

# Forward Work Programme

**1 April 2012 – 31 March 2013**



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## 1. Introduction

The Utility Regulator publishes its Forward Work Plan (FWP) following public consultation.

We have a statutory duty to publish and consult on the FWP before the start of each financial year. The FWP sets out:

- (1) the projects (other than those comprising routine activities) that we intend to undertake in that year
- (2) an estimate of the overall expenditure which we expect to incur in carrying out our work

We carried out a public consultation on the draft FWP, and eight consultation responses were received. In addition, we held a stakeholder briefing during the consultation period. All consultation responses are published on our website.

While the majority of responses we received tended to require no action from us, the overall nature of the comments tended to fall into the following categories:

encouraging collaboration – a general encouragement for us to engage with stakeholders and to work in partnership on key workstreams;

support for projects – there was support for our proposed projects from several respondents (e.g. regional market integration);

clarify projects – several responses asked us to provide more information on the project and its scope (e.g. whether assessing and determining capital maintenance will form part of the work on PC15);

prioritising projects – some respondents took the opportunity to urge us to progress some projects more quickly or give projects priority (e.g. gas to the west);

propose projects – some responses consisted of extensive commentary on aspects of their engagement with us and our work, and several made specific suggestions about projects that we should include or mention in our FWP (e.g. Smart meters).

We have given all the comments we have received careful consideration and made some changes to the FWP to reflect the responses received.

The FWP therefore sets out the projects that we plan to undertake during 2012-13, within the overall direction provided by our corporate strategy.

We have finite resources to carry out our work. The FWP prioritises those non-routine projects that we are able to undertake within existing resources.

## 2. About the Utility Regulator

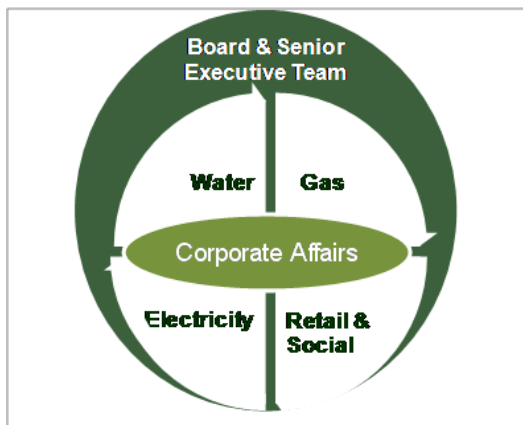
The Utility Regulator (UR) is the non-ministerial government department responsible for regulating the electricity and gas industries and water and sewerage services in Northern Ireland.

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.

We are governed by a Board of Directors, made up of non-executive members as well as the Chief Executive. The Chief Executive leads a management team made up of Directors representing each of the key functional areas: electricity, gas, water, retail and social and corporate affairs (Figure 1).

Figure 1 UR internal structure



## 3. The context for our work: key challenges

We work in a dynamic environment. This creates a challenging context for our work.

The need to constrain consumer utility bills challenges us in our scrutiny of tariffs and regulated utility company costs. It is vitally important to ensure the costs consumers pay for energy networks are efficiently incurred and this is one area where we can make a big difference that will have a direct benefit for consumers. We will also enhance our understanding of utility companies' costs through revised costs reporting. We will 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.

In water specifically, we are conscious of the unique context within which NI Water operates. We will work with stakeholders to ensure that the regulatory regime continues to protect and provide value to consumers under the current arrangements.

Given the greater emphasis on sustainability, the need for us to mainstream this in our work is paramount. We are also mindful of the **Strategic Energy Framework's (SEF)** target for the consumption of renewable electricity. Our work will focus on practical initiatives to support environmental sustainability, and this will include working with the

Department of Enterprise, Trade and Investment (DETI) on revised support mechanisms for renewables in Northern Ireland. We will also work with DETI on the potential for increasing energy efficiency and on the implementation of various aspects of a new energy efficiency Directive, including billing and metering requirements and the proposed 1.5% energy savings target. We will also, where possible, incentivize a more strategic and sustainable approach to the provision of water and sewerage services.

The need to implement EU security of supply arrangements will be taken forward in electricity and gas during 2012-13. We will also play a leading role in facilitating the development of gas storage facilities at Larne.

The challenge of protecting **vulnerable consumers** is also critical. As well as applying our regulatory scrutiny to tariffs, we will undertake several other initiatives to protect **vulnerable consumers**. This includes the implementation of a series of consumer protection measures arising from the **EU Third Energy Package of directives (IME3)**.

We have been at the forefront of encouraging competition in energy markets. The challenge of further enhancing the competitive environment for energy consumers will be addressed by several specific projects. As well as taking steps to remove barriers for retail energy consumers (e.g. through the implementation of new switching systems), we will focus on enhancing

market liquidity in the **Single Electricity Market (SEM)** and moving towards a regional European electricity market.

