Note to Minister

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

In accordance with paragraph 25 (b) of Schedule 1 to the Electricity Regulation Act, 1999, as amended by Section 10 Energy (Miscellaneous Provisions) Act, 2006, we are pleased to present to you the eleventh Annual Report of the Commission for Energy Regulation, in respect of the period from 1st January 2009 to 31st December 2009.

Michael G. Tutty
Chairperson

Dermot Nolan
Commissioner

Garrett Blaney
Commissioner
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Foreword from the Commissioners

The year 2009 was one in which the global economy experienced a severe economic downturn, with Ireland in particular experiencing a deep recession. This can be seen in Irish electricity demand figures which fell by more than 5.5% over the previous year, an unprecedented drop in an industry used to robust growth. The CER recognises that this economic situation impacted on all the various participants in the Irish energy market, including customers, generators, network operators and suppliers. However, despite the difficult economic background, the CER is pleased to report that the Irish energy sector was full of positive and exciting developments during 2009, which should stand Ireland in good stead into the future.

The global economic downturn meant that the dramatically lower global fuel prices seen in the 2nd half of 2008 continued into 2009. In view of these lower global fuel costs - the biggest driver of our energy prices - and the difficult economic situation in Ireland, the CER brought forward its regular annual energy tariff review process from the middle to the beginning of 2009. This allowed for lower regulated energy tariffs to commence from May rather than October. Specifically, from 1st May 2009 the CER reduced regulated electricity prices by an average of 10% and regulated gas prices by an average of 12%, providing a timely boost to our national competitiveness. This was followed by a further reduction of circa 10% in the average regulated gas tariffs in October 2009 and yet another fall of 8% in February 2010.

During 2009 there was strong competition among energy suppliers for customers, putting further downward pressure on our energy prices. Building on the competition already seen in the business markets, vigorous competition developed, for the first time, in the domestic (i.e. residential) electricity sector. This led to circa 400,000 domestic electricity customers switching supplier in 2009. In total, about 1 in 5 of all Irish electricity customers switched supplier during the year, among the highest customer switching rates ever seen in Europe. The CER welcomes this development and is pleased to see signs of healthy competition also developing in the domestic gas market in recent months. With an effectively regulated market, good levels of supplier choice and an easy supplier switching process, all energy customers can now avail of the opportunity to make significant savings on their energy bills. In addition, the CER’s Energy Customers Team continues to provide energy-related information to customers through the energycustomers.ie website, leaflets and face-to-face meetings, while it also offers a free dispute resolution service.
Due to the strong competition developing in the electricity market, the CER published a “Roadmap” public consultation in late 2009 on the de-regulation of ESB Customer Supply’s electricity prices. Following consideration of comments received, the CER subsequently decided that price de-regulation of ESB’s prices in the business markets will take place from October 2010. Price deregulation in the domestic market will be allowed once ESB Customer Supply meets a number of criteria including a further reduction in its market share which, given the rate of customer switching, is expected to happen at some stage in 2011. This move should further increase customer choice in electricity products as we move forward.

The all-island Single Electricity Market (SEM), regulated by the CER and the Northern Ireland Authority for Utility Regulation (NIAUR), continued to work well in 2009. The cheapest generation plants were dispatched at any one time to meet demand across the island, while the reduction in fuel costs fed through to lower wholesale SEM prices and therefore electricity retail prices, in line with the design of the market. The design of the SEM is to send out transparent price signals, encouraging generation entry to the market. This is seen with the construction of two new efficient gas generating plants in Co. Cork during 2009, both of which are due for completion in 2010. This will ultimately contribute to lower electricity prices for end customers. It is hoped that all-island Common Arrangements for Gas (CAG) can be developed to build on the success of the SEM, once approval is received from Energy Ministers and the appropriate legislation is passed in both jurisdictions.

Meanwhile, in 2009 work continued in developing aspects of the SEM. Allowing for increased integration between the SEM and Great Britain and neighbouring markets will be a big challenge for the CER in the coming years as physical interconnection increases. In this regard, the CER and NIAUR commenced a new workstream to review the issues needed to allow for this. A consultation was published in September 2009 on how to best coordinate the allocation of transfer capacity on interconnectors between SEM and other markets across various time-frames. A programme of work to maximise the efficient use of existing and future interconnectors between the SEM and its neighbouring markets will commence in 2010.

Energy is a long-term business so, despite the economic recession, 2009 was a year when big steps were taken towards shaping the industry for the decades ahead. The amount of renewable generation in Ireland continued to rise in 2009 as a result of previous network connection decisions previously made by the CER. By the end of the year there was over 1,500 MW of renewable electricity generation connected on the Irish network, most of it in the form of wind power. As a result, circa 13% of our total electricity consumption came from renewable generation in 2009 and this is anticipated to increase to about 15% in 2010. This is ahead of EU targets for Ireland and means that we are now one of the leading countries in the world for wind power development. In addition, late 2009 saw connection offers starting to roll out, on schedule, from the network operators to 4,000 MW of new wind farm projects on foot of the CER’s “Gate 3” policy. The Gate 3 wind farms will enable Ireland to meet the Government’s target that 40% of our electricity consumption comes from renewable sources by 2020. To monitor the roll-out of all Gate 3 offers, the CER set up a Gate 3 Liaison Group with the system operators and industry in early 2009. This Group meets monthly and has proved a useful forum for discussing Gate 3-related matters with industry.
To complement the new wind farms, enhance Ireland’s security of electricity supply and facilitate competition into the future, the CER issued a decision in late 2009 which allows for connection offers to be issued in Gate 3 to about 1,350 MW of new conventional (i.e. non-renewable) generator projects and an interconnector project. This includes offers to new and efficient gas-fired power stations, pumped storage hydro plants and a 350 MW interconnector to the UK. This is in addition to the new 500 MW EirGrid interconnector under development from Ireland to the UK, overseen by the CER and on track for operation by 2012. If constructed, all of these developments will assist in the years ahead in providing for Ireland’s security of supply, meeting our renewable targets and facilitating cross-border trade and competition in electricity, all to the benefit of the end-customer.

Delivery by the network operators of new network infrastructure over the coming years, primarily upgraded and new transmission wires, will be necessary to deliver these benefits. The cost of the network upgrades will be largely paid for by the end-customer through network tariffs. In this context, in 2009 the CER commenced reviews of the electricity network businesses’ allowed revenues, covering the years 2011 to 2015, which will lead to a CER consultation and decision on the matter in 2010. While an increase in the network capital investment budget is envisaged to provide for the new infrastructure, achieving efficiency gains and value for money for end-users will be a key consideration for the CER.

Turning to safety, 2009 marked the formal commencement of the statutory regulation of electrical contractors and natural gas installers, replacing the old voluntary self-regulatory systems. In January 2009 the two bodies appointed by the CER, the Register of Electrical Contractors of Ireland (RECI) and the Electrical Contractors Safety & Standards (ECSSAI), commenced their role in registering electrical contractors. The equivalent body on the gas side appointed by the CER, the Register of Gas Installers of Ireland (RGII), commenced its operations in June. These safety supervisory bodies, which are subject to ongoing monitoring by the CER, are also responsible for audit and inspection of their respective registered members. This helps to ensure that work carried out by electrical contractors and gas installers in our homes and businesses is carried out to the highest safety standards.

2009 saw the first full year of operation of the Natural Gas Safety Regulatory Framework. The Framework sets out how the CER regulates natural gas undertakings and natural gas installers (through the RGII) with respect to safety. Under the Framework, the CER monitors the performance of regulated entities through ongoing audits and evaluating submitted quarterly performance reports on key safety metrics. Although still in the early stages of operation, the CER is satisfied that the RGII and the operators of the natural gas transmission and distribution system are operating in compliance with the Framework and that strong safety outcomes are being achieved. Ongoing audits/inspections and quarterly performance reporting will continue in 2010 and beyond in order to provide re-assurance of ongoing compliance and encourage further improvements in safety outcomes.

Looking forward, in 2009 the CER started preparing for its new role in regulating off-shore petroleum safety, which commences from mid 2010 and will be a key priority in the coming years. In addition, the CER undertook significant preparatory work to facilitate the safety regulation of Liquefied Petroleum Gas (LPG) within the overall gas safety framework; including the safety regulation of LPG installers and LPG distribution systems and the oversight of LPG safety incidents.
With more efficient energy use in mind, 2009 also saw significant progress in the CER’s smart metering project, which is a major pilot project coordinated with the network operators to ascertain the potential for smart meters to be rolled-out nationally. As part of the pilot “customer behaviour trials”, smart meters were put in place, on schedule, for 6,500 electricity customers and 2,000 gas customers during 2009. These trials will enable information to be obtained on customer consumption patterns and will provide participating customers with the opportunity to monitor their own consumption and make energy consumption changes across the day. In the context of related “technology trials”, an additional 3,400 electricity smart meters were installed in 2009. The results of all these trials will feed into a cost-benefit analysis by early 2011, which in turn will inform decisions related to any national roll-out of smart meters.

At an organisational level, Tom Reeves, our first Commissioner, retired in September 2009 after 10 years at the helm. Tom built up the organisation from its establishment in 1999 to what it is today, bringing about a successful transformation of our energy market along the way. The CER would like to take this opportunity to thank Tom for all his hard work down the years and wish him the very best for the future. The CER also warmly welcomes Garrett Blaney who joined Michael G. Tutty and Dermot Nolan as Commissioners in February 2010.

Finally, in 2009 the CER developed a Strategic Plan for 2010 to 2014, which was finalised and published in early 2010. This plan provides an overview of the CER’s goals for 2010 to 2014 and the strategies to achieve them. These goals will be foremost in our mind as we regulate the energy market in 2010 and the years ahead, namely that the lights stay on, the gas continues to flow, prices are fair and reasonable, the environment is protected and electricity and gas are supplied safely, all with a top quality regulatory service to you, our customers.

Michael G. Tutty
Chairperson

Dermot Nolan
Commissioner

Garrett Blaney
Commissioner
Public Interest Statement

Ireland’s Energy Regulator

The Commission for Energy Regulation (CER) is the independent body responsible for regulating the natural gas and electricity markets in Ireland. The CER protects electricity and natural gas customers by working for a safe, secure and sustainable supply of electricity and natural gas, in a competitive market which delivers reasonable prices and a good quality service.

As regulator for the electricity and natural gas sectors in Ireland our mission is as follows:

In a world where energy supply and prices are highly volatile, the mission of the CER, 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.

Duties & Functions

The CER was established under the provisions of the Electricity Regulation Act, 1999 and has taken on significant additional responsibilities since then under various pieces of legislation. Responsibility for the regulation of the natural gas market was conferred upon the CER under the Gas (Interim) Regulation Act, 2002. More recently, the Energy (Miscellaneous Provisions) Act 2006 added to the role and functions of the CER, including providing for additional responsibilities in gas and electrical safety. The Electricity Regulation Amendment (SEM) Act, 2007 outlined the CER’s functions in relation to the Single Electricity Market (SEM) for the island of Ireland. This market is regulated by the CER and the Northern Ireland Authority for Utility Regulation (NIAUR).

The CER’s statutory duties include that it must promote: competition in gas and electricity markets; safety on the part of electricity and natural gas undertakings; the continuity, security and quality of supplies of electricity and natural gas; and renewable, sustainable or alternative forms of energy.

The CER must also take account of the need to: protect the environment; encourage efficient use and production of electricity; take account of the needs of rural customers, the disadvantaged and the elderly. The CER must also take account of the rights of customers, particularly household customers and small enterprises, to be supplied with electricity to a specified quality at reasonable, easily and clearly comparable and transparent prices.
The functions of the CER 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;
- 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.

**Organisation**

The CER is headed by up to three Commissioners at any one time. From January to September 2009 the Commissioners were Michael G. Tutty, Tom Reeves and Dermot Nolan. Following Mr Reeves’ retirement as Commissioner in September, the Commissioners consisted of Michael G. Tutty and Dermot Nolan, until February 2010 when Garrett Blaney also joined as Commissioner. Mr Tutty is Chairman of the CER.

The CER is made up of six Divisions, headed up by four Directors.

A diagram of the organisational structure is shown in Appendix B.

**Information Provision, Key Tasks & Public Interest**

The CER is committed to providing a high quality, user-friendly and easily accessible service to our customers in all of our areas of responsibility, as set out in its customer charter which is available on www.cer.ie.
In making its decisions on policy matters, the CER regularly carries out formal consultations with stakeholders over its website www.cer.ie and the associated website for all-island energy regulatory issues, at www.allislandproject.org. Responses to these consultations are considered in the formulation of decision papers. The CER also regularly communicates and meets with industry and customer stakeholders.

This process of formal consultation was in evidence during 2009 when the CER made public policy consultations and decisions to achieve its mission (shown above) in the public interest. This is detailed in the 10 Key Tasks in this Annual Report which focus on the 10 most important strategic tasks that the CER set for itself for 2009 in order to achieve its mission. For example:

- **Key Task 2 (renewable connections)** contributes to the protection of the environment by helping to achieve the Government’s target of 40% of our electricity consumption coming from renewable sources by 2020;
- **Key Task 3 (development of electricity and gas retail)** contributes to consumers paying fair and reasonable prices for their electricity and gas;
- **Key Task 4 (development of SEM)** contributes to the lights staying on and the electricity prices being fair and reasonable for consumers;
- **Key Task 6 (reviews of transmission, distribution and supply)** contributes to the lights staying on and to consumers paying fair and reasonable prices for their electricity; and,
- **Key Task 8 (discharge safety responsibilities)** contributes to our natural gas and electricity being supplied safely, protecting life and property of gas and electricity customers.

The CER also delivers energy information to the general public and provides a dispute resolution service for electricity and gas customers, through the CER websites at www.cer.ie and www.energycustomers.ie and through face-to-face meetings and published documents.
Statement of Best Practice

Corporate Governance

We wish to state that the CER continues and will continue to adopt best practice in the area of corporate governance in carrying out its functions and duties. In this regard, the CER is required to comply with the “Code of Practice for the Governance of State Bodies” which was published by the Department of Finance in October 2001 and updated in May 2009. The CER is committed to complying in 2010 and future years with the revised Code.

The CER is in compliance with the revised Code issued in May 2009 save for a few generic elements which are not relevant to an independent regulatory authority. The Department of Communications, Energy and Natural Resources and the CER have identified and discussed a number of elements of the Code where adaptation is necessary in the case of CER. A process is in place to reach final agreement on these issues and the agreement reached will form part of the 2010 Annual Report.

Procedures that the CER currently has in place in this regard include:

- A code of conduct for Commissioners and employees;
- Ensuring compliance with Irish and EU tendering and procurement requirements;
- CER Corporate Procurement Plan;
- Procedures for the disposal of assets;
- Compliance with Government Policy on the remuneration of Commissioners and members of staff;
- Provision of details of Members of the Commissions’ emoluments and details of the Chairperson’s remuneration package within Financial Statements published with the Annual Report;
- Submission of interim unaudited accounts to the Department of Communications, Energy and Natural Resources and Department of Finance every six months;
- Appointment of external expertise to perform the internal audit function. The report of the CER Audit Committee is included in the Financial Statements section of the Annual Report;
- Submission to the Department of Communications, Energy and Natural Resources a statement confirming compliance with taxation laws and confirming that all tax liabilities are paid on or before the due date;
- Submission of “Report on Compliance with the Code of Practice for the Governance of State Bodies” to the Minister for Communications, Energy and Natural Resources with the Annual Report and Financial Statements;
- Completion of Strategic Plan, the current plan covers the period 2010 to 2014 and was published on 8 February 2010;
- Development of an annual Work Programme to be submitted to the Minister by 30 November each year\(^1\). The Work Programme for 2010 was published on 8 February 2010;
- Implementation of a Risk Management Policy, which is monitored by the CER;

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\(^1\) See paragraph 25(c) of Schedule 1 to the Electricity Regulation Act, 1999 as amended by section 10 of the Energy (Miscellaneous Provisions) Act 2006.
✓ Establishment of a Risk Committee;
✓ Implementation of a policy on foreign travel; and
✓ Adoption of a policy for confidential disclosures regarding possible irregularities in financial reporting.

The Commissioners met formally on 55 occasions in 2009. Chairman Michael G. Tutty attended 45 meetings, Commissioner Dermot Nolan attended 49 meetings and Commissioner Tom Reeves, whose term ended in September 2009, attended 32 meetings.

**Ethics in Public Office**

We hereby confirm that we are not directly engaged in, concerned in or interested in any electricity generating business or in any electricity or natural gas transmission, distribution or supply business or in any energy business, whether as participator, investor, consultant or otherwise. In addition, in respect of the period covered by this report, there are no registerable interests, as specified in the Ethics in Public Office Acts 1995 and 2001 and the Gas (Interim) (Regulation) Act, 2002, of our own, or, to our actual knowledge, of a spouse or child, which could materially influence us in, or in relation to, the performance of the functions of our position.

Michael G. Tutty
Chairperson

Dermot Nolan
Commissioner

Garrett Blaney
Commissioner
Introduction

This is the eleventh Annual Report of the Commission for Energy Regulation (CER), the independent body responsible for regulating the natural gas and electricity markets in Ireland.

