

Forward Work Programme 2017/2018

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



About us



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.

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

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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Foreword

As we enter the fourth year of our Corporate Strategy our focus remains on achieving the outcomes that we identified back in 2014.

We want the companies we regulate to be successful because we believe that this brings benefits to consumers and Northern Ireland as a whole. Efficient and effective monopolies provide high standards of service at best value and demonstrate excellence in asset management. During 2016/17 we published the outcome of our gas distribution price control (GD17). While two gas distribution companies accepted our Final Determination, firmus energy decided to refer aspects of our price control to the Competition and Markets Authority (CMA). We will defend our decision, in the consumer interest, during the CMA inquiry. The Gas to the West project reached a significant milestone with the first customer connection in late 2016 and planning approval in March 2017. We continue to use our regulatory scrutiny to drive further progress by NI Water and will contribute more widely to the strategic water agenda. Our price regulation of electricity and gas companies led to reductions in consumer bills in early 2016 however rising wholesale energy costs towards the end of 2016 do raise the prospect of increases in consumers' bills during 2017.

We also seek to develop competition and deliver energy markets that provide choice.

The I-SEM project, to introduce an enhanced wholesale electricity market on the island of Ireland, undertook a stocktake of progress and has set a clear direction for market go-live in May 2018. A major review of retail energy market arrangements in Northern Ireland was completed and we also removed price regulation in the small business electricity sector.

A public inquiry on the second north-south electricity connector commenced in February 2017 and we await the decision on this critical element of infrastructure which has the potential to secure our long-term electricity supply. While this is about the future for consumers, we also acted to protect the short-term needs of customers when a supplier exited the retail electricity market in December 2016. Working with industry partners, we ensured that no customers lost electricity supply and were transferred to a new supplier under our contingency planning arrangements for such a situation.

Our new FWP for 2017/18 comes at a pivotal time with several key projects (such as the electricity network price control, RP6) due to conclude. These types of projects make the biggest contribution to our Corporate Strategy objectives. As ever we cannot achieve these alone. We work with government, other regulators, industry, the voluntary and community sectors and stakeholders to help us. Political uncertainty represents however a significant strategic risk for all in the energy sector.

As a public sector organisation we also have to manage our resources carefully against a challenging agenda. I remain grateful to my team and acknowledge their commitment to doing their job professionally, and in line with our organisations values, on behalf of consumers. We also appreciate the support we receive from our board. As a team we have achieved much and have consistently met the challenges set for us. I am confident that we can continue to meet the challenges in 2017/18.

Jenny Pyper
Chief Executive

1. About this document

Under the Energy (Northern Ireland) Order 2003 and the Water and Sewerage Service (Northern Ireland) Order 2006 we must publish a forward work programme (FWP), referred to as a business plan, each year. The plan should contain a general description of our projects, other than routine activities, which we have planned for the year.

On 16 December 2016 we published a draft of this plan for consultation. It set out the projects we proposed to undertake during 2017/18.

During this consultation, we asked for feedback on whether we had identified the right projects or had not included certain projects. It also encouraged people to give us general comments on how the draft was designed and written.

The consultation closed on 17 February 2017 and we received 10 responses. We have published these responses on our website at www.uregni.gov.uk/publications/. On 27 January we also held a consultation workshop. This was attended by 14 representatives from a range of organisations. They had the opportunity to question our senior management team on the draft programme.

Overall, as with many of our previous consultations on the FWP, the comments we received related to broader issues rather than being specifically about this business plan.

There were no specific proposals to remove any of the projects set out in the draft plan and there were several suggestions around giving greater emphasis, or including projects on, certain projects. Given developments in respect of the exit of an electricity provider from the market in December 2016 we have decided to include a project relating to supplier of last resort arrangements for gas. This will replace a project on the domestic electricity standing charge which will be advanced if additional resources become available.

There were several comments around providing emphasis within particular types of projects or clarifying the scope as well as the timing of these. On the latter we have sought to clarify projects further where possible.

