**MINUTES OF A MEETING OF THE NORTHERN IRELAND, AUTHORITY FOR UTILITY REGULATION (THE ‘BOARD’) HELD ON THURSDAY, 23 JUNE 2022 AT QUEENS HOUSE (AND VIA TELECONFERENCE), AT 9.00 A.M.**

**Present:**

Bill Emery (Chairman), John French (Chief Executive), Teresa Perchard, Alex Wiseman, Jon Carlton, Claire Williams, David de Casseres

**In attendance:**

SLT - Kevin Shiels, Donald Henry, Tanya Hedley, Colin Broomfield, Roisin McLaughlin, John Mills, Elaine Cassidy, Barbara Cantley, Greg Irwin

Ruairi McCann (agenda item 4), Ciaran Mac Cann (agenda item 5), Sean Lyons (agenda item 6), Paul Harland, Philip Weir and John Cooper (agenda item 7), David Surplus and Gerard McIlroy (agenda item 8), Brian Mulhern (agenda items 9 and 13), Lisa Tate and Bronagh McKeown (agenda item 9), Ian Campbell and Martina McKinley (agenda item 10), Veronika Gallagher (agenda item 11), Leigh Greer, Liz Wilkin and Karen Shields (agenda item 12), John Magill (agenda item 13), Louise Dunlop.

1. **APOLOGIES FOR ABSENCE**

1.1 None.

1. **DECLARATIONS OF INTEREST**
   1. None.

1. **MODIFICATIONS OF FLOGAS ENTERPRISE SOLUTIONS ELECTRICIY AND GAS SUPPLY LICENCE**

3.1 Barbara Cantley introduced this item, which sought the Board’s approval for modifications to the electricity and gas licences of Flogas Enterprise Solutions, regarding an amendment to the financial year.

3.2 Board member queries on the wording of the modification, and the rationale for the proposed change, were addressed.

3.3 The Board agreed to the proposal to amend the financial year in condition 2.2 of the electricity supply licence and condition 1.2.1 in the gas supply licence and approved the two Article 14 notices.

**4 GAS STORAGE LICENCE FEE**

4.1 Ruairi McCann introduced this item which sought the Board’s approval for the introduction of an updated gas licence fee methodology to include gas storage.

4.2 The Board noted the choice of the inflation measure used for the annual uplift of the licence fee and discussed this in the context of other licences. A query on the quantum of the licence fee was also addressed.

4.3 The Board approved the revised gas storage licence fee methodology, which will take effect from 1 April 2022.

1. **SONI EVALUATIVE PEFORMANCE FRAMEWORK (EPF): SONI FORWARD WORK PLAN DECISION**
   1. Tanya Hedley introduced this item, which sought the Board’s approval for the recommendation of the SONI Evaluative Performance Framework (EPF) panel.
   2. The Board briefly explored the basis for the EPF panel’s recommendation, on the grade to be applied in this first year of the new framework. There was also a discussion on the proposed penalty mechanism and its application.
   3. The next steps in communicating the outcome of the assessment of SONI’s performance under the new framework, and the tone and messaging of this, was also considered.
   4. The Board approved the proposed decision on SONI’s grade, and to publish the decision at the end of June in line with our regulatory guidance.
2. **RP7 APPROACH – CONSULTATION RESPONSES** 
   1. Tanya Hedley provided an overview to the Board on the key issues raised in the consultation on the approach to the NIE Networks price control (called RP7). Sean Lyons outlined further information on the consultation.
   2. Board members considered the responses and held a wide-ranging discussion. This included the proposed extension to the current RP6 price control period, the implications for the length of the new RP7 price control period, how relevant changes in the strategic environment – during the price control period – should be factored in, UR’s approach to the price control in that context, and the delivery of price control outputs.
   3. There was also a discussion on more recent considerations. Specifically, activity in the period between now and the submission of the RP7 business plan. This also included an exploration of the engagement with stakeholders around the development of NIE Network’s business plan. It was agreed that further information on how this stakeholder engagement would take place should be provided to the Board.
   4. Board members also touched on the issues of suitable approaches for assessing of NIE Networks’ performance during the price control period.
   5. At the conclusion of the discussion, the Board noted the issues that had been raised during the consultation. The Board endorsed the proposed one-year extension to the RP6 price control period while emphasising the need for developing a clear vision for RP7, and advocating a pro-active approach to delivering the new price control review. It was therefore agreed that licence modifications to give effect to the RP6 extension should be advanced, with an update to be provided on stakeholder engagement on RP7.
3. **GD23 – UPDATE FROM CONSULTATION RESPONSES AND OTHER AREAS OF INTEREST**
   1. Tanya Hedley introduced this item, which was a briefing for the Board on the responses to the gas distribution price control (called GD23).
   2. Board members discussed the key issues raised in the responses. The Board noted the update to the weighted average cost of capital (WACC) estimates in light of market conditions. The extent to which the revision to the estimate reflected comparative benchmarks elsewhere, and regulatory precedents in that regard, was explored. John Cooper also provided a legal view on the risks associated with the price control process.
   3. There was also a consideration of the next steps on the GD23 price control. The Board agreed that further work should be advanced on financeability (including engagement with ratings agencies), and that a further Board discussion should be scheduled on GD23, with the aim of publishing the price control final determination at the end of September.
4. **BALLYLUMFORD POWER-TO-X PROJECT**
   1. David Surplus (B9 energy) and Gerard McIlroy (Mutual Energy) attended the Board to provide a presentation on the Ballylumford Power-to-X project.
   2. Board members took the opportunity to ask questions and discuss the key aspects of the project.
   3. The Board noted the presentation and thanked the presenters for attending.

