



Commission for Energy Regulation

Report to the Minister for Communications, Energy and Natural Resources on the Commission's Work Programme for the year 2009

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Note to Minister

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 1st January 2009 to 31st December 2009.



Michael G. Tutty
Chairperson



Tom Reeves
Commissioner



Dermot Nolan
Commissioner

Introduction

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. More 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 2009 to 31 December 2009. 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 2009.

Commission’s Work Programme

For the business year 2009, the Commission has approved 142 individual work items for delivery. A full list of all work items for 2009 can be found in Appendix B of this paper. Work items are listed under the business area into which they fall. This list of work items indicates the scale, diversity and complexity of the work that the Commission will be involved in during 2009. It should be noted that the Commission’s work programme may be subject to amendment or change throughout the year, as new tasks, which arise, are included and other tasks removed.

The Commission has selected 10 key tasks for progression, commencement or delivery during 2009. The main body of this report focuses on these key areas of priority. 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 Energy¹ and any updates to this strategy, indicated by the Department since then.

The Mission and Responsibilities of the CER

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.

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;
- Monitoring security of electricity and gas supplies and taking appropriate action to ensure satisfactory margins between supply and demand;
- Ensuring licence and authorisation holders are capable of financing their activities;

¹ Delivering a Sustainable Energy Future for Ireland – A Government White Paper: March 2007.

- 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.

Organisational Structure of the Commission

There are three members of the Commission for Energy Regulation who are collectively responsible for decision making; Mr. Michael G. Tutty (Chairman), Mr. Tom Reeves (Commissioner) and Mr. Dermot Nolan (Commissioner).

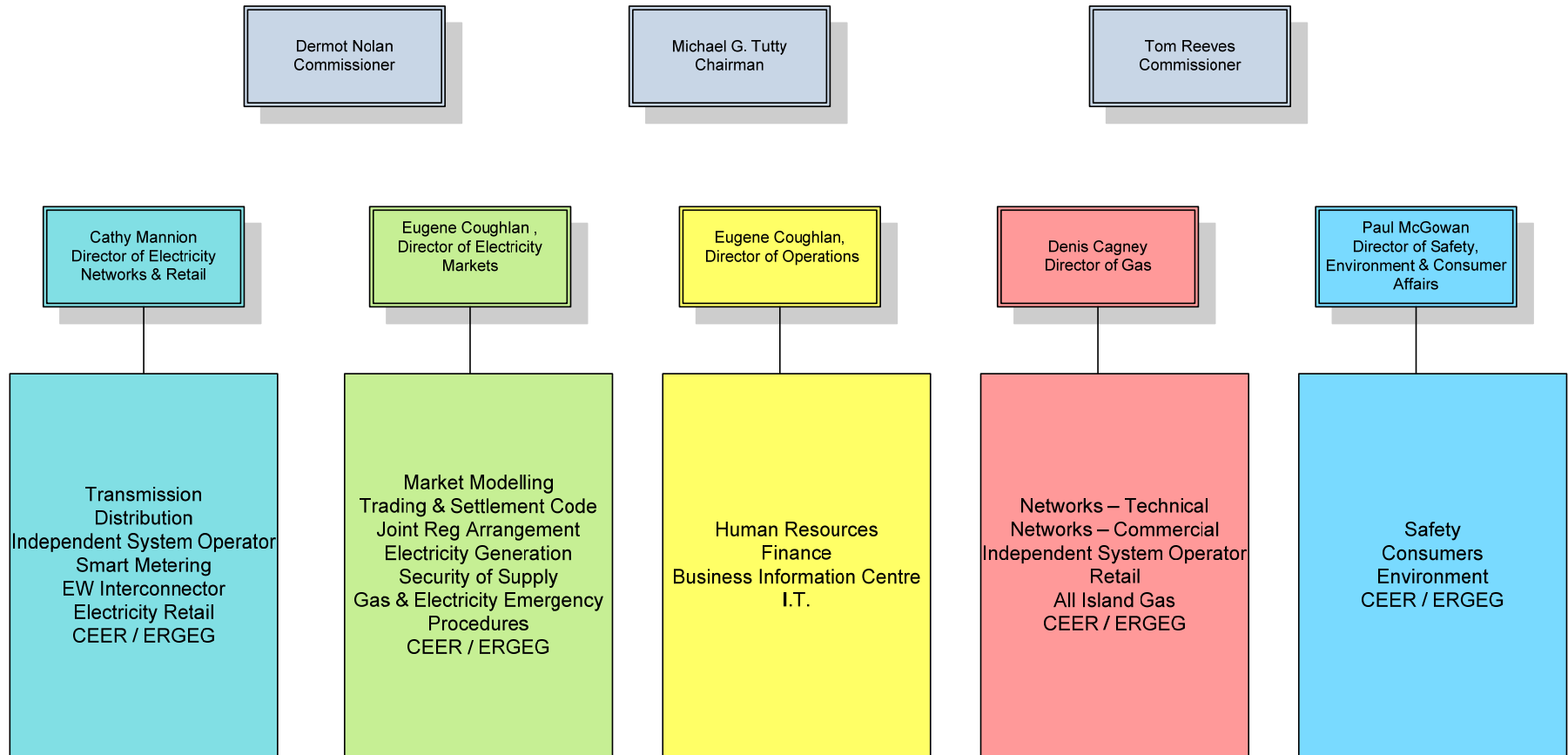
Michael G. Tutty's lead responsibilities include the regulation of all electricity network infrastructure including the east-west interconnector. He is responsible for the Commission's activities on renewable and sustainable energy, research and development, and customer care. He is also responsible for the CER's involvement with the Council of European Energy Regulators (CEER) and European Regulators' Group for Electricity and Gas (EREG). The operational support sections of the organisation are also a primary responsibility of the Chairman.

