

**MINUTES OF A MEETING OF THE NORTHERN IRELAND, AUTHORITY FOR UTILITY REGULATION (THE 'BOARD') HELD ON THURSDAY, 23 MARCH 2023 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 French, Marie-Therese Campbell and Donna Maye (agenda item 3), Ciara Brennan (agenda items 3 and 4), Sean Lyons (agenda items 3, 4 and 5), Martina McKinley (agenda item 7), Paul Stewart (agenda item 8), Jillian Ferris and Emma Todd (agenda item 9), Jody O'Boyle, Gary McCullough and Kenny McPartland (agenda item 10), Leigh Greer and Karen Shiels (agenda item 11), Sinead Dynan and Mabel Stevenson (agenda item 12), Lauren McMullan, Rosanna McSorley

**1. APOLOGIES FOR ABSENCE**

1.1 None.

1.2 He welcomed Lauren McMullan 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. BUSINESS CASE APPROVAL REQUESTS**

3.1 The Board considered a series of business cases for approval under the scheme of delegation. The following business cases were considered: addendum to RP7 global business case, RP7 engineering support and asset management advice, joint procurement of market modelling software, approval to progress procurement of the market support contract, and the SONI price control global business case.

3.2 Board members sought further information and clarification on the business cases as presented. The length of the contract for the joint procurement of market modelling software was discussed.

3.3 The Board approved the business cases as presented, subject to an amendment to the contract period for the joint procurement of market modelling software.

#### **4 SONI PRICE CONTROL OUTLINE APPROACH**

- 4.1 Tanya Hedley introduced this paper which provided an outline of the proposed approach to the next SONI price control (known as SRP25).
- 4.2 The Board discussion explored the potential to extend the current price control period, given the broader strategic energy agenda, and in the context of the SONI governance review.
- 4.3 Board members discussed the implications of extending the price control period, both in terms of the costs and benefits, as well as the impact of such an extension on UR. There was also a discussion of the existing challenge mechanisms, the evaluative performance framework (and learning from the first year of its implementation) and the stakeholder challenge group. The timing of the publication of price control approach, should an extension be approved, was also clarified.
- 4.4 The Board also explored the question of any potential price control extension for the SONI governance review. Specifically, the Board discussed the timing of the appointment of a new SONI board and the derogation provisions in the governance review, in the context of any price control period extension.
- 4.5 Engagement with both SONI and stakeholders, on the price control approach, was also discussed.
- 4.6 The Board approved the recommendation to extend the current SONI price control by one year and endorsed the general approach to the next price control as presented. In noting that an extension would have to receive Board approval, it was also noted that - if the current price control is not extended - it would be necessary to issue a consultation on our approach to SRP25 in April 2023.

#### **5 RP6 PRICE CONTROL EXTENSION**

- 5.1 Tanya Hedley introduced this item which sought the Board's approval for modifications to the NIE Networks' distribution and transmission licences to extend the RP6 price control by one year.
- 5.2 There was a brief discussion on engagement with stakeholders on the proposed price control extension.
- 5.3 The Board approved, subject to final legal review, the licence modification decision paper and the modifications proposed to the NIE Networks distribution and transmission licences.

#### **6. DRAFT FORWARD WORK PROGRAMME**

- 6.1 Greg Irwin introduced this item, which sought the Board's approval for the Forward Work Programme 2023/2024 (FWP), following consultation.
- 6.2 Board members noted the comments received from stakeholders on the draft FWP. The need to provide as much clarity on the scope and timing of FWP projects was emphasised by board

members. Stakeholder comments regarding the need to increase UR's resourcing, and deliver on key workstreams, were also noted.

6.3 Arrangements for publishing the FWP and providing feedback to stakeholders was also clarified.

6.4 The Board approved the final draft of the FWP as presented, subject to a final drafting review by the Executive team before publication.

## **7. DRAFT BUDGET**

7.1 Martina McKinley briefed the Board on the key aspects of the proposed budget for 2023/2024.

7.2 Given the programme to increase the staffing complement, as part of UR's organisational transformation, board members discussed the profile of recruitment activity and the impact on the budget.

7.3 Board members also discussed the proposed allocation to external support in the context of increasing the overall UR staffing complement. An update on the legal services contract was provided. The impact on licence fees of the increased budgetary allocation was also discussed.

7.4 At the conclusion of the discussion, the Board approved the proposed budget for 2023/2024 as presented.

## **8. NI WATER PC21 MID-TERM REVIEW KEY ISSUES AND APPROACH**

8.1 Tanya Hedley introduced this item which outlined the proposed approach to the mid-term review of the PC21 (NI Water) price control review. Paul Stewart set out the key issues for the Board.

