

## UR Draft Forward Work Programme 2019-2020

January 2019

### ***Introduction***

This paper provides the Phoenix Natural Gas Ltd. (PNGL) response to the Utility Regulator (UR) consultation on its *"Draft Forward Work Programme 2019-2020"*.

PNGL looks forward to working with UR over the coming year to ensure delivery of the Forward Work Programme (FWP) projects and is happy to meet with UR to discuss any queries raised following this response.

PNGL notes the context of UR's 2019-2020 business plan, and notably that the uncertainty of Brexit and the continuing absence of a Northern Ireland Executive may force it to make difficult choices about the timing and scope of some of its projects. With this in mind, PNGL's specific comments on UR's draft FWP are detailed below.

### ***Strategic objective 1: Ref 3 – Deliver Consumer Protection Programme***

PNGL advocates the protection of the long-term interests of consumers and would therefore refer UR to its separate response to UR's consultation on its *"Consumer Protection Strategy Review and Proposed New Consumer Protection Programme commencing April 2019"*. PNGL welcomes the continuing opportunity to work with UR and the wider energy industry to ensure delivery of the Consumer Protection Programme projects.

One of the key objectives of the Consumer Protection Programme was ensuring equal access to the gas network could be realised, a concept PNGL is keen to discuss further with UR. PNGL and UR have previously discussed undertaking a "Greater Belfast infill" project focusing on the continued development of the natural gas network and in particular ensuring that standard infill projects within PNGL's Licensed Area are undertaken at no upfront cost to the consumer; under UR's GD17 Final Determination consumers in PNGL's Licensed Area who do not have access to the natural gas network currently have to pay an upfront cost to PNGL for making natural gas available to their property. Consumers were not required to pay an upfront cost to PNGL for standard infill projects under UR's previous price control determinations.

PNGL understands from comments made by UR at its recent *"Draft Forward Work Programme 2019-2020"* briefing, that this "Greater Belfast infill" project has been determined by UR as a "business as usual" workstream. PNGL therefore would like to meet with UR as soon as possible to discuss principles and timelines for this project to ensure that an appropriate approach is delivered in 2019.

### ***Strategic objective 2: Ref 4 – Develop annual cost and performance reports***

PNGL welcomes UR's project under strategic objective 2 to develop annual cost and performance reports across all network companies. PNGL has worked with UR to deliver an appropriate structure for reporting

performance by the Distribution Network Operators on key areas including: operational expenditure, capital expenditure and outputs.

Development of the Annual Cost Reporting Template for the GD17 price control period therefore has to be the key outcome of this FWP project in relation to natural gas and an appropriate timetable agreed with industry to facilitate this in early 2019.

***Strategic objective 2: Ref 9 – Review gas connection licence modification to ensure possible biogas injection***  
***Strategic objective 3: Ref 7 – Consider future energy change scenarios***

PNGL welcomes UR's project under strategic objective 3 to consider future energy change scenarios. Natural gas can, and should, play a significant role in the short to long-term energy transition for Northern Ireland. The energy market in Northern Ireland is at a much earlier stage of development than GB in that oil is still the predominant fuel. Therefore decarbonisation, for example, can be achieved in Northern Ireland by continuing to develop the natural gas network and increasing the number of homes and businesses connected to that network. This will also alleviate the demand any new or existing decarbonisation approach could place on the Northern Ireland 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 Northern Ireland. 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 Northern Ireland are future facing and enabling, where deemed appropriate, a 21<sup>st</sup> century natural gas network.

With regards strategic objective 2 to investigate the potential to accommodate the injection of biogas into its network, this project will require a detailed workplan which considers the development of consistent regulatory and operational arrangements. In order to facilitate this, and given that third parties have expressed interest in biogas injection, we would suggest that this project commences in Q1 rather than Q3 to ensure that a clear policy is developed allowing such connections to progress at the earliest opportunity.

In practice the above strategic objectives will likely mean that UR's position moves to that of an enabler, as suggested on page 8 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.