

**Draft Forward work programme 2017/2018**

**Our business plan for the fourth year of our Corporate Strategy 2014-2019**

**1 April 2015 – 31 March 2016**



**About us**

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| This document sets out our annual plan for the 2017/2018 financial year. It contains a general description of the non-routine work we will carry out from 1 April 2017 to 31 March 2018. |

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| This plan is likely to be of most interest to the regulated utilities, consumer associations, other regulators, politicians and researchers. |

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| This plan sets out a range of projects expected to benefit consumers directly in both the short term and the long term. |

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# About this document

The Energy (Northern Ireland) Order 2003 and the Water and Sewerage Service (Northern Ireland) Order 2006 requires the Utility Regulator to publish a Forward Work Programme (FWP) or business plan) each year. The plan should ‘contain a general description of the projects, other than those routine activities in the exercise of its functions, which it plans to undertake during the year’.

This draft FWP lists the projects that we propose to do during 2017-2018 and is published for consultation. During the consultation, we would particularly welcome views on:

1. whether we have prioritised the right projects;
2. any objections to our proposed projects; and
3. any other comments.

The majority of the projects are major pieces of work which will span the business planning year (and in some cases will take more than one year to complete). Comments or observations on the timing of projects are also welcome.

Comments should be sent to us **by 17 February 2017 at the latest** to [briege.tyrie@uregni.gov.uk](mailto:briege.tyrie@uregni.gov.uk)

We intend to hold a **meeting d**uring the consultation period, on **27 January 2017**, at our offices. This will provide an opportunity to discuss the draft FWP. Please let us know **before 20 January 2017** if you wish to attend.

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

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After reviewing consultation responses we will publish a final FWP by 31 March 2017. Responses to this consultation may be made public by us. If you do not wish your response or name made public please state this clearly by marking the response as confidential and outline your reasons as to why your response should be treated as confidential.

Copies of the document will be made available in alternative formats on request.

Key terms used in the plan are highlighted in **purple** and explained in a Glossary (at the end of the document).

# About us

**Who we are**

We are the independent non-ministerial government department responsible for regulating Northern Ireland’s electricity, gas, water and sewerage industries. We are governed by a board whose members are appointed by the Minister for Finance and Personnel. We are ultimately accountable to the NI Assembly and our work contributes to the overall Programme for Government (PfG) in Northern Ireland.

Our organisation is structured to help us deliver our corporate strategy and work better with stakeholders (the wide range of people and organisations we work with). We are organised under three groupings: Markets, Networks and Corporate (see below).

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**What we do**

Our work is based on the duties we have by law (our statutory duties), which include the following.

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| **Energy electricity and gas** | **Water and sewerage** |
| * **Protecting the interests of electricity consumers in relation to price and quality of service, by promoting effective competition where appropriate.** * **Promoting the development and maintenance of an efficient, economic and co-ordinated gas industry.** | * **Protecting the interests of consumers by promoting an efficient industry delivering  high-quality services.** |

We have wide-ranging statutory duties relating to regulation and competition. We share our duties relating to competition with the UK Competition and Markets Authority.

Our work includes the following:

* **Granting licences that allow gas, electricity and water companies to operate in Northern Ireland.**
* **Making sure licensed companies meet relevant laws and licence obligations.**
* **Setting the minimum standards of service which regulated companies must provide to consumers in Northern Ireland**.
* **Making sure that consumers only pay what is necessary for the services they receive now and into the future.**
* **Challenging companies to make sure they operate efficiently and provide good value for consumers as well as shareholders.**
* **Working to provide more choice and encourage effective competition in the gas and electricity markets.**
* **Making sure that regulated companies can fund their activities and are open to new technologies and ways of working effectively.**
* **Acting as an adjudicator on individual complaints, disputes and appeals.**

**Who we work with**

We work with a wide range of stakeholders across several areas to help us protect the interests of consumers.

In carrying out our duties relating to gas and electricity, we work within a framework set by the Department for the Economy (DfE). Our statutory duties are the same as DfE’s. In carrying out our duties relating to water and sewerage services, we work within a framework set by the Department for Infrastructure (DfI).