8.2 The Board discussed the programme of activity carried out by NI Water to date and the areas of focus. The implications of reduced funding for NI Water for this programme, or dependencies on other stakeholders (whose capacity to support the delivery of the programme were also constrained), was explored. Given the potential for reduced resourcing, board members discussed how the programme might be re-prioritised. There was also a consideration of NI Water's initiatives to reduce energy costs.

8.3 The scope of, and key messages from, the mid-term review evaluation of PC21 was also briefly discussed.

8.4 At the conclusion of the discussion, the Board endorsed a public consultation on draft approach to the mid-term review of PC21, and arrangements for finalising the final approach following the close of the consultation.

## **9. INTRODUCING SHORT-TERM GAS PRODUCTS**

- 9.1 Roisin McLaughlin introduced this item which provided a briefing for the Board, and sought views on a proposed consultation to seek views on whether to introduce short-term exit capacity products for the Northern Ireland gas transmission system.
- 9.2 Board members discussed several aspects of the proposed consultation. This discussion included: the overall risks and benefits of introducing short-term gas exit products, the potential transfer of revenue collection towards gas distribution if power generation sector avails of increased flexibility, the impact on the Single Electricity Market prices, consequential for the ratchet mechanism and the implications for consumers. There was also some commentary on the drafting of conclusions in the consultation paper.
- 9.3 The Board also briefly discussed next steps and the timescale for the launch of the consultation on whether to introduce short-term exit capacity products.
- 9.4 In noting the potential impact and consequences, as discussed, the Board endorsed the consultation on whether to introduce short-term gas exit products. The Board also noted the intention to consult separately on related issue of seasonal multipliers.

## **10. CONTESTABILITY IN CONNECTIONS**

- 10.1 Roisin McLaughlin introduced this paper which was an update on progress achieved so far, and the next steps in the Go-live process, to introduce contestability at Low Voltage final connections at distribution level in Northern Ireland.
- 10.2 Board member queries in respect of the connection methodology and engagement with stakeholders were addressed.
- 10.3 The Board noted the progress achieved so far and the next steps in the Go-live process to introduce contestability at low voltage final connections at distribution level.

## **11. SECURITY OF SUPPLY UPDATE**

- 11.1 Leigh Greer and Karen Shiels briefed the Board on the latest situation in respect of a number of short-to-medium term security of supply issues.
- 11.2 The Board explored the various scenarios and risks of local generation exiting the market and the timing of new generation coming online.
- 11.3 An update was also provided on litigation currently in progress in the Republic of Ireland, by a company with local generation assets in Northern Ireland.
- 11.4 The Board noted the update and asked that it continued to be apprised of developments regarding security of supply.

## **12 DOMESTIC INSIGHT TRACKER**

- 12.1 Barbara Cantley introduced this item which provided a briefing on the insight tracker survey of domestic consumers. Sinead Dynan delivered a presentation which outlined the regulatory approach, the survey approach, key survey findings and issues and next steps.
- 12.2 Board members raised a range of queries relating to the survey findings which were addressed in discussion. This included queries around: monthly energy spending and the level of spend banding, the type of tariff and energy spending, expenditure on oil, willingness to pay for future investment – and the need to pay for keeping the lights on, satisfaction and trust with energy suppliers, pre-payment meters and type of tenure issues and billing. There was also a brief discussion on the overall importance of generating consumer insights, for regulators and industry.
- 12.3 The Board welcomed the presentation and noted the key findings and issues as presented.

## **13. MINUTES**

- 13.1 The minutes of the Board meeting on 16 February 2023 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 Kevin Shiels provided an overview of key developments. He briefed the Board on action being taken to improve energy suppliers' responsiveness to consumers.
- 15.2 Several board member queries around the latest situation on smart meters and the reduction in the level of energy price guarantee support (and the comparison with energy bills in Great Britain), were addressed. An action was recorded on providing more information on a supplier licence application.
- 15.3 Elaine Cassidy provided a brief litigation update on the most significant current litigation items.
- 15.4 Colin Broomfield provided a report on the SEM. In particular, he provided an overview on the latest situation on, and the outlook for, wholesale energy prices. The latest update on SEM capacity auctions was also provided. A briefing was also provided on SEM Committee-related litigation. The Board noted the update.
- 15.5 Kevin Shiels updated the Board on the Northern Ireland Energy Strategy and also briefed the Board on the Climate Change Action Plan for Northern Ireland and the involvement of UR.
- 15.6 Barbara Cantley updated the Board on the energy support schemes. The Board noted the update.

15.7 The Board approved the finance and performance report, noting the current expenditure position. The report from the Audit and Remuneration Committee was also noted and updated terms of reference were approved. In noting changes to the corporate risk register, the Board agreed that there should be a full review of the risk register at the June Board meeting.

**16. ANY OTHER BUSINESS**

16.1 The Board conducted a meeting review. The challenging and diverse nature of the agenda was noted.

There being no other business, the meeting concluded at 1.35 p.m.