Annex 1

Forward Work Programme

April 2010 – March 2011

March 2010

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1. Background

1.1. The Utility Regulator has a statutory duty to consult on and publish a forward work programme (FWP) before the commencement of each financial year, setting out the projects (other than those comprising routine activities) that we intend to undertake in that year. This paper sets out our FWP for 2010-11.

1.2. We have finite resources to deliver our statutory duties and functions and to contribute to the delivery of policy objectives set by Government. This requires us to carefully consider, consult on and then select those actions which we consider to be priorities for inclusion in our FWP. In that light, this FWP includes inputs from all Directorates within our organisation, and takes into account our Corporate Strategy 2009-14, the comments made at the stakeholders Workshop (held in December 2009) and the responses received on the draft FWP consultation, launched in October 2009.

1.3. The FWP consultation concluded in January 2010. Nineteen responses were received, and these have been taken into consideration in finalising the FWP. Key themes from the consultation responses included:

- regulatory approach – advocating a consistent and transparent approach as possible in our work (e.g. carrying out price controls);
- encouraging collaboration – a general encouragement for us to be collaborative and to work in partnership on key workstreams;
- promoting competition – encouraging us to promote and advance competition in energy;
- network development – welcoming our role in supporting network development (e.g. the expansion of the natural gas network)
- market development – encouraging the Regulator to advance initiatives to support an effective and sustainable energy market (e.g. the incentivisation of generators for new investment).

1.4. We have amended a number of our FWP targets to take account of consultation responses that we have received. It is recognised that there may be significant unforeseen events during 2010-11 that will require our urgent attention. We are committed to responding nimbly and professionally to these and to re-prioritise our Workplan should we consider it necessary. For instance, we will amend our strategy and workplan, as appropriate, to deliver on the policy decisions resulting from DETI's Strategic Energy Framework (SEF).

1.5. Given the need to look forward beyond one year, for example because many of our work areas will span more than one year, we also give an early indication of our proposed work projects for 2011-12 and 2012-13. We hope this is helpful to our stakeholders, as well as having useful work planning and scheduling benefits for us internally.

1.6. Within the context of our Corporate Strategy, we aim to use our FWP to progress a number of key strategic areas over the coming year, including:

- the protection of consumers through effective regulation of monopoly utility companies by applying our regulatory scrutiny to drive efficiencies and promote enhanced level of services (e.g. through Guaranteed Standards of Service). We propose to enhance our regulatory framework through a broadly based review of price control methodologies;

- promoting sustainability and security of supply through working with utility companies to take account of the environmental impact of the services they provide (e.g. requiring companies to report on carbon emissions) and assessing options for optimising the existing energy infrastructure;

- protecting vulnerable customers by implementing our Social Action Plan and contributing to wider Governmental initiatives, as appropriate, on fuel poverty;

- advancing retail and wholesale competition by removing barriers to potential entrants and reviewing existing arrangements to promote value for consumers (e.g. by reviewing the long-term contracts of electricity generating units);

- harmonizing arrangements to deliver benefits for Northern Ireland consumers (e.g. the potential arising from Common Arrangements for Gas on the island of Ireland);

- a greater focus on the potential for us exercising our competition powers and the need to take account of the wider European legislative context;

- developing as an organisation by enhancing our human resources policies and processes and taking the opportunities to deliver on specific governance areas.

1.7. The detailed planned actions within our FWP are presented in tabular format later in this paper.

2. Turning strategy into action - sectoral priorities

2.1 Our strategic priorities are set out in our Corporate Strategy for 2009-14. In summary they are:

A. Protecting consumers by ensuring utility monopolies act efficiently.

B. Environmental sustainability and security of supply.

C. Protecting vulnerable consumers.

D. Boosting competition in wholesale and retail sectors.

E. Harmonising energy markets and use of infrastructure.

F. Evolving our regulatory framework.

G. Our own organisational development.

2.2 In the following section we outline how those priorities set the framework for the planned work of our individual Directorates in 2010-11.

Water

2.3 Our primary water duties, as outlined in the Water and Sewerage Services (NI) Order 2006, are:

- to protect consumers' interests;
- to ensure NI Water carries out its functions properly; and
- to ensure that NI Water is able to finance its functions.

2.4 In order to achieve this we have, over our first three years as water regulator, focussed on developing a suitable regulatory framework through which we can liaise with Northern Ireland Water (NI Water) and which would lead to the establishment of a formal regulatory contract between the two organisations. The system developed centres around two main data set submissions; the Annual Information Return (AIR) received from the company each July and the Business Plan initially covering the three year period from April 2010 to March 2013 (PC10) and every five year period thereafter. The first regulatory contract for the water industry in Northern Ireland will take effect from April 2010.

2.5 In looking to the future we will be establishing a monitoring regime to ensure that the company delivers all of the outputs funded in the Price Control 2010 final determination, with associated reporting on an annual basis. Development of PC13 will involve early engagement with principal stakeholders on significant issues affecting the water industry including political and strategic circumstances of the day, climate change, security of supply, sustainability, leakage and water resource management plans.

2.6 The more detailed workstreams discussed below reflect our Corporate Strategy themes.

Protecting consumers by ensuring utility monopolies act efficiently

2.7 To protect consumers and promote their interests we will monitor and report on the company's progress against outputs funded in the final determination and reflected in the monitoring plan. The backbone of this monitoring will be the AIR and Capital Investment Monitoring (CIM) submissions which include information about consumers, assets, financial performance and progress on the capital investment programme. These submissions are used to measure performance levels resulting in an Overall Performance Assessment (OPA) score for the company. This, in turn, facilitates benchmarking with similar companies across the water industry in the UK. The submissions culminate in our annual Cost and Performance report.

2.8 Under our primary duty to protect consumer interests, and in accordance with our statutory duties, we approve the company's annual scheme of charges. This process ensures fair and equitable tariffs for all consumer categories including the subsidised domestic category.

2.9 We will also work with our cross-directorate team to ensure knowledge and information is shared across the organisation and price controls are carried out in the most efficient and effective manner.

Environmental sustainability and security of supply

2.10 In pursuit of securing the sustainability of the water industry in Northern Ireland in the longer term we will require NI Water to prepare a 25-year strategic direction statement to inform both consumers and the price control. The statement will set out NI Water's expected challenges, needs and broad investment requirements over the next 25 years, together with its proposals for mitigating the impacts of investment on costs of delivering services. It will also address the anticipated impact of climate change on NI Water's operation, the need to reduce carbon emissions and anticipated changes in legislation e.g. the Water Framework Directive, as well as future maintenance needs.

2.11 We will also be requiring NI Water to report on carbon emissions in the annual information return.

Protecting vulnerable consumers

2.12 Although responsibility for determining and implementing the affordability tariff for water and sewerage customers rests with the Department for Regional Development and the Northern Ireland Executive we continue to be active in protecting vulnerable consumers.