Tom Reeves has lead responsibility for the generation sector and security of supply issues. He also leads on the Commission's activities on environmental and emission issues, the regulation of gas networks, gas and electricity safety and the development of the All-Island energy market including the Common Arrangements for Gas (CAG). He is also responsible for the CER's strategic and business planning.

Dermot Nolan's lead responsibilities include the regulation of retail gas and electricity, fuel disclosure and the public service obligation (PSO) levy. He also has responsibility for the Single Electricity Market (SEM), the Commission's Smart Metering project and sits on the organisation's Audit Committee.

The Commission currently has approx. 60 staff (end November 2008). The work of the Commission is organised into four business divisions each one headed up by a divisional director. Their individual responsibilities are outlined in the organisational chart on the following page.

CER Organisational Chart



Commission Work Programme 2009: Our Ten Key Work Items

This report is structured around the Commission's ten key work items for 2009. Our ten key work items for 2009 are as follows:

Key Task 1 - Common Arrangements for Gas

The Commission will build on the progress achieved in 2008 with our counterparts in Northern Ireland and with the industry to ensure that the goal of an efficient single gas market is well on the way to delivery by October 2010

Key Task 2 - Implementation of Gate 3 Renewable Connection Decision

Implementation of the Gate 3 renewable connection decision, with the aim of meeting Ireland's 2020 renewables target, in cooperation with the system operators.

Key Task 3 – Development of electricity & gas retail sector and tariff structures

We will review the current structure of retail markets and tariffs on an all island basis to ensure they maximise consumer benefit and facilitate competition.

Key Task 4 - Development of SEM

Under the aegis of the Single Electricity Market Committee and working closely with our colleagues in NIAUR we will ensure that the SEM continues to operate effectively.

Key Task 5 - Smart metering Project

Progressing the Irish smart metering project through the implementation and analysis of a number of trials aimed at determining customer behaviour and energy efficiency responses, enabled through various smart metering technologies.

Key Task 6 - Five yearly review of electricity transmission, distribution and supply

The Commission will commence its 5-year revenue review process for electricity networks, focusing on value for money for customers, efficiency gains and investment plans required to support economic growth and Ireland's renewable targets. The Commission will also commence its 5-year review of ESB Customer Supplies costs.

Key Task 7 - East West Interconnection

Building upon the progress made in 2008 on the East-West Interconnector project to ensure that the plans stay on target for a functioning interconnector to Britain by 2012.

Key Task 8 – Discharge Safety Responsibilities for Gas and Electricity

Roll-out of Safety Supervisory Bodies for Registered Electrical Contractors and Registered Gas Installers, and commence full operation of Natural Gas Regulatory Framework.

Key Task 9 - energycustomers.ie

*Continued development and enhancement of the **energycustomers.ie** service for electricity and natural gas customers.*

Key Task 10 - CER's 5 Year Strategic plan

Preparation and publication of the Commission's strategic plan for the years 2010 – 2014, outlining our priorities for the development of the energy sector in Ireland over this period.

Key Task 1 - Common Arrangements for Gas

The Commission will build on the progress achieved in 2008 with our counterparts in Northern Ireland to ensure that the goal of an efficient single gas market is well on the way to delivery by October 2010

Background

The Common Arrangements for Gas (CAG) is a cross border project, which is being led, by the CER and the Northern Ireland Authority for Utility Regulation (NIAUR). Its aims are to create fair and transparent gas trading arrangements across the island of Ireland, whereby all stakeholders can buy, sell, transport, operate, develop and plan the natural gas market north and south of the border effectively on an all island basis. The Commission and NIAUR signed a Memorandum of Understanding (MoU) on 14 February 2008, in relation to Common Arrangements for Gas (CAG) under the All Island Energy Market Development Framework.

There are a number of important aspects to the project, which were outlined in brief in the MoU. These are as follows:

- Development of a Single Gas Transmission Tariff Methodology;
- Development of a Single Gas Transmission Operational Regime, including Gas Quality Standard and Common Emergency Procedures;
- Development of a Single Connection Policy for Gas Transmission;
- Development of a Single Gas Transmission Planning Regime.

A key aspect of this common approach to gas trading across the island involves the rules surrounding entry of gas onto the Irish and Northern Irish systems (entry points) and the exit of gas out of the systems for consumption (exit points). Presently there are different rules north and south of the border in relation to how transmission tariffs are charged for transporting gas around the system. Under the MoU, the Regulators decided to develop plans to operate the gas transmission systems in Ireland and Northern Ireland on a single, all island network basis.

Objectives

2009 will be a critical year in the development of the Common Arrangements for Gas (CAG) project and the Commission and NIAUR intend to ensure that the project remains on track to achieve the goal of a single gas market for the island by late 2010. To facilitate the actions and developments outlined above, the Regulatory Authorities intend to make a decision early in 2009, regarding configuration of rules on gas transmission entry/exit regime. This is a critical decision. The objective of this decision would be to facilitate the structured development of the CAG project in order to meet its vision of new gas trading arrangements, which deliver real benefits to all stakeholders in the gas market.

