

# **Draft Forward work programme 2018/2019**

**Our business plan for the final  
year of our Corporate Strategy  
2014-2019**



## About us

The infographic is set against a green background. It features three colored boxes with white text and a white arrow icon in a circle pointing down and to the left. The top-left box is purple, the top-right is light blue, and the bottom-center is dark green.

**Our mission**  
To protect the short and long term interests of consumers of electricity, gas and water

**Our vision**  
To ensure value and sustainability in energy and water.

**Our values**

- Be a best-practice regulator.
- Be professional.
- Be a collaborative, co-operative and learning team.
- Be motivated and empowered to make a difference.

This document sets out our annual plan for the 2018/2019 financial year. It contains a description of the non-routine work we will carry out from 1 April 2018 to 31 March 2019 (the final year of our Corporate Strategy period).

This plan is likely to be of most interest to the regulated utilities, consumer associations, other regulators, politicians and researchers.

This plan sets out a range of projects expected to benefit consumers directly in both the short term and the long term.

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## 1. About this document

The Energy (Northern Ireland) Order 2003 and the Water and Sewerage Service (Northern Ireland) Order 2006 requires the Utility Regulator to publish a Forward Work Programme (FWP - or business plan) each year. The plan should 'contain a general description of the projects, other than those routine activities in the exercise of its functions, which it plans to undertake during the year'.

This draft FWP lists the projects that we propose to do during 2018/2019 and is published for consultation. During the consultation, we would particularly welcome views on:

- (1) whether we have prioritised the right projects;
- (2) any objections to our proposed projects; and
- (3) any other comments.

The majority of the projects are major pieces of work which will span the business planning year (and in some cases will take more than one year to complete). Comments or observations on the timing of projects are also welcome.

Comments should be sent to us **by 16 February 2018 at the latest** to [briege.tyrie@uregni.gov.uk](mailto:briege.tyrie@uregni.gov.uk)

We intend to hold an open forum during the consultation period, on **24 January 2018**, at our offices. This will provide an opportunity to discuss the draft FWP. Please let us know **before 17 January 2018** if you wish to attend.

A paper copy of the draft FWP can be obtained from:

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E-mail: [briege.tyrie@uregni.gov.uk](mailto:briege.tyrie@uregni.gov.uk)  
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After reviewing consultation responses we will publish a final FWP by 31 March 2018. Responses to this consultation may be made public. If you do not wish your response or name made to be public please state this clearly by marking the response as confidential and outline your reasons as to why your response should be treated as confidential.

Copies of the document will be made available in alternative formats on request.

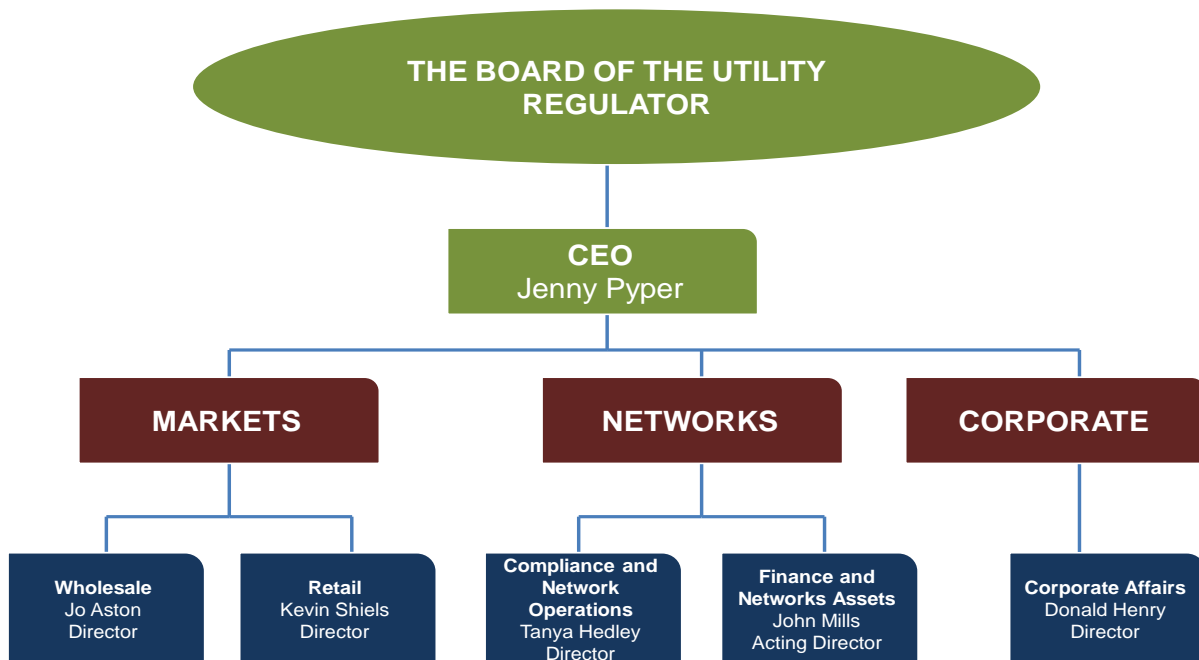
Key terms used in the plan are highlighted in **purple** and explained in a glossary (at the end of the document).

