

**Northern Ireland Authority for Energy Regulation**

***Consultation Paper***

**Draft Forward Work Programme 2005-2006**

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## **Introduction**

### **1. Background**

The Northern Ireland Authority for Energy Regulation (NIAER) is a body corporate established under the terms of the Energy (Northern Ireland) Order 2003.

### **2. Statutory Duties**

The Energy (NI) Order 2003 attempted to simplify energy regulation in Northern Ireland by giving the NIAER two main objectives.

- The principal objective in respect of Electricity is to protect the interests of consumers of electricity supplied by authorised suppliers, wherever appropriate by promoting effective competition between persons engaged in, or in commercial activities connected with, the generation, transmission or supply of electricity.
- The principal objective in respect of Gas is to promote the development and maintenance of an efficient, economic and co-ordinated gas industry in Northern Ireland.
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The Authority has condensed these in to the following defined objectives:

- To protect the interests of electricity consumers - where appropriate by promoting competition, and
- To promote the development and maintenance of the natural gas industry.

The Energy Order also transferred responsibility for the protection of Electricity and Gas consumers to the General Consumer Council for Northern Ireland (GCCNI). The Authority and the GCCNI have signed a Memorandum of Understanding which will lead to an open, constructive and effective relationship between the two bodies.

### **3. Consultation Process**

Copies of this document can be requested in writing, by phone, or by e-mail and will be made available (on request) in large print, Braille, Audio Cassette and in minority languages. It can also be accessed on the internet on the NIAER's website at <http://ofreg.nics.gov.uk>.

## ▪ Responses

Responses are invited on all aspects of NIAER's proposed work programme. It would be helpful when replying if you could say who you are, who your organisation represents (if appropriate) and who, if anyone, you have consulted about the paper before drawing up your submission.

## ▪ Timetable

The deadline for responses to this consultation process is **21<sup>st</sup> March 2005**.

## ▪ Contacting NIAER

Enquiries about consultation arrangements and responses to this document can be made by mail, phone, fax or e-mail to:

- Eddie Gaw, Brookmount Buildings. 42 Fountain Street, Belfast, BT1 5EE
- Tel: 028 9031 1575
- Fax: 028 9031 1740
- E-mail: [eddie.gaw@ofregni.gov.uk](mailto:eddie.gaw@ofregni.gov.uk)

## **The NIAER's Energy Work Programme 2005-2006**

The Authority's objectives for 2005/06 will be as follows:

### **ELECTRICITY**

#### **Generation**

- E1** Re-negotiate the Kilroot Power Station generation contract
- E2** Oversee the decommissioning of Belfast West and Coolkeeragh Power Stations at least cost to customers
- E3** Reduce the high cost of the LT13 contract - a type of take-or-pay gas contract which has proven to be of high cost, around £30m p.a. over spot-market gas prices (timing/continuous)

#### **Transmission & Distribution**

- E4** Facilitate the separation of the combined Transmission and Distribution licences held by NIE.
- E5** Issue a licence to SONI

#### **Supply**

- E6** complete the implementation of the new systems for the opening of the electricity market to all non-domestic customers
- E7** design and put in place the framework to enable the opening of the electricity market to all customers by 31 March 2007.
- E8** Oversee and maximise the return for customers on the sale of spare interconnector capacity.

#### **Price Control**

- E9** To set the parameters for innovative price controls which maximise the benefit to electricity customers.

#### **Energy Efficiency Levy**

- E10** To ensure the efficient use of levy funds and agree a report detailing the financial benefit to electricity customers.

## **Consumer Representation**

- C1** Instigate and publish research detailing consumer satisfaction/dissatisfaction with Authority and level of standards set for PES

## **Internal Management**

- IM1** Put in place an efficient and effective Risk Management Strategy
- IM2** Ensure processes are in place to enable the delivery of a full statement of internal control in respect of the F.Y.E 31 March 2006

## **Natural Gas**

- G1** To facilitate the Refinancing of the SNIP gas pipeline for the benefit of both gas and electricity consumers
- G2** To consider the potential for similar refinancing opportunities for other gas transmission assets
- G3** To set the parameters for innovative price controls with both BGE and Phoenix which maximise the benefit to gas customers
- G4** To facilitate the implementation of the 2003 EU Gas Directive on internal market rules through licence modifications to all gas licences

