

**Draft Corporate Strategy 2014-19
and
draft Forward Work Programme 2014-15**

Contents

1 Introduction	3
2 Strategic context	7
The Programme for Government.....	7
Key policy developments	7
What we have achieved since 2009.....	9
Challenges from 2014	11
3 Our strategy	12
Protecting consumers	12
Our approach to developing our strategy.....	12
Our strategy	13
Our FWP	18
4 Responding to our consultation	21
Appendix 1: FWP 2014-15	23
Appendix 2: Glossary [DN to be finalised prior to publication].....	29

Our Corporate Strategy: a summary



1 Introduction

We set the strategic direction for the Utility Regulator through our corporate strategy.

The first strategy covered the period 2009-14. We are now consulting on a new strategy for 2014-19.

The strategy provides the basis for developing our annual plans (called the Forward Work Programme - FWP). We are required by legislation to produce a FWP each year and set out the list of non-routine projects that we intend to carry out.

Since the strategy and the programme are so linked, and we are developing new proposals for each, we have decided to consult on both at the same time. The FWP for 2014-15 – year 1 of the new strategy, can be found in the Appendix.

Who we are

We are the independent non-ministerial government department responsible for regulating Northern Ireland's (NI'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 local Assembly and our work contributes to the overall Programme for Government (PfG) in NI.

What we do

Our work is based on our statutory duties which include:

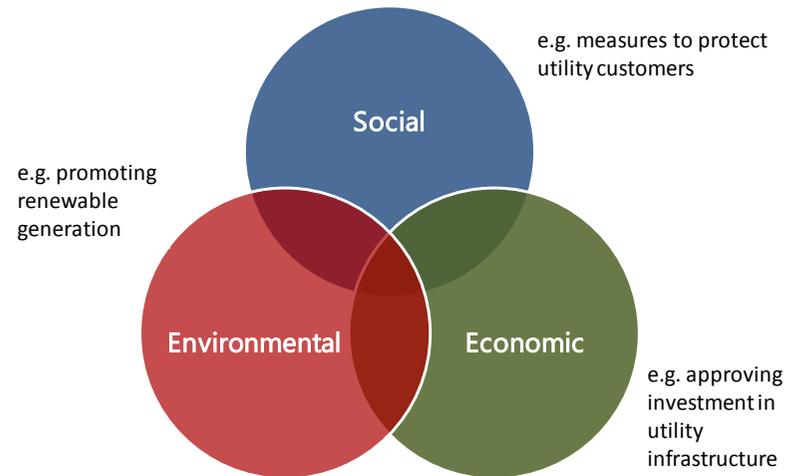
Energy – electricity and gas

protecting the interests of electricity consumers with regard to price and quality of service, where appropriate by promoting effective competition; and promoting the development and maintenance of an efficient, economic and coordinated gas industry

Water

protecting the interest of water and sewerage consumers by promoting an efficient industry delivering high quality services

The focus of our work spans three interconnected and interdependent areas of public service: social, environmental and economic (see below).



We have a wide statutory remit covering regulatory functions and competition powers. Our competition powers are held concurrently with the UK competition authority, which from April 2014 will be known as the Competition and Markets Authority (CMA).

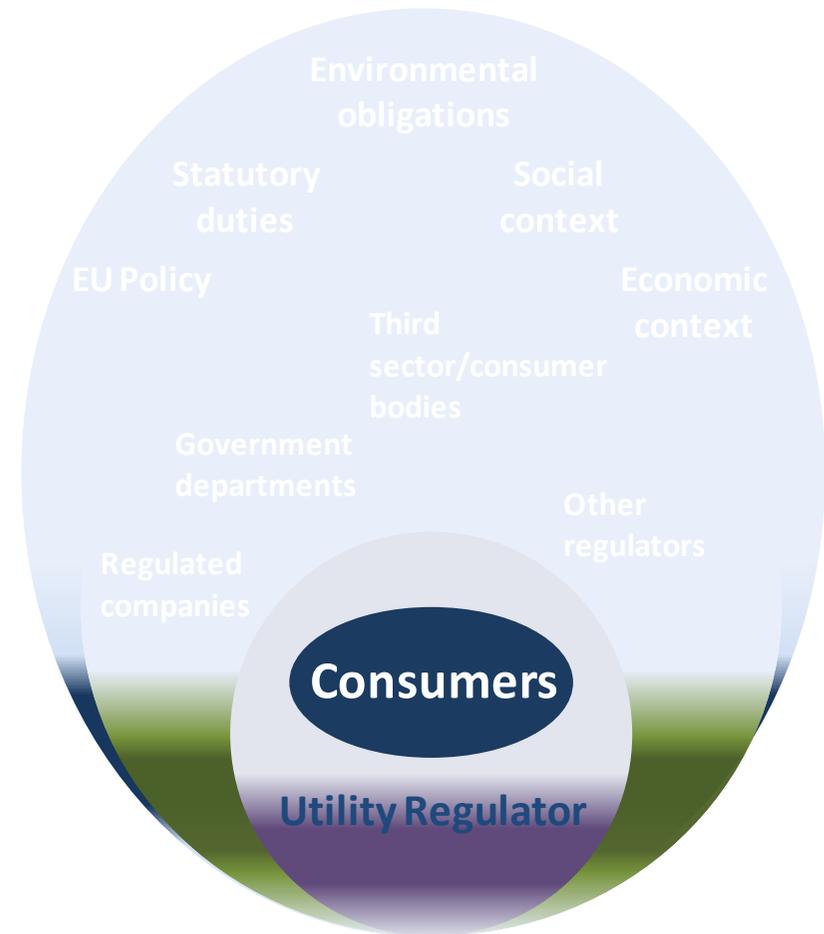
Practically, our work includes the following:

