



Commission for Energy Regulation

An Coimisiún um Rialáil Fuinnimh

STRATEGIC PLAN

2006 to 2011

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Introduction

This Strategic Plan sets out the goals and objectives of the Commission for Energy Regulation (“the Commission”) for the electricity and natural gas sectors in Ireland for the period 2006 to 2011. The strategic plan has been reviewed and updated in 2006 and it sets out a clear and consistent vision for the Commission in the context of the strategic environment in which it operates, taking into account international and national developments in energy sectors and having regard to the commitment to develop single electricity and gas markets on the island of Ireland.

We aim to contribute to the overall economic success of Ireland by developing sustainable electricity and gas sectors that underpin our competitive interests, are in the short and long term interests of all energy customers and take account of the natural environment.

We have identified five high level strategic goals that are designed to achieve this and that represent our priorities over the period of the plan. The Commission develops and publishes its work programme annually at the same time that it publishes its annual report. The Commission’s work programmes will be designed to meet the strategic goals set out in this plan and the annual reports will set out progress towards this each year.

A key to achieving our strategic plan is sustaining and developing our organisational culture to retain and attract the skills and people we need to deliver on a challenging but achievable plan. Throughout the implementation of this plan, the Commission will focus on the development of the staff and the organisation to underpin this capability now and in the future.

Finally, the Commission acknowledges the fact that the environment within which we operate is constantly changing. We will keep this plan, and the environment in which we operate under review and ensure that we have the capability to adapt and change when that is necessary.

Section 1 of this document sets out our mission, values and goals. Section 2 provides some background on the Commission, its functions and the underpinning legislation. Section 3 provides the strategic context within which the Commission works, and Section 4 expands on the goals and objectives of the Commission and the strategies the Commission intends to adopt to achieve these.

1 Mission and Strategic Goals

In 2006, the Irish electricity and natural gas sectors are facing significant upheaval, with pressure for changes coming from a number of directions.

Internationally, there is a strong focus on the sustainability of energy sources for the future and global concerns about the damage to the environment from continued use of fossil fuel sources have been centre stage recently. Security of supply concerns are particularly topical following some spectacular outages across the developed world starting with North Eastern America and Canada in August 2003. This was swiftly followed by blackouts in Italy, Scandinavia and the UK, warnings in France of power cuts due to a shortage of water to cool nuclear plant and the shutdown of 17 nuclear stations in Japan due to safety concerns. At the same time there is talk of a “new era” of high fuel prices, with oil prices at times above \$70 a barrel¹ – seven times the \$10 price of 1998, the result of surging demand, and shortages of supply, uncertainty arising from war and terrorism, and financial speculation.

In Europe, the foundations have been firmly laid for the implementation of the single EU energy market. All EU members are facing into the need to reform their energy markets to conform to this policy, including Ireland. At the same time the players in existing markets throughout the EU are considering how they can best operate in this new environment, and industry changes are inevitable as a result.

In Ireland and in Northern Ireland governments have made a firm commitment to the development of an all-island energy market for electricity and natural gas. The development of a single wholesale electricity market as a first step is due to be completed by November-2007. The positioning of the island of Ireland as a single market is intended to deliver benefits to all electricity and gas consumers on the island in terms of greater efficiency and therefore competitive prices as well as security of supply, and ultimately to best position Ireland as a whole within the single EU market.

Within this context we set out in this strategic plan the Commission for Energy Regulation’s mission, goals and objectives and how we intend to fulfill those objectives.

1.1 OUR Mission

To regulate in a way that maintains a sustainable supply of electricity and natural gas, protects the short and long term interests of Irish energy customers and is in the economic and competitive interests of Ireland.

¹ At the time of print, the price of Brent Crude Oil is \$61.90 per barrel – Source: Bloomberg

1.2 OUR Values

The Commission is committed to carrying out its functions in a fair, impartial, balanced and transparent manner. We will provide a professional and efficient service to all our stakeholders and will act with integrity and impartiality at all times.

We value our employees, as it is through them that the Commission can meet its goals. We are committed to the ongoing development and support of professional, ethical and enthusiastic teams that can enable us to fulfill this strategic plan and to contribute to the development of strong, sustainable and vibrant energy sectors that are in the best interests of Ireland and the Irish energy consumer.

1.3 High Level Strategic Goals

To achieve our mission, we aim to achieve the following five strategic goals:

- SG1: Protect the short and long term interests of Irish energy customers by ensuring high quality sustainable energy supply at competitive prices.
- SG2: Ensure an adequate, safe, secure, reliable, accessible and affordable energy infrastructure.
- SG3: Construct robust and effective competitive energy markets that are efficient and minimise the need for regulatory intervention.
- SG4: Inform the timely shaping of national and regulatory policies by conducting an annual reflection and in depth three year reviews of the medium to long term outlook for the energy supply chain.
- SG5: Maintain high standards of institutional governance and accountability and ensure the right capabilities are available to undertake ongoing regulatory duties.

