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*Gruig Wind Farm photographs
used courtesy of RES.*



Annual Report

2009-10

Combined report of the Northern Ireland Authority for Utility Regulation (the Utility Regulator).

The Utility Regulator has decided to produce a combined energy and water and sewerage report in accordance with Article 5 (5) of the Water and Sewerage Services (Northern Ireland) Order 2006.

Laid before the Northern Ireland Assembly in accordance with Article 6 (5) (a) of the Energy (Northern Ireland) Order 2003 by the Department of Enterprise, Trade and Investment.

Our mission

Value and sustainability
in energy and water.

Our vision

We will make a difference
for consumers by listening,
innovating and leading.

Our values

Be a best practice regulator:
transparent, consistent,
proportional, accountable
and targeted.

Be a united team –
One team one mission.

Be collaborative and
co-operative.

Be professional.

Listen and explain.

Make a difference.

Act with integrity.

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1. Chairman's Foreword

"We will make a difference for consumers, by listening, innovating and leading."

That was the vision adopted by the whole staff group and board of the Utility Regulator during the last year. It underlines the ambition of our organisation.

Our independence means that when we say that we work to protect the interests of consumers, we mean it. Listening to the views of a very wide range of stakeholders helps to inform our independent approach.

We are innovative in driving social sustainability. Northern Ireland already has some of the most forward-looking provision for vulnerable consumers, but we have also driven the agenda this year by consulting on affordability tariffs. In implementing our social action plan we are working to help consumers manage their way out of debt.

Where new ideas will help consumers, we are not afraid to take a lead and do things differently. To improve our access to the best thinking, and ensure we are challenged rigorously, we invited some of the leading utility scholars from across the UK and Ireland to join our new Academic Panel that began work this year.

The past year has seen the economic recession take root in Northern Ireland. The private sector recession has been as bad here as anywhere in the UK and spending cuts in the public sector are likely over the next few years. Cost-effective utility services constitute a vital foundation for jobs and value-creation, so the efficiency agenda remains vital. For example, the first Northern Ireland Water Ltd (NI Water) price control set a new direction this year – accountability, underpinned by expert analysis and objective challenge.

Environmental sustainability is also vital – an issue close to my own heart. For instance, the Single Electricity Market (SEM) is stimulating investment in new, modern power stations. The way our system safeguards secure supplies and facilitates renewable generation is increasingly seen as a model to follow in the rest of the UK. Modernising our utilities reduces environmental damage and drives down costs.

2009-10 was a year of substantial achievement for the regulator and the utilities. Consumer costs came down and the foundations were laid for major investment programmes. This is a testament to the skills and effort of our dedicated staff. I am grateful to them, to my board colleagues, and to all the stakeholders who work with us and help us build a better utility sector for Northern Ireland consumers.

Peter Matthews
Chairman

2. Chief Executive's Report



In 2008 energy prices went up; last year, they came down. This is what most consumers see of our work. To the extent these changes are driven by international markets and we can take neither credit nor blame. However, effective independent regulation does make a difference: we keep local costs low and prevent profiteering. For example, Northern Ireland consumers have benefited recently from the lowest gas prices in the UK, even though we buy from the same wholesale market as Great Britain. This is a result of robust and pro-active regulation.

Many consumers want to be able to choose their energy supplier, and the current limited choice for households is not acceptable. This year we created a dedicated unit and developed a programme to drive retail competition. I firmly believe the economics are now right for competition in the household sector, and in 2010 we are seeing new companies enter this market. Meanwhile, our inquiry into business bills showed that even where competitors are active, vigorous regulation remains important to empower and inform consumers.

Competition is beneficial, but it does not solve all problems. We will remain active across all the markets, more or less competitive, to make sure all consumers benefit.

Greater operating efficiency in the utilities is essential if Northern Ireland aspires to a prosperous future. This year we began a major programme to identify synergies and price control best practice across the three sectors we regulate. The first price control for NI Water has been a key output this year. For the first time, the company's cost-base has been analysed impartially and objectively. Our analysis showed that a step-change in the pace of improvement is possible. We envisage £91million of savings over three years (either lowering business bills or freeing up funds for other public services) while enabling a larger-than-planned programme of capital works to improve quality for consumers and support economic development. £91million of savings (against NI Water's own plan) from direct regulation costs of a little over £1.9 million – this is great value for money for

Northern Ireland, and a real vindication of independent regulation.

Building the future is a key theme in the utilities. We foresee major capital investments in water and energy to reduce Northern Ireland's exposure to international oil prices and to meet new environmental challenges. The Utility Regulator plays a key role in driving new thinking to ensure such investment is efficient and well-planned. For example, wind power now provides nearly a tenth of our electricity – not enough, but more than in the rest of the UK. We have worked with our colleagues in the Republic of Ireland to ensure the market rules maximise the benefit of the island's wind resources. The SEM enables investment in efficient power generation, and two major new power stations will open in the coming year. While paying for capacity steadily every year means our power prices are sometimes higher than in Great Britain, which has no capacity system, this also saves us having to pay for new generation all at once. The energy debate

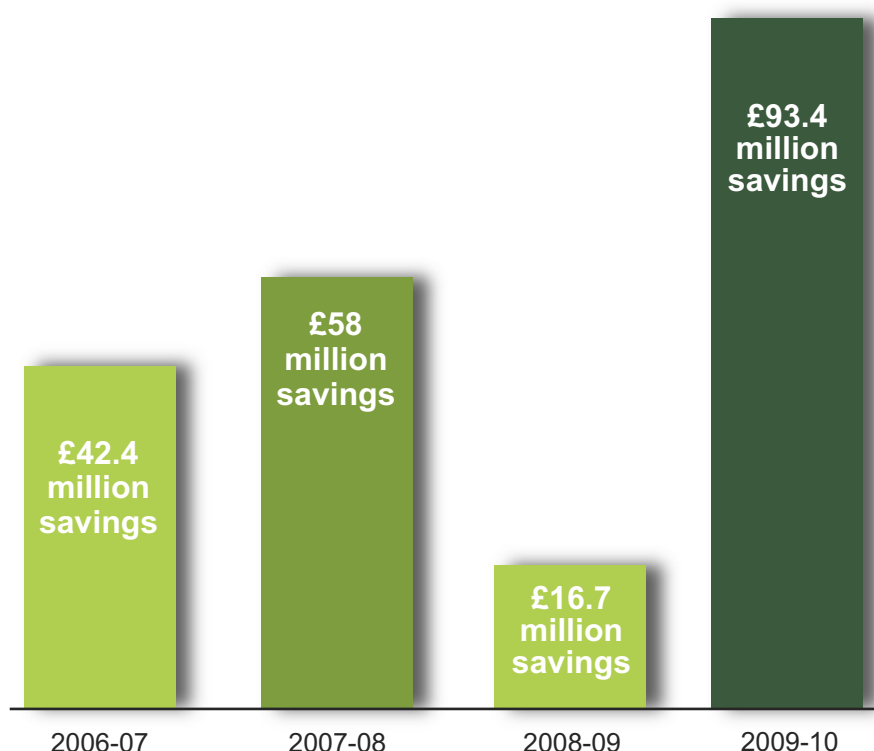


Figure 1: Consumer savings* identified by the Utility Regulator

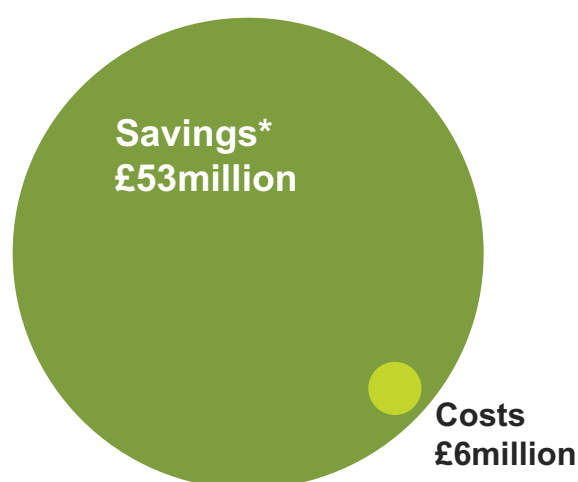


Figure 2: Four-year rolling average (2006-10)

* Rounded to nearest £million. Savings include only directly identifiable savings from our regulatory scrutiny (e.g. price controls). Infrastructure development and strategic work also provide large savings but are harder to calculate and are therefore not included.

in Great Britain has moved on to introducing a capacity mechanism like ours. We in Northern Ireland have thought ahead.