Several of those who responded referred to the challenge of using our resources to best effect. We have carefully considered these comments and also note comments to engage with stakeholders on implementation. Where engagement enhances our ability to effectively deliver projects we will reach out.

Many of those who responded to our consultation emphasised the importance of key projects identified by us. These projects are included in this final plan.

Overall, following the consultation, we intend to advance all of our listed FWP projects and will commence those projects in Annex 1 if additional resources become available.

We will be providing specific responses direct to those who gave us feedback.

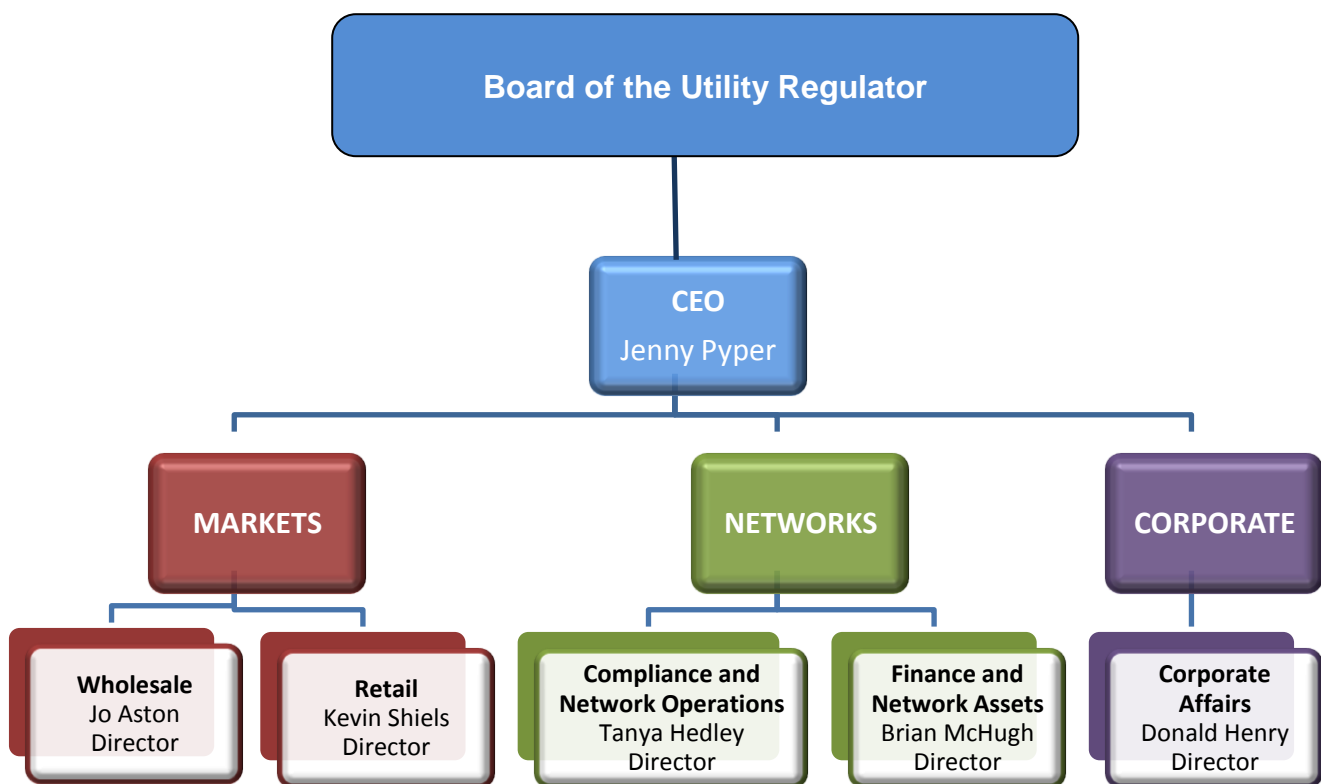
Key terms used in the plan are highlighted in **purple** and explained in a glossary on page 29.