The SEM Committee (SEMC) regulates the **all-island single electricity market** (SEM). We work with the Commission for Energy Regulation (CER), the energy regulator for the Republic of Ireland, on the SEMC. The SEMC’s role is to protect the interests of electricity consumers on the island of Ireland by promoting effective competition. As the decision making authority on all SEM matters, the SEMC is in effect two SEMCs – each a mirror of the other. This means that there is a SEMC in Northern Ireland as a subcommittee of the Utility Regulator and a SEMC in the Republic of Ireland as a subcommittee of the CER.

We also work closely with the Consumer Council for Northern Ireland (CCNI), the organisation set up by the Government to represent consumers, and other groups across Northern Ireland.

Our work sits within a broader European Union (EU) and United Kingdom (UK) setting and we work closely with other regulators. These include the energy and water regulators for Great Britain (Ofgem, Ofwat and the Water Industry Commission for Scotland) and the EU’s energy regulatory body (the Agency for the Co-operation of Energy Regulators).

We also work with the Competition and Markets Authority (CMA) and with other regulators across the UK through the United Kingdom Competition Network. This provides a co-ordinated approach to identifying and responding to competition issues and promoting best practice.

Finally, we are active members of the United Kingdom Regulators Network (UKRN), which includes representatives from economic regulators across the UK. The network seeks to ensure the effective co-operation between sectors and has produced a range of publications. The UKRN has started work on a series of projects on issues such as involving consumers and making it easier for them to switch suppliers.

**The structure of this document**

The rest of the document is structured as follows:

Section 3 – sets out the context for developing the business plan;

Section 4 - outlines how we decide on our business plan projects, our core business and the resourcing of our work;

Section 5 - provides a list of our proposed business plan projects;

Annex 1 - outlines those projects which would we do if additional resources became available;

Annex 2 - reports on progress against our Corporate Strategy key performance indicators and provides a glossary of terms.

# The context for this business plan

In this section we briefly identify the situation at the time of developing this business plan.

**Key external developments during 2016**

The outcome of the referendum on the UK’s membership of the EU in June is a significant external development potentially impacting on our work. While there is currently no certainty around the actual impact on energy and water matters, we have begun the process of assessing the implications for our work as an energy and water regulator.

The integration of gas and electricity markets to help promote competition remains a priority. We are advancing plans, along with CER, to deliver a wholesale electricity market by 2018 (the I-SEM). Having completed a stocktake of I-SEM progress the timeline has been changed. While the market will be ready by the end of 2017, trialling and testing of systems will mean that I-SEM go-live is now planned for May 2018. I-SEM will build on, and enhance, the current market (the SEM) with a focus on key benefits around a secure electricity supply and promoting competition to bring pressure to bear on consumer prices. Additionally progress is being made to enhance the flexibility of the electricity network to accommodate renewables through the DS3 programme.

A new package of EU energy directives, called the Winter Package, was published earlier in December and we are considering the implications of these for our work.

During 2016 changing global wholesale fuel costs continued to have an impact on consumer prices and falling costs were passed on to consumers through reduced following our review of tariffs at the start of the year. Given recent increases in wholesale prices there remains a possibility that these may impact on consumer bills during 2017.

Consumer energy prices nevertheless remain an ongoing concern, particularly in respect of the energy costs for large users. An Advisory Group on energy costs, convened by the former Minister for Enterprise, Trade and Investment, reported at the end of March 2016. While the recommendations made in the report are still under consideration, the Economy Minister has indicated that he wishes to develop a new energy strategy.

The energy market in Great Britain was referred to the Competition and Markets Authority (CMA), by Ofgem, for a full investigation in June 2014. In June 2016, the CMA published its final investigation report. The CMA found that many consumers and micro businesses are paying more than they need to and made proposals to modernise and reform the market. We are undertaking our review of the local retail energy market and will take account of the CMA review. Separately our gas distribution price control (GD17) was referred to the CMA by one of the three gas network companies covered by the control. This is an important context for our workload during the first half of 2017 in particular.

