

Annual Report and Accounts 2005

Year ending 31st
December 2005

Annual Report: 2005



28th November, 2006

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 2005 to 31st December 2005.

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,

John Curran
Director General
of Utility Regulation

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Annual Report: 2005

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Director General's Report

2005 was an important year for regulation in Guernsey. It marked the end of the first stage of regulation in the Bailiwick. Price controls were completed on all three sectors for the first time and it was the first full year of competition in all sectors of the telecommunications market. Ensuring that utility services are provided at a quality customers demand and at a price that represents value for money continues to remain a key priority for the OUR.

Through the course of 2005, the OUR continued to focus on developing a strong, constructive working relationship with the three sectors and in particular with the dominant operators in each sector. The interaction between regulation and the utilities was a key element of a major review undertaken by the National Audit Office (NAO) for the Treasury & Resources and the Commerce & Employment Departments. The OUR fully supported this review.

Having the perspective of an outside party provide a dispassionate view of our work is of enormous value. Therefore, we take a lot of comfort from the NAO's view that not only has regulation delivered substantial benefits for consumers in Guernsey, but that it remains a vital part of the commercialisation process. Equally, as Director General, I take note of the recommendations the NAO has made. Already a number of steps have been taken to implement changes in practices and approaches to regulation which will benefit both consumers and the regulated companies.

We continue to focus on ensuring that the direct cost of regulation remains appropriate. The OUR's costs fell a further 5% in 2005 compared with the previous year. In addition I am pleased that the change in our consultation procedures, which provides a more structured and open process for regulatory decisions, coupled with a willingness to seek alternative routes to resolving regulatory disputes, has delivered a 11% reduction in legal costs despite the Guernsey Post appeal.

To further improve confidence in the management of our costs and demonstrate the accountability of this Office, we have established an Audit, Risk & Remuneration Committee and I am very pleased to have such high calibre experienced members willing to work with the Office on this important task. I believe this initiative will provide additional reassurance on the way the OUR manages its costs.

Director General's Report

We took a number of steps in 2005 to improve our contact with key stakeholders. In particular we have sought to develop more direct contact with consumer groups. We have met with the Guernsey Consumer Group on a number of occasions, a relationship I am pleased to say that strengthened substantially during the year. We also looked to have more face-to-face meetings with GIBA, the Chamber of Commerce, the Confederation of Guernsey Industry and Postwatch Guernsey so that the issues that are specific to their members can be fully considered.

Turning to the future, we will look to continue implementing the recommendations of the NAO review so that regulation in Guernsey is proportionate and continues to deliver benefits for the consumer. We have already announced a 28% cut in the licence fees to be paid by the utility companies in 2007 and 2008. A review of our approach to regulation will be undertaken in early 2007 to see where the OUR can further reduce its direct regulatory role and relax some of the reporting arrangements that companies are currently required to comply with.

I wish to thank my colleagues in the OUR. The OUR is, and will remain, a small team and their commitment and professionalism has ensured that significant progress has been made in shaping the way the OUR delivers on its key objectives and duties.

Ensuring that regulation remains a complement to the activities of the three sectors will be a key task for the future. Ensuring that regulation for the three sectors is proportionate, that it balances the sustainability of these sectors and the impact on consumers will be key challenges.



John Curran
Director General



The Year in Brief

January 2005

Direction to Guernsey Post Ltd regarding Compliance with Quality of Service Standards; Consultation on Interim Price Control for C&W Guernsey Ltd published; OUR's Response to Commerce and Employment Department Consultation Document "Building Confidence", Information Notice.

February 2005

Carrier Pre-Selection and Number Portability within the Bailiwick of Guernsey, Report on the Consultation and Decision Notice; Audit of Emissions from Radio Masts in Guernsey, Report and Information Notice.

March 2005

Direction to Guernsey Post Ltd regarding Compliance with Quality of Service Standards; Statutory Notification of Direction; Interim Price Control for C&W Guernsey, Report on the Consultation and Decision Notice; Review of C&W Guernsey's Proposed charges for Interconnection and Access, Report

May 2005

C&W Guernsey – Interconnection and Access Charges, Information Notice.
Successful mediation with Guernsey Post Limited.

June 2005

Review of C&W Guernsey Price Control, Draft Decision; Pan Channel Island Ethernet Half Circuits Notification of Investigation into C&W Guernsey's Pan Channel Island Ethernet Products, Information Notice; Audit of Broadband Services in Guernsey, Information Notice.

July 2005

Amendment to Guernsey Post's Licence, Statutory Invitation to comment; Guernsey Post Ltd Quality of Service, Report on the Consultation, Decision Notice and Direction; Investigation into C&W Guernsey's Pan Channel Islands Ethernet Half Circuits, Summary of finding and Direction; Amendment to Guernsey Post Ltd's Licence, Report on the Consultation.

