

**MINUTES OF A MEETING OF THE NORTHERN IRELAND AUTHORITY FOR UTILITY
REGULATION (THE 'BOARD') HELD ON THURSDAY, 23 SEPTEMBER 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

Paul Harland, Paul Stewart, Sean Lyons and Alan Craig (agenda item 4), Jody O'Boyle and Kenny McPartland (agenda item 5), Brian Mulhern, Barbara Cantley and John Magill (agenda item 6), Louise Dunlop, Ilaria Gianfrotta, Owen Kearns.

1. APOLOGIES FOR ABSENCE

1.1 None.

1.2 Bill Emery welcomed Louise Dunlop (our Board Apprentice) and Ilaria Gianfrotta (Board Mentee) to their first Board meeting. Owen Kearns from the Wholesale directorate was also welcomed 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. COMPRESSED NATURAL GAS (CNG) TRANSMISSION CONNECTION REQUEST

3.1 Roisin McLaughlin introduced this discussion item, which related to a transmission network connection request to facilitate CNG filling stations. An overview was provided on recent developments, and the receipt of further information, since the Board's previous discussion on this issue in May.

3.2 Board members considered the additional information provided and the extent to which this would influence any change to the Board's position on the connection request, as previously agreed at its May meeting.

3.3 There was a general discussion around whether the connection request constituted an exceptional case. Board members also considered the risks of setting a precedent by agreeing to the request in the current policy context.

3.4 Board members noted, overall, that the existing policy position prevented transmission connections to the gas network. In this regard, there was a discussion on engagement with

the Department for the Economy on the specific issue, as well as the broader energy strategy context.

- 3.5 In drawing the discussion to a close, it was recognised that further information was awaited and that there would be an opportunity to consider this in due course.

4 GD23 STRATEGIC ISSUES

- 4.1 John Mills introduced this discussion item, which provided an opportunity for the Board to discuss the key strategic issues associated with the gas network price control review (GD23).
- 4.2 The Board considered the return on capital and its impact on financeability. The risks faced by gas network companies and the proposed return on capital compared to regulatory enterprises elsewhere was discussed. The Board supported the need to set an appropriate return on capital while recognising that it was for regulated companies to take the steps to ensure the financeability of their investment. A query in respect of the financial ratios to be employed was addressed.
- 4.3 A discussion on plans to develop the gas network endorsed the position articulated in the paper in respect of network extensions and new build connections. The Board also explored the expected standards in respect of network resilience schemes while emphasising that the need for investment in such schemes needed to be clearly justified.
- 4.4 The Board discussion on the connection incentive focused on the rationale for maintaining or increasing the level of the incentive. The wider energy strategy context, the relative maturity of the natural gas industry and the impact of marketing on new connections were identified as factors influencing whether the incentive level should be maintained or increased.
- 4.5 A discussion on Opex allowances and, in particular, the significant increase sought by one company was discussed. The Board clarified the basis for the company's original Opex allowance, and endorsed a further review of the proposed Opex allowance increase for GD23 to help determine whether such an increase was justified.
- 4.6 Finally, the Board clarified the timing for the GD23 draft determination, noting the challenges of meeting the current schedule.

5. ELECTRICITY CONNECTIONS UPDATE

- 5.1 Kenny McPartland provided an overview of this information item, which set out the range of electricity connections-related workstreams.
- 5.2 Board members noted the breadth of work being undertaken on electricity connections and clarified the scope of several workstreams.
- 5.3 The Board, in noting the extensive resourcing required to support the connections workstream, discussed the role of NIE Networks, SONI and other licensees in contributing and providing analysis.

5.4 In noting the detailed update provided, the Board also recognised the broader agenda around future electricity grid development.

6. MARKET MONITORING REPORTS – Q2

6.1 Brian Mulhern provided an overview on the MMU market monitoring report. Following on from his previous report to the Board, he provided an update on wholesale market movements. The impact of the higher prices was clarified. The Board noted, with concern, the continuing and unprecedented increase in wholesale market prices.

6.2 Kevin Shiels introduced this item and briefed the Board on the impact, for the retail energy market, of rising wholesale prices. He updated the Board on supplier resilience and the latest position on the situation regarding bad debt levels.

6.3 The Board was also briefed on plans to convene an energy prices group involving other government departments and the Consumer Council.

6.4 Barbara Cantley provided an overview on the key elements of the Quarterly Energy Market Monitoring (QREMM) report.

7. UPDATES

(a) BREXIT UPDATE

7.1 Colin Broomfield provided an overview of Brexit related issues with the focus on the future relationship with the EU energy regulator (ACER), Remit registration and the future of the GB-SEM trading relationship.

7.2 The Board noted the update.

(b) SEM UPDATE

7.3 Colin Broomfield also briefed the Board on SEM issues. He briefed the Board on market issues affecting small generators and a licence modification proposal for consideration by the SEM Committee at a forthcoming meeting.

7.4 The Board was also apprised of developments in respect of the SEMC Joint procurement arrangements.

7.5 The Board noted the update.

(c) ENERGY STRATEGY

7.6 Kevin Shiels and Ursula O’Kane provided a presentation, by way of update, on DfE’s energy strategy. The process and timeline for publication of the strategy were clarified. Board member queries around the likely content of the strategy, and next steps, were addressed.

7.7 The Board noted the update.

8. MINUTES

8.1 The minutes of board meetings on 17 June, 12 August and 10 September were approved for publication.

9. ACTION POINTS

9.1 The action points were reviewed by the board.

10. REPORT FROM THE EXECUTIVE TEAM

10.1 John French introduced the Executive team report. He noted recent stakeholder engagement around prices and the recent award of the bronze accreditation under the Diversity Mark.

10.2 Directors then identified key highlights from their part of the organisation – the Best Practice Framework related to consumer protection and research on the potential impacts of having a new 2030 renewables target. The publication of the Public Accounts Committee’s report on the NIRO was also noted (and it was agreed that the report should be circulated to the Board). An update on the gas transportation agreement, and the SONI price control licence modifications, was also provided.

10.3 Elaine Cassidy provided an update on current litigation and developments particularly with regard to the Smugeldon and AWFL issues.

10.4 An overview was provided by Donald Henry on the finance and performance report. It was noted that a risk workshop would follow the Board meeting. Progress against FWP projects was also noted. The finance and performance report was approved.

11. ANY OTHER BUSINESS

11.1 The Board conducted a meeting review focusing on the content of papers and the agenda timing. There was a request to review the need to include all of the detailed supporting information in future board packs.

11.2 Owen Kearns thanked for the Board for the opportunity to attend the meeting.

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