

UR Strategic Approach to Energy Retail Markets and Consumer Protection

An Information Paper

May 2014



About the Utility Regulator

The Utility Regulator is the independent non-ministerial government department responsible for regulating Northern Ireland's electricity, gas, water and sewerage industries, to promote the short and long-term interests of consumers.

We are not a policy-making department of government, but we make sure that the energy and water utility industries in Northern Ireland are regulated and developed within ministerial policy as set out in our statutory duties.

We are governed by a Board of Directors and are accountable to the Northern Ireland Assembly through financial and annual reporting obligations.

We are based at Queens House in the centre of Belfast. The Chief Executive leads a management team of directors representing each of the key functional areas in the organisation: Corporate Affairs; Electricity; Gas; Retail and Social; and Water. The staff team includes economists, engineers, accountants, utility specialists, legal advisors and administration professionals.

Our Mission

Value and sustainability in energy and water.

Our Vision

We will make a difference for consumers by listening, innovating and leading.

Our Values

Be a best practice regulator: transparent, consistent, proportional, accountable, and targeted.

Be a united team.

Be collaborative and co-operative.

Be professional.

Listen and explain.

Make a difference.

Act with integrity.

Abstract

Protecting consumers is at the heart of the Utility Regulator's (UR) role. This role is particularly important for the UR in relation to energy retail markets, where the industries we regulate directly interface with consumers. This document sets out the overarching strategic context for three inter-related Flagship projects in the Utility Regulator's Forward Work Programme for 2014-15. It illustrates how the three Flagship projects stand alone as important in themselves, but are also complementary at a strategic level and form three elements of one strategic view the UR takes on energy retail market regulation. These projects are: Retail Energy Market Monitoring; Review of the Effectiveness of Competition in Energy Retail Markets; and the Review of the Domestic Consumer Protection Strategy.

Audience

Consumers and consumer groups; industry; and statutory bodies.

Consumer impact

This document sets out the high-level concept of a 'three-pronged' strategy to place our Flagship work into the appropriate strategic context.

Specific consumer impact issues will be addressed in each of the three individual projects discussed in the paper.

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Glossary

CMA	Competition and Markets Authority
CPS	Consumer Protection Strategy
EU	European Union
FWP	Forward Work Programme
GB	Great Britain
I&C	Industrial and Commercial
IME3	The European Union's third internal energy package for electricity and gas
KPI	Key Performance Indicator
NI	Northern Ireland
Ofgem	The Office of Gas and Electricity Markets in Great Britain
REMM	Retail Energy Market Monitoring
RoI	Republic of Ireland
UR	The Northern Ireland Authority for Utility Regulation (the Utility Regulator)

Introduction

Protecting consumers is at the heart of the Utility Regulator's (UR) role and our statutory duties. This requirement is particularly important for the UR in relation to energy retail markets, where the industries we regulate directly interface with consumers. Retail energy markets in NI have been developing in recent years, with the arrival of new suppliers in both electricity and gas supply and the opening of new areas for gas supply. We are also in the process of beginning three key 2014/15 projects in relation to retail market regulation. Given above, it is appropriate for the UR to consider the context of its approach to energy retail market regulation; and explain our thinking for stakeholders.

Therefore, the purpose of this paper is to explain the UR's approach to regulation of the energy retail markets in Northern Ireland (NI), and how individual projects we have identified as priorities in our 14/15 Forward Work Programme combine to deliver our strategy on consumer protection and retail market regulation.

We are issuing this paper so that stakeholders are aware of the overarching approach we are taking to energy retail market regulation in NI; and so they are aware how several key priority projects in 14/15 are co-ordinated to help deliver that approach. More detailed consultation and project development will of course take place within each of the identified individual projects, and stakeholders will have extensive opportunities to provide feedback as each of the projects develops.