August 2005

Price Control for C&W Guernsey, Decision Notice; Price Control Compliance Guidelines for C&W Guernsey Ltd, Information Notice.

September 2005

Review of Market Dominance in the Guernsey Postal Market, Proposed Decision; Guernsey Post's proposed Tariff Charges, Consultation Document; Review of Guernsey Electricity Limited's Price Control, Draft Decision.

October 2005

A public meeting to discuss the proposed Price Control for Guernsey Electricity was hosted by the Guernsey Consumer Group

November 2005

Investigation into C&W Guernsey's Mast at Les Vardes Quarry finding in Dispute D01/05 and Direction to C&W Guernsey Ltd; Amendment to Wave Telecom's 2G Mobile Licence; Review of Market Dominance in the Guernsey Postal, Report on the Consultation and Decision Notice; Competition for Mobile Telecommunications Licence calls for Expressions of Interest and call for comments on Preliminary Tender Document; Regulation in Guernsey, Revised Consultation Procedures, Information Paper.

December 2005

Amendment to Wave Telecom's 2G Mobile Licence Statutory Notification, Guernsey Post's Tariff Changes – Report on the Consultation and Decision Notice; Price Control on Guernsey Electricity Ltd, Decision Notice.



The Guernsey Regulatory Environment

The States of Guernsey set 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, exclusion of liability ordinance and the Utility Appeals Tribunal Ordinance which sets up an appeals mechanism for decisions of the OUR.

Where empowered to do so, the Director General has also introduced regulations and orders and these, along with directions, decisions and the large body of published documentation on the OUR website, 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

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 2004 is included in **Annex A** to this report in accordance with section 8 of the Regulation Law.

The Office of Utility Regulation

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, and 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.

OUR Team

The OUR is located in its own offices in Hirzel Court in St Peter Port and, although small, continues to be independently run and staffed. During 2005 the Office had four core staff in addition to the Director General and continued its use of external specialist technical expertise to complement in-house resources and to handle specific projects.

John Curran, Director General

John was first appointed by the States of Guernsey as Director General of Utility Regulation in February 2005, having previously been Director of Regulation from 2003. John worked with the OUR when it was initially set up in 2001 and returned in April 2003 after spending eight months as regulatory adviser with the Australian telecoms incumbent, Telstra.

John has a strong background in regulation. Before joining OUR John worked for six years in communications regulation in Ireland, four in telecommunications and two dealing with broadcasting and cable TV. He started his career in the Irish Civil Service having studied Electronic Engineering at Galway Institute of Technology.



Jon Buckland, Director of Policy

Jon joined the OUR in October 2001 shortly after it 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. He also supports OUR's projects in the telecoms and electricity sectors.

Prior to joining OUR, Jon was a Strategy and Economics Manager at the Independent Television Commission (ITC) and previously he worked for a number of consultancies specializing in environmental economics primarily in the water sector advising water companies, Ofwat, the Environment Agency, the European Commission, EBRD and the World Bank. Jon has a BSc in Economics and Politics from the University of Bath and an MBA from the University of Warwick.



The Office of Utility Regulation

Michael Byrne, Director of Regulation

Michael joined the OUR in June 2005 as Director of Regulation and is working initially on putting in place a price control for the electricity sector as well as supporting the OUR's work in the telecoms and postal sectors. Prior to joining the OUR, Michael was Head of Retail Competition at the Office for Gas and Electricity Markets (OFGEM) in the UK, leading case investigations and reviews within the domestic and non-domestic energy sectors.

He has previously worked in the area of commercial Television regulation and as a consultant, specialising in the dairy manufacturing industry. Michael has a BSc Honours degree in Mathematics, Statistics and Economics from the University of Natal. He also has a postgraduate diploma in Competition Policy and an MBA from the University of Warwick.



Aidan Kearney, Regulatory Manager



Aidan joined the OUR in August 2006 as a regulatory manager and is primarily working on the price control projects in the post and electricity sectors. Prior to joining the OUR, Aidan worked for the Commission for Energy Regulation in Ireland, where he worked on the regulation of the electricity and gas networks. This work included an electricity distribution network five-year price control, the development of a business case for the mass installation of electricity smart metering, and the introduction of a new national gas connection policy.

Aidan has a BEng 1st class Honours degree in Engineering from Trinity College Dublin. He also has a diploma in Economics from the Open University.

Kate Ferbrache, Executive Assistant

Kate joined the OUR Team in January 2006 as an Executive Assistant. She now manages the office logistics and provides administrative support to all the team members.

Kate maintains and updates the OUR website and is media liaison for the OUR. Kate was educated locally, completing her A Levels at the Grammar School, then worked for the Guernsey Civil Service and an Event Company before joining the OUR.



The Office of Utility Regulation

Pui Jee Lia

Pui Jee joined the OUR at the end of June 2006 upon being awarded the OUR's first student bursary. As part of the bursary Pui Jee will work at the OUR during the summer holidays and for one year upon graduation. Pui Jee assists the whole team at the OUR across a range of projects.

