



Forward Work Programme

(April 2009 – March 2010)

Table of Contents

	Page
1. Background	3
2. Turning Strategy into Action – Sectoral Priorities	5
3. Our FWP Actions	17
4. Ensuring Delivery – Resources and Risks	22

1 Background

1.1 The Northern Ireland Authority for Utility Regulation (called the Utility Regulator on a day to day basis) 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 coming year. This paper sets out our FWP for 2009/10.

1.2 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, consult on and then select those actions which we consider to be priorities for inclusion in our FWP. In that light, this FWP has been finalised: following inputs from all Directorates within our organisation; with the benefit of the responses made to our Corporate Strategy and FWP consultations (of 14th November 2008) and our Stakeholder Workshop (Dec 2008); with reference to the decisions made on our consultations last year on **energy retail competition** and on our role in **sustainability** (reported in our decision papers of 14th November 2008); and in light of our new Corporate Strategy for 2009-14, which is released alongside this FWP (see www.niaur.gov.uk).

1.3 Despite the deliberation taken in developing this FWP, like any operating environment, there may well of course be significant unforeseen events that happen during 2009/10 that will require our urgent attention – we are committed to responding nimbly and professionally to these and to re-prioritising our Workplans should we consider it necessary.

1.4 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 look forward beyond our hard 2009/10 FWP, and give an early indication of our intended business plans for 2010/11 and 2011/12. We hope this is helpful to our stakeholders, as well as having useful work planning and scheduling benefits for us internally.

1.5 In terms of what we are trying to achieve in the coming year, based on the strategic priorities, consultation responses and decisions, we wish to use our FWP to progress a number of key strategic areas. They include notably:

- the protection of consumers through timely and effective price control exercises, notably in relation to the newly created water company and in several key energy areas;
- fostering enhanced levels of competitive pressures in our energy markets at both the wholesale and particularly retail levels. In relation to the latter, we intend to deliver, in conjunction with CER as necessary, on the actions discussed and identified in our energy retail competition decision paper of 14 November 2008 (see www.niaur.gov.uk)
- helping to deliver environmental sustainability through a large number of actions discussed and identified in our Sustainability decision paper of 14

November 2008 (see www.niaur.gov.uk), for example in relation to further development of the gas industry, stimulating enhanced use of renewables for power generation and ensuring our energy structures are ready for these developments, and ensuring appropriate information and reporting is in place to allow informed environmental decision making.

- Continuing to foster regulatory co-operation with the energy regulator in the Republic of Ireland and with the various utility regulators (including Ofgem, WICS and Ofwat) as necessary. In particular our continuing work on developing co-operation and harmonisation in terms of our electricity markets and common arrangements for gas will take priority.

1.6 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.**

In the following section we outline how those themes set the framework for the planned work of our individual Directorates in 2009/10.

A] Water

2.2. The Utility Regulator received its statutory duties for water and sewerage regulation in April 2007 with creation of NI Water as a government owned company. We have been building a Water Directorate team and developing regulatory processes for NI Water since April 2007. With regulation come improvements in transparency and accountability which benefit all stakeholders and consumers.

2.3. The **protection of the consumer** is the most dominant theme for this initial and developing phase of water reform. The themes of **sustainability, security of supply** together with climate change and **compliance with European Directives** are also important aspects embraced in the Price Control 2010.

2.4. The strategic theme regarding the further **evolution of our regulatory framework** is also clearly highly relevant to our sectoral direction on water regulation as we bed down new regulatory approaches and understand the implications of **EU Directives** for our regulatory considerations. Our **organisational development** theme includes our focus to deliver in a one team ethos and working alongside other directorates.

2.5. There are two main sets of data submission from the water company to the regulator that provide the basis for regulation. These are the Annual Information Return (AIR) and the submissions relating to the overall cost and price control.

The Annual Information Return (AIR)

2.6. The Annual Information Return is the principal information submission that NI Water makes to us. The return includes information about consumers, assets and financial performance. It also covers progress on the agreed investment programme. NI Water's AIR will be submitted to the regulator some months after the financial close and following detailed analysis we will publish a cost and performance report on the company before the following year end.

Overall Cost and Price Control from April 2010 (PC10)

2.7. Under current legislation, from April 2010, the Utility Regulator will be responsible for determining the allowed revenue such that the real investment needs of NI Water can be met. It is vital that the investment, which is planned, brings about overall improvements in water quality, the environment and service standards, for the benefit of its consumers. This must be done efficiently and effectively, delivering best value for money to the consumers.

2.8. The overall cost and price control process is the core of the new regulatory regime for Northern Ireland's water industry in that it aims to ensure that the monopoly supplier acts in the interests of consumers. All aspects of the business of NI Water are addressed and the objectives to be delivered are tailored in light of the costs, consumer needs and the environment.

