Forward Work Programme

1 April 2011 – 31 March 2012

March 2011

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1. Background

About the Utility Regulator

1.1. The Utility Regulator is the non-ministerial government department responsible for regulating the electricity and gas industries and water and sewerage services in Northern Ireland.

1.2. Our mission is: value and sustainability in energy and water. Our vision is: we will make a difference for consumers by listening, innovating and leading.

1.3. We are not a policy-making department of Government, but we make sure that the utility industries in Northern Ireland are regulated and developed within Ministerial policy as set out in our statutory duties. We are accountable to the Northern Ireland Assembly through financial and annual reporting obligations.

The Forward Work Plan

1.4. The Utility Regulator has a statutory duty to consult on and publish a forward work programme (FWP) before the commencement of each financial year, setting out the projects (other than those comprising routine activities) that we intend to undertake in that year. This paper sets out our FWP for 2011-12.

1.5. The FWP includes inputs from all Directorates within our organisation, and takes into account our Corporate Strategy 2009-14. Recognising the need to lead by example and constrain our own costs wherever possible, our budget for 2011-12 is again lower than that for the 2010-11 year. In summary, we have reduced our budget by 20% (in cash terms) since 2008-9.

1.6. Our focus, in the first instance, is on ensuring that we deliver against statutory duties. The FWP actions outlined - in conjunction with delivering on existing statutory and other activities - will consume all our available resources. However, we operate in a dynamic and evolving environment, and experience would suggest that other high priority workstreams which cannot be anticipated at this stage will emerge and have to be dealt with during the course of the year. In such a scenario there would inevitably be some slippage in our planned work programme, and we will adjust the FWP accordingly.

1.7. We also remain focused on delivering value for money regulation for consumers. However, we are also conscious of the wider economic environment and the implications of the UK Government's Spending Review. As a consequence, we deferred recruitment, reviewed other costs and reduced our opening budget for 2009-10 by 13% in cash terms compared with that for 2008-09. Again, our opening budget for 2010-11 was 9% lower than that for 2009-10. This FWP delivers a further 2.1% decrease in our budget.

1.8. The FWP has been produced following a public consultation. The public consultation was launched on 27 October 2010 and concluded on 20 January 2011. 15 responses were received. Key themes from consultation comments include:

- encouraging collaboration – stressing the benefits of our continued collaboration with key stakeholders;
- advancing competition – encouraging us to focus on initiatives that would further advance competition in the retail and wholesale markets;
- network regulation – asking us to set out our plans for developing the energy network and to consider how renewables may be accommodated (e.g. wind generation);
- focus on renewables – the need for us generally take account of renewables and sustainability in our work and our contribution to meeting high level targets (e.g. the Strategic Energy Framework's 40% renewable target)
- market optimisation – comments which encourage us to optimise the working of the Single Electricity Market (SEM) address a range of issues in a holistic way
- external focus – the need for us to take account of, and reflect in more detail, in the FWP, external issues that impact on Northern Ireland (e.g. the EU IME3 or Third Package legislation).

1.9. We have carefully considered all the comments received during the consultation and have made adjustments to the FWP where appropriate. All of the consultation responses have been placed on our website.

1.10. Given the need to look forward beyond one year (for example because many of our work areas will span more than one year), we also give an early indication of our proposed work projects for 2012-13 and 2013-14. We hope this is helpful to our stakeholders, as well as having useful work planning and scheduling benefits for us internally.

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

- the protection of consumers through effective regulation of monopoly utility companies by applying our regulatory scrutiny to drive efficiencies and promote enhanced level of services (e.g. through price controls);

- promoting sustainability and security of supply through working with utility companies to take account of the environmental impact of the services they provide (e.g. through the implementation of Fuel Security requirements in Northern Ireland) and assessing options for optimizing the existing energy infrastructure;

- protecting vulnerable customers by implementing initiatives emanating from our Social Action Plan (e.g. producing and implementing a debt code of practice) ;

- further advancing retail and wholesale competition to promote the interests of consumers (e.g. progressing a project to implement long-term electricity switching processes);
- harmonizing arrangements to deliver benefits for Northern Ireland consumers (e.g. the potential arising from Common Arrangements for Gas on the island of Ireland);
- a greater focus on the wider European legislative context, ensuring that we – in conjunction with statutory partners – expeditiously implement relevant legislation and effectively represent the views of Northern Ireland consumers;
- continuing to develop as an organisation – carrying out a mid-term review of our Corporate Strategy 2010-14.

1.12. The issue of fuel poverty was also raised by some respondents. The Utility Regulator is committed to appropriately playing a role in relation to vulnerable customers and has included several actions to support this commitment in this FWP.