Pui Jee was born in Guernsey and educated locally at the Ladies' College and currently attends the University of Nottingham where she reads Management with Chinese Studies.





The Office of Utility Regulation

It is OUR policy to operate with a small core team of **experienced professional staff** and to use 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 2005, the following consultants and **external specialists** worked with the OUR on a range of specific projects, as well as in providing general support for the OUR work programme:

- **Brockley Consulting Ltd** provided assistance in the review of Guernsey Post Ltd's application for tariff increases.
- **Cellular Design Services Ltd** undertook a complete audit of all mobile phone masts in the Bailiwick on behalf of the OUR.
- **Design & Implement Ltd** continued to support the OUR work in the electricity sector during the year.
- **Direct Input Associates** provided media and communications support across all three sectors.
- **ESB International** provided specialist support in undertaking the efficiency review of Guernsey Electricity for the 2005 Price Control decision.
- **Frontier Economics Ltd** assisted the OUR in its work on reviewing C&W Guernsey's price control and on a number of related matters.
- **GOS Consulting Ltd** advised on a wide range of telecommunication projects including interconnections, Reference Offer review, regulatory accounts and others.
- OUR's legal advice during 2005 was provided by **AO Hall Advocates** and **Landwell Solicitors**.

OUR Communication

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 heavily used as a means of communicating with the operators within the regulated industries and with interested members of the public. 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 published. The OUR publishes the reasons for all decisions along with a commentary on the views received.

The website has continued to be invaluable and an efficient method of conducting public consultations and disseminating information with **31 papers** published in 2005, including 10 separate consultations. A full list of all the documents published in 2005 can be found in **Annex B**.

The OUR continues to maintain strong contacts with the UK regulators such as Ofcom (who have a major role in matters relating to telephone numbers and frequency spectrum) and Postcomm (given its role in regulating Royal Mail and its work on matters of a common interest to the OUR). The OUR also looks to maintain contact with regulators from jurisdictions of a similar size to the Bailiwick and which may face similar issues, in particular the JCRA in Jersey.



The Office of Utility Regulation

OUR Consultation Process

To further increase the transparency and robustness of the decision making process, the OUR amended its consultation process in November 2005. The OUR had used '**Draft Decisions**' in key electricity and telecoms projects and believe it adds a highly beneficial and helpful step in the overall decision making process. It ensures that interested parties are fully aware of the rationale for a proposed decision but have a further opportunity to provide the Director General with any additional information which may be helpful to the OUR in making its final decision. Following the success of the trial, the OUR has now formally incorporated this additional step in its consultation process.

Our Bursary

In 2005, the OUR offered a bursary to a local student to help with their studies in a discipline related to the OUR's work. The OUR believes it is important to assist in developing local expertise in the area of regulation and we are delighted that Pui Jee Lai, a former student at Guernsey's Ladies' College, successfully applied for this bursary.

Pui Jee was awarded a £1,500 bursary to help with her studies at Nottingham University studying a BA in Management and Chinese. As part of the bursary, Pui Jee has committed to work with the OUR during her summer holidays and for one year following the completion of her studies.



Electricity: Activity Report

Overview

During 2005 a number of major workstreams were concluded. The review of future strategic generation options led to a recommendation in November to the States by the Department of Commerce and Employment, to establish an **Energy Policy Review Group**. This recommendation also provided an important basis for the finalization of Guernsey Electricity Limited's (GEL) price control. In December 2005 GEL was subject to a price control decision following a submission by GEL for price increases primarily driven by the renegotiation of its supply agreement with EdF during 2005.

Change in the level of retail prices had implications for the maximum price at which electricity may be resold on the Island and a new maximum resale price was announced in January 2006.

Activity Report

Strategic Review of Generation Options

In 2003 and 2004 the Commerce & Employment Department undertook a detailed study into a number of **strategic issues relating to the future energy needs of the Island**. This study considered the economic, environmental and security of supply issues associated with the Island's electricity needs and the trade-offs that need to be considered in formulating a coherent policy.

The Commerce & Employment Department study, aided by consultants Mott McDonald, considered a range of generation options realistically available to Guernsey to enable the States to meet its electricity needs over the foreseeable future, assessing these against other policy considerations, including security of supply, independence, environmental issues and overall cost. During 2005 Commerce & Employment consulted widely with other States Departments and agencies and on 30th November 2005, presented a policy letter to the States for consideration of an energy policy for the Island.

The OUR liaised closely with Commerce & Employment Department given the importance of its work to the framing of any price control decision. The States at its November 2005 meeting agreed to establish an Energy Policy Review Group to consider further Guernsey's preferred approach to the wider energy and environmental issues and that groups work is continuing. In the event that the future work of this group has any implications for any future price controls for GEL, the Director General will consider the implications at that time.

