



RESPONSE TO THE DRAFT FORWARD WORK PROGRAMME
2018-2019

SSE RESPONSE TO
THE UTILITY REGULATOR

2018

INTRODUCTION

SSE welcomes the opportunity to comment on the Utility Regulators (UR) draft Forward Work Programme for 2018-2019.

GENERAL COMMENTS

SSE welcomes the publication of the URs draft forward work programme. We consider it necessary for the industry to be aware of the key regulatory projects that are planned so that we can plan effectively for any potential changes that may be introduced.

In relation to the content of the work programme, SSE appreciates that there are many priority projects included in the work programme. SSE is of the view that any project that requires significant changes such as the Co-Ordinated Retail Market Systems should receive a full consultation period in the Forward Work Programme.

In the following section, SSE provides comments on some of the projects and has divided its feedback into the different strategic objectives and other potential projects outlined in the Annex.

Strategic Objective 1 – Promoting efficient and effective monopolies

Advance Supply Price Control

SSE supports this priority, and notes the URs proposals to engage early on the formation of the Price Control. In addition, we note that UR has also prioritised the new 5 year strategy that will guide the UR between 2019 and 2024. Price Controls run for periods that are aligned with the long term strategic plan of UR. As part of this strategic review, SSE would welcome the URs consideration on the future of wholly price regulated retail markets.

Reappoint market operator (NEMO) for I-SEM and as necessary advance SEMOp Price Control.

SSE notes that the Regulatory Authorities have deemed the NEMO market in the I-SEM to be fully competitive as per the CACM Regulation. We note that SEMO has been designated as the nominated NEMO by both RAs, and we agree and support this position to ensure that DA and ID services are available for go live. Nonetheless, we note that both RAs have decided that the market for NEMO services is competitive, meaning that passporting NEMOs must be allowed to enter the market. In redesignating SEMO as the NEMO the RAs must be cognisant of ensuring

that the competitive landscape for NEMO services is not hampered. This is where the RAs decide that the competitive designation will continue.

Where effective competition is deemed to not be in place, thereby requiring the continuation of regulated revenues of SEMOp_x, we would urge the RAs to ensure that efficiencies are a core focus on SEMOp_x Price Control 2. We understand that efficiencies are difficult to garner in a green field project, but we would strongly encourage UR to consider efficiencies as a key target of the next Price Control for SEMOp_x.

Reshape incentivisation arrangements for SONI and SEMO

As I-SEM will go live in May 2018, and the roles and responsibilities of SONI and SEMO will change, we are fully supportive of the focus of the UR to review the incentives in place. Indeed, we are of the view that after an initial settling in period, there may be the requirement to rebaseline the incentives within the Price Control, in particular to take account of any new changes that may arise.

Strategic Objective 2 – Promote efficient and competitive markets

Implement I-SEM market day 2 projects as committed to or in line with work plan to be agreed by SEMC

SSE notes that Day 2 issues have arisen across a number of work streams in I-SEM, including but not limited to the TSC, SEMOp_x and its interactions with the EU NEMOs and any regulatory fall out that may arise from Brexit. We are supportive of implementing the Day 2 projects but would request that SEMC prepare and consult on a Day 2 list with market participants. Where priorities are developed SSE is of the view that the most critical relate to the accession stream for XBID. We would request that the UR via the SEMC target a date for accession. In addition, we are of the view that secondary trading is important for generators to manage their contracts and should also be considered a priority Day 2 item. Finally, the lack of block orders has been a theme for a period of time, and we would request that UR consider the unit based design as a priority Day 2 project.

Complete arrangements to continue to provide access to GB gas markets past 2021

The anticipated outcome stated here is "the efficient operation of the gas transmission system". We note that UR has conducted a review of short term exit capacity at the exit and concluded that there was no need for reform i.e. by offering short term products which may make gas fired generation in Northern Ireland more attractive. Whilst we understand the concerns expressed over equity between domestic and industrial gas customers, power generation demand in Northern Ireland has dropped considerably in the last number of years, and plant closure is

currently being considered for coal and oil fired generators in line with both IED requirements and as a result of the Capacity auctions recently held. Whilst SSE is at the forefront of renewable generation in Ireland, we recognise that the fuel mix must, at least for the medium term incorporate a range of generation types to ensure security of supply. We would question whether consideration ought to be given to ensuring that Northern Ireland gas tariffs remain attractive to gas fired generators, thereby ensuring that new generation in the I-SEM is actively encouraged to locate there.

Develop and implement Retail Energy Market Monitoring (REMM): Consumer Insight and Market Analysis (CIMA) phase.

SSE would like clarity on whether the UR are proposing to amend, extend or include any new REMM reporting category. We would note that appropriate consultation will need to be undertaken if this is the case. Similarly if the UR is proposing to publish any further existing data in their retail transparency reports or any other report, key stakeholders involved in the reports will need to be provided with sufficient notice of the changes and consulted accordingly. Finally suppliers would appreciate appropriate notice in relation to any audits and would assume that the timeframes for this will align to the content of the recent UR notification on REMM audits.

