



Draft Forward Work Programme 2019-2020

Our business plan for the first year of our
Corporate Strategy 2019-2024



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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 2019-2020 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 20 February 2019 at the latest** to briege.tyrie@uregni.gov.uk

We intend to hold a meeting during the consultation period, on **16 January 2019**, at Riddell Hall, Stranmillis College Belfast, BT9 5DY, between 9.30 a.m. and 11.00 a.m. This will provide an opportunity to discuss the draft FWP. Please let us know **before 9 January 2019** if you wish to attend.

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

Briege Tyrie
The Utility Regulator
Queens House
14 Queen Street
Belfast
BT1 6ED
E-mail: briege.tyrie@uregni.gov.uk
Telephone: 028 9031 6326

After reviewing consultation responses we will publish a final FWP by 31 March 2019. Responses to this consultation may be made public by us. If you do not wish your response or name made 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.

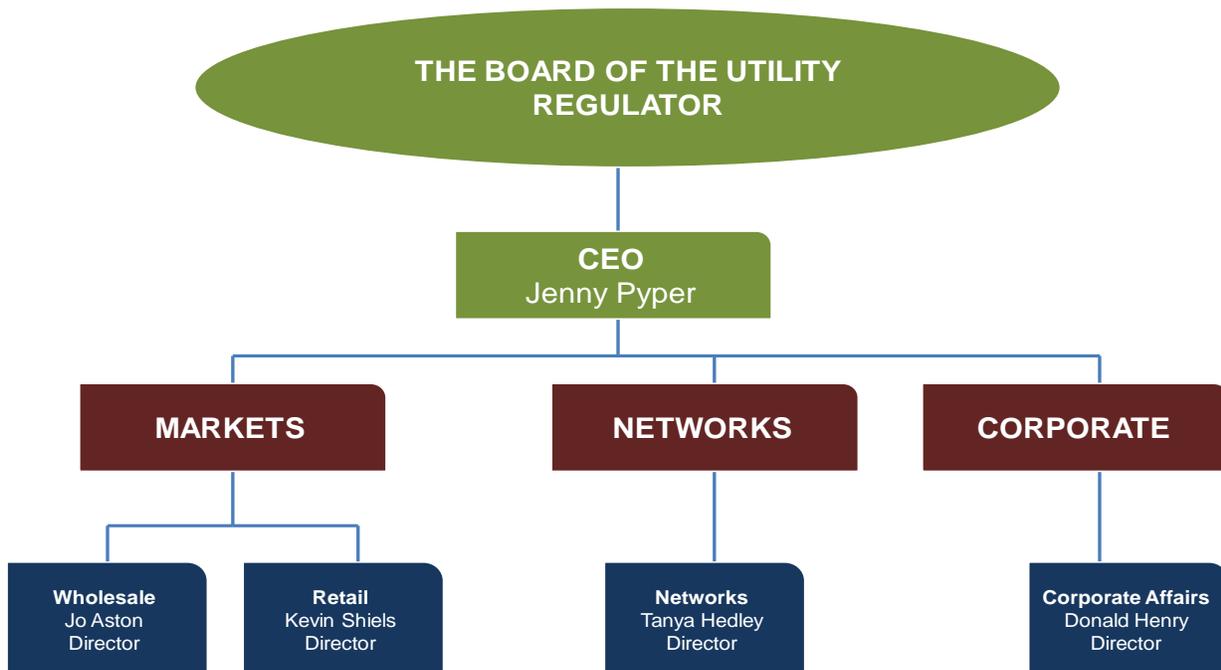


2. About us

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 NI Assembly and our work contributes to the overall Programme for Government (PfG) in Northern Ireland.

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.

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

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 policy 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 policy 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, on the SEMC. The SEMC's 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 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; and,

section 5 - provides a list of our proposed business plan projects.



3. The context for our business plan

In this section we briefly outline the key areas influencing the development of our business plan.

Brexit

Brexit remains the most significant external context for our work. At the time of writing the UK's departure from the EU is scheduled for 29 March 2019. We have been working with DfE and the Department of Business, Energy and Industrial Strategy (BEIS) in particular to advance Brexit preparations. Energy markets are one of the most important aspects of our work that may be impacted by Brexit. The draft withdrawal agreement between the UK and the EU emphasises the importance of preserving the SEM wholesale electricity market after Brexit.

