



# OUR

Office of Utility Regulation  
Annual Report and Accounts 2006



31st July 2007

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

Dear Deputy Falla,

I am pleased to submit this report on the activities of the Office of Utility Regulation for the period 1st January 2006 to 31st December 2006.

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  
of Utility Regulation

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# The Office of Utility Regulation

## Annual Report 2006

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## The Office of Utility Regulation

### Annual Report 2006

# Director General's Report

I am pleased to present the OUR's Annual Report for 2006. It was another busy and challenging year for the Office with significant regulatory activity across all three sectors and changes to the regulatory framework following the States debate on commercialisation in May 2006. I am pleased that the States endorsed the work that this Office is continuing to perform and that its contribution has been acknowledged by the independent report from the National Audit Office. It is however important that this Office reflects on the NAO review. In doing so it is important to frame any assessment of how we as an Office perform our role to look at what our mission was and how this was framed, when the OUR was established.

In September 2001 the States of Guernsey, through the Advisory & Finance Committee, laid out the challenge that "*effective regulation within the commercialisation framework will drive efficiencies that will result in lower charges to customers than would be the case with no, or with ineffective, regulation.*" In assessing this it is important to see how consumers have fared over the intervening period.

By the end of 2006, the OUR had considered six applications for tariff increases from the three utility sectors. Resulting from the OUR's work, coupled with separate targeted reviews on other areas such as broadband prices and leased line charges, the OUR has reduced the total tariffs to be paid by Guernsey consumers by over £40 million or put another way, over £640 per consumer. At the same time, quality of service has improved across all sectors, key infrastructure has been maintained and supported and competition in the telecoms market is increasing which in turn is delivering further savings, enhanced services and greater responsiveness to customers. This saving does not consider the additional benefits gained through the introduction of competition, which in the mobile sector in particular, are significant.

This is very positive for consumers, but it is even more important for the Bailiwick's economy. The £40 million that consumers have not had to pay for utility services can be used by Islanders to support other businesses and other areas of the Guernsey economy. Indirectly, the reduction in charges (either through falling charges or smaller increases in tariffs) contributes to helping reduce the overall cost of living in Guernsey.

The Guernsey economy, particularly in the current economic climate, needs to continue to be competitive. It needs to ensure that key services which underpin our economic success continue to be sustainable at the quality that is required and at prices that are reasonable, affordable and value for money.

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Efficiently provided utility services are a key component in helping to deliver the growth that is now required. Low cost utility services reduce the cost of doing business in Guernsey and it is important that a continuing focus is maintained on the cost to consumers of these essential services.

A significant part of our work in 2006 involved assessing the further scope for improved, efficient, cost-effective delivery of services from Guernsey Post and Guernsey Electricity. Our reviews of both companies identified areas where further substantial efficiencies should be made with the benefits of those savings being passed on to consumers through smaller tariff increases.

For the OUR to continue to be effective we must also constantly assess how we work and ensure that we target our focus on areas that will deliver most benefit. As a small organisation we must seek to be efficient in how we perform our role and target our work effectively. We must also ensure that we continue to adopt an approach to regulation that is appropriate to Guernsey. As a result, and building on the work achieved to date, the OUR has significantly reduced the licence fee to be paid by the utility companies for 2007 and 2008.

The cost of the OUR remains an important consideration for me as Director General. The OUR has established an Audit, Risk and Remuneration Committee and it met on a number of occasions in 2006. The Committee is an important part of the OUR's corporate governance and its report on its activities is included for the first time in this annual report.

Independent assessment and verification of the steps the OUR is taking to ensure we continue to exercise sensible stewardship of licence fees which fund the Office is critically important. I wish to record my personal thanks for the work, assistance and advice which the Committee has provided to the OUR and I look forward to continuing to work with them to build on this going forward.

Looking to the future there are interesting challenges ahead for all three utility sectors. Increasing competition in the telecoms market, significant changes to the postal market in the UK which may have implications for Guernsey, and the increasing focus on climate change presents both challenges and opportunities for Guernsey Electricity and its consumers. Continuing to ensure that consumers' interests are at the forefront of our minds as the regulatory environment evolves is critical in ensuring that our work results in benefits for the good of the Bailiwick as a whole and individual consumers.