Targets for 2009

In order to achieve this objective of a decision in early 2009, the Regulatory Authorities have already commenced the process of designing and working towards a decision. Public consultations have been completed in 2008 on the Options for the Gas Operational Regime under the CAG as well as CAG Transmission Tariff Methodology and Regulation. The Regulatory Authorities have proposed an “Entry-Exit” type regime that would be similar to the existing operational regime in Ireland. A public workshop on this proposal and on the broader options was held in early November 2008. To complete the process of finalising a decision in this key area, the Regulatory Authorities intend to undertake the following actions:

- Development of proposed decision in early 2009;
- Decision on configuration north and south by March 2009;
- Development of implementation strategy to ensure benefits of harmonised regime are accrued on both sides of border.

In addition to the issue of entry-exit, a number of other key areas of the CAG will be examined in detail in 2009. These include the development and publication of the first all island Gas Capacity Statement, a decision on connection policy, a decision on security standards and gas storage and a consultation on retail gas market alignment.

The Commission publishes regular project plans for the Common Arrangements for Gas project on its website and these will be updated throughout 2009 to allow stakeholders to remain aware of progress in all areas.

Key Task 2 - Implementation of Gate 3 Renewable Connection Decision

Implementation of the Gate 3 renewable connection decision, with the aim of meeting Ireland's 2020 renewables target, in cooperation with the system operators.

Background

Throughout 2008, the Commission carried out a number of consultations on the topic of renewable generator connections to the national electricity grid. This process is referred to as "Gate 3" as it is the third in a series of connection policy decisions for renewable generators that the Commission has considered in recent years. These decisions fall under a process called the Group Processing Approach, whereby the large number of renewable generators (chiefly wind) in the queue to receive an offer to connect to the electricity system, are dealt with in groups or batches. Connection offers are processed by the electricity system operators – EirGrid as Transmission System Operator (TSO) and ESB Networks as Distribution System Operator (DSO) – in accordance with the Commission's policy decision.

In mid November 2008, the Commission published its proposed direction on Gate 3. This paper proposed to allow for the connection of 3,900 MW of new renewable power onto the Irish electricity system. It is a positive and ambitious strategy that will lead to a reduction in Ireland's reliance on fossil fuels for power generation. The following points indicate the scale and importance of Gate 3:

- *Renewable power connected to the system will increase **five-fold** between end 2008 and 2020;*
- *Of this five-fold increase, 3,900MW will be connected as part of the Gate 3 process;*
- *Presently there is almost 1,300MW of renewables on the system. This will increase to an estimated 6,700 MW by 2020;*
- *Total installed generation capacity in Ireland is currently 7,800 MW.*

In considering and developing its decision on Gate 3, the Commission was conscious of the fact that there are a number of conventional generators in the queue to connect to the Grid also. This is noted in the Commission's proposed direction on Gate 3. Throughout 2009, the Commission aims to decide on policy with regard to the treatment of conventional generators aiming to connect to the Grid. There is a need to carefully consider and balance the requirements for developing the level of renewables on the system with the ongoing need for security of supply and improved generation efficiency.

Objectives

Throughout 2009, the Commission intends to implement its decision on Gate 3 and work with the system operators to ensure that connection offers start to roll-out. The Commission's decision under Gate 3 has been specifically designed to ensure that Ireland meets the Government's recently announced renewables target of 40% of electricity consumption from

renewable sources by 2020². In 2009, it is hoped that significant groundwork in achieving this target can be delivered.

The Commission also intends to decide (and implement) arrangements for the connection of thermal plant to the network.

Targets for 2009

- Operate and monitor the Gate 3 process by chairing the Gate 3 Liaison Group – to communicate with stakeholders on the key ongoing issues relating to Gate 3
- Determine connection policy for thermal plant
- Terms and conditions of generator connection agreements

² The Irish Government target for renewable energy was announced on 15th October 2008. It states that 40% of electricity consumed by the year 2020 should be from renewable sources

Key Task 3 – Development of electricity & gas retail sector and tariff structures

We will review the current structure of retail markets and tariffs on an all island basis to ensure they maximise consumer benefit and facilitate competition.

Background

The electricity sector in Ireland has undergone significant transformation in recent years. In 2005, full market opening took place - a significant event, which meant that for the first time all customers could choose their electricity supplier and had the option of switching suppliers. Then in late 2007, the new Single Electricity Market (SEM) was launched. The Commission and NIAUR believe that the time is now right, against this background, to carry out a review of the retail sectors in the context of improving competition. As part of this process, we will review the structure of retail tariffs to provide customers with fully cost reflective prices thereby promoting energy efficiency.

With regard to the retail gas market in Ireland, review and reform in this area will take place under the design of the Common Arrangements for Gas (CAG) project. Full market opening in the gas sector took place in Ireland on 1 July 2007. However like in electricity, competition at domestic and small business level has been slow to develop. The Commission has committed to working with NIAUR to develop a strategy towards the implementation of the following in relation to common gas retail markets for the island of Ireland:

- Suppliers to be able to operate seamlessly on an all-island basis;
- Alignment of Codes;
- Single Retail Processes & Systems

In late 2008, the Regulatory Authorities published a discussion paper for consultation on the future direction of the gas retail regime in Northern Ireland and the Republic of Ireland. The comments received to this consultation will assist in shaping the Regulatory Authorities position.