This Annual Report provides an overview of the CER’s key work items and achievements in 2009. While the Annual Report is designed to provide an update on the CER’s progress in achieving its strategic goals in 2009, many of the CER’s work items are ongoing and will continue into and in some cases beyond 2010. Such work is mentioned here for completeness.

As part of the CER’s internal business planning process 142 work items were identified for commencement, continuation or delivery during 2009. Of these 142 items, 10 work items were selected as the CER’s “Ten Key Tasks for 2009”. These key tasks are distributed across the CER’s responsibilities and were viewed as being the CER’s most important strategic tasks for the year 2009 in order to achieve its mission (shown in a previous section). While the main focus of the CER’s work during 2009 was on these “Ten Key Tasks”, each of the 142 work items contributed to the CER’s overall strategic objectives.

CER’s Ten Key Tasks for 2009

In its work programme for 2009, published on the CER’s website in January 2009, the CER identified the following 10 key strategic tasks for commencement, progression, or delivery during 2009, all of which would help the CER to fulfil its mission statement.

- **Key Task 1 - Common Arrangements for Gas**
  The CER 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 CER 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 CER will also commence its 5-year review of ESB Customer Supply’s 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 CER’s strategic plan for the years 2010 - 2014, outlining our priorities for the development of the energy sector in Ireland over this period.

Please see the 2009 Work Programme for more detail behind each of these tasks.

This Annual Report focuses on the work carried out by the CER in meeting these 10 key strategic tasks and related matters for 2009. They are discussed in the same order as listed above.
Key Task 1:
Common Arrangements for Gas
This key task involved the following aim:

*The CER 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.*

**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 CER and NIAUR signed a Memorandum of Understanding (MoU) on 14 February 2008, in relation to CAG under the All-Island Energy Market Development Framework. Under the MoU, the Regulatory Authorities (NIAUR & CER) decided to develop plans to operate the gas transmission systems in Ireland and Northern Ireland on a single, all-island network basis.

A key aspect of this common approach to gas trading across the island involves harmonising the rules around 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). There is also the important issue of how transmission tariffs will be charged for transporting gas around the system.

In 2008 a paper on tariff options was published and following on from this, the Regulatory Authorities published conclusions on a number of key areas on the CAG project in 2009. This included a paper on the options for the operations regime. This paper sets out the function of the CAG System Operator (CAGSO) and discussed the structure of the CAGSO. It also determined that the CAG project would focus on harmonisation of arrangements at transmission level as a first step.

It had always been recognised by the Regulatory Authorities that the core elements of the CAG, including institutional aspects, would need to be underpinned by approval from Energy Ministers from Ireland and Northern Ireland and by legislation in both jurisdictions, and that the final decision on initiating CAG and these work streams rests with the Ministers. A note to industry was published in April 2009 announcing that the work plan would be aligned with the timetable for implementing CAG legislation if and when Ministers agree an appropriate overall structure for CAG. The note stated that it was unlikely that the October 2010 target implementation date for CAG would be met.
Related Work Items

In addition to the Options Paper mentioned above, a number of other key documents were developed under the CAG project umbrella in 2009. These are outlined below.

Joint Capacity Statement

The Regulatory Authorities published in July 2009 the first all-island Joint Gas Capacity Statement covering the period 2008/09 to 2015/16, showing the ability of the gas network across the island to meet the demand for gas. It is the first to have been produced on an all-island basis. As part of the CAG project, both Regulatory Authorities noted their commitment to a harmonised approach to security of gas supply on the island and the Statement constitutes an important step in progressing this objective under CAG.

The Statement departs from the separate approach of the CER and NIAUR carried out in previous years by basing the analysis on the aggregate gas demand of both Ireland and Northern Ireland, and looks at the gas supplies on the island which could meet this demand. In light of the network modelling analysis undertaken, the Statement provides the best estimate of the capability of the network to meet demand growth over the next seven years.

The results of the analysis are largely positive in relation to security of supply on the island. The report shows that the transmission system has sufficient capacity for supplies to meet the reasonable medium-term demand growth with no significant requirement to reinforce the transmission system in either jurisdiction at the present time. It is noted that demand forecasts in this Statement are lower than in previous years, primarily reflecting the economic downturn, and lower forecasts of economic growth, together with improved energy efficiency. The historical and forecast total Irish Annual Gas demand for the period is shown below.
Overall, the Regulatory Authorities consider that the longer term prospects for security of gas supply remain positive due to the potential operation of the transmission system on an all-island basis, the progression of the CAG project, and the proposed introduction of new sources of supply.

**Harmonisation of Security of Supply Arrangements**

The Regulatory Authorities published a Conclusions Paper on Security of Supply as part of the CAG project. This paper follows the Consultation Paper on Security of Supply in which the Regulatory Authorities invited comment on security standards, obligations on shippers/suppliers and gas storage and sets out the conclusions and next steps of the Regulatory Authorities in relation to these issues. The Conclusions Paper notes the need to take account of the proposed new EU Security of Supply Directive and sets out the way in which Security of Supply issues will be dealt with in CAG.

**Gas Quality Industry Group**

In 2008 the Regulatory Authorities established the Gas Quality Industry Group (GQIG), headed by themselves and comprising industry participants, in order to recommend an appropriate gas quality standard for Ireland and Northern Ireland. In 2009, together with the Northern Ireland Authority for Utility Regulation, the CER harmonised the gas quality standard and progressed the implementation of procedures for managing gas which fails to meet the agreed specification in Ireland.
Key Task 2:
Implementation of Gate 3
Renewable Connection Decision
This key task involved the following aim:

_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**

The Irish Government target for renewable energy of October 2008 requires that 40% of electricity consumed by the year 2020 should be generated from renewable sources.

Following extensive public consultation, in December 2008 the CER set out a connection policy direction\(^2\) for renewable generators seeking to connect to the network in Ireland known as “Gate 3”, followed by a related direction in December 2009\(^3\) on the treatment of non-renewable - known as “conventional” - generator and interconnector connection applications. Both of these CER policy decisions are designed to ensure that a high capacity of renewable and conventional projects can connect to the Irish network over the next decade in a way that is efficient, maintains our security of supply, promotes competition and achieves the 40% renewables target by 2020.

**Progress to Date - “Wind Power Expansion”**

There is a large volume of proposed new generation projects, especially wind farms, seeking to connect to the electricity network, which has limited capacity. Against this background, in 2005 the CER approved a new connection policy known as the Group Processing Approach (GPA) for the connection of generator applicants to the network by EirGrid as Transmission System Operator and ESB Networks Ltd. as Distribution System Operator. The GPA allows for generator applicants to be processed for connection (by EirGrid and ESB Networks Ltd.) together, with lines designed to connect a geographic group of wind farms instead of the one-by-one connection process used previously for renewable generators. This results in fewer lines being built than would otherwise be the case and means that the network is developed more efficiently, to the benefit of generators, consumers and environment.

To date the CER has developed policy for three batches - what we call “Gates” - of generator connection applications to be processed for connection through the GPA. These Gates involve a certain number of generator applicants being offered to connect to the network by EirGrid and ESB Networks Ltd., under criteria determined by the CER.

The first Gate was launched by the CER at the end of 2004 and provided for network connection offers issuing to over 30 wind farms, with a combined capacity of 365 MW. Gate 2, launched by the CER in 2006, involved connection offers issuing to about 120 renewable generation projects across the country,
equivalent to 1,300 MW in capacity. Almost all of these renewable generators were wind farms. Most of the Gate 1 and 2 wind farm projects have either already connected to the network or are in the process of being connected as the connection wires are being built. As a result of Gates 1 and 2, Ireland has already recently seen a dramatic rise in the amount of renewable generation connected to the network, rising from circa 600 MW at the end of 2004 to over 1,500 in 2009. This has increased further to about 1,700 MW by mid 2010. This increase is shown below.

Following this increased connection of wind farms, about 13% of Ireland’s electricity came from renewable sources in 2009, most of it in the form of wind power. This is anticipated to increase to over 15% in 2010, which is ahead of EU targets for Ireland. It means that, for a small network, Ireland is now becoming a world leader in wind power. With more Gate 2 wind farms continuing to connect, we expect the amount of renewable generation in Ireland to continue to increase significantly over the next couple of years, to about 2,900 MW. This increase is before any consideration is given to the CER’s Gate 3 decisions, which will drive big industry changes as discussed below.

**Gate 3 - “Greening & Modernising the Electricity Industry”**

In the Gate 3 policy decision of December 2008, the CER directed the System Operators – EirGrid as Transmission System Operator (TSO) and ESB Networks Ltd. as Distribution System Operator (DSO) – to issue circa 3,900 MW of renewable generator connection offers in accordance with a detailed rule-set. This was with a view to achieving the Government’s 40% renewable target for 2020.

Under a complex system decided on by the CER, Gate 3 wind farms will be granted full scheduled firm access to the transmission system for their output over the coming years in line with the available capacity already on the grid and the grid upgrades planned for the areas in which they are connecting.
These Gate 3 renewable generator connection offers are being issued from EirGrid and ESB Networks to over 150 wind farm projects around the country over an 18 month period, from December 2009 through to mid 2011 (see later). The following map shows the location of Gate 1, Gate 2 and the proposed Gate 3 renewable generators around the country.

If all of these Gate 3 wind farms are built, Ireland will have more than 6,000 MW of wind farms connected over the next decade or so, Gate 3 will therefore reduce our reliance on fossil fuels, provide for the achievement of the 2020 40% renewables target and drive a dramatic “greening” of Ireland’s electricity industry, with all the possibilities for a new “green” economy that this brings.

To help complement this very large rise in wind farms, in December 2009 the CER published a related direction which decided on the criteria for which conventional (non-renewable) generator and interconnector applicants will receive a connection offer in tandem with the Gate 3 wind farms. This CER direction followed extensive public consultation throughout 2009. It allows for connection offers to be issued to about 1,350 MW4 of conventional generation projects across the country, as well as an interconnector project. These projects will be offered scheduled firm access to the transmission system using a similar system to that of the Gate 3 wind farms. They include new and efficient gas-fired power stations, pumped storage hydro plants and a 350 MW interconnector to the UK (in addition to the 500 MW EirGrid interconnector already under construction to the UK). These new generator and interconnector connection offers will help modernise Ireland’s electricity generation fleet, enhance our security of supply, facilitate the increased connection of wind power and provide for more competition in the supply of electricity, to the benefit of the Irish electricity customer.

In January 2010 the CER published the transmission scheduled firm access connection dates for the Gate 3 renewable and conventional applicants eligible for a connection offer, covering the years 2010 to 2023.

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4 The relevant paper (CER/09/191) referred to circa 1,600 MW but is now about 1,350 MW due to one party not meeting the criteria for an offer.
These dates were derived by EirGrid in line with rule-set decided on by the CER in the two Gate 3-related directions.

Overall therefore, Gate 3 is a highly ambitious programme as it involves connection offers being issued to about 5,400 MW of new wind farms, conventional generators and a new interconnector project combined from December 2009 through to mid 2011. Gate 3 will drive unprecedented changes to Ireland’s generation portfolio, allowing for the “greening” and modernisation of our electricity industry.

**Gate 3 Liaison Group**

To help keep the Gate 3 renewable and conventional offer programme on track, the CER set up a Gate 3 Liaison Group with industry in early 2009. The Group meetings, which are held monthly, are organised and chaired by the CER, and include representatives from the system operators and from the renewable and non-renewable generation sectors - minutes from meetings are available at [www.cer.ie](http://www.cer.ie). So far, the Gate 3 project for the issuance of offers is running according to schedule and the Gate 3 project is on track to provide for meeting the target of 40% electricity consumption from renewable sources by 2020.

**Renewable Connection Contracts**

Related to Gate 3 policy, during 2009 the CER also reviewed the details of renewable generator connection policy and contracts issued by EirGrid and ESB Networks Ltd. A number of issues were addressed in this review, such as the connection process, transparency and information sharing, bonding arrangements, contractual arrangements and provision for a fixed-time connection contract. The goal of the review was to ensure that connection policy facilitated the significant increase in renewable connections.

The work began in July 2008 leading to proposed decision paper in April 2009 and a decision paper on the connection policy in August 2009. These were followed by a consultation on connection contract in August 2009 and a decision paper in December 2009. Since then, a further consultation on the payment amount for late shallow connections and connection charter was issued in March 2010 with a final decision paper expected for Q3 2010.
Key Task 3:
Development of Electricity & Gas Retail Sector and Tariff Structures
This key task involved the following aim:

*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.*

Electricity Tariffs

**De-regulation Roadmap**

2009 was a very significant year for the retail electricity market. The entry of Bord Gáis Energy and Airtricity into the domestic market has not only transformed the competitive landscape in terms of the domestic market, it has also had a very positive knock-on effect on business market awareness of supplier switching options. The success of the new entrants in acquiring customers has led to Ireland having the highest switching rates in Europe in 2009, with about 400,000 domestic customers switching supplier during the year. In total about 1 in 5 of all Irish electricity customers switched supplier in 2009. The graph below shows weekly customer switching numbers during the year.

*Figure 4 – Customer Switches in 2009, Numbers by Week*
In response to the changing competitive environment, the CER published its “Review of the Regulatory Framework for the Retail Electricity Market: Proposals on a Roadmap for Deregulation”\(^5\) in December 2009. This consultation document reviewed the market structures and consulted on the criteria that determine when markets are sufficiently competitive to end regulated prices in the Irish retail market. The CER also invited submissions on what other actions should be taken apart from the removal of the price control in order to ensure a fully competitive deregulated electricity retail market.

In April 2010 the CER published its decision paper on the Roadmap which reviewed the relevant markets; domestic, small businesses, medium businesses and large industrial & commercial customers and has concluded that all three business markets are sufficiently competitive to allow for the complete removal of regulated prices. As a result ESB Customer Supply will be free to compete in business markets from 1st October 2010. The CER concluded that the domestic market was not yet sufficiently competitive and that regulatory restrictions would not be removed until ESB Customer Supply had reduced its market share to 60%, there is a minimum 10% market share for two independent competitors and there is a 10% switching level. This is expected at some stage in 2011. The Roadmap decision paper also requires a commitment from ESB which will address, to the satisfaction of the CER, the rebranding of the ESB supply businesses, including any appropriate transitional arrangements as a condition of the deregulation of the domestic market.

### Tariff Structure & k-Factor Review

In 2009, the CER and NIAUR conducted a joint Review of Tariff Structures and also a separate Review of “k-factors” (a term in the price control formula that facilitates adjustment for any under-recovery or over-recovery in any given year to be applied in the following year) and Supply Margins. This was in the context of ongoing joint work on retail market harmonisation. The CER and NIAUR jointly published consultations in July 2009 and issued the final reports in December 2009 with consultants’ recommendations.

**Report on Tariff Structure Review.**

The CER and NIAUR retained Poyry consultants to undertake this review and suggest how tariff structures might be harmonised in both jurisdictions with the aim of promoting competition in the provision of electricity supplies. In the review, the consultants, Poyry, set out views on those developments which should be progressed in order to harmonise PES tariffs between Ireland and Northern Ireland for the purpose of creating consistency and promoting competition through providing choice to customers. Poyry made recommendations in the following key areas:

- All Island Market Structure;
- All Island Regulatory Proposals; and
- PES Regulatory Proposals.
These three groups of recommendations are intended to create consistency and promote competition through providing choice for customers. The Regulatory Authorities have already commenced work on the implementation of some of these proposals including an all island global aggregation solution.

**Report on a Review of k-Factors and Supply Margins**

Separately, consultants Skyplex were commissioned by the CER and NIAUR to review the use of k-factors in the regulation of prices for monopoly services, and their linkage to the supply margin that each PES is permitted to earn. The consultants made proposals on 3 options for changes to how k-factors are regulated in the consultation:

- **Minimal Change** - k-factors are retained with some enhancements, specifically in terms of transparency, to the existing arrangements.
- **Asymmetric k-factors** - over recoveries are repaid with a premium and under-recoveries are not fully recovered.
- **Maximum Allowed Revenue** - the removal of k-factors and put in place a maximum revenue restraint determined ex-post.

In its final report Skyplex recommended that each of the regulators should adopt different solutions based on the level of competition that existed in the market, recommending a move to a Maximum Allowed Revenue (MAR) for the Irish market. Given the significant changes in the retail market in Ireland in 2009, the CER followed this work with a further consultation on the implementation of the MAR for regulated tariffs from 1st October. This will create an appropriate transitional framework to a fully deregulated market where suppliers have more freedom with respect to tariff setting.

**ESB Tariffs for 2009/’10**

While a number of key projects in 2009 focussed on changes to the regulatory framework, and ultimately market deregulation, the CER also implemented a number of key decisions with respect to the regulated tariffs which applied in 2009.

As a background, generation costs are by far the biggest driver of electricity prices for customers. More than half of the electricity bills for domestic customers and Small and Medium Enterprises (SMEs) in 2009/’10 was driven by generation costs, as illustrated below. In Ireland these Generation costs are primarily driven by international fuel prices, particularly the cost of natural gas, which is largely outside of Ireland’s control. The Public Service Obligation (PSO) levy, associated with particular generating plants, is also related to the generation cost. The cost of the distribution and transmission networks, which transports the electricity to our homes and businesses, makes up about 1/3 of total electricity bills. These network costs are regulated by the CER. Supplier costs make up the balance of a customer’s bill - this is typically a small component.
Customer Credits

From 1st January 2009 to 30th September 2009 all customers received a credit of 1.5003c/kWh in transmission tariffs which was forecast to amount to a total of €315.4 million over the 9 month period. The €315.4 million ESB Customer Credit offset the substantial rise in final tariffs which would otherwise have been necessary due to the high fuel prices and hedging costs that arose during 2008. In addition, customers received a Public Service Obligation (PSO) related rebate of €87 million in this period.