2.9. In promoting consumer interests we aim through Price Control 2010 (PC10) to:-

- Set budgetary limits consistent with environmental improvements, addressing historic under-funding and ensuring that future generations are required to pay only for the service that they receive;
- Further advance the introduction of management information parameters, which will allow for consistent efficiency targets to be set for NI Water and

for proper comparisons to be drawn for benchmarking purposes;

- Advance the development of a common asset management process to provide transparency and allow the consumer to be confident that best value in procurement and maintenance is achieved;
- Assist in the creation of a consumer service vision of a future where the needs of the individual consumer categories are met to a greater extent than hitherto.

2.10. The Price Control 2010 includes consideration of the issues critical to the water industry at its present stage of development. The critical issues identified include:

- Sustainability, balancing the needs for the consumers of both today and tomorrow.
- Scope for environmental improvements.
- Scope for driving efficiency.
- Reliability and comparability of data.
- The management of risk.

2.11. It must also embrace policy decisions from the NI Assembly, critical issues include:

- Financing NI Water – charging policies.
- Affordability – social policies.
- Water Reform – independent review of water reform consultation.

2.12. To be successful, the process requires effective consultation and a collaborative approach among a number of different stakeholders in the industry. Engagement with statutory stakeholders is well advanced with working groups having been established. A programme of work is also well defined with proposed consultation periods identified.

2.13. Statutory Stakeholders for the Water industry, include the Department for Regional Development – (Policy Unit and Shareholder Unit); Quality Regulators (both the Drinking Water Inspectorate DWI and the Northern Ireland Environment Agency); the Department of the Environment (Policy Unit) and the Consumer Council for Northern Ireland and of course the company, Northern Ireland Water.

Other Activities and Duties

2.14. In discharging our duties and in ensuring the company complies with its licence there are many other activities which we carryout, including:

- Advise DRD Minister on the amount of revenue and associated charges that NI Water requires in order to fulfil its strategic directions;
- Consider and approve NI Water's annual scheme of charges;
- Determine on complaints which are not resolved by the company or the Consumer Council;
- Advise DRD Minister on NI Water's annual costs, performance and scope for efficiency improvements;
- Protect consumer interest when approving land disposals by ensuring "best price" from their sale;
- Contribute to sustainable development;
- Provide advice, when requested by the NI Ministers, on a range of matters relating to the impact of NI Water on its consumers.

B] Gas

2.15. The Utility Regulator's principal objective to promote the gas industry in Northern Ireland has resulted in significant developments over the last 5 years with the construction of the SN and NW pipelines and the associated development of the ten Towns along the route.

2.16. The next five years offers further opportunity to develop the industry with the potential for storage facilities, harmonisation of the industry on an all island level and consideration given to further network expansion as well as increasing connections within areas already serviced. We will also use the period to bed down regulatory arrangements through developing a more structured and robust approach to monopoly price controls with the creation of a detailed ongoing cost reporting matrix to provide improved scrutiny and transparency on network costs.

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

Protecting consumers

2.18. We will be implementing the Phoenix Distribution Price Control from 2012 and the next firmus Distribution Price Control from 2014. This will require intensive work on costs, incentives and policies from 2010. We plan to have a consistent set of cost reporting standards for both companies agreed in advance of the price control process. We will also work with our Cross Directorate team to ensure knowledge and information is shared across the organisation and price controls are carried out in the most efficient and effective manner.

2.19. Other work in this area will include the implementation of guaranteed service standards for the first time in the Northern Ireland gas industry and we will be working with DETI to ensure the legislation and implementation timetables and synchronised.

Sustainability and Security of Supply

2.20. We will continue to work with DETI and other stakeholders to promote the environmental benefits of gas compared to other fuels. This will include further analysis of the possibilities of extending the network to other parts of Northern Ireland as well as consideration of schemes and programs that could encourage increased take up of gas within gas services areas.

2.21 The increasing interest of companies looking to develop the Larne area for

gas storage has highlighted the need to ensure a relevant regulatory structure is in place in a timely fashion. We will work with the industry and department to develop a licence structure and tariff regime that will facilitate such projects.

Harmonisation of market arrangements

2.22 The Common Arrangements for Gas (CAG) project will continue to evolve and be taken forward over the next five years, where it delivers real benefits for consumers. The current plan is to implement a harmonised tariff and operations regime by October 2010. We will also be considering how consumers could benefit from further harmonisation of the retail sector on the island.

Boosting competition

2.23 Following our consultation and decisions on energy retail competition, we will work with CER to develop and implement a strategy, where feasible, to develop more effective arrangements for gas retail competition on the island of Ireland and we have set up a new unit internally to dedicate resource to this in the coming year. For example, 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 efficient switching of consumers. As discussed above, these developments will be considered alongside CAG work to ensure an optimal structure for consumers.

Regulatory Framework

2.24 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. We will continue to invest resources in monitoring and influencing such developments.

C] Electricity

2.25 The Utility Regulator's principal objective with respect to electricity is to protect consumers and wherever appropriate to do so by promoting effective competition. A key focus over the last 4 years has been the establishment of the Single Electricity Market (SEM). This has resulted in single all-island wholesale market for electricity aimed at enhancing security and diversity of supply, encouraging market efficiencies and economies of scale and promoting greater competition. 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.