The question of electricity security of supply for Northern Ireland remains a major energy issue. A critical element in ensuring security of Northern Ireland’s electricity supply beyond 2021 is the delivery of the second north-south electricity interconnector which is currently the subject of public planning inquiries in both Northern Ireland and the Republic of Ireland. More broadly there are also strategic considerations around the development and adoption of new technologies by the energy industry, such as storage.

The Department for Infrastructure (DfI) has also been developing a long-term strategic agenda for water and sewerage services to which we are contributing. We will take account of strategic developments in undertaking our mid-term review of our price control for NI Water and our approach to the next price control, PC21.

Finally, the constraints in public sector expenditure have continuing relevance to our regulatory responsibilities.

**Our Corporate Strategy**

We published our Corporate Strategy 2014-2019 in May 2014. It contains three objectives which form the basis for developing our annual plans. The projects in the annual plans are arranged under these objectives. During 2017-2018 there are also several key challenges. These are displayed below in relation to our vision, values and strategic objectives.

**Our vision, corporate strategy objectives and key challenges for 2017/2018**

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| **Our vision: Value and Sustainability in energy and water** | **Objective 1: Encouraging efficient and effective monopolies** | **Objective 2:**  **Promoting efficient and competitive markets** | **Objective 3:**  **Protecting the long-term interests of business and domestic consumers** |
| **Key challenges:**   * **Placing downward pressure on energy costs** * **Extending the natural gas network** * **Increasing the efficiency of monopolies and promoting better asset management** | **Key challenges:**   * **Delivering the I-SEM** * **Getting the right balance between competition and regulation of markets** * **Putting a strong retail energy market monitoring system in place** | **Key challenges:**   * **Delivering a co-ordinated approach to protecting consumers** * **Addressing security of supply risks** |

# Our business plan projects and resources

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

We have undertaken a thorough process to finalise our list of business plan projects. This has included a review of progress on delivering our Corporate Strategy (see Annex 2). We have also considered projects that commenced during 2016/17, new workstreams that have arisen and projects which we have identified as being desirable to undertake if resources allow. Our assessment process has also considered the scope of our core business, those necessary activities which are undertaken every year to support our regulatory role.

In assessing the priority projects we have identified those that should be included in the business plan because they meet one of more of the following criteria:

1. legislative or statutory requirements;
2. government policy requirements;
3. regulatory requirements; and,
4. contribute to the delivery of our corporate strategy objectives.

Overall, we estimate that just over half of our resources (in terms of staff time across the organisation) will be involved in delivering projects that are in this business plan (see Figure 1) below. This will vary, with some parts of the organisation having a greater balance of work towards business plan projects and others having a greater focus on core business.

**Our core business**

This FWP provides a list of the main non-routine projects that we intend to undertake, but these are only part of our overall activities. We also carry out a wide range of routine activities which we consider represents our core business and we describe some of these activities below.

In terms of monopolies, an ongoing part of our work is reviewing the regulated electricity and gas tariffs and water charges which affect consumers’ bills. We also make sure compliance obligations regarding electricity, gas or water networks (infrastructure) are met. Our work to develop this infrastructure includes approving changes to **network codes** and extensions to the gas network. Our monitoring and **cost reporting** activities relating to regulated companies are also significant commitments.

To achieve our targets on network company performance we have established cost and performance monitoring frameworks. For example we have been publishing cost and performance reports on NI Water since 2009 and this shows the progress that the company has made under the regulatory regime. We also encourage regulated utilities, as part of our network price controls, to take steps to enhance their approach to asset management so that they compare favourably with their peers.