2. About us

Who we are

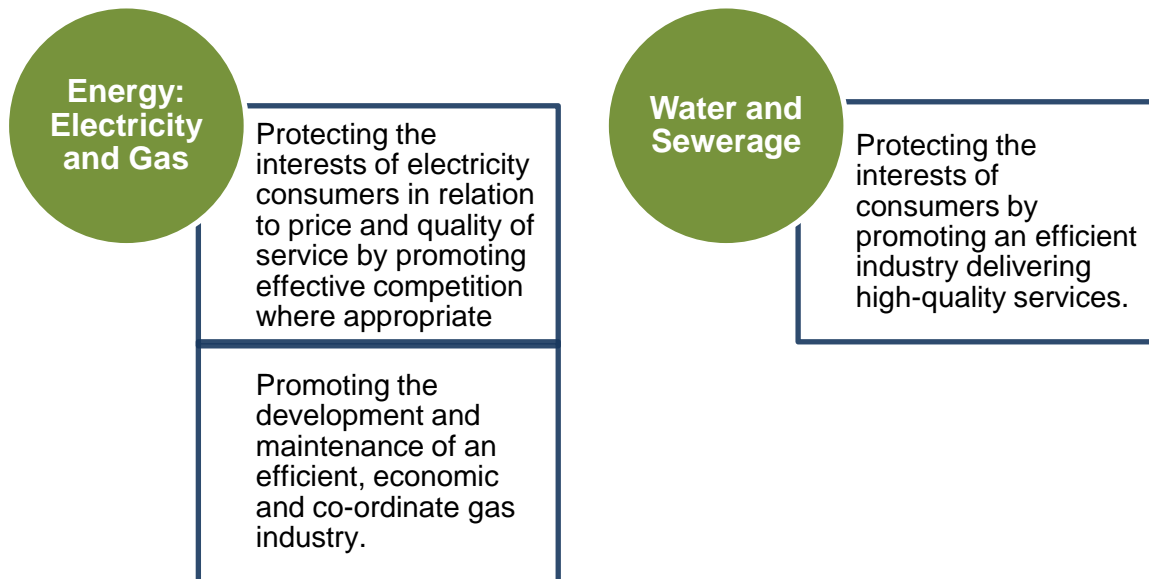
We are the independent non-ministerial government department responsible for regulating Northern Ireland's electricity, gas, water and sewerage industries. We are governed by a board whose members are appointed by the Minister of Finance. We are ultimately accountable to the NI Assembly and our work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

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



What we do

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



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. We also have concurrent powers in relation to enforcing competition policy with the CMA.

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 improve the consistency and transparency of regulatory best practice, and 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.

3. The context for this business plan

In this section we set out the wider situation at the time of developing this business plan.

Key external developments during 2016/17

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. A new package of EU energy directives, called the Winter Package, was published earlier in December and along with DfE we are considering its implications.

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.

During 2016 changing global wholesale fuel costs continued to have an impact on consumer prices and falling costs were passed on to consumers 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 not only on gas but also on electricity during 2017.

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 have published our review of the local retail energy market, taking 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. A positive decision by the Irish planning authority, An Bord Pleanála, was received on the southern element of the interconnector in December 2016. A Planning Appeals Commission public hearing on the northern side of the interconnector took place during February 2017. More broadly there are also strategic considerations around the development and adoption of new technologies by the energy industry, such as storage.

The direction of energy policy in Northern Ireland will be determined after the establishment of the new administration following elections in early March and we hope to see a new Strategic Energy Framework (SEF) to be published later in 2017.