More broadly, work was advanced to implement a package of measures (commonly referred to as IME3) to create fully competitive, liberalised internal markets in both electricity and gas. We worked closely with the Department of Enterprise, Trade and Investment (DETI) by providing advice and technical support on the implementation on IME3.

Although energy prices have fallen recently, the long-term trend is likely to be upwards. It is more important than ever that we protect the most vulnerable consumers. This is an area where new thinking is required. We have taken an active role in the Green New Deal coalition, which is looking for new ways to accelerate modernisation of our buildings. We have sponsored NIE's trials of smart meters. We are researching how growing debt problems are managed. We initiated a consultation on affordability tariff, which raises important questions about the funding of support for vulnerable consumers. Regulation is a

technical task and we are not responsible for policy – but we do try vigorously to catalyse new thinking and fresh solutions.

In doing our work we are conscious of the need to provide value for money. We regulate a multi-billion pound utility industry but cost a tiny fraction of that in our own running costs. This report describes a very wide and ambitious programme of work which has saved consumers many times more than it has cost. Figure 2 shows the year on year savings to consumers from our regulatory scrutiny (largely through price controls) in comparison with our budget. Our regulation has generated over £210 million of savings for consumers since 2006. We also recognise our responsibility to cut our own costs where we can. Our budget for next year is 9% lower than last year's.

I would like to close by thanking our dedicated and talented staff and my colleagues on the board. We are proud of our achievements in 2009-10, while recognising the scale of challenge for the coming years.

Iain Osborne
Chief Executive

3. Electricity



Highlights

- The SEM continued to deliver benefits for consumers through lower costs and prices and increased investment.
- Two power generation contracts are due to terminate on November 2010 after a review and this may result in £45 million savings to consumers over the next three years based on forward commodity prices.
- Our inquiry into business electricity tariffs outlined recommendations for helping businesses to choose the most cost-effective electricity supplier.
- The potential for smart meters to help consumers monitor their energy usage was recognised through our support of smart metering trials.

The SEM

Two years on, the SEM continues to deliver benefits for consumers. Working closely with our regulatory colleagues in the Republic of Ireland (the Commission for Energy Regulation - CER), we are implementing a single energy market that not only benefits consumers on both parts of Ireland now, but that will continue to deliver positive outcomes into the future. We continue to review aspects of this market including the dispatch and scheduling of renewable generation as well as a review of the capacity payment mechanism (CPM) - a payment supporting generators who make themselves available to generate.

The Market Monitoring Unit (MMU), which is based at our offices, has continued to monitor the behaviour of the SEM and its participants over the past year, engaging with generators and operators to effectively monitor and enforce compliance with the market rules.

Delivering benefits for consumers – the SEM

Keeping electricity bills as low as possible is what consumers want the most from us. Making sure that the SEM works well is one way of pushing bills down. The SEM ensures that the price of electricity charged to consumers is reflective of the costs incurred by the generators to actually produce the electricity. This cost reflectivity has seen lower SEM prices, which has resulted in lower prices for consumers.

Lower costs from the operation of the SEM, through the level of fuel savings, generation reserve efficiencies and reduced system costs, have also had a positive impact on consumer bills.

Making sure that there is enough investment in power generation to enable that the island of Ireland not only promotes competition in the market but also has a positive impact on security of supply for consumers. In 2009, four new wind farms in Northern Ireland and 13 in the Republic of Ireland were introduced into the SEM, producing an additional 388 megawatts of renewable electricity.



In addition there was also the introduction of an aggregated generator unit allowing smaller generation units to be used as well as 88 megawatts of flexible gas generation at Kilroot and 12 megawatts from a combined heat and power.

Reviewing the costs of power generation

A significant element of consumer electricity bills are the power generation costs. During the last year we have consulted publicly on the potential cancellation of certain contracts (called Generating Unit Agreements – GUAs) between NIE Power Procurement Board (PPB) and the generators.

On 29 March 2010, the Utility Regulator published its second consultation in which it stated its 'minded-to' decision to instruct the cancellation of the GUAs for the two AES Kilroot coal/oil-fired units. This has been followed by a notice of intention to cancel.

If they are ultimately cancelled as proposed, it is anticipated that this will reduce the cost of electricity for consumers in Northern Ireland via a lasting reduction in the Public Service Obligation. It is also anticipated that following contract cancellation, the owner of the units would register them for direct participation in the SEM, increasing the level of wholesale competition on the island of Ireland.

Investigating business electricity tariffs

Following concerns raised by some business customers about their electricity tariffs, we instigated an inquiry in November 2009.

After an extensive process of research, involving discussions with a range of businesses, we published a report of our investigation in March 2010. The inquiry identified that there are significant differences between the attitudes and competencies of suppliers in respect of their communications with customers. It also became apparent that business customers do not fully understand the complexities of the electricity market. The prices paid by the customers in the investigation were compared with the underlying costs to the supplier. This showed that customer decisions about the timing of energy purchases have a very significant impact on their final price. The number of quotations provided by suppliers and the subsequent percentage of customers switching suppliers has increased as a direct result of the introduction of the SEM. As a result of the inquiry we intend to use our website to collate all of the information relating to electricity tariffs. We will also produce a 'Buyer's Guide' for business customers and templates for quotation comparison will be published

separately on our website. The information seminar for the tariffs to apply from 1 October will be brought forward to before the summer holiday period.

Helping consumers monitor their energy usage – smart meters

Smart meters are technology which can be used to help consumers monitor their energy usage. The potential for smart meters to support greater energy efficiency by consumers is significant. In addition, when supported by time of use tariffs the information provided by smart meters can significantly reduce the cost of electricity to all consumers.

During the past year we completed a review of the metering estate in Northern Ireland. This study had the purpose of giving a better understanding of the technical abilities and restrictions in our current metering facilities.

A trial of smart meters for electricity consumers is currently underway to assess the technological options for Northern Ireland. In addition to this, we have initiated work with a number of partners to assess the positive impact the installation of smart meters, supported by mentoring and



advice, can have on the cost of electricity to vulnerable consumers.

Demand response

We have started a joint review on Demand Response on the island of Ireland, with our colleagues in CER. The role of Demand Side Response can be defined as a change in behaviour from a range of decentralised demand and distributed generation types which should complement traditional supply-side solutions in power generation.

This work has included a review of international best practice, experience and benefits as well as a workshop held in Dundalk

in February with both industry participants currently involved in the electricity markets and other relevant groups. This has assisted in the development of the 'Vision' of where we could be in terms of Demand Response by 2020. A gap analysis for how current practices and plans on the island of Ireland compare to the 'idealised' 2020 Vision and the identification of a set of measures for going forward will be finalised through further stakeholder engagement and consultation over the summer.

4. Gas



Highlights

- Following our scrutiny of tariffs, domestic gas consumers in the Greater Belfast area are now paying the lowest standard tariff in the UK or Ireland.
- Our work to examine the potential of the Common Arrangements for Gas (CAG) approach to gas identified the potential benefits for consumers.
- We enabled further access to the natural gas network for consumers by approving an extension of the network.
- Cost reporting now means we can better understand the performance of distribution companies and allow benchmarking of costs.

Securing lower gas bills for consumers

A key part of our job is to protect consumers' interests by challenging utility companies to keep bills as low as possible. While acknowledging that factors, such as international wholesale fuel costs can significantly impact on consumer prices, our commitment is that we will challenge utility companies to reduce bills as soon as possible once costs fall.