- **ensuring consumers only pay what is necessary for the services they receive now and into the future**

- working to provide greater choice and encourage competition in the gas and electricity markets
- challenging companies to ensure they operate ever more efficiently and deliver value for consumers as well as shareholders
- setting the minimum standards of service which regulated companies must provide to consumers in NI
- ensuring regulated companies can finance their activities and innovate effectively
- issuing licences that allow gas, electricity and water companies to operate in NI
- making sure licensed companies meet relevant legislation and licence obligations
- acting as an adjudicator on 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 (see below).



In carrying out our duties in energy we work within a policy framework set by the Department of Enterprise

Trade and Investment (DETI). Our statutory principal objectives are the same as the department's. In water we work within a policy framework set by the Department for Regional Development (DRD).

Our role also encompasses the regulation of the all-island single electricity market (**SEM**) which was established in 2007. We work in partnership with the energy regulator for the Republic of Ireland (the Commission for Energy Regulation – CER).

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

Following changes to the competition regime across the UK we will work with the new Competition and Markets Authority, which was established on 1 October 2013. We will also work with other sectoral regulators across the UK through the UK Competition Network (UKCN) to provide a co-ordinated approach to the implementation of the new competition regime.

Separately, we also work with the United Kingdom Regulators Network (UKRN). The UKRN comprises representatives from economic regulators and is a forum for promoting efficiency and consistency in the UK system of economic regulation.

The next section sets out the strategic context for our new strategy. In section 3 we set out our proposed strategy. Section 4 is a short section provides information about responding to the consultation on the draft strategy and our programme for 2014-15. Finally, we set out the proposed list of projects and associated draft budget for 2014-15 (Appendix 1) and a glossary of key terms (Appendix 2).

2 Strategic context

In this section we focus on the context for developing a new strategy. We identify the current context and policy developments since 2009 which influence our priorities. An assessment of our progress during the current strategy period is also presented. Finally we identify challenges for the new strategy period after 2014.

Strategic context

The Programme for Government

The NI Executive's Programme for Government (PfG) 2011-15 sets an overall context for all public service activity. It identifies a series of priorities, of which growing the economy is the most important. Within this priority area there is specific target to encourage the achievement of 20% of electricity consumption from renewable sources by 2015.

Key policy developments

There have been some significant external policy developments since 2009 which influence our priorities. These are briefly outlined below.

NI Executive policy developments

The Strategic Energy Framework (SEF), was published by DETI in 2010, and set a target of 40% electricity

consumption from renewables by 2020. More recently DETI have been leading the development of a new **Energy Bill** for Northern Ireland. The proposals contained in the Bill would make some amendments to our statutory duties which would better align our duties with those that exist in Great Britain.

In water, the NI Executive decided to defer the introduction of domestic water charging. We operate under an operating model which aligns the regulatory framework with the public expenditure regime.

DRD published social and environmental guidance which informs NI Water's investment requirements. More recently DRD is leading the development of a long-term strategy for water in Northern Ireland.

UK policy developments

The Department of Business, Innovation and Skills issued its Principles of Economic Regulation in 2011. The principles are: accountability, focus, predictability, coherence and adaptability.