2.13 Our duty to approve the company's annual scheme of charges allows us to investigate the potential for cross subsidies between individual consumer categories and where necessary to direct the company in the removal of any such occurrences. The result of this is a more equitable charging regime across customer categories in accordance with Condition E of the company's licence.

2.14 As set out in the Water and Sewerage Services (NI) Order 2006 we will have regard to the interests of individuals who are disabled or chronically sick; individuals of pensionable age; individuals with low incomes and individuals residing in rural areas. Section 75 of the NI Act also requires us to consider other groups such as children. We seek to secure improvements in service delivery to vulnerable customers through our monitoring of customer service and serviceability of the company's infrastructure. This is achieved through the regulatory processes and also in consultation with vulnerable customers and their representative organisations.

Boosting competition

2.15 We keep a watching brief on the development of competition in GB, as required under our secondary duties set out in the Water and Sewerage Services (NI) Order 2006.

Evolving our regulatory framework

2.16 We have already begun to develop the process of fine-tuning the regulatory framework through close consultation with key stakeholders and the company. NI Water will be expected to submit a strategic direction statement early in the PC13 process and to complete the development of its Water Resource Management Plans as specified in the Minister for Regional Development's Social & Environmental guidance for the PC10 process. We will review the PC10 process and continue to apply industry best practice through the five pillars of the government's better regulation policy which states that regulation should be Proportionate, Accountable, Consistent, Transparent and Targeted.

2.17 We will continue work in partnership with the Department of Regional Development, CCNI and the Quality Regulator's (DWI and NIEA) to ensure that customer priorities are addressed and that funded programmes to meet the Department's Social and Environment Guidance are delivered. Because of the continuing role of public subsidy, effective collaboration is important so as to enable each partner to carry out its role effectively.

Gas

2.18 The Utility Regulator's principal objective to promote the gas industry in Northern Ireland has resulted in significant developments over the last five years. This has included the construction of the South North and North West pipelines and the associated development of gas network in the ten towns outside the Greater Belfast area.

2.19 The next five years offers further opportunity to develop the industry. The priorities for the directorate in the coming year will be to progress the harmonisation of the industry on an all-island level, assuming legislation is approved, which should facilitate the potential for storage facilities and improve the attractiveness of the NI market to competing suppliers. We will also prioritise the development of a more structured and robust approach to monopoly price controls with the finalisation and bedding in of a detailed cost reporting matrix to provide improved scrutiny and transparency on network costs. This will allow consideration to be given to how the next price controls can effectively be structured.

2.20 The more detailed workstreams discussed below have been organised consistently with our Corporate Strategy themes noted earlier.

Protecting consumers by ensuring utility monopolies act efficiently

2.21 We currently expect to implement the Phoenix Distribution Price Control from 2012 and the next firmus Distribution Price Control from 2014, although we will review in the coming year whether to align these timetables. This will require intensive work on costs, incentives and policies from 2010. We plan to have a consistent set of cost reporting standards for both companies agreed in advance of the price control process. We will also work with our cross-directorate team to ensure knowledge and information is shared across the organisation and price controls are carried out in the most efficient and effective manner.

2.22 Other work in this area will include the implementation of guaranteed service standards for the first time in the Northern Ireland gas industry and we will be working with the Department of Enterprise Trade and Investment (DETI) to ensure the legislation and implementation timetables are synchronised.

Environmental sustainability and security of supply

2.23 We will continue to work with DETI and other stakeholders to promote the environmental benefits of gas compared to other fuels. This will include further analysis of the possibilities of extending the network to other parts of Northern Ireland as well as consideration of schemes and programs that could encourage increased take up of gas within gas services areas.

2.24 The increasing interest of companies looking to develop the Larne area for gas storage has highlighted the need to ensure a relevant regulatory structure is in place in a timely fashion. We will work with the industry and department to develop a licence structure and tariff regime that will facilitate such projects.

Protecting vulnerable consumers

2.25 According to the Gas (NI) Order 1996 we will have to regard to the interests of individuals who are disabled or chronically sick; individuals of pensionable age and individuals with low incomes. Section 75 of the NI Act also requires us to consider other groups such as children. We seek to secure improvements in service delivery to vulnerable customers through our monitoring of monitoring of licence conditions and codes of practice. This is achieved through the regulatory processes and also in consultation with vulnerable customers and their representative organisations.

Boosting competition

2.26 Following our consultation and decisions on energy retail competition, we will work in conjunction with our new retail unit to deliver the work plan commitments relevant to developing energy retail competition. Progress on this is limited by resource availability and we will target our resources at priority areas.

2.27 The Gas Market Opening Group (GMOG) will continue to work with the industry and stakeholders to identify and remove barriers to the development of competition. The period will include work on implementing appropriate IT systems to allow for an efficient switching mechanism. As discussed above, these developments will be considered alongside CAG work to ensure an optimal structure for consumers.

Harmonising energy markets and use of infrastructure

2.28 We will continue to work with the Commission for Energy Regulation (CER) to deliver harmonisation of gas arrangements which deliver real benefits for consumers. Much work has been done on the Common Arrangements for Gas (CAG) project to design a harmonised tariff and operations regime. This work will be progressed to implementation if a legislative timetable is established. In these circumstances CAG work will concentrate on transmission issues in the year ahead with potential harmonisation of the retail sector on the island to be considered in future subject to resource. If a legislative timetable is not established we will consider our options for NI only solutions to gas transmission issues.

Evolving our regulatory framework

2.29 We are keenly aware of the importance of EU developments with respect to the gas industry both in the short term through the third package and in the long term through the goal to move to a single gas market in Europe. We will continue to carefully target resources in monitoring and influencing such developments.

Electricity

2.30 The Utility Regulator's principal objective with respect to electricity is to protect the interests of consumers, wherever appropriate by promoting effective competition. A key focus over the last four years has been the establishment of the Single Electricity Market (SEM), designed to promote the creation of a competitive, sustainable and reliable market in wholesale electricity in Northern Ireland and Ireland. In parallel we have encouraged greater competition at the retail level with completion of non-domestic market opening 2005 followed by domestic market opening in November 2007. Our directorate will be working in conjunction with our new retail unit to deliver the work plan commitments relevant to developing energy retail competition.

2.31 The challenge over the coming years is to ensure that the SEM continues to meets its objectives through the provision of a stable market with transparent and equitable trading arrangements. Many of the work streams in this plan will be completed in partnership with CER in accordance with the forward work plan of the SEM Committee. Measures of success of this work plan will be increased competition and new investments in generation with an appropriate balance between conventional fossil fuel and renewable technologies. A significant challenge, both at the Northern Ireland and at the all-island level, with be the development of effective retail competition particularly for domestic and small business consumers. Experience of more than ten years in the larger Great Britain market has shown that the development of retail competition at the domestic level in not without its difficulties and we will need to learn from this experience in our relatively small market (even when considered at the all-island level).

