

MINUTES OF A MEETING OF THE NORTHERN IRELAND, AUTHORITY FOR UTILITY REGULATION (THE 'BOARD') HELD ON THURSDAY, 22 JUNE 2023 AT THE NATIONAL FOOTBALL STADIUM AND VIA VIDEO CONFERENCE, AT 9.00 A.M.

Present:

Bill Emery (Chair), John French (Chief Executive), Teresa Perchard, Jon Carlton, Alex Wiseman, Claire Williams, David de Casseres

In attendance:

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

Sinead Dynan (agenda item 3), Jillian Ferris, Brian Mulhern and Emma Todd (agenda item 5), Alan Craig and Sean Lyons (agenda item 6), Leigh Greer and Karen Shiels (agendas item 7 and 8), Chisono Yoda, Rosanna McSorley, John Wasson.

1. APOLOGIES FOR ABSENCE

1.1 None.

1.2 Bill Emery welcomed John Wasson as part of an ongoing initiative to provide staff members with an opportunity to attend board meetings. Chisono Yoda was also welcomed to her first meeting.

1.3 The Board also discussed Board effectiveness in a closed session that preceded the Board meeting. The discussion provided board members with an opportunity to consider board meeting agenda setting. The need for further reflective board agenda items, to promote learning from workstreams, was endorsed. Bill Emery provided an overview of board member appraisals and there was a discussion around committee composition, learning and development, and succession planning. There was also support for considering objectives for the Board specifically, in carrying out its role. The Board also reviewed the findings from the recent self-assessment survey. The need to identify further opportunities for the Board to hold strategic discussions, and for learning and development, was endorsed. There was agreement for providing more time for the Board to do this, in the day prior to in-person Board meetings. Finally, the Board agreed to an annual self-assessment, and the need to review the questions in the related survey, and an external assessment every three years.

2. DECLARATIONS OF INTEREST

2.1 None.

3. NEW CONSUMER PROTECTION PROGRAMME

3.1 Barbara Cantley introduced this item about the new consumer protection programme. Sinead Dynan delivered a presentation which covered the current consumer protection programme, and the approach to, and scope of, a new programme (and the timing and delivery on this).

- 3.2 There was a discussion on the issues facing consumers of the future. The need for intervention and actions to protect consumers was touched on. The scope of the consumer protection programme was clarified. Balancing the need to support the implementation of the programme and other priorities was also considered.
- 3.3 The Board discussed the interplay of the consumer protection programme with the Utility Regulator's (UR's) new corporate strategy and recognised their interconnectedness. The Board endorsed the alignment of the programme with UR's new corporate strategy.

4 CORPORATE RISK REGISTER

- 4.1 John French introduced this paper which presented the opening Corporate Risk Register 2023/24, following review by the Audit and Risk Committee. He provided an overview of the key current organisational risks.
- 4.2 The Board explored the articulation, likelihood, and impact of several risks. The discussion included consideration of the risks relating to the potential for legal challenge, the Single Electricity Market (SEM), energy security and net zero, the implementation of the energy strategy and the Climate Change Action Plan, and the UR's organisational transformation programme, Shaping UR for the Future.
- 4.3 There was agreement, in respect of the SEM risks of the importance of updates to the Board on issues relating to that wholesale market. It was also agreed that training on SEM governance should be planned for later in the year.
- 4.4 In endorsing the corporate risk register, as presented, the Board requested that a risk management workshop be also planned for later in the year.

5 UPDATE ON RESPONSES TO CONSULTATION ON SHORT-TERM GAS CAPACITY PRODUCTS

- 5.1 Jillian Ferris introduced this item, which was a presentation on responses to the recent consultation on short-term gas capacity products.
- 5.2 The Board discussed the market impacts, and the benefits to electricity consumers, of introducing short-term gas capacity products at exit points in Northern Ireland. In that context, board members also reflected on the situation in the Republic of Ireland.
- 5.3 The divergence of views by respondents to the consultation on whether to introduce short-term gas capacity products at exit points was noted and discussed.
- 5.4 The Board noted the presentation and the next steps, and the intention to present a further paper to the September board meeting.