The Department of Energy and Climate Change issued electricity market reform (EMR) proposals. This reform is about facilitating a GB market design that could deliver

three key objectives: security of supply, decarbonisation (in line with the Climate Change Act 2008), and affordability. The EMR proposals were subsequently reflected, in 2012-13, in a new **Energy Bill**. Energy is a devolved matter and as such not all of the GB **Energy Bill** proposals will apply to Northern Ireland. However NI consented to those parts of the **Energy Bill** that relate to Feed In Tariffs with Contracts for Differences to apply in Northern Ireland.

The Enterprise and Regulatory Reform Act 2013 led to the creation of the CMA replacing the Office of Fair Trading and the Competition Commission. The CMA's main duty is to 'promote competition, both within and outside the United Kingdom, for the benefit of consumers'.

EU policy developments

The EU third package of energy directives (**IME3**) which became law in September 2009 introduced measures to protect consumers, promote competition, legislate for enhanced regulatory functions and also amended our statutory duties.

IME3 also envisaged a move to a regional electricity market by 2016, and established **ACER**.

The Energy Efficiency directive (EED) was published in 2012, with a transposition date of 5 June 2014, and contains a target for all Member States to achieve energy savings of 1.5% per annum.

The Renewable Energy directive was published in 2009 and provided **priority dispatch** for renewable energy.

In terms of water, a key requirement and quality driver is compliance with the Water Framework directive, which introduces a holistic approach to the management of water quality. River basin management plans have been published by the Environment Agency who are responsible for co-ordinating their implementation, which will require an integrated catchment approach involving NI Water and a wide range of Departments, agencies and non-government bodies.

What we have achieved since 2009

We assess progress since 2009 below.

Since 2009 we have ...

approved at least £1.3Bn of efficient investment in networks

saved more than £240M of costs to consumers through price controls

saved £270 M of costs by cancelling power generators contracts

approved increased investment in renewables, that increase the proportion of renewable generation by 62%

worked with CER to develop the Single Electricity Market, and advanced the design of a new European regional electricity market

facilitated the opening up to competition of energy retail markets

approved further extensions to the natural gas network

implemented a range of EU consumer protection measures

completed major inquiries and provided recommendations on business electricity prices and water supply disruptions

We carried out a mid-term review of our existing strategy in 2010-11. Following a public consultation on this review we concluded that no change was needed to our strategy themes for the remainder of the corporate strategy period. We did however identify several additional projects that were then included in our FWP for 2011-12.

Challenges from 2014

New challenges are informed by a review of what has happened since 2009, the current context and what we know about the future. They include:

- **playing a role in addressing the impact of higher energy prices for business and domestic consumers**
- **ensuring efficient investment in a modern, high-performing and sustainable utility infrastructure**
- **supporting utility companies by providing incentives to innovate and promote best practice**
- **contributing to the achievement of the NI Executive's renewable energy targets**
- **reviewing the effectiveness of competition in the retail energy markets**
- **promoting effective competition in the SEM and delivering a regional European electricity market by 2016**
- **addressing security of supply concerns in NI**
- **enhanced monitoring of the outcomes of the retail energy markets for consumers and ensuring consumers are properly protected**
- **working with the CMA and UKCN to effectively implement the new competition arrangements**
- **working with DETI to implement legislative requirements in respect of energy - the Energy Bill and the Energy Efficiency directive**
- **supporting an integrated approach in water for complying with the Water Framework directive.**

3 Our strategy

Protecting consumers

Our strategy recognises the need to strike a balance between protecting the interests of consumers in both the short and long-term.

Achieving this balance means that we protect today's consumers, in relation to price and quality of service, as well as supporting efficient investment by energy and water companies which is in the interests of future generations. This will be achieved through having the right incentives in place to encourage ever more efficient, effective and successful enterprises providing the necessary services.

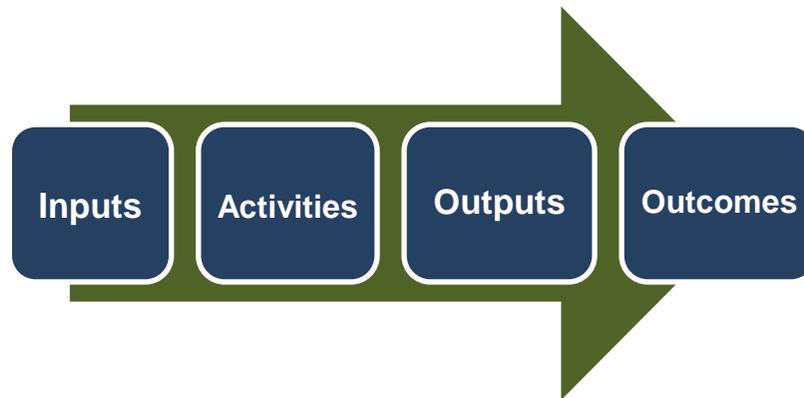
Our approach to developing our strategy

This is our second corporate strategy. We recognize that developing a new strategy is a significant milestone for our organisation.