Objectives

To commence a review of the electricity and gas retail sector on an all island basis to ensure they maximise customer benefit and facilitate competition.

In conjunction with this sectoral review, electricity retail tariff structures will be reviewed, and amended or modified as required in order to ensure ongoing cost reflectivity.

Develop a strategy for Gas Retail Market Alignment and commence the implementation of this strategy.

Targets for 2009

The following actions will be undertaken in 2009 as part of this work item:

- Review of retail electricity tariff structures (and length of tariff period);
- Review of form of regulation (k factors, margins, price/revenue regulation and contracting);

- Examine potential for dual fuel products;
- Publish recommendations on Demand Side Management;
- For gas, continuation of CAG workstreams related to gas retail sector, taking on board comments received to recent discussion paper on this topic.

Key Task 4 - Development of SEM

Under the aegis of the Single Electricity Market Committee and working closely with our colleagues in NIAUR we will ensure that the SEM continues to operate effectively.

Background

The Single Electricity Market (SEM) is a common wholesale electricity market for the island of Ireland. The SEM project was initiated in 2004 to tackle the issues of scale associated with the small size of both the Republic of Ireland and Northern Ireland electricity markets. It went live on 1 November 2007. During 2008 the Regulatory Authorities (CER & NIAUR) focused on the ongoing development and monitoring of the market. The various work-streams of the SEM are divided between the CER and NIAUR (Northern Ireland Authority for Utility Regulation) and managed through the SEM Committee and the joint regulatory arrangement units. A priority during 2008 was to develop optimum efficiency within these governance arrangements.

The SEM celebrated its 1st anniversary on 1 November 2008. The market is sending correct price signals to potential investors; this is evident from the entry of Endesa, the Spanish Utility, to the market. A number of new generation plants are also either in planning or construction at different locations around the country. There has also been increased interest from new generators wishing to enter the market.

Objectives

The ongoing development and efficient operation of the market will continue to be a priority for the Commission in 2009. While the market has functioned well in its first year it is still in its infancy and stable and consistent guidance will ensure that it continues to develop in 2009.

In 2009, the Regulatory Authorities will continue to monitor the design of the Capacity Payment Mechanism (CPM) in the SEM. This will aim to ensure that the objectives of a Capacity Payment mechanism, to ensure adequate generation capacity in the market, are met and balanced with other demands in the evolving market. In the short term, the RAs will conduct a review of the CPM to provide enhanced stability in the determination of the annual capacity pot and enhanced transparency in the determination of the Best New Entrant (BNE) cost.

The RAs will also carry out a review in relation to possible amendments that may be required in the market in the future, as a result of further interconnection (East-West Interconnection), so that the benefits that can be gained from interconnection are not inadvertently limited due to current market rules. At a generation level, the Commission aims to review the principles associated with market operations taking into account the increasing levels of renewables connected to the system.

Targets for 2009

- Development of questionnaire to interconnector users and other interested parties in January 2009;
- Development of report on interconnection and market coupling in March 2009;
- Review CPM with a view to providing enhanced stability in the determination of the annual capacity pot;
- Principles for dispatch and scheduling of generation in the SEM.

Key Task 5 - Smart metering Project

Progressing the Irish smart metering project through the implementation and analysis of a number of trials aimed at determining customer behaviour and energy efficiency responses, enabled through various smart metering technologies.

Background

The Commission, in conjunction with ESB Networks and Bord Gáis Networks, commenced a Smart Metering Project in late 2007. Smart metering technology provides the potential to improve energy efficiency, change demand patterns and ultimately reduce costs for customers. Smart metering is also seen as a key method to support the development of micro generation in Ireland. The first stage of this project involves setting up and running a Smart Metering Pilot. The two main areas of the pilot are a Customer Behaviour Trial (CBT) for both electricity and gas and a Technology Trial. Through the smart metering pilot the Commission will ascertain the potential for smart metering technology to change customer behaviour, which will result in the reduction of peak demand and overall energy use.

Smart metering governance structures were put in place in early 2008. We have established a Steering Group and a Working Group made up of representatives from the CER, ESB Networks, industry participants and SEI.

A number of work streams were also established to address the various aspects of the project:

- Networks – Technical design and rollout of Smart Metering infrastructure for the Customer Behaviour Trial (CBT) and Technology Trial;
- Customer Behaviour – Design and Implementation of the CBT for both electricity and gas;
- Tariffs – Design of Tariffs (Time of Use and Export) and development of an approach to test the use of smart meters as prepayment;
- Billing/Data – Identify and Implement method of billing for the pilot and facilitate data flows to support CBT.

Objectives

To complete the recruitment of customers to participate in the customer behavioural and technology trials. Both trials will be carried out for a minimum of 18 months and will allow CER, ESB Networks and Bord Gáis Networks to gather information to inform the national rollout and ensure the full benefits of smart metering are realised. The technology trial will focus on ensuring that the correct smart metering technology is chosen, in order to best meet the objectives of the project. It will give us better information on the optimal technology to use in any full rollout.

Smart meters combined with time-of-use (TOU) tariffs and more detailed billing can provide customers with more knowledge about and control over their electricity and gas consumption.

