

MINUTES OF A MEETING OF THE NORTHERN IRELAND, AUTHORITY FOR UTILITY REGULATION (THE 'BOARD') HELD ON THURSDAY, 15 DECEMBER 2022 AT QUEENS HOUSE AND VIA TELECONFERENCE, AT 9.00 A.M.

Present:

Bill Emery (Chairman), Kevin Shiels (Acting Chief Executive), Teresa Perchard, Alex Wiseman, Jon Carlton, Claire Williams, David de Casseres

In attendance:

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

John Cooper and Ravi Randawa (agenda items 1-5), Colin Walker (agenda item 3), Emma Todd and Veronika Gallagher (agenda item 4), Michael Campbell and Colin Magee (agenda items 6 and 7), Alan Campbell and Derek Hynes (agenda item 9), Fiona McCormick, Rosanna McSorley

1. APOLOGIES FOR ABSENCE

1.1 John French.

1.2 The Chairman welcomed everyone to the meeting and thanked everyone for participating in the Governance training provided by Gowlings, which preceded the Board meeting.

1.3 He welcomed Fiona McCormick as part of an ongoing initiative to provide staff members with an opportunity to attend board meetings.

2. DECLARATIONS OF INTEREST

2.1 None.

3. ELECTRICITY DISTRIBUTION AND TRANSMISSION RP6 EXTENSION LICENCE MODIFICATIONS

3.1 Tanya Hedley introduced this paper which set out proposals for a consultation to extend the NIE Networks RP6 price control. She outlined the process undertaken to date on the proposed price control extension and engagement with NIE Networks. John Mills provided further information on the allowances, unit rates and amounts for the proposed price control extension.

3.2 Board members discussed a range of issues relating to the proposed price control period extension. This included consideration of current inflationary costs pressures and the associated risk for NIE Networks and consumers, the implications of granting an extension to RP6 for the development of the next (RP7) price control, consideration of network charges impacts and the proposed metering allowance, and other expenditure, during the price control extension period.

- 3.3 The process for the extending the price control was also discussed and clarified. There was agreement that the process to extend the price control period should be advanced expeditiously.
- 3.4 The Board endorsed the scope and content of the draft consultation document as presented, which identified the necessary changes to the distribution and transmission licences and the determination of the allowances, unit rates and amounts necessary for the extension of the RP6 price control by one year.

4 REVIEW OF TRANSMISSION EXIT CAPACITY ARRANGEMENTS

- 4.1 Emma Todd introduced this item which proposed a consultation on the introduction of short-term exit capacity for Gas Transmission in Northern Ireland. She briefed the Board on the merits of introducing short-term exit capacity.
- 4.2 The Board discussed the opportunities and risks associated with the introduction of short-term exit capacity. The presentation of options in the proposed consultation was also considered. The situation regarding the availability of short-term exit capacity in the Republic of Ireland was clarified and discussed.
- 4.3 There was also a discussion on the impact of introducing short-term exit capacity for gas transmission in Northern Ireland.
- 4.4 In noting the complexity of the issue, and the proposed next steps, the Board endorsed the need to publish a consultation on whether to introduce short-term exit capacity.

5. GD23 FINAL DETERMINATION ASSUMPTIONS

- 5.1 Tanya Hedley introduced this paper relating to the GD23 price control determination.
- 5.2 At its October meeting, the Board decided that UR should consult on a policy proposal to change the regulatory model to be applied to gas network price controls from the start of the GD29 period, and that it should do this at the same time as the GD23 licence modifications were being implemented. The decision has not yet been given effect, since new information has come to light about the position of the companies that would be most affected by the change.
- 5.3 In the light of that new information, which it has now had the opportunity to consider, the Board has decided to change its previous decision. The GD23 licence modifications should proceed to implementation without any parallel consultation at this stage on the regulatory model to be applied for GD29. The question of the approach to be adopted in GD29 is a matter that will be considered further by the Board in due course, but after the implementation of the GD23 modifications and without any date being set at this stage for its return to the Board.

6. GAS SUPPLY PRICE CONTROL 2023-2027 (SPC 23): SSE AIRTRICITY

- 6.1 Colin Magee introduced this item, which sought the Board's approval for a change to the final allowances and structure in the gas supply price control (called SPC 23) for SSE Airtricity.
- 6.2 Board members discussed the duration of the price control period and the opportunity to review SSE Airtricity's price control costs and expenditure.
- 6.3 The progress of the price control review and the information provided by SSE Airtricity to support the proposed change, was also clarified.
- 6.4 A discussion also ensued on aspects of operational expenditure. This included consideration of the company's operational efficiency and associated incentives, and customer service. The impact of cost of living pressures on staffing costs was also covered.
- 6.5 The Board approved an increase in SSE Airtricity staff allowances as presented and the implementation of a mechanism for review of SSE Airtricity staffing, in advance of Winter 2023.

