

MINUTES OF A MEETING OF THE NORTHERN IRELAND, AUTHORITY FOR UTILITY REGULATION (THE 'BOARD') HELD ON THURSDAY, 19 MAY 2022 VIA 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

Michael Campbell and Colin Magee (agenda item 3), Sinead Dynan (agenda item 4), Martina McKinley and Ian Campbell (agenda item 6), Tony Doherty (agenda item 7), Sean Lyons (agenda item 8), Leigh Greer (agenda items 9), Brian Mulhern (agenda items 9 and 10), Nicola Parker (agenda item 11 – part of), Hugh Tohill, Ian Campbell and Karen Gault (agenda item 16), Brendan Scott, Brendan Mulgrew, Barbara Stevenson, Sinead Dynan and Brona McCollum (agenda item 17).

1. APOLOGIES FOR ABSENCE

1.1 None.

2. DECLARATIONS OF INTEREST

2.1 None.

3. GAS SUPPLY PRICE CONTROL 2023-2027 (SPC23): SSE AIRTRICITY

3.1 Kevin Shiels introduced this discussion item on the SSE Airtricity Gas Supply NI (SSE) price control review. Colin Magee briefed the Board on key elements of the price control.

3.2 The Board explored several areas of the price control review. The current operating context for SSE relating to inflationary pressures, the consequent impact on consumers and on bad debt, was discussed. Opportunities to assist consumers struggling with high energy bills was also discussed, noting the provision of supplier support schemes in Great Britain.

3.3 Board member queries around proposed cost allowances and gas pre-payment meters were addressed.

3.4 The Board endorsed the proposals for the price control as presented, noting the intention to launch a consultation on the proposals later in May.

4 AFFORDABILITY OPTIONS

4.1 Sinead Dynan providing a wide-ranging presentation setting out the impact of higher energy prices on consumers, the social and environmental and policy contexts, and the options available to provide support to consumers.

- 4.2 The Board considered the policy agenda for supporting consumers and, in particular, progress on a fuel poverty strategy for Northern Ireland.
- 4.3 Given the impact of high energy prices, the Board explored how the Utility Regulator (UR) might contribute most effectively to supporting the needs of vulnerable consumers. The ongoing dialogue with other government departments in Northern Ireland, and the potential for funding support from the NI Executive and the UK government to support energy consumers, was discussed.
- 4.4 The outlook for energy prices was also considered. The Board received an update on the work being undertaken in the short- and long-term to protect consumers in respect of high energy prices.
- 4.5 In concluding the discussion, the Board welcomed the opportunity to discuss the issue of affordability and the impact on energy consumers. It was agreed that the Board would be regularly apprised on developments to support energy consumers at a time of high energy prices.

5. DRAFT ANNUAL REPORT 2021/2022

- 5.1 Greg Irwin introduced this item, which was a text-only draft of UR's Annual Report 2021/2022. He annotated key aspects of the draft report, and welcomed board member commentary and contributions.
- 5.2 The clarity and accessibility of the draft report was welcomed. Board members made specific comments in respect of the drafting around SONI Governance, the review of wholesale market arrangements and FWP performance reporting.
- 5.3 In noting the comments provided at the meeting, board members were asked to provide any further contributions as soon as possible. The timeline for the production of the annual report was noted.

6. REVIEW OF BOARD EFFECTIVENESS

- 6.1 Greg Irwin introduced this item, which provided a report of the review of board effectiveness setting out the conclusions, recommendations and an associated action plan, for the Board's consideration.
- 6.2 The Board welcomed the main conclusion from the external assessment that the Board is effective. Board members noted the encouraging nature of the overall external assessment and supported the recommendations. There was some discussion on the timing and sequencing of the actions outlined.
- 6.3 The Board endorsed the board effectiveness review report. Board members were asked to provide any drafting comments on the review report as soon as possible.

7. REVIEW OF UR VIRES

- 7.1 Tony Doherty provided a presentation on work being undertaken on the review of UR's vires. The presentation focused on the context for the review and key issues.
- 7.2 Board members welcomed the opportunity to discuss the review and agreed on the need to reflect on UR's role and powers in the light of the strategic context. The potential for enhancing UR's vires and the scope for additional areas of responsibility was explored.
- 7.3 While it was recognised that making changes to UR vires had been advocated by several external stakeholders, it was agreed that the review needed to bring clarity on a future vision for UR, and its strategic role as a regulator.
- 7.4 The Board also clarified the progress of the review and engagement with DfE.
- 7.5 The Board noted the update.

8. UPDATE ON NETWORK PRICE CONTROLS

- 8.1 Tanya Hedley introduced this item which was a progress update on the network price control reviews, RP7 (electricity) and GD23 (gas). John Mills and Sean Lyons provided a presentation on the timelines and key issues from both network price control reviews.
- 8.2 The focus of the Board's discussion was around the timing of the RP7 price control period and its relationship to the scheduled ending of the current RP6 price control. After considering the key issues and the timing, and considering key risks, the Board's preference was that the current price control should be extended by a year, on the basis that this could be achieved efficiently. The Board also sought clarification on the engagement with NIE Networks, and the process to be followed, on the proposed extension.
- 8.3 The Board noted the update on the RP7 and GD23 price controls.