1.13. It should also be pointed out we intend to draw on our unique status as a multi-utility regulator to advance workstreams that have a cross-utility application. This includes work on price controls, initiating work on financing utility networks, and working across sectors on supply competition and guaranteed standards of service.

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

2. Turning strategy into action - sectoral priorities

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

A. Protecting consumers by ensuring utility monopolies act efficiently.

B. Environmental sustainability and security of supply.

C. Protecting vulnerable consumers.

D. Boosting competition in wholesale and retail sectors.

E. Harmonising energy markets and use of infrastructure.

F. Evolving our regulatory framework.

G. Our own organisational development.

2.2 In the following section we outline how those priorities set the framework for the planned work of our individual Directorates in 2011-12.

Water

2.3 As the water regulator, we have focussed on developing a suitable regulatory framework through which we can constructively engage with Northern Ireland Water (NI Water) and which would lead to the establishment of a formal regulatory contract between the two organisations. The system developed centres around two main data set submissions; the Annual Information Return (AIR) received from the company each July and the Business Plan initially covering the three year period from April 2010 to March 2013 (PC10). Our PC10 determination was published in February 2010, and is a three year price control (2010-13).

2.4 Following the publication of the PC10 determination, we further engaged with stakeholders, to agree the approach that we would take to regulating a publicly funded water and sewerage services company. The resulting agreement in that regard takes account of the public expenditure processes and constraints.

2.5 The engagement with stakeholders will be vital for establishing a monitoring regime to help ensure that the company delivers the outputs anticipated by the PC10 determination, with associated reporting on an annual basis. We will also take account of any changes in funding resulting from Northern Ireland Executive decisions in that regard.

2.6 With regard to the next price control period, we will engage with principal stakeholders on significant issues affecting the water industry including political and strategic circumstances of the day, climate change, security of supply, sustainability, leakage and water resource management plans.

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

Protecting consumers by ensuring utility monopolies act efficiently

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

2.9 To protect consumers and promote their interests we will monitor and report on the company's progress against outputs funded in the PC10 determination and reflected in the monitoring plan. The basis of this monitoring will be the Annual Information Return (AIR) and Capital Investment Monitoring (CIM) submissions which include information about consumers, assets, financial performance and progress on the capital investment programme.

2.10 These submissions are used to measure performance levels resulting in an Overall Performance Assessment (OPA) score for the company. They also facilitate benchmarking with similar companies across the water industry in the UK. The submissions culminate in our annual Cost and Performance report.

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

Environmental sustainability and security of supply

2.12 During 2011-12 we will take steps to contributing to the development of sustainable water and sewerage services in Northern Ireland.

2.13 We will seek to measure the sustainability impacts of water and sewerage services in the context of our economic regulation of NI Water. As well as considering NI Water's approach to water efficiency, we will also explore the synergies that may result from reducing energy usage. We will also consider NI Water's Resource Management Plan and review the economic level of leakage, giving consideration to climate change and sustainability issues.

Protecting vulnerable consumers

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

2.15 We seek to secure improvements in service delivery to vulnerable customers through our monitoring of customer service and serviceability of the company's infrastructure. This is achieved through the regulatory processes and also in consultation with vulnerable customers and their representative organisations.

Boosting competition

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

Evolving our regulatory framework

2.17 We are conscious of the challenges arising from the current scenario as the economic regulator of a water company that is largely publicly funded. Following the publication of the PC10 determination in February 2010 we have worked closely with key stakeholders, through the Water Stakeholder Steering Sub-Group, to ensure that the system works in the interests of consumers. We will also continue to engage directly with the Consumer Council on water issues, where appropriate. We will continue to work closely with our key stakeholders to ensure the effective operation of the regulatory framework during 2011-12.

2.18 We will continue to work with stakeholders in terms of further developing the regulatory framework for NIW.

Gas

2.19 In both gas and electricity we will work with the Department of Enterprise, Trade and Investment to deliver relevant actions flowing from the Strategic Energy Framework, which was published in September 2010.

2.20 Our principal objective to promote the development and maintenance of an efficient, economic and co-ordinated gas industry in Northern Ireland, and to do so in a way that is consistent with the fulfillment by the Authority, pursuant to Article 40 of the Gas Directive, of the objectives set out in paragraphs (a) to (h) of that Article. This has included the construction of the South North and North West pipelines and the associated development of gas network in the ten towns outside the Greater Belfast area.

2.21 The next five years offers further opportunity to develop the industry. We are focused on advancing the Common Arrangements for Gas project which will lead to the harmonisation of the industry on an all-island level, and which should facilitate the potential for storage facilities and improve the attractiveness of the NI market to competing suppliers. We will also prioritise the development of a more structured and robust approach to monopoly price controls with the finalisation and bedding in of a detailed cost reporting matrix to provide improved scrutiny and transparency on network costs. This will allow consideration to be given to how the next price controls can effectively be structured.

