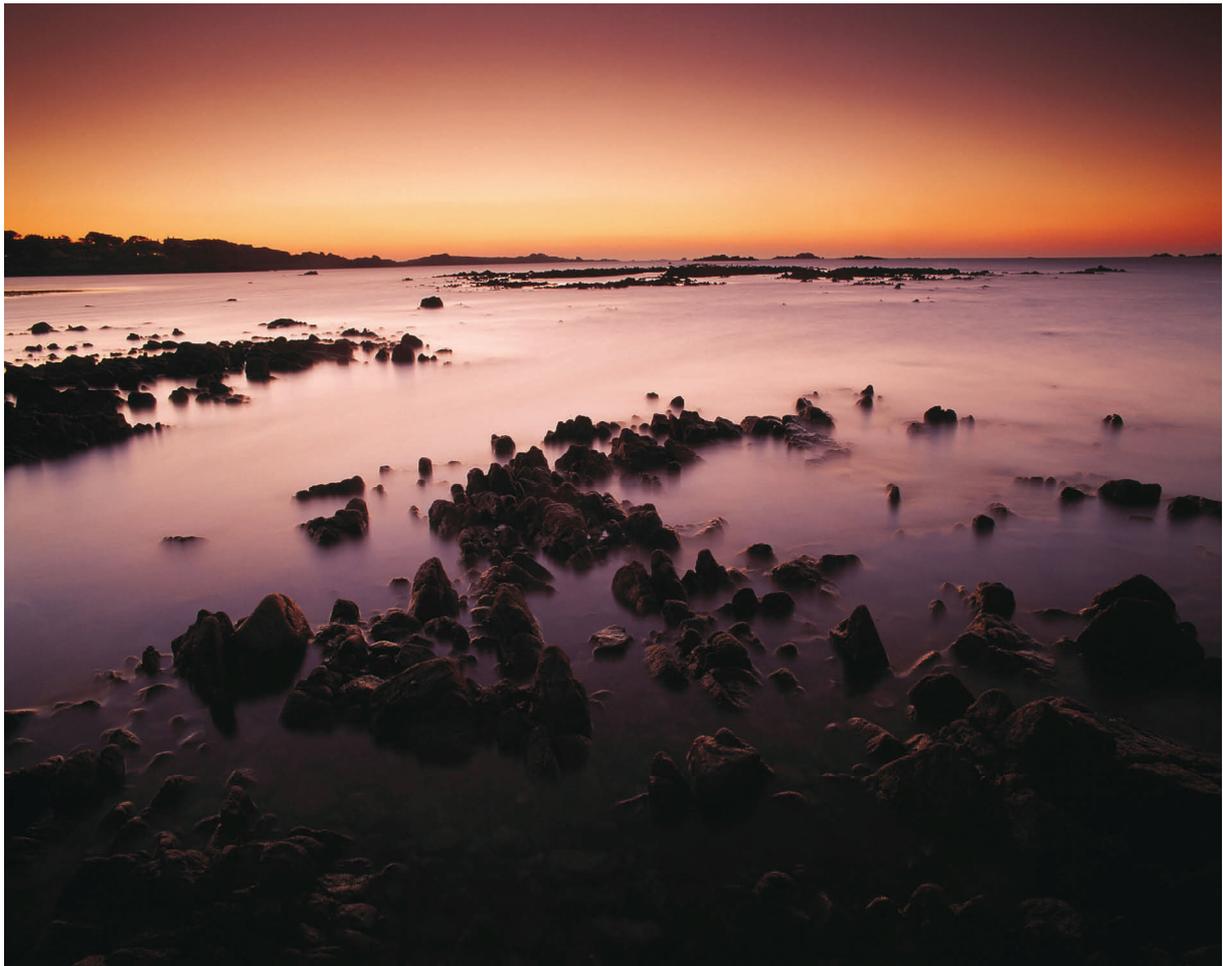


Office of Utility Regulation



Office of Utility Regulation

Annual Report and Accounts 2007

Office of Utility Regulation



17th July 2008

Deputy Carla McNulty Bauer,
Minister for Commerce and Employment,
Raymond Falla House,
Longue Rue,
St Martins,
Guernsey,
GY4 6AF

Dear Deputy McNulty Bauer,

I am pleased to submit this report on the activities of the Office of Utility Regulation for the period 1st January 2007 to 31st December 2007.

In accordance with section 8 of the Regulation of Utilities (Bailiwick of Guernsey) Law, 2001, I would be grateful if you would present this report to the States of Guernsey as soon as practicable.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'John Curran', is written over a light blue horizontal line.

John Curran
Director General

Suites B1 & B2, Hirzel Court, St Peter Port, Guernsey GY1 2NH
Tel: +44 7781 711120 Fax: +44 7781 711140 Web: www.regutil.gg

Office of Utility Regulation

Annual Report 2007

Contents:

Page 4:	Director General's Report
Page 6:	The Year In Brief
Page 7:	The Guernsey Regulatory Environment
Page 8:	About the OUR
Page 10:	Consultants and Communication
Page 11:	Electricity: Activity Report
Page 12:	Post: Activity Report
Page 13:	Telecoms: Activity Report
Page 16:	Report of the Director General and Financial Statements for the Year Ended 31 December 2007 for the Public Utilities Regulation Fund
Page 28:	OUR Corporate Governance
Page 34:	Annex A: States Directions
Page 37:	Annex B: Documents Published in 2007

Office of Utility Regulation

Annual Report 2007

Director General's Report

I am pleased to submit the OUR's Annual Report for 2007 to the States of Guernsey.

Through 2007, the OUR looked to ensure that our work, as the economic regulator for the three critical areas of telecommunications, electricity and post, continued to deliver benefits for consumers. Our role is about enhancing consumer welfare through ensuring consumers in the Bailiwick are provided with the most efficient, cost effective utility services possible whilst at the same time ensuring that the utility providers undertake the essential investment in networks and services across all three utilities.

There is a balancing act involved in our work but I believe that by concentrating on getting this balance correct, regulation provides the correct environment to ensure consumers long term interests are protected. Since regulation was introduced in 2001, the OUR's focus has been on ensuring that the three regulated markets work better for consumers and that they deliver better value, better service and where possible, greater choice.

In 2007, the OUR again ensured consumers interests in the monopoly markets of electricity and post are protected by putting in place price controls that cap the charges both Guernsey Post and Guernsey Electricity may charge. Reviews have been undertaken of the efficiency of both companies to ensure consumers are only asked to contribute towards costs that are efficiently incurred. In both companies, our reviews identified significant scope to improve the way the businesses are run and have taken account of such changes when setting tariffs. In April 2007, a new three year price control for Guernsey Post came into effect which will see postal tariffs increase over this period. In allowing these increases, we have sought significant efficiency savings from the company over the three year period of the control. The OUR also undertook, at the request of the Commerce & Employment Department, a review into the operation of the Low Value Consignment Relief (LVCR), a mechanism which is hugely important to the bulk mail sector and as a consequence to Guernsey Post and all postal users.