## 2. About us

### Who we are

We are the independent non-ministerial government department responsible for regulating Northern Ireland's electricity, gas, water and sewerage industries. We are governed by a board whose members are appointed by the Minister for Finance. We are ultimately accountable to the Northern Ireland (NI) Assembly and our work contributes to the overall Programme for Government (PfG) in NI. Finally, we are subject to scrutiny by the NI Audit Office.

Our organisation is structured to help us deliver our corporate strategy and work better with stakeholders (the wide range of people and organisations we work with). We are organised under three groupings: Markets, Networks and Corporate (see below).



### What we do

Our work is based on the duties we have by law (our statutory duties), which include the following.

Electricity and gas	Water and sewerage
<ul style="list-style-type: none"> <li>• Protecting the interests of electricity consumers in relation to price and quality of service, by promoting effective competition where appropriate.</li> <li>• Promoting the development and maintenance of an efficient, economic and co-ordinated gas industry.</li> </ul>	<ul style="list-style-type: none"> <li>• Protecting the interests of consumers by promoting an efficient industry delivering high-quality services.</li> </ul>

We have wide-ranging statutory duties relating to regulation and competition. We share our duties relating to competition with the UK Competition and Markets Authority (CMA).

Our work includes the following:

- **Granting licences that allow gas, electricity and water companies to operate in Northern Ireland.**
- **Making sure licensed companies meet relevant laws and licence obligations.**
- **Setting the minimum standards of service which regulated companies must provide to consumers in Northern Ireland.**
- **Making sure that consumers only pay what is necessary for the services they receive now and into the future.**
- **Challenging companies to make sure they operate efficiently and provide good value for consumers as well as shareholders.**
- **Working to provide more choice and encourage effective competition in the gas and electricity markets.**
- **Making sure that regulated companies can fund their activities and are open to new technologies and ways of working effectively.**
- **Acting as an adjudicator on individual complaints, disputes and appeals.**

## **Who we work with**

We work with a wide range of stakeholders across several areas to help us protect the interests of consumers.

In carrying out our duties relating to gas and electricity, we work within a framework set by the Department for the Economy (DfE). Our statutory duties are the same as DfE's. In carrying out our duties relating to water and sewerage services, we work within a framework set by the Department for Infrastructure (DfI).

The SEM Committee (SEMC) regulates the **all-island single electricity market** (SEM). We work with the Commission for the Regulation of Utilities (CRU), the energy regulator for the Republic of Ireland in a joint regulatory capacity as members of the SEMC. The SEMC is the decision-making authority for the all-island single electricity market. Its role is to protect the interests of electricity consumers on the island of Ireland by promoting effective competition.

We also work closely with the Consumer Council for Northern Ireland (CCNI), the organisation set up by the Government to represent consumers, and other groups across Northern Ireland.

Our work sits within a broader European Union (EU) and United Kingdom (UK) setting and we work closely with other regulators. These include the energy and water regulators for Great Britain (Ofgem, Ofwat and the Water Industry Commission for Scotland) and the EU's energy regulatory body (the Agency for the Co-operation of Energy Regulators).

We also work with the CMA and with other regulators across the UK through the United Kingdom Competition Network (UKCN). This provides a co-ordinated approach to identifying and responding to competition issues and promoting best practice.

Finally, we are active members of the United Kingdom Regulators Network (UKRN), which includes representatives from economic regulators across the UK. The network seeks to ensure the effective co-operation between sectors. It undertakes a number of projects each year and has produced a range of publications.

## **The structure of this document**

The rest of the document is structured as follows:

Section 3 – sets out the context for developing the business plan;

Section 4 - outlines how we decide on our business plan projects, our core business and the resourcing of our work;

Section 5 - provides a list of our proposed business plan projects;



Annex 1 - outlines those projects which would we do if additional resources became available; and,

Annex 2 - reports on progress against our Corporate Strategy key performance indicators to date and provides a glossary of terms.

### 3. The context for this business plan

In this section we briefly identify the situation at the time of developing this business plan.

#### Our Corporate Strategy

We published our Corporate Strategy 2014-2019 in May 2014. It contains three objectives which form the basis for developing our annual plans. The projects in the annual plans are arranged under these objectives. During 2018/2019 we will seek to complete actions against the key challenges in this final year of the Corporate Strategy. These are displayed below in relation to our vision, values and strategic objectives.

#### Our vision, corporate strategy objectives and key challenges for 2018/2019

<b>Our vision: Value and Sustainability in energy and water</b>	<b>Objective 1: Encouraging efficient and effective monopolies</b>	<b>Objective 2: Promoting efficient and competitive markets</b>	<b>Objective 3: Protecting the long-term interests of business and domestic consumers</b>
	<b>Key challenges:</b> <ul style="list-style-type: none"> <li>• Downward pressure on energy costs</li> <li>• Extending the natural gas network</li> <li>• Benchmarking monopoly companies with the best and promoting better asset management</li> </ul>	<b>Key challenges:</b> <ul style="list-style-type: none"> <li>• Delivering the I-SEM and putting in place post go-live arrangements for an effective and sustainable wholesale market</li> <li>• Putting a strong energy market monitoring system in place</li> </ul>	<b>Key challenges:</b> <ul style="list-style-type: none"> <li>• Delivering a co-ordinated approach to protecting consumers</li> <li>• Ensuring that security of supply risks are addressed</li> </ul>

#### Key external developments during 2017

The most significant external development during 2017 was the decision by the UK government to trigger Article 50 of the Treaty on European Union, on 29 March. This formally commenced the process of the UK leaving the EU. While negotiations between the UK and the EU have begun on the terms of the departure, there remains much uncertainty. We have continued to engage with relevant EU agencies, government departments in Great Britain, Northern Ireland and the Republic of Ireland on Brexit issues. We are also assessing the implications of leaving the EU for the energy and water sectors in Northern Ireland.