The challenge of delivering harmonized energy markets will be advanced through specific projects, subject to agreement from all relevant parties.

We are keenly aware of the importance of EU developments both in the short term through the third package and, in the long term, through the goal to move to a single energy market in Europe. We will take specific steps to engage, and ensure that our influence is exerted, with the **Agency for the Co-Operation of Energy Regulators (ACER)**.

Given the challenge of resource constraints in the public sector environment, we will optimise the use of available resources across the Utility Regulator and continue to take action to constrain our budgetary requirements.

#### **4. Our performance management framework**

We carry out our work within a performance management framework.

The elements of this framework are threefold: (1) Corporate Strategy, (2) Forward Work Plan, (3) Directorate/branch plans.

## Corporate Strategy 2009-14

Our Corporate Strategy sets out the high level direction for our work.

There are seven strategic themes which comprise our strategic direction (Figure 2).

**Figure 2 UR's seven strategic themes**



During 2011 we have been conducting a mid-term review of our corporate strategy. Overall, the review concluded that the strategic themes in our corporate strategy remained appropriate. There were however a number of comments made during the review, that are addressed in this draft Forward Work Plan.

## Forward Work Plan

Our corporate strategy themes provide the context for projects set out in the FWP.

## Directorate/ branch plans

FWP targets are also reflected in the branch plans within each directorate along with projects and workstreams which are more routine in nature.

## **5. The format of the FWP**

Our FWP provides an outline of the key projects to be undertaken by us in the forthcoming year.

The projects are listed by strategic theme and include the directorate leading on the work.

In part seven of the FWP we outline the expenditure that we expect to incur in carrying out our work.

We report on progress against each of the projects in our Annual Report.

As with any plan, there is always additional, unpredicted developments in-year which requires our immediate attention. In these situations we prioritise our resources to ensure that the additional urgent work can be completed. Therefore in these instances proposed targets may not proceed as planned.

In order to enhance the accessibility of the document, key terms used are highlighted in **purple**, and explained in a Glossary (from page 22 onwards).

## 6. FWP projects 2012-13

In this section we set out the proposed FWP projects for 2012-13. The projects are listed by corporate strategy theme.

As a precursor to each group of projects, we outline key contextual issues and ongoing workstreams impacting on the work of each directorate.

### Monopoly Regulation

Where competition does not protect consumers' interests our role is to ensure that utility companies act efficiently.

Our regulation of utility companies focuses on, among other things, achieving two key outcomes for consumers. Firstly, we carry out **price controls** to ensure that only the justifiable costs of utility companies are passed onto consumers. Secondly, our job is to promote enhanced levels of service for consumers.

In order to meet these outcomes the following projects are identified for 2012-13.

#### Outcome 1: Ensure that only justifiable utility company costs are passed onto consumers

- complete **price controls** for **NIE Transmission and Distribution (RP5) (lead directorate is Electricity)**, **NIE PPB (Electricity)**, **BGE transmission (Gas)** and **NI Water (PC13) (Water)**

- complete regulated tariff reviews for **Power NI (Retail and Social)**, and **Phoenix Supply Ltd** and consider approach for **firmus Energy Supply (Gas)**
- initiate **price control** projects for **Power NI (Retail and Social)**, **Phoenix Natural Gas**, **firmus Distribution** and consider approach for **firmus Energy Supply (Gas)** and **NI Water (PC15) (Water)**
- review the approach to the **regulatory reward framework** for regulated companies that are non-network and non-asset based (**Cross Utility**)
- review **cost reporting** for the RP5 price control (**Electricity**)
- complete an analysis of, and report on, NI Water costs and performance compared to price control (PC10) targets (**Water**)
- review consumer benefit for **Generation Unit Agreement (s)**, implement any decisions to cancel and review options for the future of the **PPB** business. (**Electricity**)
- complete work as necessary on the referral of the price control of Phoenix Natural Gas to the Competition Commission (**Gas**)

#### Outcome 2: Promote enhanced levels of service

- review connection policies in gas (in line with distribution price controls) and electricity to ensure that consumers are able to



access supply at reasonable cost  
**(Electricity and Gas)**

- implement, in conjunction with DETI, any decision to extend the natural gas network **(Gas)**
- further develop a comprehensive energy Retail Market Monitoring framework **(Retail and Social)**
- deliver relevant recommendations from the PAC report *Measuring the Performance of NI Water*. **(Water)**

## Sustainability and Security of Supply

There is increasing awareness that sustainability and environmental challenges are becoming one of the main threats to future generations and present consumers. Directly linked to sustainability is the requirement for us to consider the way forward in relation to security of supply.

During 2012-13 our projects will focus on achieving three outcomes. Firstly, we will facilitate renewable generation. Secondly, we will engage with stakeholders to develop practical approaches that support environmental sustainability. Finally, we will implement arrangements that support security of supply.

