

# Northern Ireland Authority for Energy Regulation

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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 simplified 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.

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

Prior to the publication of this document the Authority undertook a Consultation Process with all of its Consultees. The consultation period ran from 18<sup>th</sup> February 2005 to 21<sup>st</sup> March 2005.



### • Copies

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>.

### • Contacting NIAER

Enquiries about the Consultation Process and any responses to the Consultation Document can be made by mail, phone, fax or e-mail to:

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

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

### **ELECTRICITY**

#### **Generation**

- E1** Facilitate the re-negotiation of the Kilroot Power Station contract.
- E2** Oversee the decommissioning of Belfast West and Coolkeeragh Power Stations at least cost to customers.
- E3** Facilitate negotiation to 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.

#### **Transmission & Distribution**

- E4** Facilitate the extraction of the system operator functions from the combined Transmission and Distribution licences held by NIE.
- E5** Issue a licence to System Operator Northern Ireland (SONI).

#### **Supply**

- E6** To complete the opening of the electricity market to all non-domestic customers.
- E7** To 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 Transmission, Distribution and Supply price controls which maximise the benefit to electricity customers.
- E10** To put in place a new Power Procurement Business (PPB) Price Control.
- E11** To put in place a new SONI Price Control.

### **Energy Efficiency Levy**

- E12** 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 NIE.

### **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 monitor the overall performance of the mutualised Premier Transmission Limited (PTL) in delivering efficient and economic operation of the SNIP gas pipeline.
- G2** To set the parameters for innovative price controls which maximise the benefit to gas customers

### **Promotion**

- PG1** To pursue the commencement of the South North gas transmission pipeline and its construction in an efficient and economic manner.
- PG2** To modify the postalisation system to include the South North gas pipeline.
- PE1** The development of the Single 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.

Code	Project Summary	Outcome/Target	Timescale
E1	Facilitate re-negotiation of Generation Contract	New contract in place	31 March 2006
E2	Power Station decommissioning	Sites available for future generation	31 March 2006
E3	Facilitate modification of LT13 Contract	New contract in place	31 March 2006
E4	Extraction of system operator function	New licence issued	31 March 2006
E5	Issue licence to SONI	New licence issued	31 March 2006
E6	Market opening	Open to all non-domestic customers	31 March 2006
E7	Market opening	Open to all customers	31 March 2007*
E8	Sale of spare interconnector capacity	Maximise returns for customers	31 March 2006
E9	Set parameters for new Price Controls	Parameters set	31 March 2006
E10	Set parameters for new PPB Price Controls	Parameters set	1 April-31 December 2005
E11	Set parameters for new SONI Price Controls	Parameters set	1 April - 31 December 2005
E12	Efficient use of levy funds	Customer benefits report issued	31 March 2006
C1	Research & Review level of standards	Revise standards to customers satisfaction	31 March 2006
IM1	Risk Management Strategy	Updated	31 July 2005
IM2	Internal Control processes	Updated	31 July 2005
G1	Monitor mutualised (PTL)	Efficient & Economic operation	31 March 2006
G2	Gas Price Control	Parameters identified and agreed	31 March 2006
G3	Separation of Transmission & Distribution	Licences in place	31 March 2006
PG1	South North Gas pipeline	Construction started	31 March 2006

<b>PG2</b>	Postalisation of Gas Transmission charges	System in operation	
<b>PE1</b>	Development of SEM	Evaluation of Market Structure	30 June 2005
	Development of SEM	Award consultancy Framework Contracts	30 June 05
<b>PE2</b>	Facilitate NI/GB R OC scheme	Operational scheme	1 April 2005 – 31 March 2006
<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.

WORK AREA	COST £K
Gas Regulation	743
Gas Promotion	61
Electricity Regulation	454
Electricity Market Opening	144
All Island Electricity	1,510
<b>TOTAL</b>	<b>2,912</b>

FUNDING FOR NIAER	COST £K
Licence Fees	2,000
Central Government	1,000
<b>TOTAL</b>	<b>3,000</b>



# Notes