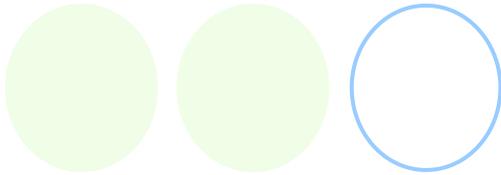
Price Control

In September, following detailed work on a **new price control for GEL**, the OUR published a draft decision (**OUR 05/23**) which set out the Director General's proposals for the future regulation of GEL's prices. Following the conclusion of what was a spirited consultation period, a new price control was announced in December (**OUR 05/31**) that remains in place until 31st March 2007. A price increase of 3.8% was implemented on 1st of January 2006, with a further price increase of RPI + 1.7% taking effect on 1st of April 2006.



Electricity: Activity Report

The price control work in 2005 highlighted a number of issues which have a fundamental bearing on both the regulation of GEL and on the level of tariffs the company may charge. A key area is the return which the States as Shareholder is entitled to, and its implication for related issues such as the use of GEL's cash reserves. The Director General believed that a pragmatic approach was to set a 15 month price control and to work with the various stakeholders to clarify the outstanding matters so that a further, longer term price control can be set from April 2007. At the time of writing this work is continuing and the Director General is hopeful of a positive outcome.



Post: Activity Report

2005 was an extremely busy year with the OUR's work programme continuing to focus on prices and quality of service.

Guernsey Post continued to improve its quality of service against the three target areas and the OUR undertook its first review of the regulatory targets it had set the company. The improvements in quality across the board provided an opportunity to **reduce the number of targets** which were set for the company and enabled the regulatory regime **to focus on those areas of key importance to postal customers**.

The Director General was grateful to Guernsey Post for the constructive approach it took towards **mediation** regarding an appeal it brought against a decision of the Office which meant that resources could concentrate on delivering benefits for Guernsey Post's customers. The mediation resulted in a modification to Guernsey Post's licence which then drove the OUR's work programme in terms of findings of market dominance and subsequently a price control at the end of 2005.

Licence Modification

At the beginning of the year there was an outstanding appeal by Guernsey Post of the Director General's decision which was due to be heard early in 2005 by the Utility Appeals Tribunal. Whilst defending the position taken by the Office the Director General was convinced, based on previous experience, that litigation in this instance was not serving the interests of Guernsey consumers and sought to resolve the issue prior to any hearing being held. As a result of a successful mediation engaged in by the OUR with Guernsey Post the issue was resolved. The Director General would like to acknowledge his thanks to Guernsey Post, and its Chairman in particular, for the efforts made to resolve this matter.

The Director General issued a Statutory Invitation to Comment (**OUR 05/15**) on proposals to amend Guernsey Post's licence to specify that the scope of services which would be regulated under Condition 18 of Guernsey Post's licence. In July, following consideration of the responses the Director General formally modified condition 18 of Guernsey Post's Licence (**OUR 05/18**).

Review of Dominance in Relevant Markets

In September 2005 the Director General published notice of a proposed decision of the finding of dominance in a number of relevant markets (**OUR 05/21**). The DG adopted a simplified approach to market definition, which he considered to be both **proportionate to Guernsey** and transparent, to inform his decision of dominance in a number of relevant markets within the Bailiwick. In essence by drawing upon information that was readily available the Director General believed that he would be able to reach a decision that would be no different if a more detailed and time consuming data collection exercise were undertaken.

In light of the responses from interested parties, the Director General published his decision (**OUR 05/26**) in November in which he designated Guernsey Post as dominant in the markets in the Bailiwick for: regular letter and parcel services; priority letter and

Post: Activity Report

parcel services and outbound bulk mail services.

Postal Tariff Application from Guernsey Post

The Director General received an application in August from Guernsey Post to amend its postal tariffs with effect from 1st April 2006. The application was then published for public consultation (**OUR 05/22**). This was the culmination of a collaborative approach between the Office and Guernsey Post in developing an economic model which sought to work with the information available to the company.

The Director General recognises that the commercial environment in which GPL now operates has changed significantly since 2001. In particular its underlying cost base has experienced a significant step change as a result of the new charging arrangements with Royal Mail. The company's proposed price increases have been driven to a large degree by external factors primarily with its major partner, Royal Mail and the changes within the UK regulatory regime. Royal Mail delivery costs now account for **over 50% of Guernsey Posts total costs**. There is therefore a continuing need to move to more cost-reflective pricing.

In December, the Director General published his decision on certain parts of the company's tariff application (**OUR 05/30**) including, amongst other things, standard local and UK mail. Whilst any price rise is regrettable for customers, Guernsey consumers will continue to have one of the **cheapest local mail** tariffs in Western Europe. Further work continued on Bulk Mail tariffs which were finalised in 2006.

As part of the decision the Director General also highlighted the need to review the States' existing definition of the Bailiwick's **Universal Service Obligation** and a consultation on this was undertaken in 2006.

