

**MINUTES OF A MEETING OF THE NORTHERN IRELAND AUTHORITY FOR UTILITY
REGULATION (THE 'BOARD') HELD ON THURSDAY, 17 JUNE 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

Jean-Pierre Miura (agenda item 3), Colin Walker (agenda item 4), Jody O'Boyle and Timothy Steele (agenda item 5), Ian Campbell (agenda item 5), Jillian Ferris (agenda item 6), Sinead Dynan (agenda item 7), Nicola Parker and Michael Campbell (agenda item 8), Brian Mulhern, Barbara Cantley and John Magill (agenda item 11), Roisin Kelly, Joanne Murdoch

1. APOLOGIES FOR ABSENCE

1.1 None

2. DECLARATIONS OF INTEREST

2.1 There was no declaration of interests.

3. ADMINISTRATIVE ARRANGEMENTS BETWEEN UR, OFGEM AND ACER

- 3.1 Jean-Pierre Miura provided an overview of this item, which related to 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.
- 3.2 Board members explored the context for the administrative arrangements. The question of the impact of any changes to the Northern Ireland protocol and its legal underpinnings, and the consequent risks that could emerge, was considered.
- 3.3 The presentational aspects of the proposed administrative arrangements were also discussed. Queries around the roles and responsibilities of government departments and engagement with industry were addressed.
- 3.4 The Board approved the draft Administrative Arrangements as presented, so that final adjustments to the associated annexes can be completed and noting also that the documentation would be subject to further legal review.

4 LOW CARBON TECHNOLOGY MID-TERM REVIEW

- 4.1 John Mills introduced this item which presented proposals for the determination of an allowance for investment in Low Carbon Technology (LCT) connections in the second half of the NIE Networks price control (RP6) period.
- 4.2 The Board's discussion focused on risks associated with the investment. This was in terms of the balance of risk associated with the proposal mechanism for investing in LCT based on a combination of a volumetric allowance coupled with a lump sum allowance. Board members also explored the risks associated with the uncertain trajectory of electric vehicle (EV) uptake and changes in behaviour or technology.
- 4.3 Having fully explored the risks, the Board decided to approve the approach to the determination of additional allowances for LCT investment in the second half of RP6 as outlined. Approval was also provided for allowed capital expenditure as presented in the paper. Finally the Board approved delegation of the final determination of the EV unit rate to the chief executive.

5 EP KILROOT LIMITED (EPK) – 36 MONTH DEROGATION REQUEST

- 5.1 Jody O'Boyle introduced this item which related to two time limited derogation requests from the Grid Code by EP Kilroot Limited (EPK).
- 5.2 Board members briefly explored and clarified the options available in respect of a decision on the Grid Code derogation requests.
- 5.3 The Board approved, subject to receipt of final legal advice (including on the detail of the condition), to approve the recommended Option as presented in relation to granting EPK units KTG6 and KTG7 36-month derogations with conditions. Approval was also given, subject to receipt of final legal advice (including on the detail of the condition), for recommendation in relation to providing SONI with two derogations relieving the Licensee of its obligations to implement or comply with, or to enforce Grid Code Clause CC.S1.1.3.8 for KTG6 and KTG7.

6 APPROVAL OF PTL LICENCE MODIFICATIONS

- 6.1 Jillian Ferris provided an overview of the proposal to allow relevant deferred capital allowances to be carried forward into the following Gas Year.
- 6.2 Board members queries in respect of the cost of capital adjustment, checks on the deferred capital allowances and the types of projects involved, were addressed.
- 6.3 The Board approved the delegated authority to the chief executive to take a decision on the final modifications to the PTL licence to allow relevant deferred capital allowances to be carried forward into the following Gas Year without going through the year-end reconciliation.

7 GUARANTEED STANDARDS OF SERVICE

- 7.1 Sinead Dynan introduced this discussion item which related to a review of Guaranteed Standards of Service (GSS) and Overall Standards of Performance (OSP) to put in place a new GSS/OSP regime for both NIE Networks and, for the first time, electricity suppliers.
- 7.2 Board members commented on the proposed outline of the GSS/OSP regime. The presentation of the detail of the requirements, the delivery of the associated GSS regulations and the overall process for implementing the new regime was also discussed.
- 7.3 In discussing the benefits of the GSS/OSP regime, the Board explored how to secure support and buy-in for the regime and engagement with relevant stakeholders.
- 7.4 The Board endorsed the proposed approach to consulting on and implementing electricity GSS and OSP and also noted the indicative timetable and engagement with the Department for the Economy (DfE) to allow commencement of new GSS regulations.

