

Briege Tyrie
The Utility Regulator
14 Queen Street
Belfast
BT1 6ED
19 February 2019

Dear Briege,

Draft Forward Work Programme (FWP) 2019-2020

Firmus energy operates a bundled distribution and supply business within our Ten Towns Licensed Area pursuant to an established regulatory framework, made up of the terms of the licences granted in March 2005 and the legislative regime set down in the Gas (Northern Ireland) Order 1996 (as amended). In the Greater Belfast and Larne Area firmus energy has held a gas supply licence since February 2006.

Firmus energy is committed to working with the Utility Regulator (UR), Department for the Economy (DfE), the Consumer Council for Northern Ireland (CCNI) and other stakeholders with a view to providing – in a socially responsible manner – the benefits of natural gas to as many consumers as possible in Northern Ireland. To this end, we welcome the opportunity to respond to the UR's consultation on the draft forward work programme 2019-2020.

UR Business Plan Projects and Resources

We recognise the importance of the business plan projects relating to the natural gas industry that will be addressed during 2019-2020 and have provided comments accordingly.

We also welcome the UR's acknowledgement that most of the FWP projects will take at least a full year to advance and the implications these timelines have for their stakeholders. Subsequently, we support the UR's previous commitment to providing stakeholders with advance timing on consultations. It is imperative that meaningful stakeholder engagement is employed at the earliest stage to ensure that firmus energy, and other key stakeholders, can align the UR's projects to their own internal workstreams and manage their resources efficiently and effectively. This will positively contribute to the UR's delivery of FWP projects.

Strategic Objective 1: Promoting markets that deliver effective competition, informed choice and fair outcomes

Ref 1: Complete the Retail Energy Market Monitoring (REMM): Consumer Insight and Market Analysis (CIMA)

Firmus energy has been submitting quarterly and annual REMM reports since Q3 2015 and in December 2018 completed the 'Complaints Handling Code of Practice' Audit. We will continue to engage with the UR to help promote transparency, assist consumer empowerment and improve supplier compliance analysis. We would also highlight the importance of advanced engagement

to determine the most appropriate methodology and processes necessary for further supplier audits, including appropriate notification and clarification of the nature of these audits.

Ref 2: Complete Gas Supply Price Controls (SPC20)

Following our SPC20 submission to the UR on 31st January 2019, firmus energy (Supply) Ltd will continue to proactively engage with the UR and assist them in reaching their final determination, anticipated September 2019. Furthermore, we will continue to engage over SPC17 price control annual reconciliations and tariff reviews to ensure improved processes in place by the end of the current SPC17 price control period - 31st December 2019. Our current engagement, alongside the lessons learnt from SPC17, will helpfully inform SPC20.

We are mindful that amendment to any future regulatory frameworks, resultant from the current SPC20 engagement, could have implications for the tariff review process and maximum average prices. Firmus energy recognises that continued close cooperation and engagement between the company and the UR is essential in ensuring a robust, consistent and equitable tariff review process.

Ref 3: Deliver Consumer Protection Programme (CPP) and projects in line with final CPP decisions on priorities.

Firmus energy continues to work with the UR's Retail Directorate to assist with the implementation of the Consumer Protection Programme. This has been evident most recently in projects such as, The Gas Theft Working Group, Quick Check 101, vulnerable customer workshops and the current back billing 'call for evidence' and consultation. We welcome the opportunity to participate in these projects and others approaching in 2019, recognising the benefits for NI energy consumers.

Strategic Objective 2: Enabling 21st Century Networks

Ref 5: Review Network Price Control Approach

Firmus energy (Distribution) Ltd will continue to proactively engage with the UR in relation to the price control framework and the future price control approach. Such on-going engagement, alongside the lessons learnt from GD17, will enable preparation for the 2023 natural gas distribution price control (GD23) to begin on a sound footing. Furthermore firmus energy supports the UR in its objective to improve reporting processes and requirements. At present firmus energy (Distribution) Ltd is required to submit Annual Cost Reports (ACR), Regulatory Accounts and the non-monetary Retail Energy Market Monitoring (REMM) information. These are used as both performance indicators and for comparison against price control targets. We will continue to engage with the UR and other DNOs in order to develop and realise more streamlined cost and performance reporting. In addition, we recognise the importance of engaging with the UR on the best approach and the data to publish in annual reports for consumers and stakeholders. We will work with the UR to ensure understanding, cognisance and alignment to firmus energy's internal processes, as far as practicable. We would also request that reporting requirements are proportional and reflective of the relative size, scale and scope of our business.

Ref 9: Review Gas Connection licence modification to ensure possible biogas injection.

Firmus energy strongly supports the review and investigation into biogas injection. It is imperative that the NI gas networks do not get left behind in terms of new technological improvements and network advancements being adopted throughout GB and Europe. A fundamental action from the outset for the UR and wider industry stakeholders, must be the establishment of a regulatory framework for biogas to be injected into, and taken off, the NI distribution networks. Given the current existence of the technological requirements for biogas, we would like to propose this as a priority for the UR in 2019. In addition to biogas considerations, we believe it is now time for the UR to duly consider and prepare for a roll-out of smart meters throughout NI, at least as part of a limited, geographically confined working trial.

Strategic objective 3: Ensuring Security of Supply and a low carbon future.

Ref 2: Complete arrangements to continue to provide access to GB gas markets after 2021

The new transmission arrangements (implementing the Single Gas Market Operator) came into effect in October 2017. These new arrangements are still in their infancy and as a result, relevant market participants are still facing challenges in terms of fixed initial entitlement for entry capacity, shipper nomination behaviour and distribution re-allocations. Firmus energy will continue to work with the UR, GMO NI and other stakeholders to ensure the continued smooth transition to the new transmission arrangements and the subsequent improved trading arrangements for the benefit of consumers, DNOs and gas suppliers.

Ref 3: Work with DfE to progress the implementation of the new Clean Energy Package

Firmus energy recognises the importance of lowering carbon emissions and is cognisant of the role it can play in helping NI reach the country-wide carbon emission levels to be set by DfE. We believe that any UR policy and strategy will link directly to Project Ref 7 (see below), and will require UR to consider future energy change scenarios, specifically the significant switching of customers from oil to natural gas.

Ref 7: Consider future energy change scenarios and plan regulatory requirements to deliver

The UR proposed, at the FWP conference in January 2019, a commitment to implementing a 'step change' within the gas industry. This meaningful statement, proposing a major shift in strategy, was in response to the recognition that the NI gas networks need to put in place plans that will substantially increase the rate at which consumers are switching from oil to gas throughout NI, thereby bringing the country more in line with the GB fuel mix. Firmus energy fully supports any such proposals that will rapidly develop the network, and propose engagement with the UR to discuss how capital investment through our next price control (GD23) can ensure this is realised. It is important that any (gas related) UR strategic policy to be implemented, is done so through a regulatory framework and specifically as part of the upcoming price control GD23. Furthermore any energy change scenarios should be consulted on at the earliest opportunity to best safeguard their successful implementation.

Conclusion

Firmus energy welcomes the opportunity to respond to this consultation and recognises the importance in assisting the UR implement the 2019/2020 strategic objectives referenced above. Should you have any further questions, please do not hesitate to contact us.

Yours sincerely,

A handwritten signature in black ink on a light yellow rectangular background. The signature is cursive and appears to read 'S. Miller'.

Stephen Miller

Business Planning and Regulation

Firmus energy