

MINUTES OF A MEETING OF THE NORTHERN IRELAND AUTHORITY FOR UTILITY REGULATION (THE 'BOARD') HELD ON THURSDAY, 18 MARCH 2021 BY VIDEO CONFERENCE AT 9.30 A.M.

Present:

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

In attendance:

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

Paul Bell (agenda item 3), Jody O'Boyle, Roy Colville and Colin Walker (agenda item 4), John Magill (agenda items 9 and 13), Sinead Dynan (agenda items 10 and 11), Janet Diffin (agenda item 10), Meadhbh Patterson (agenda item 11), Veronika Gallagher (agenda item 12), Colin Magee and Michael Campbell (agenda item 13), Barbara Cantley and Brian Mulhern (agenda item 14), Jean-Pierre Miura (agenda items 15 and 16), Roisin Kelly

1. APOLOGIES FOR ABSENCE

1.1 Claire Williams.

2. DECLARATIONS OF INTEREST

2.1 There was no declaration of interests.

3. SEM CAPACITY AUCTION MONITOR BUSINESS CASE

3.1 Paul Bell introduced this item, which sought the Board's approval of a business case for the procurement of the SEM capacity auction monitor.

3.2 Board member queries in respect of the commissioning and management of the contract were addressed.

3.3 The Board approved the business case as presented and the commencement of the procurement process.

4. NORTH/SOUTH INTERCONNECTOR – SONI AND NIE NETWORKS PRE-CONSTRUCTION BUDGET

4.1 Tanya Hedley introduced this item relating to additional pre-construction costs for the North-South Interconnector for NIE Networks and SONI. A brief update on the planning process for the North-South Interconnector was also provided.

4.2 Board members noted the comprehensive nature of the paper presented to inform their consideration of the decision required.

- 4.3 Queries from Board members in respect of the project contingency allocation, the competitive dialogue process and timing issues were clarified.
- 4.4. A significant discussion ensued on the rationale for the pre-construction requests. Board members clarified the scope of the pre-construction assessment proposed. The risks associated with carrying out the pre-construction assessment, as proposed, were explored. The potential outcomes from the pre-construction assessment for the North-South Interconnector project as a whole were considered.
- 4.5 While being aware of the risks associated with the pre-construction assessment the Board noted that the competitive dialogue process, which would inform the next steps of the project, would conclude during 2021. In that context, the Board agreed that this process would be beneficial for determining the optimal way forward on the construction approach to the North-South Interconnector. The Board therefore endorsed the separate pre-construction cost requests, from NIEN and SONI, as presented. In granting approval, the Board emphasised the importance of both NIEN and SONI working together to ensure that potential delays to the construction of the interconnector were avoided.
- 4.6 The Board also agreed that it would be beneficial for board-level engagement with NIEN on this issue and the forthcoming RP7 price control.

5. GTUoS REVENUE ALLOCATION

- 5.1 Tanya Hedley introduced this item which sought a decision on the allocation of SONI TSO revenues to the generator tariff (called GTUoS) allocation.
- 5.2 A query regarding the timing of the change in the context of the tariff setting process was addressed.
- 5.3 The Board approved the proposal as presented to allocate a proportion of SONI revenues to generator tariffs.

6. GAS TO THE WEST – DETERMINATION OF PROVISIONAL CAPITAL EXPENDITURE

- 6.1 John Mills introduced this item relating to a provisional determination of actual capital expenditure for the Gas to the West project.
- 6.2 There was a brief discussion on the remuneration mechanisms for the capital costs for the project. Clarification was provided on the total costs, Covid-19 costs and the fixed sum described as a contingency.
- 6.3 Having considered the information provided the Board endorsed the approach to be applied when determining the provisional controllable capital expenditure under Condition 6.2.1 (d) (i) of the West Transmission Limited licence for the conveyance of gas in Northern Ireland. The Board also approved the delegation of the determination of provisional controllable capital

expenditure to the Chief Executive. Finally, the Board noted the intention to issue a direction that intermediate pressure pipelines constructed under the Gas to the West licence shall be postalisised distribution pipelines.

7. FORWARD WORK PROGRAMME 2021-22

- 7.1 John French introduced this item which presented the Forward Work Programme (FWP) 2021-22 for the Board's consideration.
- 7.2 The Board discussed the responses received to the consultation on the draft FWP and noted the good engagement with stakeholders.
- 7.3 Drafting suggestions from board members in respect of PC21 and projects relating to work with the Department for the Economy were noted.
- 7.4 In noting the relatively ambitious FWP, the Board discussion touched on resourcing.
- 7.5 The Board approved the final draft of the FWP as presented and noted that it would be subject to a final drafting review by the Executive team before publication

8. DRAFT BUDGET 2021-22

- 8.1 Donald Henry introduced the proposed organisational budget for 2021-22 and provided an overview of the key aspects.
- 8.2 Alex Wiseman indicated that the draft budget had been considered by the Audit and Remuneration Committee at its most recent meeting and summarised the outcome of the Committee's discussion.
- 8.3 Two queries in respect of the overall budget and the allocation for professional development were addressed.
- 8.4 The Board approved the budget for 2021-22 as presented.

9. MODIFICATION OF BUDGET ENERGY LIMITED ELECTRICITY SUPPLY LICENCE

- 9.1 John Magill introduced this item which sought the Board's approval to proceed with the modification of the electricity supply licence held by Budget Energy Limited, specifically the financial year in Condition 2.2 of the licence.
- 9.2 The Board approved the licence modification as presented.