2 Overview of the Commission for Energy Regulation

The Commission for Energy Regulation (“CER”) is the independent statutory body established by Government to regulate the natural gas and electricity markets in Ireland. Initially established in 1999, the role and functions of the CER have been developed over time and are enshrined in various pieces of legislation².

The CER has been established within the framework of EU energy policy which aims to create a single energy market throughout the EU. National legislation and policy reflect this aim, and adapt it to the Irish market. Irish policy, set out by government ministers in the north and south of the island, is also committed to the development of an all-island energy market in the island of Ireland. The CER works to implement this national policy framework through the development of the regulatory regime in line with our mission and strategic goals.

The markets regulated by the CER have traditionally been characterised by state owned vertically integrated monopoly providers. A key role of the CER is to oversee the transition to a more competitive market structure in line with EU and national policy, in the overarching interests of Irish energy customers, and in co-operation with other EU regulators.

2.1 Stakeholders

The CER has a wide range of stakeholders, including;

- energy customers (natural gas and electricity), ranging from domestic customers to large industrial players;
- customer representative groups such as IBEC, ISME, the Chamber of Commerce, the National Consumer Agency;
- energy market participants, including new entrants, potential new entrants and the incumbent operators in the two sectors;
- the national grid operators for electricity and gas;
- the Minister for Communications, Marine and Natural Resources, the Department of Communications Marine and Natural Resources (DCMNR), the Oireachtas, and political parties and representatives generally;
- A range of state bodies including Sustainable Energy Ireland (SEI), the Environmental Protection Agency (EPA), the Economic and Social Research Institute (ESRI), the Department of the Environment and the Competition Authority;
- sectoral representative groups, including IWEA and Meithal na Gaoithe;
- the European Commission and other energy regulators and policy makers in the EU, particularly the Northern Ireland Authority for Energy

² The principal relevant pieces of legislation include the Electricity Regulation Act, 1999 as amended by, *inter alia*, the Gas (Interim Regulation) Act, 2002, SI 452 of 2004 and SI 60 of 2005

Regulation (NIAER), the Department of Enterprise Trade and Investment (DETI) and Ofgem in the UK.

A particularly important relationship is that between the CER and the Northern Ireland Energy Regulator (NIAER) as well as the energy sectors in Northern Ireland generally. This reflects the commitment by the governments of both jurisdictions to develop an all island energy market, and the crucial role that the regulators in both jurisdictions must play in this project.

2.2 Functions and Duties

The Commission's functions and duties in the electricity and gas sectors are wide ranging and include:

- Ensuring sufficient capacity in the systems to satisfy reasonable demands for supply of natural gas and electricity;
- Protecting the interests of final customers including the disadvantaged, the elderly and those residing in rural areas;
- Promoting competition in supply of electricity and natural gas and electricity generation;
- Ensuring no unfair discrimination between applicants for or holders of licences, consents and authorisations or between them and State-owned operators;
- Promoting the continuity, security and quality of supplies and encouraging safety and efficiency in undertakings and by end users;
- Ensuring licence and authorisation holders are capable of financing their activities;
- Setting standards, enforcing compliance, settling disputes, controlling and monitoring performance and reporting regularly on these activities;
- Promoting research and the use of sustainable forms of energy that reduce or are free of greenhouse gas emissions as well as adopting measures to protect the natural environment in all the sectors' activities;
- Advising government on the development and regulation of the gas and electricity sectors.

The range of functions that the Commission carries out is evolving on an ongoing basis as the regulatory framework for energy sectors in Europe and in Ireland develops and so this list will be kept under review. For instance the forthcoming Energy (Miscellaneous Provisions) Bill 2006 will give the CER further functions including:

- Regulating the activities of electrical contractors with respect to safety;
- Regulating the activities of natural gas undertakings and natural gas installers, with respect to safety;
- Promoting the safety of natural gas customers and the public generally as respects the supply storage, transmission, distribution and use of natural gas;

- Establishing and implementing a natural gas safety framework.
- Provide the legislative background for the establishment and implementation of new electricity wholesale trading arrangements (the SEM: Single Electricity Market).

2.3 The Staff and Structure of the CER

The Commission consists of at least one but not more than three members who are appointed by the Minister for Communications, Marine and Natural Resources. At present, there are two Commissioners; Mr. Tom Reeves is Chairman of the Commission and Mr. Michael G. Tutty is Commissioner. The organisation has in the region of 59 full time staff and has recently expanded to meet a wide range of new statutory functions that have been assigned to the CER.

