



Draft Forward Work Programme 2020-2021

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



About the Utility Regulator

The Utility Regulator is the independent non-ministerial government department responsible for regulating Northern Ireland's electricity, gas, water and sewerage industries, to promote the short and long-term interests of consumers.

We are not a policy-making department of government, but we make sure that the energy and water utility industries in Northern Ireland are regulated and developed within ministerial policy as set out in our statutory duties.

We are governed by a Board of Directors and are accountable to the Northern Ireland Assembly through financial and annual reporting obligations.

We are based at Queens House in the centre of Belfast. The Chief Executive leads a management team of directors representing each of the key functional areas in the organisation: Corporate Affairs, Markets and Networks. The staff team includes economists, engineers, accountants, utility specialists, legal advisors and administration professionals.

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: transparent, consistent, proportionate, accountable and targeted.
- Be professional – listening, explaining and acting with integrity.
- Be a collaborative, co-operative and learning team.
- Be motivated and empowered to make a difference.



Abstract

This document sets out the non-routine projects that we plan to undertake during 2020-2021. The projects are organised under the three corporate strategy objectives from our Corporate Strategy 2019-2024.

Audience

Given that the document is our corporate business plan with an extended range of projects it is likely that it will be of interest to a variety of audiences – such as industry, other regulators, government bodies and consumer representative organisations.

Consumer impact

While the consumer impact of our business plan is difficult to directly assess in numerical terms, it is likely that the range of projects will contribute to our overarching corporate strategy purpose of protecting and empowering consumers.



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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 2020-2021 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 19 February 2020** at the latest to:

briege.tyrie@uregni.gov.uk

We intend to hold a meeting during the consultation period, on 27 January 2020 at our office in Queens House, 14 Queen Street, Belfast, BT1 6ED from 9.30 a.m. to 11.30 a.m. This will provide an opportunity to discuss the draft FWP. Please let us know before 20 January 2020 if you wish to attend.

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

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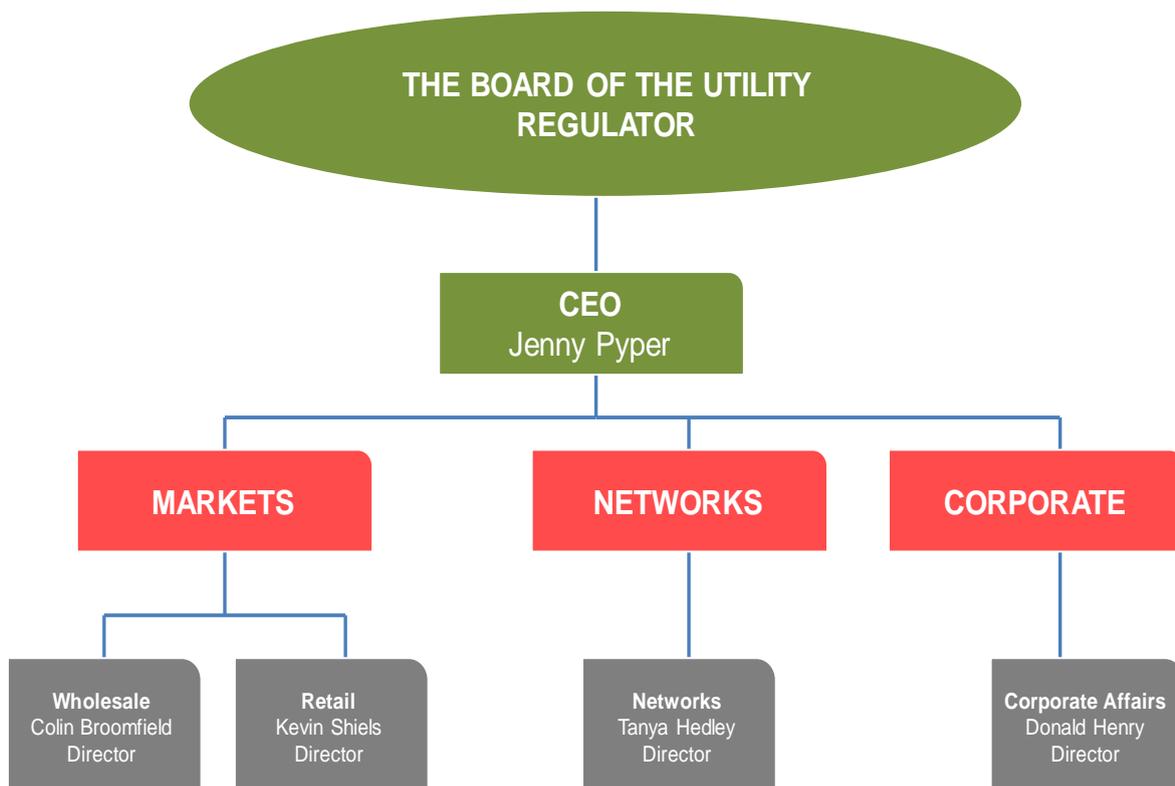
After reviewing consultation responses we will publish a final FWP by 31 March 2020. Responses to this consultation may be made public by us. If you do not wish your response or name made public please state this clearly by marking the response as confidential and outline your reasons as to why your response should be treated as confidential. Copies of the document will be made available in alternative formats on request. 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 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 includes 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 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 date of the UK's departure from the EU is 31 January 2020. We have worked extensively 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, particularly in respect of the SEM.