The UR's Forward Work Programme for 2014-15¹ is year 1 of our Corporate Strategy for 2014-2019. The Corporate Strategy sets out our priorities for the

¹ A copy may be access at http://www.uregni.gov.uk/uploads/publications/FWP_201415_final.pdf

period and we identified three objectives which form our strategy and the related outcomes. These objectives are:



In our Corporate Strategy, for each of the projects related to any of the three objectives, we have identified a *project description* and *anticipated project outcomes* which indicate how we propose to measure the achievement of our strategic objectives.

For Objective 2 above, we have included in the *project description* and *anticipated project outcomes*:

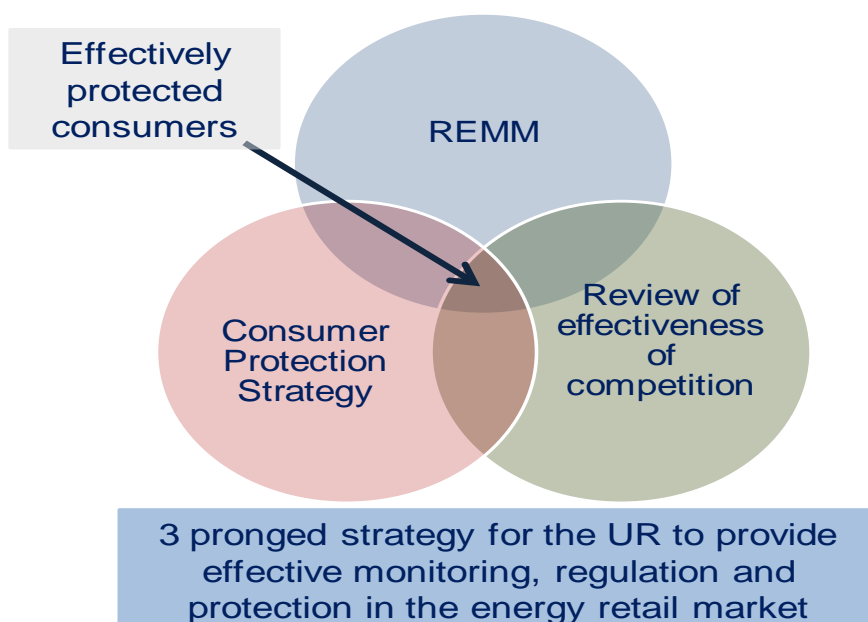
- To design and implement **a robust Retail Energy Market Monitoring (REMM) framework** – A supply licence and retail market monitoring framework will be in place that adequately monitors the retail markets, informs policy and protects consumers; and
- To review the **effectiveness of competition in the retail electricity and gas markets** – We will assess the effectiveness of competition in energy markets and the implications for our regulatory framework.

For objective 3, included in the *project description* and *anticipated project outcomes* is:

- We will produce a new **Consumer Protection Strategy** – which will be a co-ordinated approach to the protection of electricity, gas and water consumers, especially those deemed vulnerable consumers.

The purpose of this Information Paper is to set out the strategic context for these three inter-linked and complementary Flagship projects contained within the UR's Forward Work Programme for 2014-15. These projects mentioned above align directly with our primary statutory duties and new Corporate Strategy around consumer protection. As discussed the three projects are:

- Retail Energy Market Monitoring (REMM);
- Review of the Effectiveness of Competition in Energy Retail Markets; and
- Review of the Domestic Consumer Protection Strategy (CPS).



Background

(i) What is the UR trying to achieve in energy retail markets?

Protecting consumers is the principal objective in our statutory duties, and lies at the heart of the UR's role. This role is particularly important for the UR in relation to energy retail markets, where the industries we regulate directly interface with consumers. Like energy regulators in other jurisdictions, the UR is charged with the protection of energy consumers through effective regulation and developing effective competition where appropriate. The UR's Corporate Strategy and Forward Work Programme set out our approach to energy market regulation and those projects which we have prioritised this year to deliver on the new corporate strategy objectives.