John Curran  
Director General

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### The Year In Brief



#### January 2006:

- Consultation paper published on changes to the procedure for charging fees for telecommunications licences;
- Information notice and direction issued that the maximum resale price of electricity in Guernsey will increase;

#### February 2006:

- Report published on the consultation of the competition for a second 3G mobile telecommunications licence; 3G licence competition commences;
- Draft Decision issued on wholesale broadband pricing;
- Consultation paper issued on reviewing Guernsey Post's Universal Service Obligation; Public meeting hosted by Postwatch Guernsey;
- Publication of consultation document Statement of Opportunity by Guernsey Electricity Ltd, giving an overview of the electrical system in Guernsey;

#### April 2006:

- Draft decision issued on Guernsey Post's Bulk Mail Tariff changes;
- Findings of dispute between C&W Guernsey and Wave Telecom published and direction to C&WG issued;
- Decision notice published on licence fees for Telecommunications Operators licensed by the OUR;
- Report issued on the consultation reviewing Guernsey Post's Universal Service Obligation;
- Efficiency Review of Guernsey Electricity commences;
- OUR cuts licence fees to all sectors by 30%;

#### May 2006:

- Decision notice published on Guernsey Post's Bulk Mail Tariff changes;
- Final decision issued on investigation into Wholesale Broadband pricing;
- National Audit Office publishes its report into review of Commercialisation and Regulation in the States of Guernsey;

# The Office of Utility Regulation

## Annual Report 2006



## The Year in Brief

### July 2006:

- OUR Audit Risk and Remuneration Committee formally established;
- Independent Expert Panel on Guernsey Electricity reports on approach to setting rate of return for the company;

### August 2006:

- Consultation paper issued on Mobile Termination Rates;
- Efficiency Review of Guernsey Post commences;

### September 2006:

- Consultation paper issued on Guernsey Post's proposed Tariff changes;
- Consultation paper issued on reviewing of Guernsey Electricity's price control;
- Second 3G mobile licence awarded to Guernsey Airtel. C&W Guernsey launches appeal against OUR decision to reject its application for a 3G licence;

### November 2006:

- Draft decision and report published on the consultation of Guernsey Post's proposed Tariff changes;

### December 2006:

- Mobile Termination Rates draft decision paper published;
- Draft decision published on Guernsey Electricity's Price Control;
- Decision notice issued on Guernsey Post's proposed Tariff changes;

## The Office of Utility Regulation

### Annual Report 2006



## 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, which establishes the Office of Utility Regulation (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. Along with directions, decisions and the large body of published documentation on the OUR website these record the implementation of the legislative and policy framework for regulation of utilities in Guernsey. Texts of all relevant legislation are available from the OUR website at [www.regutil.gg](http://www.regutil.gg).

## The Office of Utility Regulation

### Annual Report 2006



## The Guernsey Regulatory Environment

### 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. These include directions on:

- 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;
- Any special or exclusive rights that should be granted to any licensee in any of the sectors; and
- Any requirements on licensees that might be needed for Guernsey to comply with any of its international obligations.

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 2006 is included in Annex A to this report, in accordance with Section 8 of the Regulation Law.

# The Office of Utility Regulation

## Annual Report 2006

### About the OUR

The OUR was set up in October 2001 to regulate the three sectors of electricity, post and telecommunications independently from government and the players in the market in line with States policy and the provisions in the Laws.

The Regulatory Laws require the Director General to be independent, fair and impartial in carrying out his functions and to do so in a manner that is timely, transparent, objective and consistent with States policy directions.

#### The 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.



##### **Jon Buckland, Director of Policy**

Jon joined the OUR in October 2001 shortly after the Office was established. Jon has lead responsibility for the regulatory work programme in the postal sector, developing quality of service standards and setting postal price controls as well as supporting work in the telecoms and electricity sectors.

Previously Jon was a Strategy and Economics Manager at the Independent Television Commission (ITC) and previously worked for a number of consultancies specialising in environmental economics. Jon has a BSc in Economics and Politics from the University of Bath and an MBA from the University of Warwick.



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### **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.



### **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 and is currently studying for a Degree in Business Studies.



### **Pui Jee Lai**

Pui Jee joined the OUR at the end of June 2006 after she was awarded the OUR's first student bursary. As part of the bursary she works in the Office during her summer holidays and will become a full-time employee when she graduates. 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. She is currently in her third year at the University of Nottingham where she is reading Management with Chinese Studies.



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## 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 2006, 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:

- **Brockley Consulting Ltd** provided assistance in the review of Guernsey Post Ltd and Guernsey Electricity Ltd's price control;
- **Direct Input Associates** provided PR assistance;
- **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 Leased Line charges;
- **GOS Consulting Ltd** advised on a wide range of telecommunication projects from Broadband pricing to the 3G mobile competition; and
- OUR's legal advice during 2006 was provided by **AO Hall** and **Landwell 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](http://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.

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## Electricity: Activity Report

### Overview

2006 saw detailed work on a further price control for Guernsey Electricity Limited (GEL) which looked to build upon the initial price control put in place in December 2005. Considerable dialogue was held with the various stakeholders during 2006 including Guernsey Electricity, The Treasury & Resources Department and The Commerce & Employment Department. The OUR was assisted in this work by an **Independent Expert Panel** set up by the Director General.