Quality of Service

At the end of October 2004, GPL submitted its first annual report on Quality of Service ("QoS") in accordance with its postal licence. The OUR reviewed the company's compliance with the QoS targets and published its report in January. Noting that the company had **achieved 15 of its 23 targets** and seven of the failures were by small amounts, the Director General only proposed to issue a direction to remedy a breach for bulk mail J+3 targets (**OUR 05/01**). Following a consultation, the Director General decided to amend the direction and require the company to achieve a bulk mail target of 91% for J+3 (**OUR 05/07**).

The importance of being able to demonstrate the level of quality customers receive in any business is important but especially so in a market where there is a dominant operator and upon whom most customers are solely relying. The Director General was pleased to note that in almost all cases **quality of service had improved since the introduction of targets in 2003**. More importantly, GPL is now positioned to demonstrate the degree to which it is in compliance with its USO requirements. The Director General consulted on possible changes to the QoS regime in



Post: Activity Report

April and set out a number of proposed changes to the reporting system. (**OUR 05/10**).

Following the consultation there were a number of changes to QoS targets for Guernsey Post through to 2008/09 (**OUR 05/16**). The most significant changes related to:

- reporting only targets for cross border mail pending further work with regulators in other jurisdictions;
- reduction in the number of internal efficiency targets to align with changes in the company's own reporting procedures and measures;
- the requirement for Guernsey Post to work towards **individual Service Level Agreements** with its bulk mailers.

Telecommunications: Activity Report

Overview

2005 saw continued developments in the telecoms market with consumers benefiting from further price reductions and increasing competition. Among the developments were increasing mobile competition, price reductions on a range of fixed services, enhanced and cheaper broadband services and the launch of a process to licence a second 3G operator in the Bailiwick. The telecoms sector continues to occupy a substantial part of the OUR's workload.

Retail Price Control for Cable & Wireless Guernsey

Following a consultation in 2004 on a further price control for key fixed services, the OUR published its decision (**OUR 05/19**) on the new control that would apply from September 2005. The former control had been extended in January 2005 (**OUR 05/08**).

Among the issues covered by the price control decisions were key regulatory matters including the OUR's review of market dominance and determining the rate of return appropriate to C&WG's price controlled markets. The OUR set a new price control which includes provision for C&WG to **increase line rental by approximately 13%** per annum and **reduce local calls by around 11%**. Charges for **leased lines**, a key service for business customers, are due to **fall by approximately 13% per annum**. This price control will apply until 31st March 2008.

The OUR also simplified a number of reporting arrangements for C&WG as part of its review.

Broadband Market

In February 2005, the OUR commissioned a study into the provision of broadband services in Guernsey. This study was intended to look at possible issues affecting the **range and cost of broadband services**, and to compare these services and their prices with those available in a number of other countries. The results of the study were published in June 2005 (**OUR 05/14R**). Among the key conclusions reached by the consultants were that the cost of a basic internet service in Guernsey is generally more expensive than similar services in the other jurisdictions. A lack of higher bandwidth services aimed at residential users is making it **prohibitively expensive for residential customers** to get a service that offers more than the 512 kbit/s bandwidth.

The report also identified that the costs of **services aimed at business customers were consistently higher** than in other markets, including those markets which are likely to have a similar cost base to Guernsey. Further, the margins for the ISP element of residential services are very low and appeared to show provision of these services by ISPs as being unprofitable.

Following publication of the report, C&WG announced it was **doubling the speed** of its broadband service and voluntarily reduced the price for its wholesale service. The OUR initiated a **detailed review of broadband pricing** which would result in further price reductions in 2006.



Telecommunications: Activity Report

Audit of Mobile Phone Masts

In 2004, the OUR commenced a detailed **audit of all mast sites** in Guernsey in response to concerns about the possible health implications from mobile masts. The Director General views it as important that when providing for the deployment of radio-based networks that all operators have regard to their obligations, not just with respect to their licence conditions, but also to the wider community. The OUR has always included licence conditions in all licences to ensure operators are obliged to bear this in mind when developing their networks. The OUR insists that the standard to be met is the **International Commission for Non-Ionising Radiation Protection's (ICNIRP) standard**, the highest international standard for such emissions.

The OUR commissioned auditors to undertake a review of emissions from radio masts around the Bailiwick and to also review the internal processes and procedures that operators have in place for ensuring on-going compliance. The overall conclusion from the audit was very positive. **All mast sites were fully in compliance.** In addition, all operators were shown to take their obligations in this regard extremely seriously. The OUR will continue to monitor emissions and further **random spot checks** will be carried out in future.

3G Mobile Licence Competition

In November 2005, the OUR announced that it was intending to run another competition to award **one further 3G licence** for the Bailiwick. The new licence would provide for two 3G operators in Guernsey, providing competition to Wave Telecom which launched its 3G service in 2004. The licence was to be awarded by way of a **comparative selection process**, or “beauty parade”. Expressions of interest in the licence were invited (**OUR 05/27**) and following a marketing campaign, two expressions of interest were received. The OUR concluded the award process in late summer 2006.