## **Promotion**

- PG1** To ensure with BGE the successful build and operation of the South North gas transmission pipeline.
- PG2** To analyse the benefits to customers of an all-island gas market by identifying areas for co-operation and where beneficial to proceed, if funding can be secured
- PG3** To take forward work necessary to successfully include the South/North gas pipeline in the postalised gas system
- PE1** To design and agree in conjunction with CER and the electricity stakeholders in Ireland the parameters for the all-island electricity market
- PE2** To facilitate the operation of a UK wide ROC trading arrangement with effect from 1 April 2005 and to produce a report outlining the benefit to customers

**PE3** To put in place and administer a Renewable Electricity Guarantee of Origin Scheme

**PE4** To administer the Climate Change Levy Exemption Scheme on behalf of HM Customs and Excise

**ANNEX A**

**NIAER FORWARD WORK PROGRAMME 2005/2006 – SUMMARY & TARGETS**

<b>Code</b>	<b>Project Summary</b>	<b>Outcome/Target</b>	<b>Timescale</b>
<b>E1</b>	Re-negotiate Generation Contract	New contract in place	31 March 2006
<b>E2</b>	Power Station decommissioning	Sites available to land bank	31 March 2006
<b>E3</b>	Modify LT13 Contract	Revised contract in place	31 March 2006
<b>E4</b>	Separation of Transmission & Distribution	New Transmission & Distribution Licences	31 March 2006
<b>E5</b>	Issue licence to SONI	New licence issued	31 March 2006
<b>E6</b>	Market opening	Open to all commercial customers	31 October 05
<b>E7</b>	Market opening high level design	Design agreed and finalised	31 March 2006
<b>E8</b>	Sale of spare interconnector capacity	Maximise returns for customers	31 March 2006
<b>E9</b>	Set parameters for new Price Controls	Parameters set	31 March 2006
<b>E10</b>	Efficient use of levy funds	Customer benefits	31 March 2006
<b>C1</b>	Research & Review level of standards	Revise standards to customers satisfaction	31 March 2006
<b>IM1</b>	Risk Management Strategy	Updated	31 July 2005
<b>IM2</b>	Internal Control processes	Updated	31 July 2005
<b>G1</b>	Refinancing SNIP	New arrangements in place	31 May 2005
<b>G2</b>	Potential for refinancing gas assets	Potential identified	31 March 2006
<b>G3</b>	Gas Price Controls	BGE control agreed Phoenix control Capex & OPex investigations substantially complete	31 Sept 2005 31 March 2006
<b>G4</b>	Gas Directive licence modifications	Modifications in place	30 June 2005



<b>Code</b>	<b>Project Summary</b>	<b>Outcome/Target</b>	<b>Timescale</b>
<b>PG1</b>	South/North Gas pipeline	Construction started	31 March 2006
<b>PG2</b>	All-island gas market analysed	Benefits identified	31 March 2006
<b>PG3</b>	South/North gas pipeline postalisied system	Design of extended postalisied system agreed	31 March 2006
<b>PE1</b>	Agree parameters for all island electricity market	Parameters agreed on all island basis	31 March 2006
<b>PE2</b>	Facilitate NI/GB ROC scheme	Transitional problems resolved	30 June 2005
<b>PE3</b>	Facilitate & administer REGO scheme	Operational scheme	1 June 2005
<b>PE4</b>	Administer CCL exemption scheme	Maintain schemes integrity	31 March 2006

**Expenditure on Energy**

Projected expenditure on key areas is based on full costs of the NIAER, including all direct and indirect costs such as internal administrative overheads, accommodation costs, capital expenditure and depreciation.

<b><u>WORK AREA</u></b>	<b><u>COST £K</u></b>
Gas Regulation	690
Gas Promotion	77
Electricity Regulation	411
Electricity Support	223
Electricity Market Opening	132
<b><u>All Island Electricity</u></b>	<b><u>1,378</u></b>
<b><u>TOTAL</u></b>	<b><u>2,911</u></b>

<b><u>FUNDING FOR NIAER</u></b>	<b><u>COST £K</u></b>
Licence Fees	1,500
Central Government	1,500
<b><u>TOTAL</u></b>	<b><u>3,000</u></b>