### Outcome 1: Facilitate renewable generation

- introduce new support mechanisms for renewables, post

the **Renewables Obligation** (including working with DETI to assess electricity market reform proposals) **(Corporate Affairs/Electricity)**

- ensure that the **Renewable Energy Guarantee of Origin** system can work effectively with **Fuel Mix Disclosure** methodologies **(Corporate Affairs)**
- propose and bring forward improvements to the **Levy Exemption Certificate** issue and redemption process **(Corporate Affairs)**
- engage with DETI in relation to the implementation of changes arising from the **Renewable Energy Directive** **(Electricity)**

### Outcome 2: Developing practical approaches that support environmental sustainability and security of supply

- engage with DETI on the development of proposed New Energy Bill, including consideration on options for increasing energy efficiency activity in Northern Ireland **(Corporate Affairs)**
- review through engagement with DETI and the Sustainable Energy Inter Departmental Working Group (SEIDWG) options for promoting energy efficiency **(Corporate Affairs)**
- work with DETI to implement relevant aspects of the new Energy Efficiency Directive



including billing and metering and the proposed 1.5% energy savings target (**Retail and Social/Corporate Affairs**)

- review the social, economic and environmental implications arising from GB reviews of the water industry as they relate to NI (**Water**)
- require NI Water to set out its vision and strategic objectives within their PC15 Business Plan. This should address sustainability issues and be informed by the DRD long term strategy for water (**Water**)
- implement licensing arrangements for gas storage (**Gas**)
- implement EU regulations on security of supply, jointly with GB and RoI (**Gas**)
- implement arrangements for all island security of supply (e.g. fuel switching arrangements for fuel security) (**Electricity**)
- continue to work with DETI to advance smart metering provision (**Electricity**)

## Protection

One of the biggest recent concerns has been the impact of high fuel prices on both domestic and business consumers.

In electricity, gas and water we are also required to have particular

regard to the interests of **vulnerable consumer groups** (including those on low incomes).

During 2012-13 we will carry out a range of projects to protect **vulnerable consumers**. In delivering the projects we will focus on two key outcomes. Firstly, we will take practical action to protect **vulnerable consumers**. Secondly, we will take steps to support the needs of **vulnerable consumers**.

### Outcome 1: Practical action to protect vulnerable consumers

- implement all required customer protection projects derived from the new European legislation (IME3) e.g. increase clarity in bills, timelines for switching consumers by suppliers (**Retail and Social**)
- consult on and implement a new code of practice on marketing and door-step selling (**Retail and Social**)
- work on the alignment of gas and electricity policies where appropriate (**Retail and Social**)

### Outcome 2: Supporting the needs of vulnerable consumers

- develop a model code of practice to help consumers avoid/manage debt, including minimum standards that must be met by energy suppliers and developing

policy on backdating of bills  
(**Retail and Social**)

- develop and promote a new **energy consumers checklist** to increase and improve consumers' information (**Retail and Social**)
- complete a review of our **Social Action Plan** and consult on a new Plan (**Retail and Social**)
- consider longer term actions arising from UR **Freeze/Thaw Recovery Action Plan** to mitigate the risks of future adverse weather events for **vulnerable consumers** (**Water**)

## Competition

An important aspect of our work is the promotion of competition, where it is appropriate and cost-effective to do so, in the industries we regulate. Consumers can benefit from openly competitive supply markets and a real choice of suppliers and products.

There are three key outcomes that we wish to achieve from our projects during 2012-13. Firstly, we want to deliver more choice for Northern Ireland energy consumers. We also want to take steps to remove barriers to competition. Finally, we want to provide further impetus to competitive forces in the wholesale energy market on the island of Ireland.

### Outcome 1: Deliver more choice for Northern Ireland energy consumers

- implement the decision to

introduce competition to the natural gas market in the **ten towns area** (**Gas**)

- finalise, and implement as necessary, the decisions on the strategic development of the energy retail market in Northern Ireland (**Retail and Social**)
- undertake a **Stage 2 review** of the operation of the retail energy markets in Northern Ireland, for example reviewing the code of practice for switching customers in debt (**Retail and Social**)

### Outcome 2: Remove barriers to competition

- deliver, in conjunction with NIE, the **Enduring Solution**, which includes an unlimited electricity switching system to make it easier for consumers to change supplier (**Retail and Social**)
- deliver Post Enduring Solution Go Live projects, for example improving keypad switching arrangements (**Retail and Social**)
- to consult on and deliver Global Aggregation and Settlement (**Retail and Social**)
- develop and implement a compliance plan which will avoid confusion for energy consumers on branding of products and services by energy companies (**Retail and Social**)

### **Outcome 3: Encourage further competition in the energy wholesale market**

- implement decisions regarding improvement on contract market liquidity and the mitigation of the exercise of market power. **(Electricity)**
- implement enduring solution on Transmission Use of System Charging, so market participants pay the right and fair costs in the **Single Electricity Market (Electricity)**

### **Harmonising energy markets**

In relation to energy specifically, we are conscious that markets extend beyond jurisdictional boundaries. There are undoubted benefits that can arise from co-operation and a harmonisation of approach on energy issues. These benefits include unlocking of scale advantages, increasing attractiveness for investment and reducing operational costs.