Unlike the network elements of the energy industry, which are sometimes referred to as "natural monopolies", suppliers in energy retail markets compete with one another for customers, and if that competition is truly effective, these competitive forces can deliver benefits to energy consumers. Where competition is not truly effective, and is not working to deliver best outcomes for consumers, an overlay of regulation needs to remain in place. It is common across many jurisdictions, across Europe and more widely, for regulation of retail markets and consumer protection to sit alongside the promotion of effective competition amongst suppliers. There is of course then the question of the extent and aims of that retail market regulation.

In the NI context, the historical dominance of just one or two regulated energy suppliers, alongside NI market structure issues such as the small scale of our consumer base, and consumer inexperience of energy supply competition and switching, has led the UR to retain a protective regulatory overlay on the energy

markets in order to adequately protect consumers and fulfil our statutory duties in that regard.

Much of the UR's work in relation to retail markets under the previous 2009-13 Corporate Strategy was aimed at ensuring that the foundations for supply competition (eg adequate IT systems) were introduced into the energy retail markets, so that consumers could easily switch suppliers if they wished. Alongside those efforts to develop competition, the UR also focused on delivering a high level of consumer protection in the energy retail markets, as required under recent European Union (EU) Directives (see for example the *Decision paper on measures for the purposes of the EU Third Internal Energy Package*² published in March 2014). Across many areas, these EU Directives very much saw effective regulation sitting alongside competition as a twin approach to ensuring consumers achieved satisfactory outcomes in energy retail markets.

This balance between seeking to deliver effective competition for consumers, alongside maintaining effective regulatory protection remains at the heart of our approach to energy retail market regulation in the UR's new Corporate Strategy.

Our overall philosophy in developing retail competition is to develop, change or maintain the regulatory framework in a way that seeks to crystallise and maximise consumer benefit from competition; whilst also ensuring consumers remain protected by an effective regulatory regime that learns from best practice elsewhere.

International research on competitive markets and consumer engagement in those markets shows that, to maximise competitive potential and beneficial

² A copy may be access at

http://www.uregni.gov.uk/publications/decision_paper_on_measures_for_the_purposes_of_ime3/

outcomes for consumers, regulators and energy policy makers should be concerned with delivering both effective markets and also regulating to ensure consumers are protected in those markets. Thus regulators should and do seek to deliver a competitive supply market structure and protect against competition-distorting activities (e.g. collusion); but also seek to promote and deliver effective engagement of informed consumers in that supply market. All experience shows that markets function most effectively when competition possibilities are maximised with the energy supply industry itself, and when consumers have the information, transparency and confidence to actively engage in those markets - both levers need to be pulled together.

The UR acknowledges that it is impossible for a Regulatory Authority in isolation to completely control the customer experience of a competitive market. However, as an ultimate goal, the “ideal” vision we have for a future electricity and gas supply customer environment is one that includes:

- I. Well-informed consumers have clear and easily understood information and awareness of different suppliers, products and tariff / service choices resulting in uncomplicated, high-quality decision-making by consumers. Consumers can easily weigh up their options and switch supplier if they wish to. The lack of transparency for consumers has recently been cited by Ofgem as one of the reasons the energy retail markets in Great Britain (GB) are not working as effectively as they could for consumers. Much of our work in the last few years, including **the introduction of European Directive (IME3) requirements** on consumer protection and transparency of charging, has been aimed at meeting this element.
- II. All consumers benefit from competition as much as possible, but are also protected by ongoing regulatory action. This regulatory action is

transparent, proportionate and developed through appropriate analysis and consultation. Our 14/15 priority project **reviewing competition in energy retail markets** and the associated required regulatory framework is designed to meet this challenge – we return to that below.

- III. The UR builds on existing work to effectively monitor supplier and customer activity in the energy retail markets to ensure the market is operating effectively, and to provide information to the regulator, stakeholders and importantly to customers themselves, to allow transparent and effective decision making. This need has developed as the retail markets in NI have developed in recent years and new Suppliers have entered the market. Our 14/15 priority project **building an effective market monitoring regime for NI's energy retail markets** (the **REMM** project) is designed to meet this challenge – we return to that below.
- IV. Customers, especially vulnerable ones, are adequately protected in the NI energy markets. There is much evidence that vulnerable customers may not be able to benefit as much as others from the benefits of competition, and may need an extra layer of regulatory protection. Our 14/15 priority project to **review our domestic consumer protection strategy for retail markets** is designed to meet this challenge – we return to that below.

