

**MINUTES OF A MEETING OF THE NORTHERN IRELAND AUTHORITY FOR UTILITY
REGULATION (THE 'BOARD') HELD ON THURSDAY, 20 MAY 2021 BY VIDEO CONFERENCE
AT 9.30 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, Greg Irwin

Ruairi McCann and Neil Bingham (agenda items 3 and 4), Ian Campbell (agenda item 5), Ursula O’Kane (agenda items 6 and 7), Jean-Pierre Miura (agenda item 9), Brian Mulhern (agenda item 11), Roisin Kelly

1. APOLOGIES FOR ABSENCE

1.1 None

2. DECLARATIONS OF INTEREST

2.1 There was no declaration of interests.

3. COMPRESSED NATURAL GAS TRANSMISSION SYSTEM CONNECTION REQUEST

3.1 Ruairi McCann introduced this item which sought a decision from the Board on requests for a connection to the high pressure NI Gas transmission network.

3.2 Queries from board members on previous decisions on similar requests and technical considerations were addressed.

3.3 Board members, in an extended discussion, explored the rationale and impact of the existing policy position. The situation for transmission system connection requests in other jurisdictions, and the energy policy position in Northern Ireland, was also clarified.

3.4 The Board decided on balance, in the context of existing policy position, to refuse both transmission network connection requests as neither could be considered as an exceptional case.

4 NIE NETWORKS LICENCE MODIFICATIONS FOR NEW IT REQUIREMENTS

4.1 Ruairi McCann introduced this item, which sought the Board’s approval for modifications to the NIE Networks distribution and transmission licences. The proposed modifications will provide for the recovery of costs associated with IT changes to reflect the separation of the shared retail market messaging system between Northern Ireland and the Republic of Ireland.

4.2 Board members noted the responses to the consultation on the proposal. The cost recovery mechanism for the IT changes was clarified. A query relating to the timing for the changes was addressed.

4.3 The Board approved the modifications to the NIE networks distribution and transmission licences set out in the decision paper and the associated notice of decision.

5. JOINT PROCUREMENT – SEM COMMITTEE

5.1 Colin Broomfield provided an update on joint procurement arrangements, with the Commission for Regulation of Utilities (CRU), to provide legal support to the Single Electricity Market Committee (SEMC).

5.2 The Board emphasised the importance of legal support arrangements for the effective functioning of the SEMC. An aspect of the legal support contractual arrangements was clarified.

5.3 The Board noted the update and proposed approach and agreed that the interim arrangements should continue until the contract for the joint procurement of legal services had been agreed. Approval was also given to the inclusion of capacity market technical support within the interim joint procurement arrangements. Finally, it was agreed that the overarching arrangements for the joint SEMC procurement would be circulated to the Board for approval.

6. UPDATE ON DfE's ENERGY STRATEGY OPTIONS CONSULTATION

6.1 Kevin Shiels introduced this item which updated the Board on the Department for the Economy's (DfE) energy strategy options consultation and our engagement with DfE. Ursula O'Kane provided a detailed overview on the key aspects of the consultation paper in the context of our ongoing engagement.

6.2 The Board supported the proposed approach to future engagement with DfE and the need to assist the department in the development of a final strategy. There was a consideration of how to reflect the importance of the costs to consumers issue as part of the response to the consultation.

6.3 Board members also discussed the potential for a change to the Utility Regulator's vires. The Board was apprised of steps being taken internally regarding consideration of changes to the organisation's vires.

6.4 In concluding the discussion, the Board noted the update and endorsed the overall approach to DfE's energy strategy

7. ENERGY STRATEGY CONSUMER RESEARCH FINDINGS

7.1 Kevin Shiels introduced this item and Ursula O'Kane provided a presentation that outlined the background to consumer research on the energy transition, key findings and next steps. .

