

**MINUTES OF A MEETING OF THE NORTHERN IRELAND AUTHORITY FOR UTILITY
REGULATION (THE 'BOARD') HELD ON THURSDAY, 21 OCTOBER 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, John Mills, Elaine Cassidy, Greg Irwin

Sean Lyons (agenda item 5), Colin Magee and Michael Campbell (agenda item 7), Martina McKinley (agenda items 8 and 13), Ian Campbell (agenda item 13), Louise Dunlop, Ilaria Gianfrotta, Stephen.

1. APOLOGIES FOR ABSENCE

1.1 None.

1.2 Bill Emery welcomed Stephen Magowan from the Networks directorate as part of the initiative to provide the opportunity for a staff member to sit in on board meetings.

2. DECLARATIONS OF INTEREST

2.1 There was no declaration of interests.

3. GAS TO THE WEST – LICENCE MODIFICATION

3.1 John Mills introduced this item, which sought the Board's approval of modifications to the Gas to the West licence in respect of an extension of the "Cut-Off Date" before a final determination is made on the actual capital expenditure. This extension would enable the completion of contractual discussions between the licensee and its delivery partner. The Board noted the marked up copy of the proposed modification to the licence.

3.2 Board members explored the rationale for a proposed extension to the 'Cut-Off-Date' and clarified progress in respect of contractual discussions. The risk of a further extension being required to the 'Cut-Off-Date' and any action to ensure timely resolution of the contractual issues, was discussed.

3.3 The Board approved the licence modifications and the publication of the associated decision.

4 PRICE CONTROL TIMELINES

4.1 Tanya Hedley introduced this briefing for the Board on the price control timelines in respect of the gas distribution network price control (GD23) and the proposed timeline for the electricity network price control (RP7).

- 4.2 In a wide-ranging discussion, the Board variously explored the following issues: communications and engagement with regulated companies on price control reviews to date, the impact of competing priorities on staff resourcing and resilience, future new challenges associated with the energy strategy and the implications internally and externally of any change to timelines.
- 4.3 While the implications of the proposed short delay to GD23 was discussed, there was recognition of the challenging work agenda for the Networks team.
- 4.4 In endorsing the proposal for a delay to the publication of the GD23 draft determination, the Board also noted the need for additional resources to allow the delivery of key activities to defined timescales.

5. NIE NETWORKS - GREEN RECOVERY

- 5.1 John Mills introduced this item which sought the Board's approval for additional investment during the current RP6 price control period to facilitate the "Green Recovery" initiative and associated assurance arrangements around the delivery of this investment.
- 5.2 Board members clarified the engagement with NIE Networks on the proposals. In this regard, there was a discussion on the steps and process that NIE Networks had progressed through to finalise the proposals.
- 5.3 The quantum of the allowance being sought was also explored in the context of the existing RP6 price control allowance. Board members also sought further information on the impact of the additional investment on consumers, and whether there might be an opportunity to mitigate this through the profiling of the spending.
- 5.4 Given the broader strategic environment, the commitment to approving the investment and the publication of the Department for the Economy's (DfE's) energy strategy was also discussed.
- 5.5 Board members also commented on the proposed assurance arrangements for the delivery of the investment. The appointment and the role of an independent assessor and their relationship with the Utility Regulator (UR) and NIE Networks was discussed.
- 5.6 The Board approved the additional investment during the RP6 period as proposed, and the introduction of an independent assessor to provide assurance around the delivery of the investment and independent advice on the development of investment and outputs for RP7.

6. FIRMUS ENERGY – NETWORK EXTENSIONS

- 6.1 John Mills briefed the Board on the background and context to this item, which sought endorsement for proposals to address the issue of network extensions made by firmus energy outside its licence area.