In the electricity sector, a four year price control was finalised for Guernsey Electricity which took effect from April 2007. The decision includes provision for an interim review at the end of 2008 to allow an assessment to be made of the impact of generation costs given the current economic climate in the energy market generally. The OUR also engaged with the Energy Policy Group on its work in developing a framework for the Island's energy market longer term and we look forward to this work in the future.

Developments in the mobile market in 2007 brought their own challenges. The public debate on the States' approach to supporting deployment of the infrastructure necessary to support the on-going development of competition raised many important issues. Central to it is an issue which runs across economic development in many other areas of business life in Guernsey; how to balance the need for protection of the Island's green spaces with the demand of consumers for enhanced services and the demands of business for support for growth.

In the telecoms market in particular, all operators will need to continue to invest to ensure the Bailiwick's telecoms infrastructure keeps pace with the demands of consumers. Wireless technology, and mobile in particular, is becoming an ever larger part of the telecoms market. This will invariably lead to a need to consider in a much more structured manner how the infrastructure necessary to support such progress can be supported whilst taking account of the wider needs and interests of the Bailiwick.

Office of Utility Regulation

Annual Report 2007

Director General's Report

Looking forward, we are now turning our attention to reducing the focus of regulation in those parts of the market where competition is starting to have an effect. Our initial focus will be on the mobile market, where the opportunity to reduce regulatory oversight most exists. The existing licence conditions were originally drafted in 2001 and since then there has been a considerable amount of change. The OUR and the operators now both have a better understanding of what is required in terms of oversight and our hope is that as competition develops it, rather than regulation, will ensure consumers interests are protected. Therefore through 2008 we will be commencing a period of consultation on reviewing the licence terms for operators in the telecoms market. It is planned that similar reviews will be undertaken in the post and electricity sectors.

Aside from our direct work in regulating the three utility sectors, the OUR has provided assistance to a number of States Departments on a range of issue covering issues such as with the Commerce & Employment Department on the development of competition law, with Public Services on the economic regulation of any future waste to energy plant, assistance to the Environment Department on mobile issues and to the Home Department on spectrum issues in the Bailiwick. The OUR looks forward to continuing its relationships with these Departments in providing such support as we can on areas where the knowledge and expertise of this Office can benefit the States more widely.

I would like to take this opportunity to thank my colleagues at the OUR for their continue professionalism and support, without whom the successes achieved to-date would not be possible. The OUR is a small team which works extremely diligently to ensure the three utility sectors deliver value for consumers. In March 2008 Jon Buckland left to take up the post of Chief Officer of the Commerce & Employment Department. Jon had been with the OUR from October 2001 an we wish him every success in his new post. I would also wish to acknowledge the sterling work of our Audit, Risk and Remuneration Committee for its assistance and advice over 2007. I would also like to record my thanks to Deputy Carla McNulty Bauer for her work with the ARRC but who has resigned following her appointment as Minister for Commerce & Employment.

The OUR will continue to work towards meeting the objectives set for it by the States in a pragmatic and proportionate manner. Ultimately our efforts will be judged in the impact consumers see in the value for money they get from their utility providers, which to-date have been significant.



John Curran
Director General

January

Consultation paper on reviewing Cable & Wireless Guernsey's wholesale leased line prices;

Information notice published on Guernsey Post's Quality of Service

February

Mobile Termination Rates decision paper published;

Guernsey Electricity Ltd's Price Control. Final decision published

March

Consultation to review C&W Guernsey's wholesale leased line prices extended;

Consultation document issued on Mobile Number Portability;

Information notice and Direction issued for the maximum resale price of Electricity;

May

Consultation Document issued to review C&W Guernsey's Price Control

June

Report on the Consultation and Draft Decision on the review of Cable & Wireless Guernsey's wholesale leased line prices;

August

Statutory Invitation to Comment issued on a proposed amendment to Guernsey Airtel's 2G and 3G Mobile Licences;

Statutory Invitation to Comment issued on a proposed amendment to C&W Guernsey, Wave Telecom and Guernsey Airtel's Mobile Licences;

September

Report on the Consultation issued on proposed amendment to Guernsey Airtel's 2G and 3G mobile licences and notice of modification issued.

October

Report on the Consultation to amend the mobile licences of C&W Guernsey, Wave Telecom and Guernsey Airtel;

Findings issued in Dispute between Wave Telecom and C&W Guernsey over refusal to develop infrastructure at Les Caches and over request to provide 45Mbit Leased Line Tail Circuits;

Final Decision published on Review of C&W Guernsey's Wholesale Leased Line prices;

First register published of Mobile Phone Operator Mast sites in the Bailiwick of Guernsey;

November

Draft Decision published on C&W Guernsey's Price Control

December

Draft Decision and Information Notice issued on C&W Guernsey's Price Control;

Consultation and Discussion Document issued on Next Generation Networks in Guernsey;

Report on the Consultation issued on proposed amendment to Guernsey Airtel's mobile licences and notice of modification issued.

Office of Utility Regulation

Annual Report 2007



The Guernsey Regulatory Environment

The States of Guernsey sets out the regulatory framework for telecommunications, post and electricity in various Laws and Orders that were made in 2001 and 2002. The States has also issued a number of Directions to the Director General of Utility Regulation that develop States policy in more detail. The OUR, which was established in 2001, is charged with implementing that policy and regulating in the best interests of the Bailiwick.

Legislation

The principal piece of regulatory legislation is the Regulation of Utilities (Bailiwick of Guernsey) Law, 2001 (as amended), which establishes the OUR, sets out the governing principles of the Office and allows the States to assign further functions to the Office over time. Three other key laws are:

- The Telecommunications (Bailiwick of Guernsey) Law 2001;
- The Post Office (Bailiwick of Guernsey) Law 2001; and
- The Electricity (Guernsey) Law, 2001.

Each law sets out in more detail the powers and functions of the Director General in the relevant sector. Secondary legislation has been enacted by the States on a number of issues including commencement ordinances for each of the laws and the exclusion of liability ordinance. Where empowered to do so, the Director General has also introduced regulations and orders. Texts of all relevant legislation are available from the OUR website at www.regutil.gg.

States Directions

The Regulation Law provides that the States of Guernsey may give States Directions to the Director General on certain specific issues in each of the sectors. Directions issued to-date have address issues such as the identity of the first licensee in each sector to be granted a licence with a universal service obligation, the scope of a universal service or minimum level of service that all customers in the Bailiwick must receive and any special or exclusive rights that should be granted to any licensee in any of the sectors.

The States debated and agreed policy directions in relation to all three sectors in 2001. The full text of the directions that were in place in 2007 is included in Annex A to this report, in accordance with Section 8 of the Regulation Law.

Office of Utility Regulation

Annual Report 2007

OUR Team

John Curran, Director General

John was first appointed by the States as Director General of Utility Regulation in February 2005 and was re-appointed as Director General in May 2006. He previously worked with the OUR when the office was established in 2001. After a period as a regulatory advisor with Australian telecoms incumbent Telstra John returned to the OUR in April 2003 as Director of Regulation.