For this practical reason, we will consider further steps to harmonise approaches where benefits accrue to Northern Ireland consumers.

During 2012-13 we will carry out projects that deliver the benefits of harmonisation and co-operation for energy consumers.

### **Outcome: Deliver the benefits of harmonization and co-operation to consumers**

- consider **Common Arrangements for Gas – CAG** – project reviews and determine optimum solution for implementing Gas Regulation requirements **(Gas)**
- work within ACER to finalise and implement **EU network codes** at Interconnector points **(Gas)**
- review the options regarding the **unbundling of energy assets** in respect of IME3 legislation, including the development of separate licensing for electricity distribution and certification arrangements. **(Electricity/Gas)**
- develop, in conjunction with the Commission for Energy Regulation **(CER)**, interim arrangements for regional integration of the energy market **(Electricity)**
- ensure that the rules for the operation of the **SEM** (the **Trading and Settlement code - TSC**) reflect decisions on market development **(Electricity)**
- deliver with CER the retail harmonised baseline on an all island basis **(Retail and Social)**

### **Regulatory Framework**

As a multi-utility regulator we recognise that we are affected by a range of developments from across the industries we regulate. This includes developments at a European level and those pertaining

to the future options for water and sewerage services in Northern Ireland.

During 2012-13 we will focus on delivering two outcomes. Firstly, we will seek to ensure that we can influence developments at a European level in relation to energy. Secondly we reflect on developments elsewhere (e.g. regulatory related reviews in GB) to enhance best practice in our regulation of utility companies.

#### **Outcome 1: Influence developments at a European level on energy**

- finalise and implement protocols for ensuring Utility Regulator view is communicated at the **Agency for the Cooperation of Energy Regulators (ACER)** (**Electricity/Gas**)
- influence longer-term development of **regional integration** at EU (**Electricity**)

#### **Outcome 2: Enhance best practice regulation**

- assess the implications of the various reviews of water regulatory regimes elsewhere for our regulatory practice (**Water**)
- review the implications of both **private networks** and contestability of connections within electricity networks (**Electricity**)
- review the regulatory requirements associated with **offshore developments**,

including offshore connections (**Electricity**)

- review and develop an approach for assessing and determining **capital asset maintenance** (**Water**)
- review and develop an approach for assessing the efficiency of **Public Private Partnerships** operating in NI Water (**Water**)
- develop and modify licences to give effect to the requirements of IME3 (**Corporate Affairs**)
- develop the first annual Regulatory report to EC in accordance with IME3 guidance (**Corporate Affairs**)

### **Organisational development**

We continue to develop as an organisation. In continue to enhance our organisational capabilities we work within resource constraints.

During the 2012-13 we will undertake projects designed to achieve three outcomes. Firstly, we will take steps to enhance our ability to engage with stakeholders through improving access to us and our work. Secondly, we will undertake specific work to support the development of our staff. Finally we will take steps to further enhance the effectiveness of our organisation.

#### **Outcome 1: Enhancing our ability to engage with stakeholders**

- implement an accessibility action plan to enhance and improve the

accessibility of key publications and review our approach to consultation (**Corporate Affairs**)

### **Outcome 2: Support the development of our staff**

- implement an organisational HR strategy (**Corporate Affairs**)

### **Outcome 3: Enhance our effectiveness**

- carry out an independent assessment of the adequacy of our internal audit service(**Corporate Affairs**)
- consider options for assessing our organisational performance (**Corporate Affairs**)
- develop our role as a **competition authority** (**Corporate Affairs**)

## **7. Our resources**

### **Resources**

We are conscious of wider public sector spending constraints. We place a high priority on ensuring that our resources are demonstrably managed in an efficient manner. We set out below our budget to deliver the commitments and actions in this Forward Work Programme and fulfil our remit. We reduced our budget from some £8.9m in 2008-09 down to £7.1m last year. We are continuing to seek to constrain our budget. However, during 2012-13 we have increased the budgetary provision to cover non- recurring and

exceptional items only. For example, PNG rejected its price control and in keeping with our statutory duties that matter has now been referred to the Competition Commission

More broadly, 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. However, we recognised that our plans may be impacted by external and wider developments. It may therefore be necessary to review our plans and associated resource requirements, as the year progresses, in order to address any such issues. 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 functions, the Corporate Affairs Directorate includes operational teams which are responsible for legal, environmental and strategy functions.