Targets for 2009

- Complete customer recruitment for customer behaviour trial and rollout of meters. It is important in order to gain accurate data that customers are selected and recruited at random;
- Commence Technology Trial, with a decision on appropriate metering technology;
- Complete rollout of 'In House Displays' to customers in Behavioural Trial;
- Ensuring the project develops to a point where full rollout of the pilot project can take place in 2010.

Key Task 6 - Five yearly reviews of electricity transmission, distribution and supply

The Commission will commence its 5-year revenue review process for electricity networks, focusing on value for money for customers, efficiency gains and investment plans required to support economic growth and Ireland's renewable targets. The Commission will also commence its 5-year review of ESB Customer Supply costs.

Background

The Commission intends to commence the process of reviewing its five-year revenue control for electricity networks and supply in 2009. This review, which will be completed in 2010, will set out the regulatory environment for the companies involved for the period 2011 – 2015.

By their nature, the electricity networks are operated as monopoly businesses - it does not make sense, either economically or environmentally to construct or operate competing electricity networks. Regulation of the monopoly network owners and operators is therefore a fundamental role for the Commission. The importance of making the correct decisions in relation to the development and stability of the networks is also critical. They are vital pieces of national infrastructure and their stability, security and reliability in recent years has been a key contributory factor in developing business and attracting overseas investment to Ireland. In regulating these networks, the Commission implements a model of best practice in revenue regulation. The bodies involved – ESB Networks as Distribution System Operator (DSO) and Transmission Asset Owner (TAO) and EirGrid as Transmission System Operator (TSO) – are required to submit their proposals for required revenues, including capital expenditure over the next five-year period. The Commission analyses and reviews their proposals, with the aim of achieving operational efficiencies while ensuring the correct level and type of investment in the electricity networks. The companies are benchmarked against similar organisations internationally and areas of their business where improvements need to be made are targeted.

Ongoing investment in the electricity systems is important to ensure that the system is in a position to cope with increasing demand for electricity over the coming years. In addition to this, the transmission and distribution systems need to adapt to the significant additional wind capacity which will come on to the system between now and 2020 as a result of the Commission's decision on Gate 3. The Commission will ensure through its five yearly reviews that its decisions with regard to network development are consistent with the Gate 3 decision.

On the supply side, ESB Customer Supply (ESB CS) now operates in a competitive market, where its market share has declined significantly in recent years. Independent suppliers now service around 50% of the market by volume; however ESB CS remains the single largest supplier while it also supplies all domestic customers and operates as the Public Electricity Supplier (PES). The Commission's review of ESB CS will set out the regulatory environment for the coming for the five year period, 2011 – 2015, aiming to increase efficiency in ESB CS and incentivise the company to deliver best value for money to its customers.

The Commission will carry out a full consultation on the transmission, distribution and supply reviews, prior to making its decision.

Objectives

To commence a fundamental review of ESB's transmission, distribution and supply businesses including revenues and investments. This will set efficiency targets and revenues for the relevant companies for the five-year period 2011 – 2015. It is a vital strategy for developing a safe, secure and economic electricity transport system into the future, as well as gaining best value for money for electricity customers supplied by ESB CS.

The Networks Review will also incorporate Capex (Capital Expenditure) monitoring for the previous five-year revenue control.

Targets for 2009

This project will commence in early 2009 and last through to mid 2010. It is intended to publish final decision papers in June 2010 for the new revenue control period to commence in 2011 and tariffs to apply from October 2010. The following key tasks will be carried out during 2009:

- Formally commence review process and inform EirGrid, ESB Networks and ESB Customer Supply of review strategy;
- Develop review questionnaires focussing on costs, revenues and efficiencies both historical and forecast;
- Commence review of responses received from EirGrid and ESB Networks and ESB Customer Supply;
- Consultation and decision will be carried out in 2010, with the regulatory period to run from the tariff year 2011 – 2015.

Key Task 7 - East West Interconnection

Building upon the progress made in 2008 on the East-West Interconnector project to ensure that the plans stay on target for a functioning interconnector to Britain by 2012.

Background

The Commission is overseeing EirGrid's delivery of an East-West Interconnector that will allow the transport of electricity between Ireland and Great Britain. While improving security of supply is a clear advantage of increasing interconnection with the UK the development of the East-West Interconnector will also contribute to the overall efficiency of the Irish system. In addition to this the East-West Interconnector will aid the further development of competition in the Irish electricity market and the increased ability to accommodate wind generated energy assisting in achieving our ambitious renewable targets, as outlined by Government – 40% electricity consumption for renewables by 2020.

Recent developments on this project include the signing into law of legislation expanding EirGrid's functions to include the construction, ownership and operation of an interconnector, subject to receipt of the necessary licences and authorisations from the CER. The legislation also provides for an increase in EirGrid's borrowing ability that is necessary to finance this project.

The East-West Interconnector is on schedule to be operational by 2012. It will be approx 250km in length and will have a capacity of 500MW. The cables will connect Ireland to Great Britain between the following locations:

- Rush North Beach, Co. Dublin in Ireland
- Barkby Beach, North Wales in Britain.

The interconnector will, as a national strategic asset, remain in public ownership and will be owned and operated by EirGrid.

The Commission is also aware of Imera Powers plans to construct two privately owned DC 350MW interconnectors between Ireland and Great Britain. Imera Power was granted an Exemption from EU Third Party Access Rules in September of this year. The Commission will monitor progress on this project throughout 2009.

Objectives

The Commission will continue to operate in a monitoring roll throughout 2009 in order to ensure the successful delivery of this strategic national asset on schedule and to specification.