- 6.2 The rationale for the extensions made and communications with firmus energy, issues associated with the connection incentive, and timing considerations for proposed licence modifications, were addressed in discussion.
- 6.3 The Board also discussed any negative consequences, and harm to consumers, from the extensions made. The merits of regulatory action was also considered.
- 6.4 The Board agreed that a suitable remedy to address those network extensions made by firmus energy, outside its licence area, was available. Proposals in respect of: an Additional Development Plan, consultation on licence modifications as part of the GD23 price control, and assurances to be provided by the company, were all endorsed by the Board.
- 7. GAS SUPPLY PRICE CONTROLS 2023-2026**
- 7.1 Kevin Shiels introduced this item which sought the Board's endorsement to the approach to the Gas Supply price controls.
- 7.2 The Board discussion focused on the issues relating to the duration of the price control, the impact of the energy strategy on the price control reviews and cost risks to energy supply companies. Specifically, it was agreed that a paper on gas supplier hedging approaches could be provided to the Board at a future meeting.
- 7.3 The Board endorsed the approach to consult on identified aspects of the price control and, specifically, to also seek views of the duration of the price control.
- 8. REVIEW OF BOARD EFFECTIVENESS**
- 8.1 Greg Irwin provided an overview of the proposed approach to carrying out a review of board effectiveness.
- 8.2 The Board supported the need for a review, given the time since the last review was undertaken. Board members, while noting the proposed use of the National Audit Office survey, made some observations on other considerations. There was support for engaging the governance expert at the start of the review.
- 8.3 The Board endorsed proposed approach to a review of its effectiveness.
- 9. ANNUAL RETAIL MARKET MONITORING**
- 9.1 Kevin Shiels provided an overview of this annual review of retail market monitoring and identified the key findings.
- 9.2 In noting the historic data in the report, there was agreement that the information provided useful context for the current energy prices situation. The reason for the later publication date was also clarified.

9.3 The Board noted the update.

10. UPDATES

(a) BREXIT UPDATE

10.1 Colin Broomfield provided a further update Brexit issues relating to the future relationship with the EU energy regulator (ACER), Remit registration and the future of the GB-SEM trading relationship.

10.2 The Board noted the update.

(b) SEM UPDATE

10.3 Colin Broomfield also briefed the Board on SEM issues. He provided a process update on the capacity auction. He also drew the Board's attention to work relating to DS3, the Clean Energy package and curtailment, and liquidity in the SEM.

10.4 The Board noted the update.

(c) ENERGY STRATEGY

10.5 Kevin Shiels provided an update on the process and timeline for publication and the likely format of the strategy and associated action plan. Board members sought further clarity on the likely publication date, discussed potential changes to UR's vires and the associated implications, and our role in implementing the strategy.

10.6 An update was also provided on energy prices. The Board was apprised of risks in respect of any suppliers leaving the market and contingency arrangements should that occur.

10.7 The Board noted the update.

11. MINUTES

11.1 The minutes of the Board meeting on 23 September, and the closed Board meeting on the same day, were approved for publication.

12. ACTION POINTS

12.1 The action points were reviewed by the board.

13. REPORT FROM THE EXECUTIVE TEAM

13.1 John French introduced the Executive team report. He noted the ongoing focus on energy prices and stakeholder engagement, including the establishment of a strategic prices group with DfE, the Department for Communities and the Consumer Council. The Board commended the pro-active work around the presentation of, and communications on, energy price announcements. The potential for assistance to be provided for vulnerable consumers on energy prices was also discussed.

- 13.2 Directors then identified key highlights from their part of the organisation – including local generation assets availability in the context of the security of supply picture and the gas storage development at Islandmagee.
- 13.3 Elaine Cassidy provided an update on current litigation and developments particularly with regard to the AWFL and Aught issues. On the latter, it was agreed that a proposal to appoint a counsel would be circulated to the Board, for its consideration, via correspondence.
- 13.4 The Board approved the Annual Progress Report for submission to the Equality Commission for Northern Ireland.
- 13.5 It was agreed that the item in respect of the policy position and lines to take would be deferred until the next Board meeting.
- 13.6 Donald Henry annotated the key aspects of the finance and performance report. Progress against FWP projects was also noted. It was agreed that more time would be allocated to the risk register at the next Board meeting. The finance and performance report was approved.

14. ANY OTHER BUSINESS

- 14.1 The Board conducted a meeting review focusing on the content of papers and the agenda timing. The need to include the detailed supporting information was briefly discussed.
- 14.2 It was agreed that a training session on the use of Decision Time should be organised for the Board at a future date.
- 14.3 There was also agreement that the question of whether the Board in December should be held in person or not would be decided at the November BAF meeting.

There being no other business, the meeting concluded at 12.56 p.m.