We have engaged with our board and staff and external stakeholders at an early stage in its development. This included a series of workshops with internal and external stakeholders before we had commenced the drafting of our strategy. These workshops were an invaluable contribution to our review of the current strategy and further enhanced our understanding of the context under

which we operate. Ultimately, our engagement with stakeholders helped us to identify the priorities which form the basis of our strategy.

Turning these priorities into a coherent strategy involved the use of a model focused on delivering outcomes.



Our inputs include our staff, our budgetary resources and how we communicate. The activities relate to the things we do to deliver outputs. These outputs, which are largely outlined as project deliverables in our FWP, contribute to the outcomes or results that we wish to achieve.

Our strategy

Following our review of our current strategy, an assessment of the strategic context and engagement with stakeholders, the identity of our new strategic

priorities were clear.

Firstly, we will continue to put consumers – both current and future – at the heart of all we do. There were also a range of issues associated with our regulation of energy and water monopolies, such as prices. Secondly, issues around wholesale and retail market development and competition emerged as clear priorities. The broad issue of sustainability was a significant focus – given the wider policy agenda and comment from our engagement with stakeholders. Finally, the specific issue of electricity security of supply also emerged as a priority.

We considered how we might best reflect these priorities in our strategy, and have identified three objectives which form our strategy and the related outcomes. These objectives and the associated outcomes are, in turn, set out below in more detail. Finally, we also identify key performance indicators which show how we propose to objectively measure the achievement of our strategic outcomes.

Objective 1

- Promoting effective and efficient monopolies

Objective 2

- Promoting competitive and efficient markets

Objective 3

- Protecting the long-term interests of consumers

Objective 1:	PROMOTING EFFECTIVE AND EFFICIENT MONOPOLIES
We will meet this objective by:	<ul style="list-style-type: none"> • Promoting leading edge utilities through our price control reviews, who are efficient, invest prudently and innovate • Making sure that consumer bills fairly reflect costs by scrutinising and monitoring prices, cost reporting exercises and assessing compliance with service standards • Extending, developing and improving the resilience of our utility infrastructure by approving further investment
We will have achieved our objective when:	<ul style="list-style-type: none"> • Monopolies deliver high standards of performance • Network costs for NI energy and water companies improve relative to EU comparators • Best practice regulation facilitates innovation and fosters an efficient investment climate

KEY PERFORMANCE INDICATORS

1. Network utilities will be able to demonstrate their excellence in asset management, which is benchmarked against their peers
2. Network utility costs and performance benchmark favourably to the upper quartile of appropriate comparators
3. Our regulatory tools have helped ensure regulated utilities drive further effective innovation
4. The necessary levels of investment is approved through our price controls and regulated companies deliver the specified outputs on time and within budget
5. Network gas extensions have been delivered, leading to over 250,000 connections by 2019

Objective 2:	PROMOTING COMPETITIVE AND EFFICIENT MARKETS
We will meet this objective by:	<ul style="list-style-type: none"> • Reviewing and enhancing the competitiveness of energy markets (both in the SEM and in the energy retail markets in NI) • Delivering projects and promoting infrastructure to improve the operation of existing markets • Monitoring market competitiveness and supplier behaviour • Ensuring consumers are informed and engage with the market • Strengthening the evidence base to inform policy decisions
We will have achieved our objective when:	<ul style="list-style-type: none"> • A regional electricity market is in place and facilitates effective and efficient competition • The appropriate balance between competitive markets and a strong regulatory framework is in place • Market indicators compare favourably with markets elsewhere • A retail market monitoring information regime is in place and informs policy and empowers consumers

KEY PERFORMANCE INDICATORS

1. The regional electricity market is delivered on time and is consistent with the EU target model
2. We have protected consumers through a transparent Retail Energy Market Monitoring (REMM) regime
3. We have assessed the effectiveness of competition in our energy retail markets, and put in place the associated regulatory and policy frameworks

Objective 3:	PROTECTING THE LONG-TERM INTERESTS OF BUSINESS AND DOMESTIC CONSUMERS
We will meet this objective by:	<ul style="list-style-type: none"> • Delivering new consumer protection measures • Carrying out a co-ordinated approach to protecting vulnerable consumers • Co-ordinating approaches to address electricity security of supply concerns • Facilitating initiatives that promote the de-carbonisation of the energy sector
We will have achieved our objective when:	<ul style="list-style-type: none"> • Long-term security of supply for electricity, gas and water consumers is assured • A new domestic customer protection strategy is in place and vulnerable consumers are not disadvantaged by utility cost or quality of service • Our regulatory decisions have contributed to the achievement of the NI Executive's renewable targets and social and environment guidance (for water)