May Tariff Review

In February 2009 Minister Eamon Ryan asked the CER to undertake an immediate review of options for bringing forward anticipated reductions in electricity and gas prices for households and business customers from 1st October 2009. Following this review, the CER decided to bring forward an average 10.3% decrease in regulated tariffs from 1st May 2009 which was achieved through re-profiling network charges, to the immediate benefit of all consumers and businesses.

September Tariff Review

In September 2009, the CER set out its decision paper on regulated PES tariffs for the 2009/'10 tariffs period. This decision paper set out an average decrease of approximately 0.2% in the final tariffs.

LEU Rebates

In July the CER published an Information Note providing an overview of the electricity Network Use of System charges that were proposed to apply during the period 1st October – 30th September 2010. Given
government concerns about the impact of energy prices on Large Energy Users (LEUs), particularly the cessation of existing rebates in October 2009, that document set out the decision to continue both customer credits for LEU customers over the 2009/10 tariff period. It is intended that this scheme will be gradually phased out over the following two tariff years from October 2010, with future credits being progressively lower and funded, to the greatest extent possible, by alternative structural measures.

**Microgeneration**

In February 2009, ESB Customer Supply was the first supplier to offer a microgeneration tariff to domestic customers at a rate of 9c/kWh. In parallel the DSO, ESB Networks agreed to offer an additional 10c/kWh for electricity exported to the grid to the first 4,000 domestic microgenerators who signed up to the scheme. At the end of 2009 nearly 200 domestic customers had registered as microgenerators.

**Related Work Items**

**Retail Market Harmonisation**

Since the introduction of the SEM, the Regulatory Authorities have implemented a number of measures to promote competition with the retail markets across the island as described above to further the common objectives of encouraging competition in supply markets and improving quality of service to all customers. In this context, in 2009 the Regulatory Authorities undertook the first stage of a project on the harmonisation of operational procedures within the electricity retail markets. Ultimately the project will deliver harmonised market messages and associated supplier facing processes to enable greater efficiencies and benefit all customers across the island.

**Demand Side Management**

In 2009 the Regulatory Authorities initiated a programme of work to develop a Strategic Demand Response Programme for the island of Ireland. This work programme will see a Consultation Paper published in July 2010.

**Gas Tariffs**

As illustrated below, the cost of purchasing natural gas makes up more than half the price of natural gas in a customer’s bill. This gas is mostly purchased on international markets and so is therefore largely outside of Ireland’s control. Network (transmission and distribution) costs, to transport the gas to our homes and businesses, make up about 1/3 of total gas bills, with supplier and other costs making up the balance.
Revenue Control Formula

The CER carried out three reviews of the Revenue Control Formula during 2009. The first review was carried out in early 2009 following a request from Minister for Communications, Energy and Natural Resources, Mr Eamon Ryan, T.D. The review was carried out on the premise of bringing forward anticipated tariff reductions due in part falling commodity prices and taking into account the exceptional economic difficulties at that time. Following consultation and a report to the Minister, the CER concluded that a 12% decrease in BG Energy tariffs from 1st May 2009 was appropriate and best served the interest of customers. In September 2009 the CER, as part of its normal annual review, also approved an average 9.8% decrease in Bord Gáis Energy Non Daily Metered (NDM) tariffs from October 2009. The CER also committed to carry out a midyear (interim) review of the Bord Gáis Energy NDM tariffs in December each year to keep tariffs cost reflective. This review was carried out in late December 2009 and proposed an average 8% reduction in NDM tariffs (this was subsequently approved on 6th Jan 2010). This reduction applied from February 2010.

Fuel Variation Tariff

In July 2007 the CER published a decision with respect to the implementation of a price regulation regime - a Fuel Variation Tariff (FVT) for NDM gas consumers of BG Energy with a Supply Point Capacity above 3,750 kWh and consumption level greater than 73,000kWh of gas annually. The resulting regime came into effect on the 1st October 2007. The aim of the FVT regime is to provide a transparent tariff which reflects the underlying cost of procurement and delivery of Gas to BG Energy’s larger NDM customers. It was also hoped to provide the opportunity for customers to choose a tariff that is suited to their individual preference and that the regime would be conducive to the development of competition in the retail gas market.
During 2009 the CER carried out a full structural review of the Fuel Variation Tariff. Following this structural review the CER decided to retain the FVT regulated pricing mechanism in its current form with change only to the booking window. The CER decided to approve this change to the booking window on the FVT contract offered by BG Energy to enhance the flexibility offered to customers. The CER also decided that the Bord Gáis Energy FVT tariff fixed charge will be subject to review twice yearly in order to reflect the volatility in wholesale gas prices and currency exchange rates seen since mid 2008.

Regulated Tariff Formula

The Regulated Tariff Formula (RTF) took effect in April 2003 and covers customers consuming from 188,000 to 9 million therms (circa 5.5-264 GWh) per annum. In brief, the RTF is a regulated pricing mechanism applied to BG Energy gas customers in the large industrial and commercial sector. The RTF regime introduced a price regulation formula reflective of monthly wholesale prices and the cost of delivering gas to the customer’s premises. The regime was designed at the time to serve two stated purposes:

✓ To provide a transparent market reflective pricing mechanism for the pricing of customers, thereby creating a clear target for competing suppliers.
✓ To allow BGES to operate in an eligible market sector where sustainable competition has yet to develop.

In setting up the RTF regime the CER set about creating a competitive environment suitable to encourage new entrants to enter the gas supply market. The intention of the RTF regime was to provide a clear target for new market entrant suppliers to match/benchmark against in providing supplies to customers. The regime was proposed to give confidence to market participants that price structures had been established in a transparent manner and would be regulated until a competitive market developed. As with any regulated regime the end goal was to create a sustainable competitive environment, at which time regulation could be removed without having an effect on the competitive environment. Since its inception, the CER has regarded the RTF as a stepping stone to building effective competition in the wider industrial and commercial supply segment. It is with this intention that a consultation was proposed. Near the end of 2009 the CER accordingly published a consultation on the future of the RTF, which stated that the CER was minded to remove regulation in the RTF sector from October 2010. The CER also wrote to all RTF customers seeking their views on whether the RTF should be retained, amended or abolished. The consultation examined the merits of the RTF and the current state of play in the sector under certain criteria. A decision on the future of the RTF is expected in mid 2010.
Key Task 4:
Development of SEM
This key task involved the following aim:

*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**

Since 1st November 2007 the Northern Ireland Authority for Utility Regulation (NIAUR) and the CER, together referred to as the Regulatory Authorities, have jointly regulated the all-island wholesale electricity market known as the Single Electricity Market (SEM) covering both Northern Ireland and the Republic of Ireland. Since its commencement, the SEM has been governed by the SEM Committee, the sub-committee of both CER and NIAUR, and including an independent member, which has sole jurisdiction to make decisions on SEM on behalf of the Regulatory Authorities.

The SEM includes a centralised all-island gross mandatory pool (or spot) market. In this pool electricity is bought and sold through a market clearing mechanism, whereby generators bid in their marginal cost and receive the System Marginal Price (SMP) for each trading period for their scheduled dispatch quantities, with the cheapest possible generators run to meet demand across the island. Generators also receive separate payments for the provision of available generation capacity through a capacity payment mechanism, and constraint payments for differences between the market schedule and the system dispatch. Suppliers (to electricity customers) purchase energy from the pool pay the SMP for each trading period along with capacity costs and system charges. This is illustrated below - the SEM rules are set out in detail in the Trading and Settlement Code.

**Figure 7 – All-Island SEM**
The Regulatory Authorities monitor and oversee the all-Island SEM and the suite of regulatory rules governing it in 2009. From the setting of directed contracts to the monitoring of generators’ compliance with the bidding principles to oversight of the market rules, the Regulatory Authorities have been actively supervising the SEM and representing the interests of all-island consumers. The SEM is now into its 3rd year of operation and has functioned successfully and in accordance with the SEM objectives during that time. The Regulatory Authorities are of the view that the market in the main has worked well and is delivering fair and cost-reflective prices. The SEM is sending out correct price signals to potential investors with a high level of interest in building new generation since the SEM went live in November 2007. Nonetheless, conscious of a number of challenges facing the market such as increasing levels of intermittent generation coming on stream and the need to facilitate new interconnection with neighbouring markets, the Regulatory Authorities launched in 2009 a series of development initiatives to meet these challenges.

TSC and Market Development

The Trading and Settlement Code team, based in CER, manages the SEM rules on behalf of the SEM Committee, with the central focus of this role being on the SEM Trading and Settlement Code (the Code). The Code is a multilateral contract which sets out the rules and procedures concerning the sale and purchase of wholesale electricity in Ireland and Northern Ireland. The Code was designated by the Regulatory Authorities in July 2007 and can be modified from time to time thereafter, in accordance with procedures set out in the Code.

The role of the Code Modifications Committee, which comprises representatives from industry participants and the Regulatory Authorities, is, among other things, to consider and report on proposed modifications to the Code. In 2009, the Committee considered 46 Modification Proposals. Two such Code Modifications which were recommended for approval by the Modifications Committee in 2009 and subsequently approved by the SEM Committee are as follows:

- **Dual Rated Generator Amendment.** This Modification seeks to address the MSP (Market Scheduling and Pricing) software and market issue of non-cost reflective price spikes caused by the market rules’ inability to handle dual-rated generators. A final decision was made to approve the Modification Proposal by the SEM Committee in early 2010, with the system changes required to implement this Modification Proposal being deployed in October 2010; and,

- **Aggregate Payments for Invoices.** This Modification seeks to provide a means for Participants to reduce the number of payments they need to make per month, by grouping payments for the same account, for the same invoice type (trading, capacity or market operator charge) and same due date into one single payment. In doing so, this reduces the number of payments per month and therefore reduces the high cost of processing these payments relative to the payment value.

During 2009, the Regulatory Authorities consulted on several policy-related Code parameters including the market price cap and market price floor and the Uplift parameter values to apply in 2010; these remained unchanged from the 2009 values at €1000 MWh and -€100 MWh respectively. The Regulatory Authorities also issued a Consultation and Decision Paper on setting the Value of Lost Load
to apply for the SEM year 2010. In addition, the Regulatory Authorities approved the following Code parameters for 2010:

- Credit Cover parameters;
- MSP Software parameters;
- Annual Capacity Exchange Rate;
- Uninstructed Imbalances parameters;
- Flattening Power Factor; and,
- Settlement Recalculation Threshold.

**Regional Integration and Interconnector Trading**

In addition to continuing its work of overseeing changes to the Code and operation of the market, the Trading and Settlement Code and Market Development Team based in CER is responsible for the area of Regional Market Integration and Interconnector Trading. The SEM Committee, as part of their work plan for 2009, asked the Regulatory Authorities to review the issues surrounding interconnection between Ireland and Great Britain and to develop a strategy for further market integration with neighbouring markets as physical interconnection increases.

On foot of this, the SEM Committee issued an Information Paper on Interconnector issues in April 2009. The paper recognised that flows in both directions across the Moyle Interconnector had not responded as fully as they might to price arbitrage opportunities between the SEM and the Great Britain markets. It identified a number of reasons why this might be the case, including the availability of capacity on the Moyle Interconnector and its cost, the risks created by the misalignment of the SEM and Great Britain markets and other trading risks such as the lack of liquidity in day ahead markets and network charging in Great Britain. The paper noted that, with the prospect of increased interconnection in the medium term, the main barriers to increased interconnector use by participants and the promotion of within-day trading would need to be addressed. The SEM would also need to be developed to conform to European Union regulations and to maximise the benefits of increased interconnection.

Following the above analysis, the SEM Committee commissioned a Consultation Paper in September 2009 on integration of the SEM with its neighbouring markets, including indicative proposals for intra-day trading on interconnectors between the SEM and its regional market. The paper considered the costs and benefits of increased interconnection in a system which will become increasingly dependent on intermittent generation and examined how best to coordinate the allocation of available transfer capacity on interconnectors in the SEM across various time-frames. The paper also examined in detail the wider, more strategic implications for the integration of the SEM with its neighbouring markets in the context of recent initiatives at the European level.

Following this consultation, the SEM Committee issued a Decision Paper in March 2010. This paper establishes a programme of work for the Regulatory Authorities with the aim of maximising the efficient use of existing and future interconnectors between the SEM and its neighbouring markets. This is in the context of the wider integration of European electricity markets and within the parameters of the
current SEM design. The SEM Committee also set out its decisions in a number of policy areas including forward explicit auctions, day-ahead coupling, intra-day trading, system operator to system operator balancing, barriers to trading and engagement with the developing European standard models for cross border trading.

**Capacity Payments Annual Review**

The Capacity Payments Mechanism (CPM) is managed within the electricity section of NIAUR, with shadow management responsibilities falling to the CER.

The CPM is a fixed revenue system whereby generators are paid regulated quantities (Capacity Payments) of money for providing available generation capacity to the market. The money is sourced by concurrent Capacity Charges levied on all Suppliers that purchase energy from the pool. The core of the CPM takes the form of a fixed annual sum of money, called the Annual Capacity Payments Sum which is calculated by the Regulatory Authorities on an annual basis. The Annual Capacity Payment Pots for the Years 2007 to 2010 are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>BNE Peaker Cost (€/kW/yr)</th>
<th>Capacity Requirement (MW)</th>
<th>Annual Capacity Pot (€m)</th>
<th>Capacity Pot Change (% Yr on Yr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>64.73</td>
<td>6,960</td>
<td>450.5</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>79.77</td>
<td>7,211</td>
<td>575.2</td>
<td>27.7%</td>
</tr>
<tr>
<td>2009</td>
<td>87.12</td>
<td>7,356</td>
<td>640.9</td>
<td>11.4%</td>
</tr>
<tr>
<td>2010</td>
<td>80.74</td>
<td>6,826</td>
<td>551.1</td>
<td>-14.0%</td>
</tr>
</tbody>
</table>

During 2009 the annual exercise took place to establish the capacity pot for 2010. This involved establishing the fixed costs of a best new entrant peaking plant in the market and also EirGrid’s calculation of the capacity requirement for the year ahead. These two numbers fed into the size of the capacity pot required. The pot decreased by 14% on the previous year which was driven by lower costs of the peaking plant and a decrease in the capacity requirement driven by lower anticipated electricity demand (see table above).

**Capacity Payments Term Review**

In March 2009 the SEM Committee published a consultation paper “Fixed Cost of a Best New Entrant Peaking Plant Calculation Methodology Consultation Paper” relating to the perceived volatility of the CPM and proposed a number of options to help reduce the level of volatility. In this paper, the SEM Committee signalled its intention to carry out a further review of the CPM in the medium term. Following comments received in response to the consultation paper, the Regulatory Authorities decided to amalgamate this matter with its more comprehensive review of the CPM. The following month the
SEMC published a consultation paper documenting the scope of work that the SEMC proposed to carry out in relation to a medium term review of the CPM. The main areas under consideration in this review are detailed below:

- Assessment of CPM in SEM (historical analysis)
- Impact of CPM on Customers
- Incentives for Generators Capacity
- Payments when Capacity is needed
- Distribution of Capacity Payments
- Capacity Requirement Calculation
- WACC Methodology
- Infra Marginal Rent & CPM
- Impact of Exchange Rate in CPM
- Treatment of Wind in CPM
- Treatment of Interconnector in CPM
- Relationship of CPM with Ancillary Services
- Impact on Diversity of Generation & Security of Supply

Following a workshop on the issues, in November 2009, a CPM Medium Term Review Information Paper was published by the Regulatory Authorities which includes details on the planned activities, timelines and periods for further consultation on the topics under review within the CPM Medium Term Review. The Regulatory Authorities intend to consult further on the CPM Medium Term Review during 2010. In addition it is intended to publish a discussion paper containing a historical review of various aspects of the capacity payment mechanism.

**Dispatch and Relevant Trading and Settlement Code Matters Consultation**

Early in 2008 the SEM Committee published a discussion paper setting out key issues arising from increasing levels of wind generation on the island of Ireland and potential solutions to those issues in the context of the SEM. Following receipt of comments, a paper was published in Autumn of that year setting out initial responses to those comments and next steps. One area of further work identified here was the need to further consult on relevant scheduling and dispatch matters. This was progressed with the publication of a consultation paper in July of 2009. The July consultation contains discussion and sets out options/proposals in relation matters such as:

- Underlying principles for the dispatch of all plant on the island including the treatment in dispatch of generation with different levels of firm access and treatment in dispatch of generation with respect to priority dispatch;
- Trading and Settlement Code issues including compensation for “curtailment”, the treatment of firm access for Price Taking Generation Units, determination of SMP when demand is met by Price Takers in the market schedule, Excess Generation Events and allocation of access to the market schedule for plants located behind constraints;
- The question of “deemed firm access” and whether this should be introduced.
A proposed decision paper is planned to go to the SEM Committee in the third quarter of 2010 for approval and publication. This will be followed by a decision paper. Follow-up work packages and potential future consultations on specific work items will be required post the publication of the decision paper. This will include work on any detailed modifications to the Trading and Settlement Code should they be required.