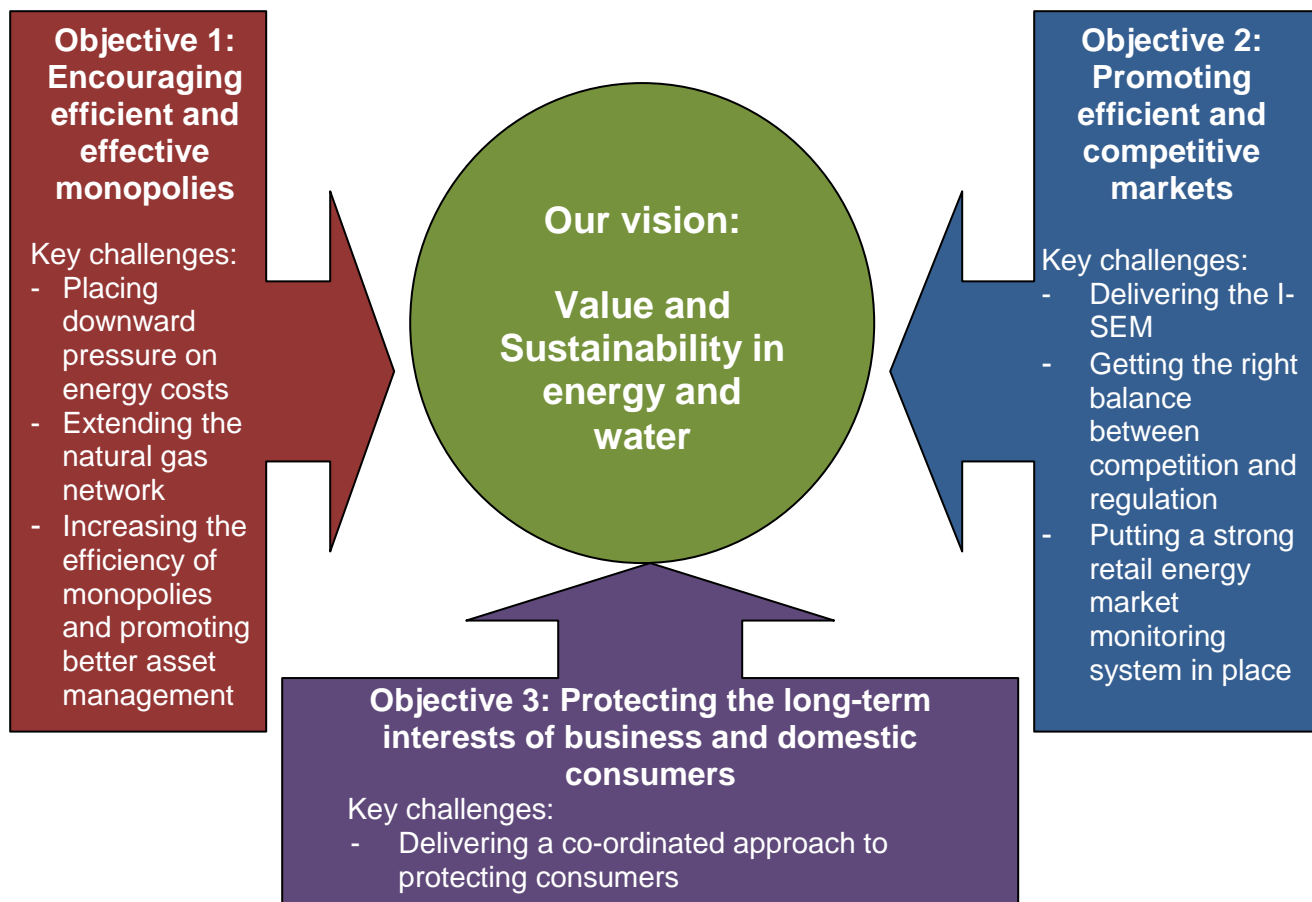
The DfI has also been developing a long-term strategic agenda for water and sewerage services to which we are contributing. We will take account of strategic developments in undertaking our mid-term review of our price control for NI Water and our approach to the next price control, PC21.