2.32 The more detailed discussion below has been organised to reflect the Strategic themes discussed earlier in this document.

Protecting consumers by ensuring utility monopolies act efficiently

2.33 We will be implementing a new transmission and distribution (T+D) Price Control for Northern Ireland Electricity (NIE) from 1 April 2012. This will require intensive work over the next two years scrutinizing and agreeing investment, financing and operating costs and establishing appropriate price controls. We see this as a priority project and we will divert resources from other projects if this becomes necessary. We will also be completing a new Price Control for the Market Operator for the period commencing 1 October 2010 and for the System Operator of Northern Ireland (SONI) for the period commencing 1 April 2010. Our intention is to move to price control periods of at least three years as soon as possible. We will work with our cross-directorate team to ensure knowledge and information is shared across our organisation and price controls are carried out in an efficient and effective manner.

2.34 Other work in this area will include the review of guaranteed service standards and we will be working with DETI to ensure compliance with legal requirements.

2.35 We will carry out a policy review on whether the existing statutory and regulatory standards in relation to quality of supply are reasonable, particularly in rural areas, or might in any respect benefit from strengthening.

Environmental sustainability and security of supply

2.36 We will liaise with DETI on identifying any outstanding technical issues and agree proposal for assessment to allow detailed cost benefit analysis. This will utilise studies carried out in GB and RoI, as well as learning from NI trials already under way. Consideration will also be given to any distinctive Northern Ireland circumstances including the considerable investment in key-pad meters as well as the scope for synergies emerging from any decisions on the further roll-out of gas and introduction of water metering (subject to Northern Ireland Executive decision on IWRP recommendations).. Consideration will also be given to any all-island synergies based on the analysis and trials in RoI.

2.37 In conjunction with CER and DETI we will review our policies on demand response with the aim of developing a coherent set of arrangements covering smart grids, demand side management/smart meters, aggregation of generation and demand reduction and energy efficiency.

2.38 We will work closely with industry to set an appropriate regulatory framework for delivery of a Grid Development Strategy for Northern Ireland.

2.39 We will work with DETI, the Department of Communication, Energy and Natural Resources (DCENR) and CER to develop long-term arrangements for security of supply on an all-island basis.

Protecting vulnerable consumers

2.40 We will have regard to the interests of individuals who are disabled or chronically sick; individuals of pensionable age, individuals with low incomes and individuals in rural areas. Section 75 of the NI Act also requires us to consider other groups such as children and minority ethnic groups. We seek to secure improvements in service delivery to vulnerable customers through our monitoring of monitoring of licence conditions and codes of practice. This is achieved through the regulatory processes and also in consultation with vulnerable customers and their representative organisations.

Boosting competition

2.41 We will work with DETI to implement the requirements of the new Internal Market for Energy 3 (IME3) Directive.

2.42 We will continue to work with CER under the aegis of the SEM Committee to ensure the effective operation of the SEM, including ongoing market monitoring to address the potential for market abuse.

2.43 Following recent consultation, on the dispatch and pricing of wind in the SEM, we will decide if any changes to the Trading and Settlement Code are appropriate.

2.44 We will consider whether or not cancellation of Power Purchase Agreements, which can be cancelled from November 2010, is in the interests of consumers, in light of consultations carried out during 2009-10.

2.45 In light of our recent experience of extreme market volatility in fuel prices and currency movements we will continue to review the purchasing and hedging strategies of NIE Power Procurement Business (NIE PPB) and NIE Energy Supply (NIE ES).

2.46 Following our consultation and decisions on energy retail competition, we will work with CER and our Retail Directorate to develop and implement a strategy, where feasible, to develop more effective arrangements for electricity retail competition on the island. We will also work with suppliers to determine the best forum to meet their needs with respect to tariff setting as well as the wider development of a competitive retail market.

2.47 We will begin to consider options for the NIE Land Bank including leasing or disposal of assets.

2.48 We will review our regulatory framework with a view to facilitating private network development and connections wherever appropriate.

2.49 We will consider and consult on the findings of our current inquiry into the operation of the electricity market for business consumers and then decide on appropriate actions.

Harmonising energy markets and use of infrastructure

2.50 Working with CER, we will complete and implement our review of harmonised Transmission Use of System (TUoS) charges and Transmission Loss Adjustment Factors (TLAFs).

2.51 We will also explore with CER the feasibility of alignment of the Trading and Settlement Code and tariff years.

2.52 With CER we will conduct a medium term review of the Capacity Payment Mechanism (CPM) in the SEM.

2.53 We will continue to work with the France and UK Interconnector (FUI) Group and Ofgem to enable better alignment of the SEM and British Electricity Transmission and Trading Arrangements (BETTA) markets. In the short term, we will work to improve short term trading arrangements on the Moyle interconnector.

McIldoon Report

2.54 In November 2008 we published a report by the former energy regulator Douglas McIldoon, whom we had commissioned to review the electricity tariff setting process. Although the report found that process to be robust, Mr McIldoon made a number of recommendations about wider regulation, and about energy policy. We published in February 2009 an open letter to Mr McIldoon indicating how we intended to take forward his recommendations[1].

2.55 A number of his recommendations related to wider energy policy and so were not for the regulator. We have referred this to DETI, for consideration as part of the review of the Northern Ireland Strategic Energy Framework. The majority of the regulatory recommendations are addressed in this FWP:

- a number related to the operation of the SEM, and particularly the capacity mechanism. These recommendations are addressed in the review of this mechanism (action 55). Mr McIldoon also called for a review of how the cost of constraints was borne. We have addressed this by focusing on incentives for effective all-island transmission operation and dispatch (through the SONI price control, action 6);
- Mr McIldoon called for improvements to the mechanism by which NI suppliers can buy forward. The last year has already seen some improvements (e.g., introduction of a trading screen) but this issue remains on our agenda (actions 50 and 52). It will also appear on the work programme that the SEM Committee will publish for the coming year;

[1] http://www.niaur.gov.uk/uploads/publications/UR_Response_to_Douglas_McIldoon_Review.pdf

- In the retail markets, Mr McIldoon called for the creation of a wider range of regulated tariffs. As our open letter made clear, we see value in tariff innovation and would expect this to be one of the benefits from the development of retail competition for households. Substituting regulation for competition seems likely to stifle the development of competition, and we therefore do not intend to pursue these recommendations in the short term.