2.26 The challenge over the coming years is to ensure that the SEM continues to meet its objectives through the provision of a stable market with transparent and equitable trading arrangements. A measure of that success will be the continuing attraction of new investment in generation with an appropriate balance between conventional fossil fuel and renewable generation. A significant challenge, both at the Northern Ireland and at the all-island level, will be the development of effective retail competition particularly for domestic and small business consumers. Experience of more than ten years in the larger GB market has shown that the development of retail competition at the domestic level is not without its difficulties and we will need to learn from this experience in what is a relatively small market even when considered at the all-island level.

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

Protecting Consumers

2.28 We will be completing a price control for the Market Operator for the period commencing 1 October and for SONI for the period commencing 1 April 2010. In line with the capex monitoring provisions agreed in the 2007-12 Price Control for T&D we will continue to review the scope for efficiency savings and ensure that these are reflected annually in agreed revenues requirements and ultimately tariff reviews.

2.29 Following the successful outcome of a JR earlier this year we will commence consideration of whether or not cancellation of the Kilroot contract is in the interests of consumers with a view to consulting before the end of 2009/10. Consideration in the consultation process will also be given to other PPA contracts which can be cancelled from November 2010.

2.30 We will also complete a programme of work on the options and feasibility of introducing social tariffs.

2.31 In light of our recent experience of extreme market volatility in fuel prices and currency movements we will review the purchasing and hedging strategies of PPB and NIE Energy.

Sustainability and Security of Supply

2.32 We will liaise with DETI on a cost benefit analysis to help determine smart metering implementation policy which is in line with Article 13 of the Energy End Use Efficiency and Energy Service Directive. This will largely utilise studies being currently carried out in GB and RoI. Consideration will also be given any distinctive Northern Ireland circumstances including the considerable investment in key-pad meters in Northern Ireland as well as the scope for synergies emerging from any decisions on the further roll-out of gas and introduction of water metering. Consideration will also be given to any all-island synergies based on the analysis and trials in RoI.

2.33 In conjunction with CER we will review our policies on demand response 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.

2.34 We will work closely the network owner and DETI to plan and deliver a Grid Development Strategy for Northern Ireland and to implement necessary network developments.

2.35 We will commence with DETI, DCENR and CER the production of long-term arrangements for security of supply on an all-island basis.

Harmonisation of Market Arrangements

2.36 We will develop and implement with CER arrangements for harmonisation Generator Transmission Use of System (GTUoS) charges and loss adjustment factors.

2.37 We will also explore with CER the feasibility of alignment of Trading and Settlement Code and tariff years.

Competitive Markets Development

2.38 We will continue to work with CER under the aegis of the SEM Committee on ensuring the effective operation of the SEM including ongoing market monitoring to tackle dominance and market abuse. Following consultation in the

second half of 2008, during 2009/10 we will implement an appropriate policy for dispatch and pricing of wind in the SEM.

2.39 Following our consultation and decisions on energy retail competition, we will work with CER to develop and implement a strategy, where feasible to develop more effective arrangements for electricity retail competition on the island of Ireland and we intend to devote enhanced resources to this in the new year. NIAUR will also work with suppliers to determine the best forum to meet their needs with respect to tariff setting as well as the wider development of a competitive retail market.

D] Corporate Affairs

2.40 Alongside the Utility Regulator's three regulatory Directorates – water, gas and electricity – we have a Corporate Affairs (CA) Directorate which is responsible for: environmental and social matters; strategy development; communications; finance and administration; and complaints and disputes handling. As regards non-routine elements, we report here briefly on the highlights of key future priority work areas for this Directorate.

2.41 We have discussed above the importance of **environmental sustainability** and **protecting vulnerable consumers** in respect of future key work areas and strategic priorities. In relation to our **Environmental and Social** work areas, several key action areas are already recorded under the sectoral Directorate discussions above. In relation specifically to Corporate Affairs, there are some important sustainability and social work areas that we will seek to give strategic priority to:

- We will need to prioritise work with DETI to ensure that the existing schemes (NIRO, CCL and REGOs) continue to operate smoothly alongside SEM mechanisms.
- We will seek to ensure full implementation of the findings of the review of the Energy Efficiency Levy.
- To help with data transparency in meeting environmental considerations, we will seek with CER under the SEM structure to establish an effective system of fuel mix disclosure
- As noted elsewhere above, energy price issues and the implications for consumers are to the fore. We will give priority to working with Government to address fuel poverty issues to ensure that it is being effectively targeted and addressed where we can positively influence it.
- We shall seek to work with DETI and other stakeholders as necessary in relation to policy formation in relation to renewable and community heat and monitor impact in regulated companies.
- We shall aim to finalise the review of Social Action Plan and have this complete early in 2009; and move to fully implement the action plan during 2009/10 (see below for more details of our current work on Social Action Plan).

2.42 In relation to the **organisational development** priority theme, the Corporate Affairs Directorate has significant locus:

2.43 We will place some emphasis on having coherent and transparent communications plans in place as part of being an effective and efficient regulatory body. In relation to our **Communications** part of Corporate Affairs, key priority areas will include the development of our Stakeholder communications plan.