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

Protecting consumers by ensuring utility monopolies act efficiently

2.23 We are aiming to complete price controls relating to Phoenix Distribution and Phoenix Supply during the 2011-12 year. We also expect to progress a price control relating to BGE (UK). Shadow price controls will also be undertaken by Premier Transmission Ltd and Belfast Gas Transmission Ltd. This will require intensive work on costs, incentives and policies. We will also draw on the work of our cross-directorate price controls team to ensure knowledge and information is shared across the organisation and price controls are carried out in the most efficient and effective manner.

2.24 Other work in this area will include the implementation of guaranteed service standards for the first time in the Northern Ireland gas industry.

Environmental sustainability and security of supply

2.25 We will play a leading role in facilitating the development of gas storage facilities at Larne. During 2011-12 we will move forward regulatory arrangements. This will involve completing work on the gas storage regulatory framework and managing licence applications that may result.

2.26 We will also implement EU Security of Supply regulations, working with the Commission for Energy Regulation (CER) and the Transmission System Operators (TSO's).

Protecting vulnerable consumers

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

Boosting competition

2.28 We will work in conjunction with our retail directorate to ensure that all necessary preparations are achieved to manage new supplier entry and ensure customer protection.

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

Harmonising energy markets and use of infrastructure

2.30 We will continue to work with CER to deliver harmonisation of gas arrangements which deliver real benefits for consumers. Much work has been done on the Common Arrangements for Gas (CAG) project to design a harmonised tariff and operations regime. In the year ahead we will proceed with putting in place key practical elements of CAG: the business rules of CAG, Transmission System Operator contractual arrangements and harmonised tariff structures.

Evolving our regulatory framework

2.31 We will implement relevant aspects of the Energy Bill.

2.32 We are keenly aware of the importance of EU developments with respect to the gas industry both in the short term through the third package and in the long term through the goal to move to a single gas market in Europe. In conjunction with colleagues from the electricity directorate we will ensure appropriate access to the Agency for the Co-Operation of Energy Regulators (ACER).

Electricity

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

2.34 The challenge over the coming years is to ensure that the SEM continues to meets its objectives through the provision of a stable market with transparent and equitable trading arrangements. Many of the work streams in this plan will be completed in partnership with CER, in accordance with the forward work plan of the SEM Committee. In addition, we intend to progress our regional integration work-stream with CER to develop improved trading arrangements with our neighbouring island. We will also implement any decisions arising form the SEM Committee's review of market power and liquidity in the SEM. Regarding electricity networks in Northern Ireland, we will continue work on the next price control with a view to facilitating increased renewable generation and continued security of supply. We will also implement the unbundling requirements of the IME3 Directive.

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

Protecting consumers by ensuring utility monopolies act efficiently

2.36 We will be implementing a new transmission and distribution (T+D) Price Control for Northern Ireland Electricity (NIE) – known as RP5 - from 1 April 2012. This will require intensive work over the next two years scrutinising investment plans, financing and operating costs and establishing appropriate price controls. We see this as a priority project and we will divert resources from other projects if this becomes necessary. We will work with our cross-directorate team to ensure knowledge and information is shared across our organisation and price controls are carried out in an efficient and effective manner.

2.37 We will continue to focus on making sure that tariffs reflect the actual cost of using the electricity network. As well as completing annual tariff reviews in relation to the regulated parts of NIE, we will plan to implement new Supplier Transmission Use of System (STUoS) arrangements in the System Operator of Northern Ireland (SONI) to make tariffs more cost reflective.

2.38 Following transposition of the IME3 Directive, we (or our SEM Committee) will consider any TSO certification application.

Environmental sustainability and security of supply

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

2.40 We will complete cost benefit analysis of network development plans, and a review of connection policy, to facilitate achievement of the 40% renewable energy target by 2020. We will also seek to facilitate other ways to achieve this target including the release of Landbank sites to the market. This will include consideration of incentivisation arrangements for NIE.

2.41 We will keep under review NIE Energy's micro-generation tariff to ensure that it continues to be cost reflective.

2.42 As well as implementing Fuel Security requirements in Northern Ireland, we will also work with DETI, the Department of Communication, Energy and Natural Resources (DCENR) and CER to implement arrangements for security of supply on an all-island basis.

Protecting vulnerable consumers

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

2.44 As part of our work on Smart Meter development, we will specifically include a trial involving vulnerable customers.

Boosting competition

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

2.46 We will implement the Trading and Settlement Code and system modifications for: the treatment of losses, dispatch and scheduling, global aggregation, TUoS charging, and the medium term review of the capacity payment mechanism.