(ii) The developing energy supply markets in NI

The UR has historically adopted an evolutionary approach to introducing competition into the NI energy markets. In electricity, this was initially facilitating supply competition for large non-domestic consumers in 2002 and rolling this out to all non-domestic consumers over the following couple of years.

In 2007, the domestic market was opened to competition but it was a further three years before the first new entrant entered into the NI market. We now have a number of active suppliers in the domestic electricity market, though the market remains highly concentrated with just two suppliers (Power NI and SSE Airtricity) accounting for around 90% of domestic market share.

Natural gas was introduced to Northern Ireland in 1996 and there are now about 170,000 households and 12,000 businesses with a gas supply (including power generators). The gas distribution network in Northern Ireland is currently divided into two distinct areas: the Greater Belfast area, served by Phoenix Natural Gas; and the “Ten Towns” area, which encompasses the major towns outside Belfast, served by firmus energy. We also currently have a major project to deliver gas in the future to consumers in the West of NI.

The Greater Belfast area was open to competition for the supply of gas in 2007. Whilst a number of suppliers serve the non-domestic market, domestic customers are supplied essentially by only two suppliers: SSE Airtricity and firmus energy. In the Ten Towns market, the large industrial & commercial market opened to competition from 1 October 2012, however, the small industrial & commercial and domestic market will not open to competition until April 2015. Until then all customers in this market will be supplied by firmus energy.

(iii) Our statutory duties and how they govern our approach to retail market regulation

In Electricity, the primary statutory duty of the UR is “*to protect the interests of consumers of electricity supplied by authorised suppliers, wherever appropriate by promoting effective competition*”³.

In Gas, given the developing nature of the gas sector, our primary statutory duty currently is to “*promote the development and maintenance of an efficient, economic and coordinated gas industry*”⁴. However it is also the case that consumer protection is highlighted in subsequent statutory duties.

Our statutory duties relate clearly to the protection of consumers. Delivering effective competition is a means of achieving that end, but the competition must be effective, and consumers must be adequately protected by UR until that is proven to be the case – ***competition in retail energy markets is thus a means to an end, not an end in itself.***

Where supply competition is not sufficiently developed or effective, the UR protects consumers by various elements of regulatory intervention (eg transparency of contracts, complaints handling by suppliers, Codes of Practice for energy suppliers) and by end-user price regulation where necessary. We consulted extensively and issued decisions on competition matters during 2011 and early 2012.⁵ We also have ‘concurrent powers’, with the Competition and

³ Article 12 of the *Energy (Northern Ireland) Order 2003*.

⁴ Article 14 of the *Energy (Northern Ireland) Order 2003*.

⁵ The Utility Regulator, *Regulatory Approach to Energy Supply Competition in Northern Ireland – a Utility Regulator Decision Paper*, published May 2012. A copy of this document is available at http://www.uregni.gov.uk/publications/regulatory_approach_to_energy_supply_competition_in_ni_decision_paper.

Markets Authority (CMA),⁶ in relation to competition issues and associated detrimental impacts on consumers. These powers sit alongside our other statutory duties, powers and functions in relation to energy regulation.

In all our work on consumer protection we seek to ensure that the analysis and policy discussions are tailored to the specific retail market circumstances that are present in NI; and are not simple adoptions of policy prescriptions from other jurisdictions. We also seek to ensure EU-level requirements are complied with in a manner that fits with the reality of NI energy markets.

Since 2009, an evolutionary journey has been and continues to take place with regards to “non-price-related” consumer protection. It commenced with the publication of the UR’s Social Action Plan⁷ that was designed to help some of the most vulnerable members of our society by ensuring sufficient safeguards were in place.