2.44 In relation to the **Strategy** development side of Corporate Affairs, one priority in the medium term will be the monitoring of the appropriateness of our Corporate Strategy and a fundamental and formal review of its applicability mid-way through the 5 year Corporate Strategy horizon. Other significant issues planned include the development of better knowledge and monitoring of European-led regulatory developments to better assess future impacts on our regulatory frameworks; and a review of our approach to supplier marketing to consumers in an increasingly competitive energy retail environment.

2.45 In relation to the broad area of **administrative best-practice and the organisational effectiveness** of the Utility Regulator, we believe that there are several areas of priority work in the coming period, notably:

- To internally co-ordinate the work of our cross-utility working groups and ensure the appropriate knowledge dispersion.
- Further develop and implement best-practice procurement approach.
- To meet our statutory requirements in terms of delivery of resource Accounts, Annual report and delivery of internal Audit Report requirements.
- Implement and imbed best-practice HR structures and processes and deliver on our equality commitments. We need to imbed full implementation of our HR strategy, including performance management, pay systems, Training and development needs, statutory equality commitments, etc.
- To further enhance our communications capability including the development of on-line communications.

Developing our Social Action Plan (SAP).

2.46 At the time of release of this FWP we are still in the process of developing our final proposals on Social Action Plans – these will be constructed in light of the responses made to our January 2009 SAP consultation and will be reflected as necessary in terms of modifications to the FWP actions during the first part of 2009-10. The proposed SAP Action Plan included in the consultation was:

Utility Regulator FWP (April 2009 – March 2010)

Activity	2009/10	2010/11 – 2011/12	2012/13 – 2013/14
Reducing Financial Vulnerability			
Market redesign	<ul style="list-style-type: none"> Monitor SEM Work on CAG, as per published work plan 	<ul style="list-style-type: none"> Monitor SEM Work on CAG, as per published work plan 	<ul style="list-style-type: none"> Monitor SEM Work on CAG, as per published work plan
Corporate refinancing	<ul style="list-style-type: none"> Review the benefits and current operation of the mutualisation model 	<ul style="list-style-type: none"> Consider the roll-out of the mutualisation model 	<ul style="list-style-type: none"> If appropriate implement roll-out.
Encouraging competition	<ul style="list-style-type: none"> See Forward Work Programme 	<ul style="list-style-type: none"> See Forward Work Programme 	<ul style="list-style-type: none"> See Forward Work Programme
Price controls	<ul style="list-style-type: none"> See Forward Work Programme 	<ul style="list-style-type: none"> See Forward Work Programme 	<ul style="list-style-type: none"> See Forward Work Programme
Metering (energy suppliers only)	<ul style="list-style-type: none"> Review of gas pre-payment consultation Complete cost- benefit work on smart meters 	<ul style="list-style-type: none"> Implementation, if appropriate 	<ul style="list-style-type: none"> Implementation, if appropriate
Social tariffs	<ul style="list-style-type: none"> Scoping document framework to be brought to Government in early 2009 	<ul style="list-style-type: none"> Subject to Government decision, implement policy, as appropriate 	<ul style="list-style-type: none"> Policy implemented, if appropriate
Growing the gas network	<ul style="list-style-type: none"> Ongoing 	<ul style="list-style-type: none"> Ongoing 	<ul style="list-style-type: none"> Ongoing
Helping customers in debt	<ul style="list-style-type: none"> Consider possibility of introducing harmonized policies on debt management 	<ul style="list-style-type: none"> Implement changes, if appropriate Monitor compliance with policy 	<ul style="list-style-type: none"> Monitor compliance with policy
Providing Special Services			
Ensuring compliance with special service provisions in the licences and codes of practice	<ul style="list-style-type: none"> Monitor and ensure compliance with licences and codes of practice Consider requirement for provision of information in alternative languages 	<ul style="list-style-type: none"> Monitor and ensure compliance with licences and codes of practice 	<ul style="list-style-type: none"> Monitor and ensure compliance with licences and codes of practice
Improving Energy Efficiency and Water Efficiency			
Energy Efficiency Levy	<ul style="list-style-type: none"> Decision paper to be issued on future of EEL in early 2009 Revised EEL implementation to begin 	<ul style="list-style-type: none"> Revised EEL implemented 	<ul style="list-style-type: none"> Revised EEL implemented
Water efficiency	<ul style="list-style-type: none"> Monitor compliance of NI Water's duty to promote water efficiency Monitor progress against leakage targets 	<ul style="list-style-type: none"> Monitor compliance of NI Water's duty to promote water efficiency Monitor progress against leakage targets 	<ul style="list-style-type: none"> Monitor compliance of NI Water's duty to promote water efficiency Monitor progress against leakage targets
Working with Others			
Working with others	<ul style="list-style-type: none"> Ongoing 	<ul style="list-style-type: none"> Ongoing 	<ul style="list-style-type: none"> Ongoing
Raising Awareness			
Further research	<ul style="list-style-type: none"> Consider appointment of an academic panel of experts, to advise on social and other issues affecting utility customers Consider undertaking further research 	<ul style="list-style-type: none"> Further research 	<ul style="list-style-type: none"> Further research
Review of Social Action Plan	<ul style="list-style-type: none"> N/a 	<ul style="list-style-type: none"> N/a 	<ul style="list-style-type: none"> SAP to be reviewed