The CER is structured to address the three key elements of the energy supply chain – generation, networks and retail – with one division dealing with each area. In addition a specific project based division has been established to work on the development of the all island energy market and this interacts with all three areas within the organisation. The focus of this division is initially on working with NIAER to develop a single All-Island wholesale electricity market (the Single Electricity Market, (SEM)) by 2007 as a first step toward achieving the vision of an all island energy market. Finally, a Gas and Electricity Safety team has been established to implement and manage the CERs forthcoming additional safety responsibilities under the Energy (Miscellaneous Provisions) Bill and finally the Commission will shortly establish a dedicated consumer care team within the CER, that will deal with all queries and complaints received from residential customers about any licensed energy supplier or network operator.

These divisions are supported by an administration team that provides Human Resources, Accounting, IT, information management, facility management and administrative support services to the entire organisation.

2.4 Accountability and Transparency

The CER is committed to operating in a transparent and open manner and to complying with the highest professional and ethical standards. There is a range of corporate governance measures in place to achieve this, including;

- The preparation and submission of annual reports to the Minister and to the Oireachtas, including annual work plans, description of achievements of the CER and detailed outputs of the monitoring functions carried out by CER under its statutory functions;
- Compliance with best practice in corporate governance guidelines, including carrying out regular internal audits and statements of no conflict of interest by Commissioners and key staff;

- Preparation and publication of annual financial results following independent audit by the Comptroller and Auditor General;
- Extensive use of consultation processes including published documents and holding open industry fora, as well as publication of all key decisions along with reasons for decisions;
- Reporting on request to Oireachtas Committees on energy regulatory issues
- Responding in a timely way to Freedom of Information (FOI) requests.

In addition, the CER has a regular business planning process whereby its objectives and actions are critically assessed against strategic goals, the changing environment and policy at a national, EU and international level.

3 Strategic Context

The primary focus of Government and Regulatory Agency policies in the global energy field is on security of primary energy supplies, integrating environmental concerns with energy decisions to achieve sustainable development, oversight of undertakings, investment and financing needs, and developing competitive markets to delivery energy services at efficient prices.

In essence the global community is confronted with the challenge of integrating policies on energy security, protecting the natural environment and economic growth to achieve a sustainable future. Business as usual is not an option but clear remedies have yet to emerge.

3.1 Energy Market Reform in Europe

Over the past two decades, energy market reform in the EU and worldwide has concentrated on making energy markets more competitive as a way of meeting the challenges mentioned above. In the EU the specific focus is on creating a single competitive energy market throughout the enlarged Union which will deliver value to energy customers, foster sustainable energy use, underpin the competitiveness of the EU economy and deliver security of supply.

Reform of EU electricity markets has already triggered a wave of mergers and acquisitions among EU electricity companies that is trending towards industry concentration around a few key players. Otherwise EU electricity markets are still predominantly national in character and many structural barriers must be resolved before the vision of a pan EU electricity market can be realised. Similarly structural issues remain to be resolved in gas, centred on long-term contracts, securing transit routes and the role played by the monopoly companies in infrastructure investment and supplies.

While change is gradually leading to new industry structures, experience from the time of the industrial revolution suggests that energy is a strategic industry and not a simple commodity. Therefore as competitive energy markets develop, it will be necessary to ensure that there is a complement of good foresight, sound policies and planning and robust regulation to achieve a sustainable energy environment in the future. Of fundamental importance is the need to facilitate the orderly evolution of the market and avoid the traditional tendencies of Governments to intervene in times of high prices where those price signals are essential to guide the right investment mix. The volatile prices and supply disruptions experienced in a number of jurisdictions in recent years underscore these risks and point to a need for location specific practical policies on energy management and achieving compatibility between policies on reform and societal goals.

3.2 The Irish “all island” Energy Market

To date Ireland has avoided the type of serious supply disruptions seen elsewhere. Policies and regulatory action will build on this stability and will continue to focus on achieving a sustainable orderly development of markets within the EU single market framework.

In the context of the EU single market, Government Ministers in Ireland and Northern Ireland have made a commitment to co-operate in the development of an all island energy market that will benefit energy customers on the island as a whole. The potential benefits in terms of security of supply, efficiency and investment are significant and the CER and its counterpart, the NIAER, have a central role to play in the achievement of the policy goal of a single all-island market.

The two authorities have established a programme office to progress this project and work has already commenced to establish a single all island wholesale electricity market, the SEM, as a first step. The creation of this SEM and the further work that will be needed to create the all island energy market, including electricity and gas networks and retail markets, will inform much of the Commission’s strategic vision over the period of this plan.

3.3 Security of Global Energy Supplies

The global supply of primary energy has not been interrupted over the last few decades although there have been some potential crises and price instability. The energy crises of the 1970s demonstrated the power of the OPEC cartel and the vulnerability of western economies to supply shocks. This highlighted the need for unified energy policy and planning.