The Director General is grateful for the input of all parties to ensure the electricity prices are kept as low as is possible for the next four years.

### Activity Report

#### Price Control

The work on a longer term price control for GEL dominated the electricity-related activities of the OUR in 2006. Following the debate on the issues raised from the previous price control decision in December 2005, the OUR undertook a detailed review of key principles associated with regulating GEL.

Central to this work was determining what return GEL, which has all future capital expenditure pre-funded through a levy on tariffs (the “Save to Spend” policy), should be allowed to have which would be fair to the company and fair to consumers. The other key work stream in setting a price control for GEL was reviewing how efficient the company is. As a regulator, one wants to ensure that consumers – particularly where their service is provided by a monopoly – are only asked to pay through their tariffs for an efficiently provided service.

In April 2006 the OUR, with its expert advisors Power Planning Associates, commenced an **efficiency review of GEL’s generation business**. This involved gaining a detailed understanding of how GEL operates the fleet of generation capacity available to it, including the interconnector with France to ensure its generation costs are as efficient as can reasonably be expected.

Through on-going dialogue and the consultation process, the OUR concluded that there was **scope for further efficiencies within GEL’s generation business**. The DG has taken account of such savings when framing the wider price control for the company.

## The Office of Utility Regulation

### Annual Report 2006



The other main feature of the price control work was the review of what level of return GEL should be entitled to for its business. The DG established an **Independent Expert Panel** comprising very high calibre experts in regulation. The panel comprised Mr Chris Bolt, Chairman, Office of Rail Regulation; Sir Ian Byatt, Chairman, Water Commission for Scotland; and Prof. David Newbery, Cambridge.

The panel undertook interviews with all stakeholders, including GEL, The Treasury & Resources Department, The Commerce & Employment Department and Guernsey Gas before producing an initial position paper. The panel finalised its report in July 2006 which provided a significant contribution to the DG's further consideration of this issue. The result was that **two separate rates of return were introduced for GEL's asset base**. On the vast bulk of its assets, the Panel concluded that a nominal rate of return is all that should be allowed. For new assets since commercialisation, a more commercial rate of return is appropriate.

In September, following detailed work on a **new price control for GEL**, the OUR published a consultation paper (**OUR 06/17**) which set out the Director General's proposals for the future regulation of GEL's prices. This was followed in December by a draft decision on the proposed price control (**OUR 06/20**) proposing a price control until March 2011. The price control work concluded in February 2007 which will see prices increase by no more than 14.8% between now and 2011 and will require GEL to cut costs in its generation business.

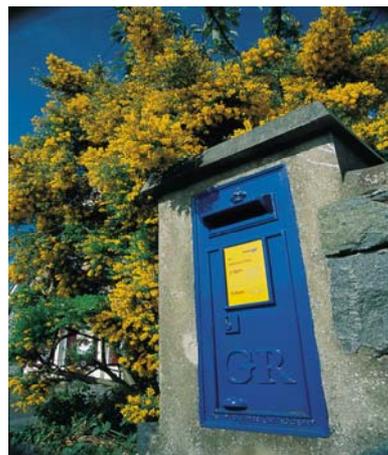
#### **Other Work Streams**

Other areas of work included contributing to the work of the **Energy Policy Steering Group's** work into the future generation needs of the Island. The OUR also eased GEL's requirements to produce its Statement of Opportunity (**OUR 06/07**). In 2006 the OUR announced it was **cutting GEL's licence fees by 33%** for 2007 and 2008.

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### Annual Report 2006

## Post: Activity Report



### Overview

As in previous years the OUR in 2006 focused its attention on quality of service and price in the postal sector with a review of the Bailiwick's Universal Service Obligation ("USO") which was set by the States in September 2001 and dealing with two price controls. In addition Guernsey Post ("GPL") continues to monitor its quality of service against the targets set by the OUR.

The OUR continues to deal with customer complaints where these occur and is grateful for the assistance and expertise provided by **Trading Standards Service** at the Commerce & Employment Department for its role in resolving formal complaints.

Throughout the year the Director General has met regularly with **Postwatch Guernsey** and he is grateful for the efforts and contributions to the regulatory process by this consumer representative body, in particular on the USO Review, whose members volunteer their time for the interests of consumers within the Bailiwick.