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

Our Corporate Strategy

We published our Corporate Strategy 2014-19 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 2017/18 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 2017/18



4. Our business plan projects and resources

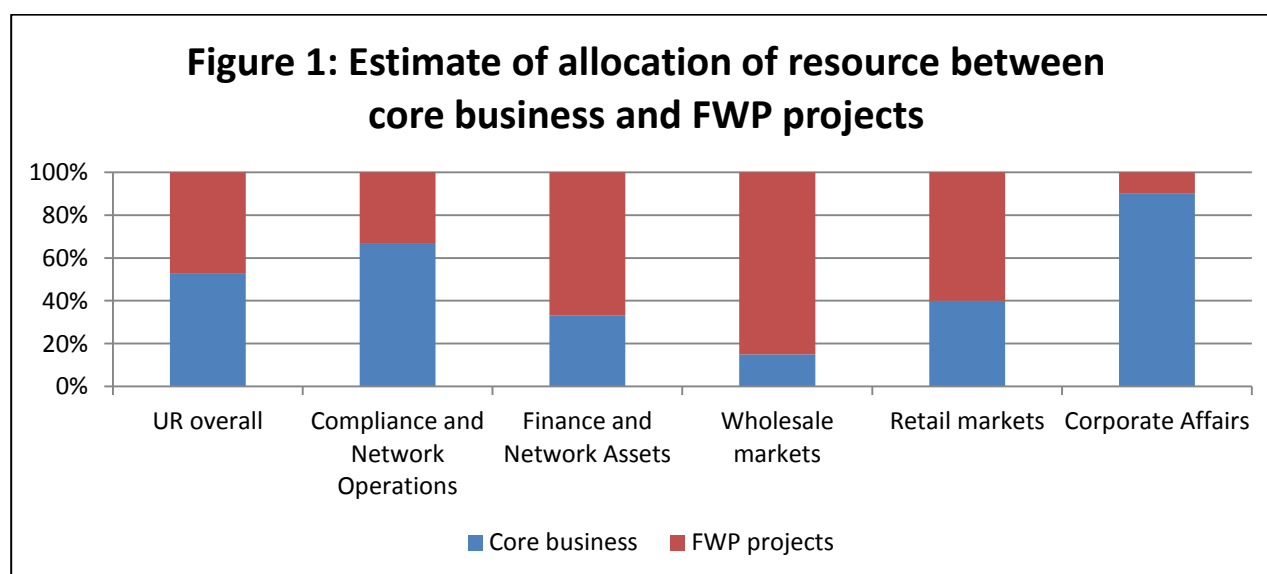
In this business plan we have set out the most significant projects that will help us to meet our strategic objectives. The majority of these projects take more than one year to deliver. Our business plan projects are set out in section 5.

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 or more of the following criteria:

- (1) legislative or statutory requirements;
- (2) government policy requirements;
- (3) regulatory requirements; and
- (4) contribute to the delivery of our Corporate Strategy objectives.

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 although diminishing part of our day-to-day work on energy markets relates to the existing 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. 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 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, especially for vulnerable domestic consumers. We also consider, and make decisions on, regulatory appeals, complaints and disputes. Across all our functions we monitor the regulated markets and companies and collect information on behaviours and compliance.

Our market monitoring work has led to an increasing focus on licence compliance and enforcement issues and we expect this to continue. We will use our enforcement powers to protect customers and ensure compliance with regulatory obligations where necessary. This "ICE" activity (Information, Compliance, Enforcement) is a growing focus for us across all regulated sectors.

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 (NISEP). The 2017/18 year is due to be the last year of the NISEP, as it was due to be replaced by the DfE's Energywise scheme. However, we understand that the Energywise proposals may now be subject to further consideration and we are engaging with the DfE regarding the implications for NISEP. Decisions on this are likely to be taken during 2017/18.

As a non-ministerial government department we are also focused on communicating with and involving industry, voluntary organisations and the public. This includes regular meetings and hosting stakeholder fora (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 prioritising 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 2017/18 if additional resources become available. These projects will be reviewed periodically and be re-prioritised as necessary within 2017/18 or for 2018/19. 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 public sector 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.

The FWP projects were identified on the basis of being priority projects and will be resourced within the existing budgetary resources. However, work pressures in the Wholesale and Finance and Network Assets areas mean that there may be a need for significantly more budget.