One of the most important aspects of our work that may be impacted by Brexit relates to energy markets. During 2017 plans to deliver the new cross-border I-SEM wholesale electricity market advanced in line with the project timetable. Significantly, as 2017 came to a close, the approval of State Aid for the **Capacity Remuneration Mechanism** by the EU

enabled the holding of competitive auctions for the I-SEM. This is a critical building block for the delivery of the I-SEM by May 2018. Satisfactory progress was also made to enhance the flexibility of the electricity network to accommodate renewables through the DS3 programme.

Discussions around the optimal retail energy market continued in Great Britain. The Department of Business, Energy and Industrial Strategy (BEIS) commissioned Professor Dieter Helm to carry out a review on the cost of energy. A wider debate on the role of regulation and its impact on consumer facing outcomes and issues such as investment in infrastructure was also apparent. Our review of the local retail energy market concluded at the end of 2016. One of the outcomes of this was price deregulation for business energy consumers which came into force from 1 April 2017.

While getting the operation of markets right is critical for competitiveness and choice, changing global wholesale fuel costs, as with previous years, continued to have an impact on consumer prices. We had previously signalled the potential of increasing wholesale energy costs on consumer bills. Increases in wholesale prices were therefore the key factor in rises in consumer gas bills in the early part of 2017.

Of course consumers expect that they will continue to enjoy stable and secure supplies. The question of electricity security of supply for Northern Ireland remains a major energy issue.

The delivery of the second north-south electricity interconnector is key and we contributed to a Planning Appeals Commission public inquiry for the NI section of the interconnector. While approval for the section of the interconnector in the Republic of Ireland has been approved by planning authorities there, a decision on the northern section has not yet been made.

We recognise that the sectors we regulate have strategic importance for NI. The DfI has also been developing a long-term strategic agenda for water and sewerage services to which we are contributing. We have taken account of strategic developments in undertaking our mid-term review of our price control for NI Water and our approach to the next price control, PC21. The development of the natural gas network in partnership with government and the gas network companies has been a success story.

The absence of the NI Assembly has delayed the development of any new or revised policy for energy and water matters. The re-establishment of the NI Assembly is critical to enabling the strategic impetus necessary in sectors such as energy and we look forward to working with a restored administration. In energy we are conscious of the strategic considerations around the development new technologies such as storage and electric vehicles.

Constraints in public sector expenditure have continued to be of relevance to our regulatory responsibilities.

#### **4. Our business plan projects and resources**

In this business plan we have set out the most significant projects that will help us to meet our strategic objectives. The majority of these projects take more than one year to deliver. Our business plan projects are set out in section 5.

Given that our most of our FWP projects will take a full year to advance (and are in many cases part of multi-year workstreams) we recognise that this has implications for our stakeholders. In respect of consultation therefore, we are considering ways of providing stakeholders with advance timing on consultations.

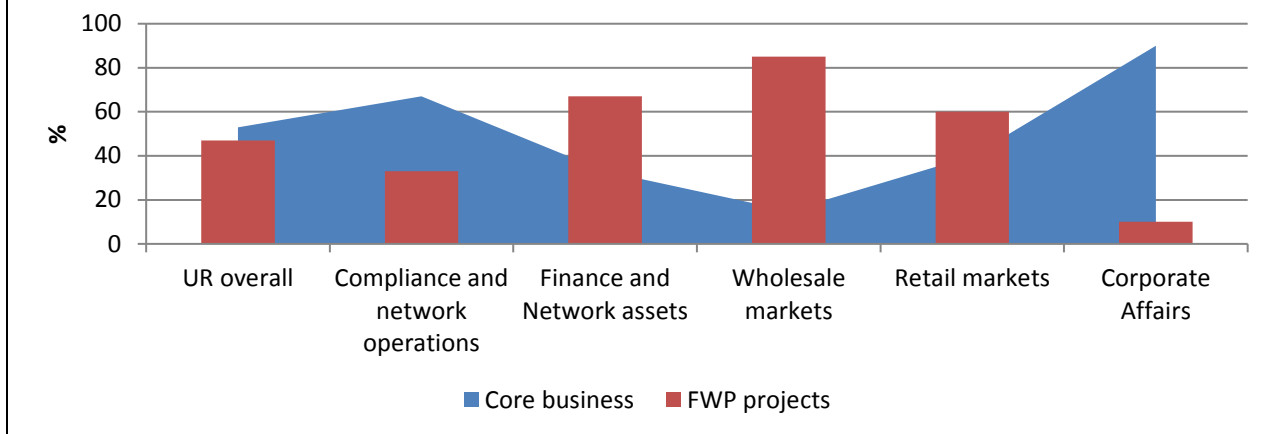
As we enter the final year of our Corporate Strategy period, we have undertaken a detailed process to finalise our list of business plan projects. Our progress against our Corporate Strategy has been reviewed (see Annex 2) and this has influenced the choice of our projects for 2018/19. We have also considered projects that commenced during 2017/18, new workstreams that have arisen and projects which we have identified as being desirable to undertake if resources allow. Our assessment process has also considered the scope of our core business, those necessary activities which are undertaken every year to support our regulatory role.