During the past year, we have closely monitored wholesale gas markets throughout the year to ensure customers' tariffs reflect actual costs of Phoenix Supply Ltd (PSL).



As part of this process we reviewed PSL tariffs in September 2009 in consultation with stakeholders. Following our scrutiny, PSL announced a 19% reduction for domestic consumers. This reduction meant a £104 annual saving for the average domestic PSL customer and was in addition to the 22.1% reduction announced in January 2009. Consequently, domestic gas consumers were paying the lowest standard tariff available in the UK in spite of the fact that the transport costs are much higher in Northern Ireland.

Exploring the potential benefits to consumers of CAG

The CAG project is a joint project with CER and seeks to harmonise the operation of the gas transmission assets linking South West Scotland, Isle of Man, Northern Ireland and Republic of Ireland. The agreed Memorandum of Understanding (MoU) with CER sets out our shared vision 'whereby all stakeholders can buy, sell, transport, operate, develop and plan the natural gas market both north and south of the border effectively on an all-island basis.'

Further progress was made on CAG in the last year. An updated cost benefit analysis was published in April. This confirmed significant strategic benefits, including increased

investment in the gas industry and improved security of supply for the island of Ireland. In addition to this we have identified a monetary benefit of £10.6million to the island of Ireland, of which £4.1million relates to benefits to Northern Ireland. We have made significant progress working closely with the operators to consider the issues around producing a single transmission code for the island of Ireland.

Assessing the costs of gas distribution companies

We have instigated a cost reporting project with the gas distribution companies in Northern Ireland – Phoenix Natural Gas (PNG) and firmus energy. This project will create a consistent template for the distribution companies to report against on an annual basis.

The level of reporting will include detail on operating costs, capital costs and volumes. It will give us a clear view on the performance of the distribution companies and allow benchmarking of costs. It will also significantly ease our required workload and that of the distribution companies of the five year distribution price controls as much of the collation and analysis of information will now be in place through cost reporting.



We have engaged with PNG and firmus energy to understand the detail of how a template could be designed to meet our requirements while working with the detail of each company's costs. We have produced an initial template and presented to PNG and firmus energy. We are now working on testing the template to ensure it works effectively.

Addressing security of supply for gas in Northern Ireland

As well as short-term concerns, such as in relation to consumer prices, our job is also about ensuring that the Northern Ireland gas industry is fit for purpose into the future. In particular, Northern Ireland currently has no provision for the storage of gas.

When a number of parties expressed an interest in building gas storage facilities in the Larne area, we were keen to engage with potential investors. We have consulted with the industry throughout the year on these issues and taken on board their views in issuing a decision paper that gives potential investors a clear understanding of how they will be dealt with in their interaction with us.

As a regulator, any organisation wishing to develop a gas storage facility will require a licence from us. We have therefore set out clear criteria for how we will deal with applications for licences, licence conditions and third party access (TPA) issues i.e. the rules around which a storage operator must make their facility available to third parties.



Enabling the benefits of natural gas to other parts of Northern Ireland

We understand the benefits that access to natural gas provides for consumers. Bills for gas consumers have tended to be lower than those using home heating oil as natural gas is the lowest carbon-content fossil fuel.

For these reasons we have been supportive of efforts to provide greater access to the natural gas network, where it is economic to do so. Apart from our joint work with DETI to assess the feasibility of extending the natural gas network to the west of Northern Ireland, we have approved a further extension to Armagh City during the last year.

Extending the gas network to county Armagh City

As part of the project to extend gas to ten towns along the North West and South North Pipelines, Bord Gais Eireann (BGE) NI applied to us for £8.36million to extend the transmission network towards Armagh.

We examined each of the cost lines and used engineering expertise to ensure proposed costs were in line with international efficiency levels. Having assessed the economics of the extension, to ensure that it would not cost more than was prudent in the circumstances, we concluded that an efficiently developed extension should cost no more than £7.66million. This was the figure that BGE were allowed to develop the extension.

It is expected that the extension should be finalised in 2010, offering access to natural gas for households in County Armagh.

5. Retail



Highlights

- We have taken significant steps during the year to promote competition and provide choice for consumers.
- Our scrutiny of NIE Energy Supply's tariffs led to a 5% reduction from 1 October 2009.
- We have played a key role in informing the debate on options for helping vulnerable energy consumers.
- Our scrutiny of the NIE Energy Supply price control identified £1.65million savings for consumers.

Leading efforts to deliver competition and choice for consumers

A key element of our objectives is to encourage competition. We believe that consumers benefit from having a choice of utility provider and choice can be a driver of lower prices. That is why we made a decision to provide a further impetus to promoting competition over the last year.

We created a specific Retail directorate to drive forward efforts to promote competition and developed a work programme to support this goal which we call the 'Roadmap'. Recognising the all-island linkages of the Roadmap, we carried out two significant consultation and decision exercises jointly with CER in relation to electricity supply – regulated tariff structures and the role of 'K' factors. The outcomes from these will be included in our Roadmap consultation when it is published in early 2010-11.

In electricity specifically, we have taken steps to ensure that when a new supplier does enter the market, the optimal systems are in place to enable electricity consumers to change their supplier if desired.



Providing systems to help electricity consumers change their supplier

During 2009-10 we have worked with NIE and other stakeholders to ensure that the technical systems are developed to properly support a fully functioning and competitive electricity supply market in the future.

The current IT arrangements were planned in 2005-07. At that time, no companies were showing any interest in competing in the Irish domestic electricity sector (north or south) and some argued that the Northern Ireland market was inherently too small to support the fixed costs of retail competition.

Our approach was therefore to take proportionate action to advance retail competition, which in practice meant making the minimum feasible investment in switching systems at that time. Current technical interim systems are based on out-of-date technology systems and in addition have certain key limiting factors in relation to the competitive supply market – notably in relation to the degree of customer switching that can be supported.

We have been engaged in a comprehensive programme of work with NIE to ensure that an enduring system is developed and efficiently procured to replace obsolescent technical systems and allow a fully competitive supply market to be properly supported. This work is ongoing and the enduring system will go live early in 2012.

In addition, we have worked with CER and electricity suppliers and network companies across the island of Ireland to assess the optimal way forward in relation to harmonising retail processes, in relation to the market messaging systems and the associated business processes. A new forum for all electricity suppliers on the island



of Ireland to meet and discuss relevant issues with network providers and the two regulatory authorities has been created and is functioning well.

In an effort to promote transparency we also produced the first annual Energy Retail Report. This report offers information around the retail segments of the regulated energy sectors. It also includes significant general background sections to the energy sectors in Northern Ireland and to our work within those sectors.

Also, we have created a stakeholders group (Market Opening Senior Stakeholder Group – MOSSG) as a forum to discuss strategic and policy level issues that affect retail competition. The prime focus of the group in the early stage has been on competition in electricity supply.

We have also continued to play a lead role in facilitating the development of competition in the gas industry. The last year saw a significant increase in competition in the industrial and commercial (I&C) sector, including entry into the smaller I&C market for the first time.

The Gas Market Opening Group (GMOG) which we chair, has also made significant progress in preparing for gas competition in the domestic sector. We have reviewed a PNG proposal for upgrading their IT systems to allow greater switching capacity and have given approval for the project to proceed. This should facilitate new suppliers' entry into the domestic market and is due to be put in place in 2010-11.

Scrutinising the costs and prices of electricity suppliers

One of our core functions is to protect consumers by ensuring utility monopolies act efficiently. We played a key role scrutinising the autumn 2009 NIE Energy Supply (NIEES) tariff review for domestic consumers which resulted in a 5% decrease from 1 October. We also organised a briefing for key stakeholders in August prior to the tariff announcement and issued a comprehensive explanatory note in September detailing the analysis and rationale behind the tariff change.

During the year we also undertook a price control of NIEES to ensure that costs to consumers were minimised. Our scrutiny led to the identification of £1.65million savings in operating cost allowance.