2017/18 budget

	Networks	Markets	Corporate Affairs	Total
Staff costs	£1,960,000	£1,846,000	£1,697,000	£5,503,000
Programme costs	£476,000	£1,872,422	£379,000	2,727,422
Other costs	£262,312	£262,905	£300,043	£825,260
Total	£2,698,312	£3,981,327	£2,376,043	£9,055,682

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 2014 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.

5. List of 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 NIE Networks (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 complete regulated tariff reviews	SPC19 will be commenced. Tariff review scrutiny will ensure that consumer bills reflect costs.	KPI 4	Retail Markets	Q4
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

Ref	Project description	Anticipated outcome/s	Link to Corporate Strategy KPIs	Lead team	Timing
7	Determine capital expenditure requirements to enable the construction of the Gas to the West pipeline	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	Networks	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	Progress I-SEM delivery to ensure market go-live by May 2018	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
2	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. The first auction to take place by December 2017.	KPI 1 and Objective 3, KPIs 1 and 2	Wholesale Markets	Full year
3	Establish the I-SEM Market Monitoring Unit (MMU) to include the IT redevelopment process	Will deliver an IT system that will allow the regulatory authorities 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
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

Ref	Project description	Anticipated outcome/s	Link to Corporate Strategy KPIs	Lead team	Timing
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	Q3
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	Introduce Gas Supplier of Last Resort arrangements	Ensures consumers are protected should a gas supplier exit the market.	Objective 3	Retail Markets	Full Year
5	Implement Consumer Protection Strategy (CPS) Action Plan Years 1 and 2 projects	Will enhance protection for consumers by implementing the CPS five-year strategy.	KPI 3	Retail Markets	Full year
6	Advance REMM and the Retail Investigations Compliance and Enforcement (ICE) workstream	Deliver fit for purpose retail market regulation, and associated transparency; alongside effective energy supplier 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	Comprehensive arrangements are in place to facilitate the NIRO closure.	Objective 3 KPI 1	Corporate Affairs	Full Year

Ref	Project description	Anticipated outcome/s	Corporate Strategy KPIs	Lead team	Timing
9	Promote the development of, and support for the Utility Regulator team by advancing arrangements for Investors in People accreditation (IIP)	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)

	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.	Objective 2: KPI 2,3	Compliance and Network Operations
6	Review 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
7	Investigation of supplier domestic tariffs and contracts and compliance (including review of current licence conditions and amendments if required)	Review and design regulatory intervention if necessary.	Objectives 1 and 3	Retail Markets
8	Revise and update supplier marketing code	Implement modified regulatory intervention if necessary.	Objective 3	Retail Markets

9	Scope the need for “Energy Broker” Regulation	Investigate and design regulatory intervention if necessary.	Objective 3	Retail Markets
10	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
11	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
12	“Exempt Supply and network” investigation and regulation	Investigate and design regulatory intervention if necessary.	Objective 3	Retail Markets/ Compliance and Network Operations
13	Update and review our Sustainability Strategy	Will provide further clarity regarding the exercise of sustainability function.	Objective 3	Corporate Affairs
14	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
15	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

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 NI Water have now provided reports on asset management including work with consultants to achieve externally validated standard compliance e.g. PAS55. NIEN submission now received on asset management and development objectives reflected in GD17 final determination. Asset management reports now included within Gas Annual Cost Reporting. Measurement of asset management excellence reflected within our benchmarking and subsequent allowances.
	2. Network utility costs and performance measure favourably against the top quarter of appropriate comparable companies.	<p>Benchmarking data submitted by NIEN states 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.</p> <p>GD17 benchmarking models set out in final determination and engagement with GDNs to continue as part of annual performance reporting.</p> <p>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 clarity on connections to gas networks.</p> <p>NI Water has made progress on efficiency but given funding limitations is unlikely to be able to demonstrate top quartile behaviour in short-term. Work on updated benchmarking approach with Ofwat to continue in 2017/18.</p>