In assessing the priority projects we have identified those that should be included in the business plan because they meet one or more of the following criteria:

- (1) legislative or statutory requirements;
- (2) government policy requirements;
- (3) regulatory requirements; and,
- (4) contribute to the delivery of our corporate strategy objectives.

Overall, we estimate that just over half of our resources (in terms of staff time across the organisation) will be involved in delivering projects that are in this business plan (see Figure 1 below). This will vary, with some parts of the organisation having a greater balance of work towards business plan projects and others having a greater focus on core business.

**Figure 1: Estimate of allocation of resource between core business and FWP projects**



### Our core business

This FWP provides a list of the main non-routine projects that we intend to undertake, but these are only part of our overall activities. Work to deliver our core business is described briefly below.

In terms of monopolies, an ongoing part of our work is reviewing the regulated electricity and gas tariffs and water charges which affect consumer bills. We also make sure compliance obligations regarding electricity, gas or water networks (infrastructure) are met. Our work to develop this infrastructure includes approving changes to **network codes** and extensions to the gas network. Our monitoring and **cost reporting** activities relating to regulated companies are also significant commitments.

To achieve our targets on network company performance we have established cost and performance monitoring frameworks – such as in relation to NI Water since 2009. We also encourage regulated utilities, as part of our network price controls, to enhance their approach to asset management so that they compare favourably with their peers.

An important part of our day-to-day work on energy markets relates to the wholesale electricity market. This includes the ongoing programme of work for the SEM. This work relates to: monitoring the market and analysing trends and patterns, the rules and procedures for the market (the **Trading and Settlement Code**), reviewing **generating unit agreements (GUAs)**, the **capacity payment mechanism** and generator licences. The SEM's market monitoring unit (MMU) is based at our offices. There is more information on this work on the website at [www.semcommittee.com](http://www.semcommittee.com). We also regulate the transmission system operator for NI (SONI) and the Single Electricity Market Operator (SEMO), and support the SEM Committee. As we move beyond the introduction of the I-SEM from May 2018 there will be considerable core

business activities associated with the ongoing governance, market operations and monitoring arrangements.

More generally, across our Markets Group we monitor the way the **wholesale electricity market** and the **retail electricity market** work.

Our ongoing work to protect consumers (domestic customers) includes issuing, and monitoring compliance with, licences that allow gas, electricity and water companies to operate in Northern Ireland. We have also put in place substantial new **codes of practice** relating to consumer protection. Over the last year we have seen a significant increase in the number of regulatory appeals, complaints and disputes which require us to allocate a significant amount of staff time to address.

We were involved in two separate CMA price control appeal investigations which concluded in 2017. Both appeals have also identified additional work that will be part of our core business. NI Water continues to improve its relative efficiency and builds on the improvements that have been made. The ongoing reductions in public expenditure allocations to NI Water will have an impact on services and outputs going forward.

As we work within policy frameworks established by DfE (for energy) and DfI (for water), we help these departments by providing regulatory support and carrying out analysis. We have also previously supported, where necessary, the Assembly's Economy and Infrastructure committees. We also operate the Northern Ireland Sustainable Energy Programme (NISEP). As highlighted in Section 2 we are also active members of the UKRN and the UKCN.

As a non-ministerial government department we are also focused on communicating with and involving industry, voluntary organisations and the public. This includes regular meetings and hosting forums (for example, the Renewables Grid Liaison Group). We try to promote the use of clear and upfront communications. We also comply with a range of finance, HR, accountability and communications related reporting requirements. Finally, we regularly respond to correspondence and requests for information from people and organisations (including those relating to Freedom of Information).

### **Delivering our business plan – resources**

Because of the scope and scale of our core business and the projects set out in this business plan (as listed in section 5), we often have to make choices about how to use our resources. This includes prioritising our resources to make sure we target critical projects (for example, the I-SEM) which affect the timing of other work that contributes to our strategic objectives. Annex 1 identifies several significant projects which are important and we would like to do, but which we can only progress in 2018/2019 if additional resources become available. These projects will be reviewed periodically and be re-prioritised as necessary within 2018-2019.

Annex 2 includes a report of progress against our Corporate Strategy key performance indicators (KPIs).

Supporting our staff is essential if we are to successfully carry out the projects and meet the objectives set out in our Corporate Strategy and this business plan. We have implemented a human resources strategy (called UR People) to support the development of our staff, promote the benefits of working for us and recruiting and keeping competent staff. We must make sure we have the skills, experience, processes and culture needed for this challenging business plan. Finally, we have also commenced the process to seek accreditation for under Investors in People.

As a non-ministerial government department we must follow relevant policies, processes and controls. To support our aim to follow best practice, we will continue to take steps to further improve our regulatory processes and our communications with stakeholders.

Our focus is on making sure that we apply our resources efficiently, and this business plan will be challenging to fund and deliver. If new priorities emerge during the year, we will take steps to make sure we have the resources for these. However, doing this may mean we have to delay or reduce our commitment to other business plan projects. In these situations we will, as far as possible, let relevant stakeholders know.