Assessing the options for helping vulnerable energy consumers

Protecting vulnerable consumers is one of the strategic themes in our Corporate Strategy 2009-14. Achieving this objective involves several tasks and, among them, we were asked by the Fuel Poverty Taskforce to assess issues and options around energy affordability tariffs in Northern Ireland.

The issues involved are complex, but at the beginning of 2010 we launched a consultation on 'Assisting Vulnerable Customers with Affordability Tariffs', setting out high level policy options and questions around the introduction of 'affordability tariffs' within Northern Ireland's energy sector. This consultation paper provides an objective analysis for discussion of affordability concerns for vulnerable energy consumers.

Understanding consumer views

During 2009-10 we commissioned research aimed at collating and better understanding customer views on competition. This survey project has been undertaken jointly with CER on an all-island basis. We explored customer views on various aspects of their retail experience and thoughts – essentially with the objective of understanding customers' views on competition development and related aspects (e.g. tariff variability, appetite for switching suppliers, etc).

The fieldwork research included domestic as well as I&C customers, and the results can be compared and contrasted in Northern Ireland and the Republic of Ireland. The results of the research will be released early in 2010-11.

As a separate workstream, the Retail directorate led a project analysing electricity, gas and water customers' views of the Guaranteed Standards Schemes (standards of service in relation to utility services). The Consumer Council of Northern Ireland (CCNI) has participated in the initial and final stages of the project, providing us with helpful advice. This fieldwork has considered domestic and I&C customers. Results from the fieldwork and final reports will be ready early in 2010-11.

Consumer protection – our work with CCNI

We value the work we can do with CCNI in relation to consumer protection and better understanding of consumers' views on issues. This is especially important at a time when we are seeing the beginnings of domestic energy competition emerging. We work with CCNI in many areas through ongoing engagement and specific consultations. Examples include our projects on the review of NIEES regulated tariffs; NIEES price control exercise; our work this year on guaranteed standards scheme research; and our preparations for domestic market supply competition.

6. Water



Highlights

- Our first ever price control determination (PC10) was published, challenging NI Water to operate with lower costs while improving levels of performance.
- Our focus on ensuring that business customers are charged fairly was central to the approval of the Scheme of Charges 2010-11.
- We continued to monitor NI Water's progress on delivering undertakings relating to systems of planning and governance procedures driving improvement in data quality and reliability.
- We have ensured that improvements in NI Water's performance can be monitored objectively through monitoring and reporting an Overall Performance Assessment (OPA) score.



Delivering lower costs and improved levels of performance for consumers - PC10

A key milestone in our regulation of water and sewerage services was reached with the publication of our first price control for the period 2010-13, known as PC10. Our final determination on PC10 was published in February 2010, and set out the overall revenue requirement for NI Water over a three-year period. This will enable NI Water to deliver priorities for consumers and water quality and environmental improvements for the lowest reasonable cost. The price control outputs reflect the priorities set out in the Minister for Regional Development's Social and Environmental Guidance. This was informed by CCNI's consumer research the quality regulator's requirements,

and endorsed by the Northern Ireland Executive.

The publication of the PC10 marked the culmination of a period of extensive engagement with NI Water and principal stakeholders - including the Department of Regional Development (DRD), CCNI, the Drinking Water Inspectorate and Northern Ireland Environment Agency (NIEA). It also benefited from two consultations – the Minister for Regional Development's Social and Environmental Guidance and our PC10 draft determination.

Our PC10 determination focuses on delivering efficient and high performing water and sewerage services that consumers can have confidence in. We have established a clear baseline and set challenging efficiency

targets. Based on the level of investment we expect the company's OPA score to improve from 137 to 203 during the PC10 period.

Lower costs and better service – key PC10 numbers

- £91million of savings relative to NI Water's business plan is envisaged.
- a reduction in Government subsidy of £68million is also envisaged.
- customer bills will be £23million lower than projected.
- a £564million capital investment programme – an investment which is 47% higher per property (on average) than England and Wales.
- higher performance targets – improving the company's OPA – see below) from 137 to 203.

Ensuring business customers are charged fairly

We are required under the Water and Sewerage Services (NI) Order to approve NI Water's annual Scheme of Charges. The key purpose of this approval is to ensure charges are in line with the price limits determined through the associated price control, reflecting the delivery of services at lowest reasonable cost. Our review includes the review of charges for the supply

of drinking water, the collection, treatment and disposal of wastewater, road drainage and surface water, the treatment and disposal of trade effluent. We seek to ensure that there is no undue preference or undue discrimination by NI Water in setting charges.

Consultation with NI Water and CCNI on the Scheme of Charges 2010-11 began in September 2009 and our approval was given in March 2010. The Scheme of Charges 2010-11 is the first to be based on PC10. Our final determination set price limits (referred to as K factors) for five separate tariff baskets to ensure the correct revenue is raised from each customer group.

Enforcing systems of planning and governance procedures

We sought to and received undertakings (legally binding commitments) by NI Water, in January 2009, to address significant weaknesses in systems of planning and governance procedures. We have continued to monitor the company's progress in this area leading to the improvement of data quality and reliability.

We have now received three quarterly reports covering the period to December 2009 and will continue to actively monitor progress before we consider releasing NI Water from the undertakings.



Implications of NI Water procurement practices

NI Water have kept us fully informed and briefed in relation to its review and detailed investigations into procurement practices within the company. We are aware of actions being taken by the company and will await the completion of investigations and review of progress to address issues prior to considering any regulatory action in light of possible breaches of licence.



Monitoring NI Water's performance

We continue to require NI Water to submit an Annual Information Return (AIR09) from which we assess progress against key performance indicators as defined in the Strategic Business Plan (SBP) 2007-10. We also used the AIR09 to inform PC10 as it established a clear baseline and informed outputs.

We have not published a cost and performance report for 2008-09 as internal resources were committed to the delivery of PC10. A closure report for the SBP period will, however, reflect costs and performance for the 2008-09 year. We are continuing to monitor the company and will assess the reasons for any underperformance against targets. A key lesson learnt

from PC10 was the need for a clear baseline against which to monitor performance and a clear understanding of the links between this baseline and proposed expenditure.

As part of PC10, and in striving to set meaningful and realistic targets for the 2010-13 period, we continued to work with the company to ensure improvements in data are realised and that appropriate monitoring processes are developed. A regulatory submission for capital investment monitoring linked to output delivery has continued to be developed with the company. We also continue to monitor expenditure and delivery of key performance indicators and assess the company's OPA score.

Working with stakeholders and consulting the consumer

We have sought to work openly and constructively with stakeholders. Formal working groups were established as part of the price control and we are grateful to CCNI and NI Water for carrying out consumer research, which informed the process and to DRD for its Social and Environmental Guidance. We briefed Assembly committees, particularly the Regional Development Committee, on work activities and have responded to the Environment Committee in relation to their consideration of the NIEA's River Basin Management Plans associated with the delivery of the Water Framework Directive.

7. Energy efficiency, alleviating fuel poverty, sustainability and social action



Highlights

- Following a major review of the Energy Efficiency Levy Programme, the programme was re-launched as the Northern Ireland Sustainable Energy Programme (NISEP).
- We published our Social Action Plan 2009-12 in November which reflects our duty to protect vulnerable consumers.
- We began a major project on helping consumers to avoid/manage debt.
- Our work on fuel mix disclosure now means that electricity suppliers can now publish their fuel mix on their bills and compare it with the fuel mix for the island of Ireland.

Protecting vulnerable energy consumers – the Energy Efficiency Levy Programme

Since its introduction in 1997-98 the Energy Efficiency Levy Programme (EELP) has represented an important element of the Utility Regulator's duty to protect consumers, in particular those who are vulnerable, and also to carry out our functions in a manner best calculated to secure a diverse, viable and environmentally sustainable long-term energy supply.

The EELP continued to focus on vulnerable consumers with 80% of funding directed towards the fuel poverty sector (priority) and the remaining 20% to domestic and commercial non-priority schemes .