KEY PERFORMANCE INDICATORS

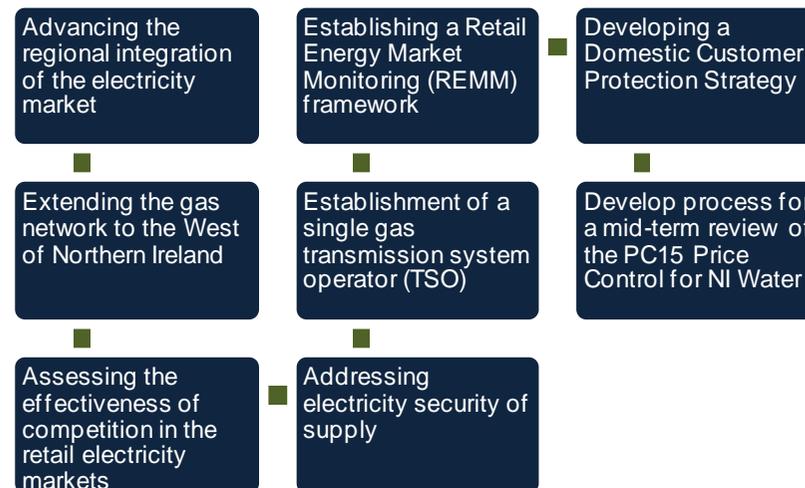
1. That there is a % increase in generation from renewables between 2014 and 2019
2. We have delivered the Domestic Customer Protection Strategy and have put in place revised energy supplier **codes of practice**
3. Customer research shows a high level of satisfaction with customer protection measures and how consumers are empowered and make informed decisions

Our forward work programme 2014/15 – year 1 of the strategy

We have set out the types of activities that will ensure that we will meet our strategic objectives.

The outputs that will help us contribute to the outcomes that we wish to achieve are largely identified in our FWP (see Appendix).

While the projects we identify reflect our assessment of the work that needs to be done during 2014-15, there are some which will have greater significance (see below).



These ‘flagship’ projects are significant because they variously meet legal/regulatory requirements, have a substantial impact on our strategy objectives and require a greater relative allocation of our resources to deliver. The flagship projects are identified in the list of projects at Appendix 1 (highlighted in bold blue font).

While our programme provides a list of the key non-routine projects that we intend to undertake these are only one part of our overall energy and water regulatory activities. We also undertake a broad range of routine

regulatory activities. These routine activities include: the issue and monitoring of licenses that allow gas, electricity and water companies to operate in NI; **cost reporting** and monitoring of utility companies; market monitoring for both wholesale and retail markets; the management and oversight of the Northern Ireland Renewables Obligation (NIRO); and, ongoing communications and engagement with industry, the voluntary and statutory sectors (e.g. in respect of statutory consultation exercises).

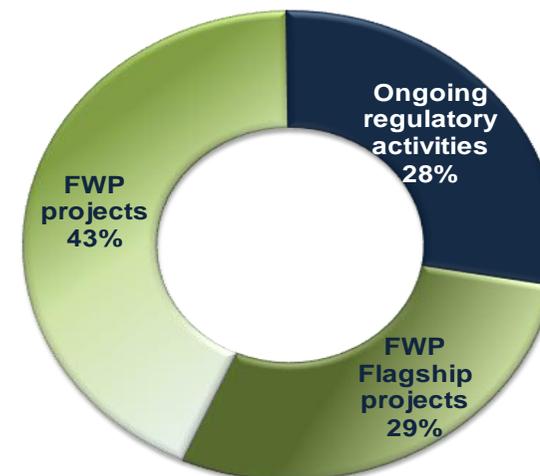
The projects set out in our programme are also reflected in internal workplans for each part of the organisation, along with projects and workstreams which are more routine in nature. Finally, these determine the personal workplans and objectives for our staff.

Just as we expect the enterprises we regulate to be efficient and effective, we expect the same of ourselves. We would therefore anticipate that any increases to our budget would be below the level of inflation. Any exceptions to that approach will be justified if and when they arise during the strategy period.

Our estimated use of resources across regulatory activities is summarized in the following graph. This will

vary from year to year.

Indicative use of resources on workstreams:



We set out an outline draft budget for 2014-15 in Appendix 1.

