

CER 

Commission for Energy Regulation
An Coimisiún um Rialáil Fuinnimh

Work Plan 2008

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Note to Minister



Tom Reeves



Michael G. Tutty

To: Mr Eamon Ryan, TD. Minister for Communications, Energy and Natural Resources,

In accordance with paragraph 25 (b) of the Schedule of the Electricity Regulation Act, 1999, as inserted by Section 10 of the Energy (Miscellaneous Provisions) Act 2006, we are pleased to present to you a report from the Commission for Energy Regulation on our proposed work programme in respect of the period 1 January 2008 to 31 December 2008.

A handwritten signature in black ink that reads "Tom Reeves".

Tom Reeves
Chairperson

A handwritten signature in black ink that reads "Michael G Tutty".

Michael G. Tutty
Commissioner

1.0 Introduction



CER Commission and Directors:

Back Row: Eugene Coughlan, Denis Cagney, Cathy Mannion, Paul McGowan.
Front Row: Tom Reeves, Michael G. Tutty.

The Commission for Energy Regulation (“the Commission”) is the independent body responsible for the liberalisation of Ireland’s energy sector. We regulate the natural gas and electricity markets in Ireland and have been working since our establishment in 1999, towards progressive market reform and the development of greater levels of competition in these sectors. The Commission was established under the provisions of the Electricity Regulation Act 1999 and has taken on significant additional responsibilities since then, under various legislation. Responsibility for the regulation of the natural gas market was conferred upon the Commission under the Gas (Interim) Regulation Act 2002. Most recently, the Energy (Miscellaneous Provisions) Act 2006 added to the role and functions of the Commission, including providing for additional responsibilities in gas and electrical safety.

This Act also requires the Commission to prepare for the Minister of Communications, Energy and Natural Resources a report on its work programme for the forthcoming year.

Section 10 of the Act states that... the Commission shall “*not later than 30 November in each year make a report to the Minister in relation to its proposed work programme for the following year and the Minister shall cause copies of the report to be laid before each House of the Oireachtas as soon as practicable.*”

This paper outlines the Commission’s work programme for the year 1 January 2008 to 31 December 2008. Due to the nature of the Commission’s role and functions, many of the work items listed or described have already commenced or are ongoing items, while some work items will continue on later than the end of 2008.

1.1 Commission's Work Programme

For the business year 2008, the Commission has approved 101¹ work items for delivery. A full list of all work items for 2008 can be found in Appendix A of this paper. Work items are listed under the business area into which they fall. This list of work items indicates the scale, variety and complexity of the work that the Commission will be involved in during 2008.

The main body of this report focuses on the key areas of priority for the Commission in 2008. The Commission has selected 10 key tasks for delivery during 2008. These key tasks are spread across the Commission and are viewed as being the most important areas of strategy for the forthcoming year. Their completion will drive forward the market reform agenda in Ireland, taking into account the three pillars of sustainability of supplies, security of supplies and competitiveness of supplies. The Commission's strategy in delivering these key objectives (as well as all of our other work tasks) is framed against the Government's priorities as indicated in the White Paper on Energy².

1.2 Outline of Paper

In this paper, the Commission attempts to provide as much detail as possible on our strategy, key work items and how they will be delivered. An outline of the paper is included below:

- Section 2.0 outlines our Mission Statement and summarises our main responsibilities under legislation.
- Section 3.0 gives a high level overview of our organisational structure for 2008 and the key areas of responsibility for each Division.
- Full details of the Commission's ten key tasks for 2008 are included in Section 4.0 of this paper.
- Finally in Section 5.0, we outline a high level summary of our performance against our ten key items for the year 2007.

¹ All island gas project will have a number of individual work items but for the purposes of this report, it is being counted as one overall work item.

² *Delivering a Sustainable Energy Future for Ireland – A Government White Paper: March 2007.*

2.0 The Mission and Responsibilities of the CER

2.1 Mission Statement

The Mission Statement of the Commission is as follows:

In a world where energy supply and prices are highly volatile, the mission of the Commission, acting in the interests of consumers is to ensure that:

- the lights stay on
- the gas continues to flow
- the prices charged are fair and reasonable
- the environment is protected, and
- electricity and gas are supplied safely

2.2 Functions of the Commission

The functions of the Commission have been built up over time, following the enactment of various pieces of legislation. Initially the Commission was responsible for regulation and reform of the electricity market only, including the licensing of new entrant generators and suppliers. In 2002, the Commission was also given statutory responsibility for regulation of the natural gas market, while various pieces of legislation have increased our functions in the areas of customer protection, licensing and gas and electricity safety.

The functions of the Commission can be summarised as follows:

- Ensuring sufficient capacity in the electricity and gas 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;
- 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.

3.0 Organisational Structure of the Commission

The Commission currently has 57 full time staff (end November 2007). These are organised into four business divisions. This structure has only recently been implemented (November 2007), following the completion of the SEM (Single Electricity Market) Project. The Commission's new organisational structure places a greater emphasis on gas market reform, renewables and consumers as well as maintaining focus on the ongoing development of the SEM and the electricity market in general. These themes are reflected in the Commission's ten key tasks for 2008.

The following is the divisional structure of the Commission; full details of our organisational chart for 2008 can be found in Appendix B.