Retail

2.56 Competition has long been at the heart of the EU, UK and Northern Irish vision of energy markets. A range of steps at all three levels have sought to promote wholesale and retail energy market competition. As regards the energy retail sector in Northern Ireland, the statutory remit given to the Utility Regulator places a high value on competition as a means to deliver consumer benefits.

2.57 After identifying some overlap between work in gas and electricity on retail competition, and with the aim of eradicating a number of significant barriers that can potentially hinder market entry and competition, the Utility Regulator created a specific Retail Unit at the start of 2009. The new Retail Unit will specifically work in a cross directorate way with our electricity and gas directorates.

2.58 The 2010-11 work plan of the Retail Unit has been developed on the basis of broad thinking on the regulatory approach across the relevant retail issues and in light of the different consultations issued during 2009 and their outcomes (i.e. consultations on Energy Retail Competition Work Programme, on the Review of K factors & Supply Margins and on the Tariff Structure Review).

Protecting consumers by ensuring utility monopolies act efficiently

2.59 Significant work has already been undertaken in the Retail Unit to protect customers, particularly in terms of leading the research on customers' views on Guaranteed Standards Schemes across all regulated utilities. Once those views have been assessed and the results passed through the correspondent Directorates to take forward sectoral specific issues - including a review of electricity standards and the introduction of new gas and water standards at the appropriate time. (We do not intend to introduce water GSS unless the NI Executive decides that households should pay water charges.) We also plan to review and consult on whether there is the need for any further measures to protect customers from potential improper behaviour from suppliers. Possible consumer research on this topic may be undertaken in 2010.

Protecting vulnerable consumers

2.60 Whilst the Utility Regulator does not have a statutory remit to address fuel poverty, we do have certain statutory responsibilities which specifically relate to the protection of consumers. Over the next year we will continue to participate in the debate on the options for the introduction of extra help for vulnerable customers in relation to their energy costs.

2.61 Depending on the decisions reached after the relevant consultation on affordability tariffs (launched in Jan 2010), we may move onto a subsequent piece of analysis. Work during 2010 with and by key stakeholders would be required to produce a more refined option analysis and assessment.

2.62 The issues involved here are many, complex and interwoven. To address them, there is a need of political direction, and then for delivery mechanisms and legal instruments to be put in place. So timelines for any future implementation would only be known after detailed analysis of the options has been conducted.

Boosting competition

2.63 Enhancing effective competition in energy supply is the core target of the Unit. To do so, several project elements will be pursued in the coming workplan year:

- Progressing implementation of the enduring solution for the electricity switching;
- Ensuring transparency and accuracy in regulated electricity tariff setting and the relevant cost inputs will be a key aspect of the workplan;
- Implementing in our regulatory regime measures emerging from the Retail Roadmap thinking carried out in autumn 2009;
- We will finalise plans for full branding separation in the electricity sector;
- We will work to ensure, in collaboration with GMOG and Suppliers Implementation Group (SIG) and relevant internal teams, that market opening structures operate effectively;
- Ensuring that customers are sufficiently protected in an increasingly competitive supplier environment and that for example supplier codes of practice are fit for purpose.

Harmonising energy markets and use of infrastructure

2.64 We are currently working with CER, the network companies North and South and suppliers to asses the optimal way forward in relation to harmonising retail processes, notably in relation to market messaging.

Evolving our regulatory framework

2.65 Retail will work with the Cross Directorate Group to ensure a co-ordinated and timely implementation of the customer/retail aspects of the EU 3rd package. This will require high co-ordination internally and with DETI and industry stakeholders.

Corporate Affairs

2.66 Alongside the Utility Regulator's four regulatory Directorates – water, gas, electricity and retail – we have a Corporate Affairs (CA) Directorate which is responsible for: environmental and social matters; strategy development; communications; finance, HR, IT, facilities and aspects of complaints and disputes handling.

2.67 As regards non-routine elements, we report here briefly on the highlights of key future priority work areas for this Directorate. Our key actions under the relevant strategic themes are outlined below.

Environmental sustainability and security of supply

2.68 We will work with DETI and Ofgem to ensure that the existing schemes - NI Renewables Obligation (NIRO), the Climate Change Levy (CCL) and Renewable Energy Guarantees of Origin (REGOs) - continue to operate smoothly alongside SEM mechanisms.

2.69 We will consolidate the interim solution on Fuel Mix Disclosure and work with DETI and CER to develop the enduring solution for Fuel Mix Disclosure - taking into consideration the Renewables Directive 2009/28/EC.

2.70 Policy formation in relation to renewable and community heat and the monitoring of its impact on regulated companies will be advanced in collaboration with DETI and other stakeholders as necessary.

2.71 Following our review of the Energy Efficiency levy programme during 2009-10, we will consult on phase two of the implementation of the programme (now called the Northern Ireland Sustainable Energy Programme).

Protecting vulnerable customers

2.72 During 2009 we completed an extensive consultative process and produced our Social Action Plan 2009-2012. During 2010 we will continue with implementation of this plan, most notably, developing work on helping customers to avoid debt, continuing to communicate effectively with disadvantaged groups.

2.73 As noted elsewhere above, the impact of energy price issues on vulnerable consumers particularly have generated a wider debate about addressing fuel poverty. We will work with Government and other stakeholders, including those who are experiencing fuel poverty, to ensure that fuel poverty issues are being effectively targeted and addressed where we can positively influence them.

Organisational development

2.74 We will continue to advance the development of our organisation during 2010-11.

2.75 Our commitment to good governance will see us implement actions emerging from the review of board effectiveness. We will review our compliance with new guidance issued by the Equality Commission.

2.76 The aspiration of coherent and transparent communications will be further advanced through the development and delivery of a new stakeholder programme, which forms a key part of our overall Communications plan for the organisation.

2.77 A key aspect of our developing organisation is a focus on being a best practice employer. Having already made significant progress during 2009-10 through the development of key human resource policies and systems, we intend to advance this work further during 2010-11. In particular, we will be progressing a programme for HR policy development in conjunction with the Staff Representative Committee, and intend to review the operation of the performance management framework. We will also seek to further develop our ICT infrastructure.

Chief Executive's Office

2.78 During 2010-11 there are several specific areas of work that we be advanced through the Chief Executive's Office under the evolving our regulatory framework theme. (The Chief Executive's Office includes our legal team as well as senior policy advice and administrative resource).

Evolving our regulatory framework

2.79 The Utility Regulator is unique in the UK in regulating three separate network monopoly industries. We will undertake work in the coming year to capture synergies from this scope through a cross-directorate work programme on price controls. The overall objective of this work will be to develop across the Utility Regulator an approach to price controls which ensures consistency (where appropriate) as well identifying useful thinking from both internal and external sources with a view to ensuring optimal efficiency in the application of the price control process.