Delivering our strategy

Of course we also have a responsibility to make sure that we work effectively as a regulator. We recognise that stakeholders have provided comments and views about how we regulate and what our regulatory priorities should be. We also received more general feedback on our performance.

In delivering the strategy we will seek to adhere to our organisational values which are: best practice regulation, a united team, be collaborative and co-operative, be professional, listen and explain, make a difference and act with integrity.

As non-Ministerial government department we adhere to relevant policies processes and controls and our corporate team perform a range of important functions in that regards. For example, and in support of being a best practice regulator, we will take steps to enhance our regulatory processes and our communications with stakeholders. We also specifically plan, for instance, to develop a new communications strategy in early 2014 to enhance the way we engage, inform and communicate with stakeholders.

Our staff are key to delivering the new strategy. They are our best asset. We recognise that supporting the development of the people who work for us is critical for delivering the strategy. For that reason, we intend to focus on developing our staff so that they, and the organisation, benefit.

More specifically, we plan to review our organisational structure early in 2014. We aim to have a structure that

facilitates delivery of our corporate strategy commitments. The new structure will also enable us to work more effectively with our stakeholders in Northern Ireland and further afield. Additionally, as the UK's only multi-utility economic regulator, we will also harness the benefits of cross-sectoral working.

4 Responding to our consultation

We are now inviting comments on this draft strategy and the draft FWP.

Regarding our strategy, we would particularly like to hear views on the following questions:

1. Do you think we have chosen the right strategy objectives?
2. Have we identified the most important strategy outcomes, are there others that we should have included?
3. What are your views on our key performance indicators, do you have any suggestions on indicators that should have been included?
4. Do you have other comments or material suggestions that you would like to make about the document?

In respect of the draft FWP we would welcome your views on:

5. Have we identified the right projects or have failed to include certain projects; and,
6. Do you have any other general comments on the draft FWP.

Comments on both the draft strategy and draft FWP can be sent to:

Elena Ardines
elena.ardines@uregni.gov.uk
Queens House,
14 Queens Street,
Belfast,
BT1 6ED

before the close of the consultation on **20 February 2014**.

We intend to also hold a public briefing on our draft strategy and draft FWP during the consultation period.

Appendix 1: FWP 2014-15

STRATEGY OBJECTIVE 1: ENCOURAGE EFFICIENT AND EFFECTIVE MONOPOLIES

Ref	Project description	Anticipated project outcome/s	Sector	Timing
1	Advance the delivery of the new gas network to the west of Northern Ireland ¹	This project will pave the way for bringing the benefits of natural gas to consumers	Gas	Full year ²
2	Develop process for a mid-term review of the PC15 Price Control for NI Water	To improve the definition of the PC15 outputs part way through a 6 year price control to make provision for managed changes in funding and provide an opportunity to implement innovative and sustainable solutions	Water	Q3
3	Progress the establishment of a single gas transmission system operator (TSO) in conjunction with the implementation of European network codes	Increase efficiency of the operation of the transmission network. Compliance with EU network codes to enhance cross border gas operations	Gas	Q4
4	Complete PC15 price control review	Establish a clear price control contract for NI Water, with specified outcomes which will deliver benefits for consumers	Water	Full year
5	Develop new approaches to operational and capital efficiencies for the regulated companies	Support the drive to increase regulated companies' efficiency and effectiveness	Energy / Water	Full year
6	Complete a review of Power NI regulated tariffs	Our scrutiny will ensure that the approved tariffs reflect the costs of supply	Electricity	Q2

¹ Highlighted items in **blue text** are flagship projects.

² In relation to timing when we specify that a project is full year, this means that the duration of the project spans the whole year. Otherwise the projects will complete by the end of the quarter identified.

Ref	Project description	Anticipated project outcome/s	Sector	Timing
7	Enhance cost reporting requirements for gas distribution network companies to allow annual monitoring and ensure consistency when benchmarking to other companies	We will be able to more effectively benchmark NI GDNs with comparators and help inform us in the setting of targets for these companies	Gas	Q3
8	Review of approach to gas distribution connections	Will help us to develop our approach for the approval of gas connection policy	Gas	Q3
9	Complete supply price controls reviews for firmus and Airtricity	To promote cost efficiency in gas supply companies	Gas	Full year
10	Introduce a monitoring and reporting framework for the NIE T&D price control	We will improve reporting, increase transparency and help promote efficiency	Electricity	Q3
11	Complete a price control for SONI	A price control in place which enables the company to efficiently finance its activities	Electricity	Q3
12	Implement new licence modifications and monitoring arrangements for an independent TSO in accordance with IME3 requirements	Ensures compliance with EU legislation	Electricity	Full year
13	To assess the options and decide on the future of landbank sites	Will provide for the utilization of vacant and bank sites for the benefit of consumers	Electricity	Q2
14	Develop a strategy for the next NIE T&D price control (RP6)	Ensure that there is a clear, approach in place for undertaking the next price control	Electricity	Q2
15	Deliver contestability for connection to distribution networks	To offer choice in connecting to distribution networks , promote a decrease in prices, and reduce connection time	Electricity	Full year
16	Develop new information requirements for Annual Information Returns (AIR)	Assist in monitoring NI Water's performance and decrease the burden on the company by aligning AIR requirements with company and regulatory processes	Water	Full year