At the beginning of the 21st century the fundamentals of vulnerability are sharper with 75% and 58% of oil and gas reserves respectively located in Middle Eastern countries. Reserves of indigenous primary energy resources are decreasing in developed and developing economies making them more vulnerable to supply shocks. Simultaneously global energy demand is projected to increase by two-thirds over the next three decades to meet unserved demand and economic growth. Improving efficiencies in energy production and use and the adoption of measures to reduce demand will not fully offset this energy demand growth.

Import dependency is rising, and it is estimated that approximately 70% of the European Union’s energy requirements will be met by imported products over the next 20-30 years³. This growing dependence leaves the EU exposed to risks arising from volatility in exchange rates, oil and gas prices, physical and social disruption and geo-political crises. The EU acknowledges that a satisfactory level of primary energy independence is not achievable.

³ EU Green Paper “A European Strategy for Sustainable, Competitive and Secure Energy” (SEC(2006) 317) (8th March 2006)

The EU is working to develop a set of co-ordinated measures to improve security within the framework of completing the Internal Energy Market. These measures aim to ensure unity and solidarity among member states in the event of crises and foster relationships of mutual dependence with external supplier states. The EU does not have a common energy policy and it is often argued that this places restrictions on its ability to act especially in times of crises.

The Department of Communications, Marine and Natural Resources (DCMNR) has recently published its green paper on energy, "Towards a Sustainable Energy Future for Ireland." This paper focuses on establishing targets in key areas:

- Ensuring the Security of Energy Supply
- Promoting the Sustainability of Energy Supply
- Enhancing the Competitiveness of Energy Supply

Ireland's securities of primary fuel supplies are poorer than that of EU. Imports accounted for more than 89% of Ireland's Total Primary Energy Requirement (TPER) in 2004 and are expected to remain at similar levels over the coming years. Ireland's indigenous resources include peat, renewables and gas from the Kinsale and Seven Heads fields and the recently discovered Corrib field. The achievement of Government targets for renewables penetration of 15% for the year 2010 could reduce import dependency to 79%. Stronger energy efficiency and conservation measures could reduce dependency further. The Green Paper on energy proposes a further target of 30% of electricity consumption to be obtained from renewable sources by 2020.

The Commission will continue to contribute to Government consideration of global uncertainties surrounding primary fuels security and will work to promote targets and measures designed to minimise Ireland's exposure to such uncertainties. In this respect, the targets and strategies which will be finalised in the Government's white paper on energy will be important.

3.4 Impact on the Environment

Climate change and in particular the detrimental effect of greenhouse gases on the environment is another key global concern. While comprehensive global policies to deal with these issues have yet to emerge, there have been some moves to reduce greenhouse gases.

Under the Kyoto Protocol, the EU has agreed to reduce its emissions of six greenhouse gases to 8% below 1990 levels by the period 2008-2012. Over this period, Ireland has committed to limiting any increase in emissions of these gases to 13% above 1990 levels. By 2001 Ireland's emissions had exceeded 1990 levels by 31%. In 2002, 2003 and 2004 this upward trend reversed for the first time with emissions dropping to 29%, 25% and 23% respectively in

those years. However, despite this downward trend levels are expected to start to rise again after 2006⁴.

The EU also adopted the Emissions Trading Directive – an economic instrument designed to make the cost of carbon emissions explicit in energy prices and to cap carbon emissions overall. Trading in carbon is still in its infancy and the impact of the directive is yet to be seen. Other intervention measures such as the revised EU Large Combustion Plant Directive came into operation 2003 and more packages of measures drawn from experience and research can be expected to evolve regularly from the EU or directly from national decisions.

There is considerable international debate about the most effective means of abating emissions' levels centred on the relative merits of economic instruments as against direct interventionist measures. The search for a balanced solution is challenging as policies must be shaped to account for issues such as distortion of competition, market failure, subsidies, elasticity of demand, public education, societal needs, technical standards and labelling, audit and verification and many more.

The Commission will seek cost effective means to promote economic instruments and targeted interventions to reduce the energy intensity of Ireland's growing economy and to reduce greenhouse gases in energy production. The Commission will participate in co-ordinated initiatives aimed at integrating national contributions to sustainable development. Over the coming years the Commission will monitor the different types of measures adopted. It will review their relative merits and impacts on the electricity and gas sectors and their customers and report findings and recommendations to Government to facilitate the evolution of appropriate policies for Ireland.

3.5 Research and Development

However, the long-term ambition of an emissions' free energy environment and reduced dependence on primary fuels imports from politically unstable regions ultimately depends on achieving scientific discovery and technological developments, which are unpredictable, and on significant restructuring in the energy industry.

The EU through its RTD programme and the main developed economies are making major investments in energy science and technology including partnering with the private sector, academia and non-governmental organisations. International collaborations are being promoted in attempts to extend current energy choices and improve the energy mix. Areas being investigated include clean coal, fuel cells, renewable energy, nuclear fusion, hydrogen, conservation, energy efficiency, distributed generation, exploration techniques, alternative fuel vehicles and super-conducting materials for electricity networks.