3 Our FWP Actions

3.1. The Utility Regulator has 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). Through extensive consultation and discussion in 2008, internally and externally, we have developed the following table of FWP actions that we intend to pursue in 2009/10. 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. Key to table:

E	Electricity Directorate in lead role
G	Gas Directorate in lead role
W	Water Directorate in lead role
CA	Corporate Affairs Directorate in lead role
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

Utility Regulator FWP (April 2009 – March 2010)

Lead	Strategic theme	Projects	Actions to develop in 2009-10	Actions to develop in 2010-11 & 2011-12	Ref
Joint (All)	Monopoly Regulation	GSS	1. Water: Review introduction and timing of GSS following output from the Executive consultation. 2. Gas: Engage with DETI on legislation requirements for GSS. 3. Complete survey research. Update GSS for electricity.		1
Joint (All)	Monopoly Regulation	Price control	Price Control for mutualised entities.	To consider the performance of the mutualised companies.	2
Joint (G / E)	Monopoly Regulation	Purchasing strategies	Review the economic purchasing obligations of regulated companies.		3
G	Monopoly Regulation	Price Control	Finalise work on creating a better process for monitoring network development and costs between price controls.	Consider future of Phoenix supply price control.	4
E	Monopoly Regulation	Price Control	SONI Price Control for period commencing 1 April 2010.		5
E	Monopoly Regulation	Price Control		T&D Price Control for period commencing 1 April 2012.	6
E	Monopoly Regulation	Price Control	SEMO Price Control for period commencing 1 October 2009.		7
W	Monopoly Regulation	Price Control Customer Views	1. Work with statutory stakeholders and in particular CCNI to ensure and confirm that NI Water's PC10 Business Plan reflects the views of its customers. 2. Publish and consult on draft determination.	1. Reflect on approaches for obtaining and incorporating customer views in Price Control process. 2. Work with statutory bodies, particularly NI Water and CCNI.	8
W	Monopoly Regulation	Price Control UR and NI Water Information Exchanges	Price Control – PC10 – the process and Programme for PC10 was developed in 2008/09 and spans from March '08 to December 2009. 1. Review and Analyse NI Water's PC10 Business Plan Submission to be delivered on 1 June. 2. Publish and Consult on Draft Determination August 2009. 3. Publish Final Determination December 2009. 4. Develop and Agree Monitoring Plan for PC10 by March 2010.	1. Review PC10 process and data requirements. 2. Engage with statutory stakeholders on the approach to the next price control – PC12/13. 3. Develop and consult on overall approach to PC12/13 Price Control. 4. Define Programme for PC12/13.	9
W	Monopoly Regulation	Price Control Value for Money	1. Benchmark performance both in terms of standards of service and in terms of efficiency. 2. Set challenging efficiency targets for both Operational and capital spend. 3. Establish principles of regulation to incentivize NI Water to out perform and deliver for the customer.	1. Review data requirements and methodologies. 2. Review data trends. 3. Define methodologies and information requirements for PC12/13.	10
W	Monopoly Regulation	Water regulation	1. Render NIW licence fit for purpose: amend Condition B: Charges. 2. Review licence for Water Resale Order.	Ongoing monitoring of licence fit with political and regulatory realities.	11
Joint (G / E)	Monopoly Regulation / Sustainability	Connection Policy Review	1. Review Phoenix Distribution and firmus Distribution connection policies, taking into consideration any sustainability issues. 2. Examine the electricity connection policy in relation to embedded generators connection to the elementary grid and consult on way forward.	Examine case for competitive framework for electricity connections.	12
Joint (All)	Monopoly Regulation / Sustainability	Price control	Cross Directorate Group work on price control principles including as necessary sustainability issues. Also to include work on assessing the implications of the current financial crisis for regulation in NI.	To review customer protection in light of different financing models and financial crisis.	13
W	Monopoly Regulation / Sustainability	Price Control Ministerial Guidance	1. Work with other statutory stakeholders to inform the development of the Minister for Regional Development's consultation on ministerial social and environmental guidance. 2. Upon receipt of social and environmental ministerial guidance, issue to company and ensure that NI Water's PC10 Business Plan reflects the ministerial guidance issued.	Work with statutory stakeholders and particularly DRD Policy Unit to inform the programming and development of ministerial guidance for PC12/13.	14

Utility Regulator FWP (April 2009 – March 2010)