- 7.2 The Board held a wide-ranging discussion on the research findings. Issues covered in the discussion included: the level of consumer engagement on the research, consumer views on future energy concerns (particularly in respect of costs), the comparison with other jurisdictions, home ownership and the impact on the adoption of energy efficiency options.
- 7.3 The future use and public presentation of the research was also briefly discussed. There was agreement that the findings from the consumer research would be a valuable contribution to DfE's consultation on energy strategy options.
- 7.4 The Board welcomed the presentation of the research findings and endorsed their wider dissemination.

8. DRAFT ANNUAL REPORT 2020/21

- 8.1 Greg Irwin introduced this item, which was a substantive text-only draft of the Annual Report 2020-21.
- 8.2 Board members made some comments in respect of drafting suggestions and points of emphasis. The Board was apprised of the process leading to the publication of the annual report.
- 8.3 It was agreed that board members could provide further drafting comments and that a proof of the annual report would be provided for final review by the Board.

9. ADMINISTRATIVE ARRANGEMENTS (UNDER THE TCA) BETWEEN ACER, UR AND OFGEM

- 9.1 Jean Pierre Miura provided a further update on developing cooperation arrangements, along with Office of Gas and Electricity Markets (OFGEM) and the Agency for the Cooperation of Energy Regulators (ACER), for the future regulation of UK and EU energy markets.
- 9.2 The Board noted that the SEMC had also been updated on progress on future cooperation arrangements. The next steps in the process were clarified.
- 9.3 The Board noted the update.

10 BREXIT UPDATE

- 10.1 Colin Broomfield provided an overview of other Brexit related issues.
- 10.2 He drew the Board's attention to the technical issues around loose volume capacity, provided the latest update on the REMIT registration issue and noted the issue of interconnector trading. On the latter, he said that this would be the subject of a future board paper.
- 10.3 The Board noted the update.

11. SEM UPDATE

- 11.1 Brian Mulhern provided a presentation on the effectiveness of the SEM since the market go-live in 2018.
- 11.2 An extensive discussion followed with key items including the following: constraint costs trends, savings from the new SEM capacity remuneration arrangements, the increase in the ability of the electricity network to accommodate renewables (and the related system services costs) and, the future electricity generation mix
- 11.3 Broader strategic questions were also raised in discussion around energy storage, hydrogen as a generation fuel, smart metering and the challenge of delivering decarbonisation at the lowest cost. The Board recognised the range of strategic choices that would need to be made and endorsed our independent, expert role in informing these choices.
- 11.4 The Board noted the update.

12. MINUTES

- 12.1 The minutes of board meetings on 18 March and 22/23 April were approved for publication.

13. ACTION POINTS

- 13.1 The action points were reviewed by the board.

14. REPORT FROM THE EXECUTIVE TEAM

- 14.1 John French introduced the Executive team report. He noted in particular the Power NI tariff announcement, the Economy committee briefing and an update on the Best Companies accreditation.
- 14.2 Directors then identified key highlights from their part of the organisation – including supplier customer service issues, wholesale electricity prices trends, the gas transportation agreement and a further update on the Public Accounts Committee’s NIRO inquiry. Board members availed of opportunity to ask questions relating to SONI performance and the transportation agreement
- 14.3 Elaine Cassidy provided on update on current litigation and developments in respect of the NIE Networks land bank consents application.
- 14.4 An overview was provided by Donald Henry on the finance and performance report. The focus of the update was on the provisional outturn and progress towards finalising the annual accounts. Alex Wiseman provided a brief overview of the Audit and Risk Committee’s consideration of the annual accounts. There was also a discussion on financial and resourcing risks. It was noted that a risk register workshop would be organised in September. The finance and performance report was approved.

15. ANY OTHER BUSINESS

- 15.1 The Board conducted a meeting review focusing on the content of papers and the agenda timing. It was noted that one or two of the agenda items had generated significant discussion and there was a reflection on how to deal with similar papers in the future. Given the importance of the energy strategy it was suggested that this could be a standing item on the Board's agenda.

There being no other business, the meeting concluded at 12.35 p.m.