2.80 Perhaps unlike any other public authority in Northern Ireland, we hold an ever-increasing range of responsibilities governed directly by European law. Recognising this increasingly important dimension to our work we intend to deploy new resource in this area over the coming year and beyond.

2.81 We are designated as a National Competition Authority (NCA) for the industries we regulate. This means we are empowered with a toolkit of specialist UK and EU competition law capabilities, which we hold concurrently with the Office of Fair Trading (OFT) in London. These powers are entirely different to our regulatory toolkit as an economic regulator. We have seldom had cause to explore using such powers, primarily given the historic lack of competitive markets in Northern Ireland. With the advent of SEM, this has changed, and accordingly, the time is right to start incorporating this dimension of our work into forward work planning.

3. Our FWP actions

3.1. The Utility Regulator has finite resources to deliver our statutory duties and functions and to contribute to the delivery of policy objectives set by Government. This requires us to carefully consider and select those actions which we consider to be priorities for inclusion in our Forward Work Programme (FWP). Through extensive consultation and discussion in 2008, internally and externally, we have developed the following table of FWP actions that we intend to pursue in 2010-11. We also give an indication of our business plans for the following two years to allow stakeholders an early view of our intended actions in the more medium term.

3.2. Key to table:

E	Electricity Directorate
G	Gas Directorate
W	Water Directorate
R	Retail Unit
CA	Corporate Affairs Directorate
CEO/Legal	Chief Executive's Office /Legal
Strategic Themes, as set out in our Corporate Strategy:	
Monopoly regulation	A] Protecting consumers by ensuring utility monopolies act efficiently.
Sustainability	B] Environmental Sustainability and Security of Supply
Protection	C] Protecting vulnerable consumers
Competition	D] Boosting competition in wholesale and retail sectors
Harmonisation	E] Harmonising energy markets and use of infrastructure
Regulatory Framework	F] Evolving our Regulatory Framework
Organisational	G] Our own Organisational development

Lead	Strategic theme	Projects	Actions to develop in 2010-11	Actions to develop in 2011-12 & 2012-13	Ref
R	Monopoly Regulation	Electricity Supply Price Control	Complete 2010-11 Supply Price control. Progress analysis on further tranches of deregulation. Begin work on longer term Price Control to be in place by end March 2011. Include work on risk and margin.	Ensure implementation of longer term control starting 1st April 2011.	1
Joint Action (R/G)	Monopoly Regulation	Electricity & Gas tariffs approvals	Ensure transparent and accurate approval of regulated supply tariffs.	Ensure transparent and accurate approval of regulated supply tariffs.	2
E	Monopoly Regulation	GSS	Develop and review Guaranteed Standards of Service (GSS) for electricity.	Implement and monitor the GSS for electricity.	3
G	Monopoly Regulation	GSS	Implement GSS in line with legislation after reporting on customer research in 2009-10.		4
W	Monopoly Regulation	GSS	Develop GSS as appropriate.	Implement and monitor GSS if the NI Executive decides to introduce domestic charges.	5
E	Monopoly Regulation	SONI Price Control	Finalise SONI Price Control for period commencing 1 October 2010. Determine associated tariffs.	Monitor SONI Price Control for period commencing 1 Oct 2010	6
E	Monopoly Regulation	T and D Price Control	Commence detailed work on T&D Price Control for period commencing 1 April 2010 - approaches paper, review of RP4, data collection, detailed project plan.	Finalise T&D Price Control for period commencing 1 April 2012.	7
E	Monopoly Regulation	SEMO Price Control	Finalise Single Electricity Market Operator (SEMO) Price Control for period commencing 1 October 2010. Determine associated tariffs.	Monitor SEMO Price Control for period commencing 1 Oct 2010.	8

Lead	Strategic theme	Projects	Actions to develop in 2010-11	Actions to develop in 2011-12 & 2012-13	Ref
E	Monopoly Regulation	Rural quality of supply	Review adequacy of rural quality of supply		9
G	Monopoly Regulation	Price Control	Implementation of cost reporting. Consider future of Phoenix Supply Limited (PSL) price control.	Finalise PSL price control. Continue work on BGE (NI) price control.	10
G	Monopoly Regulation	Price Control	Begin work on Phoenix Distribution Price Control 2012. Decision on alignment of price controls.	Finalise Phoenix Distribution Price Control.	11
W	Monopoly Regulation	Price Control Customer Views	Work with CCNI and NI Water to refine the approach for obtaining and incorporating customer views in PC13.	Confirm appropriateness of customer research process and its application to PC13.	12
W	Monopoly Regulation	Price Control UR and NI Water Information Exchanges	Develop and consult on approach to PC13.	Engage with statutory stakeholders in the implementation of the PC13 programme.	13
W	Monopoly Regulation	Price Control Value for Money	Review data requirements, trends and methodologies for benchmarking NI Water. Develop robust foundation for setting challenging efficiency targets for Opex and Capex in PC13.	Implement methodology and efficiency targets through the PC13 process.	14

Lead	Strategic theme	Projects	Actions to develop in 2010-11	Actions to develop in 2011-12 & 2012-13	Ref
W	Monopoly Regulation	Water regulation	Keep NI Water Licence under review to maintain fitness for purpose amending where necessary.	Keep NI Water Licence under review to maintain fitness for purpose amending where necessary.	15
CEO	Monopoly Regulation / Sustainability	Price control	Cross-directorate group to feed into Price Control work. Review (commenced 4th Qtr 2009) of price controls on a cross-utility basis.	To review customer protection in light of different financing models and financial crisis. Complete review and consider optimal arrangements for managing price controls within the Utility Regulator on optimal basis. Decision and implementation of review	16
W	Monopoly Regulation / Sustainability	Price Control Ministerial Guidance	Work with other statutory stakeholders to inform the development of the Minister for Regional Development's social and environmental guidance for PC13.	Upon receipt of social and environmental ministerial guidance, issue to company and ensure that NI Water's PC13 Business Plan reflects the ministerial guidance issued.	17
CA	Sustainability	Continue to operate effective administration of the LEC/ROC and REGO systems.	Work with Ofgem to further develop options for the administration of both LECs and Renewable Energy Guarantees of Origin system (REGOs).	Continue effective admin. Further Audits	18

Lead	Strategic theme	Projects	Actions to develop in 2010-11	Actions to develop in 2011-12 & 2012-13	Ref
CA	Sustainability	Contributing to wider government policy	1. Work with DETI in respect of interpretation and implementation of the DETI Strategic Energy Framework (SEF). 2. Work with DETI to help develop policies in relation to the renewable heat in Northern Ireland.		19
CA	Sustainability	Fuel Mix Disclosure	Work with DETI and CER to develop enduring solution for Fuel Mix Disclosure.	Finalise enduring solution with DETI and CER and, if appropriate, review the format of environmental information on bills. Review bill format for provision of environmental information while accounting for SMART metering requirements.	20
G	Sustainability	Gas development	Progress work on accelerating gas connections in serviced areas. Consider options for extension of gas network. These will both be progressed as part of the Gas Strategic Development Group.		21
G	Sustainability	Gas Storage	Work with stakeholders to facilitate transparent storage regulatory framework		22
CA	Sustainability	Keeping our own house in order	Identify actions to improve our own energy efficiency and impact on the environment.	Review progress.	23