Competitive markets

While part of the debate on the operation of utility markets is framed by consumer outcomes, there is a broader question of promoting effective competition. The enhanced SEM wholesale electricity market went live on 1 October 2018. The SEM is a market in transition and further post go-live work, to enhance its operation, continues. We reviewed the effectiveness of our retail energy market in 2017 and implemented changes to promote competition and the effective operation of the market.

Markets and consumer outcomes

Discussion continues on the effectiveness of competition and consumer outcomes in regulated markets and the concept of fairness. One key issue is the level of consumer prices. Our regulation ensures that the prices that consumers in Northern Ireland pay reflect costs. This means that for most consumers regulated prices are comparatively lower than other comparative markets. We continue to focus on prices and there remains some uncertainty around the future direction of the biggest driver of price changes – international fuel costs. There is a view that markets have not delivered consumer focused outcomes, especially for vulnerable consumers. Northern Ireland has the highest level of fuel poverty in the UK. We have been focusing, through our Consumer Protection Strategy, on practical initiatives to supporting vulnerable customers.

Supporting renewables

The EU's Clean Energy Package and the UK government's Clean Growth Strategy all set a strategic direction for energy and renewables. The main focus areas for the Clean Energy Package include a drive to support energy efficiency initiatives and utilising innovative technologies to support the growth of renewables. Key questions going forward will include any renewables targets in Northern Ireland beyond 2020, how additional renewable generation can be accommodated on the system and the challenge of funding renewables in the least cost way while providing opportunities to support new technologies.



Security of supply

The need for a secure and reliable supply remains. In electricity the SEM capacity arrangements provide a basis for managing long-term security of supply risks. The construction of a second north-south electricity interconnector remains a key issue. In gas, finalising a transportation agreement to facilitate a reliable supply is essential. In water, the challenge remains of ensuring a reliable supply. The Dfi's Long-Term Water Strategy is focused on security of supply.

Energy Transition

An energy transition is underway with a decarbonisation focus. The energy transition will also decentralise electricity networks, Democratisation will increase the number of electricity suppliers and associated services and digitisation will drive increased consumer activity and disruptive energy technologies (such as electric vehicles) will drive significant change. For regulators there are governance challenges with new potential players (as well as building trust with consumers). Adapting to change (such as through innovation) will also be a key issue. Supporting consumer empowerment remains a priority. Technological and social change will drive consumer choices about utility services and there will be increasing numbers of consumers will also produce (or generate in relation to energy) – the 'Prosumer'.

Future energy and policy strategy

Aside from Brexit another major uncertainty that potentially impacts on our ability to deliver key outcomes is the continuing absence of a Northern Ireland Executive. This will impact on the energy and water framework within which we operate. In energy the DfE's Strategic Energy Framework ends in 2020. A new policy framework will need to provide direction on areas such as renewables (particularly in the context of the EU's Clean Energy Package), electricity and gas network infrastructure planning and the facilitation of new technologies (e.g. energy storage). In water, the Dfi has set out a Long-Term Strategy for water which covers areas such as leakage and water quality. Constraints in public sector expenditure have continued to be of relevance to our regulatory responsibilities.

