

UR Draft Corporate Strategy 2019-2024

January 2019

This paper provides the Phoenix Natural Gas Ltd. (PNGL) response to the Utility Regulator (UR) consultation on its draft five-year Corporate Strategy 2019-2024 (the strategy).

PNGL agrees that starting with the consumer is paramount and consumers' needs should be at the centre of the strategy. We also recognise the need for the strategy to set out a clear roadmap which enables a low carbon future. However the position of natural gas within the strategy, and notably the role which natural gas should play in continuing to deliver a lower carbon future, needs to be more fully transparent. It is worth remembering that natural gas is up to 50% less carbon polluting than the non-regulated oil and coal alternatives and therefore by displacing these fuels with natural gas, consumers are reducing their, and therefore Northern Ireland's (NI), carbon footprint.

Natural gas can, and should, play a significant role in the short to long-term energy transition for NI. The energy market in NI is at a different stage of development than GB in that oil is still the predominant fuel. In reality therefore, the decarbonisation of domestic heat can be achieved in NI in the short to medium-term by continuing to develop the natural gas network and increasing the number of homes and businesses connected to that network. This will alleviate the demand any new or existing decarbonisation approach could place on the NI electricity network and will also ensure a cost-effective outcome for consumers, particularly the most vulnerable.

The potential of both renewable natural gas and of compressed natural gas will ensure that natural gas continues to play a significant role in the long-term energy transition for NI. PNGL welcomes the current opportunity to investigate the potential to accommodate both the injection of renewable sources of gas into its network and to facilitate compressed natural gas filling stations on its network. Both projects will bring their own regulatory and governance challenges (e.g. who finances the cost of the facility and who finances the cost of making the connection to the network) but will ensure that network operators in NI are future facing and enabling, where deemed appropriate, a 21st century natural gas network. In practice this will likely mean that UR's position moves to that of an enabler, as suggested on page 10 of the consultation, to ensure that network operators have the scope to research and develop innovative approaches to stay ahead of consumer and stakeholder expectations.

The energy transition for NI must also recognise the significant private investment by network operators in NI alongside the commitment by the NI Executive and UR, on behalf of consumers, to displace oil with natural gas i.e. when the appropriate financial arrangements to develop natural gas infrastructure in NI were facilitated. The strategy must therefore continue to champion the benefits of natural gas where natural gas is available and support the rollout of the natural gas network where development opportunities are identified.

A more transparent roadmap for the natural gas industry will ensure that network operators continue to facilitate efficient investment to secure government decarbonisation targets and deliver maximum value for consumers. Ensuring equal access to the natural gas network for as many NI consumers as possible has to be a continuing objective for both network operators and government. As detailed in PNGL's responses to both UR's consultation on its *"Consumer Protection Strategy Review and Proposed New Consumer Protection*

Programme commencing April 2019” and its “Draft Forward Work Programme 2019-2020”, PNLG would welcome early engagement with UR in 2019 on a “Greater Belfast infill” project focusing on the continued development of the natural gas network and in particular ensuring that standard infill projects within PNLG’s Licensed Area may be undertaken at no upfront cost to the consumer.

PNLG advocates the protection of the long-term interests of consumers and therefore welcomes this continuing opportunity to work alongside UR and the wider energy industry over the next five-years to deliver the key outcomes of the strategy. The development by UR of both a balanced Consumer Protection Programme and a coordinated annual Forward Work Programme is central to the successful delivery of the strategy. PNLG will therefore continue to engage with UR each year as these workstreams progress to ensure that the short to medium-term projects identified therein best facilitate this.