Lead	Strategic theme	Projects	Actions to develop in 2010-11	Actions to develop in 2011-12 & 2012-13	Ref
W	Sustainability	Price Controls	Monitor NI Water's performance on PC10 sustainability commitments. Engage with key stakeholders in the development of sustainability strategies for NI Water in PC13.	Implement sustainability strategy through PC13 process. Review 25 year strategic direction statement within NI Water's draft business plan submission for PC13.	24
CA	Sustainability	Renewables	Work with DETI to review support mechanisms for renewable generation	Implement outcome	25
CA	Sustainability	Renewables	Work with DETI to progress implementation of the Renewables Directive		26
G	Sustainability	Security of Supply		Implement European Gas Security of Supply Regulation	27
G	Sustainability	Security of Supply	Consider econometric demand inputs into capacity statement/pressure report.		28
Joint Action (E/G)	Sustainability	Smart Metering	Identify any outstanding technical issues and agree proposal for assessment to allow detailed cost benefit analysis in electricity. Gas to work within smart metering group to assess potential for gas smart meters.	Consultation and decision on SMART metering requirements within NI. Liaise with DETI on options for SMART metering deployment.	29

Lead	Strategic theme	Projects	Actions to develop in 2010-11	Actions to develop in 2011-12 & 2012-13	Ref
W	Sustainability	Water Resource Management	Engage with DRD in the development of requisite regulations for Water Resource Management Plans to secure commencement as appropriate following the outcome of the Executive's consultation (subject to implementation of the consultation). Give consideration to leakage methodologies and ELL calculation (subject to provision of water resource strategy).	1. Inclusion of NI Water's water resource management plan in Regulatory Information Guidelines for PC13 Business Plan Submissions. 2. Inclusion of leakage methodologies and targets for achieving an economic level of leakage in the Regulatory Information Guidelines.	30
W	Sustainability	Review Performance	Consider and develop monitoring and benchmarking processes for performance against sustainability indicators in conjunction with statutory partners (ongoing throughout 2010/11).	Implement sustainability indicators through the PC13 process.	31
E	Protection	Business bills inquiry	Publish results of current inquiry into business bills, consider and consult on regulatory responses		32
W	Protection	Data quality and information systems	Monitor improvement in NI Water's accuracy and reliability of information.	Review annually within AIR.	33

Lead	Strategic theme	Projects	Actions to develop in 2010-11	Actions to develop in 2011-12 & 2012-13	Ref
W	Protection	Review of Regulatory Accounts	1. Review of NI Water Regulatory Accounts after submission on 15th July. 2. Monitor and analyse accounting policies (ongoing throughout 2010-11).	1. Review of NI Water Regulatory Accounts after submission on 15th July. 2. Monitor and analyse accounting policies.	34
W	Protection	Annually Review and Approve NIW Scheme of Charges	1. Consider approval of NIW Scheme of Charges – Process. 2. Publish Report on NI Water Scheme of Charges.	1. Consider approval of NIW Scheme of Charges – Process Oct to Feb each year. 2. Publish Report on NI Water Scheme of Charges.	35
W	Protection / Sustainability	Annual Reporting	1. Issue AIR Guidance (AIR 11) to NIW April 2010. 2. NIW Submit Annual Information Return 15th July 2010. (AIR10) 3. Publish Annual Cost and Performance Report December 2010. 4. Review annual land disposal return.	1. Issue AIR Guidance to NIW. 2. NIW Submit Annual Information Return. (AIR11 and AIR12) 3. Publish Annual Cost and Performance Report. 4. Review annual land disposal return.	36
CA	Protection / Sustainability	Encouraging energy efficiency	Implement the Northern Ireland Sustainable Energy Programme (NI SEP) and consider enhancements.	Keep NI SEP under review.	37

Lead	Strategic theme	Projects	Actions to develop in 2010-11	Actions to develop in 2011-12 & 2012-13	Ref
W	Protection / Sustainability	Monitoring Performance	1. Quarterly Capital Investment Monitoring (each financial quarter). 2. Monitor and report on NI Water emergency planning and incident reporting as required.	1. Quarterly Capital Investment Monitoring. 2. Monitor and report on NI Water emergency planning and incident reporting as required. 3. Review Procurement Plan.	38
CA	Protection / Sustainability	Social action and fuel poverty	Implement year two Social Action Plan (SAP) commitments – raising access awareness, progress actions to help consumers avoid / manage debt, work with s75 groups and undertake appropriate research.	Review SAP.	39
R	Protection / Sustainability	Affordability tariffs	Consider and implement way forward in light of 2009-10 consultation.	Consider and implement way forward in light of 2009-10 consultation.	40
Joint action (R/E/G)	Competition	Branding separation	Finalise plans for full branding separation in the electricity sector. Investigate branding implications for gas sector from Third Package.	Ensure all energy sectors branding issues are Third Package compliant.	41
Joint action (R/E/G)	Competition	Effective Market Opening Structures	Ongoing work in collaboration with GMOG and SIG and relevant internal teams to ensure market opening structures (switching, change of supplier) operate effectively and to ensure necessary data transparency to allow new suppliers access to the data they	Ongoing work in collaboration with GMOG and SIG and relevant internal teams to ensure market opening structures (switching, change of supplier) operate effectively and to ensure necessary data transparency to	42

Lead	Strategic theme	Projects	Actions to develop in 2010-11	Actions to develop in 2011-12 & 2012-13	Ref
			need to compete effectively.	allow new suppliers access to the data they need to compete ffectively.	
R	Competition	Electricity systems to enhance competition	Systems implementation: Stage 3 implementation of ESOS project to implement long term electricity switching process.	Systems implementation: finalise implementation of electricity switching process.	43
R	Competition	Electricity systems to enhance competition	Progress work with CER, NIE and ESB, including engagement with all-island suppliers, to establish effective harmonized retail processes and to ensure their implementation in parallel to the overall ESOS project.	Progress work with CER, NIE and ESB, including engagement with all-island suppliers, to establish effective harmonized retail processes and to ensure their implementation in parallel to the overall ESOS project.	44
E	Competition	Interconnector issues	Develop use of Moyle Interconnector, including systems, further options for trading, review (80MW) export limit.	Develop detailed arrangements for trading on future interconnectors.	45
E	Competition	Market coupling	Work with FUI Group/Ofgem to enable further market integration of BETTA/SEM Markets.	Further consultation on market integration of BETTA/SEM Markets.	46
G	Competition	Metering		Review contestability of gas meter reading market.	47