Lead	Strategic theme	Projects	Actions to develop in 2009-10	Actions to develop in 2010-11 & 2011-12	Ref
Joint (G/E/CA)	Sustainability	Contributing to wider government policy	1. Work with DETI and regulated companies in respect of interpretation and implementation of the DETI Strategic Energy Framework (SEF). 2. Work with DETI to help develop policies in relation to the renewable heat in Northern Ireland.		15
Joint (E/CA)	Sustainability	Fuel Mix Disclosure	Establish effective system for Fuel Mix Disclosure.	We will review the format of environmental information on bills and if necessary seek to make improvements.	16
Joint (G/ Legal)	Sustainability	Gas Storage	Work with DETI on creation of storage licence conditions.		17
Joint (All)	Sustainability	Keeping our own house in order	1. Set up staff group to gain staff buy in for improving our energy efficiency and reducing our impact on the environment.		18
Joint (G/E)	Sustainability	Smart Metering	Liaise with DETI on cost-benefit analysis to determine smart metering implementation policy. Consider the best way to factor in the benefits of smart metering in the provision of tariff and usage information to customers and also back to suppliers and network operators.		19
Joint (G/E)	Sustainability	Publishing more evidence	Consult on energy annual report.		20
Joint (CA/ Legal)	Sustainability	Renewables	Consider implications of the draft of Renewables Directive 2009.		21
Joint (W/ Legal)	Sustainability	Urban waste water treatment	Bi-annual or quarterly Monitoring of Urban Waste Water Treatment Regulations and Enforcement		22
G	Sustainability	Gas development	Engage with Government and stakeholders to examine the feasibility and options to accelerate the roll-out of gas, both in existing and new areas. Consider further extension of the gas transmission network that could bring gas to new parts of Northern Ireland.		23
W	Sustainability	Price Controls	PC10 – Consideration of the following aspects as reflected in NI Water's PC10 Business Plan and as already discussed with Statutory Stakeholders and reflected in Ministerial Guidance: 1. Educational Funding to support the efficient use of water. 2. Schemes to reduce energy consumption and associated carbon footprint while delivering a better whole life cost. 3. Sustainable Urban Drainage Systems. 4. Carbon Accounting. 5. Climate Change.	In addition to the measures being discussed for PC10 we will in additionally be asking the Company to submit a 25 year Strategic Direction Statement for PC12/13. This will also support environmental sustainability strategies.	24
W	Sustainability	Water Resource Management	1. Review of NI Water's water resource management strategy contained with PC10 Business Plan Submission. 2. Review of leakage methodologies and targets for achieving an economic level of leakage.	1. Liaise with DRD Policy Unit to define the programme for NI Water to formally submit a water resource management Plan. 2. Continue to monitor performance and review leakage targets.	25
W	Sustainability	Review Performance	Consider and develop monitoring and benchmarking processes for performance against sustainability indicators.	Consider and develop monitoring and benchmarking processes for performance against sustainability indicators.	26

Utility Regulator FWP (April 2009 – March 2010)

Lead	Strategic theme	Projects	Actions to develop in 2009-10	Actions to develop in 2010-11 & 2011-12	Ref
W	Protection	Enforcement	As appropriate if company data is inadequate or it's performance is poor.	As appropriate if company data is inadequate or it's performance is poor.	27
W	Protection	Review of Regulatory Accounts	1. Review of NI Water Regulatory Accounts after submission on 15 th July 2009. 2. Monitor and analyse accounting policies.	1. Review of NI Water Regulatory Accounts after submission on 15 th July. 2. Monitor and analyse accounting policies.	28
W	Protection	Annually Review and Approve NIW Scheme of Charges	1. Consider approval of NIW Scheme of Charges - Process Oct '09 to Feb '10. 2. Publish Report on NI Water Scheme of Charges.	1. Consider approval of NIW Scheme of Charges – Process Oct '09 to Feb '10. 2. Publish Report on NI Water Scheme of Charges.	29
E	Protection / Sustainability	Social tariffs	Complete initial work on social tariffs and consult on options.	Subject to ministerial buy in/feedback from stakeholders on the consultation, operationalise new social tariff design.	30
W	Protection / Sustainability	Annual Reporting	1. Issue and publish Annual Reporting Information Return Guidance to NIW – 31 March 2009. 2. Analyse NI Water Annual Information Return (AIR09) to be submitted on. 3. Publish Annual Cost and Performance Report January 2010. 4. Review annual land disposal return.	1. Issue Annual Reporting Information. Return Guidance to NIW. 2. NIW Submit Annual Information Return. (AIR10) 3. Publish Annual Cost and Performance Report. 4. Review annual land disposal return.	31
W	Protection / Sustainability	Monitoring Performance	1. Quarterly Capital Investment Monitoring. 2. Monitor and report on NIW emergency planning and incident reporting.	1. Review Procurement Plan. 2. Monitor and report on NIW emergency planning and incident reporting.	32
CA	Protection / Sustainability	Encouraging energy efficiency	Implement decisions from the review of Energy Efficiency Levy (EEL).		33
CA	Protection / Sustainability	Social action and fuel poverty	Finalise and implement Social action plan, continue to contribute to wider policy development in relation to fuel poverty through involvement in fuel poverty advisory group and interdepartmental group on fuel poverty.		34

Utility Regulator FWP (April 2009 – March 2010)