### Activity Report

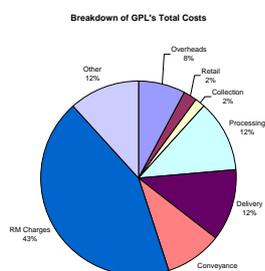
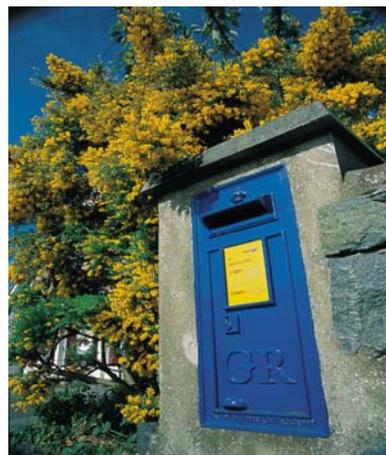
#### Universal Service Obligation

In February the OUR published a consultation paper (**OUR 06/06**) on the scope of the Bailiwick's postal USO. Since commercialisation in 2001, GPL had an obligation to provide customers within the Bailiwick with a universal postal service providing a uniform, low-cost service on letters and parcels up to 20Kg posted in the Bailiwick. This requirement is set by the States in the form of a Direction to the OUR.

The Director General considered that a review was appropriate at this time as further tariff increases were proposed by GPL. The Director General wished to ensure that postal users had a say in what level of service they were prepared to pay for before any future tariff increases were considered. The proposed tariff increases were predominantly driven by increased charges levied by Royal Mail.

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To stimulate debate and consideration of the issues the OUR presented a number of options where changes might be made to the Bailiwick's USO. The consultation commenced with a public meeting hosted by Postwatch Guernsey in February 2006. In response to the consultation the OUR received **25 submissions** to the consultation including a petition signed by over 5,000 people.

Upon consideration of these responses the Director General submitted a report (**OUR 06/11**) to the Commerce & Employment Department with recommendations for certain changes that might be considered in the Bailiwick's postal USO.

The Commerce & Employment Department, in July 2006, **decided against recommending any changes to the USO** at this stage but to keep the situation under review. The Director General reflected this decision in the tariff application from GPL.

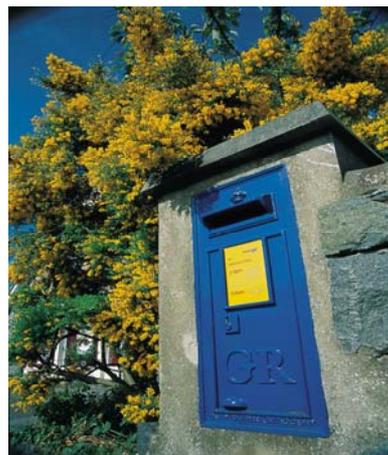
### Price Control for Bulk Mail Postal Tariffs

In December 2005 the Director General completed the first part of his review of GPL's one year price control and in April 2006 he published a draft decision (**OUR 06/08**) for the Bulk Mail sector's tariffs. Following the consideration of the 11 responses to the draft decision the Director General published his final decision (**OUR 06/12**) in May with new tariffs coming into effect on 1<sup>st</sup> August 2006.

In arriving at the final decision the Director General looked to achieve a balance between the **financial viability of the Bulk Mail sector and of GPL itself** as GPL needs to ensure that it remains financially sustainable to meet the islands' needs now and in the future. The DG is very aware of the importance of the Bulk Mail sector not just to Guernsey Post but to the wider economy through the diversity of business it provides. Ensuring that Guernsey continues to meet the needs of such postal users is very important.

# The Office of Utility Regulation

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### Three - Year Price control for Guernsey Post's Tariffs

In August 2006 GPL submitted a further tariff application to the OUR with proposals for annual price changes with effect from 1<sup>st</sup> April 2007 and for further changes through to 31<sup>st</sup> March 2010. Details of the proposals were set out in the consultation paper (**OUR 06/15**) which also contained the Director General's proposals on how to assess the company's proposals. A key part of the review which informed the draft decision (**OUR 06/18**) was the **independent efficiency review of the company's postal operations** carried out in cooperation with GPL. The Director General wishes to thank GPL's Board and Management for the constructive approach adopted in this review.

In December 2006 the Director General published his final decision (**OUR 06/21**) on GPL's tariffs which took into account detailed consideration of the responses to the Draft Decision. A **three year price control** has now been set for GPL to enable all postal users, in particular the Bulk Mailers, to have greater certainty on tariffs for a sustained period.

### Quality of Service

GPL is required through its Postal Licence to report to the OUR on the quality of its products and services against published targets and also against its Customer Charter. In December 2006 the company published its results against its targets for the period October 2005 through to September 2006. Over this period the company **met or exceeded the targets for 23 of the 25 quality of service measures.**

It is particularly pleasing to note the continued improvements in end-to-end delivery times with 95.0% of intra-Bailiwick mail being delivered the next day (against a target of 94.0%), 82.8% of UK mail to the Bailiwick being delivered the next day (target 80.0%) and standard mail to the UK achieving next day delivery 85.1% of the time. These results continue to show how quality of service has improved since the introduction of regulatory targets in 2003/04.