More recently, the UR has worked with companies and other stakeholders to implement the consumer protection requirements set out in the EU’s third package of energy proposals for the internal electricity and gas markets⁸ (known as IME3). The legislative requirements under IME3 require a high level of consumer protection by National Regulatory Authorities, together with effective market monitoring regimes. Initial consumer protection requirements have already been mandated in new IME3 licence conditions and form the foundation of the UR’s consumer protection regime, including: new Supplier Codes of Practice

⁶ Competition law is enforced in the UK principally by the CMA. In certain regulated industries, however, the sector regulators have 'concurrent powers' to apply and enforce the Competition Act 1998 and Articles 101 and 102 TFEU.

⁷ A copy may be accessed at http://www.uregni.gov.uk/uploads/publications/2009-11-09_Social_Action_Plan_FINAL.pdf

⁸ EU Directives 2009/72/EC and 2009/73/EC were implemented in NI through “*The Gas and Electricity (Internal Markets) Regulations (Northern Ireland) 2011*”

requirements, tariff transparency and enhanced customer information requirements.

As regards the UR's work directly on energy supply prices, although formal supply price regulation has been removed in the electricity and gas supply markets in GB, this was in the context of significantly more mature markets and competition levels, as well as much greater market size and potential for truly effective competition to protect consumers. This has not been the case in the NI regulated energy supply markets, as well as other parts of the European Union. Indeed, regulated energy prices continue to exist in more than half of the Member States of the EU.⁹ Furthermore, the experience in GB since the removal of price regulation has not been entirely what was expected. There is currently an Ofgem consultation proposing a market investigation reference to the CMA of the supply and acquisition of energy in GB. We await the conclusions from that consultation and the likely market investigation that may follow

At present, the UR retains end-user price regulation in those areas of the market where the former monopoly incumbent demonstrably retains significant market power. The price regulation of the former incumbent, which is the market's price leader in that market where it has significant market power, removes the potential for abuse of dominance regarding supra-normal supplier profits and ultimately avoids unjustified increases in customer bills. It also removes the potential for a dominant supplier to predatory price and inhibit competition.

⁹ A joint publication of the Agency for the Cooperation of Energy Regulators and the Council of European Energy Regulators, *ACER/CEER Annual Report on the Results of Monitoring the Internal Electricity and Natural Gas Markets in 2012*, published November 2013.

Power NI is the former incumbent electricity supplier and is still the dominant supplier to domestic and small business customers. Domestic electricity customers and smaller non-domestic industrial and commercial (I&C) customers, are protected by a regulated tariff control set out in Power NI's supply licence. I&C customers above this threshold, and customers of other electricity suppliers in Northern Ireland, are currently not covered by the UR's supply price control regime.

