of meter readings being the primary example. Timely fieldwork and responses to Supplier driven queries on behalf of a customer should be afforded the same level of protection as if the query came directly from the customer.

Vulnerable Customers and the EU IME3 Legislation

NIEES will continue to be at the forefront of providing value added services in support of societies most vulnerable customers. In reviewing the recent DETI paper on the EU IME3 Legislation NIEES view the definition of vulnerable customers as too broad and in effect, counter productive. For example, NIEES do not believe that simply being over 60 or having a child under 16 makes a customer vulnerable. Too many households would be included under this definition which then is not helpful if trying to target assistance at genuinely vulnerable customers.

Conclusion

The Forward Work Programme contains a substantial number of regulatory goals and represents a significant challenge. NIEES believes the programme contains reference to the main expected areas and looks forward to working closely with NIAUR and other stakeholders where appropriate.