In addition to these measures of end-to-end delivery times **GPL also saw further improvements in its Key Performance Indicators.** In particular complaints relating to misdeliveries were down 50% and complaints on redirections down by 35% since the targets were introduced.

GPL's licence fee for 2007 and 2008 were cut by 33% in 2006.



## Telecoms: Activity Report

### Overview

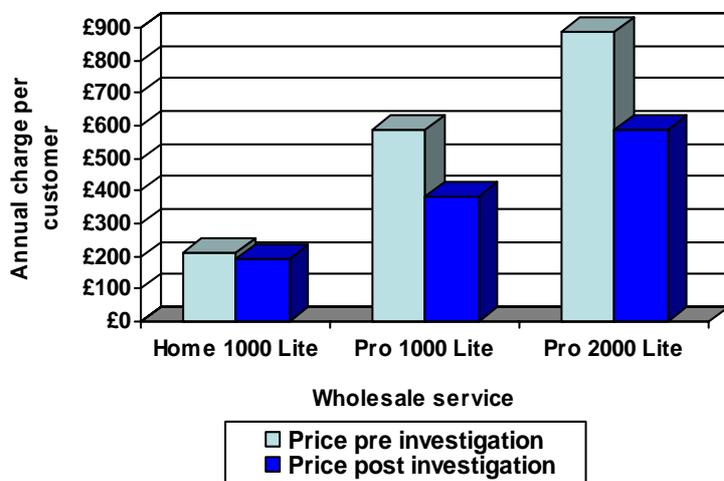
A feature of the OUR's work in the telecoms sector over 2006 has been the focus on wholesale issues. These include an investigation into the level of Cable and Wireless Guernsey's (C&WG) charges for wholesale broadband services and the charges by mobile network operators on the Island for terminating calls on their networks. The second available 3G licence was awarded to a newcomer in the Guernsey telecoms market, **Guernsey Airtel Limited**, a subsidiary of Bharti Telecom, the tenth largest mobile phone operator in the world. This was a significant event for Guernsey and is excellent news for telecoms customers. An unfortunate element of 2006 has been the **growing number of disputes** the Office has had to deal with when a number of them appear avoidable and unnecessary.

### Activity Report

#### Broadband Charges

The level of wholesale broadband charges is a key factor in the retail price for broadband services in Guernsey. Internet Service Providers (ISPs) had indicated concerns about the level of wholesale charges made by C&WG, while the OUR's benchmarking study also highlighted a number of potential issues within the broadband market that required further examination. The OUR therefore initiated an investigation into the level of wholesale broadband

charges imposed by C&WG to establish whether these charges were reasonable.



The OUR's investigation revealed that **C&WG charges were higher than justified** and required wholesale broadband prices to be reduced. In response C&WG reduced its wholesale prices by between 9% and 35% across a range of products to achieve the overall reduction required. Over a four-year period ISPs will save around £2m as a result of this

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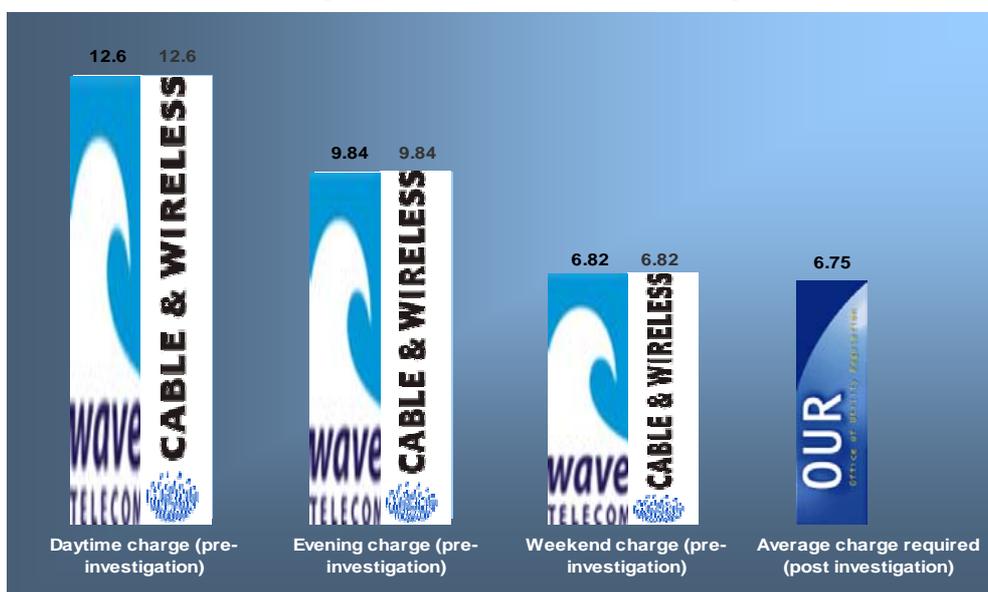
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### Mobile Termination Rates