Supporting vulnerable consumers and promoting sustainability – the EELP 2008-09 in numbers

- Overall funding of £5,908,613.
- 21 schemes were supported.
- Total lifetime energy savings = 717.656 GWh.
- 149,037 tonnes of carbon savings.
- £58,501,419 gross consumer benefit savings.
- Total incentives earned = £1,445,523 of which £580,834 (40%) will be recycled into energy efficiency and/ or fuel poverty initiatives.





Review of the Energy Efficiency Levy Programme

Following a major review of the EELP and an ensuing public consultation, we decided to expand, re-brand and re-structure the programme. The new name, NISEP, reflects the fact that it now covers renewable energy as well as energy efficiency. We also decided to expand the number of organisations permitted to participate (e.g. organisations other than licensed energy suppliers will be invited to bid for funding from September 2010). Our desire to promote participation led to a widening of the number of initiatives eligible for funding. Funding is now also available for renewable energy

measures and additional innovative measures will be encouraged. Finally, in order to increase transparency, we also decided that a greater effort should be made to ensure that consumers who benefit from the programme are aware of where the funding originates.

Our decisions are now being implemented. The adoption of the NISEP branding for the programme is now complete. The early signs are encouraging regarding the number and type of bidders for the programme in the year commencing 1 April 2010.

A co-ordinated approach to protecting vulnerable utility consumers – the Social Action Plan

We completed our Social Action Plan and began work on implementing the plan.

Our Social Action Plan has two main strands. The first strand focuses on removing barriers and providing services so that they are more accessible to vulnerable consumers such as pensioners, the chronically sick and disabled. As part of the Social Action Plan we found that while there is a reasonable provision of services for vulnerable consumers with specific needs, awareness of the services available is low. During



the year we consulted with a number of stakeholder organisations including those representing groups listed in Section 75 of the Northern Ireland Act. We also held a workshop with these groups in order to promote greater awareness of access provisions for consumers with specific needs.

The second strand of the Social Action Plan focuses on financial vulnerability. We continue to contribute to the work on reducing financial vulnerability. For example through regulating utility suppliers to ensure only efficient costs are passed through to consumers; promoting competition in energy markets; encouraging more efficient use of energy and water; and contributing our expertise to the debate on issues such as social tariffs.

More widely, we have contributed to efforts to tackle fuel poverty in Northern Ireland. As mentioned earlier in this report, we have played a key role in informing the debate on options for helping vulnerable energy consumers. We have assumed an active role in the Northern Ireland Fuel Poverty Advisory Group, which brings together statutory and voluntary agencies to discuss ways of tackling fuel poverty in Northern Ireland.

We also began a major new project on ensuring that supplier procedures and codes of practice on debt are aimed at helping utility consumers to avoid debt and where debt occurs to manage their way out of debt. This has included meetings and workshops with key stakeholders and research into the specific experiences of Northern Ireland consumers who have either experienced debt or worry about utility arrears.

Supporting renewables development

The Utility Regulator has statutory responsibility for administering the Northern Ireland Renewables Obligation (NIRO).

The NIRO is a statutory requirement on electricity suppliers to source an increasing portion of their electricity from renewable sources. The amount of the NIRO in Northern Ireland for 2008-09 was 3%. In Scotland, England and Wales it was 9.1%.

Suppliers demonstrate that they have met their obligation to source electricity from renewable sources by submitting Renewable Obligation Certificates (ROCs), which are issued to renewable generators for each MWh generated and then passed on to suppliers.

Where suppliers are unable to meet their obligation by producing ROCs they must pay a buyout price into a fund. The buyout price for the 2008-09 year was £35.76 per MWh. Each year the buyout fund is 'recycled' to those suppliers who have submitted ROCs in proportion to the number of ROCs submitted. This has the effect of increasing the value of ROCs to a level above the buyout price. The amount of buyout recycled per ROC presented was £18.61. The total value of a ROC to a supplier or generator equals the value of the buyout plus the value of the recycle payment (i.e. £54.37 for the year 2008-09).

Within the year 2008-09, 248 additional generating stations in Northern Ireland received accreditation to claim ROCs, which was 18% of the UK total (more than Scotland or Wales). The total number of Northern Ireland ROCs issued for this year was 619,125; a 44% increase on last year's figure of 431,052.

Almost 96% of ROCs issued in Northern Ireland went to on-shore wind generating stations. Although nearly half of accredited generating stations are PV (Photovoltaic-solar panels), they produce less than 0.1% of generation.

The Climate Change Levy Exemption Scheme

We continue to manage and administer the Climate Change Levy (CCL) scheme, issuing Levy Exemption Certificates (LECs) to accredited generators across the island of Ireland.

The CCL is a tax on energy used by businesses. In relation to electricity, the CCL requires suppliers to charge commercial customers (i.e. business not domestic, governmental or charitable customers) an extra 0.47p per kWh (i.e. £4.70 per MWh). The UK government uses the levy to fund a national insurance contribution break and energy saving programs. Electricity produced from designated renewable and good quality combined heat and power sources is exempt from CCL and is issued with exemption certificates which can be bundled with the power when sold to a supplier.

In order to provide assurance on the compliance arrangements associated with the CCL scheme, we appointed Action Renewables in the last year to audit participating generating stations and further audits are planned for the coming year.

Providing fuel mix information in customer bills

Under Article 3(6) of Directive 2003/54/EC, Member States are required to ensure that electricity suppliers specify in or with bills and in promotional materials made available to final customers, the contribution of each energy source to the overall fuel mix of the supplier over the previous year. In addition, suppliers are required to provide at least a reference to existing sources of information regarding the environmental impact resulting from the electricity produced by the fuel mix of the supplier in question over the same period.

Fuel mix disclosure is a benefit to consumers because it empowers them to make choices based on the environmental impact of the electricity they purchase.

Acting in conjunction with CER, as the regulatory authorities, we have determined how the above requirement can be met in the SEM. We have agreed with CER an interim calculation methodology for dealing with fuel mix disclosure. Based on the interim methodology electricity suppliers on the island of Ireland have been provided with their fuel mix and the average SEM pool mix for comparison purposes. The information is available on our



website and suppliers include it in their bills. We are now working with CER and DETI on an enduring calculation methodology based on guarantees of origin and generator declarations. This enduring solution will be agreed with DETI as part of the implementation of European Directive 2007/72/EC concerning common rules for the internal market in electricity.

8. Effective and efficient regulator



Highlights

- We developed our mission, vision and values and implemented our own competence and performance management framework.
- Our first set of accounts prepared to International Financial Reporting Standards in shadow form were produced and audited.
- Our rate of sickness absence is among the lowest in the Northern Ireland public sector at just under 2%.
- We have successfully rolled out a programme to enhance internal communications.
- Efforts by us to comply with prompt payments of bills have achieved a high degree of compliance with 98% of bills being paid within 10 days.

We aim to do our job by maximising our resources to deliver a consistently high level of performance. In doing this, we take account of the principles of best practice regulation – proportionality, consistency, transparency and targeting as well as government accounting standards

Making the best use of our resources

Our finances

We are a non-ministerial government department, and funds are voted by the Northern Ireland Assembly and accounted for on an annual basis through the Resource Account. The published accounts are available from the Stationery Office or can be downloaded from our website (www.uregni.gov.uk). A commentary on the Utility Regulator's financial position for the year ended 31 March 2010 is set out in Appendix 1.

In summary, the cost of running the Utility Regulator in the financial year ended 31 March 2010 was £6,635,000 and net costs (after taking account of the fee income received from licensed businesses in the electricity, gas and water sectors) amounted to £293,000 against the Spring Supplementary Estimate

position of £331,000, resulting in a saving against estimate of £38,000. Our net resource Delegate Expenditure Limit budget outturn was within 1.1% of budget.

Most costs are recouped from annual fees paid by electricity, gas and water licensees. For the financial year ended 31 March 2010, licence fees were collected as set out in Table 1 below.