An important part of our day-to-day work on energy markets relates to the wholesale electricity market. This includes the ongoing programme of work for the **all-island single electricity market (SEM)**. This work relates to: monitoring the market and analysing trends and patterns, the rules and procedures for the market (the **Trading and Settlement Code**), reviewing **generating unit agreements (GUAs)**, the **capacity payment mechanism** and generator licences. The SEM’s market monitoring unit (MMU) is based at our offices. There is more information on this work on the website at [www.semcommittee.com](http://www.semcommittee.com). We also regulate the transmission system operator for NI (SONI) and the Single Electricity Market Operator (SEMO), and support the SEM Committee.

More generally, across our Markets Group we monitor the way the **wholesale electricity market** and the **retail electricity market** work.

Our ongoing work to protect consumers (domestic customers) includes issuing, and monitoring compliance with, licences that allow gas, electricity and water companies to operate in Northern Ireland. We have also put in place substantial new **codes of practice** relating to consumer protection. We also consider, and make decisions on, regulatory appeals, complaints and disputes.

NI Water continues to improve its relative efficiency and builds on the improvements that have been made. The ongoing reductions in public expenditure allocations to NI Water will have an impact on services and outputs going forward.

As we work within policy frameworks established by DfE (for energy) and DfI (for water), we help these departments by providing regulatory support and carrying out analysis. We also support, where necessary, the Assembly’s Economy and Infrastructure committees and frequently provide evidence to meetings of these committees. Finally, we also operate the Northern Ireland Sustainable Energy Programme.

As a non-ministerial government department we also are focused on communicating with and involving industry, voluntary organisations and the public. This includes regular meetings and hosting forums (for example, the Renewables Grid Liaison Group). We try to promote the use of clear and upfront communications and introduced a new more accessible website during 2016. We also comply with a range of finance, HR, accountability and communications related reporting requirements. Finally, we regularly respond to correspondence and requests for information from people and organisations (including those relating to Freedom of Information).

**Delivering our business plan – resources**

Because of the scope and scale of our core business and the projects set out in this business plan (as listed in section 5), we often have to make choices about how to use our resources. This includes prioritizing our resources to make sure we target critical projects (for example, the integrated single electricity market) which affect the timing of other work that contributes to our strategic objectives. Annex 1 identifies several significant projects which are important and we would like to do, but which we can only progress in 2017/2018 if additional resources become available. These projects will be reviewed periodically and be re-prioritised as necessary within 2017-2018 or for 2018-2019. Annex 2 includes a report of progress against our Corporate Strategy key performance indicators (KPIs).

Supporting our staff is essential if we are to successfully carry out the projects and meet the objectives set out in our Corporate Strategy and this business plan. We are implementing a new human resources strategy to support the development of our staff, promote the benefits of working for us and recruiting and keeping competent staff. We must make sure we have the skills, experience, processes and culture needed for this challenging business plan.

As a non-ministerial government department we keep to relevant policies, processes and controls. To support our aim to follow best practice, we will be taking steps to further improve our regulatory processes and our communications with stakeholders.

Our focus is on making sure that we apply our resources efficiently, and this business plan will be challenging to fund and deliver. If new priorities emerge during the year, we will take steps to make sure we have the resources for these. However, doing this may mean we have to delay or reduce our commitment to other business plan projects. In these situations we will, as far as possible, let relevant stakeholders know.

This draft business plan needs to allow for the exceptional costs associated with putting in place the new integrated single electricity market (a market that is valued at around €2.1 billion) and making sure relevant EU directives and regulations are met. Despite significant extra pressures on our resources, we are aiming to set a budget for 2017/18 at around the same level as for 2016/17 (the opening budget for 2016/17 was £8.3 million). Our budget will be finalised over the next few months and will be reflected in our final FWP.

This business plan is based on the equivalent of around 78 full-time equivalent staff (which includes several temporary staff) currently organised across three organisational groupings – Networks, Markets and Corporate Affairs. In recent years we have focused on developing our staff. The recent organisational restructuring programme will make us even more effective.

Except for the costs associated with some environmental responsibilities, we receive all our funding through licence fees. Corporate and shared costs (such as finance, HR, accommodation and IT) are along with the Chief Executive’s office, charged to the gas, electricity and water companies for the purpose of working out the licence fees they must pay.