STRATEGY OBJECTIVE 2: PROMOTING EFFICIENT AND COMPETITIVE MARKETS

Ref	Project description	Anticipated project outcome/s	Sector	Timing
17	Review the effectiveness of competition in the retail electricity markets	Will provide a basis for assessing the effectiveness of competition in electricity markets and the implications for our statutory duties. Will inform the development of a new regulatory framework that is specifically designed in light of the findings to adequately protect consumers	Electricity	Full year
18	Implement a robust Retail Energy Market Monitoring (REMM) framework	A supply licence and retail market monitoring framework will be in place that adequately monitors the retail markets, informs policy and protects consumers	Energy	Full year
19	Develop enduring arrangements for regional integration of the electricity market, by January 2016	The agreement of a high level design and the achievement of a significant milestone which will allow us to meet EU legislative requirements	Electricity	Full year
20	Complete research on NI electricity pricing, and comparative with other jurisdictions	To gain a better understanding of non-domestic prices in NI, to be able to benchmark different cost elements against other EU countries, and to inform regulatory and energy policy	Electricity	Q3
21	Research customer experiences in energy retail markets	The published findings will provide an evidence base for us to help address any policy issues	Energy	Q3
22	Implement effective market monitoring for intraday trading	Ensure appropriate market behavior by generators and mitigates the risk of market abuse	Electricity	Q1
23	Work with Competition and Markets Authority and the UKCN to further develop our approach to competition	Consistent and co-ordinated approach to implementing the requirements of the Enterprise and Regulatory Reform Act	Corporate	Full year
24	Consider and develop measures to improve the competitiveness in SEM in advance of the regional integration of the electricity market	Ensure appropriate profitability in wholesale market	Electricity	Full year

STRATEGY OBJECTIVE 3: PROTECTING THE LONG-TERM INTERESTS OF BUSINESS AND DOMESTIC CONSUMERS

Ref	Project description	Anticipated project outcome/s	Sector	Timing
25	Produce a new Domestic Customer Protection Strategy	A co-ordinated approach to the protection of, especially vulnerable consumers in line with our statutory duties	All	Full year
26	Work with DETI to address security of supply risks in NI beyond 2016	Better management of risks to security of supply, with progress on North-South interconnector and solution to ensure long term reliability of Moyle interconnector being monitored	Electricity	Full year
27	Work with DETI on the formulation and implementation of Energy Efficiency directive requirements	A co-ordinated and integrated approach to complying with EU energy efficiency requirements	Energy	Full year
28	Work with DETI to progress implementation of the Energy Bill	The implementation of the Energy Bill will bring new arrangements and regulatory duties, such as gas storage licencing arrangements, offshore electricity licencing arrangements, sustainability duties in relation to regulation, guaranteed standards scheme for gas, etc.	All	Full year
29	Develop and consult upon billing guidance for energy suppliers	The purpose of this billing guidance will be to ensure that billing information is transparent to benefit consumers. The guidance will also provide clarity for suppliers and help them ensure that their bills are of a high standard	Energy	Q3
30	To finalise and implement enhanced supplier codes of practice (CoP's)	Increasing protection for domestic and non-domestic energy consumers	Energy	Full year
31	Projects to enhance regulation and customer protection in energy retail markets	We will prioritise projects to improve our regulatory framework in retail markets (e.g. to increase protection of non-domestic customers, to avoid customer switching blockages from suppliers, to develop a new code of practice on energy theft, regulating fixed term expiry notifications in contracts)	Energy	Full year

Ref	Project description	Anticipated project outcome/s	Sector	Timing
32	Develop arrangements for smart metering	Will provide a clear pathway for developing smart meters in Northern Ireland	Electricity	Full year
33	Implement arrangements for payments to generators if a fuel security event occurs	Increased security of supply and will enable payments to generators through an auditable approved mechanism	Electricity	Full year
34	Consider new ancillary services to facilitate renewable generation (under DS3 initiative)	Will support the increasing penetration of renewables Will assist in efforts to meet the NI Executive's 40% renewable target	Electricity	Full year
35	Review NI Water Codes of Practice	Better protection of consumers through compliance with service standards by the company	Water	Full year
36	Develop new customer measures and a Customer Satisfaction Survey of NI Water's consumers	We will be able to hold NI Water to account, and protect consumers. We shall trial new measures and the new survey in early PC15 before a review to set more consumer focused targets.	Water	Full year

Draft Budget 2014-15

The table below is an indicative only budget at this stage. The final budget will be published with the FWP by the end of March 2014.