**Table 1:
Licence Fees by Utility**

	Total Licence Fees (000s)
Electricity	2,973
Gas	1,469
Water	1,900

In addition, we are responsible for collecting fees on behalf of CCNI and its costs in carrying out the duties assigned to it by the Energy Order and Water and Sewerage Order. Costs for the financial year ended 31 March 2010 totalled £941,461, of which £194,082 was attributed to electricity, £145,562 to gas and £601,817 to water.

Developing our staff

Our aim is to be an employer of choice and to support the development of our staff. At the 31 March 2010, we had a complement of approximately 70



full time employees, around eight of whom were seconded from DETI and DFP.

Our priorities have included developing and embedding our competence framework, effective performance management and development arrangements, and reviewing human resources policies and processes to ensure that they support business objectives and take into account the needs and aspirations of our staff. Much of this work has been progressed in conjunction with our Staff Representation Committee.

Performing effectively as a regulator

Forward Work Programme

Our Forward Work Programme (FWP) sets out projects and activities that we want to deliver each year. Overall we achieved or partially achieved 88% of the time limited tasks listed to be completed within the 2009-10 year.

Appendix 2 sets out in detail the FWP projects and activities for 2009-10 and a status report on the achievement of these.

Appeals, complaints and disputes

We have continued to work closely with stakeholders to resolve issues raised by consumers. During the year, the process for dealing with appeals, complaints and disputes was reviewed and the relevant directorate now takes the lead in dealing with industry specific complaints.

Freedom of Information

We are committed to providing public access to information about our work. During the year we placed a Guide to Information on our website which is intended to assist members of the public identify information that we hold that is routinely published.

In 2009-10 year we received 13 requests under the Freedom of Information Act. All requests were responded to within the statutory period prescribed by the Freedom of Information Act.

Absence management

Initiatives such as the Employee Wellbeing Month held in March 2010 have been designed to ensure that absence remains as low as possible by equipping staff to maintain a healthy work life balance. Over the last year, sickness absence was 1.9% or an average of 4.7 days per employee compared to a UK-wide public sector rate of 11 days per employee (NISRA Analysis of Sickness Absence in NI Departments published 30 September 2009).

Corporate governance

Accountability

The Utility Regulator is accountable to the Northern Ireland Assembly through financial and annual reporting obligations.

We have an obligation to make an annual report on energy and water which is laid before the Assembly. Decisions taken by us are subject to external review if referred appropriately, notably by the Competition Commission Appeals Tribunal on compensation cases.

The DFP appoints the chairman of the board and, in conjunction with him, the seven other members of the board all of whom, apart from the chief executive, are appointed by DFP. During the year the chairman and five other board members were appointed for a further term.

The chief executive is appointed by the board but is also appointed as a member of the board and as the Accounting Officer by DFP. We have statutory duties, as set out in relevant legislation, including the Water and Energy Orders, enforceable by action for breach of statutory duty or judicial review.

We can also be called to give written or oral evidence to various Assembly Committees.

Audit

The statutory annual accounts, which have been prepared in accordance with International Financial Reporting Standards for 2010-11, are audited by the Northern Ireland Audit Office (NIAO) and will be published separately in Autumn 2010. In addition, a set of accounts prepared to International Financial Reporting Standards in shadow form were audited by NIAO during the year.

The internal audit service is tendered through open competition and is currently provided by Tribal Consulting. The report for 2009-10 highlighted evidence of continuing improvement across the areas tested. These included financial reporting, contract procurement and the management of statutory duties and price control work. These developments have contributed to an overall assurance rating of 'Substantial' for 2009-10. Any outstanding audit recommendations will be acted upon as a matter of priority in 2010-11.

Payment Policy

We are committed to the prompt payment of bills for goods and services. In the current economic climate, and in line with other Northern Ireland departments, we are committed to payment of undisputed invoices within 10 days and have met this target in all but one month since the target was introduced in 2009.

Equality

We are fully committed to the promotion of equality and in ensuring compliance with relevant statutory legislation. We continue to monitor our equality policies and practices for compliance with Section 75 of the Northern Ireland Act 1998.

Communication

We continued to take steps to improve internal and external communication during 2009-10.

Our stakeholder engagement programme delivered activities which gave us more opportunities than ever to reach out to a range of different organisations. A seminar series on the theme of 'Investing in the Future' continued to be well-supported, both in terms of the speakers that participated and the range of organisations attending.



We also were pro-active in making sure that important aspects of our work were communicated as widely as possible. For example, we produced a range of information materials to support our communication on the energy tariff and NI Water PC10 announcements and delivered our key messages across a range of local news media.

Building on the findings from a survey of staff, we developed a plan for enhancing internal communications. A range of initiatives have been rolled out, including a monthly core brief and an enhanced intranet (called the Utility Room) as key outputs.

Evidence of the success of our communications initiatives continues to be demonstrated by consumer research.

Recognition of us has almost tripled in the past three years (40% of those questioned, for instance, correctly associated the Utility Regulator with a range of responsibilities). A majority of respondents continue to express confidence in our ability to carry out our work, and there is recognition of the importance of our work. For example 91% of those questioned thought it was important that there was independent regulation of water and sewerage services.

Landbank

Landbank consists of the portfolio of land used or held for generating purposes and is managed by NIE, under direction by us, on behalf of consumers, as a condition of its transmission and distribution licence.

The major Landbank project during 2009-10 concerned the decommissioning of the redundant oil fired generating facility at Coolkeeragh. This project has been completed on schedule and within budget. We are represented on the project board and, in addition, meet with NIE on a monthly basis to discuss the management of the estate more generally.

Our board and board sub-committees

Our board met nine times during 2009-10. A review of board effectiveness was initiated during the year and has facilitated a useful discussion on opportunities to enhance the effectiveness of the board. It is expected that a programme for enhancing the board's effectiveness will be rolled out early in 2010-11.

The senior management team continued to meet weekly. A key initiative during the last year has been several development days which have provided an opportunity for the senior management team to consider how performance might be further improved.

The Audit Committee met on four occasions during the year. Its membership is entirely non-executive and comprises James Oatridge (Chair), Etain Doyle, Chris Le Fevre and Clive Elphick, supported with attendance by members of the executive team by invitation. The Committee's annual timetable of business continues to provide a structured approach to ensure that key elements of the control environment are regularly reviewed for effectiveness. The Committee has been active in developing risk management. The NIAO attends the Audit Committee's meetings as a matter of course.

The Remuneration Committee met six times during the year to contribute to pay policy matters affecting directly recruited staff. The Committee's membership is entirely non-executive. From 1 March 2010, Chris LeFevre and Alan Rainey joined Etain Doyle (Chair) and Philip Johnson. The chairman, Peter Matthews, also attends.

Board Advisory Groups (BAGs) for water and energy (covering electricity and gas) meet bi-monthly. Membership comprises non executive directors (with relevant utility experience) and senior staff working in the utility directorates. They continue to provide a useful vehicle for detailed technical scrutiny of key policy issues and inform the decision-making processes at board level.

The SEM Committee meets on a regular basis to take decisions in respect of the exercise of relevant functions of CER or the Utility Regulator in relation to a SEM matter on behalf of each regulator. Northern Ireland's current SEM Committee members, appointed by DETI, are Iain Osborne (CEO), Dermot MacCann (Senior Price Control Advisor and former Director of Electricity) and Alan Rainey (board member).



Appendix 1: Financial report

Central Government financing

Amounts of £293,000 in respect of the financial year end 31 March 2010 were borne by central government in respect of expenditure on areas not covered by current licences such as the management on behalf of HM Customs and Excise of the CCL Exemption scheme, the Electricity (Guarantees of Origin of Electricity Produced from Renewable Energy Sources) scheme, the Renewables Order (Northern Ireland) 2005 scheme and notional costs.

Accounts

The Operating Cost Statement shows that salary costs rose in line with the increase in staff numbers and inflation from the previous year - £4,101,000 for 2009-10 against £3,545,000 for 2008-09.

The percentage of staff costs to total costs has risen from 55% in 2008-09 to 62% in 2009/10. This reflects the increase in staff towards the approved complement and a reduction in new staff costs.