⁴ Energy in Ireland 1990-2003; Trends, issues and indicators, Sustainable Energy Ireland

Progress in some of these areas could dramatically change supply dependency and provide a sustainable energy environment. Practical applications of the more important of these investigations are at least some decades into the future. In the meantime we have to be content with incremental improvements and the continued dominance of fossil fuels in the energy mix with oil, gas and coal consumption increasing and supplying the bulk of energy needs.

The Commission will keep scientific and technological developments under review, facilitate and promote primary research into appropriate energy technologies, deployment and policies and will consider their appropriate and timely deployment in Ireland.

3.6 Investment and Market Development

Competitive markets are the preferred means of delivering energy services wherever these are feasible. However, Governments may have to develop suitable incentives to enable deployment of any new technologies that are not competitive in the short term where those technologies deliver positive benefits to society. This occurs already in the case of renewable energy technologies.

In addition the International Energy Agency projects investment needs of \$16 trillion (2001 prices) to replace and expand global energy infrastructure capacity over the next thirty years. This investment is required to meet demand that is expected to increase by 66% over current levels. Electricity and Gas (excluding exploration and development) infrastructure make up 69% of this investment.

This investment suggests substantial opportunities and risks for investors and competition between global regions for resources. Countries within developed, developing and underdeveloped regions will present different types of opportunities and risk for investors. It is likely there will be winners and losers in the competition for investment. Successful countries will require business models that are appropriate and that can be adapted frequently to satisfy the prevailing investment climate. The business model will be the key to success in attracting investment.

The Commission will keep the regulatory model in Ireland under constant review to evaluate and ensure that Ireland's growing economy can attract the energy investment needed to meet the economy's needs.

3.7 Conclusion

The energy environment in general and the electricity and gas sectors in particular, are long-term in nature. While it is difficult to predict the shape of the sectors in 2020 and 2050, it is clear that the challenges we face are considerable and change is essential to cope with those challenges. As part of its role in shaping future policy and regulation of the sector, the Commission will ensure that the possible directions that the energy environment may take in the future form part of its regular strategic reviews.

Within the current energy context, this first strategic plan of the Commission describes the corporate strategy the Commission has adopted for the next five years. That strategy is designed to foster competitive energy markets on an all island basis, to deliver sustainable energy services that are secure, stable and environmentally friendly, that represent value for money for the Irish energy consumer and that underpin Ireland's competitive interests.

4 Strategic Goals

This section revisits each of the high level strategic goals set out in section 1.3, develops the key objectives under each one and goes on to set out the Commission's strategy for meeting each objective.

4.1 Strategic Goal ONE (SG1)

Protect the short and long term interests of Irish energy customers by ensuring the availability of high quality, sustainable energy supply at competitive prices, through the development and enforcement of licence conditions, regulatory decisions and consumer protection measures that protect customer interests and take account of the natural environment.

Strategic Objective SO1.1

Develop and implement a comprehensive energy customer care strategy that provides clear and useful information to customers on their rights, entitlements and options in the gas and electricity markets and that includes measures to protect customers where necessary, and remedial measures to resolve customer problems efficiently.

The Commission's strategy to achieve this objective includes:

- Review all supply licence texts and update to reflect current consumer protection provisions in legislation to enable comprehensive enforcement of consumer protection measures through the licensing regime;
- Put in place a consumer communication strategy that provides customers with clear comprehensive information on their rights and entitlements as energy consumers, and facilitates customer choice and participation in the competitive energy markets including developing a consumer website;
- Implement the legislative requirement that suppliers provide reliable information to customers regarding the contribution of each energy source to the overall fuel mix of the supplier in question, and associated environmental impact information, for the preceding year;
- Establish a dedicated consumer complaint handling team as part of the Commission that will deal efficiently and effectively with complaints about any energy supplier;
- Report annually on the nature of complaints received and resolved by the consumer complaints team.
- Develop, implement and enforce consumer protection measures through consumer codes as well as measures to protect vulnerable users including the elderly and disabled users;

- Monitor and report on performance of suppliers and network operators on all customer codes of practice and customer charters, approved by the Commission.
- Monitor customer churn in the retail sector and engage with customers with a view to assess the degree of competitive terms, conditions and services provided by energy suppliers.

Strategic Objective SO1.2

Ensure the highest standards of safety are followed in the gas and electricity sectors, and that all measures are taken to minimize hazards or dangers to customers, the workforce of industry participants and members of the public.