This draft business plan needs to allow for the exceptional costs associated with putting in place the new ISEM (a market that is valued at around €2.1 billion) and making sure relevant legislative requirements and regulations are met. Despite significant extra pressures on our resources, we are aiming to set a budget for 2018/19 at around the same level as for 2017/18 (the opening budget for 2017/18 was £9.82 million). Our budget will be finalised over the next few months and will be reflected in our final FWP.

This business plan is based on the equivalent of around 80 (which includes several temporary staff) currently organised across three organisational groupings – Networks, Markets and Corporate Affairs.

Except for the costs associated with some environmental responsibilities, we receive all our funding through licence fees. Corporate and shared costs (such as finance, HR, accommodation and IT) along with the Chief Executive's office, are charged to the gas, electricity and water companies for the purpose of working out the licence fees they must pay.

The next section sets out our proposed FWP projects for 2018/19.

## Annex 1: List of proposed priority projects for FWP 2018/2019

### Strategic objective 1: Promoting efficient and effective monopolies

Ref	Project description	Scope and anticipated outcome/s	Link to Corporate Strategy KPIs	Lead team	Timing
1	Advance supply price controls	Consideration of Power NI control; begin project for gas supply price controls; and work on future price regulation frameworks.	KPI 4	Retail Markets	Full Year
2	Complete SONI 2015 – 2020 price control review and progress price control for 2020-2025	<p>Provides an opportunity to address outstanding SONI licence modifications to ensure compliance including independence and compliance reporting requirements.</p> <p>Ensures that the company produces quality outputs at lowest cost to consumers and has sufficient revenues to run its business.</p>	KPI 4	Compliance and Network Operations	Q2 (Complete 2015-2020 PC)
3	Re-appoint market operator (NEMO) for I-SEM and as necessary advance SEMOpX price control.	As required by the EU network codes invite interested parties to become NEMOs for I-SEM. Depending on outcome either establish competitive arrangements for multi-NEMOs and/or carry out SEMOpX price control effective from October 2019.	KPI 4	Wholesale Markets	Full year



<b>Ref</b>	<b>Project description</b>	<b>Scope and anticipated outcome/s</b>	<b>Link to Corporate Strategy KPIs</b>	<b>Lead team</b>	<b>Timing</b>
4	Reshape incentivisation arrangements for SONI and SEMO	Resulting from the significant changes which I-SEM and DS3 will bring there is a need to reshape the Transmission System Operator's (SONI), and System Operators (SEMO) incentives so as to deliver maximum value to consumers.	KPI 1, 2,3	Wholesale Markets and Networks	Full year
5	Advance work on PC21 water price control approach and information requirements	Develop plans for the efficient delivery of a sustainable water services over the period 2021 to 2027 within the context of a long term strategy.	KPIs 1,2,3, 4	Finance and Network Assets	Full Year
6	Develop annual cost and performance reports across all network companies	Development of annual information reporting by network companies to monitor the delivery of recent price controls and collect information necessary for future price controls, including company asset management performance.  Publish annual reports on industry cost and performance for consumers and stakeholders.	KPI 1,2,3,4	Finance and Network Assets and Compliance and Network Operations	Full Year

Ref	Project description	Scope and anticipated outcome/s	Link to Corporate Strategy KPIs	Lead team	Timing
7	Review network price control approach	Ensures that our price controls comply with regulatory best practice by assessing lessons learned from recent network price control reviews and the consistent application. The first stage of the project will identify and scope the development of our approach to key building blocks of price controls, allowing common principles to be applied in a way which reflects the different context and development of different sectors.	KPI 1,2,3	Finance and Network Assets	Full Year
8	Review Mutual Energy Limited's governance	Will assess efficiency of current governance model, propose changes where appropriate and should ensure reduced costs.	KPIs 1, 2, 3 and 4	Compliance and Network Operations	Q1

## Strategic objective 2: Promote efficient and competitive markets

Ref	Project description	Scope and anticipated outcome/s	Link to Corporate Strategy KPIs	Lead team	Timing
1	Progress I-SEM delivery to ensure market go-live by May 2018	Delivers compliance with the European Target Model. Should place downward pressure on prices, facilitate increased integration of renewables, support competition and through the Capacity Remuneration Mechanism provide entry and exit signals and support new investment where needed.	KPI 1 and Objective 3, KPIs 1 and 2	Wholesale Markets	Q1
2	Implement I-SEM market day 2 projects as committed to or in line with workplan to be agreed by SEMC.	I-SEM Day 2 projects which have been committed to by SEMC policy papers to date and requirements to comply with State Aid approval of Capacity Remuneration Mechanism	KPI 1 and Objective 3, KPIs 1 and 2	Wholesale Markets	Full Year
3	Agree and implement I-SEM market post-go live structures within CRU and the Utility Regulator.	The I-SEM market design is more complex than the current SEM market. Also complementary to this and additional to the SEM is the evolving and complex DS3 programme.  Includes the wholesale market enforcement regime (REMIT) and the establishment of the I-SEM Market Monitoring Unit	KPI 1 and Objective 3, KPIs 1 and 2	Wholesale Markets	Full Year