Competitive markets

While part of the debate on utility markets is framed by consumer outcomes, there is a broader question of promoting effective competition. The enhanced SEM, which went live on 1 October 2018, is a market in transition and further post go-live work continues to enhance its operation,. We continue to keep the effectiveness of our retail energy markets under review and have a track record of implementing changes to promote competition and the effective operation of the market.

Markets and consumer outcomes

Promoting fair outcomes for consumers in utility markets is essential. The level of consumer prices is critical and our regulation ensures that the prices that consumers in Northern Ireland pay reflect costs. This means that, for most consumers, regulated prices are 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. We have also been focusing on, through our Consumer Protection Programme, practical initiatives to supporting vulnerable customers.

Supporting renewables

The EU's **Clean Energy Package** and the UK government's **Clean Growth Strategy** both 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, long-term and reliable supply remains a priority. 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 remains a focus for us. 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

Delivering a low carbon future is central to the **energy transition**. This energy revolution will transform how consumers engage with and use energy. For regulators there are governance challenges associated with profound change. Adapting to change (such as through innovation) will also be a key issue. Supporting **consumer empowerment** will be a priority. Technological and social change will drive consumer choices about utility services.

Future policy and strategy

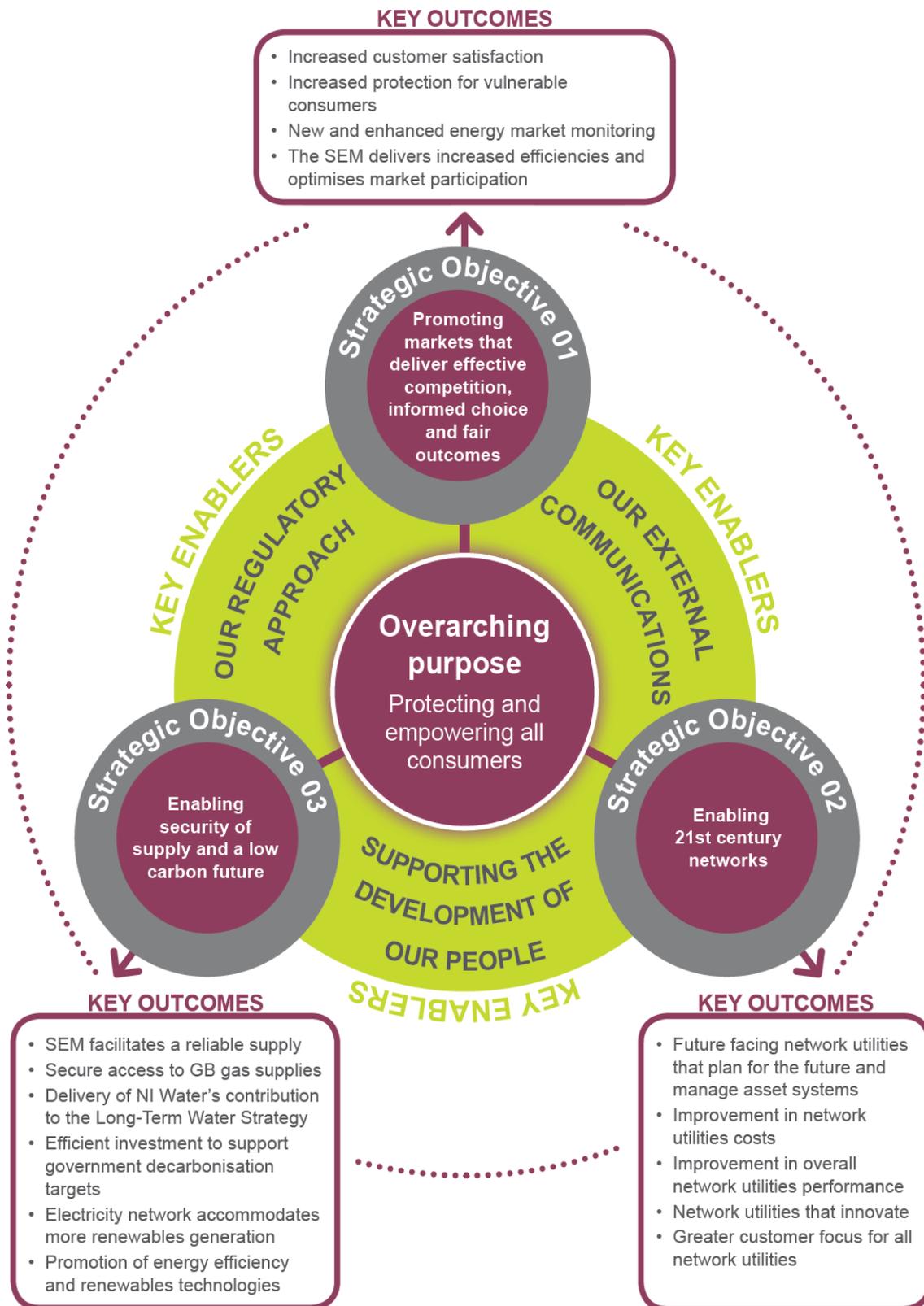
Another major uncertainty that potentially impacts on our ability to deliver key outcomes is the continuing absence of a Northern Ireland Executive. This impacts on the energy and water framework within which we operate. In energy, the DfE's Strategic Energy Framework ends in 2020 and the department has indicated its intention to develop a new strategy. The new strategy will likely 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 continue to impact on 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. There is every prospect that societal change, technological developments and a more empowered consumer will prompt regulators to adjust their approach. The challenge for regulators is about staying ahead of consumer expectations and 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 a greater emphasis on making connections between stakeholders.

Our Corporate Strategy

We developed a new Corporate Strategy for the period 2019-2024. Our strategy was published in April 2019 and is summarised below.



4. Our business plan and resources

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

This is the second year of our corporate strategy period and we have undertaken a detailed process to identify 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 2020-2021. We have also considered projects that commenced during 2019-2020, new workstreams that have emerged. Our assessment process has also considered the scope of our core business and 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.

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. There will be considerable core business activities associated with the ongoing governance, market operations and monitoring arrangements following the go-live of the SEM on 1 October 2018. 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 Northern Ireland (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. Our monitoring of energy markets has evolved to provide us with a greater range of information to aid effective market operation and better detect the incidence of market abuse or non-compliance.