In August 2006 the OUR consulted on the level of **Mobile Termination Rates in Guernsey**. These are the charges levied by one operator to another for the cost of routing a call across the network. These charges are a significant input into the provision of retail fixed-to-mobile and mobile-to-mobile services. A noticeable feature of an independent European (IRG) study that compared these charges across different jurisdictions, was that **the level of peak charges in Guernsey were the third highest of 31 jurisdictions**. The comparison against Jersey and Malta, also island economies, was also unfavourable. Both of those regions' average mobile termination charge were lower than those charged in Guernsey.

#### Change in mobile termination charges



The OUR concluded that the same termination rates should apply to both 2G and 3G networks. For the next three years each mobile network operator is now required to show that its time-of-day rates are consistent with a **maximum average charge of 6.75 pence per minute**. The OUR made its decision in February 2007 and it came into effect on 1st April 2007. While this is an inter-operator charge, the Director General expects customers to see the **benefit of this significant reduction passed on to customers** by the mobile operators.

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#### **Third Generation Mobile services**

In 2006 the OUR made available a further licence for the provision of a **second 3G mobile licence** for the Bailiwick of Guernsey. In September 2006 the OUR awarded this 3G mobile licence to **Guernsey Airtel Ltd.** The licence was awarded following a ‘beauty parade’ or comparative selection process which began in February 2006. Guernsey Airtel’s interest in applying for the licence highlights the confidence there is in the local telecommunications market and how attractive Guernsey is as a market in which to invest and do business.

This decision has subsequently been appealed by the unsuccessful applicant C&WG. The OUR mounted a vigorous and successful defence of its decision.

#### **Industry disputes**

The continuing **level of industry disputes** that were lodged with the OUR over 2006 was a less welcome development in the telecommunications market. Interconnection to C&WG’s network and mast sharing were two such issues. The DG took the unusual step of making a public request to parties, in particular C&WG as the incumbent, that an unnecessarily high level of disputes reflect badly on the entire industry and that serious efforts should be made by the market players to address this.

C&WG have reaffirmed their commitment to provide other operators with access to its core network. The DG will monitor progress on this and if necessary will consider whether more firm incentives are required to ensure a level playing field in the telecoms market. The DG believes that for competition to be successful in the telecoms market **a properly functioning wholesale market is a key requirement.** It is also key to the OUR being able to row back on regulation in certain parts of the market and this is unlikely to be able to happen without confidence in how C&WG treats competing businesses to its own retail arm.

# The Office of Utility Regulation

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### **Report of the Director General and Financial Statements for the Year Ended 31 December 2006 for Public Utilities Regulation Fund**

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# **The Office of Utility Regulation**

## **Annual Report 2006**

### **Public Utilities Regulation Fund**

### **Fund Information** **for the Year Ended 31 December 2006**

#### **DIRECTOR GENERAL:**

Mr J Curran

#### **OFFICE ADDRESS:**

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

#### **AUDITORS:**

Chandlers Limited  
Chartered Accountants  
Anson Court  
La Route des Camps  
St Martin's  
Guernsey

# **The Office of Utility Regulation**

## **Annual Report 2006**

### **Public Utilities Regulation Fund**

### **Report of the Director General for the Year Ended 31 December 2006**

The Director General presents his report with the financial statements of the Fund for the year ended 31 December 2006.

#### **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.

# The Office of Utility Regulation

## Annual Report 2006

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 Department of Commerce and Employment, has appointed Chandlers 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**

In accordance with the Resolution of the States of Deliberation passed on 1st June 2006 the Public Accounts Committee has approved the appointment of RSM Rhodes as the auditors for the Public Utilities Regulation Fund for the year ending 31st December 2007.



**ON BEHALF OF THE BOARD:**

Mr J Curran  
Director General of Utility Regulation

Dated: 30th July 2007

# The Office of Utility Regulation

## Annual Report 2006

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

We have audited the financial statements of Public Utilities Regulation Fund for the year ended 31 December 2006 on pages twenty-six to thirty. 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 and auditors**

As described on page two 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 Accounting 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.

# The Office of Utility Regulation

## Annual Report 2006

### **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 31 December 2006 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.