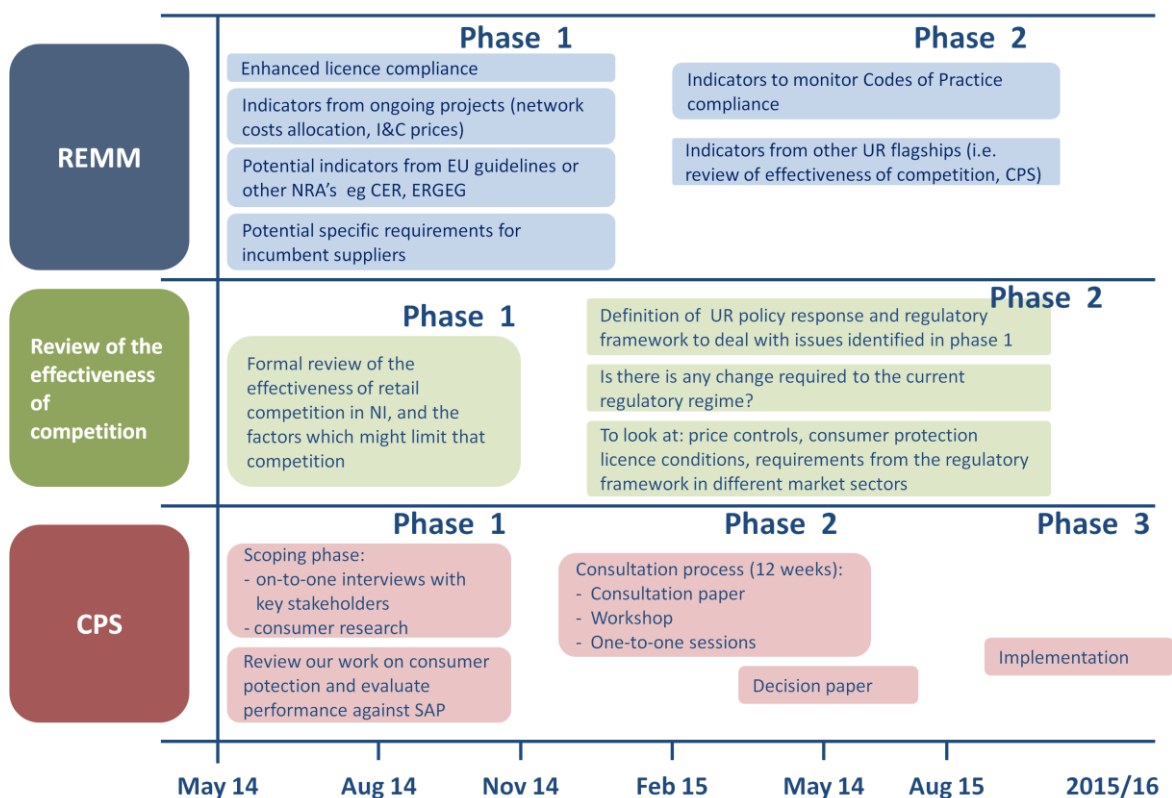
The situation is similar in the gas supply market. As mentioned above, there are two distinct markets in gas – Greater Belfast and the 'Ten Towns': In Greater Belfast, SSE Airtricity is the former incumbent supplier. Domestic and smaller non-domestic I&C customers of SSE Airtricity are protected by a maximum average price approved by the UR as set out in their Supply Licence. I&C customers using above this threshold, and customers of other gas suppliers in the Greater Belfast area, are not covered by UR's supply price control regime.

In the 'Ten Towns' area the incumbent (firmus energy) is the sole monopoly supplier for domestic and small business consumers. The costs of the incumbent are controlled through a distribution price control. The domestic market will open to competition in April 2015.

Retail market overarching approach

During 2014 the UR is commencing three Flagship projects in relation to developing our approach to effective consumer protection in energy retail markets.

Each project is important in its own right, but taken together, they form a 3-pronged strategy to allow the UR to more effectively monitor, regulate and ultimately protect consumers in our energy retail markets. The projects will build on the solid foundations we already have in relation to consumer protection, but do so in a targeted, consistent and proportionate sense. It is important to overlay the progress to date so as to build a consumer protection regime that is reflective of (i) best regulatory practice; (ii) the UR's statutory duties; and (iii) EU requirements regarding monitoring requirements of national regulatory authorities.



(i) Retail Energy Market Monitoring (REMM)

REMM is aimed at ensuring we meet our legislative requirements around retail market monitoring and licence compliance, as well as giving us the information to ensure we can align regulatory policy to market developments going forward and protect consumers. Good information flows between suppliers and regulators are an absolute necessity for us to meet our statutory duties; and can lead to market and regulatory deficiencies if not in place.

To allow proper time for project development, stakeholder engagement and supplier integration of findings, we plan that the monitoring requirements of REMM will be put into place in a two-phase approach, with Phase 1 due to be completed in 2014/15; followed by Phase 2 in 2015/16. We foresee that a number of the future Supplier monitoring requirements within REMM will be generated from the two other 2014-15 Flagships (discussed further below).