John has a strong background in regulation. Before joining the OUR he worked for six years in communications regulation in Ireland. He began his career in the Irish Civil Service upon graduating from the Galway Institute of Technology.



Michael Byrne, Director of Regulation

Michael joined the OUR in June 2005 as Director of Regulation. Michael has led the OUR's work on regulating Guernsey Electricity as well as supporting the OUR's work in the postal and telecommunications sectors, particularly in broadband/NGN.

Prior to joining the OUR, Michael was head of Retail Competition at Ofgem in the UK. He led case investigations and reviews within the domestic and non-domestic energy sectors. He has worked in commercial television regulation and as a consultant, specialising in the dairy manufacturing industry. He has a BSc Honours degree in Mathematics, Statistics and Economics from the University of Natal. He also has a post-graduate diploma in Competition Policy and an MBA from the University of Warwick.



Nienke Hendriks, Director of Policy

Nienke joined the OUR in July 2008 having previously worked as head of Gas Transmission at Ofgem in the UK where she led the work on charging Arrangements and implementing price control settlements. Nienke developed regulatory policy (with a focus on incentive design) and financial policy (with a focus on cost of capital and financial ringfencing) both at Ofgem and the Civil Aviation Authority, where she worked before joining Ofgem.

Nienke was also a leading member of the Joint Regulators Price Control Group and set up a similar group at European level and whilst at the CAA of the Eurocontrol Performance review group. Before joining the CAA Nienke worked in consultancy on projects in the telecommunications, manufacturing and pharmaceuticals sectors. She has a BSc Honours degree in Economics and Philosophy from City University (London) and a Masters degree in Economics and Finance from Warwick Business School.



Office of Utility Regulation

Annual Report 2007

About the OUR

Cesar Coelho, Regulatory Analyst

Before joining the OUR in April 2008, Cesar worked as an analyst at ANACOM, the Portuguese Telecommunications and Post regulator where he worked primarily on projects in the mobile sector.

Prior to joining ANACOM he worked as for an economic consultancy firm. During his Master degree program he was an assistant at two different universities in Portugal. Cesar holds a BSc Honours degree and a MA degree in Economics, both from the University of Minho, Portugal.



Rosie Allsopp, Office Manager/Case Officer

Rosie joined the OUR team in January 2007. She manages the office and provides administrative support to all the team members. In addition to this, she is a case officer for dispute resolution.

Rosie was educated locally at the Grammar School and was formerly a journalist with the Guernsey Press for more than seven years where she was deputy news editor and business editor and developed a strong interest in local politics and business. Rosie studied for a post-graduate diploma in journalism at the Press Association-affiliated Editorial Centre.



Pui Jee Lai

Pui Jee joined the OUR at the end of June 2007. Pui Jee was awarded the OUR's first student bursary. As part of the bursary Pui Jee has worked with the OUR during her summer holidays for the past number of years and has now joined the OUR on a full-time basis. Pui Jee assists the whole team at the OUR across a spectrum of projects.

Pui Jee was born in Guernsey and educated at The Ladies College and has recently graduated from the University of Nottingham where she studied Management with Chinese Studies.



Office of Utility Regulation

Annual Report 2007

Consultants and Communication

It is OUR policy to operate with a small core team of **professional staff** and utilise expert consultants as needed on specific projects. This ensures that the Office works efficiently and effectively and keeps its skills and expertise up to date with knowledge transfer from experts in their fields.

During 2007, the following consultants and **external specialists** worked with the OUR on a range of specific projects, as well as providing general support for the OUR work programme:

- **Power Planning Associates** provided assistance in the Efficiency Review of Guernsey Electricity;
- **Frontier Economics Ltd** assisted the OUR in its work on reviewing C&WG Price Control;
- **GOS Consulting Ltd** advised on a wide range of telecommunication projects across the fixed and mobile sectors; and
- **Direct Input Associates** provided PR assistance;
- OUR's legal advice during 2007 was provided by **AO Hall, Landwell Solicitors** and **McCann Fitzgerald Solicitors**.

OUR Communication

The OUR operates in a transparent and open way, and seeks to consult with as wide a range of stakeholders as possible on all key decisions. The OUR website (www.regutil.gg) is used as a means of communicating with the operators within the regulated industries and with interested members of the public on a fair and open basis. All consultation documents are published on the site as well as being made available in hard copy on request and responses, where not confidential, are also made available. The OUR publishes all decisions with reasons and a commentary on the views received.



Electricity: Activity Report

Overview

In 2007 the OUR finalised, after a detailed review, a four year price control for GEL which will see electricity tariffs capped until 2011. Included in the review was an assessment of the efficiency of GEL. The Energy Policy Steering Group's work on the development of an energy policy for the Island saw the OUR meet with the group on a number of occasions and the OUR responded to its consultation which was issued in December 2007.

Activity Report

Price Control

In early 2007 the OUR finalised its review of GEL's tariffs by setting a four year price control for the company which came into effect on 1st April 2007 (**OUR 07/04**). The price control decision provided for tariffs to increase by 14.82% over the four year period with provision for a review of pass through of certain identified costs at the end of 2008. The price control also includes a number of initiatives designed to **increase the efficiency of GEL**. These included a review of certain operating cost areas, including staff costs and the rollout of the **Automated Meter Reading (AMR)** scheme, where the OUR formed a view that consumers risked being asked to fund inefficient costs associated with these area. The DG has introduced an incentive scheme as part of the price control to ensure the roll-out of AMR is achieved in a timely manner. The OUR's review of GEL's operating practices identified scope to make **savings in its generation business** and has based the tariffs consumers will be asked to pay on these savings being realised by the company.

Energy Policy

During 2007 the OUR contributed to the work of the States' **Energy Policy Steering Group**. The Policy Group is leading work on the development of an energy policy for the Island that reflects the growing importance of the role energy policy has to play in managing climate change. The OUR's input to the Groups's work concentrated on issues such as the framework for the development of renewables, the possible economic costs associated with various options and the implications for consumers in funding future generation capacity. The Energy Policy Report has now been noted by the States and the OUR looks forward to providing such assistance as the States may seek in the development of this critically important policy.

Other Issues

GEL's licence fee was reduced by 33% for 2007 to £120,000. The licence fee has been reduced for 2008 to £80,000.



Post: Activity Report

Overview

The OUR's work in the postal market is primarily limited to prices and quality of service. As the OUR had finalised a three year price control in December 2006 (with new tariffs taking effect in April 2007) the OUR's work in the postal market in 2007 was focused on a review of the Bulk Mail sector for the Commerce & Employment Department. GPL has commenced work on **implementing an efficiency programme** to realise savings identified by the OUR during the price control work. The company also continues to monitor its quality of service against the targets set by the OUR.