Regulatory approach

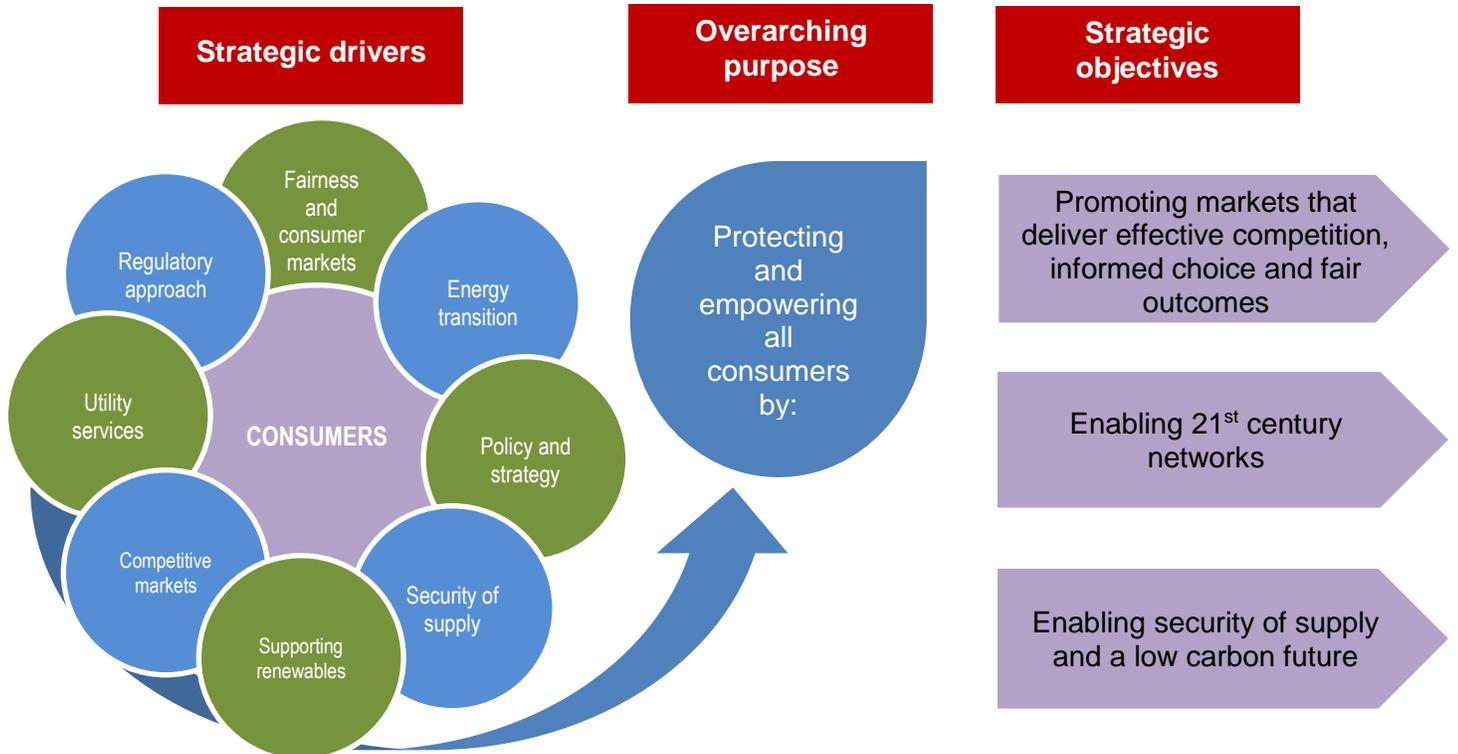
Given the change that is coming, particularly in energy, continued uncertainties and increasing expectations from stakeholders, there clearly are future challenges for regulators. The traditional model of economic regulation in the UK emphasises predictability. There is every prospect that societal change, technological developments and a more empowered consumer will, however, prompt regulators to adjust their approach. For regulators, the challenge is about staying ahead of consumer expectations and more generally anticipating the changes that are required. In practice this may mean that regulators are less prescriptive, more pragmatic, focussed more on principles and outcomes, adopt new approaches to accommodate innovation and a more diverse stakeholder environment. This approach positions regulators more as enablers (e.g. to facilitate major infrastructural projects) with perhaps a greater emphasis on making connections between stakeholders.



Our Corporate Strategy

We have been developing a new Corporate Strategy for the period 2019-2024. Our draft strategy was published for consultation on 1 November 2018.

The strategic drivers for our new strategy, the overarching purpose and strategic objectives are outlined below. Putting consumers at the centre is a key aspect of our draft strategy.





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.

As we commence the first 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 and this has also contributed to the choice of our projects for 2019-20. We have also considered projects that commenced during 2018/19, 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 previously estimated 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. 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.

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 consumers' 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 all-island single electricity market. Following the introduction of the new enhanced SEM market from 1 October 2018 there will be considerable core business activities associated with the ongoing governance, market operations and monitoring arrangements. 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. We also regulate the transmission system operator for NI (SONI) and the Single Electricity Market Operator (SEMO), and support the SEM Committee.

More generally, across our Markets group we monitor the way the wholesale electricity market and the retail electricity market work. On the latter we will also be taking steps to further develop our Retail Energy Market Monitoring (REMM) system that was introduced during the previous corporate strategy period.