- Operations and Electricity Markets Division
- Electricity Networks and Retail Division
- Gas Division
- Safety, Environment and Customer Affairs Division

1) Operations and Electricity Markets Division

The Operations and Electricity Markets Division is the unit within the Commission where regulation of the new SEM is primarily focussed. Given the cross jurisdictional nature of the SEM, various regulatory work-streams have been divided out between the two regulators. Within the Operations and Electricity Markets division, the Market Modelling team focus on modelling price scenarios and impacts of the SEM as well as having responsibility for the review and modification of the Trading and Settlement Code (TSC); the rules of the market which each participant must sign up to in order to participate in the SEM.

This Division is also responsible for monitoring security of supply in Ireland, licensing and monitoring new conventional generation and overseeing the implementation of the Commission's Asset Strategy Agreement with ESB Power Generation. This agreement which was signed in late 2006 requires ESB to reduce its share of the power generation market to 40% by 2010 through the closure and divestment of 1,500 MW of generating capacity. This process is well advanced.

This division also includes the Commission's operations teams. Operations includes Human Resources (HR), Finance, IT, Facilities and the Business Information Centre (BIC). These are essentially support functions to the policy teams of the Commission. The HR team is responsible for staff recruitment and retention as well as staff development. As well as traditional finance roles such as payroll and pensions, the Commission's Finance team is also responsible for service procurement and for the Commission industry levy. The IT and Facilities department maintain and enhance the Commission's physical and virtual infrastructure while the BIC is primarily responsible for information and records management, business planning and press and media management.

2) Electricity Networks and Retail Division

This division is responsible for regulation of the remainder of the electricity supply chain in Ireland, that is the monopoly electricity networks businesses and the competitive retail or supply market.

The division has three teams. The electricity transmission team regulates the transmission system in Ireland and EirGrid as the Transmission System Operator (TSO). Since the establishment of the SEM, the transmission system in Ireland is now

operated on an all island basis. The electricity distribution team is responsible for regulating the medium and lower voltage electricity network in Ireland, the distribution system. ESB Networks is licensed as Distribution System Operator (DSO) for Ireland.

The electricity retail team regulates ESB Customer Supply, the licensed public electricity supplier (PES). In addition the team also monitors competition in the retail electricity market and licences new entrant suppliers. The implementation of a smart metering project in Ireland will be a key feature of the electricity retail team's work in 2008.

The Electricity Networks and Retail Division will also be responsible for overseeing the further development of the East-West Interconnector project throughout 2008.

3) Gas Division

The Gas Division within the Commission regulates Bord Gáis Networks and Bord Gáis Energy Supply and oversees the development of the gas market in Ireland. Of key importance in this area in 2008 will be the design and creation of an all island gas market. The Commission is currently working with NIAUR on developing an initial scope for an all island gas market project.

Key work areas in the networks part of this division include the Gas Code of Operations and analysis of network charges and tariffs. There is also likely to be a body of work associated with the regulation of the proposed LNG (Liquified Natural Gas) terminal on the Shannon estuary.

On the gas retail side, the Commission is responsible for overseeing the development of competition in the retail gas sector. The Gas Supply team also approves tariffs charged by Bord Gáis Energy Supply to their NDM (non daily metered) customers as well as overseeing the Regulated Tariff Formula (RTF) for larger gas customers.

The Commission has also recently set up a Projects Office to oversee the planning and management of three key pieces of work that the Commission will be involved in over the next few years – the development of an all island gas market, the Smart Metering project and the ongoing governance of the SEM through the structure of the SEM Committee.

4) Safety, Environment and Customer Affairs Division

The Commission has established a division which will focus exclusively on three areas of growing importance, electricity and gas safety, customer protection and environment & renewables. These three key areas are also reflected in the Commission's ten key tasks for 2008.

The Commission's safety functions have been divided up into gas safety and electricity safety, to reflect the different requirements for the regulation of each area under the Energy (Miscellaneous Provisions) Act 2006. Safety will be a continuing priority for the Commission in the coming years.

Likewise customer protection deserves priority status. The energy markets are essentially driven by customer demand for electricity and gas. The Commission and all suppliers and network operators have a role to play in ensuring that customers receive fair treatment and are provided with all of the necessary information to make informed decisions. The Commission's Customer Care Team (CCT) is working to ensure this happens. In addition the CCT is also responsible for resolving complaints by electricity and gas customers against their supplier or network provider.

The Commission is also committed to developing Ireland's renewable resources and reducing the impact of the electricity and gas systems on the environment. The renewables and environment team is responsible for drafting and implementing policy in this area.

4.0 Commission Work Programme 2008: Our Ten Key Work Items

This report will be structured around the Commission's ten key work items for 2008. These are outlined below.