Review of LVCR

In August 2007, the Minister for Commerce & Employment requested the OUR to undertake a review of the **Low Value Consignment Relief (LVCR)**. The LVCR is a concession that allows for goods below a certain (de minimis) value to be exported into the EU without being subject to the payment of VAT. Bulk Mailers in Guernsey avail of this concession as they are entitled to so do. The aim of the review was to identify the initiatives that might be taken locally to reduce any risk to established local businesses that avail of the LVCR and ensure that such businesses can continue to make the valuable contribution that they make to the Guernsey economy.

The review highlighted the scale of the contribution that bulk mailers make to the Guernsey economy. Aside from accounting for over half of GPL's revenue, over **600 people are employed** by these companies making them a significant part of Guernsey's diversified economy. The OUR estimates that **turnover from the sector amounts to over £200million** and that the **sector contributes some £6m a year to the States** in the form of direct taxes, either through taxable profit, employee income tax or social insurance contributions.

The OUR assessed the various issues associated with the continued utilisation of the LVCR by certain companies within the bulk mail sector and **identified a range of options** that could be considered by the Commerce & Employment Department and the States in ensuring that their continued operation enhance Guernsey's standing. The final report was submitted to the Commerce & Employment Department in December 2007. The OUR would like to again record its appreciation to the various companies that co-operated with the OUR on this work.

Other Issues

GPL's licence fee was reduced by 33% for 2007 to £120,000. The licence fee has been reduced for 2008 to £80,000.

Office of Utility Regulation

Annual Report 2007



Telecoms: Activity Report

Overview

During 2007 the OUR's work in telecoms was primarily focused on enhancing the environment for competition. Among the issues addressed include a focus on the wholesale market for telecoms services which was found to be deficient, dealing with industry disputes, work on a new price control for C&W Guernsey and assessing the opportunities for the introduction of Mobile Number Portability (MNP). Forward looking work involved assessing the implications of C&WG's Next Generation Network plans.

C&WG Price Control

The objective of the regulatory regime is to ensure that Guernsey consumers receive the best in price, choice and quality of utility services and that Guernsey has strong vibrant utility sectors that contribute to and underpin the continued economic success of the Bailiwick. The Guernsey telecommunications market is continuing to change as it evolves towards a more competitive market. Since 2002 elements of C&WG's retail product portfolio have been subject to price controls by the OUR with the first price control coming into effect in March 2002 and a further price control was put in place in September 2005 which expired on 31st March 2008.

During 2007 a significant amount of work was carried out on assessing the need for and detail of a new price control on a range of C&WG services. The results of the OUR's analysis were set out in the draft decision paper issued in November 2007. The DG confirmed the final price control decision in February 2008 which will see **prices for a range of services capped** including exchange line prices capped at current levels until 2011.

Leased Lines

Leased lines are a key telecoms service used by both network operators and by large business users and therefore comprise a critical part of the telecoms market. Over 2007 the OUR undertook a detailed review of how leased lines are provided and in particular the pricing approach adopted by C&WG.

Telecoms operators had voiced concerns about the manner in which C&WG set its charges for these services – both the level and structure of the pricing. Following the announcement by C&WG's of its proposed wholesale prices for its HUGO leased lines, the OUR expressed concern at the level of returns forecast by C&WG. The OUR undertook a detailed investigation into the manner in which C&WG set its prices. C&WG subsequently announced a **30% reduction to the price of all wholesale leased lines**, both on and off island, from 1st April 2007. C&WG has also announced reductions in its retail leased lines charges in compliance with its current price control.

Office of Utility Regulation

Annual Report 2007



Telecoms: Activity Report

Disputes

The OUR dealt with a number of industry disputes during 2007. A complaint was made to the OUR regarding an alleged refusal by C&WG to develop infrastructure required to provide Wave Telecom with wholesale private circuits at a certain location on the Island. A request for dispute resolution was also made regarding C&WG's alleged refusal to meet a request to provide a particular on-island leased line circuits.

Following separate investigations, **C&WG was found to have breach its licence condition on both occasions**. The OUR noted that these licence condition breaches and the repeated instances of obstructive behaviour by C&WG had resulted in the need for operators to initiate formal disputes to seek a resolution. The OUR believed these disputes were the result of a wider failing on the part of the company to tackle failures in the wholesale business. As a result the **OUR initiated a wider review of C&WG's wholesale business**. Progress continues on this review currently and the Director General is positive about the outcome that can be achieved.

Mobile Number Portability

Mobile Number Portability ("MNP") is a service whereby a customer of one mobile telephone network may change network without having to change their mobile telephone number. It is recognised that mobile subscribers are reluctant to switch between operators if this requires them to also change their mobile number. The inability to retain one telephone number when switching mobile phone networks can therefore be seen as a **possible barrier to promote greater competition** in the mobile market.

In 2007, the OUR consulted on the prospect of developing MNP in co-operation with Jersey as it was also looking at this issue at the same time. Regrettably, the OUR's proposal at that time was not supported by all parties. However the OUR continued to work on the issue and in late 2007 identified a possible solution that might allow MNP to be introduced in a cost-effective manner in Guernsey. Following discussions with the JCRA and the mobile operators, it was agreed to look again at a joint approach between Guernsey and Jersey and work on this is currently well advanced. **MNP is now due to be launched in both Guernsey and Jersey on 1st December 2008.**

Mobile Licence Appeal

In May 2007, following the referral of a legal point by the Utility Appeals Tribunal to the Royal Court, the **Royal Court dismissed the appeal taken by C&WG** against the decision to refuse it a 3G licence and the OUR was awarded costs insofar as they relate to the Royal Court hearing.

Office of Utility Regulation

Annual Report 2007



Telecoms: Activity Report

Next Generation Networks

Currently C&WG is part way through its planned investment in upgrading its core network. While this investment is welcomed it does raise certain regulatory issues. These issues are common to regulators in other countries where **investment in Next Generation Networks (NGN)** is currently ongoing. Regulators are faced with the challenge of seeking to lay down broad principles for the transition to NGN networks in advance of the investments taking place.

With this background, operators and regulators around the world are therefore considering how to promote infrastructure investment in NGN while ensuring competition is sustainable in a future NGN environment. Given C&WG's stated intention to invest in a NGN, as part of this process the OUR identified a number of key areas where he believes clarity would be beneficial both in terms of **ensuring ongoing investment and the promotion and sustaining of competition**. The DG is therefore in the process of consulting on the appropriate basis for achieving greater clarity on various regulatory aspects of NGN and ensure that its introduction as a key part of Guernsey's 21st Century communications infrastructure is achieved in a smooth and timely way, **supporting the continuation of a diverse and competitive sector for the benefit of all Guernsey consumers**. Gaining further clarity and providing certainty for investment in this key area will continue through 2008.

Mobile Mast Register and Licences

Following discussions between the Mobile Operators and the Environment Department on issues associated with the development of mobile networks, it was agreed that a full list of antennae locations used by the three mobile operators in Guernsey should be made publicly available. The Environment Department and the mobile operators requested the OUR's assistance in establishing the register. **The first mast register was published in October 2007** and it is planned that this will be updated annually.