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 continue to benchmark well to the wider Northern Ireland Civil Service average in terms of key HR measures such as absence management.

The budget for 2012-13 is presented in the table below. However, at this stage there will always be some uncertainty regarding the detailed

scope of some of the actions planned for next year, with the consequential impact on planned expenditure. 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.

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

**Budget**

	<b>CEO</b>	<b>Corporate Affairs</b>	<b>Electricity</b>	<b>Gas</b>	<b>Retail</b>	<b>Water</b>	<b>Total</b>	<b>11/12 Budget</b>
<b>Salaries</b>	260,000	1,326,000	1,037,000	807,000	472,000	701,000	4,603,000	4,581,000
<b>Programme</b>	39,863	80,429	541,625	892,818	274,850	309,255	2,138,840	1,651,015
<b>Other Costs</b>	5,600	776,836	33,800	14,300	7,100	12,700	850,336	867,800
	<b>305,463</b>	<b>2,183,265</b>	<b>1,612,425</b>	<b>1,714,118</b>	<b>753,950</b>	<b>1,022,955</b>	<b>7,592,176</b>	<b>7,099,815</b>
<b>11/12 Budget</b>	308,400	2,123,147	1,602,007	1,221,051	729,529	1,115,681	7,099,815	



## 8. Annex: List of FWP Projects by directorate

Lead Directorate	Strategic Theme	FWP Project	Ref. Number	Page number on FWP
CA	Own development	Carry out an independent assessment of the adequacy of our internal audit service	1	13
CA	Own development	Consider options for assessing our organisational performance	2	13
CA	Own development	Develop our role as a competition authority	3	13
CA	Own development	Implement an accessibility action plan to enhance and improve the accessibility of key publications and review our approach to consultation	4	12
CA	Own development	Implement an organisational HR strategy	5	13
CA	Regulatory Framework	Develop and modify licences to give effect to the requirements of IME3	6	12
CA	Regulatory Framework	Develop the first annual Regulatory report to EC in accordance with IME3 guidance	7	12
CA	Sustainability	Engage with DETI on the development of proposed New Energy Bill, including consideration on options for increasing levels of energy efficiency activity in Northern Ireland	8	8
CA	Sustainability	Ensure that the Renewable Energy Guarantee of Origin system can work effectively with Fuel Mix Disclosure methodologies	9	8
CA	Sustainability	Propose and bring forward improvements to the Levy Exemption Certificate issue and redemption process	10	8

Lead Directorate	Strategic Theme	FWP Project	Ref. Number	Page number on FWP
CA	Sustainability	Review through engagement with DETI and the Sustainable Energy Inter Departmental Working Group (SEIDWG) options for promoting energy efficiency	11	8
CA/E	Sustainability	Introduce new support mechanisms for renewables, post the Renewables Obligation (including working with DETI to assess electricity market reform proposals)	12	8
Cross	Monopoly Regulation	Review the approach to the regulatory reward framework for regulated companies that are non-network and non-asset based	13	7
E	Competition	Implement decisions regarding improvement on contract market liquidity and the mitigation of the exercise of market power	14	11
E	Competition	Implement enduring solution on Transmission Use of System Charging, so market participants pay the right and fair costs in the Single Electricity Market	15	11
E	Harmonising energy markets	Develop, in conjunction with the Commission for Energy Regulation (CER), interim arrangements for regional integration of the energy market	16	11
E	Harmonising energy markets	Ensure that the rules for the operation of the SEM (the Trading and Settlement code - TSC) reflect decisions on market development	17	11
E	Monopoly Regulation	Complete price control for NIE PPB	18	7
E	Monopoly Regulation	Complete price control for NIE Transmission and Distribution	19	7
E	Monopoly Regulation	Review connection policies to ensure that consumers are able to access supply at reasonable cost	20	7

Lead Directorate	Strategic Theme	FWP Project	Ref. Number	Page number on FWP
E	Monopoly Regulation	Review consumer benefit for Generation Unit Agreement (s), implement any decisions to cancel and review options for the future of the PPB business	21	7
E	Monopoly Regulation	Review cost reporting for the RP5 price control	22	7
E	Regulatory Framework	Influence longer-term development of regional integration at EU	23	12
E	Regulatory Framework	Review the implications of both private networks and contestability of connections within electricity networks	24	12
E	Regulatory Framework	Review the regulatory requirements associated with offshore developments, including offshore connections	25	12
E	Sustainability	Continue to work with DETI to advance smart metering provision	26	9
E	Sustainability	Engage with DETI in relation to the implementation of changes arising from the Renewable Energy Directive	27	8
E	Sustainability	Implement arrangements for all island security of supply (e.g. fuel switching arrangements for fuel security)	28	9
E/G	Regulatory Framework	Finalise and implement protocols for ensuring Utility Regulator view is communicated at the Agency for the Cooperation of Energy Regulators (ACER)	29	12
G	Competition	Implement the decision to introduce competition to the natural gas market in the ten towns area	30	10
G	Harmonising energy markets	Consider Common Arrangements for Gas – CAG – project reviews and determine optimum solution for implementing Gas Regulation requirements	31	11