8 MARKETING CODE OF PRACTICE REVIEW

- 8.1 Kevin Shield introduced this item which sought the Board's guidance on whether the Domestic Marketing Code of Practice (MCOP) should be changed to allow for the use of annual bill comparisons in marketing to potential domestic customers. Nicola Parker provided further background and detail on the issue.
- 8.2 Board members were supportive of continuing to prohibit annual bill comparisons. There was a wider discussion around educating consumers and the provision of information to consumers by suppliers. The issue of the impact of the energy transition and needing to make consumers aware of the costs of this, was also briefly considered.
- 8.3 The Board noted that a decision paper would be produced which would reflect the guidance provided on the use of annual bill comparisons.

9. NETWORKS TARIFFS REFORM

- 9.1 Tanya Hedley introduced this information item which apprised the Board of a Call for Evidence in relation to electricity tariff reform in Northern Ireland.
- 9.2 Board members welcomed the opportunity to discuss the issue and endorsed the Call for Evidence approach as a good basis for promoting dialogue and awareness on electricity network tariffs.
- 9.3 A wider discussion took place on the impact of network tariff reform on consumers. Specifically the issue of affordability, and who pays for the costs of significant change to the electricity network that may arise from policy drivers and the energy transition. Comparisons with the approach taken to the allocation in other jurisdictions, was also touched on.

9.4 The Board discussed the broader energy strategy and policy context and encouraged further engagement with DfE. Board members underlined the importance of our Call for Evidence as an opportunity to inform wider policy and strategy.

9.5 The Board noted and endorsed the Call for Evidence report and plans for seeking views.

10. UPDATE ON TRANSPORTATION AGREEMENT

10.1 Tanya Hedley briefed the Board on progress and the next steps in respect of the gas transportation agreement.

10.2 It was agreed, given the likely timetable for the conclusion of the transportation agreement, that the Board be asked to approve a new agreement in September.

11. MARKET MONITORING REPORTS - Q1

11.1 Brian Mulhern provided an overview on the MMU market monitoring report. He briefed the Board on the drivers of higher wholesale market prices. The Board explored the detail of the higher wholesale market prices. The impact on consumer end prices was discussed the outlook from forthcoming tariff reviews was also noted.

11.2 Barbara Cantley and John Magill also provided an overview of the key aspects of the Quarterly Transparency Report (QTR) and outlined plans for a new format for the QTR. The Board welcomed the new format.

12. UPDATES

(a) BREXIT UPDATE

12.1 Colin Broomfield provided an overview of Brexit related issues with the focus on the loose volume coupling and Remit registration issues.

12.2 The Board noted the update.

(b) SEM UPDATE

12.3 Colin Broomfield also briefed the Board on SEM issues, with a particular focus on the Industrial Emissions directive and the Generation Capacity statement. Board members briefly explored the implications of the Industrial Emissions directive. The format of the Generation Capacity statement was also considered.

12.4 The Board noted the update.

(c) ENERGY STRATEGY

12.5 Kevin Shield briefed the Board on DfE's energy strategy. He noted in particular the impending close of DfE's energy strategy options consultation. As previously agreed with the Board, he confirmed that a short formal public response, alongside a more discursive response sent

direct to DfE, had been issued. The Board requested that the final responses as issued be circulated for information.

12. MINUTES

- 12.1 The minutes of board meeting on 20 May 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 announcement of a new Economy Minister, changes to the NI Executive, likely future tariff changes and SONI Governance.
- 14.2 Directors then identified key highlights from their part of the organisation – including SSE call centre issues, Covid debt monitoring, the Clean Energy Package, SONI Governance, the gas Transportation Agreement, GD23, the Public Accounts Committee and staff pay negotiations.
- 14.3 Elaine Cassidy provided an update on current litigation and developments particularly with regard to the AWFL issue.
- 14.4 The Board noted the schedule of Board and Board sub-committee meetings for 2022 and it was agreed that this should be circulated after a final check on the dates.
- 14.5 An overview was provided by Donald Henry on the finance and performance report. The focus of the update was on the provisional outturn. It was noted that there would be a more detailed review of the individual risks on the corporate risk register at the board risk workshop in September. Progress against FWP projects was also noted. The finance and performance report was approved.
- 14.6 Alex Wiseman provided a brief overview of the key issues in the Audit and Risk Committee's Annual Report. The Audit and Risk Committee's Annual 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 despite the challenging agenda the items had been covered satisfactorily and in line with the agenda.
- 15.2 Joanne Murdoch thanked the Board for the opportunity to attend the meeting and offered her observations on the conduct of the meeting.

There being no other business, the meeting concluded at 1.10 p.m.