2.47 Following our decision to cancel certain Generating Unit Agreements (GUAs) from 1 November 2010, we will continue to review GUAs, and will review the options for the future of the remaining GUAs and the NIE Power Procurement Business.

2.48 We will work in conjunction with our retail directorate to ensure that all necessary preparations are achieved to manage new supplier entry and ensure customer protection.

2.49 We will seek to increase competition and liquidity in the spot and contract wholesale markets and will work with CER to implement any decisions arising from the review of market power and liquidity in the SEM.

2.50 Our Market Monitoring Unit will continue to monitor bidding behaviour and, where necessary, enforce the Bidding Code of Practice.

Harmonising energy markets and use of infrastructure

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

2.52 We will progress our regional integration work-stream with CER to develop improved trading arrangements with our neighbouring island.

2.53 We will continue to develop our harmonised Generator Transmission Use of System (GTUoS) and Transmission Loss Adjustment Factors (TLAFs) policies with a view to implementing new enduring arrangements from October 2011.

Evolving our regulatory framework

2.54 As a regulator of three different industries there are benefits from having a multi-utility perspective. During 2012-13 we intend to develop a position paper on financing networks in conjunction with colleagues from the gas and water directorates.

2.55 We will also initiate work relating to private networks, specifically, we will review the implications of both private networks and the contestability of connections within electricity networks.

Retail and Social

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

2.57 The Retail and Social Directorate was established in early 2009, after identifying the necessity of regulatory intervention to address entry barriers in the retail energy market and enable choice. Two years later, it was expanded to cover social issues, those previously undertaken within the Environmental and Social Branch. The Retail and Social Directorate has been specifically working with our electricity and gas directorates to promote competition.

2.58 The expanding and evolving agenda associated with market opening, consumer protection and regulating competitive markets will continue to require resourcing going forward. As highlighted in the draft FWP, the retail director post has up until now been filled by a director in an acting capacity. Given the significant programme of work envisaged for the retail directorate over the coming years it would be our intention to initiate a process to recruit a permanent director for the retail directorate in the coming months.

Protecting consumers by ensuring utility monopolies act efficiently

2.59 The Retail and Social Directorate will continue to play a leading role in the scrutiny of the regulated electricity supplier – NIE Energy Supply (NIEES). The principle that the prices customers pay should be the least possible and reflect the costs of production will be at the forefront of our scrutiny of the NIE ES tariffs. During early 2011-12 we will complete and implement a price control of NIE ES – to be effective from 1 April 2011.

Protecting vulnerable consumers

2.60 During 2011-12 we will seek to implement the consumer related aspects of the EU's IME3 legislation. A key aspect of this will be defining vulnerable customers and facilitating customer understanding of prices and how to switch suppliers.

2.61 With reference to the IME3 legislation, we will also review customer billing. Specifically, we will undertake research into the optimal content and format of customer bills.

2.62 We will review the implications for us arising from the Department of Social Development's Fuel Poverty Review and any actions arising from our previous work on energy affordability.

2.63 During 2009 the Social branch completed an extensive consultative process and produced our Social Action Plan 2009-2012. During 2011-12 we will continue with implementation and review of this plan. This will include engaging with NIE plc and health trusts to assess the scope for addressing the needs of vulnerable customers through critical care procedures. We also intend to produced and implement a code of practice on debt for energy suppliers.

Boosting competition

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

- Further progressing the implementation of the enduring solution for the electricity switching;
- Increasing the interim limits of switching (in November 2010 the limit was increased from 6,000 per month to 7,500);
- Completing a review of the policy position in relation to the regulatory framework for supply competition (previously referred to as roadmap);
- Complete the 6 month review of domestic competition, and implement along side the findings of the policy position review noted above;
- Implement IME3 policies to ensure that customers have clarity in their choice of energy supplier (i.e. in relation to communications and the branding of the energy companies);
- We will work in conjunction with our electricity and gas directorates to ensure that all necessary preparations are achieved to manage new supplier entry and ensure customer protection.

Harmonising energy markets and use of infrastructure

2.65 We are currently working - via CER, the Harmonisation Working Group and the Harmonisation Steering Group - to progress the smooth roll-out of long-term electricity switching processes and substantially harmonised retail market processes.

Evolving our regulatory framework

2.66 Retail and Social will work with the Electricity and Gas directorates and Legal colleagues to ensure a co-ordinated and timely implementation of the customer/retail aspects of the EU 3rd package. This will include delivery of the Consumer Checklist required by the Third Package if mandated to do so by DETI.

2.67 We will establish retail market monitoring data set, and consider proposals coming out of the European Regulators' Group for Electricity and Gas (ERGEG). We will consult and implement a system of retail market monitoring.

Corporate Affairs

2.68 Alongside the Utility Regulator's four regulatory Directorates – water, gas, electricity and retail – we have a Corporate Affairs (CA) Directorate which is responsible for: environmental matters; strategy development; board secretariat; communications; finance, HR, IT, facilities and provision of the in house legal service.