	3. Our regulatory tools have helped make sure that regulated utilities drive further effective innovation, such as smart grids and meters.	<p>NI Water, NIEN and GDN price controls will incentivise innovation but leave operational decisions up to companies. NIEN has submitted requests in RP6 for trials and we will review against published criteria.</p> <p>We have continued to develop reporting from NIEN to suppliers on meter replacement programme.</p>
	4. Regulated companies deliver the outputs required by our price control decisions, on time and within budget.	<p>Price controls and reporting will monitor this. NI Water 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 to ensure outputs are clearly set out in RP6. We have identified an FWP project for 2017-18 in respect of developing cost and performance reports across all network companies</p>
	5. Network gas extensions have been delivered, leading to over 250,000 connections by 2019.	<p>Target on track to be met early (by 2018) with 214,000 connections up to the end of 2015.</p>

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.
	2. 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. We are awaiting further quarterly returns and are receiving the first Annual Returns. We plan to commence looking at potential publication issues later this year.
	3. The effectiveness of competition in our energy markets has been assessed and we have put in place the associated regulatory and policy frameworks.	<p>Phase 2 of our review of competition is now completed.</p> <p>A follow-up project on small-business protection is included in FWP 2017-18, given outcomes and CMA review in GB.</p> <p>The SEM Market Monitoring Unit continues to monitor market participant behaviour and investigate.</p> <p>There is continued work on EU gas network code compliance requirements. The implementation guidelines for contestability in electricity connections have been approved. Contestability in place for distributed connected generation above 5 MW.</p>

3: Protecting consumers	1. That there is an increase in the proportion of generation from renewables between 2014 and 2019 in line with the NI Executive's targets	<p>Official figures show that 25% of electricity generated from renewables (January 2016 figure). Government target of 40% by 2020.</p> <p>DS3 project to facilitate more wind to be deployed is also progressing to programme.</p>
	2. The immediate risk to electricity security of supply has been addressed by 2016 and longer-term concerns are dealt with by working with DfE and SONI.	<p>Immediate risk addressed via provision of short term local additional capacity by AES. Longer-term risk to be addressed by north south interconnector. Planning decision reached on southern side of north-south electricity interconnector – planning inquiry on northern side in progress.</p> <p>Engaged with PTL and GNI in relation to the Transportation Arrangements for securing gas transportation for NI post 2021 (and a proposed project for FWP 2017/18).</p> <p>I-SEM CRM being designed to take account of local capacity needs.</p>
	3. We have delivered the Consumer Protection Strategy (CPS) and have put in place revised energy supplier codes of practice.	<p>CPS strategy published in 2016 along with Five Year Action Plan. Year 1 (16/17) projects all underway, though some will fall into 17/18. Year 2 (17/18 projects to be delivered).</p> <p>Supplier minimum standards codes now complete and in place. New Theft Code and Bills/Statement Code being developed under the CPS Action Plan. Considered requirements for GSS review to align with CPS delivery in following year, RP6 and connections review for electricity network.</p>

4. Consumers are able to make informed decisions and there is a high level of satisfaction with customer-protection measures.

Work has progressed with CCNI on customer switching capabilities, price comparison website and consumer education projects around switching and prices.

A Consumer Summit is planned for Q4 17/18 under the CPS umbrella.

Formal consumer research is planned for 2018/19 (under CPS umbrella) to assess consumer attitudes, behaviours, satisfaction and areas of ongoing concern re retail market and supplier regulation.

Regular formal and informal meetings are held with CCNI, Trading Standards, 3rd sector, etc to pick up areas of concern emerging and any compliance issues.

Glossary

Capacity payment mechanism	A method of paying electricity generators for providing electricity to suppliers.
Capacity Remuneration Mechanism (CRM)	The mechanism for 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	<p>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:</p> <ul style="list-style-type: none"> • make sure there is a constant electricity supply; and • help meet renewable targets relating to electricity. <p>The three main work areas relate to system performance, system policies and system tools.</p>
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.
GDNs	Gas distribution network operators
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.