Our ongoing work to protect consumers 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.

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 also have previously supported, where necessary, the Assembly's Economy and Infrastructure committees and frequently provided evidence to meetings of these committees. Finally, we also operate the Northern Ireland Sustainable Energy Programme.

As a non-ministerial government department we also are 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 ISEM) which affect the timing of other work that contributes to our strategic objectives. Brexit may force us to make difficult choices about the timing and scope of some of our FWP projects.

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 are committed to supporting 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. Having achieved accreditation under Investors in People in 2018, we will be undertaking further work to ensure that we enhance support for our staff.

As a non-ministerial government department we keep to 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.

There are some exceptional and significant pressures on our budget. Significant resources will have to be committed to implementing Brexit related decisions. However, despite significant uncertainties and budget pressures, we are aiming to set a budget for 2019/20 which is lower than the level set for 2018/19 (the opening net budget for 2018/19 was £8.95 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 78 full-time equivalent staff (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) are, along with the Chief Executive's office, charged to the gas, electricity and water companies via their licence fees.



5. Our business plan projects

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

Ref	Project description	Scope and anticipated outcome/s	Link to Corporate Strategy success measures ¹	Lead team	Timing
1	Complete the Retail Energy Market Monitoring Consumer Impact Market Analysis (REMM CIMA) project	Will enhance monitoring of the retail markets by optimising data and provide improved reporting capability. New external data reporting will be delivered on back of improved internal data processes.		Retail	Full year – with phased delivery of sub-workstreams throughout the year
2	Complete gas supply price control reviews (SPC Gas 20)	Ensures consumers pay an efficient price for gas and regulated suppliers provide effective business operations.		Retail	Q4
3	Deliver Consumer Protection Programme (CPP) projects in line with final CPP decisions on priorities	The delivery of the prioritised consumer protection projects will ensure that customers, and in particular vulnerable customers, have adequate protections.		Retail	Full year - deliverables will be based on final CPP decisions
4	Complete and publish first Business Consumer Insight tracker (BCIT)	Introduces new (non-domestic) Business Consumer Insight Tracker (to be repeated every 2 years); and mirroring the domestic level BCIT being done in 2018/19		Retail	Q3
5	Ensure EU network code implementation is complete	Will ensure compliance with EU legislation and improve network operation.		Networks and Wholesale	Full year

¹ This column to be finalised following the close of the consultation on the Draft Corporate Strategy.2019-2024.



Ref	Project description	Scope and anticipated outcome/s	Link to Corporate Strategy success measures ¹	Lead team	Timing
6.	Develop and implement programme to enhance SEM Energy Trading Arrangements following market go-live	Will advance a series of workstreams to enhance market policy arrangements and assess and review other aspects of the market design.		Wholesale	Full year
7	Implementation programme to comply with SEM European market requirements	Will ensure that arrangements to comply with significant European market facing requirements are implemented.		Wholesale	Full year
8	Complete an assessment of Moyle's current regulatory framework in light of the new SEM arrangements	Will ensure that any new risks to the current regulatory framework for Moyle arising from the SEM are identified and options developed for addressing (taking account of any Clean Energy Package European-wide review of the regulatory model for interconnectors).		Wholesale and Networks	Full year
9.	Establish market analysis and reporting in all four SEM market places to inform the effectiveness and performance of the market and to support market enforcement as necessary	Will provide a robust and comprehensive market monitoring framework for the SEM. This will include assessing market health and a focus on detection and investigation of instances of market manipulation and abuse in the SEM markets.		Wholesale	Full year



Strategic objective 2: Enabling 21st century networks

Ref	Project description	Scope and anticipated outcome/s	Link to Corporate Strategy success measures	Lead team	Timing
1	Deliver work to complete SONI 2020-25 price control review in line with project schedule	Provides an opportunity to address outstanding SONI licence modifications to ensure compliance including independence and compliance reporting requirements. Ensures that the company produces quality outputs at lowest cost to consumers and has sufficient revenues to run its business.		Networks	Full year
2	Reshape incentivisation arrangements for SONI and SEMO	Resulting from the significant changes which the new 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.		Networks	Full year
3	Continue work on delivery of the PC21 water price control	Deliver the Phase 2 and Phase 3 activities identified in the key milestone table published in our PC21 Approach document to help ensure NI Water submits a considered business plan for the efficient delivery of sustainable water services over the period 2021 to 2027, which aligns with the long term water strategy.		Networks	Full year