Ref	Project description	Scope and anticipated outcome/s	Link to Corporate Strategy KPIs	Lead team	Timing
4	Implementation of DS3 and monitor its effectiveness	Supports the delivery of renewable energy targets by securing electricity network stability at high levels of renewable generation through DS3 contract implementation and monitoring.	Objective 2, KPI 1 and Objective 3, KPI 1	Finance and Network Assets	Full Year
5	Comply with market development and consumer protection arrangements	Focus is on EU network code requirements. Possible IME4 obligations have not yet been signed.	Objective 2 KPI 3 Objective 3, KPI 4	Compliance and Network Operations	Full Year
6	Develop and implement Retail Energy Market Monitoring (REMM): Consumer Insight and Market Analysis (CIMA) phase.	CIMA - focus is on deploying the REMM framework to (i) improve evidence-based regulation and reporting <u>within</u> UR; (ii) define and publish retail market outcomes <u>externally</u> to promote transparency and consumer empowerment; (iii) improve supplier compliance analysis and assurance, including via supplier test audits.	Objective 2, KPI 2	Retail Markets	Full Year
7	Extend contestability in electricity connections to all customers	Should offer choice in connecting to electricity networks, promoting a reduction in prices and reducing connection times.	KPI 2, 3 Objective 2 KPI 3	Compliance and Network Operations	Q3

<b>Ref</b>	<b>Project description</b>	<b>Scope and anticipated outcome/s</b>	<b>Link to Corporate Strategy KPIs</b>	<b>Lead team</b>	<b>Timing</b>
8	Complete arrangements to continue to provide access to GB gas markets after 2021	Will ensure the continued efficient operation of the gas transmission system.	Objective 3 KPI 2	Compliance and Network Operations	Full Year

### Strategic Objective 3: Protecting the long-term interests of business and domestic consumers

Ref	Project description	Anticipated outcome/s	Corporate Strategy KPIs	Lead team	Timing
1	Advance the Investigations Compliance and Enforcement (ICE) workstream	Deliver effective compliance and enforcement arrangements.	Will support all CS KPIs	Retail/Legal and other directorates as needs arise)	Full Year
2	Implement improved market measures for small businesses	Consult, decide on, and implement, new measures to improve the small business retail markets; plus examination of third party intermediary (broker) role/concerns.	Objective 3	Retail Markets	Full Year
3	Implement Consumer Protection Strategy (CPS) action plan in line with project timetable	Enhance protection for consumers by implementing the CPS five-year strategy and promote partnership working. Plus CPS Year 3 additional elements in 2018/19: (i) consumer summit, (ii) CPS mid-term review.	KPI 3	Retail Markets	Full Year
4	Develop UR strategic focus, research, and engagement on Consumer Issues	Develop and embed UR's strategic approach on consumer issues and outcomes. To include: (i) UKRN consumer projects and adopting best practice as fits NI; (ii) consumer research baseline project.	Objective 3  KPI 4	Retail Markets	Full Year
5	Review generating unit agreements (GUAs) and potential cancellations	Includes assessment of PPB and would establish economic value of retaining GUAs	Objective 3	Wholesale Markets	Q1

## Corporate projects and objectives

Ref	Project description	Anticipated outcome/s	Corporate Strategy KPIs	Lead team	Timing
1	Inform discussions regarding appropriate regulatory arrangements following on from the UK decision to leave the EU	Policy makers will be better informed of the implications EU exit will have on the regulatory framework for energy.	Will support all CS KPIs	Corporate Affairs	Full Year
2	Develop a new Corporate Strategy 2019-2024	Ensures that a strategic direction is set for the UR post 2019.	Will support all CS KPIs	Corporate Affairs	Q4
3	Review NISEP	Will provide an assessment of the need for an energy efficiency support scheme.	Objective 2, KPI 1	Corporate Affairs	Q2
4	Continue to work to ensure the smooth closure of Northern Ireland Renewable Obligation (NIRO) to new entrants	Will ensure comprehensive arrangements are in place to facilitate NIRO closure to new entrants.	Objective 3 KPI 1	Corporate Affairs	Full Year
5	Promote the development of the Utility Regulator team by undertaking an Investors in People assessment and promoting corporate and social responsibility initiatives	Will provide an assessment of existing HR framework and associated outcomes and facilitate corporate social responsibility initiatives.	Will support all CS KPIs	Corporate Affairs	Q1

**Annex 1: Other projects (which we would do if additional resources became available)**

	<b>Project</b>	<b>Anticipated outcome</b>	<b>Corporate Strategy objective</b>	<b>Lead team</b>
1	Review of tariff structures	Ensuring that structure of tariffs remain appropriate for network industries. Consideration of impact of off grid generation and storage and the use of network of security of supply rather than energy provision.	Objective 3 KPI 4	Finance and Network Assets
3	Investigation of supplier domestic tariffs and contracts and compliance (including review of current licence conditions and amendments if required)	Review and design regulatory intervention if necessary.	Objectives 1 and 3	Retail Markets
4	Undertake supply licence amendments and review	Various outcomes.	Objectives 2 and 3 largely	Retail Markets
5	Revise and update supplier marketing code (for business consumers)	Implement modified regulatory interventions as per domestic Code recent changes.	Objective 3	Retail Markets
6	Domestic customer back-billing (current CPS project)	Consider backbilling framework and consult on regulatory framework if needed.	Objective 3	Retail markets
7	Advance Gas SoLR Day 2 issues	Gas SOLR “day 2” issues: various outcomes, including SOLR process testing	Objective 3	Retail markets
8	Review position in relation to the impact of permanent disconnections and find solutions to allow disconnected customers to get back on supply	Re-considered and adopted regulatory framework around the disconnection/reconnection set of issues	Objective 3	Retail markets