In addition the OUR undertook a review of the licence terms of all three mobile operators to strengthen the requirements for mast sharing. As a result almost **50% of mast now utilised by the mobile companies are now shared**, a significant increase on October 2007.

Other Issues

Licence fees for the telecoms industry in 2007 amounted to £495,935 (2006: £863,745). In common with the other two utility sectors, licence fees for the telecoms operators have also been reduced in 2008.

Office of Utility Regulation

Annual Report 2007

Report of the Director General and Financial Statements for the Year Ended 31 December 2007 for Public Utilities Regulation Fund

Contents of the Financial Statements
for the Year Ended 31 December 2007

Fund Information	17
Report of the Director General	18
Report of the Independent Auditors	20
Income and Expenditure Account	22
Balance Sheet	23
Notes to the Financial Statements	24
Income and Expenditure Account	27

Office of Utility Regulation

Annual Report 2007

Public Utilities Regulation Fund

Fund Information For the Year Ended 31st December 2007

DIRECTOR GENERAL:

Mr J Curran

OFFICE ADDRESS:

Suites B1&B2
Hirzel Court
St Peter Port
Guernsey
GY1 2NH

AUDITORS:

Grant Thornton Limited
PO Box 313
Anson Court
La Route des Camps
St Martin's
Guernsey

Office of Utility Regulation

Annual Report 2007

Public Utilities Regulation Fund

Report of the Director General for the Year ended 31 December 2007

The Director General presents his report with the financial statements of the Fund for the year ended 31 December 2007.

PRINCIPAL ACTIVITY

The principal activity of the entity in the year under review was that of a utilities regulator.

REVIEW OF BUSINESS

The results of the year and the financial position of the Fund are as shown in the annexed financial statements.

STATEMENT OF THE DIRECTOR GENERAL'S RESPONSIBILITIES

The Director General is responsible for preparing the financial statements for each financial year which give a true and fair view of the state of affairs of the Fund and of the income or deficit of the Fund for that period. In preparing those financial statements the Director General is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Fund will continue in operation.

The Director General is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Fund and to ensure that the financial statements comply with the applicable accounting standards. The Director General is also responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In accordance with Section 13 of the Regulation of Utilities (Bailiwick of Guernsey) Law, 2001, the Director General shall keep all proper accounts and records in relation to those accounts and shall prepare in respect of each year a statement of account giving a true and fair view of the state of affairs of the Office of the Director General.

The Law also requires the Director General to have the accounts audited annually by auditors appointed with the approval of the Department of Commerce and Employment. The Director General, with the approval of the Public Accounts Committee, has appointed Grant Thornton Limited as the auditors to the Public Utilities Regulation Fund.

The audited accounts shall be submitted to the Department of Commerce and Employment which shall in turn submit them together with the auditors' report thereon to the States of Guernsey with the Director General's annual report.

AUDITORS

During the year Chandlers Limited resigned as auditors and RSM Robson Rhodes (Guernsey) Limited were appointed in their place. However, following the merger of RSM Robson Rhodes (Guernsey) Limited with Grant Thornton Limited, Grant Thornton Limited were appointed with effect from 6th March 2008.

Office of Utility Regulation

Annual Report 2007

ON BEHALF OF THE BOARD



.....
Mr J Curran
Director General of Utility Regulation

Dated: 15th July 2008

Office of Utility Regulation

Annual Report 2007

Report of the Independent Auditors to the Members of the Public Utilities Regulation Fund

We have audited the financial statements of the Public Utilities Regulation Fund for the Year ended 31st December 2007 on pages 22 to 27. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the Fund's members, as a body, in accordance with the Regulation of Utilities (Bailiwick of Guernsey) Law, 2001. Our audit work has been undertaken so that we might state to the Fund's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Director General and auditors

As described on page 18 the fund's Director General is responsible for the preparation of financial statements in accordance with applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Practice).

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Regulation of Utilities (Bailiwick of Guernsey) Law, 2001. We also report to you if, in our opinion, the Report of the Director General is consistent with the financial statements, if the Fund has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Director General's remuneration and other transactions with the Fund are not disclosed.

We read the Report of the Director General and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Director General in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Fund's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us 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 our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Fund's affairs as at 31st December 2007 and of its surplus for the year then ended; and
- have been properly prepared in accordance with the Regulation of Utilities (Bailiwick of Guernsey) Law, 2001.

Office of Utility Regulation

Annual Report 2007

In our opinion the information given in the report of the Director General is consistent with the financial statements.

Grant Thornton Limited

Grant Thornton Limited
PO Box 313
Anson Court
La Route des Camps
St Martin
Guernsey

Date 17 July 2008

Office of Utility Regulation

Annual Report 2007

Public Utilities Regulation Fund

Income and Expenditure Account for the Year ended 31 December 2007

	Notes	2007 £	2006 £
INCOME			
Licence fees		735,935	1,223,745
Bank Interest		<u>36,705</u>	<u>25,561</u>
		772,640	1,249,306
EXPENDITURE		716,916	908,593
SURPLUS FOR THE YEAR ENDED 31 DEC 2007		55,724	340,713
TRANSFER TO CONTINGENCY RESERVE	7	<u>(55,724)</u>	<u>(340,713)</u>
NET OPERATING RESULT FOR THE YEAR		_____ -	_____ -

The Fund has no other gains or losses for the current or preceding year other than those stated in the Income and Expenditure Account.

The notes form part of these financial statements

Office of Utility Regulation

Annual Report 2007

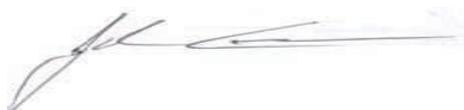
Public Utilities Regulation Fund

Balance Sheet

31 December 2007

	Notes	£	2007 £	2006 £
FIXED ASSETS				
Tangible assets	4	15,344		12,303
CURRENT ASSETS				
Debtors	5	11,438		4,158
Cash at bank and in hand		<u>687,510</u>		<u>642,839</u>
		698,948		646,997
CREDITORS				
Amounts falling due in one year	6	<u>74,645</u>		<u>75,377</u>
NET CURRENT ASSETS			<u>624,303</u>	<u>571,620</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>639,647</u>	<u>583,923</u>
RESERVES				
Contingency Reserve	7		<u>639,647</u>	<u>583,923</u>
			<u>639,647</u>	<u>583,923</u>

The financial statements were approved on 15th July and were signed by:



.....
Mr J Curran
Director General of Utility Regulation

The notes form part of these financial statements

Office of Utility Regulation

Annual Report 2007

Public Utilities Regulation Fund

Notes to the Financial Statements for the Year ended 31 December 2007

1. ACCOUNTING POLICIES

Accounting Convention

The financial statements have been prepared under the historical cost convention.