Interconnection & Access Charges

C&W Guernsey, as a dominant operator in the fixed and mobile telecommunications markets in Guernsey, is required to produce and publish a Reference Offer (RO). The RO is essentially a catalogue of the services that they make available to Other Licensed Operators (OLOs) and the prices for those services.

In March 2005, the OUR published a decision with regard to the manner in which such charges should be calculated by C&W Guernsey (**OUR 05/09**). C&W Guernsey was required to propose new tariffs that would comply with this direction and make these available to the market. Among the changes required was:

- the need to ensure charges were based on current costs;
- that the recovery of overhead costs was in line with best practice to demonstrate that the overheads attributed to interconnection were those that would be incurred by an efficient operator;
- that the new tariffs proposed by C&WG represented a significant reduction on its previous rates.



Telecommunications: Activity Report

Disputes and Investigations

During 2005 the OUR was requested to intervene in a number of disputes and investigations involving the telecoms operators. These cover issues such as disputes with regard to mast sharing - **Les Vardes Mast Sharing Dispute (OUR 05/24)** and failures to comply with licence conditions on price notifications - **Pan CI Ethernet Half Circuit Service (OUR 05/13)**. The Director General remains concerned that the number and frequency of disputes is potentially damaging to the industry as a whole. He believes certain disputes can and should have been avoided and he will be considering further what regulatory measures may be required to ensure the OUR's intervention is required on a less frequent basis in matters which should be commercial issues.



Public Utilities Regulation Fund

Report of the Director General

and

Report of the Independent Auditors



Public Utilities Regulation Fund

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Foreword to the Accounts

Regulation of Utilities requires a keen understanding of all the facets of industry and an ability to combine expertise in law, engineering, accounting, economics and business analysis to develop innovative and practical solutions to facilitate market development.

During 2005 the fees payable to the Director General of Utility Regulation were paid into the Public Utilities Regulation Fund which was initially established in 2001. Fees were collected from licensees in the three regulated sectors of telecommunications, post and electricity. The OUR's costs in 2005 fell 5% compared with 2004 and the OUR has announced plans to substantially reduce licence fees for most operators in 2007 and 2008.

The OUR has also established an Audit, Risk and Remuneration Committee to provide an additional level of oversight to the financial management of the OUR. The OUR is conscious that it is funded by industry and that there is a need to not only ensure there is strict financial management but to be able to demonstrate this also. The 2005 audited accounts have been reviewed by the ARRC.

During 2005 the Office was staffed by four staff as well as the Director General.



**Report of the Director General for the Year Ended
31 December 2005**

Fund Information

DIRECTOR GENERAL: Mr John 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

Report of the Director General for the Year Ended 31 December 2005

Report of the Director for the Year Ended 31 December 2005

The Director General presents his report with the financial statements of the Fund for the year ended 31 December 2005.

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;
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 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

The auditors, Chandlers Limited, have indicated their willingness to continue in office.



Mr J Curran
Director General of Utility Regulation

Dated: 23 October 2006



Report of the Independent Auditor to the Members of The Public Utilities Regulation Fund

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

We have audited the financial statements of Public Utilities Regulation Fund for the year ended 31 December 2005 on pages four to seven. These financial statements have been prepared under the historical cost convention and 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 auditor

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.

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 not 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 the Director General's remuneration and transactions with the Fund is 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:

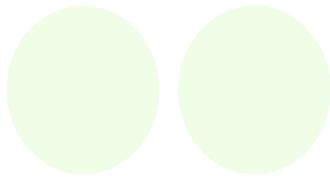
- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice of the Fund's affairs as at 31 December 2005 and of its surplus for the year ended; and
- Have been properly prepared in accordance with the Regulation of Utilities (Bailiwick of Guernsey) Law 2001

The Public Utilities Regulation Fund

Chandlers Limited

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

Date: 23 October 2006



Public Utilities Regulation Fund

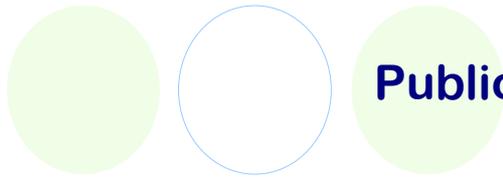
Public Utilities Regulation Fund

Income and Expenditure Account for the Year Ended 31 December 2005

	2005 £	2004 £
INCOME		
Licence fees	949,850	852,671
Office of Utility Regulation (OUR) conference revenue	-	12,132
Bank interest	<u>9,150</u>	<u>3,978</u>
	959,000	868,781
EXPENDITURE	<u>805,867</u>	<u>845,862</u>
SURPLUS FOR THE YEAR ENDED 31 DECEMBER 2005	153,133	22,919
TRANSFER TO THE CONTINGENCY RESERVE	<u>(153,133)</u>	<u>(22,919)</u>
NET OPERATING RESULT FOR THE YEAR	<u><u>-</u></u>	<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 notes form part of these financial statements.