2.69 Focussing on the more non statutory and routine activities in these areas, we report here briefly on the highlights of key future priority work areas for this Directorate. Our key actions under the relevant strategic themes are outlined below.

Environmental sustainability and security of supply

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

2.71 We will develop and enduring solution for Fuel Mix Disclosure taking into consideration the Renewables Directive 2009/28/EC and the EU IME3 legislation.

2.72 Following our review of the Energy Efficiency levy programme during 2009-10, which led to a refocusing and rebranding of the programme (as the Northern Ireland Sustainable Energy Programme), we will monitor, review and develop (as necessary) the programme.

Organisational development

2.73 We will continue to advance the development of our organisation during 2011-12. As well as developing organisational policy in conjunction with staff representatives, during 2010-11 we will carry out a mid-term review of Corporate Strategy 2009-14.

Evolving our regulatory framework

2.74 Perhaps unlike any other public authority in Northern Ireland, we hold an ever-increasing range of responsibilities governed directly by European law and we will seek to resource that.

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

Chief Executive's Office

2.76 During 2011-12 there are several specific areas of work that we be advanced through the Chief Executive's Office under the evolving our regulatory framework theme. (The Chief Executive's Office includes our legal team as well as senior policy advice and administrative resource).

Evolving our regulatory framework

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

3. Our FWP actions

3.1. We have finite resources to deliver our statutory duties and functions and to contribute to the delivery of policy objectives set by Government. This requires us to carefully consider and select those actions which we consider to be priorities for inclusion in our Forward Work Programme (FWP). We have developed the following table of FWP actions that we intend to pursue in 2011-12. We also give an indication of our business plans for the following two years to allow stakeholders an early view of our intended actions in the more medium term.

3.2. In finalising the actions for 2011-12 we have given careful consideration to all comments made and have adjusted our FWP as appropriate. The actions table outlined below therefore includes some changes from the consultation version to reflect our consideration of comments received.

3.3. Key to table:

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

Lead	Strategic theme	Projects	Actions to develop in 2011-12	Actions to develop in 2012-13 & 2013-14	Ref
G	Monopoly Regulation	Cost Reporting	Advance the network implementation of cost reporting and develop model for relevant gas supply companies.		1
E	Monopoly Regulation	GSS	Review current codes of practice and Guaranteed Service Standards (GSS) within the NIE Transmission and Distribution price control (RP5) for the electricity sector.		2
G	Monopoly Regulation	GSS	Implement GSS in the gas sector.		3
W	Monopoly Regulation	GSS	Work with stakeholders to develop GSS as appropriate in the water sector.		4
E	Monopoly Regulation	Price Control	Advance the RP5 NIE T&D price control.	Complete NIE T&D price control RP5.	5
E	Monopoly Regulation	Price Control	Carry out additional works associated with RP4 NIE T&D price control.		6
E/G/W	Monopoly Regulation	Price Control	Complete a review of Cross utility price controls.		7
G	Monopoly Regulation	Price Control	Complete Phoenix Natural Gas (PNG) Distribution price control.	Initiate work on firmus and PNG distribution Price Control.	8
G	Monopoly Regulation	Price Control	Complete Phoenix Supply Limited (PSL) price control.		9

Lead	Strategic theme	Projects	Actions to develop in 2011-12	Actions to develop in 2012-13 & 2013-14	Ref
G	Monopoly Regulation	Price Control	Progress BGE (UK) transmission price control.		10
G	Monopoly Regulation	Price Control	Complete Premier Transmission Limited and Belfast Gas Transmission Limited shadow price control.		11
R	Monopoly Regulation	Price Control	Complete NIE Energy Supply (NIEES) price control.	Review NIEES price control arrangements as necessary in light of market and regulatory developments.	12
W	Monopoly Regulation	Price Control	Work with stakeholders to progress NI Water Price Control PC13.	Intended completion of NI Water price control (PC13).	13
W	Monopoly Regulation	Price Control	Work with CCNI and NI Water to consult and incorporate customer views to inform PC13.		14
G	Monopoly Regulation	Regulation Structure	Analyse need for firmus supply price control in ten towns area.		15
W	Monopoly Regulation	Social and Environmental Guidance	Work with Statutory stakeholders to inform the development of the Minister for Regional Development's social and environmental guidance for PC13.		16
E	Monopoly Regulation	Tariff Review	Complete Annual Tariff Reviews.	Complete Annual Tariff Reviews.	17
G	Monopoly Regulation	Tariff Review	Complete tariff reviews for PSL.	Complete tariff review for PSL.	18
R/E	Monopoly Regulation	Tariff Review	Complete tariff reviews for NIEES.	Complete tariff review for NIEES.	19

