



15 January 2013

Mr Bill Emery
Chairman
Northern Ireland Authority for Utility Regulation
14 Queen Street
Belfast
BT1 6ED

Dear Mr Emery

Draft Forward Work Programme 2013-2014

I am responding to the invitation to comment on your Draft Forward Work Plan for 2013-2014 (the Plan). My board and I consider that there is a serious omission from your Plan. In section 4 on 'Key Challenges' you fail to address the issue of regulatory risk highlighted in the recent report by the Competition Commission. I would therefore recommend that you insert the words '....and by eliminating avoidable regulatory risk...' after '.....scrutiny of network company costs...' in your first bullet point.

I also note that there is no reference to either continuity or actions completed from previous plans. In this context there is no reference to the two outstanding issues of major concern to my board and I. The first is implementation, in a timely manner, of the decision of the Competition Commission in respect to our Price Control for 2012-2013. Here I note that we are now over halfway through a price control period and the price control has yet to be finalised. The second is filling the vacancies on the Authority's board with knowledgeable, experienced and competent directors, who will enjoy the confidence of both our investors and customers.

As neither of these issues is mentioned in the Plan, perhaps you can confirm that it is the Authority's intention to complete them in Q1 2013?

As a board we also note the proposed Strategic Review signalled in the Plan and welcome the opportunity to contribute to this process in due course. At this stage I would just note that we do not regard the approach taken by the Authority to date, at least in relation to the gas sector, as always being proportionate to the small scale of the local market. We will be expecting the issue of proportionality to be clearly addressed in the strategic review. As you are no doubt aware, we estimate the direct cost of regulation in the gas sector in NI to be about an order of magnitude higher than the cost in GB. It is for this reason that we have decided not to comment on the proposed budget for 2013.

Yours sincerely

A handwritten signature in black ink, appearing to read "P Ritson", with a horizontal line underneath.

Peter Ritson
Chairman

cc: Ms ER Ardines, NIAUR
Sir G Loughran, Chairman, Phoenix Energy Holdings Ltd

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