9	Customer protection projects coming out of (i)CPS review; (ii)consumer strategy thinking/UKRN, that are not immediate priorities given resource availability	Detailed project list and their outcomes will be firmed as the final FWP and Retail resources are clarified	Objective 3	Retail markets
10	“Exempt Supply and network” investigation and regulation	Investigate and design regulatory intervention if necessary.	Objective 3	Retail Markets/ Compliance and Network Operations
11	Carry out Moyle shadow price control	Monitoring of Moyle transmission licence expenditure and ability to do cost and performance reporting along with other Tso’s	Objective 1	Compliance and Network Operations
12	Facilitate biogas injection within the gas network	Gas Connection Licence modification to facilitate biogas injection	Objective 1	Compliance and Network Operations
13	Update and review our Sustainability Strategy	Will provide further clarity regarding the exercise of sustainability function.	Objective 3	Corporate Affairs
14	Review of licence compliance requirements for network companies to ensure consistency and standardisation of licences as appropriate	Ensure effective regulation and licences that are fit for purpose with consistency across network companies in reporting compliance.	All objectives	Compliance and Network Operations

## Annex 2: Report on progress against Corporate Strategy Key Performance Indicators

<b>1: Promoting effective and efficient monopolies</b>	<p>1. Network utilities will be able to demonstrate their excellence in asset management, which is measured against other utility companies.</p>	<p>NIEN, Gas Distribution Networks and NI Water have now provided reports on asset management including work with consultants to achieve externally validated standard compliance e.g. PAS55. NIEN submission now received on asset management and development objectives reflected in GD17 final determination. Asset management reports now included within Gas Annual Cost Reporting. Measurement of asset management excellence reflected within our benchmarking and subsequent allowances.</p>
	<p>2. Network utility costs and performance measure favourably against the top quarter of appropriate comparable companies.</p>	<p>Benchmarking data submitted by NIEN states they are in top quartile and we will review this in RP6. Have worked effectively with NIEN to improve approach to electricity connections/manage impact of changes in government policy. GD17 benchmarking models set out in final determination and engagement with GDNs to continue as part of annual performance reporting. Benchmarking of GDNs opex in GD17 showed some catch up required to meet top quartile and we will monitor this in cost and performance reports. Developed licence conditions for improved clarity on connections to gas networks. NI Water has made progress on efficiency but given funding limitations is unlikely to be able to demonstrate top quartile behaviour in short-term. Work on updated benchmarking approach with Ofwat to continue in 2017/2018.</p>
	<p>3. Our regulatory tools have helped make sure that regulated utilities drive further effective innovation, such as smart grids and meters.</p>	<p>NI Water, NIEN and GDN price controls will incentivise innovation but leave operational decisions up to companies. NIEN has submitted requests in RP6 for trials and we will review against published criteria. We have continued to develop reporting from NIEN to suppliers on meter replacement programme.</p>

	<p>4. Regulated companies deliver the outputs required by our price control decisions, on time and within budget.</p>	<p>Price controls and reporting will monitor this. NI Water cost and performance reports published annually with work continuing on NIEN and GDNs. Outputs clearly set out in GD17 FD. NIEN has proposed various outputs and KPIs in its submission and will work on these to ensure outputs are clearly set out in RP6. We have identified an FWP project for 2017-2018 in respect of developing cost and performance reports across all network companies</p>
	<p>5. Network gas extensions have been delivered, leading to over 250,000 connections by 2019.</p>	<p>Target on track to be met early (by 2018) with 228,000 connections up to the end of 2016.</p>

<b>2: Promoting competitive and efficient markets</b>	<p>1. The I-SEM is delivered on time and is consistent with the EU target model.</p>	<p>Programme overall currently on amber but on track at present to achieve KPI will be mindful of risks associated with legal challenge, the capacity of the Euphemia algorithm and Brexit.</p>
	<p>2. The Retail Energy Market Monitoring (REMM) system is in place and reported on each year, increasing customer protection.</p>	<p>REMM is now formally in place and reported upon by suppliers and DNOs. We are awaiting further quarterly returns and have received the first annual returns.</p> <p>REMM reporting, (except via QTR), has been delayed by resource diverted to supplier compliance matters. We hope to look at how we deploy and use REMM datasets both internally and externally during 2018 and plan to bring a paper to board in early 2018.</p> <p>In resource terms, this currently will be dependent on supplier compliance activities and the subject of a 2018/19 FWP project.</p>
	<p>3. The effectiveness of competition in our energy markets has been assessed and we have put in place the associated regulatory and policy frameworks.</p>	<p>Phase 2 of our review of retail competition is now completed; price regulation remains on dominant suppliers. Related matters are under constant discussion/thought and interaction with regulated suppliers, especially given recent GB price cap developments.</p> <p>A project on promoting transparency and effective competition in the small-business markets is included in FWP 2017-2018. This has commenced and a consultation paper will issue in October.</p> <p>The SEM Market Monitoring Unit continues to monitor market participant behaviour and investigate.</p> <p>There is continued work on EU gas network code compliance requirements. The implementation guidelines for contestability in electricity connections have been approved. Contestability in place for distributed connected generation above 5MW.</p>