Lead	Strategic theme	Projects	Actions to develop in 2011-12	Actions to develop in 2012-13 & 2013-14	Ref
E	Monopoly Regulation	Tariffs	Implementing new Supplier Transmission Use of System (STUoS) arrangements in System Operator of Northern Ireland (SONI) to make tariffs more cost reflective.		20
E	Sustainability	Demand Side Response	Finalise Demand Response Strategy.	Implement wholesale and retail market changes to enable Demand Side Response.	21
W	Sustainability	Developing Strategic Direction	Develop approaches to assessing sustainability impacts in the economic regulation of NI Water.		22
S	Sustainability	Energy Efficiency	Work with the Department of Enterprise, Trade and Investment and other stakeholders to further develop renewable support mechanisms and improve energy efficiency.		23
G	Sustainability	Gas Storage	Complete work on gas storage regulatory framework and manage any licence applications.		24
S	Sustainability	IME3	Develop an enduring solution for fuel mix disclosure, taking into account the requirements of IME3 and Renewable Energy Directive.		25
E	Sustainability	Licences	Address the licensing of new generation in a timely manner.		26
E	Sustainability	Networks	Assess the impact of Network development plans to meet strategic requirements for 2020/25.	Engage with NIE to assess the approach to Network and Smart Grid Development for 2020/25.	27

Lead	Strategic theme	Projects	Actions to develop in 2011-12	Actions to develop in 2012-13 & 2013-14	Ref
S	Sustainability	Renewables		Continue to operate effective running of Renewable Energy Obligation, Climate Change Levy Exemption Certificate Scheme and Renewable Energy Guarantees of Origen Scheme.	28
S/E	Sustainability	RES Directive	Implement changes arising from the Renewable Energy Directive.		29
E	Sustainability	Security of Supply	Implementation of Fuel Security Code requirements in NI and implementation of arrangements for all island security of supply.	Implementation of arrangements for all island security of supply.	30
G	Sustainability	Security of Supply	Implement European Security of Supply regulation.		31
S	Sustainability	Sustainable Energy Program	Work with DETI in relation to energy efficiency, in particular monitor and review (as necessary) the Northern Ireland Sustainable Energy Programme.	Continual monitoring of Northern Ireland Sustainable Energy Programme, call for schemes, annual report. Monitor budget, audit report. Begin Review in 2012-13.	32
W	Sustainability	Water Efficiency	Consider NI Water's approach to Water Efficiency and synergies with reducing energy usage.		33
W	Sustainability	Water Resource Management Plan	Consider NI Water's Water Resource Management Plan and review Economic Level of Leakage giving consideration to sustainability issues.		34

Lead	Strategic theme	Projects	Actions to develop in 2011-12	Actions to develop in 2012-13 & 2013-14	Ref
S	Sustainability	Statutory Duties	Work with DETI regarding the priority given to sustainability in our statutory duties and on the development of renewable heat as required.		35
R	Protection	Annual Statement	Implement Third Package required Annual Statement.	Maintain Third Package required Annual Statement.	36
R	Protection	Billing Information and Clarity of Bills	Undertake research into optimal content and format of customers' bills, ensuring Third Package requirements in this area are implemented.		37
R	Protection	Code of Practice	Produce and implement a code of practice on debt for energy suppliers.		38
R	Protection	Codes of Practice		Standardising licence-required Code of Practice arrangements across gas and electricity.	39
R	Protection	6 months review	To complete review of onset of domestic energy competition and implement findings.		40
R	Protection	Critical Care	Engage with NIE plc and health Trusts to assess the scope for addressing the needs of vulnerable customers through critical care procedures.		41

Lead	Strategic theme	Projects	Actions to develop in 2011-12	Actions to develop in 2012-13 & 2013-14	Ref
R	Protection	Fuel Poverty	Review any implications for the Utility Regulator arising the Department of Social Development's Fuel Poverty Review.		42
R	Protection	GSS		Identify scope for improving GSS content in gas and electricity and standardising best practice.	43
R	Protection	IME3	Cover rest of consumer related aspects of Third Package that have not been considered in other specific projects.		44
W	Protection	Monitor Performance via Annual Information Return (AIR)	Produce Annual Cost and Performance report for NI Water.	Produce Annual Cost and Performance report for NI Water.	45
R	Protection	Non-switchers		Identify and establish protection requirements for non-switching customers.	46
W	Protection	Public Private Partnership Contracts	Monitor the performance and efficiency of Public Private Partnership contracts relating to water and sewerage services.		47