Public Utilities Regulation Fund

Public Utilities Regulation Fund

Balance Sheet 31 December 2005

	Notes	2005 £	£	2004 £	£
FIXED ASSETS					
Tangible assets	4		14,061		21,227
CURRENT ASSETS					
Debtors	5	4,158		17,168	
Cash at bank and in hand		<u>329,551</u>		<u>165,448</u>	
		333,709		182,616	
CREDITORS					
Amounts falling due within one year	6	<u>104,560</u>		<u>113,766</u>	
NET CURRENT ASSETS			<u>229,149</u>		<u>68,850</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>243,210</u>		<u>90,077</u>
RESERVES					
Contingency Reserve	7		<u>243,210</u>		<u>90,077</u>
			<u>243,210</u>		<u>90,077</u>

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

Dated: 23 October 2006

Public Utilities Regulation Fund

Notes to the Financial Statements for the Year Ended 31 December 2005

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.

Office Equipment	- 20% on cost
Fixtures and fittings	- 20% on cost
Computer equipment	- 20% on cost

2. OPERATING PROFIT

The operating profit is stated after charging:

	2005	2004
	£	£
Depreciation - owned assets	12,005	11,803
Auditors' remuneration	<u>2,500</u>	<u>2,400</u>

3. TAXATION

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

4. TANGIBLE FIXED ASSETS

	Office Equipment £	Fixtures and fittings £	Computer equipment £	Totals £
COST				
At 1 January 2005	36,076	3,675	19,263	59,014
Additions	<u>-</u>	<u>-</u>	<u>4,839</u>	<u>4,839</u>
At 31 December 2005	<u>36,076</u>	<u>3,675</u>	<u>24,102</u>	<u>63,853</u>
DEPRECIATION				
At 1 January 2005	23,316	2,055	12,416	37,787
Charge for year	<u>7,828</u>	<u>122</u>	<u>4,055</u>	<u>12,005</u>
At 31 December 2005	<u>31,144</u>	<u>2,177</u>	<u>16,471</u>	<u>49,792</u>
NET BOOK VALUE				
At 31 December 2005	<u>4,932</u>	<u>1,498</u>	<u>7,631</u>	<u>14,061</u>
At 31 December 2004	<u>12,760</u>	<u>1,620</u>	<u>6,847</u>	<u>21,227</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2005

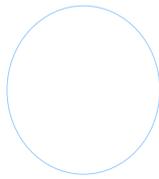
5. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2005	2004
	£	£
Trade debtors	-	13,010
Prepayments	<u>4,158</u>	<u>4,158</u>
	<u>4,158</u>	<u>17,168</u>

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2005	2004
	£	£
Trade creditors	78,768	110,866
Deferred income	1,000	500
Accruals	<u>24,792</u>	<u>2,400</u>
	<u>104,560</u>	<u>113,766</u>

7. CONTINGENCY RESERVES

Any surpluses in the income and expenditure account are taken to the contingency reserve.

	Totals
	£
At 1 January 2004	90,077
Movement in the year	<u>153,133</u>
At 31 December 2005	<u>243,210</u>



Public Utilities Regulation Fund

Income and Expenditure Account for the Year Ended 31 December 2005

	2005		2004	
	£	£	£	£
Turnover				
Post office revenue	180,000		120,000	
Telecoms revenue	589,850		552,671	
Electricity revenue	180,000		180,000	
OUR conferences revenue	-		<u>12,132</u>	
		949,850		864,803
Other income				
Bank interest		<u>9,150</u>		<u>3,978</u>
		959,000		868,781
Expenditure				
Salaries and staff costs	320,855		350,334	
Consultancy fees	318,197		252,759	
Legal fees	80,153		91,024	
OUR conference costs	582		12,089	
Utility Tribunals Appeal	-		50,616	
General overheads	<u>74,035</u>		<u>77,182</u>	
		<u>793,822</u>		<u>834,004</u>
		165,178		34,777
Finance costs				
Bank charges		<u>40</u>		<u>55</u>
		165,138		34,722
Depreciation				
Office equipment	7,828		7,215	
Fixtures and fittings	122		735	
Computer equipment	<u>4,055</u>		<u>3,853</u>	
		<u>12,005</u>		<u>11,803</u>
SURPLUS		<u><u>153,133</u></u>		<u><u>22,919</u></u>



OUR CORPORATE GOVERNANCE

OUR CORPORATE GOVERNANCE

In 2005, the OUR established an independent Audit, Risk and Remuneration Committee (ARRC). The establishment of more robust corporate governance procedures was one issue identified during the NAO review of commercialisation and regulation.