Our ten key work items for 2008 are as follows:

- 1) All Island Gas Project
- 2) Renewables – Decide on Gate 3 and respond strategically to 2020 All Island Grid Study
- 3) Smart Metering
- 4) SEM Continuing Development
- 5) East-West Interconnector Competition
- 6) Security of Supply
- 7) Electricity Tariff Restructuring
- 8) Implement the Natural Gas Safety Regulatory Framework and the approach for the Regulation of Electrical Contractors and Gas Installers including Designation of Safety Bodies
- 9) Complete Implementation of Customer Care Strategy
- 10) Enhancement of CER Records and Knowledge Management Structures

4.1 Key Task 1: All Island Gas Project

The Commission has committed itself to working with the Northern Ireland Regulator (NIAUR) on the development of a new All Island Gas Market. Following the implementation of the Single Electricity Market (SEM) for the island of Ireland, it is appropriate to now turn the focus towards gas. The Regulatory Authorities aim to develop the same efficiencies and benefits in the natural gas sector in both jurisdictions as have been put in place in the electricity sector as a result of the commencement of the SEM.

The following are some of the key features for consideration in this work item:

- Around 91% of natural gas consumed in Ireland is now imported from the UK. This import requirement offers challenges in terms of market regulation, security of supply, operation of and access to interconnectors and associated tariffs for entry into the Irish system or exit from it.
- Corrib gas when it comes onto the system will reduce import requirements to around 60% of demand, while plans for a Liquefied Natural Gas (LNG) terminal on the Shannon estuary are advanced.
- All of this is set against the background of delivering increased benefits to gas customers. While consumer prices have come down significantly north and south during 2007, there is a need to encourage greater levels of competition and improved efficiency in the retail markets.
- The RAs believe that these issues indicate the importance of developing a consistent and harmonised regulatory framework on the island.

Key Deliverables

NOVEMBER 2007:

CER and NIAUR formally commence analysis and scoping of an All Island Gas Market.

MARCH/APRIL 2008:

CER and NIAUR publish the full scope and vision for an All Island Gas Market.

APRIL/MAY 2008:

Implement Gas Industry Forum for the project.

MID 2008:

Decision on the basic structure of network tariffs in an All Island Gas Market situation (recognising the urgency of this issue) and commence design and development work on all other aspects of an All Island Gas Market.

Key Event

The Regulatory Authorities vision for an All Island Gas Market, due to be published in **March/April 2008**.

The following are the key features for consideration in this priority work item:

- The Commission believes that the time is now right for strategic planning in this area. Planning and analysis will allow for the achievement of Ireland's renewable targets in a structured manner while still maintaining system reliability and reducing the impact on overall energy costs.
- A Group Processing Approach for connection of renewable applications to the electricity networks was implemented by the Commission in 2005. This approach has proven to be a successful vehicle for ensuring the structured and sustained addition of wind to the system.
- The Commission in 2008 will now consider further connection options for renewable energy. It is intended to develop and announce a Gate 3 process for wind applications.
- In addition, the All Island Grid Study was published by the DCENR and DETI in January 2008. This study, which follows on from a consultation on an All Island '2020 Vision' for renewable energy indicated how the electricity infrastructure on the island might best develop to allow for the maximum penetration of renewable energy. A working group on the All Island Grid Study has been in place since 2005. The report indicated a number of scenarios for renewable development and associated Grid infrastructure in Ireland, up to the year 2020.

4.2 Key Task 2: Renewables – Decide on Gate 3 and Respond Strategically to 2020 All Island Grid Study

The Government has outlined the strategic importance of developing renewable energy in Ireland in its White Paper on Energy, published in March 2007. The Commission has welcomed the targets of 15% of electricity consumption from renewable sources by 2010 and 33% by 2020. However these targets are challenging and will require the development and implementation of strong and consistent renewables policies.

Renewables Characteristic	Capacity (MW)
Capacity of wind currently connected to Irish system	800 MW
Total Capacity of Renewables on the system (incl. hydro ³)	1,360 MW
Gate 1 Connection Offers (2005)	380 MW
Gate 2 Connection Offers (2006/07)	1,300 MW
Renewable applications awaiting processing (est.)	5,800 MW
Total System Capacity (end 2007)	7,562 MW

Key Deliverables

JANUARY 2008:

Publication of 2020 All Island Grid Study by the two Departments (North and South).

ONGOING THROUGHOUT 2008:

Development of strategy to implement and address key aspects of 2020 All Island Grid Study.

END DECEMBER 2007:

CER publishes consultation paper on Gate 3 criteria.

JANUARY 2008:

CER Workshop on Gate 3.

2008:

Publication of final direction paper on Gate 3 – exact time is dependent upon responses received to consultation.

Key Event

Publication of 2020 All island Grid Study by the two Departments in **early 2008**.

4.3 Key Task 3: Smart Metering

The Department of Communications, Energy and Natural Resources has indicated its support for the CER’s plans to implement smart metering in Ireland, starting with the roll-out of a pilot project in 2008.

The Commission is enthusiastic about the development of smart metering as it is a technology which offers the possibility of improving energy efficiency and demand side management. Smart metering will also be an important component in supporting the development of micro-generation in Ireland.

The Commission has recently published two papers which set out its next steps with regard to the development of smart metering and micro-generation:

- Smart Metering: The Next Steps –**
A CER Information Paper (CER/07/198)
- Arrangements for Micro-generation –**
CER Decision Paper (CER/07/208)

The following are some of the key features for consideration in this work item:

- Smart meters will allow customers to take control over their own electricity consumption. Through accompanying time-of-use tariffs, customers will be aware of higher prices at times when demand for electricity is high and lower prices at times when demand is lower. This will allow customers to amend their consumption patterns accordingly.
- Throughout 2008, the Commission will focus on the implementation of a pilot project of 25,000 smart meters in homes and businesses. This will involve the cooperation and support of ESB Networks (Distribution System Operator) and the various electricity suppliers operating in the market. A steering group with representation from each of these key areas has been established.