**SEMO Regulation**

The SEMO (Single Electricity Market Operator) Regulation unit, based in Belfast, is responsible for approving SEMO’s revenues and tariffs, overseeing SEMO’s licence compliance, and approving projects run by SEMO. During 2009, the Regulatory Authorities determined SEMO’s revenues and costs for the year October 2009 to September 2010. This one-year price control is expected to be followed by a three-year price control for the period October 2010 to September 2013. During the year, the bi-annual system release strategy was also agreed with the System Vendor, ABB. This provides for system releases in April and October each year for a 3-year period.

**Market Modelling Group**

The Regulatory Authorities’ Market Modelling Group (MMG), based in the CER, provides market forecasts of the SEM. The majority of the MMG’s forecasting is over the short term (1 to 2 years), which is used to quantify and price Directed Contracts and to feed into the work of the Regulatory Authorities. Medium and long-term forecasting is also carried out to support the Regulatory Authorities’ policy decisions. During 2009 the MMG work included:

- Validation of the forecasting model (Plexos) and the dataset for SEM covering 2009 and 2010;
- Quantifying and Pricing of Directed Contracts for eligible suppliers, imposed on the incumbent generators (ESB Power Generation & NIE Power Procurement Business) in the SEM as part of the Market Power Mitigation Strategy, covering the 1st October 2009 to 30th September 2010;
- Setting the reserve price for Public Service Obligation (PSO) related Contracts for Differences (CFDs);
- Monitoring the volume and prices of Non-Directed Contracts, which are typically offered by the incumbent generators (ESB Power Generation & NIE Power Procurement Business) over and above the mandatory Directed Contracts, covering the 1st October 2009 to 30th September 2010;
- Estimating the wholesale price for the Public Service Obligation levy covering the 1st October 2009 to 30th September 2010;
- Assisting the retail division of CER in analysing ESB Customer Supply Tariffs for the period from 1st October 2009 to 30th September 2010;
- Modelling support to the Regulatory Authorities to help inform the Regulatory Authority policy on the SEM.

2009 saw the introduction of a multilateral trading facility, through the efforts of market participants, for the trading of Non-Directed Contracts. It is hosted by Tullet Prebon and this should advance the development of the contracts market in the SEM by promoting liquidity, diversity, transparency and flexibility.
The following shows the total volume of CfDs sold for the 2009/10 tariff year in SEM, divided between Directed Contracts, Non-Directed Contracts and PSO-related CfDs, compared to previous tariff years.

![Chart](Figure_8-Contracts_Sold_in_SEM.png)

**Figure 8 – Contracts Sold in SEM**

**Market Monitoring Unit**

The market monitor, located in NIAUR, reviews generator participants’ behaviour in the market including investigations into the exercise of market power, monitoring the compliance of market participants with the bidding code of practice and other market rules. The MMU is also the point of contact for participants who wish to register complaints relating to market behaviour. Key issues for the MMU in 2009 were:

**Governance**

In Q4 2009 the MMU commenced a review of its Governance arrangements. After almost two years since SEM Go-Live, the aim of the review was to assess how well the Unit is performing its functions and to identify areas of monitoring that could be improved. The MMU commissioned consultants to construct and issue a questionnaire in order to obtain the views of interested parties, including market participants. The views obtained then fed into overall recommendations made by the consultants. The review considered issues such as the role of the MMU in monitoring, analysing and making recommendations on bidding behaviour in the SEM. Implementation of recommendations is expected to occur in 2010.

**Generator Cycling**

The Power Plant Cycling report was prepared by the MMU and is aimed at informing industry on issues of power plant cycling, as the anticipated future growth of intermittent renewable generation is
expected to have an impact on the amount of cycling experienced by thermal plants in the SEM. The report highlighted the effects of generator “cyclic operation” and the associated potential damage, as well as providing a best practice guide for cycling.

Monitoring and Reporting

This covers the ongoing monitoring of generators’ commercial and technical offer data. In April 2009 the MMU published its first Public Report. The report constitutes the MMU’s public assessment of the performance of the SEM for the period 1st November 2007 to 31st December 2008. The MMU 2010 Report covering the period January 2009 to December 2009 is due to be published in the coming months.

Price Developments in the SEM

2009 saw the SEM’s system marginal price (SMP) move to the lowest average levels since the beginning of the all-island SEM in November 2007, with SMP in 2009 dramatically lower than 2008. The SEM is dominated by power stations that run on fossil fuels and therefore carries through any changes from those fuel markets into the wholesale electricity price. So this SMP movement was in line with the movements that took place in international fuel markets, all of which fell significantly from the peak fuel prices in the summer of 2008. In particular, gas is the dominant fuel in the SEM, responsible for approximately 70% of electricity generated in 2009. Gas prices fell dramatically from 2008 to 2009 which drove down the SMP from the levels reached in 2008. All these developments are shown in the figures below.
SEM Locational Signals

In January 2009, the Regulatory Authorities working in cooperation with the Transmission System Operators on the island (EirGrid for Ireland and SONI for Northern Ireland) initiated a review of locational signals on the all island transmission network. These signals related to generator transmission use of system charges (G-TUoS) and transmission loss adjustment factors (TLAFs) as follows:

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Figure 10 – Figure - SMP in the SEM, 2009 versus 2008

Figure 11 – Figure - Gas and SMP Price
G-TUsOs: These are use of system charges paid for by generators to cover their usage of the transmission network. Presently in Ireland, G-TUsOs levels paid by generators vary by location, based on load flow modelling to determine each generators use of the system. In Northern Ireland a different methodology is used with a common non-locationally varying charge per MW being applied to generators. This workstream aimed to provide for the harmonisation of G-TUsOs charging on the island.

TLAFs: Loss of electricity occurs as electricity is transported across networks from the point of generation to the point of demand. Transmission loss factors are applied to generators primarily to assist in delivering efficient dispatch of generation but also as a mechanism of accounting for total system losses. Harmonised all-island transmission loss arrangements were introduced as part of SEM implementation. However the Regulatory Authorities decided to review the current harmonised methodology due to the volatility from year-to-year in TLAF figures, an issue likely to increase with greater levels of wind on the system, as well as the fact that the TLAF figures did not always promote efficient dispatch as they were calculated in advance of each year.

In May 2009, the TSOs published a consultation paper which presented a range of potential methodology options in respect of G-TUsOs and TLAFs. Based on feedback provided to the May 2009 consultation, in November 2009 the TSOs published a further consultation paper in which they set out their preferred options for both G-TUsOs and TLAFs. The Regulatory Authorities are continuing to work on this workstream with a view to publishing a decision on G-TUsOs and TLAFs in Q3 2010.

Harmonised Ancillary Services & Other System Charges

Ancillary services are services procured by the Transmission System Operators on a regulated basis from generators or others in order to enable them to operate the electricity system safely, securely, reliably and economically. Ancillary services specifically refer to reserve, black start and reactive power.

A joint Regulatory Authority/TSO project was carried out throughout 2008 and 2009 with a view to harmonising the jurisdictional arrangements for the procurement of these services across the island. The review also included introducing charges to generators for non-compliance with key Grid Code areas, i.e. Grid Code Performance Incentives, as well as harmonising arrangements relating to generator trips and short-notice declarations. Following a decision by the SEM Committee in January 2009 on the all-island policy for these Ancillary Service-related areas, a consultation paper on the proposed rates and charges to apply was published in June 2009. A final decision on these all-island payments and charging arrangements for the period from 1st February to 30th September 2010 was then published by the Regulatory Authorities in January 2010 covering:

- Ancillary Services - Reserve, Reactive Power and Black Start;
- Generator Trip and Short Notice Declaration Charges; and,
- Generator Performance Incentives.

Accordingly the new harmonised all-island Ancillary Service-related arrangements went live on 1st February 2010 and have been operating well since.
Ireland’s Security of Supply

In addition to SEM work areas the CER has responsibilities in relation to security of supply and other generation-related matters for Ireland only. Some of the key work items that occurred during 2009 are highlighted below.

Plant Licensing

The CER has the statutory function/duty of issuing Licences to Generate and Authorisations to Construct pursuant to sections 14 and 16 of the Electricity Regulation, Act, 1999. In 2009, the following licences for conventional (i.e. “non-renewable”) generation capacity were issued by the CER:

<table>
<thead>
<tr>
<th>Licensee</th>
<th>Unit</th>
<th>Date Licence was Issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bord Gáis</td>
<td>CCGT, 445 MW, Whitegate</td>
<td>2nd July 2009</td>
</tr>
<tr>
<td>ESB</td>
<td>CCGT, 420 MW, Aghada</td>
<td>14th September 2009</td>
</tr>
<tr>
<td>Bord Na Mona</td>
<td>OCGT, 112 MW, Edenderry</td>
<td>24th September 2009</td>
</tr>
</tbody>
</table>

The CER’s Environment Team is responsible for the grant of Authorisations and Licences for renewable and CHP projects. A summary of Authorisations and Licences granted by the Environment Team in 2009 is set out in the table below.

<table>
<thead>
<tr>
<th>Authorisations Granted</th>
<th>Total Installed capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of stations</td>
<td></td>
</tr>
<tr>
<td>of which wind</td>
<td>11</td>
</tr>
<tr>
<td>of which CHP</td>
<td>3</td>
</tr>
<tr>
<td>of which waste</td>
<td>2</td>
</tr>
<tr>
<td>Licences Granted</td>
<td>18</td>
</tr>
<tr>
<td>Number of stations</td>
<td></td>
</tr>
<tr>
<td>of which wind</td>
<td>13</td>
</tr>
<tr>
<td>of which CHP</td>
<td>4</td>
</tr>
<tr>
<td>of which waste</td>
<td>1</td>
</tr>
</tbody>
</table>

Security of Supply

The CER has a duty to promote continuity, security of supply and quality of the supply of electricity. The CER also monitors the security of supply of electricity and can take such measures as it considers necessary to protect security of supply. Peak demand in Ireland was lower for most of the 2009
compared to 2008 due to the economic recession. The graph below shows the peak demand in 2009 compared to that of 2008.

The decrease in demand has fed through to an increase in the margin of available plant at the peak. The figures below illustrate this effect. The margins at peak (i.e. the difference between the sum of plant availability, wind and interconnector flows; and peak demand) remained high throughout the year, and generally higher than 2008, suggesting that the country’s security of electricity supply has improved on previous years.
However, while in general the trend has been an increase margin at peak times this does not always tell the full story. Over the winter 2008-2009 period, a new all time system peak demand was reported on Wednesday 7th January 2009. Details of system performance on that day are below:

- The system peak demand on Wednesday 7th January at 17.45 was 4,890 MW.
- The total available plant at peak demand was 5,680 MW.
- Wind at peak demand was 27 MW.
- Flows were from South to North reported at peak demand at 141 MW.
- The margin at peak was 676 MW.

In July 2009 EirGrid published an interim update to Generation Adequacy forecasts for 2009-2015 as a result of the significant decrease in demand. The update forecasted a reduction in demand of between 4% and 5% in 2009 with a further reduction of 0 to 1% in 2010. The report predicted demand would not recover to 2008 levels until 2012 to 2014. Updated forecasts in light of the economic downturn were also reflected in the most recent Generation Adequacy Report 2010-2016 published late in 2009.

In terms of Ireland’s overall generation in 2009, the following figure shows Maximum Export Capacity (MW) by primary fuel type, as at 25 November 2009. Among other things, this generation mix will be impacted on in 2010 by increasing amounts of renewable generation (see Key Task 2). In addition it will be impacted on by two new large efficient gas fired power stations in Co. Cork, of over 850 MW in total, which were under construction in 2009 and are due for completion in 2010.

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Figure 14 – Connected Generators by Primary Fuel Source, November 2009

Among other things, this generation mix will be impacted on in 2010 by increasing amounts of renewable generation (see Key Task 2). In addition it will be impacted on by two new large efficient gas fired power stations in Co. Cork, of over 850 MW in total, which were under construction in 2009 and are due for completion in 2010.

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Finally, 2009 saw a new record in wind generation. On Saturday 24th October 2009, maximum wind generation was recorded at 1,064 MW, as indicated in the figure below at week 45. In addition, the graph below shows that in a number of instances over the period, maximum wind generation coincided with peak demand.

![Figure 15 – Maximum Wind vs. Wind at Peak 2009](image)

**Secondary Fuel**

The CER published a Decision Paper in January 2009 in relation the level of secondary fuel stock that gas-fired generators must hold. The decision sets out the rated capacity at which generators must operate on their secondary fuel and sets the secondary fuel arrangements expected of licensees under the relevant conditions of the generation licence and authorisation to construct.

Under its decision, the CER clarified that EirGrid has responsibility for continued monitoring of generator compliance with secondary fuel requirements. The decision also required EirGrid to develop the necessary procedures to test and compensate generators on secondary fuel compliance. EirGrid subsequently submitted a Grid Code modification to allow them to conduct up to two tests a year in accordance with the CER decision. These modifications were approved by the CER in October 2009.

In 2009 EirGrid also drafted a public consultation document, in cooperation with the CER, proposing a range of compensation arrangements for generators when tested on secondary fuel. Following publication of a recommendation by EirGrid, the CER will publish its decision on compensation arrangements for secondary fuel testing in 2010.

In January 2009, the Ukraine-Russia Gas dispute raised the immediacy with which generators should replenish their stocks in line with the CER Decision. It also highlighted the importance and need for secondary fuel arrangements. The Ukraine-Russia dispute and its effects on gas flows were closely
monitored by the gas and electricity system operators and the CER. Monthly reports were provided by
generators to EirGrid regarding their compliance with the secondary fuel requirements.

*Emergency Procedures*

The CER chairs a group that oversees matters relating to contingency and response planning and
procedures in relation to electricity or gas emergencies. Where required, the group also discusses policy
matters in relation to security of supply and provides input to relevant fora. The group consists of gas
and electricity system operators, members of the Department of Communications, Energy and Natural
Resources and members of the Gas and Electricity teams in the CER.

In 2009, the CER requested large conventional generators, gas and electricity system operators and gas
and electricity network businesses to prepare and complete business continuity plans in response to
emergency events. The business continuity plans had a special focus with regard to Flu pandemic. This
proved timely in view of the fact that at the time, the World Health Organisation had raised their
pandemic alert warning to level 5 signalling the spread of A(H1N1). The Department of Communications
and Natural Resources provided a vital liaison point with other government departments and
authorities on matters that required co-ordination on requirements in relation to the Flu Pandemic.

This work was completed through the Task Force for Emergency Procedures Sub-Group chaired by the
CER and attended by generators, Transmission System Operators and the DCENR. The CER appreciates
the cooperation and participation of generators during the process.

The adoption of these procedures sets a strong foundation for future business continuity plans which
could apply for other events as such business continuity is the goal in response to a variety of emergency
events. The group will continue to meet in 2010, with a focus on monitoring and improving planning
and procedures in relation to contingency arrangements and security of supply and other strategic input
that can be provided in relation to security of supply.
Key Task 5:

Smart Metering Project
This key task involved the following aim:

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

Compared with mechanical electricity and gas meters, 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 and smart grids in Ireland. These sophisticated meters offer a number of particular potential benefits, such as:

- **Information:** A smart meter records customers’ actual use of electricity over short intervals (e.g. every 30 minutes) and automatically sends the readings back to their supplier. Electricity suppliers can use these readings to deliver useful information to their customers regarding their electricity consumption and costs.

- **Efficiency:** In particular, smart metering will allow electricity suppliers to create innovative pricing arrangements that can be offered to consumers to support the efficient use of electricity, such as *Time-of-Use* electricity tariffs. This is where the price of electricity varies at different times of the day to reflect the changes in the costs of producing electricity.

- **Lower Costs:** Smart metering offers the possibility of lower costs for customers. Time-of-Use tariffs enable customers to respond to price signals and take advantage of electricity produced at cheaper times of the day.

The CER, in conjunction with ESB Networks and Bord Gáis Networks, commenced a Smart Metering Project in late 2007. The first stage of this project involved setting up and running the Smart Metering Trials. The two main areas of the pilot are Customer Behaviour Trials and Technology Trials for both electricity and gas. Through the findings from these smart metering pilot trials the CER will ascertain the potential for smart metering technology to change customer behaviour (i.e. consumption of energy), which will result in the reduction of peak demand and overall energy use. Based on this the CER will then make a decision on any national roll-out of smart meters.

Smart metering governance structures were put in place in early 2008. The CER established and chairs both a Steering Group and a Working Group made up of representatives from the CER, DCENR, SEAI, ESB Networks, BG Networks and electricity and gas industry participants. A number of work streams were also established to address the various aspects of the project such as technical design and maintenance of the meters, design and maintenance of the customer behaviour trials and development and implementation of tariffs and billing.
Achievements in 2009

The following are the specific smart metering targets met during 2009, leading into 2010:

✓ Completion, on schedule, of customer recruitment and rollout of smart meters nationwide for electricity with circa 5,700 residential & 800 SME customers, and gas with circa 2,000 residential customer behaviour trials.

✓ Completion of the pre-trial surveys of electricity customer behaviour trial participants, information from which enabled appropriate allocation of customers throughout the trial sample groups so as to ensure a statistically robust trial is conducted.