Targets for 2009

- Official contract award by EirGrid for construction of the East-West Interconnector;
- EirGrid provide Full-Notice-To-Proceed to its contractor.

Key Task 8 – Discharge Safety Responsibilities for Gas and Electricity

Roll-out of Safety Supervisory Bodies for Registered Electrical Contractors and Registered Gas Installers, and commence full operation of Natural Gas Safety Regulatory Framework.

Background

The Commission was awarded additional responsibility in the areas of natural gas and electricity safety under the Energy (Miscellaneous) Provisions Act 2006, including providing for the establishment and implementation of a natural gas safety regulatory framework and the regulation of natural gas installers and electrical contractors.

During 2008, the Commission made considerable progress with the implementation of its safety responsibilities under the Act. In particular the Commission undertook a detailed process to designate safety supervisory bodies for both the gas installer industry and the electrical contracting industry. The Commission and the Health and Safety Authority (HSA) signed a Memorandum of Understanding (MOU) setting out the basis for co-operation between both agencies. This will enhance the actions of both CER and the HSA in discharging their respective statutory responsibilities and avoid a duplication of effort.

Significant progress was also made with respect to the implementation of the Natural Gas Safety Regulatory Framework with the roll out of the Gas Safety Case Regime which uses a risk and outcomes based approach to the management of gas safety risks to a level that is as low as reasonably practicable for each natural gas undertaking.

Gas and electricity safety will continue to be a key priority for the Commission in 2009.

Objectives

To launch the Electrical Safety Supervisory Bodies and the Gas Safety Supervisory Body early in 2009. This will include branding and promotion of the selected bodies to ensure effective communication of the operation and requirements of the new system to the public, electrical contractors and gas installers.

Throughout 2009 the Commission will be involved in the ongoing performance monitoring and governance of the designated safety supervisory bodies to ensure the successful and efficient operation of the new regulatory systems.

The Commission will continue with the implementation of the Natural Gas Safety Framework, including having an audit and inspection programme in place for all existing natural gas undertakings and an associated safety reporting system.

The Commission will also issue decisions on the defined set of Gas Safety Works and the scope of controlled electrical safety works, whereby it will be an offence for any person to carry them out other than a Registered Gas Installer or Registered Electrical Contractor.

Targets for 2009

- Formal launch of the Electrical Safety Supervisory Bodies and the Gas Safety Supervisory Body;
- Implement Governance Arrangements for Gas and Electricity Safety Supervision;

- Complete roll out of Gas Safety Case Regime
- Implement Audit & Inspection Programme and Safety Reporting regime for natural gas undertakings under the Natural Gas Safety Regulatory Framework;
- Implement Governance Arrangements for Natural Gas Safety Regulatory Framework

Key Task 9 - *energycustomers.ie*

Continued development and enhancement of the energycustomers.ie service for electricity and natural gas customers.

Background

energycustomers.ie is a new service launched by the Commission in October 2008 aimed specifically at domestic and small business customers. The Commission has a number of responsibilities in relation to final customers of gas and electricity and has been working throughout 2008 to develop a service that will offer real value to customers. The *energycustomers.ie* service is essentially made up of two key components:

- The CER’s new customer website, www.energycustomers.ie, which provides customers with an overview of the electricity and natural gas markets in Ireland; gives information on customers’ rights and energy supplier codes of conduct and also explains what customers should do if they experience problems with their bills, their connection to the electricity or gas network or some other issue relating to energy supply; and
- The new Energy Customers Team who provide a complaint resolution service for customers who are in dispute with their supplier or network operator. The CER has required all suppliers to put in place a code of practice on complaint resolution. Where a resolution cannot be reached having followed these procedures, the CER will investigate and issue a decision. The CER has legislative powers to direct suppliers to compensate customers, if they believe this is required.

More information on the CER’s energy customer’s service can be found at www.energycustomers.ie.

Objectives

Throughout 2009, the Commission aims to ensure that all electricity and gas customers become fully aware of the services offered by the energy customer’s team and the *energycustomers.ie* website. At the launch of the service, the Commission outlined its desire that customers would become more “bill-aware”. The *energycustomers.ie* service aims to facilitate this and to provide a mechanism to empower customers through improved knowledge of their rights and the market in which they are customers.

In 2009, the website and the service itself will also be examined to determine ease of accessibility and usage by customers. All efforts will be taken to ensure that the *energycustomers.ie* service is in line with best practice in the public service and is as efficient and effective as possible.

Targets for 2009

The service was only launched in late 2008, so key targets in this area for 2009 will focus on monitoring the success and customer awareness of the service. Some of these are as follows:

- Monitor customer usage levels, customer feedback and awareness through discussions with customers as well as monitoring of activity on the **energycustomers.ie** website;
- Where appropriate, the Commission will publicise and promote its energy customers service to ensure high awareness amongst customers of the service available to them;
- Examine services of a similar nature offered by other Regulators (in Ireland and overseas) and consumer bodies;
- Develop and implement proposals in relation to any enhancements or required changes to the service; and
- Continue to liaise with customers and their representatives to further develop a top quality information and dispute resolution service.

Key Task 10 - CER's 5 Year Strategic plan

Preparation and publication of the Commission's strategic plan for the years 2010 – 2014, outlining our priorities for the development of the energy sector in Ireland over this period.