Lead	Strategic theme	Projects	Actions to develop in 2010-11	Actions to develop in 2011-12 & 2012-13	Ref
R	Competition	MOSSG	Ongoing quarterly review meeting on strategic retail issues.	Ongoing quarterly review meeting on strategic retail issues.	48
E	Competition	NIE PPB and GUAs	Implement any decision(s) to cancel GUA(s) and review options for the future of the NIE PPB business.		49
E	Competition	Review of DCs/NDCs	Development of appropriate processes to improve market liquidity and complete the Directed Contracts (DC) process to mitigate market power.	Continue with development of further market liquidity and complete annual DC process.	50
E	Competition	Landbank	Consider actions to release landbank so as to facilitate generation investment		51
R	Competition	Publishing more evidence	Second Annual Energy Report, developed in collaboration with Electricity and Gas Directorates, will also include sustainability related data. Development of data set primarily for use in ERR.	Third and Fourth Annual Energy Reports. Maintenance of database.	52
R	Competition	Retail Roadmap	Finalise policy development in relation to retail roadmap. Implement actions and regulatory regime as defined in Retail Roadmap process including follow up actions in relation to the 2009-10 Skyplex and Poyry studies on K-factors and regulated tariffs.	Implement actions and regulatory regime as defined in Retail Roadmap process.	53

Lead	Strategic theme	Projects	Actions to develop in 2010-11	Actions to develop in 2011-12 & 2012-13	Ref
R	Competition	Preparation for domestic market opening	To complete the necessary preparatory work to ensure domestic market opening can happen smoothly. This includes work with relevant suppliers, T&D, CCNI, etc.	To complete the necessary preparatory work to ensure domestic market opening can happen smoothly. This includes work with relevant suppliers, T&D, CCNI, etc.	54
E	Harmonisation	Review of locational signals in the SEM	Implement new arrangements for treatment of GTUoS and TLAFs.		55
E	Harmonisation	Capacity payment mechanism	Capacity Payment Mechanism (CPM) Medium Term Review. Series of consultations, analysis planned for 2010. Also plan to carry out the annual calculation of the Capacity Pot for 2011.	Decision and implementation of review processes for the CPM Medium Term Review. Also plan to carry out the annual calculation of the Capacity Pot for 2012.	56
G	Harmonisation	Progressing CAG workstreams	Subject to finalisation of legislative timetable, implementation of project plan including legislative requirements, drafting of codes, licences and contracts. Continue work to improve Moffat arrangements.	Implementation of Transmission Project Plan.	57
E	Harmonisation	Security of supply	Following 2009 consultation, support DETI in revising the NI Fuel Security Code. Continue involvement in All island project (Joint steering) group Security of Supply Working Group.	Agree all island arrangements for security of supply, including emergency planning, communications strategy and market arrangements and implement as appropriate.	58

Lead	Strategic theme	Projects	Actions to develop in 2010-11	Actions to develop in 2011-12 & 2012-13	Ref
E	Harmonisation	SEM	Monitoring the SEM to mitigate the potential abuse of market power.	Monitoring the SEM to mitigate the potential abuse of market power.	59
E	Harmonisation	TSC Review	Review of Trading and Settlement Code (TSC) regarding alignment of TSC and tariff years, legal consistency and Grid Code interaction.	Continued development of TSC.	60
E	Harmonisation / Sustainability	Demand Response	Review best proactive approaches to achieving high levels of Demand Response and produce recommendations.	Implement demand response strategy.	61
E	Harmonisation / Sustainability	Grid developments	Work with industry to develop a Grid Development Strategy (GDS) for NI.	Integrate approved costs of GDS into Price Control for RP5.	62
Joint action (Legal/ R/E/G)	Regulatory Framework	Protection of customers	To co-ordinate the implementation of the EU 3rd Package in relation to retail and consumer issues via a cross directorate approach.	To co-ordinate the implementation of the EU 3rd Package in relation to retail and consumer issues via a cross directorate approach.	63
W	Regulatory Framework	Act on Outcome from Executive Consultation	1. Interpret effect on regulatory framework and work with statutory stakeholders to interpret and implement changes as necessary. 2. Develop programme to amend licence and action as necessary.	Continue to action as necessary.	64

Lead	Strategic theme	Projects	Actions to develop in 2010-11	Actions to develop in 2011-12 & 2012-13	Ref
Legal	Regulatory Framework	Investigation of Competition Complaints	Revised UR Guidance in its role as National Competition Authority.	Checking UR Guidance and Procedures are working well.	65
W	Regulatory Framework	Communication & Education	1. Review Walker and Cave reports. 2. Maintain communication with wider stakeholders and consumers through PC13. 3. Consider NIW's approach to promote water efficiency.	Engage with stakeholders as necessary within PC13 process and across the programme.	66
CEO	Regulatory Framework	Developing our approach to competition law	Develop competition law awareness in the wider All-island and EU legislative context (e.g. by participating in OFT Concurrency working group).	Monitor UR competition authority capabilities and strategies.	67
Joint action (Legal/ E/G)	Regulatory Framework	EU issues	Work with DETI and European Commission on necessary IME 3 Implementation measures for Northern Ireland.	Implement licence modifications as required/liaise with European Commission as required.	68
Joint action (Legal/ G/E)	Regulatory Framework	EU issues	Monitor roll-out of EC Regulations 713/2009, 714/2009 and 715/2009 and ensure consistent application in line with CAG implementation and the SEM		69

Lead	Strategic theme	Projects	Actions to develop in 2010-11	Actions to develop in 2011-12 & 2012-13	Ref
			market.		
Joint action (Legal/ E/G)	Regulatory Framework	EU issues	Monitor closely drafting of European network codes. Participate in Regional Initiatives, workshops and Directive consultations	Participate in Regional Initiatives, workshops and Directive consultations.	70
G	Regulatory Framework	Gas licences review		Initiate review of standard licence conditions.	71
G	Regulatory Framework	Supplier last resort	Run a trial exercise to test systems.		72
E	Regulatory Framework / Sustainability	Electricity grid standards, connection and UoS policies and private networks	Review of standards planning and operating standards, connection and use of system policies (where necessary for renewables integration) and arrangements for private networks.	Implement revised policies as required.	73
CA	Organisational	Good governance	Review continued compliance with latest guidance issued by Equality Commission.		74