9 SECURITY OF SUPPLY

- 9.1 Colin Broomfield introduced this item which provided an overview of electricity security of supply issues for Northern Ireland. Leigh Greer provided a briefing on the specific issues.
- 9.2 Board members explored the specific security of supply issues. This included clarification of the environmental restrictions affecting the Kilroot coal generation units and the implications for gas capacity flows.
- 9.3 The importance of the generation capacity statement as a basis for taking action on security of supply was noted. The options for addressing the issues related to the Kilroot coal generation units was also considered.
- 9.4 In noting the briefing provided, the Board agreed that a further more detailed update on electricity security of supply, should be provided at the June Board meeting.

10. SYSTEM SERVICES FUTURE ARRANGEMENTS

- 10.1 Colin Broomfield introduced this item with an overview of the Single Electricity Market (SEM)'s system services workstream (called DS3) and the progress of work on a high level design for future DS3 arrangements. Brian Mulhern provided further detail on the high level design elements and clarified the consumer cost of the DS3 workstream.
- 10.2 There was discussion on the benefits of the DS3 to consumers and, more widely, its impact on the Northern Ireland energy strategy. Board members suggested that consideration should be given to clearly explaining (in a non-technical way), the benefits - and providing further information on the costs - of DS3.
- 10.3 The Board noted the significance and volume of work that will be required to carry out the detailed design phase of the DS3 project.

11. UPDATES

(a) BREXIT UPDATE

- 11.1 Colin Broomfield provided the latest update on Brexit issues, noting recent developments on the REMIT MoU.
- 11.2 The Board noted the update.

(b) SEM UPDATE

- 11.3 Colin Broomfield also briefed the Board on SEM issues. He provided the latest position on wholesale energy prices and the discussed the impact of these on future consumer prices.
- 11.4 The Board approved the extension of interim procurement arrangements, previously agreed by the Board, to also cover the market modelling contract.
- 11.5 The Board noted the update.

(c) ENERGY STRATEGY UPDATE

- 11.6 Nicola Parker briefed the Board on progress in respect of the implementation of the Northern Ireland Energy Strategy. The Board briefly discussed some instances of delays with the energy strategy action plan.
- 11.7 The Board noted the update.

12. SONI GOVERNANCE UPDATE

- 12.1 Elaine Cassidy provided an update on latest developments on SONI Governance legal proceedings. The timetabling of future Board discussions on this issue was also outlined. It was agreed that a special SONI Governance board meeting would be convened on 10 June.

13. MINUTES

- 13.1 The minutes of the Board meeting on 24 March were approved for publication, subject to one amendment. The minutes of the Board meeting on 25 April were approved for publication.

14. ACTION POINTS

- 14.1 The action points were reviewed by the Board.

15. REPORT FROM THE EXECUTIVE TEAM

- 15.1 John French introduced the Executive team report. A further update on energy price increases was provided. He noted the outcome of the recent Northern Ireland Assembly elections and the potential implications for UR.
- 15.2 Directors then identified key highlights from their part of the organisation. Key issues identified included: energy tariff reviews, energy theft, the Living with Water programme, security of supply and ongoing litigation issues. It was agreed that a briefing on the north-south electricity interconnector would be provided at a future board meeting.
- 15.3 The disputes and litigation update was noted.
- 15.4 Donald Henry provided an overview of the finance and performance report. The Board was briefed on the provisional outturn for the previous budget year. It was noted that it was early in the new business planning year and there were no significant budgetary issues or issues in respect of the Forward Work Programme. It was confirmed that the Audit and Risk Committee would review the risk register at its May meeting, prior to this being discussed at the June Board meeting. The Board was briefed on a fraud issue. The finance and performance report was approved.

16. CYBERSECURITY PRESENTATION

- 16.1 Hugh Tohill provided a presentation on arrangements for mitigating cybersecurity risks.
- 16.2 Board members availed of the opportunity to clarify arrangements in terms of responsibility for, and actions taken to provide assurance on, cybersecurity.
- 16.3 The Board noted the presentation.

17 NI ASSEMBLY ELECTIONS AND POLITICAL OVERVIEW

- 17.1 Brendan Scott and Brendan Mulgrew provided a presentation outlining the outcome of the recent Northern Ireland Assembly elections and current political issues.
- 17.2 Board members clarified aspects of the election results and conducted a wider discussion on the current political context and the implications for the work of UR.

17.3 The Board noted the presentation.

18. ANY OTHER BUSINESS

18.1 The Board conducted a meeting review focusing on the content of papers and the agenda timing. The range of issues covered was noted, in what was a busy agenda. The need to ensure that detailed papers, such as spreadsheets, were accessible for board members was emphasised. Several issues around responsibility for cybersecurity was also briefly discussed. It was agreed that the cybersecurity presentation would be circulated to the Board.

There being no other business, the meeting concluded at 2.50 p.m.