Background

The Commission's first strategic plan was published in the year 2005 to apply for a five-year period. That five-year period is now approaching its conclusion and the Commission has decided that it is appropriate to completely review and revise its strategic plan. This review will take place in 2009 with the aim of implementing the new strategy from the start of 2010. The current strategic plan outlines a set of high-level strategic goals for the development of the Irish electricity and natural gas sectors. Underpinning these goals is a suite of objectives aimed at delivering the strategic goals over the five-year period. The strategic plan also identifies and highlights the Commission's values and ethos.

The energy market background has changed significantly since the Commission's first strategic plan was developed in 2005. The Commission has achieved many of its objectives including the development and implementation of the Single Electricity Market (SEM) in cooperation with our colleagues from the Northern Ireland Regulator, NIAUR. In addition to this, new competitors have entered the energy sector, demand in the market itself has grown, while the Government's policy priorities were clearly spelled out in its 2007 White Paper on Energy³. The Commission itself has taken on significant new responsibilities particularly in the areas of electricity and gas safety and customer protection. Against this ever-changing background, the Commission has decided that a full review of its strategy should be carried out in 2009.

Objectives

Preparation and publication of the Commission's strategic plan for the years 2010 – 2014, outlining our priorities for the development of the energy sector in Ireland over this period. This will include a review of the implementation of the Commission's first strategic plan and developments in the energy sector over the past five years.

Targets for 2009

The following actions will be undertaken as part of this work item:

- Full review of the CER's first strategic plan and analysis of progress towards implementing each of the goals and objectives;
- Development of draft strategy, focusing on building upon the progress made in the liberalisation of the energy sector in recent years;
- Full consideration of the CER's "new" areas of responsibility and how best to develop and implement strategy in these areas;
- Internal analysis with the continued aim of delivering an efficient and effective service to all of the CER's stakeholders in our areas of responsibility;

³ Delivering a Sustainable Energy Future for Ireland – The Energy Policy Framework 2007 – 2020.

- Full public consultation on our draft strategic plan in order to gain the input of our stakeholders, prior to finalisation and publication of the new strategic plan in advance of 2010;
- The Commission also aims to effectively communicate the details of its strategic plan to its stakeholders and ensure that they have a full understanding of our strategic goals for the market in which they operate.

Appendix A - The Commission's 2008 Ten Key Work Items

Key Task		Progress Report
1	All island Gas Project	Progress is continuing. The project has been renamed – Common Arrangement for Gas (CAG) and will remain a priority in 2009.
2	Renewables – Decide on Gate 3 and respond strategically to 2020 All Island Grid Study	A Gate 3 proposed decision was published on 13 November 2008; the final decision paper will follow shortly. The Commission has welcomed the 2020 grid study and continues to analyse its various scenarios.
3	Smart Metering	The Smart Metering project has commenced and the necessary governance structures put in place.
4	SEM Continuing Development	Satisfactory and stable governance of the SEM in 2008. Remains a priority in 2009.
5	East-West Interconnector Competition	Competition has been completed and the project has moved to the implementation phase.
6	Security of Supply	Security of Supply remained satisfactory throughout 2008. The SEM has provided the correct signals to encourage new investment that will assist in maintaining security of supply.
7	Electricity Tariff Restructuring	Initial work in this area has commenced however it was decided to defer this project to 2009 due to the exceptional volatility of wholesale prices in 2008.
8	Implement the Natural Gas Safety Framework and the approach for the Regulation of Electrical Contractors and Gas Installers including Designation of Safety Bodies	The framework has been substantially implemented and the gas and electricity safety supervisory bodies designated. The project is continuing through to the launch of gas and electricity safety supervisory bodies in early 2009.
9	Complete Implementation of Customer Care Strategy	The successful launch of CER's new customer affairs service, energycustomers.ie took place at the ideal homes show in October 2008.
10	Enhancement of CER Records and Knowledge Management Structures	Project Continuing – internal design and development work is now completed. Full implementation to take place in 2009.

Appendix B - Summary list of all of CER's Identified Work Items for 2009

Operations and Electricity Markets Division

1 - Business Information Centre

- CER Records Management Project Phase 3
- CER Business Planning & Risk Management
- BIC Operations & Commission support work
- CER Website Support and Upgrade
- CER Communications & Press Management
- CER Publications 2009
- Information & Knowledge Management
- European Coordination and Analysis
- Review of CER Strategic Plan 2010 - 2014

2 - Human Resources/ I.T / Facilities

- HR Strategic Plan 2009 -2011
- Time and Attendance Management
- Health & Safety Policy & Administration
- HR Administration
- CER Training & Development
- HR Legislation
- Recruitment & Selection
- Pension Administration
- CER Graduate Programme
- I.T Strategy & Management
- Facilities Management
- Internal Communications – Intranet
- CER Performance Management

3- Finance

- Finance Core Operational Tasks
- CER Procurement
- Financial Assessments / Regulatory Accounts

4- Electricity Markets Team

- Financial Contracting in the SEM – Directed Contract and Non Directed Contracts
- Incentive Compatibility Review of SEM
- PLEXOS Validation (and Calibration) Project, Licensing and Training
- PES Tariff Modelling
- Other Modelling Projects
- Generator Profits in the SEM
- Fuel Analysis and Reporting