The OUR currently complies with a very high standard of controls and the OUR's annual accounts are externally audited. However, the Director General is keen to further strengthen the controls in place and therefore sets out in this report the manner in which this will be accomplished going forward.

The members of the ARRC are:

- Mr. Stephen Jones, Chairman
- Deputy Carla McNulty Bauer
- Ms. Carol Harvey
- Ms. Jane Needham

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

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.

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

OUR CORPORATE GOVERNANCE

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.

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.

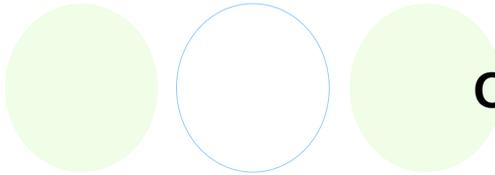
Access to Independent Advice

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.



OUR CORPORATE GOVERNANCE

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.

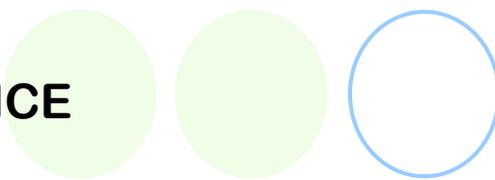
Role and Scope

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:
- the corporate governance arrangements of the organisation are appropriate to the organisation and comply with relevant requirements:

OUR CORPORATE GOVERNANCE



- 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:
- 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.

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.



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.

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.



Annex B: Documents Published in 2005

- 05/01 Direction to Guernsey Post Ltd regarding Compliance with Quality of Service Standards. Statutory Invitation to Comment.
- 05/02 Interim Price Control for C&W Guernsey Ltd. Consultation Paper
- 05/03 OUR Response to Commerce & Employment, Department Consultation Document “Building Confidence”. Information Notice.
- 05/04 Carrier Pre-Selection and Number Portability within the Bailiwick of Guernsey. Report on the Consultation and Decision Notice.
- 05/05 Amendment to Guernsey Post’s Licence. Statutory Invitation to Comment.
- 05/05R Audit of Emissions from Radio Masts in Guernsey Report and Information Notice.
- 05/06 OUR Bursary Scheme: Information Notice.
- 05/07 Direction to Guernsey Post Ltd regarding Compliance with Quality of Service Standards. Statutory Notification of Direction.
- 05/08 Interim Price Control for C&W Guernsey. Report on the Consultation and Decision Notice.
- 05/09 Review of Cable & Wireless Guernsey’s Proposed Charges for Interconnection and Access. Report on the Consultation and Decision Notice.
- 05/10 Reviewing Guernsey Post’s Quality of Service Targets, Consultation Paper.
- 05/11 C&W Guernsey - Interconnection and Access Charges, Information Notice.
- 05/12 Review of Cable & Wireless Guernsey Price Control, Draft Decision.
- 05/13 Pan Channel Island Ethernet Half Circuits Notification of Investigation into Cable & Wireless Guernsey’s Pan Channel Island Ethernet Products – Information Notice.
- 05/14R Audit of Broadband Services in Guernsey. Information Notice.
- 05/15 Amendment to Guernsey Post Ltd’s Licence. Statutory Invitation to Comment.
- 05/16 Guernsey Post Limited: Quality of Service. Report on the Consultation, Decision Notice and Direction.
- 05/17 Investigation into Cable & Wireless Guernsey’s Pan Channel Islands Ethernet Half Circuits: Summary of Findings and Direction.
- 05/18 Amendment to Guernsey Post Ltd’s Licence. Report on the Consultation.
- 05/19 Price Control for Cable & Wireless Guernsey. Decision Notice.

Annex B: Documents Published in 2005



- 05/20 Price Control Compliance Guidelines for C&W Guernsey Ltd, Information Notice.
- 05/21 Review of Market Dominance in the Guernsey Postal Market, Proposed Decision.
- 05/22 Guernsey Post's proposed Tariff Changes, Consultation Document.
- 05/23 Review of Guernsey Electricity Limited's Price Control, Draft Decision.
- 05/24 Investigation into C&WG's Mast at Les Vardes Quarry finding in Dispute D01/05 and Direction to Cable & Wireless Guernsey Ltd.
- 05/25 Amendment to Wave Telecom's 2G Mobile Licence, Invitation to Comment.
- 05/26 Review of Market Dominance in the Guernsey Postal Market, Report on the Consultation and Decision Notice.
- 05/27 Competition for Mobile Telecommunications Licence calls for Expressions of Interest and Call for Comments on Preliminary Tender Document.
- 05/28 Regulation in Guernsey: Revised Consultation Procedures, Information Paper.
- 05/29 Amendment to Wave Telecom's 2G Mobile Licence, Statutory Notification.
- 05/30 Guernsey Post's Tariff Changes – Report on the Consultation and Decision Notice.
- 05/31 Price Control on Guernsey Electricity Limited, Decision Notice.