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 **codes of practice** relating to consumer protection. Over recent times 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. However public funding for NI Water that does not meet identified investment need will negatively impact on the delivery of 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. Should there be a return to a devolved Assembly in 2020, it would again offer opportunities for us to engage and inform those locally elected bodies. Finally, we also operate the Northern Ireland Sustainable Energy Programme (NISEP).

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

Due to 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, in respect of **price controls**) which affect the timing of other work that contributes to our strategic objectives. Uncertainties around Brexit and the evolving strategic landscape in both energy and water may also 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, promoting the benefits of working for us and recruiting and keeping competent staff. In doing this, we must make sure we have the skills, experience, processes and culture needed for this challenging business plan. In this regard, we have been implementing a programme of staff development activities, the UR People Programme, to support our aspiration.

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 remains some exceptional and significant pressures on our budget, such as in respect of Brexit. Despite significant uncertainties and budget pressures, we are aiming to set a budget for 2020-2021 which is no higher than the level set for 2019-20 (the opening net budget for 2019-2020 was £8.95 million). Our budget is agreed by our Board.

This business plan is based on the equivalent of around 87 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	Lead team	Timing
1	Deliver Consumer Protection Programme (CPP) projects in line with CPP priorities	The delivery of the prioritised consumer protection projects will provide safeguards for customers, particularly vulnerable customers.	KSM 7 Objective 2, KSM 6	Retail	Full year – with deliverables as per CPP programme priorities
2	Assessment of the current supply price control frameworks	Ensure that supply price control regimes are fit for purpose and that the interests of consumers are protected.	KSM 4	Retail	Q4
3	Complete research on needs of consumers and consumer protection in relation to the energy transition	Research and policy development on needs for consumer empowerment and protection in relation to the energy Transition	KSM 1 and 4	Retail	Q4
4	Commence the review of SEM balancing market arrangements	Ensures that the balancing market is as effective as possible and compliant with new legislative requirements.	KSM 6	Wholesale	Full year
5	Review SEM post go-live operational effectiveness	Will assess options for enhancing the operational effectiveness of the SEM.	KSM 5 and 6	Wholesale	Full year

Ref	Project description	Scope and anticipated outcome/s	Link to Corporate Strategy success measures	Lead team	Timing
6	Review of gas transmission exit capacity arrangements	Consider how the gas arrangements and the SEM work effectively together and identify if any changes are required to continue to protect the interests of customers.	KSM 4	Networks	Q2

Strategic objective 2: Enabling 21st century networks

Ref	Project description	Scope and anticipated outcome/s	Link to Corporate Strategy success measures	Lead team	Timing/ Key milestone/s
1	Complete SONI 2020-25 price control review	Will make sure that the company produces quality outputs at lowest cost to consumers and has sufficient revenues to run its business.	KSM 1, 3	Networks	Q3 – Final determination published
2	Complete PC21 water price control	Our price control determination will ensure that the company produces quality outputs at lowest cost to consumers and has sufficient revenues to run its business.	KSM 1, 2, 3	Networks	Q2 – Draft determination published Q4 – Final determination published
3	Progress the GT22 price control review	Ensures that the gas transmission network companies produce quality outputs at lowest cost to consumers and have sufficient revenues to run their businesses.	KSM 1, 2, 3, 5	Networks	Q3 – publish price control approach document
4	Progress the GD23 price control review	Ensures that the gas distribution network companies produce quality outputs at lowest cost to consumers and have sufficient revenues to run its business.	KSM 1, 2, 3, 5	Networks	Q2 – publish price control approach document
5	Progress the review of electricity network tariffs	Ensures the structure of tariffs remain appropriate for network industries and customers in light of the energy transition.	KSM 4	Networks	Full year
6	Complete SONI Governance review	Ensures that SONI operates effectively in the interests of NI consumers.	Objective 2	Networks	Full year