3 Includes 292 MW Turlough Hill.

Key Deliverables

DECEMBER 2007:

First meeting of Smart Metering Steering Group

APRIL 2008:

Selection of various smart metering technologies following procurement processes run by ESB Networks. This will be followed by installation of first meters.

JULY/AUGUST 2008:

ESB Networks anticipates wider roll out of smart meters.

DECEMBER 2008:

Smart meter operational in all 25,000 premises selected for the pilot project.

Key Event

Installation of first smart meters in **April or May 2008**.

It is important that the ongoing development of the market is given the priority which it deserves. The Regulatory Authorities recognise that as the market matures and develops there may be aspects of the market rules which require amendment while there is a significant volume of work involved in market modelling, overseeing directed contracts and regulation of the market operator.

The following are some of the key features for consideration in this work item:

- In 2008, the Regulatory Authorities aim to build upon the implementation of the SEM providing the regulatory environment for the growth of competition and the development of increased inward investment into the electricity sector on the island.
- The Regulatory Authorities (RAs) have put in place joint regulatory arrangements. The SEM Committee has ultimate responsibility for regulation of the market; it is composed of representatives from NIAUR, representatives from CER and Independent and Deputy Independent Members. An Oversight Committee advises the SEM Committee. It will be a priority in 2008 to develop optimum efficiency in these governance arrangements, for the benefit of the market and customers.
- Day to day regulatory responsibility for various aspects of the market is shared between the two RAs. The Commission is primarily responsible for SEM market modelling and the Trading and Settlement Code while NIAUR takes lead responsibility for the Market Monitoring and Market Operator regulation functions.

4.4 Key Task 4: SEM Continuing Development

The Single Electricity Market (SEM) for the island of Ireland was successfully implemented on 1 November 2007. It represents a new era in electricity trading on the island and is the first cross jurisdictional wholesale electricity market of its type in Europe. The CER and NIAUR have now moved on towards the ongoing governance of the new market and towards ensuring that the benefits of the market are fully realised.

Key Deliverables

ONGOING:

Development of full work programme for SEM Committee.

ONGOING:

Modifications to Trading and Settlement Code.

DECEMBER 2007:

Review of 2007 directed and non-directed contracts.

JANUARY/FEBRUARY 2008:

Publication of discussion paper on treatment of wind and intermittent generation in the SEM.

END JANUARY 2008:

Consultation paper on directed and non-directed contracts.

END FEBRUARY/EARLY MARCH 2008:

Decision paper on directed and non directed contracts (dependent upon responses received).

MAY-AUGUST 2008:

Review of Capacity Payments Mechanism.

JANUARY-APRIL 2008:

Review of potential alignment of retail tariff years north and south.

Key Event

The Market Monitoring Unit will publish quarterly market assessments.

Publication of detailed reports on the operation of the SEM on the Market Operator (MO) website (www.allislandmarket.com) from January onwards.

4.5 Key Task 5: East-West Interconnector Competition

Plans to develop an electricity interconnector between Ireland and Wales are well advanced and form a key part of the Commission’s strategy for the further development of the Irish electricity sector. The Commission has worked with EirGrid, to advance this project during 2007. This will remain a key priority during 2008.

The following are some of the important features of the ongoing work on the development of the East-West Interconnector project:

East-West Interconnector Feature	Detail
Capacity	500 MW
Ownership	EirGrid plc
Delivery date	End 2011
Connection Point on Irish System	Woodlands sub-station, south Meath.
Next Step	Competition for design and construction of an interconnector

- The advantages of increasing levels of interconnection for an island system such as Ireland’s are clear. Not alone will interconnection with the UK increase security of supply, but it will also help to drive competition and improve overall efficiency in the Irish electricity system. This will benefit the system as a whole.
- The East-West Interconnector will significantly reduce Ireland’s isolation from other European markets and will introduce new competitively priced electricity into the system. This will put downward pressure on prices meaning that they will be lower than would otherwise be possible.

Key Deliverables

DECEMBER 2007:

EirGrid to launch a competition for the design and construction of the interconnector.

JUNE 2008:

EirGrid to submit planning applications to the Irish and British authorities.

JUNE 2008:

High level agreement with Ofgem on the regulatory environment for the East-West Interconnector.

JULY-AUGUST 2008:

EirGrid to select winning bidder following competition and conclude contract negotiations.

Key Event

Competition to design and construct an interconnector in **late 2007 and early 2008**.

4.6 Key Task 6: Security of Supply

Maintaining and enhancing security of supply in both electricity and gas is a continuing priority for the Commission. Its importance is reflected in the Commission's mission statement. It requires continual planning, analysis and forecasting. In recent years this has been a cooperative effort involving the CER, EirGrid and the Department of Communications, Energy and Natural Resources (DCENR).

Furthermore additional focus is now turning towards security of supply in natural gas also. There is of course an important link between security of supply in gas and in electricity. In 2005, 40% of electricity in Ireland was generated from natural gas and this figure is expected to rise to 52% by 2010. With approx. 91% of gas supplied in Ireland being imported from the UK, there is a need to ensure

appropriate controls are in place to maintain gas security of supply and also plan for various supply and demand scenarios.