7 POWER NI PRICE CONTROL

- 7.1 Michael Campbell introduced this item relating to the margin element of the Power NI price control. He briefed the Board on the background to the margin issue and a submission from Power NI.
- 7.2 The Board clarified the rationale for the Power NI margin submission and the wider context, and the timing of any possible change being applied. The basis of the existing methodology for calculating the margin was explored, and the comparative position relating to other supplier margins was explained.
- 7.3 There was also a discussion on the engagement with Power NI, in the context of the previously agreed price control extension.
- 7.4 The Board agreed that a letter should be issued to Power NI indicating that further analysis would be undertaken as part of a review of the company's margin. It was emphasised that the review would be undertaken on a without-prejudice-basis (as to the outcome following the review).

8 DRAFT FORWARD WORK PROGRAMME

- 8.1 Greg Irwin introduced the draft Forward Work Programme (FWP), and provided an overview of the key aspects of the FWP for consideration by the Board.
- 8.2 Board members made some drafting suggestions in respect of the presentation of new projects, the need to accentuate the projects as the focus of the document, the timing of proposed projects and contextual comments around UR re-structuring. There was also a discussion on the presentation of the proposed budget.

- 8.3 Subject to consideration of these comments the Board endorsed the preparation of the draft FWP for public consultation.

9. NORTH-SOUTH ELECTRICITY INTERCONNECTOR UPDATE

- 9.1 Alan Campbell and Derek Hynes provided a presentation to the Board on the latest situation regarding the project to construct the north-south electricity interconnector.
- 9.2 Board members availed of the opportunity to clarify aspects of the project and discuss the prospects for the delivery of the interconnector.
- 9.3 In welcoming the presentation, the Board emphasised its support for the interconnector and encouraged SONI and NIE Networks to work together to ensure its timely delivery.

10 UPDATES

(a) SEM UPDATE

- 10.1 Colin Broomfield briefed the Board on SEM market prices and also provided an overview on capacity market development. The Board also agreed to the procurement of the Plexos market monitoring software.
- 10.2 The Board noted the update.

(b) BREXIT UPDATE

- 10.3 Colin Broomfield provided the latest update on the Memorandum of Understanding (MoU) for REMIT regulatory framework between UR and the EU energy regulator, ACER. It was agreed that a tracked change version of the MoU be provided to the Board.
- 10.4 The Board noted the update.

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(c) ENERGY STRATEGY UPDATE

- 10.5 Kevin Shiels noted that it was coming up to the end of the first year of the implementation of the Department for the Economy's energy strategy. He noted the work being undertaken on the smart metering cost benefit analysis, and addressed a board member query on this item. Internally, he noted that a new energy futures team was forming.
- 10.6 The Board noted the update.

(d) ENERGY SUPPORT SCHEMES UPDATE

- 10.7 Kevin Shiels provide the latest update on the implementation of energy support schemes in Northern Ireland. In noting that two schemes were already in place, he hoped that the Department of Business, Energy and Industrial Strategy would soon be able to provide information on the timing of the delivery of the remaining schemes.

- 10.8 Several board member queries in respect of the allocation of vouchers – and the mechanism for consumers accessing cash, and UR’s role on the schemes, were addressed.

11. MINUTES

- 11.1 The minutes of the Board meeting on 20 October were approved for publication. The minutes of the Board meeting on 17 November 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 Kevin Shiels provided an overview of key developments.
- 13.2 A query by a board member in respect of UR’s positioning on hydrogen development for home heating, was addressed. Board members indicated that it would be useful to be updated on hydrogen and biomethane at a future date. There was also a request for a briefing on smart metering.
- 13.3 In presenting the Annual Report of the Remuneration Committee, Teresa Perchard noted an amendment. The Board noted the Committee’s terms of reference and approved the annual report
- 13.4 The Board also approved changes needed to Scheme of Delegation to take account of the restructuring from 1 December 2022.
- 13.5 Elaine Cassidy provided a litigation update. The Board endorsed the approval of UR costs to date on litigation that was in the process of being withdrawn. A brief update was provided on the most significant live litigation items.
- 13.6 Donald Henry provided an overview of the finance and performance report. He noted the slightly revised report format and the impact of restructuring. He identified key expenditure assumptions. Changes to the risk register, following the Board’s October workshop, were identified. The finance and performance report was approved.

14. ANY OTHER BUSINESS

- 14.1 The Board conducted a meeting review. The Board endorsed the quality of the board meeting papers, while also noting the challenging agenda and also that some papers had been delayed.

There being no other business, the meeting concluded at 3.35 p.m.