5 - Trading & Settlement Code

- Trading and Settlement Code (TSC) Modifications
- Trading and Settlement Code (TSC) Parameters
- Review of Interconnection and Market Coupling
- TSC Interaction with other RA Workstreams
- Trading and Settlement Code Compliance and Reporting
- Co-ordination Joint Management Units (CER & NIAUR)

6- Generation and Security of Supply

- Capacity payments – short-term review
- Capacity payments - annual capacity pot
- SMO Regulation (Shadow Manager Role)
- Generation licence - review
- Generation licence – monitoring
- Conventional generation licensing & construction
- Security of supply policy & thermal generation
- Security of supply monitoring
- Thermal generation & security of supply policy
- CEER & security of supply working group
- Asset Strategy - Finalisation
- Carbon in SEM and Generation

Electricity Networks and Retail Division

1 - Electricity Transmission

- Regular Transmission Revenue/Tariffs Review & Related Matters
- Long Term Review of Transmission Revenue/Tariffs Post 2010
- Decide on and Implement Connection Policy
- Licence Monitoring and Compliance

- SEM Project and Operation
- ERGEG Transmission Issues

2- Electricity Distribution and Interconnection

- Determination of DSO to Revenue and Tariffs for 2010
- Long-Term Review of Distribution Revenue/Tariffs post 2010
- Management of East-West project
- Review of DSO Service Charges
- Review of Connection Contracts
- Assessment of Applicants for processing outside of the GPA
- Determination of Connection Disputes and Resolving Potential
- Implementation of DSO Unbundling Requirements
- DSO/DAO Licence Compliance Framework
- Distribution Connection Policy Documentation Review
- Use of System Policy Review
- Modification to Private Networks Model
- Distribution Connection Policy – Term and Rebates Review
- Contestability in Distribution
- Progress Monitoring – Connections

3 - Electricity Retail

- Annual Review Supply Allowed Revenue/Tariffs Review & Related Matters
- Review of Hedging Strategy and Economic Purchasing Obligation Compliance
- Long-Term Review of Supply Allowed Revenue Post 2010
- Review of Demand Side Management Schemes 2009/2010 (Rates and Rules)
- SEM Retail – Review of K-Factors and Supply Margins
- SEM Retail – Review of Tariff Structures
- SEM Retail – WACC Harmonisation
- SEM Retail – Review of Demand Side Management
- Smart Metering Project
- Electricity Retail Market Governance
- Licence Monitoring & Compliance
- Supply Licence Review
- European / International

Gas Division

1 - Project Office

- Common Arrangements for Gas (CAG)
- Coordinate & Administer the Oversight Committee and SEM Committee
- Smart Metering

2 - Gas Networks Operations

- Common Arrangements for Gas – Network Operations
- Gas Distribution / Retail Market Arrangements
- Gas Transportation Arrangements
- Gas Security of Supply
- Gas European Representation
- Other Gas Operations

3- Gas Commercial & Retail

- Annual BGN Transmission and Distribution Reviews
- Corrib and Bellinaboy Entry Tariff
- Commercial Tariff Issues
- BGE/Gaslink Licensing, Compliance and Performance Monitoring
- Phase 3 of Gas to new Towns Analysis
- Shannon LNG Project
- Common Arrangements for Gas – Commercial & Retail
- Annual Tariff and Revenue Review
- Retail Licensing Compliance Monitoring
- Retail Operational Work Items

Safety, Environment & Customer Affairs Division

1 - Gas/Electricity Safety

- Safety Case Assessment Cycle (IMPLEMENTATION)
- Overall Governance Arrangement in Place (IMPLEMENTATION)
- Promotion and Public Awareness Strategy (IMPLEMENTATION)
- Gas Safety Division Establishment within CER (IMPLEMENTATION)
- Natural Gas Emergency Plan (IMPLEMENTATION)

- Safety Framework extended to include LPG – Stage 1
- Petroleum Exploration and Extraction Safety Bill Implementation – Stage 1
- Gas Safety Framework Operation – Stage 1

2 - Gas/Electricity Safety Supervision

- Go-Live Approvals Electricity Safety Supervisory Bodies (ESSBs) & Gas Safety Supervisory Body (GSSB)
- Full Implementation and ongoing Operation of ESSB's& GSSB
- Branding and Promotion for ESSB's & GSSB
- Governance Arrangements ESSB's & GSSB
- Competency Assessment for RGI's – GSSB
- Enforcement – ESSB's and GSSB's
- Training Framework – ESSB's
- Gas Safety Works
- Training Framework – GSSB
- Electricity & Gas Safety Operational Work Items
- Training Framework – GSSB

3- Environment - SEM

- Dispatch & Scheduling of Generation in the SEM
- Provision of research in relation to the impact of wind as an intermittent resource on the Irish/ Regional Market in 2020
- Remuneration of Different Generation Technologies under the Capacity Payment Mechanism
- Disclosure in the SEM: Implementation
- PSO 2009/2010
- Renewable Energy Development Group
- CEER Sustainable Development Task Force
- Licensing, processing, monitoring & review
- Information Provision
- Research & Development
- Micro Generation

4- Energy Customers

- Complaint Handling and Dealing with Customers
- Energy Customers Annual Report
- Suppliers Handbook on Consumer Protection Requirements
- Introduction of Customer Impact Analysis within CER
- Consumer Communications Strategy and Information Campaigns
- Customer Charters and Codes of Practice Monitoring of Compliance
- Develop Energy Customers Service

- Input to consumer policy and European working groups