10. NON-DOMESTIC TRACKER RESULTS

- 10.1 Janet Diffin introduced this item, which was a presentation for the Board on research into the experiences of non-domestic energy customers in the retail energy market. The presentation

covered the aims of, and background to, the research, key findings and a summary of key issues and next steps.

- 10.2 Board members took the opportunity to clarify and discuss aspects of the research. This included the low level of engagement among non-domestic customers on billing and costs, the assessment of trust among these customers, best practice in respect of customer communications, the perspective of suppliers and the potential to disseminate the findings.
- 10.3 The discussion concluded with the Board welcoming the research and the briefing and endorsing the next steps.

11. CONSUMER PROTECTION PROGRAMME (CPP): BEST PRACTICE FRAMEWORKS

- 11.1 Sinead Dynan provided the background to this paper, which outlined proposals for consultation for the CPP best practice framework project. Meadhbh Patterson provided further context and an overview of the proposals.
- 11.2 The Board welcomed the ambitious nature of the proposals on the best practice framework. There was discussion on the challenges with delivering against the proposals and the engagement with network and supply companies. The presentation of the proposals, and how to secure the support of network and supply companies, was also explored.
- 11.3 While acknowledging the challenges associated with the proposals, the Board endorsed the level of ambition and the scope of the proposed consumer protection interventions for network companies and suppliers. The Board also endorsed the inclusion of the proposed consumer protection interventions in a public consultation paper.

12 BIOMETHANE INJECTION

- 12.1 Veronika Gallagher introduced this discussion item which set out the initial thinking on a NI biomethane regulatory implementation plan.
- 12.2 Board members discussed the strategic context and the future role of the gas network, as well as the opportunities for gas decarbonisation and also the assessment of risk. The imminent publication of the Department for the Economy's energy strategy options paper, and the potential implications for gas decarbonisation, was also discussed.
- 12.3 Specific queries in respect of how biomethane injection would be practically implemented, the viability of other forms of gas decarbonisation and safety issues, were addressed.
- 12.4 The issues of public communications on gas decarbonisation and the consumer perspective were also considered in discussion.
- 12.5 The Board encouraged further progress on the development of the biomethane base case and programme of work for achieving readiness for biomethane injection.

13 REVIEW OF THE NI ENERGY RETAIL MARKET

- 13.1 Kevin Shiels introduced this information item which provided an updated energy retail market review paper following a previous Board discussion on the issue.
- 13.2 Board members discussed the engagement with key stakeholders on the review and the situation regarding the relative market share of the regulated supplier. The comparison of the regulated tariff versus other suppliers' tariffs was also considered.
- 13.3 It was noted that an updated paper reflected changes proposed by the Board at the previous meeting. The Board endorsed the publication of the review paper subject to a reflection of further board member comments. It was also agreed that a further strategic discussion on the retail energy market be planned for a future board meeting.

14 MARKET MONITORING REPORTS

- 14.1 Brian Mulhern and John Magill introduced the monitoring reports for the wholesale and retail markets respectively. Barbara Cantley specifically updated the Board on new retail market monitoring metrics.
- 14.2 Board member queries, on wholesale market products to smooth out demand peaks and the timing of new retail energy market metrics, were addressed.
- 14.3 The Board noted the report.

15 BREXIT UPDATE

- 15.1 Jean-Pierre Miura introduced a short information paper providing an update on the ongoing work to develop a Memorandum of Understanding (MoU) outlining future arrangements between the Utility Regulator, Ofgem and the EU energy regulator (ACER).
- 15.2 Board member comments focused on the engagement with key stakeholders and the purpose and scope of MoU provisions .
- 15.3 The Board noted the information paper.
- 15.4 Colin Broomfield also apprised the Board of the latest situation regarding the REMIT registration for generators. Board members discussed the reputational risks associated with the REMIT registration situation to date.
- 15.5 The Board noted the update.

16. SEM UPDATE

- 16.1 Colin Broomfield also provided a verbal update on the Single Electricity Market (SEM). As well as noting the situation on wholesale market prices and security of supply, he also brought the Board up-to-date on SEM capacity auction planning.

16.2 The Board noted the update.

17. MINUTES

17.1 The minutes of board meeting on 11 February 2021 were agreed for publication.

18. ACTION POINTS

18.1 The action points were reviewed by the board. On the action relating to the Commissioner for Public Appointments mentoring scheme, it was noted that Alex Wiseman and Jon Carlton would act as the mentor in Year one and two respectively.

19. REPORT FROM THE EXECUTIVE TEAM

19.1 John French introduced the Executive team report. He noted in particular the recent tariff reviews, the SEM capacity auctions and the Public Accounts Committee's (PAC's) inquiry on the NIRO.

19.2 Directors then identified key highlights from their part of the organisation. Board members clarified several items including that relating to NISEP and the PAC's inquiry.

19.3 Elaine Cassidy provided an update on current litigation and specifically briefed the Board on the Brockaboy and Land Bank issues. The Board's recent discussions on settlement offers in respect of ongoing litigation was noted.

19.4 The changes to the Audit Committee's Terms of Reference were approved.

19.5 An overview was provided on the finance and performance report. The report was approved.

20. ANY OTHER BUSINESS

20.1 Tanya Hedley provided an update on the progress of discussions relating to the agreement of a new gas transportation agreement.

20.2 Teresa Perchard briefed the Board on a recent meeting of the Remuneration Committee which focused on the outcome of the recent liP assessment. It was agreed that Board members should receive the slides from the presentation provided by the liP assessor.

20.3 The Board conducted a meeting review focusing on the content of papers and the agenda timing. It was agreed that the challenging agenda was facilitated by the clarity of the papers and the presentation of the papers.

There being no other business, the meeting concluded at 1.15 p.m.