6 RP7 – RETURN ON CAPITAL

- 6.1 Tanya Hedley introduced this discussion item on the NIE Networks price control review (called RP7). John Mills provided an overview of the key aspects of the price control review under discussion.
- 6.2 Board members discussed NIE Networks' business plan proposals in respect of staffing and considered the assessment of these proposals. The discussion focused on the rationale behind these proposals and how the change to the staffing numbers compared with other benchmark companies. The need for the changes to staffing numbers to be clearly justified was emphasised.
- 6.3 There was also a discussion around the general approach to innovation funding, as set out in the paper. While Board members supported the proposed approach to innovation funding as outlined in the paper, there was an expectation that any innovation funding would deliver clear benefits.
- 6.4 Board members also considered the approach to the return on capital for RP7 in the context of current economic conditions and regulatory practice and precedence. There was an overall endorsement of the approach outlined, with a specific approval for the financeability ratios as stated at this stage, while noting that an adjustment would be required to inflation to reflect the most current situation.
- 6.5 In concluding the discussion, the Board agreed that further engagement with NIE Networks was necessary, to further explore and understand the company's proposals in respect of the return on capital, staffing and innovation.

7. POWER PROCUREMENT BUSINESS CESSATION

- 7.1 Leigh Greer introduced this paper which set out a proposed approach to winding down Power NI's Power Procurement Business (PPB).
- 7.2 Board member queries in respect of PPB's pension situation, the final payment revenue, and the impact on electricity tariffs, were addressed.
- 7.3 The Board noted the update and the intention that a further paper would be provided at the next Board meeting.

8. SECURITY OF SUPPLY UPDATE

- 8.1 Leigh Greer briefed the Board on the latest situation in respect of several security of supply issues.
- 8.2 The Board discussed the various scenarios relating to security of supply developments and mitigations and the ongoing engagement with SONI and EPK Kilroot.

8.3 The Board noted the update as provided.

9. MINUTES

9.1 The minutes of the Board meetings on 18 May 2023 were approved for publication.

10. ACTION POINTS

10.1 The action points were reviewed by the Board.

11. REPORT FROM THE EXECUTIVE TEAM

11.1 John French provided an overview of key developments. He noted issues relating to security of supply, tariff reviews, UR's vires, the UK Government support schemes and organisational re-structuring.

11.2 Board member queries about NI Water's budget situation and energy support schemes were addressed. The QREMM update was noted.

11.3 Elaine Cassidy provided a comprehensive litigation update, noting the recent new litigation items.

11.4 Alex Wiseman introduced the Annual Report of the Audit and Risk Committee, which was approved by the Board.

11.5 Greg Irwin referred to the planned Board meeting agenda for 2024.

11.6 John French provided an update on progress on the organisational transformation programme, Shaping UR for the Future.

11.7 Colin Broomfield provided a report on the SEM. He noted the current position on SEM market prices and their comparison with prices in Great Britain. The forthcoming generator performance report was also briefly discussed. An update was provided on the T-1 capacity auction. The Board noted the update.

11.8 Kevin Shiels updated the Board on the Northern Ireland Energy Strategy and ongoing engagement with DfE and DAERA. The Board noted the update.

11.9 John French introduced the Finance and Performance report. The Board approved the Finance and Performance report.

12. ANY OTHER BUSINESS

12.1 The Board reflected on a workshop on UR vires that took place on the previous day. In the absence of additional vires being granted to UR at present, the Board endorsed a risk-based RAG (red, amber, green) approach to the progress of work in areas where there were vires considerations, with no work being undertaken in those areas identified as red. The Board

also delegated, to an internal group, the oversight of operational scrutiny on vires-related considerations with a reporting template to be developed so that this group's decision-making would be reported to the Board. The need to also update the Board paper template to take account of the vires considerations was also endorsed.

12.2 In terms of the meeting review, the Board discussed the venue.

There being no other business, the meeting concluded at 12.45 p.m.