The following are some of the key features of this piece of work:

Electricity Security of Supply Characteristics	Capacity (MW)
Peak Demand in 2006	5,035 MW
Forecast peak for winter 07/08	5,250 MW
Forecast fully dispatchable plant (end 2007)	6,445 MW
Forecast generation capacity (grand total including wind) ⁴ at end 2007	7,562 MW
New Conventional Plant connected in past two years:	
Tynagh Energy	384 MW
Sealrock	161 MW
Huntstown Unit 2	401 MW

- In addition, the commencement of the SEM has been a significant boost to improving security of supply on the island. The market is the key mechanism through which security of electricity supply on the island will be maintained. This has been acknowledged by the ESRI in its recent Quarterly Economic Commentary, Autumn 2007.⁵ The market rules incentivise appropriate inward generation investment. Specific design features such as a capacity payment mechanism for available generation have also been built into the market rules in order to ensure and promote security of electricity supply.

⁴ An additional maximum import capacity of 300 MW is available from the North-South Interconnector. Actual flows are dependent upon available generation in Northern Ireland.

⁵ Preserving Electricity Market Efficiency While Closing Ireland's Capacity Gap – ESRI Quarterly Economic Commentary, Autumn 2007, PP. 62-82.

- Maintaining security of supply in both electricity and gas involves taking a long term view of energy needs and demands and planning accordingly. In 2008, the CER will focus on analysing various supply and demand scenarios through its Gas Capacity Statement and its Report to European Commission on Electricity Security of Supply. Weekly and quarterly monitoring will also continue.

Key Deliverables

ONGOING:

CER weekly and quarterly monitoring of security of supply (Generation Reports published weekly on Commission's website, www.cer.ie).

ONGOING:

Monitoring of development of the new ESB plant at Aghada, Co. Cork, the BGE plant at Whitegate, Co. Cork and assessing and licensing additional proposed electricity plant.

END JULY 2008:

Publication of Gas Capacity Statement 2008.

END JULY 2008:

Submission of report to the European Commission on Security of Electricity Supply.

END MARCH 2008:

Conclusion of consultation process and decision in relation to policy on a "Fast Build" Generation Project – Consultation being run at present by EirGrid.

Key Event

Weekly Generation Updates on CER website, www.cer.ie and the CER's second report to the European Commission on Security of Electricity Supply.

4.7 Key Task 7: Electricity Tariff Restructuring

The Commission has statutory responsibility for review and approval of network tariffs charged by ESB Networks and EirGrid (Distribution Use of System – DuoS – and Transmission Use of System – TuoS – tariffs, respectively) as well as end user tariffs charged by ESB Customer Supply to its customers. Regulation of tariffs ensures that the correct and appropriate level of charge is applied, protecting customers against possible abuse of dominant market positions.

In 2008, the Commission will continue to regulate ESB tariffs for domestic customers and small to medium sized industrial and commercial customers.

The following points should be noted with regard to electricity tariffs:

- In 2008, the Commission will undertake a review of the structure of the electricity tariffs charged to end users. This is necessary following the commencement of the SEM in order to ensure that tariffs charged mirror the profile of costs in the wholesale market. In addition the implementation of smart meters will allow for the development of time-of-use tariffs.
- Cost reflectivity is an important principle of fair tariffing. It ensures that the correct level and structure of tariff is charged to each customer segment based upon the costs which those customers are placing on the system overall.
- Electricity costs in Ireland are high relative to some other European countries. This is primarily due to the small size of the Irish market and the reliance on fossil fuels to generate electricity. Ireland does not have access to cheap hydro and nuclear. Furthermore, up to €4.3 billion will have been spent upgrading and maintaining the electricity networks between 2001 and 2010; a necessary and badly needed investment to support a growing economy.

- Electricity prices have fallen from 1 November 2007. The CER is confident that the SEM will also place downward pressure on prices but we are always at the mercy of volatile international fuel prices. In addition to this, the cost of carbon is becoming an increasingly important issue in the energy sector and is likely to place significant upward pressure on electricity costs in the coming years.

Key Deliverables

JANUARY 2008:

CER and NIAUR to commence review of regulatory issues in the retail markets in the context of the SEM.

ONGOING:

Tariff modelling work both in the Regulatory Authorities and in the regulated businesses (ESB and NIE).

JULY 2008:

Consultation on ESB CS tariffs for 2009.

SEPTEMBER 2008:

Publication of Direction to ESB CS on tariffs to apply for 2009.

Key Event

Publication of ESB Customer Supply charges for the tariff year 2009, in **September 2008**.

4.8 Key Task 8: Implement the Natural Gas Safety Regulatory Framework and the Approach for the Regulation of Electrical Contractors and Gas Installers Including Designation of Safety Bodies

The Energy (Miscellaneous Provisions) Act 2006 added significantly to the role and functions of the Commission, particularly in the areas of natural gas and electricity safety. The Commission now has the responsibility for putting in place a regulatory framework with regard to safety in these sectors. This includes the regulation of natural gas installers and electrical contractors.