Lead	Strategic theme	Projects	Actions to develop in 2010-11	Actions to develop in 2011-12 & 2012-13	Ref
CA	Organisational	Good governance	Implement any actions emerging from the board effectiveness review and support the programme of board re-appointments.	Support for board re-appointments. Midterm review of corporate strategy.	75
CA	Organisational	HR processes	1. Review operation of new performance management framework. 2. Agree and progress HR policy work programme with Staff Representative Committee.		76
CA	Organisational	Information technology	Develop arrangements for ICT service provision.		77
CA	Organisational	Regular publications	Produce Utility Regulatory first International Financial Reporting Standards (IFRS) based resource accounts.		78
CA	Organisational	Stakeholder Communications	Produce and deliver an agreed stakeholder communications programme.	Annual stakeholder communications programme produced and delivered.	79
CA	Organisational / Sustainability	Procurement	Review procurement arrangements in light of Central Procurement Directorate (CPD) guidance and explore opportunities for joint arrangements with other regulators.		80

4. Ensuring delivery – resources and risks

4.1. We will ensure delivery of this FWP by focusing on:

- ***Resources:*** It is important that we deliver "value for money" to consumers. Our running costs are largely met by licence fees which in turn are paid for by the utility consumers. It is essential therefore that we protect consumers and perform our duties as economically and effectively as possible. We will deliver through adhering to Government audit and accountability frameworks, by having skilled staff operating in a team-based and knowledge driven environment, working in well-planned and quality-driven project teams.

- ***Delivery through partnership*** (e.g. other regulators alliances, local and national government Departments, other statutory bodies, companies, consumer groups): The regulatory environment in which we operate can be a complex one. This means that we can maximize our contribution only through good working partnerships with our stakeholders. We will deliver by working transparently and constructively with the relevant EU, National and Local Authorities, as well as the licensees, CCNI and other consumer and interest groups.

- ***Delivery through consultation:*** We recognize the importance of consulting widely on our projects, plans and decisions. Some of our stakeholders may not always agree with what we do but at least they should know clearly why we propose certain courses of action at as early a stage as possible. We will deliver our actions using the best available evidence and taking into account evidence from all our stakeholders. We will deliver by being an effective and proportionate regulator, intervening to protect consumers and their interests where the market is not effective, and where the benefits justify action.

- ***Delivery overseen by our Board:*** We have a Board and an executive team that we are confident can deliver on our duties and maximize our contribution. The Utility Regulator's board currently consists of a chairman – Professor Peter Matthews – and seven other members that have significant experience in regulation, energy, water and corporate governance. A programme for future board appointments is also now in place.

Resources

4.2. The Utility Regulator places a high priority on ensuring that its resources are demonstrably managed in an efficient manner. We set out below our budget to deliver the commitments and actions in this Forward Work Programme during 2010-11. This budget represents a 9% reduction against our 09/10 budget. (This is not a step-change, as we have worked hard during the year so as to make significant in-year savings against the 09/10 budget, through procurement savings and deferment of planned recruitment.)

4.3. This is possible largely because we now have a solid core of experienced our staff. We have focussed on developing our staff resources and that has enabled us to reduce the extent to which we need to rely on external support. The FWP is based on a complement of some 70 full-time equivalent staff currently organised across five directorates and the Chief Executive's Office. In addition to the various central corporate services functions, the Corporate Affairs Directorate includes operational teams which are responsible for social, environmental and strategy functions . As noted earlier in the document, we are also devoting resources to the work on energy retail competition development and this has been built into our proposed budget. Resources are also being allocated to regulatory financing and cross utility price control development.

4.4. We are a small organisation. Our staff are, and will continue to be, our key resource. We are continuing to work on our HR framework and associated policies that will reflect that. We are also developing appropriate monitoring arrangements and will work to help ensure that we outperform the wider Northern Ireland Civil Service average in terms of key HR measures such as absence management.

4.5. The budget for 2010-11 is presented in the table below. We intend to fulfil our more challenging work programme commitments with a reduced total budget compared to last year. However, at this stage there will always be some uncertainty regarding the detailed scope of some of the actions planned for next year and we will continue to refine our cost estimates as plans evolve. For example, some £200,000 of the Gas programme budget has been earmarked to fund work associated with the development of CAG should that proceed as planned.

	CA	S&E	Retail	Electricity	Gas	Water	CEO	Total	09/10 Budget April 09	09/10 Budget September 09
Salaries	746,000	272,000	376,000	1,039,000	683,000	797,000	519,000	4,432,000	4,509,000	4,153,000
Programme										
Consultancy	40,979	50,086	234,492	538,422	391,580	328,972	61,469	1,646,000	1,974,403	1,823,443
Legal Consultancy	25,000	20,000	15,000	80,000	35,000	45,000	35,000	255,000	360,000	360,000
Other Costs	756,300	264,500	8,800	25,500	34,800	17,600	20,300	1,127,800	1,128,000	896,867
Of which recoverable	-	-210,000	-	-	-	-		-210,000	-	-
Total	**1,568,279**	**396,586**	**634,292**	**1,682,922**	**1,144,380**	**1,188,572**	**635,769**	**7,250,800**	7,971,403	7,233,310
09/10 Budget April 09	1,654,496	537,759	635,248	1,677,905	1,197,075	1,504,086	764,834	7,971,403		
09/10 Budget September 09	1,642,900	467,300	514,667	1,618,202	956,941	1,363,500	669,800	7,233,310		

4.6. With the exception of the costs associated with some environmental responsibilities, all of the Utility Regulator’s funding is received through licence fees. All corporate and shared costs (such as finance, HR, accommodation and IT) are included in the Other Corporate Costs and are, along with the Chief Executive’s Office and Legal costs, recharged across the utilities for the purpose of calculating the fees payable by each utility licensee. Elements of Strategy, Social and Environmental Costs will also be recharged to the relevant industry directorates on an activity-driven basis.

4.7. The process of preparing this budget has been closely aligned with the development of the objectives set out in this forward work programme.

Dealing with risks

4.8. The Utility Regulator is committed to ensuring that appropriate risk management processes are in place, and subject to regular review, in order to minimise risks to its business and its stakeholders.

4.9. Management of risk is a standing item on the Audit Committee agenda and is reported on to the Board at regular intervals. The risks identified on risk registers, the controls in place and the assessment of likelihood and impact are all subject to formal review at regular points during the year at Chief Executive and Director levels.

4.10. Our approach to risk management does not focus upon risk avoidance but rather on the identification and management of an acceptable level of risk. To this end, directorates maintain risk registers which address the objectives set out in the Forward Work Programme. A corporate risk register addresses significant risks that could impact on the achievement of corporate objectives.

4.11. This process identifies the key risks arising both from the programme of work set out in this document and the wider regulatory environment in which Utility Regulator discharges its duties. In addition to setting out the risks that have been identified, the registers also detail the actions and controls taken to mitigate the risks identified and an assessment of the likelihood and impact of their occurrence.