Lead	Strategic theme	Projects	Actions to develop in 2011-12	Actions to develop in 2012-13 & 2013-14	Ref
W	Protection	Scheme of Charges	Review and approve NI Water Scheme of Charges (regulated tariffs and other charges) for 2011-12.	Annually review and approve NI Water Scheme of Charges (regulated tariffs and other charges) for 2011-2012.	48
E	Protection	Smart Metering	Advance Smart Metering development, to include a Trial for Vulnerable Customers and Interim Report.	Advance Smart Metering development, to include a Trial for Vulnerable Customers. Develop & Consult on Implementation plan for Smart Metering.	49
R	Protection	Social Action Plan	Review of Social Action Plan.	Issue of new Social Action Plan.	50
R	Protection	Supplier Marketing	Develop and implement customer protection arrangements in relation to marketing by suppliers.		51
W	Protection	Targeting Investment	Identify and issue additional data requirements to enhance the targeting of capital maintenance works.		52
R	Protection	Vulnerable Customers	Implement any decisions coming from IME3 to protect vulnerable customers in the competitive supply environment.		53

Lead	Strategic theme	Projects	Actions to develop in 2011-12	Actions to develop in 2012-13 & 2013-14	Ref
E	Competition	Ancillary services and Other System Charges	Further development of Harmonised Ancillary Services and Other System Charges arrangements.		54
R	Competition	Customer Choice	Implement Third Package policies to ensure customers clarity in their choice of energy supplier (i.e. communications, branding).	Deal with potential outstanding gas issues in policies to promote customer choice.	55
E	Competition	Directed Contracts	Complete Directed Contracts setting in conjunction with the Commission for Energy Regulation (CER).		56
E	Competition	Dispatch and Scheduling	Monitor and report on divergence of market schedule from dispatch.	Monitor and report on divergence of market schedule from dispatch.	57
E	Competition	Dispatch and Scheduling	Advice in implementation of legislation for harmonisation of Priority of Dispatch.		58

Lead	Strategic theme	Projects	Actions to develop in 2011-12	Actions to develop in 2012-13 & 2013-14	Ref
R	Competition	Electricity Systems	Implement Stage 3 of the ES project which will implement long-term electricity switching processes and enhance competition.	Finalise implementation of electricity switching process.	59
E	Competition	Market Development	Implement Trading and Settlement Code (TSC) and system modifications for treatment of losses, dispatch and scheduling, global aggregation and medium term review of capacity payment mechanism.	Implement Trading and Settlement Code (TSC) and system modifications for dispatch and scheduling and other as required.	60
E	Competition	Market Liquidity	Implement Decisions regarding improvement of contract market liquidity and the mitigation of the exercise of market power - in conjunction with the CER.	Continue with development of further market liquidity and complete annual Directed Contracts process.	61
G	Competition	Metering		Analyse appropriate location of meter reading duties between supply and distribution companies in NI. Begin work on Smart Metering Cost Benefit Analysis.	62
R	Competition	Policy Position	Complete a review of policy position on regulatory approach to supply competition and implement any actions arising (alongside findings on 6 months review).		63

Lead	Strategic theme	Projects	Actions to develop in 2011-12	Actions to develop in 2012-13 & 2013-14	Ref
E	Competition	PPB	Implement any decisions to cancel Generating Unit Agreement (s) and review options for the future of the PPB business.		64
E	Competition	Regional Integration	Delivery of developments required for compliance with congestion management guidelines and European policy re regional integration.	Delivery of developments required for compliance with congestion management guidelines and European policy re regional integration.	65
R/G/E	Competition	Supplier Entry	Ensure that all necessary preparations are achieved to manage new supplier entry and ensure customer protection.	Ensure that all necessary preparations are achieved to manage new supplier entry and ensure customer protection.	66
G	Harmonisation	CAG	Finalise business rules of Common Arrangements for Gas (CAG) code.	Implement CAG Go Live.	67
G	Harmonisation	CAG	Agree Transmission System Operator (TSO) contractual arrangements for single CAG operation.		68
G	Harmonisation	CAG	Agree CAG harmonised tariff structures.		69
E	Harmonisation	Capacity Payment Mechanism (CPM)	Carry out the annual calculation of the Capacity Pot for 2012.	Carry out the annual calculation of the Capacity Pot for 2013.	70