✓ Commencement on schedule of electricity Technology Trials in 2009 - circa 3,400 meters installed & testing underway. 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.

✓ Completion on schedule of benchmark data collection period for electricity customer behaviour trials. This provides an understanding of trial participants baseline usage profiles prior to the introduction of the smart metering-related stimuli. That led to the commencement of customer behaviour trials for electricity smart meters in January 2010, namely:

• **Time of Use Tariffs:** It is most expensive to produce electricity between 5.00 pm and 7.00 pm on week days. This is because daily peak demand is generally recorded during these hours. This leads to a requirement for the more expensive generation plants to be run in order to meet the demand. At present most customers pay a flat rate for electricity throughout the day. The introduction of time-of-use tariffs would allow for electricity to be charged in line with the varying production costs at different times of the day. Through the use of a smart meter, a customer would be able to see the different costs throughout the day and could change a discretionary element of their consumption (e.g. washing machine, dishwasher or tumble drier use) to cheaper times of the day. A suite of different time of use tariffs is being tested in the electricity customer behaviour trials, each with different prices during the peak, day & night timebands as illustrated in the above graphic.
• **Smart Billing**: The smart billing systems have also been successfully developed during 2009 and the first smart time of use smart bills were issued to customers in early February 2010. The active period of the trial will continue until end December 2010 (i.e. for 12 months). “Smart bills” contain enhanced information on customers’ electricity consumption and costs, including hints & tips on how to improve energy efficiency & save money, average daily usage graphs and tables displaying the costs of running the main appliances at different times of the day (e.g. washing machine, dishwasher, tumble drier, immersion heater) - see table below as an example. Increasing the frequency of billing will also be trialled with some trial participants receiving their smart bills on a monthly rather than a bi-monthly basis.

<table>
<thead>
<tr>
<th>Main household appliances (excl. Electric Oven)</th>
<th>NIGHT RATE</th>
<th>DAY RATE</th>
<th>PEAK RATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Washing machine</td>
<td>€37</td>
<td>€47</td>
<td>€117</td>
</tr>
<tr>
<td>Tumble dryer</td>
<td>€128</td>
<td>€166</td>
<td>€409</td>
</tr>
<tr>
<td>Dishwasher</td>
<td>€44</td>
<td>€57</td>
<td>€140</td>
</tr>
<tr>
<td>Immersion - 6 months only</td>
<td>€146</td>
<td>€190</td>
<td>€467</td>
</tr>
</tbody>
</table>

*Average usage: 1 cycle per day for a full year. Immersion: 1 tank per day, 6 months only.

• **In Home Displays (IHDs)**: IHDs are small electronic devices which display real-time information on current electricity usage and costs in the home. The consumer will be able to view additional information on their electricity usage & cost (today versus yesterday, this week versus last week, etc.) by navigating through additional screens “behind” the home screen (illustrated below). Consumers can also set a daily budget for themselves to help control costs of their electricity usage.
- **Smart Web**: Some participants will also be receiving “Smart Web” access where their detailed electricity usage & cost information is presented in graphical & tabular format via a Web portal.

- ✔ For gas-related smart meters, the benchmark data collection period for residential gas customer behaviour trial commenced in 2009 and will be complete by end May 2010. This will provide an understanding of trial participants baseline usage profiles prior to the introduction of the smart metering related customer behaviour stimuli in June 2010.

An Interim cost-benefit analysis on smart metering for gas and electricity will be produced during Q3 2010 and the final cost-benefit analysis is due to be completed at the end of Q1 2011. This will inform any CER decision on the roll-out of smart meters across the country.
Key Task 6:
Five Yearly Reviews of Electricity Transmission, Distribution and Supply
This key task involved the following aim:

*The CER 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 CER will also commence its 5-year review of ESB Customer Supply costs.*

**Background**

The CER undertakes periodic reviews of the revenue requirements of the electricity network monopoly businesses, both in transmission and distribution, which in turn sets the transmission and distribution tariffs that feed through to the end-price of electricity. The current revenue period for transmission and distribution, known as Price Review 2 (PR2), runs until the end of 2010. In 2009 the CER commenced its review of the allowed revenue for transmission and distribution for Price Review 3 (PR3) which will apply from 2011 to 2015.

The CER also commenced its 5-year review of ESB Customer Supply’s costs, in its role as the licensed Public Electricity Supplier (PES).

These reviews focus on value for money for customers, efficiency gains and investment plans required to support economic growth and Ireland’s renewable targets.

**Five-Year Reviews**

The CER commenced the process of reviewing its five-year revenue control for the electricity networks in 2009. These separate reviews, which will be completed in 2010, will set out the allowed revenues for the companies involved for the period 2011 to 2015.

Regulation of the monopoly network owners and operators is a fundamental role for the CER. The importance of making the correct decisions in relation to the development 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. The bodies involved - ESB Networks Ltd. as Distribution System Operator (DSO), ESB as Transmission Asset Owner (TAO) and Distribution Asset Owner (DAO) 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 CER 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, aligned with the expected economic recovery. 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 CER’s decision on Gate 3 in late 2009. The CER will ensure that its review will take into account the Gate 3 decision and will carry out a full consultation on the transmission and distribution reviews, prior to making its decision in Q3 2010.

The current ESB Customer Supply PES review runs until the end of 2010. Under normal circumstances the CER would undertake a further five year review of PES allowed revenue for the period 2011-2015. However, given developments in the retail market there is uncertainty over the requirement for an allowed revenue formula for a full five year period. Therefore, the review of PES allowed revenue will be for the two year period 2011 – 2012 and a direction will be issued by the CER for that 2 year period by Summer 2010.

Achievements in 2009

The transmission and distribution networks review commenced in early 2009 and will last through to Q3 2010. It is intended to publish final decision papers in Q3 2010 for the new transmission and distribution revenue control period to commence in 2011 and for revised tariffs to apply from 1st October 2010. The following key tasks were carried out during 2009:

- In April 2009 the CER published an information paper, which asked interested parties to comment on the scope of CER’s focus for the electricity networks five-year review. This paper stated that on the basis of regulatory certainty and maintaining regulatory precedent, there were certain methodologies used in previous revenue periods which the CER does not consider appropriate to review again for PR3 - for example, the use of the Capital Asset Pricing Model to aid in the determination of the Weighted Average Cost of Capital for the network utilities.
- In Q2 2009 the CER developed review questionnaires focusing on costs, revenues and efficiencies, both historical and forecast, which were submitted to the network utilities for their response. The network utilities submitted historic cost elements of the questionnaires in Q3 2009 and forecast cost elements in Q4 2009.
- The historic and forecast submissions made by the network utilities are being reviewed in the first half of 2010 by the CER and its PR3 consultants. Again, the focus of this review will be on whether the historic costs incurred by the utilities and their projected forecast costs have been made, and will be made, efficiently.
- The CER will publish two separate consultation papers on the allowed revenues for the network utilities from 2011 to 2015, one for transmission and one for distribution, in Q2 2010, with two separate decision papers then being published in Q3 2010. Value for money for customers is a key element in deciding on the allowed revenue for these businesses. This timetable will allow the implementation of distribution and transmission tariffs on 1st October 2010 in line with the revenues decided upon through PR3.

With regard to the PES review initial work had just begun at end of December 2009.
Key Task 7:
East West Interconnection
This key task involved the following aim:

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

An interconnector is an electrical circuit which connects separate electricity transmission (high voltage) systems. In July 2006, the Government requested the CER as part of its Energy Policy to arrange for the design of a competition for the construction of an East West Interconnector ("EWIC") to Britain by 2012, to be owned and operated by EirGrid. The EWIC was described as “of critical national strategic importance” in the National Development Plan 2007 - 2013. It was agreed that EirGrid will develop the interconnector and run the competition, subject to the determination of all key policy questions by the CER and with regulatory oversight of the procurement process.

EWIC is a 500 MW HVDC Interconnector which will have both importing and exporting capacity and be able to transmit Direct Current between the two converter stations, proposed for Woodland, in Ireland and Deeside in Wales. It is 256 km in length – 185 km of marine (under sea) cable and 71 km of terrestrial cable (above sea). The converter stations will convert the current to the usual form of Alternating Current for onward transmission on the transmission network in the UK and Ireland. The features and a schematic of EWIC are provided below.

<table>
<thead>
<tr>
<th>East-West Interconnector Feature</th>
<th>Detail</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capacity</td>
<td>500 MW</td>
</tr>
<tr>
<td>Ownership</td>
<td>EirGrid</td>
</tr>
<tr>
<td>Delivery date</td>
<td>2012</td>
</tr>
<tr>
<td>Connection Point on Irish System</td>
<td>Woodlands sub-station, south Meath.</td>
</tr>
</tbody>
</table>

The advancement of the EWIC project remained a key priority for the CER in 2009, with significant progress being made. The CER and EirGrid are working closely together to ensure the completion of this project on schedule.
Benefits of the Interconnector

The main benefits of developing an Electricity Interconnector are:

- **Enhanced security of supply** - The Generation Adequacy Report has identified a need for additional generating capacity over the next seven years to maintain supply security. There is significant capacity available in the British generating market to provide security of supply, via the EWIC for Ireland. In addition, Great Britain is also developing interconnectors with mainland Europe to further contribute to security of supply and market integration.

- **There is a requirement for a fully-dispatchable source of energy supply**, which could not only be used as required, but would also provide the capacity and stability that is required to increase the extent to which renewable generation can be accommodated on the system. The Electricity Interconnector would also provide the mechanism by which such wind-generated energy could be exported, in the event of surplus energy generation.

- **Promoting further competition in the electricity market** as it will allow third party access in a fair, consistent and transparent manner; this in turn should assert downward pressure on electricity prices. For comparison, NIE has indicated that the largest industrial users in Northern Ireland have seen prices fall by 10% since the commissioning of the Moyle Interconnector. During that same period income from interconnector capacity auctions was sufficient to recover the capital costs associated with the interconnector.

- **Environmental benefits** such as facilitating greater potential to export wind power, reduces need for carrying generation reserve, reduced carbon credit payments and improved fuel diversity through the EWIC.

The importance of EWIC has been recognised at a European level as the EWIC will help ensure that Ireland is more closely integrated into the wider European energy market. EWIC has been designated a “Project of European interest” and is included in the EU Trans-European Networks Priority Interconnection Plan and is currently receiving some finance to cover aspects of project development.
Achievements in 2009

The main items of work on the EWIC for 2009 are summarised below:

- Appointment of ABB as contractor for constructor of the interconnector;
- Planning approval granted by An Bord Pleanala in September 2009;
- Government approval granted to proceed with the project March 2009;
- Secured €300 million loan from the European Investment Bank in September 2009;
- Preparatory planning work has been carried out to secure the over-land section of the interconnector route, including necessary permissions in Ireland and the equivalent in Britain.

The advancement of this project remains a priority for the CER into 2010. On 4th March 2010 EirGrid, with the support of the CER, issued the full notice to proceed to ABB to commence the fabrication of the interconnector cable. This means that the project has moved from planning phase to construction phase.

The project is still on schedule and is expected to be completed in Autumn 2012.
Key Task 8:
Discharge Safety Responsibilities
for Gas and Electricity
This key task involved the following aim:

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

This key task concerned the completion of the programme for the full implementation of the CER’s gas and electrical safety responsibilities and the ongoing discharge of these responsibilities in order to protect the life and property of gas and electricity customers.

**Background**

Under the 2006 Energy (Miscellaneous Provisions) Act, the CER was given responsibility for regulating the activities of natural gas undertakings, natural gas installers and electrical contractors with respect to safety. In order to fulfil its gas safety function, the CER published the Natural Gas Safety Regulatory Framework in conjunction with Safety Case Guidelines for natural gas undertakings, and a Criteria Document for the Regulation of Gas Installers. Additionally, in 2008 the CER designated the Registered Gas Installers of Ireland (RGII) as the gas Safety Supervisory Body (SSB), with the responsibility for regulating Registered Gas Installers (RGIs) in accordance with the Criteria Document.

With reference to fulfilling its electrical safety function, the CER published the 2007 Vision Document, which provided a blueprint for the creation of the regulatory model for electrical safety. In order to facilitate the operation of the regulatory model, the CER published the 2008 Criteria Document which detailed the rules and obligations for participants operating within the electrical safety regulatory framework. Subsequent to the publication of the Criteria Document, the CER designated Register of Electrical Contractors of Ireland (RECI) and Electrical Contractors Safety and Standards Association of Ireland (ECSSAI) as the electrical SSBs with the responsibility for ensuring that Registered Electrical Contractors (RECs) adhere to the relevant electrical safety standards and the rules enshrined in the Criteria Document.

**Achievements in 2009**

Following the establishment of the gas and electrical safety regulatory frameworks, the CER’s primary focus for 2009 included:

- ✔ operating the safety case regime envisaged under the Natural Gas Safety Regulatory Framework;
- ✔ developing a safety performance and compliance monitoring framework for natural gas undertakings under the Natural Gas Safety Regulatory Framework;
launching of the SSB schemes for gas and electrical safety;
- developing a Performance Management Framework for the ongoing monitoring of the gas and electrical SSBs to ensure compliance with the Criteria Document and the Terms & Conditions of Appointment;
- defining the scope of electrical works (i.e. Controlled Works) and Gas Works;
- publishing Common Procedures regarding the operation of the Criteria Document for electrical safety;
- developing and rollout of a promotion and public awareness campaign for gas and electrical safety;
- facilitating the establishment and operation of enforcement procedures through the appointment of Disciplinary Committees for both gas and electrical SSBs; and
- ensuring that relevant processes and procedures are in place to enable the CER to prosecute non-registered gas installers where breaches have occurred.

Looking forward, in 2009 the CER started preparing for its new role in regulating off-shore petroleum safety, which commences from mid 2010 and will be a key priority in the coming years. In addition, the CER undertook significant preparatory work to facilitate the safety regulation of Liquefied Petroleum Gas (LPG) within the overall gas safety framework; including the safety regulation of LPG installers and LPG distribution systems and the oversight of LPG safety incidents.

Detailed information regarding the Gas and Electrical Safety Division’s key achievements for 2009 are presented under the following headings.

**Natural Gas Safety Regulatory Framework for Licensed Undertakings**

The CER’s Gas Safety Case regime applies a risk and outcomes based approach to the management of gas safety risks for each licensed undertaking. During 2009, the CER continued the rollout of the Gas Safety Case regime across all natural gas undertakings, which included:

- the approval of the Interim Safety Case for the Kinsale Storage Facility;
- the acceptance of the updated Gaslink Transmission and Distribution Safety Cases; and
- the acceptance of various shipper and supplier safety cases.

In May 2009, the CER also published a policy paper on the extension of the Natural Gas Safety Regulatory Framework to include the Liquefied Petroleum Gas (LPG) sector. This policy paper was to feed into the development of legislation by the Department for Communications, Energy and Natural Resources, to confer upon the CER, the responsibility for the regulation of LPG installers, LPG Distribution Networks, LPG incidents and LPG promotion and public awareness with respect to safety.

Chapter 3 and 4 of the Energy (Biofuels Obligation) Act 2010 provides for the regulation of LPG installers by the CER. However that section of the Act has not commenced as of yet, and is unlikely to be commenced until the end of 2010.
A Bill covering LPG Distribution Networks, LPG Incidents and LPG promotion and public awareness with respect to safety is expected to be published later this year.

**Natural Gas Undertakings Audit & Inspection Regime**

The audit and inspection regime provides assurance to the CER that the various natural gas undertakings are operating in compliance with the gas safety management and emergency response arrangements, as outlined in their respective gas safety cases which must have been accepted by the CER. The development and implementation of an audit and inspection programme during 2009 involved:

- the completion of 3 audits on the Transmission Safety Case;
- the completion of 3 audits on the Distribution Safety Case; and
- a review and assessment of quarterly reports from natural gas undertakings on their performance and compliance with the Natural Gas Safety Regulatory Framework.

**SSB Launch**

The statutory backed regulatory system for electrical safety replaced the voluntary self-regulatory system in January 2009, with both RECI and ECSSAI commencing their operations, as designated SSBs. With reference to gas, RGII commenced their operations as a statutory backed SSB in June 2009.

**SSB Performance Management Framework**

Given that the SSBs are undertaking a statutory function on behalf of the CER, the CER focused on the development of ongoing performance monitoring and governance of the designated SSBs during 2009. Consequently, the CER issued a Performance Management Framework document in 2009, which requires that each SSB submit a series of safety and financial metrics on a quarterly basis to the CER.

**Scope of Controlled Works and Gas Works**

In order to facilitate the operation of the regulatory framework for electrical and gas safety, the CER published a Controlled Works decision identifying the criteria under which an electrical installation requires Certification by a REC. The CER also published a Gas Works decision paper identifying the classes of work that can only be completed by a RGI.

**Common Procedures**

In order to facilitate the daily operations of the electrical safety framework, the CER in consultation with the Electrical Technical Council of Ireland (ETCI), the Distribution System Operator (DSO), ECSSAI and RECI published Common Procedures regarding electrical safety for Certification, Third Party Inspections, Change of Contractor, Transfer of Registration, Enforcement and Modifications, which now constitute a part of the Criteria Document.
**Promotion & Public Awareness**

Promotion is a core component in the CER’s Natural Gas Safety Regulatory Framework. Consequently, during 2009 the CER worked closely with Gaslink, Bord Gáis Networks, the NSAI, the RGII, and the suppliers to the domestic market (i.e. Flogas and Bord Gáis Energy) to develop a Gas Safety Promotion and Public Awareness Strategy and Annual Programme for 2010.