Income

Income represents net invoiced licence fees and income from organisation of conferences and is accounted for on an annual accruals basis.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Plant and machinery	-20% on cost
Fixtures and fittings	-20% on cost
Computer equipment	-20% on cost

2. OPERATING PROFIT

The operating profit is stated after charging:

	2007	2006
	£	£
Depreciation—owned assets	(1,502)	15,524
Auditors and accountants' remuneration	<u>800</u>	<u>2,500</u>

3. TAXATION

Under Section 12 of the Regulation of Utilities (Bailiwick of Guernsey) Law, 2001, the Fund is exempt from Guernsey Income Tax.

Continued.....

Office of Utility Regulation

Annual Report 2007

Public Utilities Regulation Fund

Notes to the Financial Statements for the Year ended 31 December 2007

4. TANGIBLE FIXED ASSETS

	Plant and Machinery £	Fixtures and Fittings £	Computer Equipment £	Totals £
COST				
At 1 January 2007	41,170	3,675	32,774	77,619
Additions	<u>190</u>	<u>-</u>	<u>1,349</u>	<u>1,539</u>
At 31 December 2007	<u>41,360</u>	<u>3,675</u>	<u>34,123</u>	<u>79,158</u>
DEPRECIATION				
At 1 January 2007	39,378	2,912	23,026	65,316
Charge for year	594	61	1,446	2,101
Charge written back	<u>(3,198)</u>	<u>479</u>	<u>(884)</u>	<u>(3,603)</u>
At 31st December 2007	<u>36,774</u>	<u>3,452</u>	<u>23,588</u>	<u>63,814</u>
NET BOOK VALUE				
At 31 December 2007	<u>4,586</u>	<u>223</u>	<u>10,535</u>	<u>15,344</u>
At 31 December 2006	<u>1,792</u>	<u>763</u>	<u>9,748</u>	<u>12,303</u>

5. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £	2006 £
Trade Debtors	2,377	-
Accrued Interest	625	-
Other Debtors	<u>8,436</u>	<u>4,158</u>
	<u>11,438</u>	<u>4,158</u>

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £	2006 £
Trade Creditors	41,371	68,989
Deferred Income	8,563	500
Other Creditors	<u>24,711</u>	<u>5,888</u>
	<u>74,645</u>	<u>75,377</u>

Office of Utility Regulation

Annual Report 2007

Public Utilities Regulation Fund

Notes to the Financial Statements—continued for the Year ended 31 December 2007

7. CONTINGENCY RESERVES

Any surpluses in the Income and Expenditure Account are taken to the Contingency Reserve.

	£
At 1 January 2007	583,923
Movement in the year	<u>55,724</u>
At 31 December 2007	<u>639,647</u>

8. CONTINGENT GAIN

During the year an appeal was dismissed in court and the Fund was awarded costs, the amount is unknown at present.

Office of Utility Regulation

Annual Report 2007

Public Utilities Regulation Fund

Income and Expenditure Account for the Year ended 31 December 2007

	2007		2006	
	£	£	£	£
Turnover				
Post Office revenue	120,000		180,000	
Telecoms revenue	495,935		863,745	
Electricity revenue	<u>120,000</u>		<u>180,000</u>	
		735,935		1,223,745
Other income				
Bank interest		<u>36,705</u>		<u>25,561</u>
		772,640		1,249,306
Expenditure				
General overheads	96,455		75,397	
Salaries & staff costs	373,960		370,994	
Consultancy fees	106,505		297,653	
Legal costs	120,266		146,213	
Auditors & accountancy fees	800		2,500	
ARRC fees	<u>20,292</u>		<u>272</u>	
		<u>718,278</u>		<u>893,029</u>
		54,362		356,277
Finance costs				
Bank charges		<u>140</u>		<u>40</u>
Depreciation				
Office equipment	(2,604)		8,234	
Fixtures and fittings	504		735	
Computer equipment	<u>562</u>		<u>6,555</u>	
		<u>(1,502)</u>		<u>15,524</u>
SURPLUS		<u>55,724</u>		<u>340,713</u>

This page does not form part of the statutory financial statements

Office of Utility Regulation

Annual Report 2007

OUR Corporate Governance Audit Risk and Remuneration Committee Chairman's Report

On 31st March 2007, the Projet de Loi entitled "The Regulation of Utilities (Bailiwick of Guernsey) (Amendment) Law, 2007 was passed by the States of Guernsey. Section 6 of that Law introduced a new Section 13A to the 2001 Law which set out the formal establishment of the Audit, Risk and Remuneration Committee, the terms of which mirror the Terms of Reference already adopted by said Committee and which are included in this Report.

The current membership of the Committee is as follows:

- Stephen Jones – Chairman
- Deputy Carla McNulty Bauer
- Jane Needham
- Peter Woodward

All members are considered to be independent of the OUR.

The Committee met formally on four occasions in 2007. It worked in accordance with its Terms of Reference and carried out the following specific activities:

- Commissioning on ongoing review of the internal controls in operation at the OUR, reviewing the results thereof and making further recommendations for improvements to key controls.
- Participating with a detailed risk review for the activities of the OUR and reviewing, on an on-going basis, the implementation of the agreed risk management actions.
- Reviewing the Financial Statements of the Public Utilities Regulation Fund for 2007 and discussing the results of the audit thereof with the external auditors.
- Meeting the external auditors to monitor their independence and to confirm the nature, scope, fees and timetable for the audit for 2007.
- Monitoring and approving recruitment and remuneration of staff.
- Recommending improvements to employment contracts and the staff handbook and monitoring their implementation.
- Assisting with the production of a risk-based business plan for 2008-2010.

The Committee were pleased that their reviews, meetings and plans all produced positive results and thank the Director General and his staff for their co-operation and assistance throughout the year. The total annual costs of the Committee were less than £10,000.



Stephen Jones
Chairman

Office of Utility Regulation

Annual Report 2007

OUR Corporate Governance

In 2005, the OUR established an independent Audit, Risk and Remuneration Committee (ARRC) and in May 2006 the States formally agree a Resolution requiring its establishment.

The OUR complies with a very high standard of controls and the OUR's annual accounts are externally audited. The OUR's ARRC provides further independent scrutiny of the controls in place within the OUR.

The members of the ARRC during 2007 were:

- Mr. Stephen Jones, Chairman
- Deputy Carla McNulty Bauer
- Ms. Jane Needham
- Mr Peter Woodward

The following sets out both the instruction to the Audit, Risk and Remuneration Committee.

OUR Audit, Risk & Remuneration Committee - Terms of Reference

The following sets out the terms of reference of the OUR's Audit, Risk & Remuneration Committee (ARRC), as agreed between the Director General and the ARRC.

Role of the Committee

The role of the ARRC will be, as part of the ongoing systematic review of the control environment and governance procedures within OUR, to;

- oversee the external and internal audit function and advise the Director General in relation to the operation and development of that function
- review and advise on the Office's risk management procedures
- review and comment on the financial accounts of the Office
- review and comment on the remuneration policy of the OUR.

Membership

- The ARRC will be appointed by the Director General with the approval of the Commerce & Employment Department and will consist of not more than four people, who shall be external appointees. One of the four will be appointed by Commerce & Employment Department.