**9 REVIEW OF SEM MARKET ARRANGEMENTS**

9.1 Colin Broomfield introduced this item, noting the rationale for, and the focus of, the work. The presentation covered price movements in the Single Electricity Market (SEM), a review of internal SEM factors, wind generation and current market design, and broader market design considerations.

9.2 Board members welcomed the presentation and took the opportunity to seek more information. The next steps in the process, and further engagement with the UR Board, was clarified.

9.3 The Board noted the presentation.

**10. CORPORATE RISK REGISTER 2022/23**

10.1 Donald Henry introduced this item, which presented the opening Corporate Risk Register for 2022/23, following review by the Audit and Risk Committee.

10.2 In endorsing the opening corporate register, the Board noted the changes and updates from the previous register. It was agreed that a workshop would be convened at a future date to enable the Board to review the corporate risk register.

**11. HYDROGEN: THE WAY FORWARD**

11.1 Veronika Gallagher introduced this item which provided an overview of current developments with respect to hydrogen-related work in a net zero context, and the associated regulatory challenges for UR.

11.2 The Board explored the key issues outlined in the paper. UR’s vires and our regulatory positioning on hydrogen, in the context of the strategic and policy agenda on net zero, was discussed. The proposal for a future hydrogen levy, and how it would be applied and its impact, was also discussed. Current and future engagement with other government bodies on hydrogen was considered.

11.3 In noting the overview on hydrogen-related work the Board noted ongoing uncertainties and encouraged further pro-active engagement with key stakeholders,

**12. UPDATE ON SECURITY OF SUPPLY**

12.1 Leigh Greer introduced this update on short- to medium-term security of supply issues relating to Northern Ireland. Liz Wilkin and Karen Shields provided updates on enforcement action and fuel security code licence modifications respectively.

12.2 Board member queries in respect of the changes to the fuel security code licence modifications and, specifically, around secondary fuel stocking, were addressed.

12.3 There was also a brief discussion on the publication of a generation capacity assessment and the situation regarding security of supply for Northern Ireland this winter and beyond.

12.4 The Board noted the status update.

**13. MARKET MONITORING REPORTS**

1. **SEM MARKET MONITORING REPORTS**

13.1 Brian Mulhern provided a short overview of the SEM market monitoring report up to and including May 2022, including trends within the different market timeframes in relation to prices, volumes of generation and demand, liquidity and market shares.

13.2 The outlook for wholesale prices and day ahead market comparisons were briefly discussed.

13.3 The Board noted the report.

1. **QREMM REPORT**

13.4 John Magill provided an over of the latest Quarterly Retail Market Monitoring (QREMM) containing updated market data for the period January to March 2022 and updated pricing data for semester 2 (July to December) 2021. An update was also provided on market monitoring enhancement work during the quarter.

13.5 Board members sought clarification on the factors driving changes in comparative positions versus other jurisdictions, including the impact currency exchange rates.

* 1. The Board is noted the report.

**14 UPDATES**

**(a) BREXIT UPDATE**

14.1 Colin Broomfield provided the latest update on the REMIT MoU.

14.2 The Board noted the update.

**(b) SEM UPDATE**

14.3 Colin Broomfield also briefed the Board on SEM issues. He updated the Board on proposed changes to the SEM enforcement policy, the T-4 capacity auction and imperfections tariff. The Board acknowledged the need for the changes to the SEM enforcement policy and endorsed work to give effect to these changes.

14.4 The Board noted the update.

**(c) ENERGY STRATEGY UPDATE**

14.5 Barbara Cantley briefed the Board on progress in respect of the implementation of the Northern Ireland Energy Strategy, noting ongoing engagement with DfE on the strategy action plan. A board member query on programme management arrangements for the strategy action plan was addressed.

14.6 The Board noted the update.

**15. MINUTES**

15.1 The minutes of the Board meeting on 19 May were approved for publication, subject to two amendments.

**16. ACTION POINTS**

16.1 The action points were reviewed by the Board.

**17. REPORT FROM THE EXECUTIVE TEAM**

17.1 John French introduced the Executive team report. A further update on energy price increases was provided. He also updated the Board on the resolution of an issue around gas pre-payment meter cards.

17.2 The Board then reviewed key highlights from the different parts of the organisation. The issue of network tariffs was briefly touched on. There was also a brief discussion on an update on the progress of the north-south electricity interconnector.

17.3 The team was congratulated on the recent joint conference with the Energy Institute. It was agreed that the presentations from the conference should be shared with board members.

17.4 The Board endorsed the Living with Water Programme terms of reference and noted the Living with Water Programme governance arrangements

17.5 The disputes and litigation update was noted. The Board also provided guidance on an issue relating to the AWFL litigation costs order.

17.6 Donald Henry provided a brief overview of the annual report from the Audit and Risk Committee. The report was approved by the Board.

17.7 Donald Henry annotated the finance and performance report. It was noted that it was early in the new business planning year and there were no significant budgetary issues or issues in respect of the Forward Work Programme. An update on ongoing recruitment was noted. The finance and performance report was approved.

**18. ANY OTHER BUSINESS**

18.1 The Board conducted a meeting review focusing on the in-person arrangements for the meeting, items on the agenda, and the timing of the receipt of meeting papers.

There being no other business, the meeting concluded at 2.15 p.m.