

From: Johnvsimpson@aol.com  
To: Ardines, Elena  
Cc:  
Subject: FWP 2014-15 and corporate strategy

Sent: Thu 02/01/2014 11:23

as from:

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Dear Ms. Ardines,

Thank you for sending to me a copy of the draft corporate strategy 2014-19 and FWP for 2014-15.

As might be expected, this document is an extensive review of a number of important topics. It is also significant for the differing degrees of emphasis and urgency that are revealed. Also may I add, it is important that it is challenged for what may be areas of omission as well as areas of excessively detailed review.

The Regulator has a duty, within the limited resources available, to identify the issues where the Northern Ireland utility user can expect to see important improvements in service, standards and security. The authors of the strategy might sensibly be persuaded to resist the temptation to micro-manage any of the utilities and fail to give the utility providers adequate flexibility within an overall regulatory setting to be innovative and sensibly motivated to manage their own businesses.

Before offering suggestions on the strategy and FWP, a retrospective comment relating to previous FWP documents may be appropriate. This FWP goes a long way to correct for a major deficiency of previous documents which were drafted in a way which made it almost impossible for a general reader to comprehend the detail of what lay behind excessive reliance on technical jargon or insider familiarity. This improvement is welcome and, to avoid undue complacency, should now be continued and developed.

The comments which follow are suggestions in relation to topics where the FWP agenda seems inadequate

1. For electricity customers, there is an important interest in the regulation of the repair of the Moyle Interconnector. Does the FWP contain an explicit review of the contract arrangements for the operation and repair of the Interconnector. What regulatory input is envisaged relating to its financing? A separate and identified project would be justified. FWP item 26 tangentially refers: a more explicit project would be helpful.
2. For electricity, the current SEM arrangements as guided by the SEMC include decisions that electricity users should be aware of and should be debated. Where in the FWP is there any suggestion that the operational impact of the SEMC will be assessed, improved and better communicated? FWP item 19 could be expanded to deal with this.
3. For electricity users in NI, the SEM is incapable at present of delivering an effective single market. Would it be appropriate for the FWP to identify and publish an assessment of the costs of an incomplete SEM, including details of the cost to NI customers of the extra costs of system constraints in the absence of sufficient cross-border grid capacity?
4. Presumably the Regulator has been preparing for the Planning Enquiry on the new N-S Interconnector. Since this project is possibly the single most important capacity need, why does the FWP not devote some resources to becoming a contributor to the planning and communications

process in a forceful way? FWP item 26 is an inadequate reflection of the importance of this.

5. There is an increasing interest in the costs of renewable energy. There is little information about the costs in NI (and 'for NI') of green measures such as ROCs and the costs of payments when electricity supply from renewable sources is 'constrained off'. There are also critical questions about the incidence of incentive payments according to the different sources of renewables. From a customer viewpoint, is the balance of incentive payments appropriate? Is there a specific project answering these questions in the FWP?

6. During 2014, the Regulator will be considering the steps needed to deliver the (so called) Target Model. What steps are proposed to inform public debate on possible changes? Presumably, the SEMC will ensure adequate public information through the Regulators? Electricity users should be well informed of the details of the proposed target model as it evolves and not as a 'fait accompli'. FWP item 19 refers.

7. Of more immediate concern is the need for the Regulator to take steps to give necessary assurance on security of electricity supplies in 2016 and ahead. Is the Regulator considering proposals for incentives to provide extra generating capacity? If so, where are these mentioned in the FWP?

8. The FWP makes only oblique reference to the merits of Common Arrangements for Gas. This is a surprising omission.

Other topics. There is a number of topics which emerge from the detailed paper. However, this reply has concentrated on key issues which are either underplayed or not specifically mentioned and may merit being added in explicit form to the amended paper.

May I add a number of comments on the wording of the Strategy?

a. page 6, 2nd. paragraph: you refer to your role encompassing the regulation of the all-island single electricity market. Might I hope that you also have a role in communicating the deliberations and decisions of the SEM?

b. page 8: you identify developments in UK and EU policies. However, you do not seem to make clear if, and how, each of these might apply in NI. For example, does the Energy Efficiency Directive apply in NI at the same rate of savings? Does the priority dispatch for renewable energy apply in NI with no explicit regard to extra costs?

c. page 10: you headline 'since 2009 we have ..' Presumably the word 'we' should be read as the collective actions on behalf of all users.

d. page 20: a commitment to a new communications strategy. This is a welcome commitment.

If there is a forum for a wide ranging public discussion then various detailed questions will be posed.

However, to answer your questions on page 21: regrettably the FWP, whilst more reader friendly, does not clearly and specifically identify all the operational policy priorities as presently drafted.

Yours sincerely

John Simpson