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20<sup>th</sup> January 2010

Dear Elena,

**Forward Work Programme (April 2010 – March 2011)**

Thank you for the opportunity to comment on the Utility Regulator's (UReg's) draft Forward Work Plan for 2010/11. We welcome the clarity this provides for the forthcoming year and believe that by adopting a transparent strategy, UReg is ensuring that the most prevalent issues faced by the energy sector can be prioritised.

Phoenix Natural Gas (PNG) and Phoenix Supply Ltd (PSL) have already commented on many of the areas covered within the plan however it is appropriate to reiterate these in the following response.

We believe that a significant opportunity exists for UReg to focus on developing a strategy to promote the environmental benefits of natural gas, and complete the timely development of the natural gas network in Northern Ireland (NI).

In a little over 10 years, NI has developed an economic, efficient and co-ordinated natural gas network. Advances in boiler technology and a more educated consumer have meant that NI is setting an example in terms of energy efficiency and consumers are benefiting from lower average consumptions than in GB. However only around 12%<sup>1</sup> of homes in NI are using natural gas for central heating and the market penetration of natural gas is severely skewed on a geographical basis.

UReg has a clear role to play, and has a statutory obligation, in exploiting this opportunity to its fullest potential which will bring significant environmental and social benefits to NI. UReg is in a unique position to develop the natural gas industry by increasing the take up of customer connections in the existing

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<sup>1</sup> 2006 Northern Ireland House Condition Survey

licensed areas and by pro-actively working with interested parties to extend the network further throughout NI.

Whilst we welcome UReg's indication that it will work with DETI and other stakeholders to promote the environmental benefits of gas compared to other fuels, it is surprising to see harmonisation of the industry on an all-island level as one of UReg's main priorities for the year. We have actively engaged in consultations investigating the potential for Common Arrangements for Gas (CAG) and believes that such a project should be pursued only where it can deliver real benefits for consumers. As it stands, CAG has yet to receive legislative approval and we would question UReg and therefore industry expending time and resources on a project where there is uncertainty over how this will progress, given the appetite and opportunity to develop the industry in NI and the hurdles faced by industry to deliver this e.g. an appropriate mechanism for operators to develop an automated switching system for natural gas consumers in NI.

We would also reiterate our concerns regarding the timing of an annual cost reporting regime. PNG is entering its fourth price control review process in 2010 and UReg should be mindful of the already limited resources industry has to deploy to meet its current regulatory obligations. UReg should also be aware that PNG has begun preparation of its price control submission and that any additional obligations or cost reporting requirements must be agreed by all suppliers and distribution operators prior to implementation. UReg and industry will also need to consider how future regulations are transposed into each license holder's cost base e.g. if, following consultation, legislation is implemented which changes the standards of service procedures of gas licence holders.

Finally we have significant concerns regarding smart metering in NI. There has been no industry trial of smart gas meters in NI and we are conscious that the electricity sector is at a more advanced stage of development. UReg must ensure that the gap between the two industries does not widen to the extent that NI misses out on the economies of scale and synergies of a cross-utility approach to a smart meter roll-out if such policies are implemented in NI.

We will continue to provide UReg with as much information as we can throughout 2010/11 to ensure that UReg has all the necessary information to develop and implement effective policies. In the meantime we hope that these comments are useful and please do not hesitate to contact me should you wish to discuss any of these further.

Yours sincerely,

Abigail

**Abigail McCarter**  
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