Office of Utility Regulation

Annual Report 2007

Duties

The duties of the ARRC shall be:-

- to approve and keep under review the Charter for Internal Audit services so as to ensure that it clearly defines the purpose, authority, roles and reporting relationships for internal audit;
- To review and approve the work programme for internal audit;
- To request the inclusion in the programme of Internal Audit reports as considered appropriate;
- To assess the outcome of the internal and external audit processes having regard to findings, recommendations and management responses;
- To assess the implementation of agreed corrective actions by management having regard to follow up audits;
- Generally to foster the development of best practice in the conduct of internal audit, risk management and external reporting;
- To advise the Director General on all matters relating to risk management, internal control, governance, external financial reporting and remuneration;
- To advise on and review the membership of the ARRC as necessary.

Annual Report of the External Auditors

The ARRC will consider any report issued by the external auditors.

Meetings

ARRC meetings will be held not less than twice each calendar year.

A quorum of two will be required for each meeting. The members shall decide on the appointment of the Chairperson. The Chairperson's appointment shall expire on 31st December 2008. Thereafter the term will be for a period of two years.

The ARRC may request any person who has been contracted to carry out an internal audit assignment to attend a Committee meeting. The Director General shall attend on the invitation of the ARRC. The ARRC will also have the authority to request staff members to attend meetings if necessary.

At least once a year, the ARRC will invite the external auditor to meet them to discuss matters of mutual interest including the audit approach.

The OUR will provide such administrative support to the ARRC as it may require.

Working Procedures

The ARRC will adopt its own working procedures.

Access

Any member of the ARRC will have right of access to the Director General and/or any staff member.

Office of Utility Regulation

Annual Report 2007

Reporting

The ARRC will formally report to the Director General and will offer such advice and recommendations as it may deem appropriate. The ARRC's activities will be recorded and reported in the Annual Report of the Director General.

The ARRC may report to any States Department or States Committee, including the Public Accounts Committee and the Scrutiny Committee.

Access to Independent Advice

The ARRC is authorised to:

- investigate any activity within its terms of reference,
- seek any information that it requires from any employee or external party, and all employees are directed to co-operate with any request made by the Committee, and
- obtain outside legal or other independent professional advice.

Amendment of Charter

This Charter may be amended or updated in joint consultation between the Director General and the ARRC. It shall be reviewed by 31st December 2008 and thereafter as required.

Office of Utility Regulation

Annual Report 2007

Internal Audit Charter

Introduction

This Charter sets out the purpose, authority and responsibilities of OUR's Internal Auditor. It is intended that internal audit assignments will be outsourced to an appropriate, qualified, third party and conducted under contract.

Purpose

The Internal Audit function is an independent appraisal function established to examine, evaluate and report on the adequacy and effectiveness of the OUR's systems of financial internal control. As such, it provides management and stakeholders with assurance over the financial management of the Office of Utility Regulation, and stewardship of the resources entrusted to it.

Authority

Internal Audit is authorised to have:

- Unrestricted access (subject to the comments below) to all functions, records, property and personnel.
- Full and free access to staff, the Audit Committee and the Director General.
- Authority to require and receive such explanations from any employee as are necessary concerning any matter under examination
- Sufficient resources and personnel with the necessary skills to perform the internal audit plan.

Access to confidential commercial information is permitted for the purpose of carrying out an internal audit solely in respect of enabling the auditors to ascertain that the Director General has carried out his functions as provided for within sections 2 and 4 of the Regulation of Utilities (Bailiwick of Guernsey) Law, 2001, the various sector specific laws and States Directions to the Director General. Access will not be given to confidential information unless it can be proven that its intended purpose falls within scope of the internal audit role.

Internal Audit is not authorised to perform any operational duties or initiate or approve accounting transactions.

Office of Utility Regulation

Annual Report 2007

Role and Scope

The primary responsibility for identifying and implementing an adequate system of internal control rests with the Director General. The role of internal audit is to appraise the adequacy and effectiveness of those controls.

In particular, its role is to understand the key financial risks of the organisation and to examine and evaluate the adequacy and effectiveness of the system of risk management and financial control as operated by the organisation so as to ensure that:

- the systems of financial control, and their operation in practice, are adequate and effective:
- follow-up action is taken to remedy weaknesses identified by Internal Audit:
- employees and organisation actions are in compliance with policies, standards, procedures and applicable laws and regulations: and
- the corporate governance arrangements of the organisation are appropriate to the organisation and comply with relevant requirements:

Responsibilities and Reporting

The internal auditor will be accountable to OUR's ARRC and its work programme will be subject to the approval of the ARRC. No work should be undertaken without the prior approval of the ARRC.

All work undertaken should be planned and carried out in accordance with the Standards of Professional Audit Practice set by the Institute of Internal Auditors-UK.

On completion of an assignment, before a final report is issued, the internal auditor will communicate its findings to management and staff of the audited area for their views. These views will be considered and recorded in the final report. Copies of the final report will be provided to the Director General and ARRC.

Office of Utility Regulation

Annual Report 2007

Annex A: States Directions; Telecommunications

Scope of Universal Service Obligation (USO)

The States resolved to give the following direction to the Director General in accordance with Section 3(1)(c) of the Regulation of Utilities (Bailiwick of Guernsey) Law, 2001:

All users in the Bailiwick shall have available to them the services set out below at the quality specified, independently of geographical location and, in the light of local and national conditions, at an affordable price:

Access at Fixed Locations:

- *all reasonable requests for connection to the public telephone network at a fixed location and for access to publicly available telephone services at a fixed location shall be met by at least one operator;*
- *the connection provided shall be capable of allowing users to make and receive local, national and international telephone calls, facsimile communications and data communications, at data rates that are sufficient to permit Internet access;*

Directory enquiry services and directories:

- *at least one subscriber directory covering all subscribers of direct public telephone service providers shall be made available to users and shall be updated regularly and at least once a year;*
- *at least one telephone directory enquiry service covering all listed subscribers' numbers shall be made available to all users, including users of public pay telephones;*

Public Pay telephones:

- *public pay telephones shall be provided to meet the reasonable needs of users in terms of the geographical coverage, the number of telephones and the quality of services.*

Special measures for disabled users and users with special needs:

- *these provisions shall also apply to disabled users and users with special social needs, and specific measures may be taken by the Regulator to ensure this.*

Identity of First Licensee with USO

The States resolved to give the following direction to the Director General in accordance with section 3(1)(a) of the Regulation of Utilities (Bailiwick of Guernsey) Law, 2001:

The Director General of Utility Regulation shall issue the first licence to contain a telecommunications Universal Service Obligation to Guernsey Telecoms Limited, the company established to take over the functions of the States Telecommunications Board pursuant to the States agreement to the recommendations of the Advisory and Finance Policy letter published in this Billet.

Special or Exclusive Rights

The States resolved to give the following direction to the Director General in accordance with section 3(1)(b) of the Regulation of Utilities (Bailiwick of Guernsey) Law, 2001:

In accordance with section 3(1)(b) of that Law, the States directs the Regulator to decide the duration of any exclusive or special privilege granted to any licensee in relation to the provision of telecommunications networks and/or services with a view to ensuring that competition is introduced into all parts of the market at the earliest possible time.