Throughout 2007, the Commission has substantially advanced the design and development of the regulatory systems for these areas. This has included the publication of the Commission's Vision Documents for the regulation of these industries with regard to safety.

The key features of this work item for 2008 are as follows:

- The Commission will continue in its implementation programme for its regulatory frameworks for safety with respect to these industries;
- Full implementation of the Natural Gas Safety Regulatory Framework, including having accepted/approved safety cases for all existing natural gas undertakings with associated reporting processes;
- One of the key aspects of implementing the Commission's new safety responsibilities will involve the designation of independent safety supervisory bodies for the gas installer industry and the electrical contracting industry, as well as the development of terms of reference, working procedures, powers and rules for any bodies designated.

Key Deliverables

Gas Safety

END MARCH 2008:

Submission of transmission, distribution, supplier and shipper undertakings safety cases.

JUNE 2008:

Accepted gas transmission, distribution and shipper/supplier safety cases in place

END SEPTEMBER 2008:

Independent body to be designated and to commence duties in January 2009.

END SEPTEMBER 2008:

Commence gas safety public awareness campaign.

Electrical Safety

END FEBRUARY/EARLY MARCH 2008:

Decision on Electrical Safety Criteria Document.

END MAY 2008:

Designation of independent Electrical Safety Supervisory Body/Bodies.

Key Event

Designation of independent Electrical Safety Supervisory Body/Bodies in **May 2008** and the Gas Safety Supervisory Body commencing in **September 2008**.

4.9 Key Task 9: Complete Implementation of Customer Care Strategy

Protection of the rights of energy customers is one of the Commission's key functions. This remit was strengthened and enhanced through the enactment of customer protection measures in Statutory Instrument (SI) 452 of 2004 for natural gas and SI 60 of 2005 for electricity. These pieces of legislation give responsibility to the Commission for the development, implementation and monitoring of customer charters and codes of practice for electricity and gas suppliers and network operators. The Commission is also empowered to examine and resolve complaints made by customers against their electricity or gas supplier or network operator.

In 2007, the Commission established an internal customer care team to represent the views of customers and to implement the CER's responsibilities with regard to customer protection. The Commission's Customer Care Team investigates complaints by customers against their gas or electricity supplier or network operator and identifies where possible, appropriate remedies to these complaints.

The following are the key features of this piece of work:

- During 2007, the CER launched Codes of Practice and Customer Charters for consumer protection for all energy suppliers operating in the domestic and small business sectors of the market.
- Examining and where possible resolving complaints by customers against their supplier or network operator is an ongoing priority for the Customer Care Team. The team is currently preparing a report for the Minister for Communications, Energy and Natural Resources on the number, type and nature of complaints received in 2007.
- In late 2007 and into early 2008, the Commission will develop and implement a full vision and customer care programme via its Customer Care Team.

- As well as ensuring a fast, efficient, reliable and customer friendly complaints resolution service, the Commission will aim to put in place improved structures for customer information and education, supplier and network operator monitoring and the development of an improved voice for the consumer both within and outside the organisation.

Key Deliverables

ONGOING:

Examination and analysis of customer complaints against electricity and natural gas companies as they arise.

EARLY 2008:

Internal defining of priorities for Customer Care Team.

EARLY 2008:

Implementation of appropriate procedures both internally and externally to streamline complaints resolution process.

END MARCH 2008:

Finalise CCT procedures, processes and resource plans.

END JUNE 2008:

Completion of development of new consumer website.

JUNE 2008 ONWARDS:

Commencement of work on consumer awareness and energy education programmes.

APRIL-AUGUST 2008:

Review of suppliers and network operators Customer Charters and Codes of Practice.

Key Event

CER's new consumer website to be launched in **mid 2008**.

4.10 Key Task 10: Enhancement of CER Records and Knowledge Management Structures

This key task focuses on enhancing internal information and records management structures, in the knowledge that this will lead to improved efficiency in the delivery of the Commission's regulatory objectives.

The quality and effectiveness of the regulatory decision making process is dependent upon having as much relevant information as possible at hand. Maintaining up to date quality information requires consistent and formal structures for both the sourcing of that information, its distribution to relevant people and its ongoing storage and management.

Also as a public sector organisation, the Commission is subject to FOI law as well as having to maintain standards in relation to Data Protection. It is critical therefore that the Commission has sufficient robust records management controls in place allowing it to rapidly and easily access any internal information that it needs.

The key features of this piece of work are as follows:

- The Commission established a Business Information Centre (BIC) during 2007 for the coordination and management of its internal information resources.
- However, implementation of the Business Information Centre is only the first step in the process of improving knowledge management and internal records management.
- Throughout 2008 the Commission will oversee an internal project focussing on putting in place the appropriate records management structures for an organisation of the Commission's size and responsibilities. The Commission is also aiming in 2008 to improve its public consultation process as part of a review which commenced in 2007.

Key Deliverables

JANUARY 2008:

Commencement of Phase 2 of formal internal process to develop new records management structures. Phase 1 of this project was completed in 2007.

JANUARY 2008:

The CER is also working on a review of its public consultation process. Proposals on improving the public consultation process will be published in **January 2008**.

SEPTEMBER/OCTOBER 2008:

Completion of project phase and move into operational phase of internal records management.

