

**MINUTES OF A MEETING OF THE NORTHERN IRELAND, AUTHORITY FOR UTILITY REGULATION (THE 'BOARD') HELD ON THURSDAY, 16 FEBRUARY 2023 VIA TELECONFERENCE, AT 9.00 A.M.**

**Present:**

Bill Emery (Chairman), Kevin Shiels (Acting Chief Executive), Teresa Perchard, Alex Wiseman, Jon Carlton, Claire Williams, David de Casseres

**In attendance:**

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

Tony Doherty (agenda item 3), Paul Harland (agenda item 4), Colin Walker (agenda item 5), Leigh Greer (agenda item 6), Jillian Ferris and Veronika Gallagher (agenda item 7), Brian Mulhern (agenda item 8), Simon O'Hare, Rosanna McSorley

**1. APOLOGIES FOR ABSENCE**

1.1 John French.

1.2 The Chairman welcomed everyone, noting that the Board had convened in closed session prior to the commencement of the board meeting.

1.3 He welcomed Simon O'Hare as part of an ongoing initiative to provide staff members with an opportunity to attend board meetings.

**2. DECLARATIONS OF INTEREST**

2.1 None.

**3. REVIEW OF UR VIRES UPDATE**

3.1 Elaine Cassidy provided an overview of this paper, which outlined the extensive engagement with the Department for the Economy (DfE), the Departmental Solicitor's Office and the Office of the Legislative Counsel in relation to the Utility Regulator's (UR's) vires.

3.2 The Board noted the Forward Work Programme project on UR vires (powers) and discussed the ongoing engagement to date.

3.3 The range of functions that are currently within UR vires, and those that are not, was explored. Board members encouraged clarity on the presentation of the different functions and how they aligned with UR's current vires. A query in respect of the Board's personal responsibility in respect of vires was raised.

- 3.4 There was also a discussion on the future vision for UR's vires and the Board's risk appetite in that regard. It was noted that the vires for the energy regulator in Great Britain, Ofgem, had already evolved to better equip that regulator to meet the decarbonisation agenda.
- 3.5 At the conclusion of the discussion, the Board endorsed continuing engagement to achieve an outcome that would lead to legislation to update UR's vires. It was agreed that the Board would be provided with two advice notes in respect of individual liability for taking decisions that may be considered ultra vires and a paper clarifying the extent of the UR current legislative functions.

#### **4 GD23 LICENCE MODIFICATIONS**

- 4.1 Tanya Hedley introduced this paper, which sought the Board's approval for the licence modifications to give effect to the GD23 (gas network distribution) price control. John Mills briefed the Board on developments since the last Board GD23 discussion.
- 4.2 The Board noted the briefing and thanked the team for the work undertaken on the GD23 price control. There was also a recognition by the Board of the extensive discussions that had previously taken place on the GD23 at previous board meetings.
- 4.3 The Board approved the GD23 Determined Values and Designated Parameters and necessary licence modifications to the firmus energy, Phoenix Natural Gas Limited and SGN conveyance licences.

#### **5. LV MONITORS**

- 5.1 John Mills introduced this item which sought the Board's approval for additional capex allowances for NIE Networks in the RP6 price control extension year, to support the installation of low voltage (LV) monitors.
- 5.2 Board members queries in respect of the benefits for such an investment and the lifespan of the LV monitors were addressed. There was also a discussion on smart meters in the context of the proposed investment in the LV monitors.
- 5.3 The Board approved the proposals for the additional allowed capex for supply and installation of LV Monitors as set out in the paper. The Board also endorsed the proposed approach to the Opex allowance NIE Networks have requested.

#### **6. SECURITY OF SUPPLY**

- 6.1 Kevin Shields introduced this item, noting the importance of the issues outlined in the paper. Leigh Greer provided a high-level overview of issues/ mitigations/ solutions being considered to ensure security of supply this winter.