Lead Directorate	Strategic Theme	FWP Project	Ref. Number	Page number on FWP
G/E	Harmonising energy markets	Review the options regarding the unbundling of energy assets in respect of IME3 legislation, including the development of separate licensing for electricity distribution and certification arrangements	32	11
G	Harmonising energy markets	Work within ACER to finalise and implement EU network codes at Interconnector points	33	11
G	Monopoly Regulation	Complete price control for BGE transmission (Gas)	34	7
G	Monopoly Regulation	Complete regulated tariff reviews for Phoenix Supply Ltd	35	7
G	Monopoly Regulation	Complete work as necessary on the referral of the price control of Phoenix Natural Gas to the Competition Commission (Gas)	36	7
G	Monopoly Regulation	Consider approach for firmus Energy Supply tariff review	37	7
G	Monopoly Regulation	Consider price control approach for firmus Energy Supply	38	7
G	Monopoly Regulation	Implement, in conjunction with DETI, any decision to extend the natural gas network	39	8
G	Monopoly Regulation	Initiate price control for firmus Distribution	40	7
G	Monopoly Regulation	Initiate price control for Phoenix Natural Gas	41	7
G	Monopoly Regulation	Review connection policies (in line with distribution price controls) to ensure that consumers are able to access supply at reasonable cost	42	7
G	Sustainability	Implement EU regulations on security of supply, jointly with GB and RoI	43	9

Lead Directorate	Strategic Theme	FWP Project	Ref. Number	Page number on FWP
G	Sustainability	Implement licensing arrangements for gas storage	44	9
R&S	Competition	Deliver Post Enduring Solution Go Live projects, for example improving keypad switching arrangements	45	10
R&S	Competition	Deliver, in conjunction with NIE, the Enduring Solution, which includes an unlimited electricity switching system to make it easier for consumers to change supplier	46	10
R&S	Competition	Develop and implement a compliance plan which will avoid confusion for energy consumers on branding of products and services by energy companies	47	10
R&S	Competition	Finalise, and implement as necessary, the decisions on the strategic development of the energy retail market in Northern Ireland	48	10
R&S	Competition	To consult on and deliver Global Aggregation and Settlement	49	10
R&S	Competition	Undertake a Stage 2 review of the operation of the retail energy markets in Northern Ireland, for example reviewing the code of practice for switching customers in debt	50	10
R&S	Harmonising energy markets	Deliver with CER the retail harmonised baseline on an all island basis	51	11
R&S	Monopoly Regulation	Complete regulated tariff review for Power NI	52	7
R&S	Monopoly Regulation	Further develop a comprehensive energy Retail Market Monitoring framework	53	8
R&S	Monopoly Regulation	Initiate price control for Power NI	54	7

<b>Lead Directorate</b>	<b>Strategic Theme</b>	<b>FWP Project</b>	<b>Ref. Number</b>	<b>Page number on FWP</b>
R&S	Protection	Complete a review of our Social Action Plan	55	10
R&S	Protection	Consult on a new Social Action Plan	56	10
R&S	Protection	Consult on and implement a new code of practice on marketing and door-step selling	57	9
R&S	Protection	Develop a model code of practice to help consumers avoid/manage debt, including minimum standards that must be met by energy suppliers and developing policy on backdating of bills	58	9
R&S	Protection	Develop and promote a new energy consumers checklist to increase and improve customers' information	59	10
R&S	Protection	Implement all required customer protection projects derived from the new European legislation (IME3) e.g. increase clarity in bills, timelines for switching consumers by suppliers	60	9
R&S/CA	Sustainability	Work with DETI to implement relevant aspects of the new Energy Efficiency Directive including billing and metering and the proposed 1.5% energy savings target	61	8
R&S/G	Protection	Work on the alignment of gas and electricity policies where appropriate	62	9
W	Monopoly Regulation	Complete an analysis of, and report on, NI Water costs and performance compared to price control (PC10) targets	63	7
W	Monopoly Regulation	Complete price control for NI Water (PC13)	64	7