The Commission's strategy to achieve this objective includes:

- Develop and implement appropriate regimes for the regulation of the electrical contracting and gas installer industries with respect to safety.
- Designate an Electrical Safety Supervisory Body or Bodies to ensure that appropriate safety standards and high levels of professional competence are in place to meet required safety standards for electrical contractors;
- Designate a Gas Safety Supervisory Body to ensure that appropriate safety standards and high levels of professional competence are in place to meet required safety standards for gas installers;
- Develop, consult on and implement a comprehensive gas safety framework that includes:
 - A system for the inspection and testing of all natural gas transmission and distribution pipelines, storage and LNG facilities;
 - A system for the regulation, certification, ongoing inspections of the work and assessment of the competence of individual trained natural gas installers;
 - Procedures for the investigation of any incidents involving natural gas which in the opinion of the Commission warrant such investigation.
- Require the production of (and oversee) emergency plans by the network operators for gas and electricity so as to ensure that these are appropriate to ensure safety and security in the case of emergencies;

- Monitor and oversee the development and implementation of appropriate safety provisions through the network [grid] codes.

Strategic Objective SO1.3

Ensure Irish energy consumers receive high quality, competitively priced energy supply which also safeguards the reliability and security of energy for customers now and in the future.

The Commission will meet this objective by:

- Facilitating and encouraging the development of competitive gas and electricity markets (wholesale and retail) that deliver the most efficient outcome for customers;
- Reviewing, amending if necessary, and approving end user charges for electricity and gas provided by the public service provider in the electricity and gas sectors to ensure they are at an appropriate level;
- Continuing to review and, if necessary, amend the nature of end user charge regulation to reflect changes in underlying market conditions.
- Developing and enforcing appropriate regulatory frameworks that require the public energy providers to source power from the most economic source available, subject to ongoing commitments;
- Ensuring that the regulatory accounts of the public energy suppliers are correct, transparent and demonstrate that the financial transactions within the organization are appropriate, fair and in the best interests of end consumers;
- Review and, if appropriate, revise tariff structures to ensure that the prices paid by different categories of customers fairly reflect the costs efficiently incurred in serving those customers and that there is no unfair cross subsidization of customers or groups of customers.
- Put in place a Supplier of Last Resort mechanism in the gas and electricity sectors that guarantees customers continuity of supply in the event of a licensed supplier exiting the market.

Strategic Objective SO1.4

Contribute to the development of sustainable energy provision in Ireland by adopting measures that will ensure that electricity and gas infrastructure and operations are consistent with Ireland's environmental obligations, by facilitating the use of renewable and alternative energy and by encouraging and facilitating efficient energy use.

To achieve this objective, the Commission will:

- Develop rules for the trading of wholesale electricity, both those for the current market and the future SEM, that facilitate the participation of renewable and alternative sustainable generators in the market and efficient demand side participation;
- Work with key stakeholders, including the DCMNR and Northern Ireland authorities and Sustainable Energy Ireland, to support and facilitate research into sustainable and alternative energy sources as well as energy efficiency;
- Provide advice and assistance to the relevant government Ministers to help in the development of policies that can achieve environmental and sustainable objectives at least cost to consumers;
- Implement policy measures designed to promote renewable energy including the application of public service obligations and the inclusion of CO₂ emissions trading in the electricity market.

4.2 Strategic Goal TWO (SG2)

Ensure an adequate, safe, secure, reliable, accessible and affordable energy infrastructure, by developing and implementing regulatory measures for power generation and electricity and gas networks that set clear standards and performance benchmarks where necessary and that take account of the needs of the natural environment.

Strategic Objective SO2.1

Ensure that adequate electricity generation capacity is available to meet demand through a wholesale market that will provide price signals to encourage timely investment in the Irish market and attract reliable interconnection power flows and take direct regulatory action where there are shortcomings in the markets response.

The Commission will achieve this objective by:

- Ensuring third party access rights to gas and electricity networks and implementing changes through licence conditions or necessary regulatory intervention, where barriers to access are evident;
- Ensuring that processes and rules applied for third party access are conducive to new entrants wishing to participate in the market;
- Ensuring that holders of licenses and authorisations adopt best practice in managing electricity and gas operations and projects;

- Monitoring performance of electricity generation output by the dominant participants to ensure efficiency in operations to meet national energy demands.
- Monitoring the implementation of licences by the incumbent companies with a view to ensure that they fully implement their licence and monitor their performance to ensure they operate within the spirit of the licence issued.

Strategic Objective SO2.2

Ensure efficient, sufficient and timely investment in network infrastructure in electricity and gas, to deliver an internationally benchmarked quality infrastructure that will meet the present and future demand of the Irish consumer.