The Utility Regulator's gross expenditure in pursuit of its objectives as detailed in the Statement of Operating Costs by Departmental Aim and Objectives (see Table 1 below) was as follows.

Table 1: Expenditure by Objective

	2009-10 (£000s)	2008-09 (£000s)
Objective A (electricity)	3,089	2,765
Objective B (gas)	1,551	1,538
Objective C (water)	1,995	2,110

More detailed financial information on costs can be found in the Utility Regulator's Resource Accounts.

The Operating Cost Statement (the public sector equivalent of an Income and Expenditure Account) and a schedule setting out the Utility Regulator's financial performance in pursuit of objectives are set out below at tables 2 and 3. These figures were subject to final audit at the time of publication of this report.

Table 2: Operating Cost Statement

	2009-10 (£000s)	2008-09 (£000s)
Programme Costs		
Staff Costs	4,101	3,545
Other (Non-Staff) Costs	2,534	2,868
Total Costs	6,635	6,413
Operating Income	(6,342)	(6,122)
Net Operating Cost	293	291

Table 3: Costs by Objective for the year ended 31 March 2010

	2009-10 (£000s)			2008-09 (£000s)		
	Gross	Income	Net	Gross	Income	Net
Objective A To promote competition in the generation and supply of electricity and to protect the interests of electricity consumers with regard to price and quality of service.	3,089	(2,973)	116	2,765	(2,641)	124
Objective B To promote the development and maintenance of an efficient, economic and coordinated gas industry and to protect the interests of gas consumers with regard to price and quality of service.	1,551	(1,469)	82	1,538	(1,454)	84
Objective C To protect the interests of water and sewerage consumers with regard to price and quality of service, where appropriate, by facilitating competition in the supply of water and the provision of sewerage services.	1,995	(1,900)	95	2,110	(2,027)	83
Total	6,635	(6,342)	293	6,413	(6,122)	291

Appendix 2: Progress against Forward Work Programme targets 2009-10

Lead	Strategic theme	Projects	Actions to develop in 2009-10	Status report	Ref
Joint (All)	Monopoly Regulation	GSS	1. Water: Review introduction and timing of GSS following output from the Executive consultation. 2. Gas: Engage with DETI on legislation requirements for GSS. 3. Complete survey research. 4. Update GSS for electricity.	1. Achieved 2. Achieved 3. Achieved 4. Revised	1
Joint (All)	Monopoly Regulation	Price control	Price control for mutualised entities.	Achieved	2
Joint (G/E)	Monopoly Regulation	Purchasing strategies	Review the economic purchasing obligations of regulated companies.	Partially achieved	3
G	Monopoly Regulation	Price control	Finalise work on creating a better process for monitoring network development and costs between price controls.	Partially achieved	4
E	Monopoly Regulation	Price control	SONI price control for period commencing 1 April 2010.	Revised	5
E	Monopoly Regulation	Price control		Ongoing	6
E	Monopoly Regulation	Price control	SEMO price control for period commencing 1 October 2009.	Achieved	7
W	Monopoly Regulation	Price control customer views	1. Work with statutory stakeholders and in particular CCNI to ensure and confirm that NI Water's PC10 Business Plan reflects the views of its customers. 2. Publish and consult on draft determination.	1. Achieved 2. Achieved	8 8
W	Monopoly Regulation	Price control Utility Regulator and NI Water information exchanges	1. Review and analyse NI Water's PC10 Business Plan submission to be delivered on 1 June. 2. Publish and consult on draft determination August 2009. 3. Publish final determination December 2009. 4. Develop and agree monitoring plan for PC10 by March 2010.	1. Achieved 2. Achieved 3. Achieved 4. Ongoing	9

Lead	Strategic theme	Projects	Actions to develop in 2009-10	Status report	Ref
W	Monopoly Regulation	Price control value for money	1. Benchmark performance both in terms of standards of service and in terms of efficiency. 2. Set challenging efficiency targets for both operational and capital spend. 3. Establish principles of regulation to incentivise NI Water to outperform and deliver for the consumer.	1. Achieved 2. Achieved 3. Achieved	10
W	Monopoly Regulation	Water regulation	1. Render NI Water licence fit for purpose: amend Condition B: Charges. 2. Review licence for Water Resale Order.	1. Achieved 2. Revised	11
Joint (G/E)	Monopoly Regulation / Sustainability	Connection policy review	1. Review Phoenix distribution and firmus distribution connection policies, taking into consideration any sustainability issues. 2. Examine the electricity connection policy in relation to embedded generators connection to the elementary grid and consult on way forward.	1. Achieved 2. Achieved	12
Joint (All)	Monopoly Regulation / Sustainability	Price control	Cross directorate group work on price control principles including as necessary sustainability issues. Also to include work on assessing the implications of the current financial crisis for regulation in Northern Ireland.	Partially achieved	13
W	Monopoly Regulation / Sustainability	Price control Ministerial Guidance	1. Work with other statutory stakeholders to inform the development of the Minister for Regional Development's consultation on Ministerial Social and Environmental Guidance. 2. Upon receipt of social and environmental ministerial guidance, issue to company and ensure that NI Water's PC10 Business Plan reflects the ministerial guidance issued.	1. Achieved 2. Achieved	14
Joint (G/E/CA)	Sustainability	Contributing to wider government policy	1. Work with DETI and regulated companies in respect of interpretation and implementation of the DETI Strategic Energy Framework (SEF). 2. Work with DETI, at the appropriate time, to help develop policies in relation to the renewable heat in Northern Ireland	1. Partially achieved 2. Revised	15
Joint (E/CA)	Sustainability	Fuel mix disclosure	Establish effective system for fuel mix disclosure.	Achieved	16

Lead	Strategic theme	Projects	Actions to develop in 2009-10	Status report	Ref
Joint (G/Legal)	Sustainability	Gas storage conditions.	Work with DETI on creation of storage licence.	Achieved	17
Joint (All)	Sustainability	Keeping our own house in order	Set up staff group to gain staff buy in for improving our energy efficiency and reducing our impact on the environment.	Achieved	18
Joint (G/E)	Sustainability	Smart metering	Liaise with DETI on cost-benefit analysis to determine smart metering implementation policy. Consider the best way to factor in the benefits of smart metering in the provision of tariff and usage information to customers and also back to suppliers and network operators.	Partially achieved	19
Joint (G/E)	Sustainability	Publishing more evidence	Consult on energy annual report.	Achieved	20
Joint (CA/Legal)	Sustainability	Renewables	Consider implications of the draft of Renewables Directive 2009.	Achieved	21
Joint (W/Legal)	Sustainability	Urban waste water treatment	Bi-annual or quarterly Monitoring of Urban Waste Water Treatment Regulations and Enforcement	Ongoing	22
G	Sustainability	Gas development	Engage with government and stakeholders to examine the feasibility and options to accelerate the roll-out of gas, both in existing and new areas. Consider further extension of the gas transmission network that could bring gas to new parts of Northern Ireland.	Partially achieved	23
W	Sustainability	Price controls	PC10 – consideration of the following aspects as reflected in NI Water's PC10 Business Plan and as already discussed with statutory stakeholders and reflected in Ministerial Guidance: <ul style="list-style-type: none"> • Educational funding to support the efficient use of water. • Schemes to reduce energy consumption and associated carbon footprint while delivering a better whole life cost. • Sustainable urban drainage systems. • Carbon accounting. • Climate change. 	Achieved <i>These aspects were considered in the context of PC10 but will be further developed for future price controls.</i>	24