The gas safety promotion strategy involves the CER, individual undertakings and the RGII operating in a co-ordinated manner to achieve:

- increased levels of general public awareness of gas safety issues;
- greater willingness among the general public to take preventative and positive actions with respect to gas safety;
- high levels of awareness of, and confidence in, the Register of Gas Installers amongst the general public and the installer industry; and
- raised levels of general awareness of the CER’s role as the regulatory authority for gas safety matters in Ireland.

With reference to the promotion of the new electrical safety regime, the CER appointed a PR company to assist with the development of a media campaign and a safety logo. Much of the work in 2009 focused on the design and development of the “SafeElectric” campaign; which was subsequently launched early in 2010.

Additionally, given both the CER’s and ETCI’s involvement in the promotion of electrical safety, both organisations signed a Memorandum of Understanding to facilitate and formulate co-operation between the two organisations in carrying out their respective functions.

**Enforcement of the SSBs Regime**

The CER in conjunction with the SSBs endeavour to ensure RGIs and RECs are compliant with the gas and electrical safety standards through education, promotion and inspection of installations. However, to address issues of non-compliance with the gas and electric safety regimes, the CER established Disciplinary Committees for the gas and electrical SSBs, which include independent representatives to assist in the adjudication of complaints and initiating disciplinary proceedings against RGIs and RECs where applicable.

**Prosecutions**

As part of its regulatory remit regarding safety, the CER has the power to prosecute non-registered parties who commit a relevant offence under the 2006 Energy (Miscellaneous Provisions) Act. Consequently, during 2009 the CER appointed legal advisors (the States Solicitors Association) to assist in the prosecution of individuals/organisations for breach of the 2006 Act.
Key Task 9:
energycustomers.ie
This key task involved the following aim:

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

Background

The CER's aim here for 2009 was to continue the development and enhancement of the www.energycustomers.ie service for electricity and natural gas customers to deliver a high quality information and dispute resolution service. Main areas of focus were:

- to publicise and promote the CER's www.energycustomers.ie website, to ensure a higher awareness amongst customers of this website and the energy customer, and to provide free complaint resolution service;
- to monitor customer usage levels;
- to examine services of a similar nature offered by other Regulators and implement any required changes to this service; and,
- to continue to liaise with customers and their representatives on consumer issues and service improvements.

Background

The CER has a statutory responsibility to provide a complaints resolution service to customers with an unresolved dispute with their supplier or network operator. The Energy Customers Team (ECT) fulfils this role for domestic and small business customers on the CER's behalf through a dedicated complaints resolution service. Additionally, the Team provides a customer awareness and information service via its www.energycustomers.ie brand and website. In 2007 and 2008 the team concentrated on the implementation of processes to support this role, while 2009 saw them concentrate on a public awareness campaign to ensure customers were aware of this service.

Achievements in 2009

With the launch of the www.energycustomers.ie website in October 2008, it was imperative that information on the website and the service that the Energy Customers Team provided was well publicised to customers. The website was developed primarily to provide information for domestic and small business electricity and natural gas customers. It provides consumers with an overview of the electricity and natural gas markets in Ireland and gives information on their rights and energy suppliers' codes of
practice. It also explains what to do if they experience problems with their bills, their connection to the electricity or natural gas network or some other issue relating to energy supply.

The first half of 2009 saw the Energy Customers Team concentrating on the development of 3 customer friendly leaflets to provide information to customers and again to promote the website:

- The first leaflet is "A Guide to Your Rights as an Electricity or Natural Gas Customer". This leaflet outlines the requirements on suppliers to meet guidelines on Billing, Complaint Handling, Disconnection, Marketing, Prepayment Metering and Vulnerable Customers.
- The second leaflet is "A Guide to Energy Bills". This guide was designed to provide information to customers on their energy bills including what information should be on the bill, how the customer was billed and also the role the customer plays in billing. This leaflet encourages customers to be more “bill aware”.
- The third leaflet is "A Guide to Making a Complaint". This was designed to inform customers about the correct steps to take when making a complaint about their energy supplier or network operator.

These leaflets played a major role in the public awareness campaign. September 2009 saw the Energy Customers Team attend the National Ploughing Championship in Athy. The event took place over 3 days and was attended by over 188,000 people. It allowed the Energy Customers Team to meet customers from throughout Ireland face-to-face, discuss various consumer issues, publicise the energycustomers.ie website and the CER’s complaint resolution service and distribute information. The leaflets were also sent to offices providing consumer services throughout Ireland, including MABS, Citizens Information and the National Consumer Agency. This work will be continued throughout in 2010.

2009 also saw an increase in customer contacts to the Energy Customers Team. There were a total of 1,927 customer contacts; an increase of 55% from when compared to 2008. These were received over the telephone, by letter and email and also in person. Within this total number, the Team handled 262 complex complaints whereby a formal dispute determination was made following a full investigation of the facts surrounding the complaint. CER’s decisions in these complaints are binding on the supplier or network operator involved.
Key Task 10:
CER’s 5 Year Strategic Plan
This key task involved the following aim:

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

**Background**

Significant change has taken place in the energy sector both in Ireland and globally since the CER’s first strategic plan was published in 2005. The focus of energy policy both at a European and national level has moved towards fostering competition, increasing renewable penetration and interconnection. These changes pose challenges to Ireland from an energy perspective.

A key challenge for Ireland is our high dependence on imported fossil fuels. At present between 80 – 90% of electricity produced in Ireland is from imported gas, coal and oil. There are also challenges from a network point of view with increasing renewable generation, historic underinvestment in networks and low population density. In addition, there have been many exciting and interesting developments with regard to customer protection and awareness and demand side management.

The setting of clear goals and strategies is fundamental to maintaining a robust regulatory environment and with the CER’s 5 year Strategic Plan coming to an end it was timely to review and develop a new Strategic Plan. The CER aims to deliver greater competition to all energy customers over the course of this strategic plan while also ensuring the protection of customers, particularly the vulnerable.

**Achievements in 2009**

Throughout the development process the CER engaged fully with its stakeholders. This process commenced at the CER’s Open Day 2009, held on 28 January 2009. The Open Day focussed on key strategic issues for the CER and the energy sector in Ireland over the next 5 years. Comments put forward by stakeholders at that meeting were taken into account in the drafting of the CER’s Strategic Plan. The CER then carried out a consultation on its draft strategic plan in the autumn of 2009. Sixteen responses were received from the CER’s stakeholders all of which fed into the final Strategic Plan. The CER launched its third 5 Year Strategic Plan at its Open Day in early 2010. Full details can be found on [www.cer.ie](http://www.cer.ie)

This plan provides for the delivery of the CER’s mission statement and achievement of its statutory objectives over the five year period 2010 - 2014. In developing this plan the CER’s vision is to:

*“Promote excellence in energy regulation by striving to achieve fully competitive, efficient and sustainable energy markets for the benefit of society”*
Strategic Plan 2010 - 2014

The CER’s principle objective is to protect the interests of all customers existing and future. In developing its Strategic Plan for 2010-2014 the CER has focused directly on the five key areas of its Mission Statement with an addition goal relating to improving the quality of the regulatory service provided by the CER.

The Strategic Plan identifies actions necessary to ensure that the Strategic Goals set in the Plan are met. The CER acknowledges the changing environment within which it operates and as such, will keep the Strategic Plan under review to ensure that it has the capability to respond to this changing environment as necessary.

Strategic Goals 2010 – 2014

The Lights Stay On
Secure Electricity supplies in a stable, competitive wholesale market.

The Gas Continues to Flow
Secure natural gas supplies with improved diversity of sources.

The Prices Charged are Fair and Reasonable
Fully competitive retail markets with reduced regulatory intervention, delivering fair prices to customers.

The Environment is Protected
A cleaner energy sector playing its role in protecting Ireland’s environment.

Electricity and Gas are Supplied Safely
A world class natural gas and electricity public safety record.

Provision of a Top Quality Regulatory Service
A standard bearer for best practice regulation and quality of service in the Irish public sector.

The CER has published its annual work plan for 2010. This sets out detailed tasks for the year designed to meet its strategic goals. The CER identified 145 individual work items for delivery in 2010. Eight of these have been selected as key tasks for commencement, development or delivery during 2010 and are listed in Appendix A.
Commission for Energy Regulation

FINANCIAL STATEMENTS

For the year ended 31 December 2009

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Report of the Commission

for the year ended 31 December 2009

I have pleasure in presenting the audited financial statements of the Commission for Energy Regulation for the year ended 31 December 2009.

Financial Year

The accounting period consists of twelve months to 31 December 2009.

Principal Activities

The European Electricity Directive was implemented by Ireland with the passing of the Electricity Regulation Act, 1999, which established the Commission for Electricity Regulation (CER) on 14 July 1999. This legislation and the signing of Statutory Instrument 445 of 2000 sets out the powers and duties of the CER and provides the framework for the introduction of competition in the generation and supply of electricity in Ireland. The Gas (Interim) (Regulation) Act 2002 established the CER as the Irish natural gas regulator under the name of the Commission for Energy Regulation. It gave the CER the necessary powers to license and regulate the transmission, distribution, storage and supply of natural gas and issue orders in relation to the supply, transmission, distribution and sale of gas. The Energy (Miscellaneous Provisions) Act 2006 sets out the powers and duties with respect to public safety involving the regulation of transmission, distribution, storage, supply and shipping of natural gas; and the safety supervision of Registered Gas Installers and Registered Electrical Contractors. The Commission is funded by levy and licence income received from the relevant industry participants.

Results

Details of the financial results of the Commission for the year are set out in the Financial Statements and in the related notes.

Auditors and Accounts

Paragraph 25 of the Schedule to the Electricity Regulation Act, 1999 as amended by the Gas (Interim) (Regulation) Act 2002 requires the Commission to prepare financial statements in such form as may be approved by the Minister for Communications, Energy and Natural Resources with the concurrence of the Minister for Finance. The Commission shall submit accounts in respect of each year to the Comptroller and Auditor General. As soon as may be subsequent to the audit the Commission is required to present to the Minister for Communications, Energy and Natural Resources a copy of such accounts together with the audit report of the Comptroller and Auditor General.
Audit Committee

The Audit Committee members at end December, 2009 were Mr Michael Guilfoyle (Chairperson – external), Commissioner Dermot Nolan, Dr Paul McGowan and Mr Maurice Carey (external). The Committee’s main functions are to advise on how the Commission is managing key financial and operational risks, to evaluate the effectiveness of internal financial controls, to appraise value for money issues and to monitor implementation of Commission decisions arising from Audit Committee recommendations.

During 2009, the Audit Committee met on five occasions and carried out the following functions:

- The Committee reviewed and approved for submission to the Commission Internal Audit Reports on Corporate Governance, Project Management, Risk Management, Travel and Subsistence, Purchasing and Creditors, Budget Control and Procurement.
- The Committee monitored policy and practice enhancement work by the Commission in relation to IT.
- The Committee received regular reports on risk management and mitigation work within the Commission.
- The Committee reviewed the Commission’s draft Whistleblower Policy document and advised the Commission of its views thereon.
- The Committee received one half days training from the Institute of Public Administration.
- The Committee carried out a full review of its activities to date and made significant proposals to the Commission on a range of issues, including Business Performance Auditing, in regard to its future work.

Michael G. Tutty
On behalf of the Commission
I have audited the financial statements of the Commission for Energy Regulation for the year ended 31 December 2009 under the Electricity Regulation Act, 1999 as amended by the Gas (Interim) (Regulation) Act, 2002.

The financial statements, which have been prepared under the accounting policies set out therein, comprise the Statement of Accounting Policies, the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes.

Respective Responsibilities of the Commission and the Comptroller and Auditor General

The Commission is responsible for preparing the financial statements in the form and manner provided under the Electricity Regulation Act, 1999 as amended by the Gas (Interim) (Regulation) Act, 2002, and for ensuring the regularity of transactions. The Commission prepares the financial statements in accordance with Generally Accepted Accounting Practice in Ireland. The accounting responsibilities of the Members of the Commission are set out in the Statement of Members’ Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report my opinion as to whether the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland. I also report whether in my opinion proper books of account have been kept. In addition, I state whether the financial statements are in agreement with the books of account.

I report any material instance where moneys have not been applied for the purposes intended or where the transactions do not conform to the authorities governing them.

I also report if I have not obtained all the information and explanations necessary for the purposes of my audit.

I review whether the Statement on Internal Financial Control reflects the Commission’s compliance with the Code of Practice for the Governance of State Bodies and report any material instance where it does not do so, or if the statement is misleading or inconsistent with other information of which I am aware from my audit of the financial statements. I am not required to consider whether the Statement on Internal Financial Control covers all financial risk and controls, or to form an opinion on the effectiveness of the risk and control procedures.
I read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

**Basis of Audit Opinion**

In the exercise of my function as Comptroller and Auditor General, I conducted my audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and by reference to the special considerations which attach to State bodies in relation to their management and operation. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures and regularity of the financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgments made in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Commission’s circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations that I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In my opinion, the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the Commission’s affairs at 31 December 2009 and of its income and expenditure for the year then ended.

In my opinion, proper books of account have been kept by the Commission. The Financial Statements are in agreement with the books of account.

*Andrew Harkness*
*For and on behalf of Comptroller and Auditor General*
*15 November 2010*
Statement of Members’ Responsibilities

Paragraph 25 of the Schedule to the Electricity Regulation Act, 1999 as amended by Section 22 of the Gas (Interim) (Regulation) Act, 2002 requires the Commission to prepare financial statements in such form as may be approved by the Minister for Communications, Energy and Natural Resources with the concurrence of the Minister for Finance and to submit them for audit to the Comptroller and Auditor General. In preparing these financial statements, the Commission is required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- prepare the financial statements on the going concern basis, unless that basis is inappropriate
- disclose and explain any material departures from applicable accounting standards.

The Commission is responsible for keeping proper books of account, which disclose with reasonable accuracy at any time the financial position of the Commission and which enable it to ensure that the financial statements comply with Section 22 of the Gas (Interim) (Regulation) Act, 2002. The Commission is also responsible for safeguarding its assets and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Michael G. Tutty
On behalf of the Commission
Statement on Internal Financial Control

On behalf of the Commission for Energy Regulation I acknowledge our responsibility for ensuring that an effective system of internal financial control is maintained and operated.

The system can only provide reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected in a timely period.

The Commission has taken steps to ensure an appropriate control environment is in place by:

- Clearly defining management responsibilities and powers
- Establishing formal procedures for monitoring the activities and safeguarding the assets of the organisation
- Developing a culture of accountability across all levels of the organisation.

The Commission has established processes to identify and evaluate business risks by:

- Identifying the nature, extent and financial implication of risks facing the body including the extent and categories which it regards as acceptable;
- Assessing the likelihood of identified risks occurring;
- Working closely with Government and various Agencies to ensure that there is a clear understanding of the Commission’s goals and support for the Commission’s strategies to achieve those goals.

The system of internal financial control is based on a framework of regular management information, administration procedures including segregation of duties, and a system of delegation and accountability. In particular it includes:

- A comprehensive budgeting system with an annual budget which is reviewed and agreed by the Members of the Commission;
- Regular reviews by the Commission of periodic and annual financial reports which indicate financial performance against forecasts;
- Setting targets to measure financial and other performance;
- Formal project management disciplines.

The Commission has an internal audit function, which operates in accordance with the Framework Codes of Best Practice set out in the Code of Practice on the Governance of State Bodies. The work of internal audit is informed by analysis of the risks to which the body is exposed, and annual internal audit plans are based on this analysis. The analysis of risk and the internal audit plans are endorsed by the Audit Committee and approved by the Commission. At least annually, the Internal Auditor provides the Commission with a report of internal audit activity. The report includes the Internal Auditor’s opinion on the adequacy and effectiveness of the system of internal financial control. The Commission’s
monitoring and review of the effectiveness of the system of internal financial control is informed by the work of the internal auditor, the audit committee which oversees the work of the internal auditor, the executive managers within the Commission who have responsibility for the development and maintenance of the financial control framework, and comments made by the Comptroller and Auditor General in his management letter.

A review of the effectiveness of the system of internal financial controls was carried out in 2009.

On behalf of the Commission

Michael G. Tutty
Chairperson
Statement of Accounting Policies

1. Basis of Accounts

The financial statements are prepared under the accruals method of accounting, except as indicated below, and in accordance with generally accepted accounting principles under the historical cost convention. Financial Reporting Standards recommended by the recognised accountancy bodies are adopted, as they become operative.

2. Income Recognition

Electricity and Gas levy income is brought to account over the period to which it relates.

Licence income from authorisations to construct, generate and supply is brought to account in the year in which the licence is issued.

3. Fixed Assets and Depreciation

Fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated in order to write off fixed assets on a straight-line basis over their estimated useful lives at the following rates:

- Fixtures and Fittings 15%
- Office Equipment 15%
- Computer Hardware 33 1/3%
- Computer Software 50%
- Leasehold Improvement 4%

4. Foreign Currencies

Transactions denominated in foreign currencies relating to revenues and costs are translated into Euro at the rates of exchange ruling on the dates on which the transactions occurred.