6.2 In welcoming the update board members were asked to indicate their availability during March/April to determine a dispute, if referred by SONI under condition 7. Finally, it was noted that a further update would be provided at the March Board meeting.

## **7 BIOMETHANE AND HYDROGEN UPDATE**

7.1 Veronika Gallagher introduced this item which provided an update on the developments to facilitate biomethane injection into the gas network and key challenges, and regulatory implications from the ongoing development of a hydrogen industry.

7.2 The Board noted the comprehensive nature of the update and the range of challenges presented. Board members briefly discussed the constraints associated with current UR vires, the opportunity for a more holistic approach, engagement with DfE, and the scope for further progress on both biomethane injection and hydrogen development. The impact on, and the costs to, consumers of delivering further progress on biomethane and hydrogen was also considered.

7.3 Board members also discussed short-term issues versus a longer-term vision for biomethane and hydrogen injection.

7.4 In noting the update, the Board endorsed the recommendations for a holistic approach across the biomethane and hydrogen and across sectors, subject to UR vires considerations.

## **8 DEVELOPMENT OF A PRICE CAP ON WHOLESALE MARKET REVENUES**

8.1 Colin Broomfield introduced this item relating to scoping work to develop a local price cap on wholesale market revenues. The paper also covered subsequent EU and UK government interventions in the same area, and the impact on the UR work on a local revenue cap.

8.2 The Board in thanking the team for work on the local price cap, acknowledged that the UK government intervention to tax market revenues, would assist in reducing excess profits earned by renewable generators. In that context, pending discussions with DfE, the Board endorsed the proposal to pause UR's local price cap work until the impact of UK government intervention is better understood and/or prices rise significantly.

## **9. APPROACH TO NEW CORPORATE STRATEGY FROM 2024**

9.1 Greg Irwin introduced this item, which provided an outline of the proposed approach, process and timeline for developing a new corporate strategy from 1 April 2024.

9.2 The Board discussed the presentational considerations outlined in the paper. There was agreement that an external facilitator would be beneficial for engagement with stakeholders as part of the corporate strategy development process.

9.3 The Board welcomed and endorsed the overall corporate strategy development approach as outlined in the paper.

## **10. MINUTES**

- 10.1 The minutes of the Board meetings on 15 December 2022 and 19 January 2023 were approved for publication.

## **11. ACTION POINTS**

- 11.1 The action points were reviewed by the Board.

## **12. REPORT FROM THE EXECUTIVE TEAM**

- 12.1 Kevin Shiels provided an overview of key developments. The Board was briefed on ongoing tariff reviews and the situation regarding pre-payment meters. A query from a Board member regarding levels of consumer debt, was addressed.
- 12.2 The Board was updated on the Single Electricity Market (SEM) capacity auctions, the gas exit review and a gas transmission connection issue.
- 12.3 The Board also considered the UK Regulator's Network guidance on cost of capital. It was agreed that the final guidance would be issued to the Board for endorsement via correspondence.
- 12.4 Tanya Hedley provided an update on the NI Water scheme of charges. A query from a Board member about UR's role in the scheme of charges was clarified.
- 12.5 Elaine Cassidy provided a brief litigation update on the most significant current litigation items.
- 12.6 Colin Broomfield provided a report on the SEM. In particular, he provided an overview on the latest situation on, and the outlook for, wholesale energy prices. The Board noted the update.
- 12.7 Barbara Cantley updated the Board on the energy support schemes. The Board noted the update.
- 12.8 Donald Henry briefed the Board on the finance and performance report. The current budget situation was briefly discussed. The finance and performance report was approved.

## **13. ANY OTHER BUSINESS**

- 13.1 Colin Broomfield drew the Board's attention to the procurement of market modelling software and the Board's role in approving the necessary expenditure.
- 13.2 The Board conducted a meeting review. The extensive agenda was noted, and there was a reflection on the focus on the UR vires item (and the further information sought on this issue).

There being no other business, the meeting concluded at 1.25 p.m.