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Utility Regulator
Queens House
14 Queen Street
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16 February 2018

Dear Briege,

Draft Forward Work Programme 2018-19

Power NI welcomes the opportunity to respond to the recent draft Forward Work Programme (FWP) 2018 - 2019 published by the Utility Regulator (UR).

Consistent with previous work programmes, the 2018-19 FWP describes at a high level, a substantial number of major projects. In its final determination the UR should recognise that the FWP sets an expectation for market participants who will commit their own resources to engage with and plan for the projects identified. Should the FWP be overly ambitious this sets an unrealistic expectation and risks critical areas of consideration being expedited without full consideration and consultation. Power NI believes a realistic prioritisation of projects is in all stakeholders interests.

Specific Items

The FWP contains a number of strategically important projects which directly impact Power NI.

- **The Wholesale Electricity Market**

The UR has highlighted three priority projects in relation to the ISEM. In all likelihood as in 2017-18, the ISEM will be the largest draw on UR resources as the delivery of the ISEM Project is of vital importance to all electricity stakeholders.

The ISEM design is extremely complex and the participation in the new market arrangements will be challenging for participants. Costs of participating in the ISEM will increase as will the collateral burden. As a price controlled entity, Power NI must be permitted to recover the

reasonably incurred costs of implementing the structures and systems necessary to meet the operational demands of the new market arrangements.

The UR has acknowledged by including a priority project entitled “day 2 projects” that sizeable aspects of the ISEM market are being deferred until post go-live. This means that participants will also have to maintain implementation project teams to address the further developments and changes. This will incur significant costs and the UR should be cognisant of this burden.

- **The Retail Electricity Market**

In response to last year’s FWP Power NI stated that was inherent upon the UR to continue the process undertaken under the heading of ‘review of the effectiveness of competition’. Power NI does not consider this process to be complete as stated in Annex 2 of the FWP. Power NI’s market share is approaching the point at which the retention of price regulation is ineffective as a protection measure, is distortive to competition and discriminatory. It is misleading to include reference to the “Consideration of Power NI control” under a heading entitled “Promoting efficient and effective monopolies”. Power NI is not a monopoly, competition in the domestic electricity market is well established and the URs position that Power NI remains dominant is becoming untenable.

Power NI urges the UR to not wait for that position (Power NI would argue that this is imminent) but rather implement the measures across the market that ensures competition thrives alongside appropriate protection measures for all vulnerable customers. Power NI acknowledges that this will be a significant change for the Northern Ireland Electricity Market however this is unavoidable and the UR should deploy sufficient resources to ensure that it is fully considered and implemented in a well-managed manner.

Power NI also welcomes the consideration of the need for an energy efficiency scheme. Presumably this will also consider reviewing the form and structure of NISEP.

Conclusion

Power NI is committed to working constructively with the UR across the range of projects references in the FWP and hopes that the UR will address those issues highlighted above. Should you wish to discuss the content of this response please do not hesitate to contact me.

Yours sincerely



William Steele
Power NI