Strategic Objective 3 – Protecting the long-term interests of business/domestic customer

SSE continues to be supportive of appropriate measures to address any risk associated with security of supply. Similarly we recognise the importance of procedures put in place to protect both business and domestic customers and have developed strong processes in this area. Nevertheless the detail of some of the SO3 projects is unclear with respect to their necessity and applicability to the NI market. We have provided further comment on this and other areas of concern from the objective below.

Develop UR strategic focus, research, and engagement on Consumer Issues

SSE are concerned in relation to the implementation of UKRN consumer projects in the NI market and request clarity on what areas will be considered. The UR needs to recognise that there are significant differences between each market in terms of levels of competition and operational proportions – in particular the fact that metering is done by network operators and not suppliers in NI. Any large scale regulatory changes implemented in NI can generate large costs for smaller suppliers which will ultimately result in higher tariffs for consumers. We are of the view that many of the market remedies recently applied in GB should not be applied to NI until the retail energy market has developed further.

Implement improved market measures for small businesses

SSE would have no comments on this project outside of what was already previously communicated through the consultation process for small business and third party brokers. We would request that appropriate timeframes are given to implement any changes stemming from these decisions.

Implement Consumer Protection Strategy (CPS) action plan in line with project timetable

SSE is supportive of the URs consumer protection strategy programmes and enhancement of protection for customers. With regard to the Consumer Protection Strategy action plan, it is unclear what specific areas will be included in the scope of this for this period. Based on last year's work programme, we would assume that this will include the Energy Efficiency Code of Practice, finalisation of consumer checklist and Critical Care Register Review and request clarity on whether any further action is planned outside of these.

Advance the Investigations Compliance and Enforcement (ICE) workstream

SSE is supportive of the advancement of the URs Investigations Compliance and Enforcement (ICE) workstream. We would assume that this would be aligned to the audit information recently circulated by the UR as part of the guidance on REMM Statement of Licence Compliance in December.

Annex & Corporate Strategy

We have also provided further comments below on some of the other proposed projects outlined in the Annex section in addition to the corporate strategy and other comments in terms of project prioritisation.

Investigation of supplier domestic tariffs and contracts and compliance

SSE is unclear on the basis for these projects and request clarity on the rationale that has formed these undertakings. Furthermore we question the use of the word 'investigate' in the context of these and suggest that 'examine' might be more appropriate in the context of tariffs if no issue has been identified.

Undertake supply licence amendments and review

SSE is unclear on what licence amendments are necessary at this point in time and request clarity on what aspects of the supply licences they intend to review.

Revise and update supplier marketing code (for business consumers)

SSE requests that any changes to the Business Marketing Code of Practice are consulted on with suppliers in advance of the amendments being made and

published. We would be unsupportive of changes which do not address identified issues in the business market.

Domestic customer back-billing (current CPS project)

SSE would like full understanding on what the UR is proposing in relation to domestic back billing regulatory frameworks. Some of the back-billing introduced in GB would not have the same applicability in the NI electricity market as the suppliers do not read the meter in electricity and are reliant on network provider providing the reads. Any proposal to adopt a process in this area should consider the role of the network provider and resolve issues for both suppliers and customers. Suppliers should not be unfairly impacted through the introduction of similar measures into the NI market.

Corporate

Develop a new corporate strategy

We note the URs commitment to develop a new Corporate Strategy and are supportive of this approach. The development of a new corporate strategy will be particularly challenging given the lack of a Northern Irish administration at this time, as well as the uncertainty that Britain's decision to leave the EU has brought to the wholesale energy market on the island of Ireland. We welcome URs commitment to finalising the I-SEM in 2018 with its CRU counterparts, and would urge UR to prioritise the continuation of the I-SEM as a key strategic priority post 2019.

Brexit

SSE is concerned with any potential impact from the UK leaving the EU on the wider Irish energy market. We would be supportive of the UR engaging in any discussions on Brexit and ensuring that the concerns of the all island competitive market are taken into consideration.

Co-Ordinated Retail Market Systems.

The UR recently issued an industry consultation on their "minded to" decision to end co-ordinated Retail Market Systems. SSE is of the view that a market change this significant requires a full public consultation and if this is proposed as a project this aspect should be added as a work item on the URs Forward Work Programme.

Conclusion

In summary, SSE welcomes the publication of the consultation on the draft work programme. SSE considers that all projects have merit. We appreciate that resources are limited and agree that projects must be prioritised within the work programme. Nevertheless, whilst we are supportive of projects that further develop competition and provide benefits to customers, we wish to ensure that any proposed regulatory projects are appropriate, necessary for the market and address real issues.