To achieve this objective the Commission will:

- Impose necessary requirements on the Network Operators to take account of the evolving needs of the energy sector and economy;
- Conduct regular review of revenue requirements of the Networks businesses to ensure the delivery of network investments while promoting efficiency and adding value to customers;
- Ensure allowed revenues for network infrastructure are efficiently expended and recovered appropriately;
- Ensure that the appropriate technical codes in the gas and electricity sector take account of the requirements of an efficient and robust energy infrastructure and the specific requirements of the renewable sector;
- Design tariff methodologies to be applied by the regulated business for charges to customers and market participants that will lead to efficient use of and investment in the Networks;
- Approve charges for connection to and use of the transmission and distribution systems;
- Harmonise transmission planning on an all island basis so as to maximize efficiencies arising from the operation of the networks in gas and electricity.

Strategic Objective SO2.3

Assess and facilitate opportunities for interconnection so as to improve security of supply, sustainability and overall economic benefits to the Irish energy market and Irish energy consumers.

To achieve this objective the Commission will;

- Develop market rules in co-operation with NIAER that maximize the benefit of existing interconnection (gas and electricity) within the island of Ireland;
- Facilitate and enable the building of additional cross border transmission infrastructure within the island of Ireland and the efficient operation of that infrastructure on an all island basis;
- Promote and oversee interconnection between the Irish and UK electricity systems in accordance with Commission and Government policy;
- Continually review and monitor the effect energy policy decisions in the UK energy market may have on Interconnection between Ireland and the UK and take appropriate measures to protect the interests of the Irish energy market.

4.3 Strategic Goal THREE (SG3)

Construct robust, effective and competitive energy markets that are efficient and minimise the need for regulatory intervention, by developing, jointly with NAIER, market rules and structures that can apply on an all island basis and that bring benefits to energy consumers throughout the island of Ireland.

Strategic Objective SO3.1

Create and maintain effective wholesale energy markets that will foster and deliver competitive bidding behaviour on an all island basis when trading in electricity and also in gas.

To achieve this objective the Commission will:

- Develop in co-operation with NIAER, market rules for the SEM that capture benefits in terms of enhanced security, improved competition and increased consumer welfare;
- Implement the SEM by November 2007 including the establishment of a Single Market Operator and the detailed design of trading rules and mechanisms;
- Manage and monitor transitional trading and settlement arrangements and ensure that the stability of the market is maintained;
- Implement and maintain appropriate market mechanisms in the gas market to encourage the development of a secondary commodity market;

- Examine, plan and develop an all island gas market in co-operation with NIAER.

Strategic Objective SO3.2

Implement and monitor measures that regulate the behaviour of dominant market players and players with market power to ensure stability in the wholesale energy markets and so as to foster the development of competitive markets.

- Monitor, on an ongoing basis market behaviour to ascertain any impediments to the delivery of a competitive market and when required investigate any misconduct by market players;
- Introduce required policy directions and incentives in the generation sector that will promote efficient bidding behaviour in the current generation market;
- Develop, in co-operation with NIAER, policies and strategies that will ensure the development of an effective all island energy market by ensuring that behaviour of dominant firms or firms with market power is appropriately controlled.

Strategic Objective SO3.3

Establish and maintain effective retail markets in electricity and gas that give all customers the right to choose their supplier by encouraging new entry and participation in the markets and implementing measures that will introduce and sustain competitive markets that deliver benefits to customers.

To achieve this objective, the Commission will:

- Conduct a review of competition in the gas retail sector, with a view to implementing, if necessary, policy measures that will encourage effective competition and deliver benefit to customers.
- Develop, monitor and keep under review electricity and gas market governance rules and business processes in the liberalised electricity market that facilitate customers to change supplier, are customer friendly and conducive to competition;
- Keep market rules and business under review to ensure that they facilitate competitive entry, ensure ease of customer switching and are sustainable and appropriate for the Irish market;
- Develop, in co-operation with NAIER, common approaches to retail markets that enhance benefits to energy consumers on an all island basis;

- Monitor, review and regulate retail tariffs in the gas and electricity markets so as to ensure that pricing methodologies and policies are conducive to retail competition, including oversight of potential unfair behaviour on the part of operators who have market power and taking appropriate measures to prevent such behaviour;
- Continue to review and develop mechanisms where necessary to facilitate existing and potential new suppliers that do not have adequate generation or contracted energy by enabling them to contract for power;
- Encourage and facilitate new entry in gas and electricity by minimising barriers to entry faced by prospective participants and by operating an effective and efficient licensing and authorisation process.

Strategic Objective SO3.4

Engage in framework processes to progressively create all island gas and electricity markets that will benefit customers in the respective jurisdictions drawing guidance from the legislative remit, mission and goals of CER/NIAER and the Governments of the Ireland and Northern Ireland joint initiative on this issue.

To achieve this the Commission will:

- Constructively engage in framework processes with the ultimate goal of progressively creating all island gas and electricity markets that would benefit customers in the respective jurisdictions
- Develop, in co-operation with NIAER, harmonized and common approaches to the management and operation of energy networks and retail markets on an all island basis.