# List of proposed business plan projects 2017/18

**Strategic objective 1: Promoting efficient and effective monopolies**

| **Ref** | **Project description** | **Anticipated outcome/s** | **Link to Corporate Strategy KPIs** | **Lead team** | **Timing** |
| --- | --- | --- | --- | --- | --- |
| 1 | Complete the Gas Transmission Networks Price Control (GT17) | Ensures that the company produces quality outputs at lowest cost to consumers and has sufficient revenues to run its business and can invest to enhance the network. | KPIs 1,2,3,4 | Compliance and Network Operations | Q3 2017 |
| 2 | Complete the NIEN Price Control (RP6) | Provides an efficient revenue cap to enable NIEN to deliver quality outputs that customers need. | KPIs 1,2,3,4 | Finance and Network Assets | Q2 2017 |
| 3 | Complete NI Water Mid-Term Review | Ensures NI Water continues to progress its development objectives and allows the updating of capital expenditure outputs. | KPIs 1,2,3,4 CS Objective 3 KPI 4 | Finance and Network Assets | Full year |
| 4 | Advance work on strategic water programmes and PC21 approach work | Contribute to the strategic delivery of water and sewerage services in Northern Ireland. | KPIs 1,2,3,4 CS Objective 3 KPI 4 | Finance and Network Assets | Full year |
| 5 | Commence retail price control (SPC19) and regulated tariff reviews | SPC19 will be commenced. Tariff review scrutiny will ensure that consumer bills reflect costs. | KPI 4 | Retail Markets | Full year |
| 6 | Develop cost and performance reports across all network companies | Will provide a transparent assessment of network company costs and performance against price control targets. | KPI 1,2,3,4 | Finance and Network Assets | Full year |
| 7 | Determine capital expenditure requirements for Gas to the West | Promotes access to natural gas and ensures that capital costs are as efficient as possible. | KPIs 4 and 5 and CS Objective 2 KPI 2 | Finance and Network Assets | Q3 2017 |
| 8 | Facilitate the delivery of electricity infrastructure including the second electricity north-south interconnector | An efficient and effective approach is put in place to enable investment in necessary electricity infrastructure and promoting security of supply by enabling a second north-south electricity infrastructure. | KPI 4  Objective 3 KPI 1, 2 | Compliance and Network Operations | Q2 2017 |

**Strategic objective 2: Promote efficient and competitive markets**

| **Ref** | **Project description** | **Anticipated outcome/s** | **Link to Corporate Strategy KPIs** | **Lead team** | **Timing** |
| --- | --- | --- | --- | --- | --- |
| 1 | Advance I-SEM Capacity Remuneration Mechanism (CRM) workstream in line with project timetable | Will ensure efficient use of generation capacity, promote competition among generators and support security of supply. | KPI 1 and Objective 3, KPIs 1 and 2 | Wholesale Markets | Full year |
| 2 | Complete the Market Monitoring Unit (MMU) I-SEM IT redevelopment process | Will deliver an IT system that will allow the RAs to observe and report on the operation and outcomes of the market and will form the foundation for market monitoring activities going forward. | KPI 1 and Objective 3, KPIs 1 and 2 | Wholesale Markets | Full year |
| 3 | Advance I-SEM delivery in line with project timetable | Should place downward pressure on prices, support security of supply, facilitate increased integration of renewables, support competition and increase investment. | KPI 1 and Objective 3, KPIs 1 and 2 | Wholesale Markets | Full year |
| 4 | Advance the Secure Sustainable Electricity System (DS3) project in line with project timetable | Will maximise the use of renewable generation on the island of Ireland and put downward pressure on prices. | KPI 3 and CS Objective 3, KPI 2 | Wholesale Markets | Full year |
| 5 | Extending contestability in electricity connections to more customers | Should offer choice in connecting to electricity networks, promoting a reduction in prices and reducing connection times. | KPI 2, 3  Objective 2 KPI 3 | Compliance and Network Operations | Full year |
| 6 | Create a single Transmission System Operator (TSO) and improve gas market trading arrangements | Improve efficiency and ensure the reliable operation of the gas transmission system. | Objective 3  KPI 2 | Compliance and Network Operations | Full year |
| 7 | Review and advance arrangements to continue to provide access to GB gas markets after 2021 | Will ensure the continued efficient operation of the gas transmission system. | Objective 3  KPI 2 | Compliance and Network Operations | Full year |
| 8 | Review financial penalties policy and associated guidance | Will ensure that the statement of policy with respect to penalties is aligned with best practice and stakeholders are incentivised to comply with requirements. | Objective 2  KPI 3 | Corporate Affairs | Full year |