END 2008:

It is intended that by end 2007, the Commission's stakeholders will notice improved efficiency of service and quality of data.

Key Event

Our proposals on improving the CER public consultation process to be published in **January 2008**.

5.0 The Commission's 2007 Ten Key Work Items

In early 2007, the Commission outlined 10 key tasks for delivery (CER/07/021). The table below indicates our performance against each of the key tasks.

Key Task		Progress Report
1)	Implement ESB Power Generation Asset Strategy Agreement	Implementation of this strategy is continuing. The CER is monitoring progress and the strategy is on target for completion in 2010.
2)	Implement Single Electricity Market (SEM) and develop further All Island Energy Market (AIP) Plans	Completed following commencement of SEM on 1 November 2007. Plans for all island gas market currently being developed.
3)	Complete Bord Gáis Networks and Supply 5-year revenue reviews	Completed with publication of 5-year revenue decision papers in August for BG Networks and October for BG Supply.
4)	Implement Customer Care Plan	Customer Care team established and Development Plan to be finalised in 2008.
5)	Arrange for the design and launch of a competition for the East-West Interconnector	Ongoing development of E-W interconnector, with satisfactory progress in 2007. Remains a priority in 2008.
6)	Review and approve electricity and gas prices for 2008	Completed with implementation of gas price reduction in October and electricity price reduction in November.
7)	Implement Gate 2 policy and consideration will be given to the next steps	Gate 2 policy has been implemented and CER is currently working with EirGrid on developing proposals for Gate 3.
8)	Manage impact in Ireland of current reforms in UK gas transmission offtake arrangements	Ofgem proposals in this area require slight re-working in UK. CER awaiting further proposals.
9)	Develop structures for implementing our safety responsibilities	Gas and electricity safety teams fully operational in 2007; ongoing development of safety structures.
10)	Implement HR Strategy and the development of the Business Information Centre (BIC)	HR strategy implemented in 2007, BIC established, developed and fully operational.

Appendices

Appendix A: Summary List of all of CER's Identified Work Items for 2008

Operations and Electricity Markets Division

Generation Team

- SEM Directed Contracts Policy and Implementation
- Conventional Generation Licensing and Monitoring
- Electricity Security of Supply – Monitoring & Policy
- Report on Ireland's Security of Supply – Electricity
- Security of Supply – North-South Common Gas and Electricity Issues
- Fast Build Project
- SEM Market Monitor
- ESB Asset Strategy

Modelling Team

- SEM Trading and Settlement Code (T&SC)
- T&SC Parameter Setting
- T&SC Day 2 Issues (Operational)
- T&SC Day 2 Issues (Policy work)
- Market Operator (MO) Monthly Reports
- Market Audit Report
- SMO Regulation
- PLEXOS Data Validation Project, Licensing and Training

- Capacity Payment Mechanism Modelling
- Non Directed Contract Modelling
- ESB PES Tariff Modelling
- Market Monitoring Unit (MMU) Modelling
- Other Modelling Projects

Business Information Centre

- CER Records Management Project
- Business Planning and Risk Management 2008
- CER External Communications Strategy
- Review of CER Consultation Process
- BIC Operational Tasks
- CER Publications 2008
- European Coordination, Energy Research and Development

Electricity Networks and Retail Division

Electricity Transmission

- Annual Transmission Deliverables including transmission revenues, tariffs and approval of EirGrid's Forecast Statement and Development Plan
- Transmission Connection Issues including Gate 3
- Transmission Disputes
- Licensing Monitoring and Compliance
- CEER and ERGEG work
- SEM Harmonisation/Day 2 Issues

Electricity Distribution and East-West Interconnector

- East-West Interconnector
- Annual Distribution Tariffs and Financial Reviews
- Annual ESB Networks Charges Reviews
- Distribution Licensing, Compliance and Performance Monitoring
- Miscellaneous Distribution Policy Work
- Ongoing Operations in Electricity Distribution
- Unmetered Supply

Electricity Retail

- Regulation of ESB PES in the SEM
- Review of EPO compliance
- ESB PES Allowable Revenues and tariffs
- Liberalisation of electricity retail market
- Supply Licences
- Smart Metering
- Retail Market Governance
- European Developments

Gas Division

Gas Networks Operations

- All Island Gas Project
- Gas Market Opening
- Gas Code of Operations Modifications (Code Mod Forum)
- NTS Exit Reforms
- Security of Supply in Gas
- Gas Quality
- On-going Gas Operational Issues
- Gas European Representations

Gas Networks Commercial

- Annual BGN Transmission and Distribution Reviews
- Commercial Tariff Issues
- BGN Licensing, compliance and performance monitoring
- Gas Connection Policy Review and Phase 3 of Gas to New Towns Analysis
- Shannon LNG Licensing and Commercial Review
- All Island Gas Market
- Miscellaneous Policy Work

Gas Supply

- All Island Gas
- Annual Tariff and Revenue Review
- Correction Factor Reduction Process
- Licensing Revisions
- Review of Larger I&C Regulated Sector
- Ongoing Operational Work Items

Project Office

- AIP Gas Project
- SEM Committee Support
- Smart Metering

Safety, Renewables and Customer Affairs Division

Gas Safety

- Full Implementation of Gas Safety Framework
- Regulation of Gas Installers
- Petroleum Exploration and Extraction Bill
- Gas Safety Operational Tasks