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

*Chardlers Limited*

Chartered Accountants  
Anson Court  
La Route des Camps  
St Martin's  
Guernsey

Date: 30 July 2007

# The Office of Utility Regulation

## Annual Report 2006

### Public Utilities Regulation Fund

#### Income and Expenditure Account for the Year Ended 31 December 2006

	Notes	2006 £	2005 £
<b>INCOME</b>			
Licence fees		1,223,745	949,850
Bank interest		<u>25,561</u>	<u>9,150</u>
		1,249,306	959,000
<b>EXPENDITURE</b>		908,593	805,867
<b>SURPLUS FOR THE YEAR ENDED 31 DECEMBER</b>		340,713	153,133
<b>TRANSFER TO CONTINGENCY RESERVE</b>	7	<u>(340,713)</u>	<u>(153,133)</u>
<b>NET OPERATING RESULT FOR THE YEAR</b>		<u>-</u>	<u>-</u>

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

# The Office of Utility Regulation

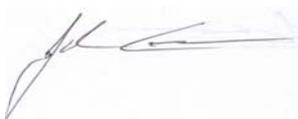
## Annual Report 2006

### Public Utilities Regulation Fund

#### Balance Sheet 31 December 2006

	Notes	£	2006 £	2005 £	£
<b>FIXED ASSETS</b>					
Tangible assets	4		12,303		14,061
<b>CURRENT ASSETS</b>					
Debtors					
Cash at bank and in hand	5	4,158		4,158	
		<u>642,839</u>		<u>329,551</u>	
		646,997		333,709	
<b>CREDITORS</b>					
Amounts falling due within one year	6	<u>75,377</u>		<u>104,560</u>	
<b>NET CURRENT ASSETS</b>			<u>571,620</u>		<u>229,149</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>583,923</u>		<u>243,210</u>
<b>RESERVES</b>					
Contingency Reserve	7		<u>583,923</u>		<u>243,210</u>
			<u>583,923</u>		<u>243,210</u>

The financial statements were approved on 27th July 2007 and were signed by:



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

# The Office of Utility Regulation

## Annual Report 2006

### Public Utilities Regulation Fund

### Notes to the Financial Statements for the Year Ended 31 December 2006

#### 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 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:

	2006	2005
	£	£
Depreciation—owned assets	15,524	12,005
Auditors' remuneration	<u>2,772</u>	<u>6,775</u>

#### 3. TAXATION

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

# The Office of Utility Regulation

## Annual Report 2006

### Public Utilities Regulation Fund

### Notes to the Financial Statements for the Year Ended 31 December 2006

#### 4. TANGIBLE FIXED ASSETS

	Plant and Machinery £	Fixtures and fittings £	Computer equipment £	Totals £
<b>COST</b>				
At 1 January 2006	36,076	3,675	24,102	63,853
Additions	<u>5,094</u>	<u>-</u>	<u>8,672</u>	<u>13,766</u>
At 31 December 2006	<u>41,170</u>	<u>3,675</u>	<u>32,774</u>	<u>77,619</u>
<b>DEPRECIATION</b>				
At 1 January 2006	31,144	2,177	16,471	49,792
Charge for year	<u>8,234</u>	<u>735</u>	<u>6,555</u>	<u>15,524</u>
At 31 December 2006	<u>39,378</u>	<u>2,912</u>	<u>23,026</u>	<u>65,316</u>
<b>NET BOOK VALUE</b>				
At 31 December 2006	<u>1,792</u>	<u>763</u>	<u>9,748</u>	<u>12,303</u>
At 31 December 2005	<u>4,932</u>	<u>1,498</u>	<u>7,631</u>	<u>14,061</u>

# The Office of Utility Regulation

## Annual Report 2006

### Public Utilities Regulation Fund

#### Notes to the Financial Statements—continued for the Year Ended 31 December 2006

**5. DEBTORS: AMOUNTS FALLING DUE  
WITHIN ONE YEAR**

	2006	2005
	£	£
Prepayments	<u>4,158</u>	<u>4,158</u>

**6. CREDITORS: AMOUNTS FALLING DUE  
WITHIN ONE YEAR**

	2006	2005
	£	£
Trade creditors	68,989	78,768
Deferred income	500	1,000
Accruals	<u>5,888</u>	<u>24,792</u>
	<u>75,377</u>	<u>104,560</u>

**7. CONTINGENCY RESERVES**

Any surpluses in the Income and Expenditure account are taken to the contingency reserve.

	£
At 1 January 2006	243,210
Movement in the year	<u>340,713</u>
At 31 December 2006	<u>583,923</u>