**Strategic Objective 3: Protecting the long-term interests of business and domestic consumers**

| **Ref** | **Project description** | **Anticipated outcome/s** | **Corporate Strategy KPIs** | **Lead team** | **Timing** |
| --- | --- | --- | --- | --- | --- |
| 1 | Complete a review of electricity connections | Will promote competition and ensure efficient delivery of electricity connections. | Objective 2  KPI 3 | Compliance and Network Operations | Full year |
| 2 | Contribute to the CMA inquiry on the GD17 price control in line with timetable inquiry | Ensure that the consumer interest is represented in the inquiry. | Objective 3 | Finance and Network Assets | Q2 2017 |
| 3 | Protecting non-domestic Energy Consumers | Consult and decide on, and then implement, new regulatory protections for non-domestic customers | Objective 3 | Retail Markets | Q3 2017 |
| 4 | Review the domestic electricity standing charge | Decide on any changes needed to domestic distribution use of system (DUoS) charging regime to impact standing charges in domestic end tariffs | Objective 3 | Retail Markets | Q2 2017 |
| 5 | Implement Consumer Protection Strategy (CPS) Action Plan in line with project timetable | Will enhance protection for consumers by implementing the CPS five-year strategy: 2016/2017 | KPI 3 | Retail Markets | Full year |
| 6 | Advance REMM and Retail Investigations Compliance & Enforcement (ICE) workstream | Deliver fit for purpose retail market regulation, and associated transparency; alongside effective retail market compliance and enforcement | Will support all CS KPIs | Retail Markets | Full year |
| 7 | Assess the implications of the UK leaving the EU for the energy and water regulation | Implications for the regulatory framework are identified and factored into the regulatory approach. | Will support all CS KPIs | Corporate Affairs | Full year |
| 8 | Work to ensure the smooth closure of Northern Ireland Renewable Obligation (NIRO) to new entrants and work with DfE in relation to maximising the benefits of renewable energy | Comprehensive arrangements are in place to facilitate the NIRO closure. | Objective 3 KPI 1 | Corporate Affairs | Full Year |
| 9 | Promote the development of, and support for the Utility Regulator team by advancing arrangements for Investors in People accreditation | Will provide an assessment of existing HR framework and associated outcomes. | Will support all CS KPIs | Corporate Affairs | Full Year |