Electrical Safety

- Electrical Safety Criteria Document: Design
- Electrical Safety Criteria Document: Implementation and Operation
- Designation Process: Design
- Financial Model
- Policy on Restricted Works
- Electrical safety, branding, promotion and public relations
- Electrical Safety Operational work items

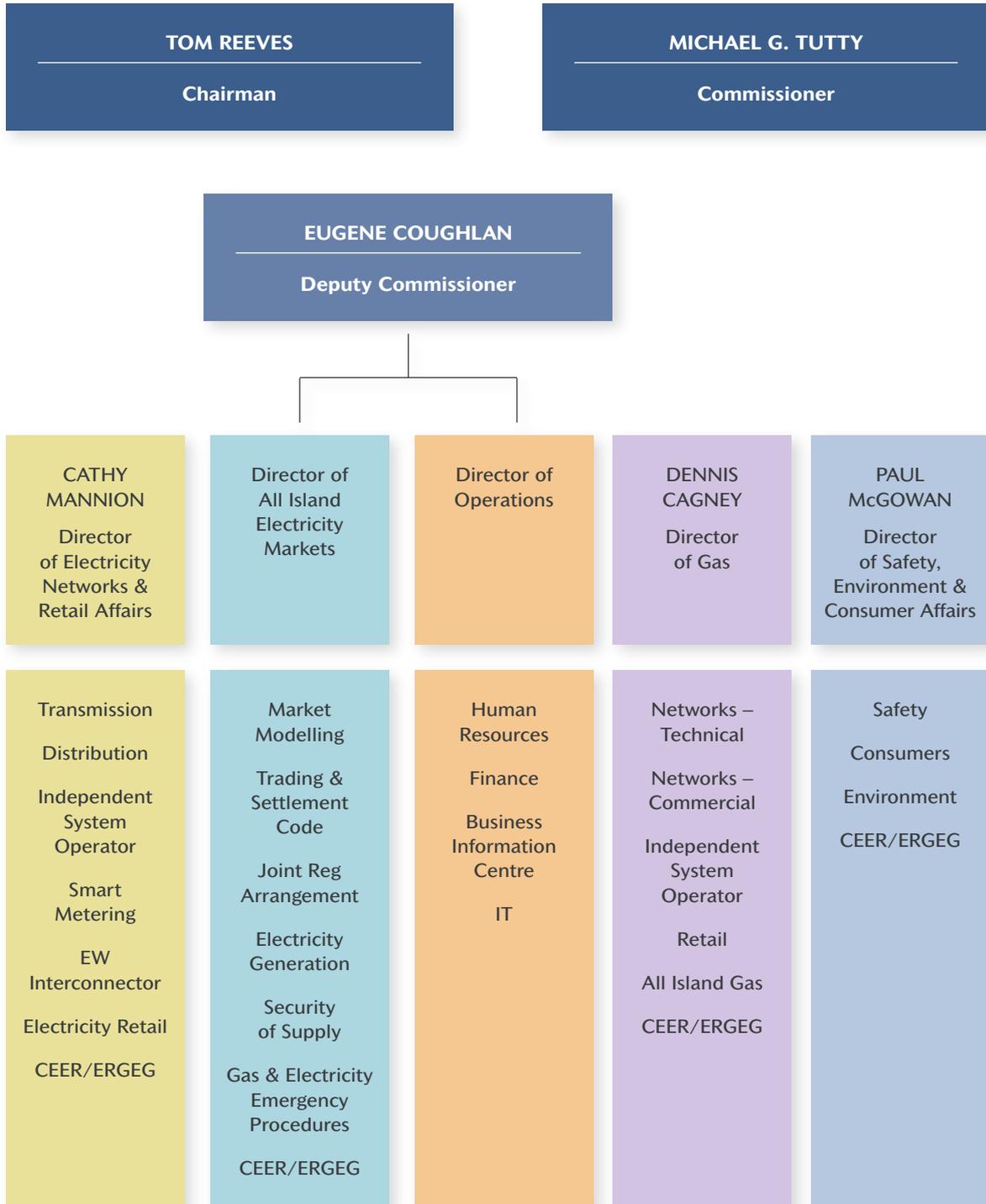
Environment and Renewables

- All Island Grid Study/Renewable Energy Development Group
- CEER Environment Task Force
- PSO Audit 2009
- PSO 2009 Benchmark Price determination
- Renewable Authorisations and Licensing
- Disclosure in the SEM
- Commission's role in Energy Efficiency
- Treatment of Wind in the SEM
- Disclosure 2007
- Micro-generation
- Energy R, D & D
- Provision of renewables and environmental information

Customer Care Team

- Resolution of Complaints in the Electricity and Gas Markets
- Complaints Reporting
- Consumer Website
- Consumer Policy
- Consumer Communications Strategy and Information Campaigns
- Customer Charters and Codes of Practice Monitoring of Compliance
- Gas and Electricity Supply Licence Project

Appendix B: CER Organisational Structure for 2008







Commission for Energy Regulation
The Exchange
Belgard Square North
Tallaght
Dublin 24

T: 01 4000800
F: 01 4000850
info@cer.ie
www.cer.ie