# The Office of Utility Regulation

## Annual Report 2006

### Public Utilities Regulation Fund

#### Income and Expenditure Account for the Year Ended 31 December 2006

	2006	£	2005	£
	£	£	£	£
<b>Turnover</b>				
Post Office Revenue	180,000		180,000	
Telecoms Revenue	863,745		589,850	
Electricity Revenue	<u>180,000</u>		<u>180,000</u>	
		1,223,745		949,850
<b>Other Income</b>				
Bank interest		<u>25,561</u>		<u>9,150</u>
		1,249,306		959,000
<b>Expenditure</b>				
General Overheads	75,669		72,117	
Auditors' Remuneration	2,500		2,500	
Salaries & Staff costs	370,994		320,855	
Consultancy fees	297,653		318,197	
Legal costs	146,213		80,153	
		<u>893,029</u>		<u>793,822</u>
		356,277		165,178
Finance costs				
Bank charges	<u>40</u>		<u>40</u>	
	356,237		165,138	
<b>Depreciation</b>				
Office equipment	8,234		7,828	
Fixtures and fittings	735		122	
Computer equipment	<u>6,555</u>		<u>4,055</u>	
		<u>15,524</u>		<u>12,005</u>
<b>SURPLUS</b>		<u>340,713</u>		<u>153,133</u>

# The Office of Utility Regulation

## Annual Report 2006

### OUR CORPORATE GOVERNANCE

The Audit, Risk and Remuneration Committee met formally on two occasions in 2006. It worked in accordance with the Terms of Reference set out in this report and carried out the following specific activities:

- The Committee arranged for a very detailed review of the internal controls of the OUR and produced a monitoring matrix to provide ongoing monitoring of the key controls;
- Produced a tender document and obtained tenders for the provision of independent internal audit of the OUR and agreed a way forward for the future;
- Reviewed the accounts for 2005 and discussed the results of the audit with the external auditors;
- Met the external auditors to confirm the nature, scope and timetable for the audit for 2006;
- Conducted a detailed risk review for the activities of the OUR and its office and produced a risk control matrix;
- Monitored and approved recruitment and remuneration of staff;
- Embarked on a project to review and recommend improvements to HR contracts and the staff handbook; and
- Targeted the production of a risk based business plan for 2008

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 throughout the year.

On 31<sup>st</sup> 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 of the 2001 Law which set out the formal establishment of the Committee the terms of which comply with the Terms of Reference already adopted by the Audit, Risk and Remuneration Committee.

The costs of the Committee were less than £10,000 in 2006.



Stephen Jones  
Chairman

# **The Office of Utility Regulation**

## **Annual Report 2006**

### **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 are:

- 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.

# **The Office of Utility Regulation**

## **Annual Report 2006**

### **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 31<sup>st</sup> 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.

# **The Office of Utility Regulation**

## **Annual Report 2006**

### **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.

### **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 31<sup>st</sup> December 2008 and thereafter as required.

### **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.

# **The Office of Utility Regulation**

## **Annual Report 2006**

### **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.

### **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:

# **The Office of Utility Regulation**

## **Annual Report 2006**

### **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.

# The Office of Utility Regulation

## Annual Report 2006

### 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.*

# The Office of Utility Regulation

## Annual Report 2006

### 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.

# The Office of Utility Regulation

## Annual Report 2006

### 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 31<sup>st</sup> 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 31<sup>st</sup> January 2012.

# The Office of Utility Regulation

## Annual Report 2006

### Annex B: Documents published in 2006

06/01	Fees for Telecommunications Licences. Consultation document
06/02	Maximum Resale Price of Electricity in Guernsey. Information notice and document.
06/03	Competition for 3G mobile Telecommunications Licence. Report on the consultation.
06/04	Competition for 3G Mobile Telecommunications Licence. Information Memorandum.
06/05	Investigation into Wholesale Broadband Pricing
06/06	Reviewing Guernsey Post's Universal Service Obligation. Consultation Paper.
06/07	Publication of Statement of Opportunity by Guernsey Electricity Ltd. Consultation Document
06/08	Guernsey Post's Bulk Mail Tariff Changes. Draft Decision.
06/09	Investigation into Dispute between C&W Guernsey and Wave Telecom. Findings in Dispute D01/06 and Direction to C&W Guernsey Ltd.
06/10	Licence Fees for Operators licensed by the OUR. Decision Notice.
06/11	Reviewing Guernsey Post's Universal Service Obligation. Report on the Consultation.
06/12	Guernsey Post's Bulk Mail Tariff Changes. Decision Notice.
06/13	Investigation into Wholesale Broadband Pricing. Final Decision.
06/14	Mobile Termination Rates.
06/15	Guernsey Post's Proposed Tariff Changes. Consultation Document.
06/16	Extension of Mobile Termination Rates Consultation. Information Notice.

# **The Office of Utility Regulation**

## **Annual Report 2006**

### **Annex B: Documents published in 2006**

- 06/17      Review of Guernsey Electricity Limited's Price Control. Consultation Paper.
- 06/18      Guernsey Post's Proposed Tariff Changes. Draft Decision and Report on the Consultation.
- 06/19      Mobile Termination Rates. Draft Decision Paper.
- 06/20      Guernsey Electricity Limited's Price Control. Draft Decision
- 06/21      Guernsey Post's Proposed Tariff Changes. Decision Notice.