# Annex 1: Other projects (which we would do if additional resources became available)

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|  | **Project** | **Anticipated outcome** | **Corporate Strategy objective** | **Lead team** |
| 1 | Assess the potential to cancel remaining Generating Unit Agreements (GUA) | To ensure that consumers receive value for money in respect of GUAs. | Objective 1 | Wholesale Markets |
| 2 | Review of Approach to Price Controls | Continuous improvement in transparency and efficacy of our price control work. | Objective 1  KPI 1-5 | Finance and Network Assets |
| 3 | Review of Tariff Structures | Ensuring that structure of tariffs remain appropriate for network industries. | Objective 3  KPI 4 | Finance and Network Assets |
| 4 | Review of Approach to Electricity Storage | Deliver regulatory structures that facilitate a role for electricity storage in line with best practice regulation. | Objective 2  KPI 3 | Finance and Network Assets/Wholesale Markets |
| 5 | Review of Mutual Energy Limited Governance | Will assess efficiency of current governance model, propose changes where appropriate and should ensure reduced costs. | KPI 2,3 | Compliance and Network Operations |
| 6 | ISEM MMU establishing of processes, governance, vires human resourcing | Would deliver an MMU capable of detecting market abuse, carrying out investigations and of wielding the relevant powers of the RAs in time for go-live. | Objective 3 | Wholesale Markets |
| 7 | MMU and SEM reporting and MMU tools | Reports deliver a generator financial performance, MMU quarterly and MMU constraints report. Tools work reduces time spent on MMU tasks and reduces probability of errors in analysis and reporting. | Objective 3 | Wholesale Markets |
| 8 | Produce Regulation on Wholesale Energy Market Integrity and Transparency (REMIT) guidance | Will clarify the process for dealing with compliance issues that fall within the scope of REMIT – which introduces a sector-specific legal framework for the monitoring of wholesale energy markets. The objective of REMIT is to detect and to deter market manipulation. | Objective 3 | Corporate Affairs/Wholesale Markets |
| 9 | Produce charging for Disputes Guidance | Will provide further clarification for the complainants and the industry. | All objectives | Corporate Affairs |
| 10 | Investigation of supplier domestic tariffs and compliance (including review of current licence conditions and amendments if required) | Investigate and design regulatory intervention if necessary | Objectives 1 and 3 | Retail Markets |
| 11 | Revise and update Supplier Marketing Code | Investigate and design regulatory intervention if necessary | Objective 3 | Retail Markets |
| 12 | Scope the need for “Energy Broker” Regulation | Investigate and design regulatory intervention if necessary | Objective 3 | Retail Markets |
| 13 | Domestic connections – reconnection of previously disconnected properties. | Investigate the problem and consider if regulatory intervention is necessary | Objective 3 | Retail Markets/  Compliance and Network Operations |
| 14 | Investigation into Supplier Contracts and Terms and Conditions including review of current licence conditions and amendments if required | Investigate and design regulatory intervention if necessary | Objective 3 | Retail Markets |
| 15 | Gas Supplier of Last Resort (SoLR) “day 2” follow up work and SOLR testing | Scope and complete any necessary Gas SOLR testing | Objective 3 | Retail Markets |
| 16 | “Exempt Supply and network” investigation and regulation | Investigate and design regulatory intervention if necessary | Objective 3 | Retail Markets/  Compliance and Network Operations |
| 17 | Update and review UR’s Sustainability Strategy | Will provide further clarity regarding the exercise of sustainability function. | Objective 3 | Corporate Affairs |
| 18 | Communications strategy review | To develop a strategy that will improve engagement with stakeholders. | All objectives | Corporate Affairs |
| 19 | Review of licence compliance requirements for network companies to ensure consistency and standardisation of licences as appropriate’ | Ensure effective regulation and licences that are fit for purpose with consistency across network companies in reporting compliance | All objectives | Compliance and Network Operations |
| 20 | Review of Network and Information Security and ensuring best practice is followed in relation to Cyber Security within Network Companies | Ensure processes and protections are fit for purpose within network companies | Objective 3, KPI 2 | Compliance and Network Operations |