Monetary assets and liabilities denominated in foreign currencies are translated into Euro at the rates of exchange at the Balance Sheet date.

5. Pensions

A defined-benefit pension scheme is in place for all employees of the Commission for Energy Regulation. The scheme is funded by contributions from the Commission and employees, which are transferred to a separate trustee administered fund.
The pension charge in the Income and Expenditure account comprises the current service cost plus the
difference between the expected return on scheme assets and the interest cost of scheme liabilities.

Actuarial gains and losses arising from changes in actuarial assumptions and from experience surpluses
and deficits are recognised in the statement of total recognised gains and losses for the year in which
they occur.

Pension scheme assets are measured at fair value. Pension scheme liabilities are measured on an
actuarial basis using the projected unit’s method. An excess of scheme liabilities over scheme assets is
presented on the Balance Sheet as a liability.

6. Taxation

The Commission is not liable for Corporation Tax. Provision is made for taxation on deposit interest
received. Income raised by the Commission is not subject to VAT.

7. Capital Account

The capital account represents the unamortised value of income used for capital purposes.

8. Allocation of costs

In the discharge of the Commission’s functions under section 22 of the Gas (Interim) (Regulation) Act
2002 the financial statements identify all elements of cost and revenue separately in regard to the gas
and electricity sectors.

In drawing up the separate accounts of the Commission, a set of accounting procedures for the
allocation of assets, liabilities, income and expenditure is adhered to:

- Revenues, expenses and capital expenditure directly incurred by each sector are recorded in
  the separate accounts of the electricity and gas sectors. Shared costs are allocated to each
  sector in proportion to the staff numbers engaged in each sector.
## Income and Expenditure Account

for the year ended 31 December 2009

<table>
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<tr>
<th>Notes</th>
<th>2009 Gas Euro</th>
<th>2009 Electricity Euro</th>
<th>2009 Total Euro</th>
<th>2008 Total Euro</th>
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<tbody>
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<td><strong>INCOME</strong></td>
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<td>Levy</td>
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<td>Licensing Fees</td>
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<td>Other Income</td>
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<td><strong>Gross Income</strong></td>
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<td>Transfer from / (to) capital account</td>
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<tr>
<td><strong>Net Income</strong></td>
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<td></td>
<td>2,757,675</td>
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</table>

<table>
<thead>
<tr>
<th>Notes</th>
<th>2009 Gas Euro</th>
<th>2009 Electricity Euro</th>
<th>2009 Total Euro</th>
<th>2008 Total Euro</th>
</tr>
</thead>
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<td><strong>EXPENDITURE</strong></td>
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<td>Direct Wages &amp; Salaries</td>
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<td>Pension Costs</td>
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<td>Recruitment and Training</td>
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<td>Office Accommodation Expenses</td>
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<td>80,912</td>
<td>202,729</td>
<td>283,641</td>
</tr>
<tr>
<td>Office Service Costs</td>
<td></td>
<td>13,492</td>
<td>26,034</td>
<td>39,526</td>
</tr>
<tr>
<td>Insurance Premiums</td>
<td></td>
<td>14,748</td>
<td>29,943</td>
<td>44,691</td>
</tr>
<tr>
<td>Advertising</td>
<td></td>
<td>143,468</td>
<td>46,337</td>
<td>189,805</td>
</tr>
<tr>
<td>Professional &amp; Consultancy Fees</td>
<td>4</td>
<td>601,140</td>
<td>1,480,802</td>
<td>2,081,942</td>
</tr>
<tr>
<td>SEM Committee Fees</td>
<td></td>
<td>0</td>
<td>99,913</td>
<td>99,913</td>
</tr>
<tr>
<td>Audit fees</td>
<td></td>
<td>4,312</td>
<td>8,096</td>
<td>12,408</td>
</tr>
<tr>
<td>Internal Audit plus Process Audit fees</td>
<td></td>
<td>10,925</td>
<td>22,882</td>
<td>33,807</td>
</tr>
<tr>
<td>Other Expenses</td>
<td></td>
<td>26,487</td>
<td>54,464</td>
<td>80,951</td>
</tr>
<tr>
<td>Depreciation</td>
<td></td>
<td>97,547</td>
<td>240,668</td>
<td>338,215</td>
</tr>
<tr>
<td>Loss on Disposal of Leasehold Improvement</td>
<td></td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,407,988</td>
<td>7,025,066</td>
<td>10,433,054</td>
<td>10,813,703</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Notes</th>
<th>2009 Gas Euro</th>
<th>2009 Electricity Euro</th>
<th>2009 Total Euro</th>
<th>2008 Total Euro</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surplus / (Deficit) for the year</td>
<td>(650,313)</td>
<td>(2,720,191)</td>
<td>(3,370,504)</td>
<td>408,488</td>
</tr>
<tr>
<td>Surplus brought forward</td>
<td>2,409,401</td>
<td>5,325,839</td>
<td>7,735,240</td>
<td>7,326,752</td>
</tr>
<tr>
<td><strong>Operating Surplus at 31 December</strong></td>
<td>1,759,088</td>
<td>2,605,648</td>
<td>4,364,736</td>
<td>7,735,240</td>
</tr>
</tbody>
</table>

The Statement of Accounting Policies and Notes 1 to 13 form part of these Financial Statements

**Michael G. Tutty**

**On behalf of the Commission**
# Statement of Total Recognised Gains and Losses

for the year ended 31 December 2009

<table>
<thead>
<tr>
<th>Description</th>
<th>Notes</th>
<th>2009 Total Euro</th>
<th>2008 Total Euro</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surplus/(Deficit) for the year</td>
<td></td>
<td>(3,370,504)</td>
<td>408,488</td>
</tr>
<tr>
<td>Actual return less expected return on pension scheme assets</td>
<td>9 (biii)</td>
<td>714,427</td>
<td>(2,288,833)</td>
</tr>
<tr>
<td>Experience gains / (losses) on pension scheme liabilities</td>
<td>9 (d)</td>
<td>198,000</td>
<td>(877,000)</td>
</tr>
<tr>
<td>Changes in assumptions underlying the present value of pension scheme liabilities</td>
<td>9 (bii)</td>
<td>(99,000)</td>
<td>67,000</td>
</tr>
<tr>
<td>Transfers in for prior service</td>
<td>9 (biii)</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Actuarial (Loss) / Gain</strong></td>
<td></td>
<td>813,427</td>
<td>(3,098,833)</td>
</tr>
<tr>
<td><strong>Total Recognised (Losses)/Gains relating to the Financial Year</strong></td>
<td></td>
<td>(2,557,077)</td>
<td>(2,690,345)</td>
</tr>
</tbody>
</table>

Michael G. Tutty  
On behalf of the Commission
## Balance Sheet

for the year ended 31 December 2009

<table>
<thead>
<tr>
<th></th>
<th>Notes</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fixed Assets</strong></td>
<td></td>
<td>Total Euro</td>
<td>Total Euro</td>
</tr>
<tr>
<td>Tangible Assets</td>
<td>5</td>
<td>3,031,693</td>
<td>3,346,193</td>
</tr>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debtors</td>
<td>6</td>
<td>343,298</td>
<td>903,188</td>
</tr>
<tr>
<td>Cash at Bank and in hand</td>
<td></td>
<td>485,782</td>
<td>536,127</td>
</tr>
<tr>
<td>Short Term Deposits</td>
<td></td>
<td>3,771,404</td>
<td>6,638,599</td>
</tr>
<tr>
<td><strong>Creditors</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Amounts falling due within one year)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Creditors</td>
<td>7</td>
<td>1,184,627</td>
<td>1,050,981</td>
</tr>
</tbody>
</table>

**Net Current Assets excluding pension Liability**

Net Current Assets including pension Liability

<table>
<thead>
<tr>
<th></th>
<th>Notes</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Current Assets excluding pension Liability</strong></td>
<td>3,415,857</td>
<td>7,026,934</td>
<td></td>
</tr>
<tr>
<td>Pension Liability</td>
<td>9(bi)</td>
<td>(3,097,000)</td>
<td>(4,151,000)</td>
</tr>
<tr>
<td><strong>Net Current Assets including pension Liability</strong></td>
<td>318,857</td>
<td>2,875,934</td>
<td></td>
</tr>
</tbody>
</table>

**Total Assets Less Current Liabilities**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Account</td>
<td>8</td>
<td>3,031,693</td>
<td>3,346,193</td>
</tr>
<tr>
<td>Income and Expenditure Account</td>
<td>10(b)</td>
<td>4,364,736</td>
<td>7,735,240</td>
</tr>
<tr>
<td>Pension Reserve</td>
<td>10(a)</td>
<td>(4,045,879)</td>
<td>(4,859,306)</td>
</tr>
<tr>
<td><strong>Reserves including pension liability</strong></td>
<td>3,350,550</td>
<td>6,222,127</td>
<td></td>
</tr>
</tbody>
</table>

The Statement of Accounting Policies and Notes 1 to 13 form part of these Financial Statements

---

Michael G. Tutty  
On behalf of the Commission
Cashflow Statement
for the year ended 31 December 2009

<table>
<thead>
<tr>
<th>Reconciliation of operating surplus to net cash inflow from operating activities</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surplus / (Deficit) on Income and Expenditure</td>
<td>(3,370,504)</td>
<td>408,488</td>
</tr>
<tr>
<td>Difference between Pension Costs and Employers Contribution</td>
<td>(240,574)</td>
<td>(373,834)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>338,215</td>
<td>358,813</td>
</tr>
<tr>
<td>Bank Interest</td>
<td>(33,259)</td>
<td>(203,621)</td>
</tr>
<tr>
<td>Transfer (from) / to capital account</td>
<td>(314,499)</td>
<td>(272,927)</td>
</tr>
<tr>
<td>(Increase) / Decrease in Debtors</td>
<td>559,892</td>
<td>(624,019)</td>
</tr>
<tr>
<td>(Decrease) / Increase in Creditors</td>
<td>133,646</td>
<td>(146,119)</td>
</tr>
<tr>
<td>Loss on disposal of fixed assets</td>
<td></td>
<td>10,232</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net Cash Inflow / (Outflow) From Operating Activities</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(2,927,083)</td>
<td>(842,987)</td>
</tr>
</tbody>
</table>

| Cash Flow Statement
Net cash inflow / (outflow) from operating activities | 2009  | 2008  |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Returns on Investments</td>
<td>(2,927,083)</td>
<td>(842,987)</td>
</tr>
<tr>
<td>- bank interest</td>
<td>33,259</td>
<td>203,621</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- purchase of fixed assets</td>
<td>(23,716)</td>
<td>(96,117)</td>
</tr>
<tr>
<td>Management of Liquid Resources</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- short term deposits</td>
<td>2,867,195</td>
<td>596,976</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Increase / (Decrease) in Cash Balances</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(50,345)</td>
<td>(138,507)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Reconciliation of net cash flow to movement in net funds</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase / (Decrease) in cash in hand in the period</td>
<td>(50,345)</td>
<td>(138,507)</td>
</tr>
<tr>
<td>Cash used to increase/(decrease) liquid resources</td>
<td>(2,867,195)</td>
<td>(596,976)</td>
</tr>
<tr>
<td>Cash (Inflow) / Outflow from increase/ reduction in Debt</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Change in net funds</td>
<td>(2,917,540)</td>
<td>(735,483)</td>
</tr>
<tr>
<td>Opening Net funds</td>
<td>7,174,726</td>
<td>7,910,209</td>
</tr>
<tr>
<td>Closing Net funds</td>
<td>4,257,186</td>
<td>7,174,726</td>
</tr>
</tbody>
</table>

The Statement of Accounting Policies and Notes 1 to 13 form part of these Financial Statements

Michael G. Tutty
On behalf of the Commission
Notes to the Financial Statements
for the year ended 31 December 2009

1. Establishment of the Commission

The Commission for Electricity Regulation was initially established on 14 July 1999 under the provisions of the Electricity Regulation Act 1999 (No. 23 of 1999). The enactment of the Gas (Interim) (Regulation) Act 2002 expanded the Commission’s jurisdiction to include regulation of the natural gas market on 30 April 2002. The Commission was renamed the Commission for Energy Regulation (CER) to reflect this increased responsibility.

The Minister for Communications, Energy and Natural Resources, with the agreement of the Minister of Finance expanded the Commission to a three member Commission on 13 October 2004, as provided under Schedule 1 of the Electricity Regulation Act 1999. Commissioner Michael G. Tuty was appointed as Chairperson on 13 October 2008. The other Member of the Commission is Commissioner Dermot Nolan who commenced his appointment with the Commission on 1 July 2008. Commissioner Tom Reeves retired from his post as Member of the Commission on 4 September 2009.

2. Income

Levy

For the purpose of meeting its expenses under the Electricity Regulation Act, 1999 as amended, the Commission may impose a levy on the relevant energy undertakings. The Commission imposed a levy on the relevant energy undertakings for each activity of transmission, distribution, generation, supply or shipping that is carried out in Ireland as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Generation</td>
<td>0</td>
<td>1,064,001</td>
<td>1,064,001</td>
<td>1,346,705</td>
</tr>
<tr>
<td>Transmission</td>
<td>884,152</td>
<td>1,010,784</td>
<td>1,894,936</td>
<td>3,158,540</td>
</tr>
<tr>
<td>Distribution</td>
<td>884,152</td>
<td>1,010,784</td>
<td>1,894,936</td>
<td>3,158,536</td>
</tr>
<tr>
<td>Supply</td>
<td>0</td>
<td>926,602</td>
<td>926,602</td>
<td>1,240,502</td>
</tr>
<tr>
<td>Shipping</td>
<td>885,667</td>
<td>0</td>
<td>885,667</td>
<td>1,779,669</td>
</tr>
<tr>
<td></td>
<td>2,653,971</td>
<td>4,012,171</td>
<td>6,666,142</td>
<td>10,683,952</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other Income</th>
<th>2009 Euro</th>
<th>2009 Euro</th>
<th>2008 Euro</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank Interest</td>
<td>10,854</td>
<td>22,405</td>
<td>33,259</td>
</tr>
<tr>
<td>Other</td>
<td>135</td>
<td>797</td>
<td>932</td>
</tr>
<tr>
<td></td>
<td><strong>10,989</strong></td>
<td><strong>23,202</strong></td>
<td><strong>34,191</strong></td>
</tr>
</tbody>
</table>

Gas Shipping Income includes an amount of €1,515 in respect of unsecured creditors claim at the date of liquidation of Irish Fertilizer Industries.
3. Employees and Remuneration

(a) Employee costs during the year:

<table>
<thead>
<tr>
<th></th>
<th>2009 Total</th>
<th>2009 Total</th>
<th>2009 Total</th>
<th>2008 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Gas Euro</td>
<td>Electricity Euro</td>
<td>Total</td>
<td>Euro</td>
</tr>
<tr>
<td>Salaries</td>
<td>1,619,797</td>
<td>3,238,848</td>
<td>4,858,645</td>
<td>4,409,403</td>
</tr>
<tr>
<td>Employer PRSI</td>
<td>144,116</td>
<td>287,662</td>
<td>431,778</td>
<td>422,711</td>
</tr>
<tr>
<td></td>
<td>1,763,913</td>
<td>3,526,510</td>
<td>5,290,423</td>
<td></td>
</tr>
</tbody>
</table>

The average number of employees during the year, analysed by sector was as follows: 21 46 67 63

The Commission operate a performance management scheme as approved by the Department of Finance and the Department of Communications, Energy and Natural Resources. Of the total employee costs of €5,290,423 during 2009, €281,840 represents the costs associated with the scheme.

(b) Pension Related Deduction as provided under the Financial Emergency Measures in the Public Interest Act, 2009

During 2009 €296,834 pension related deductions were made from the staff of the CER and paid over to the Department of Communications, Energy and Natural Resources.

(c) Commission Members’ Emoluments

<table>
<thead>
<tr>
<th>Member</th>
<th>2009 Expenses</th>
<th>2009 Total</th>
<th>2008 Expenses</th>
<th>2008 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Michael G. Tutty, Chairperson 2009</td>
<td>10,055</td>
<td>10,055</td>
<td>8,370</td>
<td>8,370</td>
</tr>
<tr>
<td>Tom Reeves, Chairperson 2008</td>
<td>1,362</td>
<td>1,362</td>
<td>11,069</td>
<td>11,069</td>
</tr>
<tr>
<td>Dermot Nolan</td>
<td>2,214</td>
<td>2,214</td>
<td>1,336</td>
<td>1,336</td>
</tr>
<tr>
<td>Total</td>
<td>13,631</td>
<td>13,631</td>
<td>20,775</td>
<td>20,775</td>
</tr>
</tbody>
</table>

The Chairperson’s Remuneration package for 2009 was made up as follows: Annual basic salary €229,911 (2008: €228,311) and Employers Pension Contribution €37,144 (2008: €36,891). The Chairperson’s pension related deduction for 2009 was €18,356. The Chairperson and Members of the Commission do not receive any performance related payments. The Chairperson’s pension entitlements do not extend beyond the standard entitlements in the public sector defined benefit superannuation scheme. Expenses include the following categories: mileage, train fares, subsistence, airfares, hotel accommodation, and sundry items primarily associated with the Chairperson’s attendance at the Council of European Energy Regulators and ERGEG meetings.
During 2009 the following member of the Commission retired: Mr. Tom Reeves. In acknowledgement of the retirement of the founding Member of the Commission after 10 years service with the Commission, an event was hosted by the CER on the 4th September 2009 for 191 invited guests from industry and staff at a cost of €7,333.