In developing REMM we remain mindful of the key principles of regulation, and will apply these appropriately. Proportionality will be a core principle of REMM. We will only ask for information which will help us discharge our statutory duties and which will further and more consistently enable us to ensure suppliers are compliant with their licences. An organised system of data collection will be developed.

The information requests will be standardised for all energy suppliers (with some specific additional requirements for the incumbent suppliers), and we will work to ensure that suppliers do not receive multiple requests for the same information from different sources. Any definitions relating to the information collected will be consistent, where appropriate, across the UR so that reporting and monitoring is fair and accurate.

In due course, we will decide how, and in what format, to publish the information received from suppliers. In doing so, we will take into consideration potential confidentiality issues and will take action to mitigate them; but seek ultimately to provide useful information to consumers to allow them to understand and engage more actively with energy suppliers. We will of course publish any information which is mandatory under the supply licence conditions, and other information which we deem necessary for increased consumer protection.

The quality of the information received is crucial to the success of REMM and to enabling the UR to make informed policy decisions. In order to promote the provision of high quality, accurate and timely information we envisage that we will require that the necessary data submissions are formalised under licence information provisions, and are signed off at Board level within the supply companies.

The REMM project will formally commence in mid 2014 with the publication of an Information Note for stakeholders. That Information Note will set out the anticipated scope of the project and provide an indicative timetable for the key milestones and stakeholder involvement.

(ii) Review of the Effectiveness of Competition in energy retail markets

As noted above, we currently formally control the prices that the two biggest suppliers charge in the electricity and gas domestic and small business markets. We do not control prices for larger business customers in either market. We control prices due to the dominant position of the former monopoly suppliers and the market power they have over customers and competitors. In theory, that market power may be eroded as competition emerges and new suppliers enter the marketplace to compete with the former monopoly suppliers. However, that

competitive pressure needs to be real and effective for consumers to be adequately protected (in terms of both price and quality of supply).

We mentioned earlier that our statutory duties relate clearly to the protection of consumers. Delivering effective competition is a means of achieving that end, but the competition must be effective, and consumers must be adequately protected by the UR until that is proven to be the case – ***competition in retail energy markets is thus a means to an end, not an end in itself.***

Within the recent Power NI Supply Price Control consultation and decision papers, the UR highlighted to stakeholders our intention to undertake a review of the effectiveness of competition in the supply markets and to assess if there was any change required to the current regulatory framework. It was agreed by the UR Board that the review would be a 2014/15 Flagship project.

It is our intention to undertake the review of the effectiveness of competition for the whole market (domestic and non-domestic) for electricity, and likewise for gas customers in the Greater Belfast area. These assessments will cover the entire market and not just those markets where the former incumbent may or may not be subject to price control regulation at present. It is envisaged that the Competition and Markets Authority will also play a role in the project, as was the case with the recent Ofgem *State of the market assessment*, and we are in early discussions with CMA on the issues involved – this will be clarified as the project unfolds in due course. The UR review will be based largely on the Ofgem/CMA review parameters with some further analysis on the specifics of the NI market.

The ‘Ten Towns’ domestic gas market does not open to competition until April 2015. Until April 2015, firmus energy is the monopoly provider for those consumers using less than 732,000 kWh per annum. As competition does not

currently exist in the majority of the 'Ten Towns' gas market, this area will not be subject to the assessment of the effectiveness of competition at this review (though all gas areas will be subject to the monitoring regime under REMM).

There will be two distinct stages to this project:

1. The first is to undertake a formal review of the effectiveness of retail competition in our energy markets, and the factors which might limit that competition. It will consider the information requirements necessary to monitor the effectiveness of competition (and feed these back into the REMM framework going forward to allow ongoing review). This review will broadly follow the CMA endorsed structure of the recent Ofgem market assessment;
2. In light of the findings of phase one of the project, phase two of the project is to define the appropriate UR policy response and regulatory framework to deal with the issues identified and assess if there is any change required to the current regulatory regime. This regulatory policy review will be dependent upon the outcome of Phase 1 and will look at a wide range of regulatory roles in retail markets (price controls, consumer protection licence conditions, requirements from the regulatory framework in different market sectors).