	Corporate Affairs	CEO	Electricity	Gas	Retail	Water	Total	Opening 13/14 Budget
Salaries	1,141,000	293,000	1,149,000	758,000	495,500	726,500	4,563,000	4,582,000
Programme	103,321	5,000	764,874	379,429	347,252	337,123	1,937,000	1,973,000
Other Costs	768,870	12,100	40,000	15,600	9,100	11,800	857,470	807,800
Total 2014-15	2,013,191	310,100	1,953,874	1,153,029	851,852	1,075,423	7,357,470	7,362,800
Opening 13/14 Budget	2,047,635	281,600	1,980,389	1,168,707	825,029	1,059,440	7,362,800	

Appendix 2: Glossary of key terms

Ancillary services	Services necessary for the secure operation and restoration of the electricity system
Codes of practice	Codes of Practice are documents that provide information on the standards of a range of services that customers can expect from energy and water customers
Cost reporting	A process of collecting information from regulated companies to enable us to assess, monitor and benchmark costs.
Distribution networks	Systems of wires or pipelines that convey electricity, gas or water to the final consumers.
DS3	Delivering a secure, sustainable electricity system. A project involving both regulatory authorities (the UR and CER) and the TSOs on the island of Ireland aimed at ensuring continued security of supply and assist in the delivery of renewable targets in respect of electricity. The three main work areas relate to: (1) system performance, (2) system policies and (3) system tools.
Energy Bill	The Energy Bill relates to DETI proposal on making new primary legislation to allow for greater powers for sustainable energy and additional regulatory measures relating to natural gas and electricity.
Fuel security event	A fuel security event begins and ends when DETI gives a direction that a generating station is to be operated in a certain way or with a view to achieving specific objectives. Some examples of what may cause such an event are: where gas have been disrupted or reduced by a geopolitical issue, where there is an outage on the pipelines and equipment between the GB exit point at Moffat and the island of Ireland, where any incident has impacted on the integrity of the gas pipelines across the Irish Sea, where there is disruption to the routine replenishment of supplies of other fuel stocks(e.g. coal or oil), etc.

IME3	EU Third Energy Package of directives. This is the two directives and three regulations aimed at liberalizing gas and electricity markets across Europe. It focuses on developing internal markets but also adds new customer protection and information aspects.
Intraday trading	Intraday trading refers to the changes to the SEM trading arrangements introduced in 2012 to maximise the use of existing and future Interconnectors' within-day capacity and comply with the requirements of the Congestion Management Guidelines set out in 'Regulation 714/2009 of the European Parliament and of the Council of 13 July 2009.
Price Controls	Price controls are one of the key regulatory tools used to protect consumers. This involves the regulator scrutinising the business plans of monopoly utility companies and determining the revenue required to finance its activities while providing incentives to invest in the business.
Priority dispatch	Following the Renewable Energy directive, Member States shall ensure that when dispatching electricity from generating installations, transmission system operators shall give priority to generating installations using renewable energy sources
PC15	PC15 is the name of the Utility Regulator price control, which is at the early stage of development, relating to NI Water for the period 2015-20.
Regional Integration	Regional integration refers to the integration of electricity markets in Europe.
SEM	Single Electricity Market. The SEM is the single all-island wholesale market for electricity, operating in the RoI and NI, set up in November 2007. It aims to enhance security and diversity of supply, encouraging market efficiencies and economies of scale and promoting greater competition.
Smart metering	The definition of what is a smart meter is subject to much debate. In broad terms, it is a meter that enables two-way communication between the electricity/gas/water customer and the supplier. Such a meter can include a number of functions such as facilitating remote meter reading, provision of detailed consumption information, multiple time of use tariffs, etc.
Vulnerable Consumers	Vulnerable consumers, following the Energy Order definition, are those electricity consumers of pensionable age who are disabled or chronically sick, on low incomes or dwelling in rural areas and those gas consumers who are of pensionable age who are disabled or chronically sick or on low incomes.