Lead Directorate	Strategic Theme	FWP Project	Ref. Number	Page number on FWP
W	Monopoly Regulation	Deliver relevant recommendations from the PAC report Measuring the Performance of NI Water	65	8
W	Monopoly Regulation	Initiate price control project for NI Water (PC15)	66	7
W	Protection	Consider longer term actions arising from UR Freeze/Thaw Recovery Action Plan to mitigate the risks of future adverse weather events for vulnerable consumers	67	10
W	Regulatory Framework	Assess the implications of the various reviews of water regulatory regimes elsewhere for our regulatory practice	68	12
W	Regulatory Framework	Review and develop an approach for assessing and determining capital asset maintenance	69	12
W	Regulatory Framework	Review and develop an approach for assessing the efficiency of Public Private Partnerships operating in NI Water	70	12
W	Sustainability	Require NI Water to set out its vision and strategic objectives within their PC15 Business Plan. This should address sustainability issues and be informed by the DRD long term strategy for water	71	9
W	Sustainability	Review the social, economic and environmental implications arising from GB reviews of the water industry as they relate to NI	72	9



## 9. Glossary

Agency for the Co-Operation of Energy Regulators (ACER)	ACER was formally established in 2011. It brings together European energy regulators with the objective of co-ordinating their actions whenever necessary, to achieve a competitive, sustainable, secure and transparent Internal Energy Market by 2014.
Capital asset maintenance	This is about ongoing capital investment required to maintain or replace existing capital assets to ensure they continue to deliver the required performance.
Commission for Energy Regulation (CER)	CER is the energy regulator for the Republic of Ireland.
Common Arrangements for Gas (CAG)	CAG is the project aimed at establishing common arrangements for the buying, selling, transport, operation, development and planning of the natural gas market on an all-island basis.
Competition Authority	An organisation or body with authority to deal to competition related issues, in accordance with relevant legislation
Cost reporting	The collection of company cost and performance information to allow the assessment and benchmarking of these costs and operations.
Enduring Solution	This is the name given to a project which will provide the systems and processes that will allow unlimited switching (between suppliers) for domestic electricity consumers.
Energy Consumers Checklist	Under IME3 each member state is required to produce a set of energy market information for consumers. The Checklist provides information relating to supplier switching, rights, payment methods, bills, alternative supply offers, etc.
EU network codes	Network codes are the rules established by the network owner that governs contractual arrangements with the network user. The <b>Third Energy Package</b> requires the European Network of Transmission System Operators to develop the European network codes, in accordance with framework guidelines set by <b>ACER</b> . The objective of this work is to improve regulatory harmonisation and facilitate the effective functioning of the internal electricity and gas markets.

EU Third Energy Package of directives (IME3)	This is the two directives and three regulations aimed at liberalizing gas and electricity markets across Europe. It focuses on developing internal markets but also adds new customer protection and information aspects.
firmus Energy Supply and firmus Distribution	firmus energy is Bord Gáis' distribution and supply business in Northern Ireland. It won the supply and distribution licences for ten towns in 2005, and supplies gas to 90% of the large industrial and commercial businesses in these towns. In addition, it holds supply licences for both the natural gas market in Greater Belfast and electricity across Northern Ireland.
Freeze/Thaw Recovery Action Plan	This is the action plan, produced by the Utility Regulator, following major water supply disruptions across Northern Ireland in late 2010/early 2011, to mitigate against the impact of harsher winters on the water supply in the future.
Fuel Mix Disclosure (FMD)	FMD requires all licensed electricity suppliers to disclose to their consumers, and potential consumers, the mix of fuels (coal, gas, nuclear, renewable and other) used to generate the electricity supplied annually.
Generation Unit Agreement (GUAs) or Power Purchase Agreements (PPAs)	GUAs/PPAs are long term contracts between two parties, one who generates electricity for the purpose of sale (the generator) and another one who buys the electricity
Levy Exemption Certificate (LEC)	The LEC is the certificate that exempts payment from the Climate Change Levy (CCL). Only renewable electricity with a LEC is exempt from the levy.
Northern Ireland Water (NI Water)	NI Water is the Government Owned Company (GoCo) that was set up in April 2007 as the sole provider of water and sewerage services in Northern Ireland.
NIE Energy Power Procurement Business (NIE PPB)	NIE PPB is part of the Viridian group and manages a portfolio of <b>Power Purchase Agreements (PPAs)</b> with a total contracted generation capacity of 1,532 MW and is required to sell all the electricity generated under the PPAs into <b>SEM</b> .
NIE Transmission and Distribution (NIE T and D)	NIE T and D is owned by the Electricity Supply Board (ESB) and is the company responsible for the planning, development, construction and maintenance of the transmission and distribution electricity network in Northern Ireland, and for the operation of the distribution network.
Offshore Developments	Development of an electricity transmission network in offshore waters.
Ofwat	Ofwat is the economic regulator of the water and sewerage industry in England and Wales