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	Progress the implementation of the Clean Energy Package (CEP) with DfE as well as co-ordinating the regulatory response	Ensures NI is compliant with the aspects of the CEP which will have been transposed in advance of exit day.	KSM 4	All	Full year
2	Contribute to the development of the new DfE energy strategy	Assist DfE in developing a revised long-term framework for energy in NI.	ALL KSMs	All	Full Year
3	Work with DfE on the NI Renewables Obligation (NIRO) and the future of renewables in NI project	Implementation of any recommendations from the review of NIRO; provide an objective post project assessment of the NIRO; and informs DfE work on setting any new renewables target for NI and any new renewables support mechanism is good value for money for consumers.	KSM 1	Corporate Affairs	Full year
4	Work with DfE on the future of energy efficiency in NI project	Ensures that a new energy efficiency target and related energy efficiency programme is good value for money for consumers.	KSM 1	Corporate Affairs	Full Year

Ref	Project description	Anticipated outcome/s	Link to Corporate Strategy success measures	Lead team	Timing
5	Progress arrangements with Transmission System Operators (TSOs) and Distribution Network Operators (DNOs) to help meet future energy transition needs	Supports the delivery of future renewable energy targets by securing electricity network stability at high levels of renewable generation through further consideration of system service needs.	KSM 1	Networks	Q3
6	Complete arrangements to continue to provide access to GB gas markets after 2021	Ensures the continued efficient operation of the gas transmission system.	KSM 3	Networks	Full year
7	Review incentive arrangements around generation capacity in the SEM	Ensures the appropriate volume of capacity is secured through the capacity market considering constraints and other factors while optimising security of supply with cost to consumers.	KSM 5	Wholesale	Q3
8	Implement new SEM market requirements	Promotes a more efficient, sustainable market that supports security of supply.	KSM 2, 5	Wholesale	Full Year

Corporate Projects and Objectives

Ref	Project description	Anticipated outcome/s	Link to Corporate Strategy success measures	Lead team	Timing
1	Complete the review of regulatory arrangements for supply licence revocation (in the first instance) and our enforcement procedure and financial penalties policy	Ensures that there are efficient and effective arrangements in place for supply licence revocation, the application of the enforcement procedure and financial penalties.	All KSMS	Corporate Affairs	Q4
2	Complete the legislative and licensing arrangements for Brexit	Will confirm that all necessary regulatory steps are taken to protect consumers following the UK's departure from the EU.	All KSMS	Corporate Affairs	Q1
3	Complete the UR People 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".	All KSMS	Corporate Affairs	Full year

Glossary

Balancing market	This is the last stage to trade in the wholesale electricity market where the system operator takes actions to bring the electricity system into balance.
Clean Energy Package	The European Commission's proposals designed to increase energy efficiency, boost renewable energy usage, reform the European energy market, introduce new governance measures for the Energy Union and support clean energy innovation.
Clean Growth strategy	The UK government strategy setting out a set of policies and proposals that aim to accelerate the pace of 'clean growth' (i.e. increased growth and decreased emissions) in the context of the UK's legal requirements under the Climate Change Act.
Codes of practice	Documents that provide information on the standards of a range of services.
Consumer empowerment	This is where consumers are provided with the opportunity to actively and effectively participate and engage with utility markets.
Energy transition	The <i>energy transition</i> is a pathway toward transformation of the global <i>energy</i> sector from fossil-based to zero-carbon by the second half of this century.
Gas transmission exit capacity arrangements	The arrangements by which gas leaves the transmission system.
Gas transmission network company	This is the company that operates the large high pressure gas transmission pipelines that transport gas long distances around the country
Gas distribution network company	This is the company that operates the system of local resources and services that deliver natural gas to homes and businesses
Network codes	Contractual arrangements between the network system operator and network users to make sure the network runs efficiently.
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 originally 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. An enhanced SEM market came into operation on 1 October 2018.
System services	The range of operations that are required to maintain grid stability and security.

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.