Lead	Strategic theme	Projects	Actions to develop in 2009-10	Actions to develop in 2010-11 & 2011-12	Ref
Joint (G / E)	Competition	Branding separation	Begin policy development on branding separation in electricity and gas.	Finalise plans for full branding separation in the electricity and gas sectors. Market report to place particular focus on effectiveness of branding separation.	35
Joint (G / E)	Competition	Data availability	1. GMOG and SIG to finalise list of data availability issues and action plan to address (this having already been extensively discussed). 2. Consultation on any necessary licence changes.		36
Joint (E / Legal)	Competition	PPA contracts	Review and consult on case for cancellation of PPA contracts with earliest cancellation date of 1 st NOV 2010.	Decision on PPA contracts.	37
Joint (G / E)	Competition	Long-term customer contracts and incumbent response		Review role of long-term customer contracts in retail markets.	38
Joint (G / E)	Competition	Metering		Review contestability of meter reading market.	39
Joint (G / E)	Competition	Overall programme	1. Consider the impacts of our retail competition action plan on consumers and industry. 2. First annual Retail Market Report.	2. Second annual Retail Market Report.	40
Joint (G / E)	Competition	Procurement/tariffs	1. Complete review of K factors and tariff structure (gas and elec). 2. Consult on alternative approaches to regulation of supply tariffs. 3. Decision document on revised approach to supply tariff regulation. 4. Implement necessary licence changes.	3. Implement new supply tariffs.	41
Joint (G / E)	Competition	Switching systems	1. Work with GMOG to develop a system specification and review options to deliver it. Delivery on timetable as appropriate. 2. Plan implementation of enduring solution in electricity.	Systems implementation: implementation of gas and electricity switching process (the second one may last > 1 year).	42
E	Competition	Procurement/tariffs	Consider further regulatory action to promote a more developed secondary (hedging) market in electricity.		43
Legal	Competition	Concurrency Working Party	Develop relationships with OFT, Ofgem, Ofwat on competition matters on quarterly basis.		44
CA	Competition	Protection of customers		To review and consult on whether there is the need for any further measures to protect customers from potential improper behaviour from suppliers.	45

Lead	Strategic theme	Projects	Actions to develop in 2009-10	Actions to develop in 2010-11 & 2011-12	Ref
Joint (E / Legal)	Harmonisation	SEM	1. Monitoring bidding activity to effectively tackle any danger of dominance/market abuse (each year). 2. Work up Complaints procedures for Competition/bidding/market complaints in the SEM.	Monitoring bidding activity to effectively tackle any danger of dominance/market abuse (each year).	46
G	Harmonisation	Progressing CAG workstreams	Implementation of Project Plan, consider legislative requirements, begin drafting of new codes, licences, contracts where necessary, monitor impact of NTS Exit Reform.	Implementation of Project Plan including operations and tariffs.	47
E	Harmonisation	Security of supply	Commence in conjunction with DETI, DCENR and CER the production of long-term arrangements for security of supply on an all-island basis.	Complete and implement.	48
E	Harmonisation	Wind in the SEM	Development and implementation of policy on dispatch and payments,	Further review of policy on wind with respect to the CPM, market prices and ancillary services.	49
E	Harmonisation	Capacity payment mechanism	Review capacity pot calculation.		50
E	Harmonisation	Access charging and treatment of losses	Develop and implement with CER: arrangements for harmonisation of Generator Transmission Use of System (GTUOS) and loss adjustment factors.		51
E	Harmonisation	T&SC Compliance and Development	Explore with CER: feasibility of alignment of Trading Settlement Code and tariff years.		52
Joint (E / CA)	Harmonisation / Sustainability	Demand Response	Review our policies on Demand Response and work with CER to develop a coherent set of arrangements covering Smart Grids, Demand Response, Smart Metering, Aggregation of Generation and Demand Reduction, and Energy Efficiency.		53
E	Harmonisation / Sustainability	Grid developments	Work closely with network owner and DETI to ensure the planning and delivery of a Grid Development Strategy for NI and the implementation of the necessary network investments.		54

Utility Regulator FWP (April 2009 – March 2010)