# Annex 2: Report on progress against Corporate Strategy Key Performance Indicators

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| **1: Promoting effective and efficient monopolies** | 1. Network utilities will be able to demonstrate their excellence in asset management, which is measured against other utility companies. | NIEN, GDNs and NIW have now provided reports on asset management including work with consultants to achieve externally validated standard compliance e.g. PAS55. We will continue to review reports and consider need for future action. All have been subject to benchmarking of costs within price controls to incorporate measurements of asset management excellence against other utility companies. |
| 1. Network utility costs and performance measure favourably against the top quarter of appropriate comparable companies. | Benchmarking data submitted by NIEN stating they are in top quartile and we will review this in RP6. Have worked effectively with NIEN to improve approach to electricity connections/manage impact of changes in government policy.  Benchmarking of GDNs opex in GD17 showed some catch up required to meet top quartile and we will monitor this in cost and performance reports. Developed licence conditions for improved clarify on connections to gas networks.  NIW has made progress on efficiency but given funding limitations is unlikely to be able to demonstrate top quartile behavior in short-term. Further work is needed to deliver updated benchmarking mechanisms with GB. |
| 1. Our regulatory tools have helped make sure that regulated utilities drive further effective innovation, such as smart grids and meters. | NIW, NIEN and GDN price controls all incentivise innovation but leave operational decisions up to companies. NIEN has submitted requests in RP6 for trials and we will review against published criteria.  We have continued to develop reporting from NIEN to suppliers on meter replacement programme. |
| 1. Regulated companies deliver the outputs required by our price control decisions, on time and within budget. | Price controls and reporting will monitor this. NIW cost and performance reports published annually with work continuing on NIE and GDNs. Outputs clearly set out in GD17 FD. NIEN has proposed various outputs and KPIs in its submission and will work on these over next year. We have identified an FWP project for 2017-18 in respect of cost reporting for regulated companies. |
| 1. Network gas extensions have been delivered, leading to over 250,000 connections by 2019. | Target on track to be met early (by 2018) with 214,000 connections up to the end of 2015. |

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| **2: Promoting competitive and efficient markets** | 1. The I-SEM is delivered on time and is consistent with the EU target model. | Programme continues to be on target with outcome of stocktake exercise meaning that the market systems will be ready by the end of 2017 with market trialling and testing before go-live in May 2018. |
| 1. The Retail Energy Market Monitoring (REMM) system is in place and reported on each year, increasing customer protection. | REMM is now formally in place and starting to be reported upon by suppliers and DNOs. |
| 1. The effectiveness of competition in our energy markets has been assessed and we have put in place the associated regulatory and policy frameworks. | Phase 1 of the retail market review project has been completed. Phase 2 is nearing completion. We intend to discuss final decisions with the Board in November.  A follow-up project on micro-business protection is being prioritized for 2017/18 given outcomes and CMA review in GB.  There is continued work on EU gas network code compliance requirements. The implementation guidelines for contestability in electricity connections have been approved. |

# Glossary

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| Capacity payment mechanism | A method of paying electricity generators for providing electricity to suppliers. |
| Codes of practice | Documents that provide information on the standards of a range of services. |
| Cost reporting | A process of collecting information from regulated companies to allow us to assess, monitor and measure costs. |
| DS3 initiative | An initiative to deliver a secure, sustainable electricity system. This initiative involves us, the Commission for Energy Regulation and the transmission system operators in Northern Ireland and the Republic of Ireland and aims to:   * make sure there is a constant electricity supply; and * help meet renewable targets relating to electricity.   The three main work areas relate to system performance, system policies and system tools. |
| EU target model | Requirements for designing and operating energy markets that will promote competition, apply pressure to reduce prices and make sure there is a more reliable electricity supply. |
| Generating unit agreements (GUAs) | These agreements, also referred to as power purchase agreements, are long-term contracts between two parties, one who generates electricity and another who buys it. |
| Integrated single electricity market (I-SEM) | The name of the new wholesale electricity market throughout the island of Ireland. This should be in place in 2017. |
| Network codes | Contractual arrangements between the network system operator and network users to make sure the network runs efficiently. |
| Price control | Price controls are one of the main tools we use to protect consumers. This involves the regulator studying the business plans of utility companies and calculating the revenue they need to finance their activities while providing incentives to invest in the business. |
| Retail energy market | The activities of electricity and gas suppliers and their interactions with consumers. |
| Single electricity market (SEM) | The SEM was set up in November 2007. It is the single wholesale market for electricity which operates in both the Republic of Ireland and Northern Ireland. It aims to improve the reliability of supplies and the range of suppliers, encourage market efficiencies and economies, and promote greater competition. |
| Trading and Settlement Code | This sets out the detailed rules and procedures for selling and buying wholesale electricity in Northern Ireland and the Republic of Ireland. |
| Transmission system operator (TSO) | The organisation that makes sure the energy networks run efficiently. |
| Wholesale market | The wholesale market is where generators sell their electricity to suppliers. |