The Regulator may decide on different terms for privileges granted in different markets or segments of the market. In any case, the States directs that the term of any such rights shall not exceed three years at most from the date of this Direction.

Office of Utility Regulation

Annual Report 2007

Annex A: States Directions; Post

Universal Service Obligation

The States resolved to give the following direction to the Director General in accordance with section 3(1)(c) of the Regulation of Utilities (Bailiwick of Guernsey) Law, 2001:

The following universal postal service shall be provided by at least one licensee throughout the Bailiwick of Guernsey at uniform and affordable prices, except in circumstances or geographical conditions that the Director General of Utility Regulation agrees are exceptional:

- *One collection from access points on six days each week;*
- *One delivery of letter mail to the home or premises of every natural or legal person in the Bailiwick (or other appropriate installations if agreed by the Director General of Utility Regulation) on six days each week including all working days;*
- *Collections shall be for all postal items up to a weight of 20Kg;*
- *Deliveries on a minimum of five working days shall be for all postal items up to a weight of 20Kg;*
- *Services for registered and insured mail.*

In providing these services, the licensee shall ensure that the density of access points and contact points shall take account of the needs of users.

“access point” shall include any post boxes or other facility provided by the Licensee for the purpose of receiving postal items for onward transmission in connection with the provision of this universal postal service.

Identity of First Licensee with a USO

The States resolved to give the following direction to the Director General in accordance with section 3(1)(a) of the Regulation of Utilities (Bailiwick of Guernsey) Law, 2001:

The Director General of Utility Regulation shall issue the first licence to contain a postal Universal Service Obligation to Guernsey Post Limited, the company established to take over the functions of the States Post Office Board pursuant to the States agreement to the recommendations of the Advisory and Finance Policy letter published in this Billet.

Post: Special or Exclusive Rights

The States resolved to give a direction to the Director General in accordance with section 3(1)(b) of the Regulation of Utilities (Bailiwick of Guernsey) Law, 2001 to award to Guernsey Post Office Limited the exclusive right to provide postal services in the Bailiwick to the extent that such exclusive right is necessary to ensure the maintenance of the universal postal service specified by States' directions under section 3 (1)(c) of that Law; and

To request the Director General to review and revise the award of exclusive rights from time to time with a view to opening up the Bailiwick postal services market to competition, provided that any such opening up does not prejudice the continued provision of the universal postal service.

Office of Utility Regulation

Annual Report 2007

Annex A: States Directions; Electricity

Universal Service Obligation (“Public Supply Obligation”)

The States did not make any Directions in relation to a Universal Service Obligation in the electricity markets, as it noted that the provisions of the Electricity Law adequately protected the interests of users by ensuring a Public Supply Obligation would be in place.

Identity of First Licensee with a USO

The States resolved to give the following direction to the Director General in accordance with section 3(1)(a) of the Regulation of Utilities (Bailiwick of Guernsey) Law, 2001:

The Director General of Utility Regulation shall issue the first licence to contain an electricity Universal Service Obligation to Guernsey Electricity Limited, once that company is established to take over the functions of the States Electricity Board.

Special or Exclusive Rights

Conveyance

The States resolved to give a direction to the Director General in accordance with section 3(1)(b) of the Regulation of Utilities (Bailiwick of Guernsey) Law, 2001 to award to Guernsey Electricity Limited an exclusive electricity conveyance licence in respect of the conveyance of electricity in Guernsey for a period of 10 years once that company has been formed.

Subsequently, the States resolved to give a direction to the Director General to issue an exclusive licence to Guernsey Electricity Ltd for conveyance activities subject to any exemptions granted by the Director General under section 1(2) of the Electricity (Guernsey) Law, 2001 for the period ending 31st January 2012.

Generation

The States made no resolution giving a direction to the Director General in relation to the period of exclusivity of any generation licence to be granted under the Electricity (Guernsey) Law, 2001.

Supply

The States resolved to give a direction to the Director General in accordance with section 3(1)(b) of the Regulation of Utilities (Bailiwick of Guernsey) Law, 2001 to award to Guernsey Electricity Limited (once that company has been formed) an exclusive electricity supply licence in respect of the supply of electricity in Guernsey for a period of one year.

The States also resolved to request the Director General to investigate the impact of the introduction of competition into the electricity supply market further and to provide a recommendation and advice to the Board of Industry on the introduction of such competition.

The States subsequently resolved to give a direction to the Director General to issue an exclusive licence to Guernsey Electricity Ltd for supply activities subject to any exemptions granted by the Director General under section 1(2) of the Electricity (Guernsey) Law, 2001 for the period ending 31st January 2012.

Office of Utility Regulation

Annual Report 2007

Annex B: Documents Published in 2007

07/01	Review of Cable & Wireless Guernsey's Wholesale Leased Line Prices: Consultation document
07/02	Guernsey Post's Quality of Service: Information Notice
07/03	Mobile Termination Rates: Decision paper
07/04	Guernsey Electricity Limited: Final Decision
07/05	Extension of the Consultation reviewing Cable & Wireless Guernsey's Wholesale Leased Line prices: Information Notice
07/06	Mobile Number Portability: Consultation Document
07/07	Maximum resale price of Electricity: Information Notice and Direction
07/08	Review of Cable & Wireless Guernsey's Price Control: Consultation Document
07/09	Reviewing Cable & Wireless Guernsey's Wholesale Leased Line Prices: Report on the Consultation and Draft Decision
07/10	Proposal to Modify to Guernsey Airtel's 2G and 3G Mobile Licence: Statutory Invitation to Comment
07/11	Proposal to Modify Cable & Wireless Guernsey, Wave Telecom and Guernsey Airtel's Mobile Licences: Statutory Invitation to Comment
07/12	Proposal to Modify Guernsey Airtel's 2G and 3G Licence: Report on the Consultation
07/13	OUR Bursary Scheme: Information Notice
07/14	Amendment of the Mobile Licences of Cable & Wireless Guernsey, Wave Telecom and Guernsey Airtel: Report on the Consultation
07/15	Refusal to Develop Infrastructure at Les Caches. Dispute between Wave Telecom and Cable & Wireless Guernsey: Finding in Dispute
07/16	Refusal to meet a Request to provide On Island 45MBit Leased Line Tail Circuits. Dispute between Wave Telecom and Cable & Wireless Guernsey: Finding in Dispute
07/17	Reviewing Cable & Wireless Guernsey's Wholesale Leased Line Prices: Final Decision
07/18	Register of Mobile Phone Operator Mast Sites in the Bailiwick of Guernsey
07/19	Review of Cable & Wireless Guernsey's Price Control: Draft Decision
07/20	Extension of Cable & Wireless Guernsey's Price Control: Draft Decision and Information Notice
07/21	Next Generation Networks: Consultation and Discussion Document