Ref	Project description	Scope and anticipated outcome/s	Link to Corporate Strategy success measures	Lead team	Timing
4	Develop annual cost and performance reports across all network companies and review reporting requirements for NI Water	<p>Development of annual information reporting by network companies to monitor the delivery of recent price controls and collect information necessary for future price controls.</p> <p>Review NI Water reporting requirements for consistency and appropriateness.</p> <p>Publish annual reports on industry cost and performance for consumers and stakeholders.</p>		Networks	Full year
5	Review network price control approach	Will ensure that our price controls comply with regulatory best practice by assessing lessons learned from recent network price control reviews and the consistent application. Our aim over time is to reduce price control policy differences to those which reflect the different context and development of sectors, helping improve our ability to deliver value for consumers.		Networks	Full year (stage 1 work to complete during 2019-20)
6	Consultation on the resale of electricity for charging electric vehicles	Will provide an informed basis for future development in this area.		Networks	Q2
7	Carry out review of electricity network tariff structures	Will ensure that the structure of tariffs remain appropriate for network industries and customers. Consideration of impact of off-grid generation and storage.		Networks	Full year
8	Review Gas Transmission operating arrangements	Will ensure the efficient and effective operation of these arrangements.		Networks	Q3



Ref	Project description	Scope and anticipated outcome/s	Link to Corporate Strategy success measures	Lead team	Timing
9	Review gas connection licence modification to ensure possible biogas injection	Biogas injection processes and policy clear allowing connections to progress.		Networks	Q3



Strategic objective 3: Ensuring security of supply and a low carbon future

Ref	Project description	Anticipated outcome/s	Link to Corporate Strategy success measures	Lead team	Timing
1	Review ancillary services effectiveness	Will support the delivery of renewable energy targets by securing electricity network stability at high levels of renewable generation through ancillary service contract implementation and monitoring.		Networks	Full year
2	Complete arrangements to continue to provide access to GB gas markets after 2021	Will ensure the continued efficient operation of the gas transmission system.		Networks	Full year
3	Work with DfE to progress the implementation of the Clean Energy Package	Facilitates compliance with statutory requirements		Corporate Affairs	Full year
4	Work with DfE to ensure effective management of NIRO and undertake a post implementation review	Minimise the risk of successful challenges and assess NIRO outcomes		Corporate Affairs	Q3
5	Work with partners to assess energy efficiency gaps and begin designing any successor arrangements to the NISEP	Facilitates the delivery of energy efficiency savings and achievement of related targets		Corporate Affairs	Full year



Ref	Project description	Anticipated outcome/s	Link to Corporate Strategy success measures	Lead team	Timing
6.	Review the approach for determining SEM generation capacity requirements	Ensuring that the appropriate volume of capacity is secured through the capacity market considering constraints and other factors optimising security of supply with cost for consumers.		Wholesale	Q3
7	Consider future energy change scenarios and plan regulatory requirements to deliver	Consideration of energy scenarios in the NI context based upon changing energy sector realities; aim to ensure consumer-centric approach to future energy frameworks and the transition impact on energy markets.		Networks/ Retail/ Wholesale	Full Year



Corporate Projects and Objectives

Ref	Project description	Anticipated outcome/s	Link to Corporate Strategy success measures	Lead team	Timing
1	Facilitate implementation of appropriate regulatory arrangements following on from the UK decision to leave the EU	Policy makers will be better informed of the implications that EU exit will have on the regulatory framework for energy.		Corporate Affairs	Full year
2	Implementation of liP action plan	Will provide an opportunity to motivate, involve and engage staff in their development and the organisational performance by targeting actions on areas of the liP assessment which remain assessed as “developed.”		Corporate Affairs	Full year



6. Next steps

The consultation on our draft FWP is part of a process that will lead to the publication of a new FWP by the end of March 2019.



Responding to the consultation on our draft FWP

We welcome views on our draft FWP, particularly regarding:

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- (1) whether we have prioritised the right projects;
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