PC10	PC10 is the name of the Utility Regulator <b>price control</b> relating to <b>NI Water</b> which is currently in place for the period 2010-13.
PC13	PC13 is the name of the Utility Regulator <b>price control</b> , currently being developed, relating to <b>NI Water</b> for the period 2013-15.
PC15	PC15 is the name of the Utility Regulator <b>price control</b> , which is at the early stage of development, relating to <b>NI Water</b> for the period 2015-20.
Phoenix Supply Ltd (PSL)	PSL is the supply business of the Phoenix Group, which supplies natural gas to consumers in the Greater Belfast and Larne area.
Power NI	Power NI (formerly called NIE Energy Supply) is the supply company of the Viridian Group, and supplies electricity to homes and businesses across Northern Ireland.
Price Controls	Price controls are one of the key regulatory tools used to protect consumers. This involves the regulator scrutinising the business plans of monopoly utility companies and determining the revenue required to finance its activities while providing incentives to invest in the business.
Private Networks	Electricity network that do not belong to NIE Transmission and Distribution, but to other companies.
Public Private Partnerships (PPP)	PPP is a contract between a public body and a private provider, in which the private party provides a public service or project and assumes substantial financial, technical and operational risk.
Regional Integration	Regional integration refers to the integration of electricity markets in Europe.
Regulatory reward framework	The framework to incentivise and reward companies for their investment and the operation of their regulated assets/ services.
Renewable Energy Directive	This is an EU Directive that promotes the use of energy from renewable sources by requiring Member States to produce a pre-agreed proportion of energy consumption from renewable sources. The target is that the EU as a whole shall obtain at least 20% of total energy from renewables by 2020. The UK's target is to supply 15% of total energy demand from renewables by 2020. The target for Northern Ireland is 40%.

Renewable Energy Guarantee of Origin (REGOs)	The REGO scheme was set up to promote and increase the contribution of renewable energy sources to electricity production across the EU. A REGO is used to prove that the unit of electricity generated is renewable. Currently, one REGO is issued for each megawatt hour (MWh) of eligible renewable output generated. The primary use of REGOs in Great Britain and Northern Ireland is for <b>Fuel Mix Disclosure (FMD)</b> .
Renewable Obligation (RO)	The RO is a UK scheme designed to encourage renewable generation into the electricity generation market. This scheme places an obligation on licensed electricity suppliers to source an increasing proportion of electricity from renewable sources. Suppliers meet their obligations by presenting sufficient Renewables Obligation Certificates (ROCs) to cover their obligations. Where suppliers do not have sufficient ROCs to meet their obligation, they must pay an equivalent amount into a fund known as buy-out, the proceeds of which are paid back on a pro-rated basis to those suppliers that have presented ROCs.
RP5	RP5 is the name of the Utility Regulator <b>price control</b> , currently being developed, relating to <b>NIE T and D</b> for the period from 2012-17.
Sustainable Energy Inter Departmental Working Group (SEIDWG)	SEIDWG is a working group that aims at developing a more co-ordinated and holistic approach to sustainable energy issues, including energy efficiency and communication across all the Northern Ireland departments.
Single Electricity Market (SEM)	The SEM is the single all-island wholesale market for electricity, set up in November 2007. It aims to enhance security and diversity of supply, encouraging market efficiencies and economies of scale, and promoting greater competition.
Social Action Plan (SAP)	The SAP is a plan which sets out all the actions to be taken by the Utility Regulator to protect vulnerable consumers.
Stage 2 review	This refers to a further review of issues in the domestic energy retail market arising during the early stages of competition. An initial Stage 1 review was completed in 2011.

Strategic Direction Statement (SDS)	The SDS is a strategy document which sets out the long term (typically 25 years) vision and direction for the water company. This includes the levels of service it plans to deliver, and the funding necessary to achieve this. It developed following consultation with consumers, regulators and other stakeholders and provides a long term context for price controls, which usually cover a 5-year period.
Strategic Energy Framework (SEF)	The SEF, issued by DETI in September 2010, details Northern Ireland's energy future over the next ten years or so and illustrates the key energy goals. It also confirms the new renewable electricity and heat targets by 2020.
Ten Towns Area	The Ten Towns refers to the gas market area outside of the Greater Belfast and Larne area. firmus energy currently retain the exclusive rights to supply gas to all consumers in this area. This period of exclusivity is due to end from October 2012.
Trading and Settlement Code (TSC)	The TSC was developed, setting out the detailed rules and procedures concerning the sale and purchase of wholesale electricity in the <b>SEM</b> .
Unbundling of energy assets	Unbundling is an idea that is central to IME3. It relates to the principle of separating the operation of gas pipelines and electricity networks from the business of providing gas or generating power.
Vulnerable Consumers	Vulnerable consumers, following the Energy Order definition, are those electricity consumers of pensionable age, who are disabled or chronically sick, on low incomes or dwelling in rural areas, and those gas consumers who are of pensionable age, who are disabled or chronically sick or on low incomes.