Lead	Strategic theme	Projects	Actions to develop in 2009-10	Actions to develop in 2010-11 & 2011-12	Ref
Joint (G / E / Legal)	Regulatory Framework	Application of competition Law	Revised Guidance on application of Competition law powers (market investigations/competition investigations etc) to NI Electricity Industry.	Revised Guidance of application of Competition law powers (market investigations/competition investigations etc) to NI Gas Industry.	55
Joint (G / E / Legal)	Regulatory Framework	EU issues	Review finalised third package and consider implementation issues.	Prepare for directive implementation.	56
Joint (G / E / Legal)	Regulatory Framework	EU issues	Monitor and Enforce Regulation 1228/2003.	Monitor and enforce regulation 1775/2003.	57
Joint (G / E)	Regulatory Framework	EU issues	Participate in Regional Initiatives and Directive consultations.		58
Joint (G / Legal)	Regulatory Framework	Gas licences review		Initiate review of standard licence conditions.	59
G	Regulatory Framework	Supplier last resort	Develop Implementation Plan.		60
W	Regulatory Framework	Act on Outcome from Executive Consultation	1. Work with statutory stakeholders to interpret and implement necessary changes. 2. Develop programme to amend licence and action as necessary.	Continue to action as necessary.	61
W	Regulatory Framework	Communication & Education	1. Consider approach to promote water efficiency. 2. Regular briefing with DRD Minister and DRD Committee.	1. Develop Cost of Water Report. 2. Consider and Develop Communication Plan with wider stakeholders and consumers. 3. Consider approach to promote water efficiency.	62
Legal	Regulatory Framework	Legislative Forum	Establish solid footing for horizon scanning legislative developments with DETI.	Scope potential for co-ordinated horizon scanning with DRD for water matters.	63
Joint (E / Legal)	Regulatory Framework / Sustainability	Private networks connections for renewables	Examine the electricity grid connection policy in relation to embedded generators connecting to the electricity grid and consult on the way forward.	If appropriate, create regulatory framework for private electricity networks (including tie-lines to wind farms).	64

Lead	Strategic theme	Projects	Actions to develop in 2009-10	Actions to develop in 2010-11 & 2011-12	Ref
CA	Organisational	Good governance	Deliver internal audit plan, progress in Equality Action Plan and consider Board effectiveness. Finalise internal best practice guidelines on consultation, such as the use of pre-consultation and expected time limits for consultation (including those set by the Cabinet Office).		65
CA	Organisational	HR processes	Embed HR strategy including competence, performance and pay and reward frameworks, and implement key HR policies,		66
CA	Organisational	Regular publications	1. Lay Annual Resource Accounts in NI Assembly before July recess. (Each year) 2. Publication of Annual Report by September. (Each year in SEP). 3. Annual FWP. (Each year)	Formally review of Corporate Strategy to ensure it remains appropriate. (2011-12)	67
CA	Organisational	Stakeholder Communications	Produce and deliver Communications Plan for 2009-10 covering: 1. Crisis Communications Plan. 2. Stakeholders engagement. 3. Further enhancement of online communications.	1. Produce Plan for 09-10. (2010-11)	68
CA	Organisational / Sustainability	Procurement	Finalise NIAUR's approach to procurement, taking into consideration the new guidelines issued by the Equality Commission on equality of opportunity and sustainable development in public procurement in NI.		69

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. 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 all 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 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 an 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. The Utility Regulator’s board currently consists of a chairman – Prof. Peter Matthews – and six other members that have significant experience in regulation, energy, water and corporate governance.

Resources

4.2. The Utility Regulator places a high priority on ensuring that its resources are demonstrably managed in an efficient manner. A budget has been prepared for the delivery of the commitments and actions in this Forward Work Programme during 2009/10 as set out below.

4.3. The FWP is based on a headcount of 74.8 full time equivalent (FTE) 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 social, environmental, strategy and complaints functions. As noted earlier in the document, we also intend to devote enhanced resources to the work on energy retail competition development in the coming period and this has been built into our proposed budget under the Retail heading. Additional resources must also be dedicated to regulatory financing and cross utility price control issues and budget for a senior post to take this key work forward has been included.

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

4.5. The budget for 2009/10 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 – the 2009/10 budget is 11% less than the approved budget for 2008/09. Our intention is to achieve this through somewhat higher staff resources but significantly reduced consultancy expenditure as a result.

Directorate	Headcount	Budget (£000s)				
		Staff	Programme	Other	Total	
Electricity	14.6	954	684	40	1,678	
Gas	13.4	723	447	27	1,197	
Retail	5.6	377	249	9	635	
Water	17	961	513	30	1,504	
CEO/Legal	6.4	495	250	20	765	
Corp Affairs	Other	11.8	705	138	812	1,655
	Social/ Enviro	6	294	53	191	538
Total	74.8	4,509	2,334	1,129	7,972	

4.6. With the exception of the costs associated with some environmental responsibilities, all of the Utility Regulator's funding is received through licence fees. All corporate and shared costs (such as finance, HR, accommodation and IT) are included in the Other Corporate Costs (£812k) and are, along with the Chief Executive's Office and Legal costs, 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.

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. Estimates have been included for the Programme costs associated with delivering FWP objectives.

Dealing with Risks

4.8. The Utility Regulator is 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. A revised Risk Management Strategy was approved by the Utility Regulator's Audit Committee in September 2008 and a programme of awareness training has been undertaken to give all staff a basic understanding of the nature and management of risk and the relationship to business planning. This is seen

as vital in equipping our decision-makers to better evaluate the impact of particular decisions or actions on the achievement of objectives.

4.10. The Risk Management Strategy does not focus upon risk avoidance but rather on the identification and management of an acceptable level of risk. A corporate risk register addresses significant risks that could impact on the achievement of the organisation and corporate objectives. 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 Utility Regulator discharges its duties.

4.11. 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. The risks identified on the 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. Risk is a standing item on the agenda of the Audit Committee and reported on to the Board at each of its meetings.