Lead	Strategic theme	Projects	Actions to develop in 2011-12	Actions to develop in 2012-13 & 2013-14	Ref
E	Harmonisation	Capacity Payment Mechanism (CPM)	Decision and implementation of review processes for the Capacity Payment Mechanism (CPM) Medium Term Review.	Continue to implement modifications to the CPM consequent to the outcome of the Medium Term Review.	71
R	Harmonisation	Harmonisation	Progress harmonised systems via Harmonisation Working Group and Harmonisation Steering Group ongoing issues. Ensure smooth roll-out of Stage 3 go live in the context of all-island supply processes.	Progress harmonised systems via Harmonisation Working Group and Harmonisation Steering Group ongoing issues. Ensure smooth roll-out of Stage 3 go live in the context of all-island supply processes.	72
E	Harmonisation	Locational Signals	Develop and implement enduring solution for treatment of losses.		73
E	Harmonisation	Locational Signals	Develop and implement enduring solution for Generator Transmission Use of System Charging.		74
E	Harmonisation	Market Monitoring	Monitor and investigate the Single Electricity Market (SEM) to mitigate the potential abuse of market power. Enforce the bidding code of practice.	Monitor and investigate the Single Electricity Market (SEM) to mitigate the potential abuse of market power. Enforce the bidding code of practice.	75

Lead	Strategic theme	Projects	Actions to develop in 2011-12	Actions to develop in 2012-13 & 2013-14	Ref
R	Harmonisation	Work with CER		To scope with CER on future work requirements in relation to common regulatory approaches.	76
G/E	Regulatory Framework	ACER	Ensure appropriate access to the Agency for the Co-operation of Energy Regulators (ACER) and input into European energy policy including network codes as they are drafted.	Oversee implementation of European network codes.	77
G	Regulatory Framework	Connections		Connection Policy. Analyse potential for single NI connection policy at distribution level.	78
G	Regulatory Framework	Energy Bill	Implement all relevant aspects of Energy Bill.		79
W	Regulatory Framework	Executive Consultation	Contribute and inform any proposals to the Executive to consult in relation to NI Water governance or funding.		80
G/E/W	Regulatory Framework	Financing Networks	Produce a position paper on Financing Networks.		81

Lead	Strategic theme	Projects	Actions to develop in 2011-12	Actions to develop in 2012-13 & 2013-14	Ref
R/G/E/ Legal	Regulatory Framework	IME3	Implementation of IME 3 (Third Energy Package) to include certification process regarding to unbundling, licence modification, etc, as appropriate following DETI's legislation.	Implementation of IME 3 (Third Energy Package) remaining aspects.	82
R	Regulatory Framework	Market Monitoring Long Term	Establish retail market monitoring data set. Consider proposals coming out of European Regulators' Group for Electricity and Gas (ERGEG) work. Consult and implement system of Retail Market Monitoring.	Maintain and update data set.	83
R	Regulatory Framework	Market Monitoring Short Term	To design and implement a short term retail market monitoring, using quarterly reports on switching, prices and market activity.		84
E	Regulatory Framework	Networks	Review the implications of both private networks and contestability of connections within electricity networks.		85
E	Regulatory Framework	Networks	Completion of Licence modifications required for acquisition of NIE T&D.		86
CA	Organisational	Corporate Strategy	Carry out mid-term review of Corporate Strategy 2009-14.		87

4. Ensuring delivery – resources and risks

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

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

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

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

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

Resources

4.2. We are conscious of wider public sector spending constraints. We place a high priority on ensuring that its resources are demonstrably managed in an efficient manner. In the last two years we significantly reduced our budget (by 9% in cash terms in 10/11 and 13% in cash terms in 09/10). We set out below our budget to deliver the commitments and actions in this Forward Work Programme. We are again, at this stage, proposing to further constrain our costs with a further reduction in our budget for 2011-12

4.3. This is possible largely because we now have a solid core of more experienced staff. We have focussed on developing our staff resources and that has enabled us to reduce the extent to which we need to rely on external support. The FWP is based on a complement of some 70 full-time equivalent staff currently organised across five directorates and the Chief Executive's Office. In addition to the various central corporate services functions, the Corporate Affairs Directorate includes operational teams which are responsible for legal, environmental and strategy functions.

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

4.5. The budget for 2011-12 is presented in the table below. We intend to fulfil our more challenging work programme commitments with a reduced total budget compared to last year. However, at this stage there will always be some uncertainty regarding the detailed scope of some of the actions planned for next year and we will continue to refine our cost estimates as plans evolve.

	CA	Retail and Social	Electricity	Gas	Water	CEO	Total	10/11 Budget April 10
Salaries	1,213,000	458,000	984,000	828,000	788,000	310,000	4,581,000	4,432,000
Programme	96,346	263,230	587,207	374,351	309,881	20,000	1,651,015	1901000
Other Costs	1,078,600	8,300	30,800	18,700	17,800	12,600	1,166,800	1,127,800
Of which recoverable	-299,000	-	-	-	-		-299,000	-210,000
Total	**2,088,946**	**729,530**	**1,602,007**	**1,221,051**	**1,115,681**	**342,600**	**7,099,815**	7,250,800
10/11 Budget Apr-10	2,143,865	634,292	1,682,922	1,144,380	1,188,572	456,769	7,250,800	

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

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

Dealing with risks

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

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

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

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