4.4 Strategic Goal FOUR (SG4)

Inform the timely shaping of national and regulatory policies, by conducting an annual reflection and in depth three year reviews of the medium to long term outlook for the energy supply chain based on a robust view of demand, supply, primary fuels, security, technology, natural environment, investment and industry structure.

Strategic Objective 4.1

Identify and collate appropriate, useful and timely information on the energy sectors in Ireland and elsewhere to facilitate useful and comprehensive reporting.

To achieve this objective the Commission will, in co-operation with other appropriate stakeholders:

- Monitor the electricity and gas in relation to the performance of Ireland's gas and electricity system (networks, plant performance), capacity adequacy in the gas and electricity sectors and the fulfilment by the network operators of their functions;
- Oversee the production of Generation Adequacy Report of the Electricity Transmission Network and facilitate the development of a single Generation Adequacy Statement for an All-Island market;
- Collate and prepare the information necessary to compile the All-Island Gas Capacity Statement on an annual basis;
- Monitor and gather information on fuel mix in the generation market and keep under review the requirements to promote alternative fuel in the generation mix.
- Monitor the gas storage services offered in the gas market
- Conduct assessments and reviews necessary from time to time to address specific issues of concern or interest in the energy markets including the collation, review and assessment of data and information from licensees or other sources.

Strategic Objective 4.2

Publish appropriate information and reports to assist in policy planning in the energy market so as to create transparency and openness to facilitate proper planning by market participants and encourage new entry.

To achieve this objective, the Commission will:

- Annually, in the Commission's annual report, include the results of the monitoring of the electricity and gas markets in accordance with Section 9 of the Electricity Regulation Act, 1999, as amended, including (but not limited to) information on:
 - Interconnection capacity in gas and electricity and measures to deal with congestion;
 - Compliance by network operators with their obligations;
 - The openness and transparency of the market and the degree of competition in the market;
- publish the Gas Capacity Statement annually and require the publication of the Electricity Generation Adequacy Report in a timely fashion;

- prepare and publish a bi-annual report on the Commission's monitoring of the security of electricity supplies and the measures being taken or envisaged to protect the security of supplies;
- Provide timely advice to assist the exercise of government and ministerial functions on all matters relating to the short, medium and long-term development of the electricity and gas sectors;
- Publish reports and investigations as required into specific aspects of the energy markets;
- Publish the outcome of each three year strategic review of the energy supply chain and such interim reports as the Commission believes will be of interest to the market.

4.5 Strategic Goal FIVE (SG5)

Maintain high standards of institutional governance and accountability and ensure the right capabilities are available to undertake ongoing regulatory duties and contribute positively to the development of Ireland's energy regulatory framework.

Strategic Objective SO5.1

Continuously develop a highly professional working environment of skilled, motivated and empowered staff.

The Commission will achieve this objective by the following strategies:

- Conduct a thorough review of the organizational structure and staff skills and numbers needed to meet the Commission's strategic goals and statutory duties over the period of the strategic plan so as to inform recruitment policies;
- Develop and implement a recruitment and retention programme that meets the requirements of the Commission and obtains the most appropriate skills and competencies to fulfill the Commission's obligations.
- Continue to adopt and be guided by the principles of better regulation, i.e. transparency, consistency, accountability, effectiveness, proportionality and necessity.
- Develop, implement and keep under review an annual training programme to address the evolving changes in the sectors and meet the Commission's strategic goals and the personal development requirements of staff.

- Introduce and maintain working procedures that harness efficiency, co-operation and professionalism and manage and monitor the compliance with the organisational customer charter.

Strategic Objective 5.2

Continually review, assess, and where appropriate, change, the Commission's corporate governance and management structures to meet best practice and ensure the highest standards of accountability and transparency.

To achieve this, the Commission will;

- Through our ongoing business planning process, continually assess, evaluate and prioritise deliverables that are identified in the work programme to make sure that these meet our goals and make changes where required;
- Develop a change management competence and culture to enable the Commission to properly manage the ongoing changing nature of the regulatory functions it carries out;
- Continue to measure our performance in delivering services to the Commission's customers against the key performance indicators in the Commission's customer charter and ensure that we meet the standards set, while keeping those standards under constant review.

Strategic Objective 5.3

Communicate this Strategic Plan, the Commission's work plan, the decisions and directions of the Commission and useful market information in a clear and consistent manner that is easily accessible to stakeholders, relevant to their needs, and targeted to their circumstances.

To achieve this, the Commission will;

- Review and develop its communications strategy to identify the communication needs of stakeholders and put in place a strategy to meet those needs through appropriate means;
- Continue to use, and build on, the policy of consulting on all decisions, including open meetings with stakeholders, publication of consultation documents and general industry meetings where appropriate; and
- Adhere to the policy of publishing the Commission's decisions along with reasons for those decisions.