4. Professional and Consultancy Fees

The Commission engages consultants in respect of economic, technical, legal, IT and financial services usually on a fixed fee basis, for a defined period of time to perform specific self-contained tasks or projects. During 2009, the Commission procured services for each activity of electricity, gas and safety regulation as follows:

<table>
<thead>
<tr>
<th>Activity</th>
<th>Electricity Euro</th>
<th>Gas Euro</th>
<th>Safety Euro</th>
<th>Total Euro</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical</td>
<td>615,333</td>
<td>94,932</td>
<td>505,136</td>
<td>1,215,401</td>
</tr>
<tr>
<td>Economic</td>
<td>505,381</td>
<td>18,225</td>
<td>0</td>
<td>523,606</td>
</tr>
<tr>
<td>Financial</td>
<td>105,836</td>
<td>0</td>
<td>0</td>
<td>105,836</td>
</tr>
<tr>
<td>IT</td>
<td>92,548</td>
<td>30,301</td>
<td>0</td>
<td>122,849</td>
</tr>
<tr>
<td>Legal</td>
<td>83,514</td>
<td>15,431</td>
<td>15,305</td>
<td>114,250</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,402,612</strong></td>
<td><strong>158,889</strong></td>
<td><strong>520,441</strong></td>
<td><strong>2,081,942</strong></td>
</tr>
</tbody>
</table>

5. Tangible Assets

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Leasehold Improvement Euro</th>
<th>Fixtures &amp; Fittings Euro</th>
<th>Office Equipment Euro</th>
<th>Computer Hardware Euro</th>
<th>Computer Software Euro</th>
<th>Total Euro</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 31 December 2008</td>
<td>2,960,977</td>
<td>639,171</td>
<td>241,856</td>
<td>372,347</td>
<td>283,485</td>
<td>4,497,836</td>
</tr>
<tr>
<td>Additions</td>
<td>0</td>
<td>0</td>
<td>406</td>
<td>10,299</td>
<td>13,011</td>
<td>23,716</td>
</tr>
<tr>
<td>At 31 December 2009</td>
<td>2,960,977</td>
<td>639,171</td>
<td>242,262</td>
<td>382,646</td>
<td>296,496</td>
<td>4,521,552</td>
</tr>
<tr>
<td><strong>Accumulated Depreciation:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 31 December 2008</td>
<td>265,651</td>
<td>260,821</td>
<td>118,322</td>
<td>321,235</td>
<td>185,615</td>
<td>1,151,644</td>
</tr>
<tr>
<td>Charge for the year</td>
<td>118,436</td>
<td>83,624</td>
<td>31,013</td>
<td>32,229</td>
<td>72,913</td>
<td>338,215</td>
</tr>
<tr>
<td>At 31 December 2009</td>
<td>384,087</td>
<td>344,445</td>
<td>149,335</td>
<td>353,464</td>
<td>258,528</td>
<td>1,489,859</td>
</tr>
<tr>
<td><strong>Net Book Value:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 31 December 2009</td>
<td>2,576,890</td>
<td>294,726</td>
<td>92,927</td>
<td>29,182</td>
<td>37,968</td>
<td>3,031,693</td>
</tr>
<tr>
<td>At 31 December 2008</td>
<td>2,695,326</td>
<td>378,350</td>
<td>123,534</td>
<td>51,112</td>
<td>97,870</td>
<td>3,346,193</td>
</tr>
</tbody>
</table>
6. **Debtors (due within one year)**

<table>
<thead>
<tr>
<th></th>
<th>2009 Euro</th>
<th>2008 Euro</th>
</tr>
</thead>
<tbody>
<tr>
<td>Levy – Gas</td>
<td>77,241</td>
<td>365</td>
</tr>
<tr>
<td>Levy – Electricity</td>
<td>112,743</td>
<td>687,137</td>
</tr>
<tr>
<td>SEM Costs due from NIAUR</td>
<td>27,154</td>
<td>91,150</td>
</tr>
<tr>
<td>Other</td>
<td>78,568</td>
<td>9,950</td>
</tr>
<tr>
<td>Prepayments</td>
<td>47,592</td>
<td>114,586</td>
</tr>
<tr>
<td></td>
<td><strong>343,298</strong></td>
<td><strong>903,188</strong></td>
</tr>
</tbody>
</table>

The Single Electricity Market (‘SEM’) was established in November 2007. The legal framework establishes new powers and duties for the Commission and Northern Ireland Authority for Utility Regulation (NIAUR) in relation to the regulation of the SEM. Costs are shared in equal proportions with respect to SEM Committee fees and consultancy support.

7. **Creditors (Amounts falling due within one year)**

<table>
<thead>
<tr>
<th></th>
<th>2009 Euro</th>
<th>2008 Euro</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade Creditors</td>
<td>(71)</td>
<td>(24,173)</td>
</tr>
<tr>
<td>Accrual – Rent</td>
<td>34,328</td>
<td>0</td>
</tr>
<tr>
<td>Accrual – Consultancy and Professional fees</td>
<td>732,115</td>
<td>543,169</td>
</tr>
<tr>
<td>Accrual – Other Creditors</td>
<td>86,219</td>
<td>170,898</td>
</tr>
<tr>
<td>PAYE / PRSI</td>
<td>279,702</td>
<td>299,594</td>
</tr>
<tr>
<td>Payroll</td>
<td>(229)</td>
<td>(736)</td>
</tr>
<tr>
<td>Professional Services Withholding Tax</td>
<td>52,563</td>
<td>62,229</td>
</tr>
<tr>
<td></td>
<td><strong>1,184,627</strong></td>
<td><strong>1,050,981</strong></td>
</tr>
</tbody>
</table>

8. **Capital Account**

<table>
<thead>
<tr>
<th></th>
<th>2009 Gas</th>
<th>2009 Electricity</th>
<th>2009 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance</td>
<td>816,316</td>
<td>2,529,876</td>
<td>3,346,192</td>
</tr>
<tr>
<td>Funds allocated to acquire fixed assets</td>
<td>4,832</td>
<td>18,884</td>
<td>23,716</td>
</tr>
<tr>
<td>Amount amortised in line with asset depreciation</td>
<td>(97,547)</td>
<td>(240,668)</td>
<td>(338,215)</td>
</tr>
<tr>
<td>Amortisation in respect of fixed assets disposed of</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Net amount of transfer</td>
<td>(92,715)</td>
<td>(221,784)</td>
<td>(314,499)</td>
</tr>
<tr>
<td></td>
<td><strong>723,601</strong></td>
<td><strong>2,308,092</strong></td>
<td><strong>3,031,693</strong></td>
</tr>
</tbody>
</table>
## 9. Pensions

<table>
<thead>
<tr>
<th>A) Pension Costs</th>
<th>2009 €’000</th>
<th>2008 €’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current service cost</td>
<td>882</td>
<td>695</td>
</tr>
<tr>
<td>Interest Cost</td>
<td>500</td>
<td>392</td>
</tr>
<tr>
<td>Expected return on Scheme Assets</td>
<td>(357)</td>
<td>(394)</td>
</tr>
<tr>
<td>Less: Employees Contributions</td>
<td>(234)</td>
<td>(211)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>791</strong></td>
<td><strong>482</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>B) Net Pension Liability</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Present value of funded obligations</td>
<td>9,594</td>
<td>8,326</td>
</tr>
<tr>
<td>Fair value of scheme assets</td>
<td>(6,497)</td>
<td>(4,175)</td>
</tr>
<tr>
<td><strong>Net Liability (Asset)</strong></td>
<td><strong>3,097</strong></td>
<td><strong>4,151</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Bii) Present Value of Scheme Obligations at beginning of year</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Service Cost</td>
<td>893</td>
<td>695</td>
</tr>
<tr>
<td>Interest Cost</td>
<td>500</td>
<td>392</td>
</tr>
<tr>
<td>Actuarial (Gain) / Loss</td>
<td>(99)</td>
<td>810</td>
</tr>
<tr>
<td>Premiums Paid</td>
<td>(26)</td>
<td>(35)</td>
</tr>
<tr>
<td><strong>Present Value of Scheme Obligations at end of year</strong></td>
<td><strong>9,594</strong></td>
<td><strong>8,326</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Biii) Change in Scheme assets</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair Value of Scheme Assets at beginning of year</td>
<td>4,175</td>
<td>5,038</td>
</tr>
<tr>
<td>Expected return on Scheme Assets</td>
<td>357</td>
<td>394</td>
</tr>
<tr>
<td>Actuarial Gain / (Loss)</td>
<td>714</td>
<td>(2,289)</td>
</tr>
<tr>
<td>Employer Contributions</td>
<td>1,032</td>
<td>856</td>
</tr>
<tr>
<td>Members’ Contributions</td>
<td>234</td>
<td>211</td>
</tr>
<tr>
<td>Transfers in for prior service</td>
<td>11</td>
<td>0</td>
</tr>
<tr>
<td>Benefits paid from Scheme</td>
<td>(26)</td>
<td>(35)</td>
</tr>
<tr>
<td><strong>Fair Value of Scheme Assets at end of year</strong></td>
<td><strong>6,497</strong></td>
<td><strong>4,175</strong></td>
</tr>
</tbody>
</table>

The current practice of increasing pensions in line with public sector salary inflation is taken into account in measuring the defined benefit obligation.

## c) Description of Scheme and Actuarial Assumptions

The pension scheme is a defined benefit final salary pension arrangements with benefits defined by reference to current “model” public sector scheme regulations. Employer and employee contribution rates are set having regard to actuarial advice and periodic review on the funding rate required for the scheme. The scheme provides a pension (eightieths per year of service), a gratuity or lump sum (three eightieths per year of service) and spouse’s and children’s pensions. Normal Retirement Age is a member’s 65th birthday, and pre 2004 members have an entitlement to retire without actuarial reduction from age 60. Pensions in payment (and deferment) normally increase in line with general public sector salary inflation.
The Financial assumptions used for FRS17 purposes were:

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount Rate</td>
<td>5.40%</td>
<td>5.70%</td>
</tr>
<tr>
<td>Salary Increases</td>
<td>4.00%</td>
<td>4.00%</td>
</tr>
<tr>
<td>Pension Increases</td>
<td>3.50%</td>
<td>3.50%</td>
</tr>
<tr>
<td>Inflation Increases</td>
<td>2.25%</td>
<td>2.25%</td>
</tr>
<tr>
<td>Long term rate of return on assets</td>
<td>7.21%</td>
<td>7.43%</td>
</tr>
</tbody>
</table>

Assumptions regarding future mortality experience are set based on published mortality tables (PMA92/PFA92) prepared for the Actuarial Profession in the U.K. by the Continuous Mortality Investigation Bureau tables. The mortality assumptions chosen are based on standard tables reflecting typical pensioner mortality and they allow for increasing life expectancy over time.

The weighted average life expectancy, for post-retirement mortality tables used to determine benefit obligations at:

- Male Member age 65 (current life expectancy): 22.7 20.7
- Male Member age 40 (life expectancy at age 65): 21.8 21.8

The scheme assets at the year-end comprised:

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equities</td>
<td>75.2%</td>
<td>70.2%</td>
</tr>
<tr>
<td>Bonds</td>
<td>11.3%</td>
<td>16.9%</td>
</tr>
<tr>
<td>Property</td>
<td>5.3%</td>
<td>9.1%</td>
</tr>
<tr>
<td>Other</td>
<td>8.2%</td>
<td>3.8%</td>
</tr>
<tr>
<td></td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Actual return less expected return on scheme assets

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual Return</td>
<td>1,071</td>
<td>(1,895)</td>
</tr>
<tr>
<td>Less: Expected return</td>
<td>(357)</td>
<td>(394)</td>
</tr>
<tr>
<td></td>
<td>714</td>
<td>(2,289)</td>
</tr>
</tbody>
</table>

In developing the expected long-term rate of return on assets assumption, the Commission considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class is then weighted based on the actual asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. This resulted in the selection of the 7.21% assumption.
d) History of defined benefit obligations, assets and experience gains and losses

<table>
<thead>
<tr>
<th></th>
<th>2009 €'000</th>
<th>2008 €'000</th>
<th>2007 €'000</th>
<th>2006 €'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defined benefit obligations</td>
<td>9,594</td>
<td>8,326</td>
<td>6,464</td>
<td>6,644</td>
</tr>
<tr>
<td>Fair value of Scheme Assets</td>
<td>6,497</td>
<td>4,175</td>
<td>5,038</td>
<td>4,079</td>
</tr>
<tr>
<td>Deficit (Surplus) for funded scheme</td>
<td>3,097</td>
<td>4,151</td>
<td>1,426</td>
<td>2,565</td>
</tr>
<tr>
<td>Experience (gains) / losses on Scheme Liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>amount</td>
<td>(198)</td>
<td>877</td>
<td>(445)</td>
<td>868</td>
</tr>
<tr>
<td>percentage of scheme liabilities</td>
<td>2.1%</td>
<td>10.5%</td>
<td>(6.9%)</td>
<td>13%</td>
</tr>
</tbody>
</table>

e) Funding of Pensions

The Commission expects to contribute €942,000 to its pension scheme in 2010.

f) Prior pensionable service

The assets and liabilities of the pension schemes relate to retirement benefits arising from service with the Commission. Two Commission members and six staff members have superannuation entitlements arising from service with other public sector bodies prior to their joining the Commission. The Commission is entitled to recover the cost of funding the prior service from other public bodies under the terms of its membership of the Public Service Transfer Network.

10. Reconciliation of movements in Reserves

10(a) Pension Reserve

<table>
<thead>
<tr>
<th></th>
<th>Income &amp; Expenditure Account €'000</th>
<th>Capital Account €'000</th>
<th>Pension Reserve €'000</th>
<th>Total €'000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Gas Electricity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opening Balance at 1 January</td>
<td>2,409 5,326</td>
<td>3,346 (4,859)</td>
<td>6,222</td>
<td></td>
</tr>
<tr>
<td>Surplus/(Deficit) for the Financial Year</td>
<td>(650) (2,720)</td>
<td></td>
<td>(3,370)</td>
<td></td>
</tr>
<tr>
<td>Net Movement in Capital</td>
<td></td>
<td>(314)</td>
<td>(314)</td>
<td></td>
</tr>
<tr>
<td>Actuarial Gain/ (Loss)</td>
<td></td>
<td></td>
<td>813</td>
<td>813</td>
</tr>
<tr>
<td>Closing Balance at 31 December</td>
<td>1,759 2,606</td>
<td>3,032 (4,046)</td>
<td>3,351</td>
<td></td>
</tr>
</tbody>
</table>
10(b) Accumulated Surplus for the year
In accordance with Paragraph 20 of the Schedule to the Electricity Regulation Act, 1999 the Commission is required to apply any excess of revenue over expenditure in any year to meet its expenses. Accordingly the accumulated surplus attributed to the electricity sector of €2,605,648 was taken into account in determining the levy order for 2010. The accumulated surplus attributed to the gas sector of €1,759,088 was taken into account in determining the levy order for 2010.

11. Interests of Members of the Commission
The Commission adopted procedures in accordance with the Code of Practice for the Governance of State Bodies issued by the Department of Finance in relation to the disclosure of interests by the Members of the Commission and these procedures have been adhered to in the year. There were no transactions in the year in relation to the Commission’s activities in which the Members of the Commission had any beneficial interest.

12. Commitments - Capital and Others
12.1 Capital Commitments:
The Commission had neither contracted for nor authorised any capital expenditure at the balance sheet date.

12.2 Operating Leases
The Commission has commitments of €411,933 payable within the next twelve months on foot of a twenty five-year lease for office accommodation at The Exchange, Belgard Square North, Tallaght, Dublin 24, leased from Breydon Developments Ltd.

13. Approval of Financial Statements
The Commission approved these financial statements on 10 November 2010.
Appendix B

CER Work Programme 2010

Key Task 1 - Electricity Retail
Consideration of electricity retail market de-regulation (roadmap)

Key Task 2 - Electricity Networks
Completion of five year reviews of electricity transmission and distribution businesses

Key Task 3 - Electricity Networks
Commence implementation of the Safety Framework for Petroleum Exploration & Extraction activities in line with the CER’s proposed new safety functions.

Key Task 4 - SEM
In cooperation with our colleagues in NIAUR, we will ensure continued smooth and stable oversight of the SEM and continue to progress work on Regional Market Integration.

Key Task 5 - Smart Metering & Smart Grids
Working closely with ESB Networks we will continue to progress the smart metering project and carry out further analysis of opportunities for smart grid development.

Key Task 6 - Customer Protection
Champion customer rights in the energy sector through energycustomers.ie service.

Key Task 7 - Gas Common Arrangements for Gas
Common Arrangements for Gas

Key Task 8 - Environmental / Renewables
Work to facilitate achievement of renewables targets in the context of CER’s functions and duties, including Gate 3 and other initiatives.

A full list of all 2010 work items for each business area of the CER can be found in the CER Work Plan 2010 which is available on www.cer.ie.