Lead	Strategic theme	Projects	Actions to develop in 2009-10	Status report	Ref
W	Sustainability	Water resource management	1. Review of NI Water's water resource management strategy contained with PC10 Business Plan submission. 2. Review of leakage methodologies and targets for achieving an economic level of leakage.	1. Achieved 2. Achieved	25
W	Sustainability	Review performance	Consider and develop monitoring and benchmarking processes for performance against sustainability indicators.	Ongoing	26
W	Protection	Enforcement	As appropriate if company data is inadequate or its performance is poor.	Achieved	27
W	Protection	Review of regulatory accounts	1. Review of NI Water regulatory accounts after submission on 15 July 2009. 2. Monitor and analyse accounting policies.	1. Achieved 2. Achieved	28
W	Protection	Annually review and approve NI Water Scheme of Charges	1. Consider approval of NI Water's Scheme of Charges - process October 2009 to February 2010. 2. Publish report on NI Water Scheme of Charges.	1. Achieved 2. Revised	29
E	Protection / Sustainability	Social tariffs	Complete initial work on social tariffs and consult on options.	Achieved	30
W	Protection / Sustainability	Annual reporting	1. Issue and publish annual reporting information return guidance to NI Water – 31 March 2009. 2. Analyse NI Water AIR09 to be submitted on. 3. Publish annual cost and Performance Report January 2010. 4. Review annual land disposal return.	1. Achieved 2. Achieved 3. Revised 4. Achieved	31
W	Protection / Sustainability	Monitoring performance	1. Quarterly capital investment monitoring. 2. Monitor and report on NI Water emergency planning and incident reporting.	1. Partially achieved 2. Partially achieved	32
CA	Protection / Sustainability	Encouraging energy efficiency	Implement decisions from the review of EELP.	Partially achieved	33

Lead	Strategic theme	Projects	Actions to develop in 2009-10	Status report	Ref
CA	Protection / Sustainability	Social action and fuel poverty	Finalise and implement Social Action Plan, continue to contribute to wider policy development in relation to fuel poverty through involvement in fuel poverty advisory group and interdepartmental group on fuel poverty.	Achieved	34
Joint (G/E)	Competition	Branding separation	Begin policy development on branding separation in electricity and gas.	Partially achieved	35
Joint (G/E)	Competition	Data availability	1. GMOG and SIG to finalise list of data availability issues and action plan to address (this having already been extensively discussed). 2. Consultation on any necessary licence changes.	1. Achieved 2. Achieved	36
Joint (E/Legal)	Competition	PPA contracts	Review and consult on case for cancellation of PPA contracts with earliest cancellation date of 1 November 2010.	Achieved	37
Joint (G/E)	Competition	Long-term customer contracts and incumbent response		(Project action for 2010-11 rather than 2009-10)	38
Joint (G/E)	Competition	Metering		(Project action for 2010-11 rather than 2009-10)	39
Joint (G/E)	Competition	Overall programme	1. Consider the impacts of our retail competition action plan on consumers and industry. 2. First annual Retail Market Report.	1. Achieved 2. Achieved	40
Joint (G/E)	Competition	Procurement/ tariffs	1. Complete review of K factors and tariff structure (gas and electricity). 2. Consult on alternative approaches to regulation of supply tariffs. 3. Decision document on revised approach to supply tariff regulation. 4. Implement necessary licence changes.	1. Achieved 2. Revised 3. Revised 4. Revised	41
Joint (G/E)	Competition	Switching systems	1. Work with GMOG to develop a system specification and review options to deliver it. Delivery on timetable as appropriate. 2. Plan implementation of enduring solution in electricity.	1. Achieved 2. Achieved	42

Lead	Strategic theme	Projects	Actions to develop in 2009-10	Status report	Ref
E	Competition	Procurement/tariffs	Consider further regulatory action to promote a more developed secondary (hedging) market in electricity.	Achieved	43
Legal	Competition	Concurrency working party	Develop relationships with OFT, Ofgem, Ofwat on competition matters on quarterly basis.	Achieved	44
CA	Competition	Protection of customers		(Project action for 2010-11 rather than 2009-10)	45
Joint (E/Legal)	Harmonisation	SEM	1. Monitoring bidding activity to effectively tackle any danger of dominance/market abuse (each year). 2. Work up complaints procedures for competition/bidding/market complaints in the SEM.	1. Achieved 2. Partially achieved	46
G	Harmonisation	Progressing CAG workstreams	Implementation of project plan, consider legislative requirements, begin drafting of new codes, licences, contracts where necessary, and monitor impact of NTS Exit Reform.	Revised	47
E	Harmonisation	Security of supply	Commence in conjunction with DETI, DCENR and CER the production of long-term arrangements for security of supply on an all-island basis.	Achieved	48
E	Harmonisation	Wind in the SEM	Development and implementation of policy on dispatch and payments.	Partially achieved	49
E	Harmonisation	Capacity payment mechanism	Review capacity pot calculation.	Partially achieved	50
E	Harmonisation	Access charging and treatment of losses	Develop and implement with CER: arrangements for harmonisation of Generator Transmission Use of System (GTUOS) and loss adjustment factors.	Partially achieved	51
E	Harmonisation	T&SC compliance and development	Explore with CER feasibility of alignment of trading settlement code and tariff years.	Achieved	52

Lead	Strategic theme	Projects	Actions to develop in 2009-10	Status report	Ref
Joint (E/CA)	Harmonisation /Sustainability	Demand response	Review our policies on demand response and work with CER to develop a coherent set of arrangements covering smart grids, demand response, smart metering, aggregation of generation and demand reduction, and energy efficiency.	Partially achieved	53
E	Harmonisation /Sustainability	Grid developments	Work closely with network owner and DETI to ensure the planning and delivery of a grid development strategy for Northern Ireland and the implementation of the necessary network investments.	Partially achieved	54
Joint (G/E/Legal)	Regulatory Framework	Application of competition law	Revised guidance on application of competition law powers (market investigations/competition investigations etc) to NI electricity industry.	Partially achieved	55
Joint (G/E/Legal)	Regulatory Framework	EU issues	Review finalised third package and consider implementation issues.	Achieved	56
Joint (G/E/Legal)	Regulatory Framework	EU issues	Monitor and enforce regulation 1228/2003.	Partially achieved	57
Joint (G/E)	Regulatory Framework	EU issues	Participate in regional initiatives and directive consultations.	Achieved	58
Joint (G/Legal)	Regulatory Framework	Gas licences review.		(Project action for 2010-11 rather than 2009-10)	59
G	Regulatory Framework	Supplier last resort	Develop implementation plan.	Achieved	60
W	Regulatory Framework	Act on outcome from executive consultation	1. Work with statutory stakeholders to interpret and implement necessary changes. 2. Develop programme to amend licence and action as necessary.	1. Partially achieved 2. Partially achieved	61
W	Regulatory Framework	Communication and education	1. Consider approach to promote water efficiency 2. Regular briefing with DRD Minister and DRD Committee.	1. Ongoing 2. Achieved	62

Lead	Strategic theme	Projects	Actions to develop in 2009-10	Status report	Ref
Legal	Regulatory Framework	Legislative Forum	Establish solid footing for horizon scanning legislative developments with DETI.	Achieved	63
Joint (E/Legal)	Regulatory Framework / Sustainability	Private networks connections for renewables	Examine the electricity grid connection policy in relation to embedded generators connecting to the electricity grid and consult on the way forward.	Partially achieved	64
CA	Organisational	Good governance	1. Deliver internal audit plan, progress in equality action plan and consider board effectiveness. 2. Finalise internal best practice guidelines on consultation, such as the use of pre-consultation and expected time limits for consultation (including those set by the Cabinet Office).	1. Achieved 2. Achieved	65
CA	Organisational	HR processes	Embed HR strategy including competence, performance and pay and reward frameworks, and implement key HR policies.	Achieved	66
CA	Organisational	Regular publications	1. Lay annual resource accounts in NI Assembly before July recess. (Each year) 2. Publication of Annual Report by September. (Each year in September). 3. Annual FWP. (Each year)	1. Achieved 2. Achieved 3. Achieved	67
CA	Organisational	Stakeholder communications	Produce and deliver Communications Plan for 2009-10 covering: • Crisis communications plan. • Stakeholders engagement. • Further enhancement of online communications.	Achieved	68
CA	Organisational /Sustainability	Procurement	Finalise the Utility Regulator's approach to procurement, taking into consideration the new guidelines issued by the Equality Commission on equality of opportunity and sustainable development in public procurement in NI.	Partially achieved.	69



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