The UR is due to formally commence the review of the effectiveness of competition in early-Summer with the publication of an Information Note for stakeholders. That document will set out the anticipated scope of the project and provide an indicative timetable for the key milestones.

(iii) Review of the domestic Consumer Protection Strategy (CPS), formerly the Social Action Plan

The CPS project is the third related 2014-15 Flagship project for the UR. It represents a full and formal review of our consumer protection strategy. The UR has had its existing Social Action Plan¹⁰ since 2009 so it is important that we review and update/replace it as the CPS project finds appropriate. Again, information and monitoring requirements from this project will be built into the REMM project going forward.

In a competitive supply market, it is broadly acknowledged that vulnerable consumers may often not attain the best outcomes (eg in relation to price, access to options from Suppliers, quality of service, etc) for a variety of reasons. This project will look at how the UR may work to ensure there are fit for purpose safeguards in place for vulnerable consumers. This project may have a natural synergy with the review of the effectiveness of competition, especially Phase 2 of that project regarding the potential UR policy response and regulatory framework if any issues are identified. Therefore we anticipate that these two Flagship projects will most likely feed into each other where it is appropriate they do so.

It is widely accepted that regulators have a role in consumer protection,¹¹ given the importance of the fuels we regulate to consumers and the potential for consumer detriment. It is also envisaged the CPS will also represent an opportunity to garner and enable support for new initiatives or stakeholder co-working that might lead to better outcomes for vulnerable customers.

It is anticipated that there will be three stages to this project:

¹⁰ A copy may be accessed at http://www.uregni.gov.uk/uploads/publications/2009-11-09_Social_Action_Plan_FINAL.pdf

¹¹ E.g. Ofgem undertakes a similar consumer vulnerability strategy to that which the UR will undertake through CoPS.

1. The initial stage will be a scoping phase which will comprise one-to-one interviews with key stakeholders to scope the development of the CPS alongside consumer research to aid design of the CP Strategy and the consultation paper. This work has already commenced. We will also review the Utility Regulator's work to date on Consumer Protection and evaluate our performance with regard to the 2009 – 2012 Social Action Plan.
2. The second stage of the project will be the consultation process. We anticipate holding a full 12 week consultation process with a robust stakeholder engagement aspect which will include a workshop and one-to-one sessions with companies, consumer representatives and community and voluntary groups. The results of this process will be analysed and a decision paper issued.
3. The final stage will be the implementation of the CP Strategy which will involve publication of a five year Consumer Protection Strategy which will complement the current Corporate Strategy. We will then develop projects aimed at delivering the strategy which will become part of the future Forward Work Programme. The strategy will cover Markets, Networks and Corporate Affairs and will be for electricity, gas and water customers. Additional information and monitoring requirements may also be added to REMM as a result of these projects.

Conclusion

Protecting consumers is at the heart of the UR's role. This role is particularly important for the UR in relation to energy retail markets, where the industries we regulate directly interface with consumers.

As set out above, the UR is developing three Flagship projects that will build upon the consumer protection foundations largely laid down by IME3. REMM, the Review of the Effectiveness of Competition and the review of the CPS, when taken together, form a 3-pronged strategy to allow the UR to effectively monitor, regulate and ultimately protect consumers in our energy retail markets.

Inevitably the UR has to keep its regulatory framework under review and either change or augment it, if necessary. Now that retail competition has emerged and in light of changes to regulatory policies in GB and elsewhere, as well as requirements placed on us under EU Directives, we must ensure that we maintain the appropriate regulatory and monitoring framework for retail markets in Northern Ireland going forward.

We signalled in our Corporate Strategy and Forward Work Programme these three inter-related projects that will help us to achieve this goal. While each project stands alone with individual objectives and milestones, we felt it was appropriate at this early stage to provide stakeholders with a more holistic view of the three Flagship projects prior to their formal commencement over the coming weeks and months.