<b>3: Protecting consumers</b>	<p>1. That there is an increase in the proportion of generation from renewables between 2014 and 2019 in line with the NI Executive's targets</p>	<p>Official figures show that 25% of electricity generated from renewables (January 2017 figure). Government target of 40% by 2020. DS3 project to facilitate more wind to be deployed is also progressing to programme.</p>
	<p>2. The immediate risk to electricity security of supply has been addressed by 2016 and longer-term concerns are dealt with by working with DfE and SONI.</p>	<p>Engaged with PTL and GNI in relation to the Transportation Arrangements for securing gas transportation for NI post 2021 (and there was a project in FWP 2017/2018).  I-SEM CRM being designed to take account of local capacity needs. Long-term requires North-South interconnector to be in place. Plant closure framework being developed by TSOs to manage generation exit.</p>
	<p>3. We have delivered the Consumer Protection Strategy (CPS) and have put in place revised energy supplier codes of practice.</p>	<p>CPS strategy published in 2016 along with Five Year Action Plan. Year 1 (2016/17) projects all either complete or substantially underway, though some slipped into 2017/18. Year 2 (2017/18) projects are mainly underway, though several will fall into 2018/19.  The CPS committed us to hold a "Consumer Summit" in 2018/19 – part of the purpose of this is to review progress on the CPS first two years and re-examine project priorities and timing for the final three years. This is a key focus for framing consumer protection discussions during 2018/19.  Supplier minimum standards codes now complete and in place; alongside a new Supplier Code on clarity of billing. A new (DNO and supplier) Theft Code is also being developed under the CPS Action Plan.</p>

4. Consumers are able to make informed decisions and there is a high level of satisfaction with customer-protection measures.

Work has progressed with CCNI on customer switching capabilities, price comparison website and consumer education projects around switching and prices. We have also issued a user-friendly leaflet as a Guide to Switching Supplier.

We have also commenced a project on measures to improve the small business energy market and customer confidence in those markets. In addition, we are beginning a project with Trading Standards, to look at the behaviour of energy brokers in our supply markets and examine the need for any form of regulatory oversight or control to protect consumers.

As regards the “high level of satisfaction” aspect of the KPI, in order to measure the success of our work to date on consumer protection and define gaps/priorities going forward, formal consumer research is needed. It is planned for 2018/19 (under the CPS umbrella) to assess consumer attitudes, behaviours, satisfaction and areas of ongoing concern regarding the retail market and supplier regulation. We plan baseline research which we can repeat going forward. We are also beginning to engage in UKRN consumer protection best practice projects and assessing the outcome of the Audit Office report on RAs best practice for vulnerable consumers.

Note the above is resource dependent and the subject of an 18/19 FWP project.

Regular formal and informal meetings are held with CCNI, Trading Standards, 3<sup>rd</sup> sector, etc. to pick up areas of concern emerging and any compliance issues.

## Glossary

Capacity payment mechanism	A method of paying electricity generators for providing electricity to suppliers.
Codes of practice	Documents that provide information on the standards of a range of services.
Cost reporting	A process of collecting information from regulated companies to allow us to assess, monitor and measure costs.
DS3 initiative	<p>An initiative to deliver a secure, sustainable electricity system. This initiative involves us, the Commission for the Regulation of Utilities and the transmission system operators in Northern Ireland and the Republic of Ireland and aims to:</p> <ul style="list-style-type: none"> <li>• make sure there is a constant electricity supply; and</li> <li>• help meet renewable targets relating to electricity.</li> </ul> <p>The three main work areas relate to system performance, system policies and system tools.</p>
EU target model	Requirements for designing and operating energy markets that will promote competition, apply pressure to reduce prices and make sure there is a more reliable electricity supply.
Generating unit agreements (GUAs)	These agreements, also referred to as power purchase agreements, are long-term contracts between two parties, one who generates electricity and another who buys it.
Integrated single electricity market (I-SEM)	The name of the new wholesale electricity market throughout the island of Ireland. This should be in place in 2018.
Network codes	Contractual arrangements between the network system operator and network users to make sure the network runs efficiently.
Power Procurement Business (PPB)	The organisation responsible for purchasing power under long-term contracts (GUAs – see above) from independently owned generators and selling that power directly to a spot market pool.
Price control	Price controls are one of the main tools we use to protect consumers. This involves the regulator studying the business plans of utility companies and calculating the revenue they need to finance their activities while providing incentives to invest in the business.
Retail energy market	The activities of electricity and gas suppliers and their interactions with consumers.

Single electricity market (SEM)	The SEM was set up in November 2007. It is the single wholesale market for electricity which operates in both the Republic of Ireland and Northern Ireland. It aims to improve the reliability of supplies and the range of suppliers, encourage market efficiencies and economies, and promote greater competition.
Trading and Settlement Code	This sets out the detailed rules and procedures for selling and buying wholesale electricity in Northern Ireland and the Republic of Ireland.
Transmission system operator (TSO)	The organisation that makes sure the energy networks run efficiently.
Wholesale market	The wholesale market is where generators sell their electricity to suppliers.