

MINUTES OF A MEETING OF THE NORTHERN IRELAND AUTHORITY FOR UTILITY REGULATION (THE 'BOARD') HELD ON THURSDAY, 12 SEPTEMBER 2019, IN QUEENS HOUSE

Present:

Bill Emery (Chairman), Jenny Pyper (Chief Executive), Teresa Perchard, Alex Wiseman, Jon Carlton, Claire Williams

In attendance:

SMT - Kevin Shiels, Tanya Hedley, Colin Broomfield, Roisin McLaughlin, John Mills, Elaine Cassidy, Greg Irwin

John Magill (agenda items 4 and 12), Nicola Parker (agenda item 5), Michael Campbell (agenda items 5 and 6), Neil Bingham and Laura Kane (agenda item 10), Meadhbh Patterson (agenda item 11), Barbara Cantley and Brian Mulhern (agenda item 12), Jean-Pierre Miura (agenda item 13).

1. APOLOGIES FOR ABSENCE

1.1 David de Casseres.

2. FIRE DRILL

2.1 The board members were informed of the evacuation procedures which apply in the event of a fire.

3. DECLARATIONS OF INTEREST

3.1 None.

4. MODIFICATION OF BUDGET ENERGY LTD ELECTRICITY SUPPLY LICENCE

4.1 Kevin Shiels introduced this item, which sought the board's approval for the modification of the electricity licence held by Budget Energy Ltd.

4.2 Board member queries in respect of the impact of the change of the financial year were addressed.

4.3 The board approved the proposed licence modification as presented.

5. MEASURES TO ENHANCE THE OPERATION OF THE SMALL BUSINESS ENERGY MARKET

5.1 Kevin Shiels introduced this item which sought the board's approval for a proposed decision in respect of the specific issue of exit fees in the small business energy market. Michael Campbell provided an overview of responses to a consultation on the issue and, along with Elaine Cassidy, the board was briefed on the latest legal advice.

5.2 The board explored the information provided to business customers on exit fees, the regulatory approach to exit fees in other jurisdictions and the role of other bodies in protecting consumers in this area.

5.3 At the conclusion of an extended discussion the board agreed that further consideration of the measure relating to level of exit fees was required.

6. FIRMUS ENERGY SUPPLY LTD GAS SUPPLY PRICE CONTROL 2020

- 6.1 Michael Campbell introduced this item which sought the board's approval for the determination on the firmus energy supply price control 2020-22.
- 6.2 The board explored the proposals in respect of IT costs, particularly those relating to a new billing system. Consultation responses were also discussed and clarified, with an update provided on those items that had changed since the draft determination. Queries in respect of the proposed margin, the request for an allowance for GDPR compliance and the impact of the price control proposals on consumer bills were also addressed.
- 6.3 The process for the price control and engagement with firmus energy was also briefly discussed.
- 6.4 At the close of the discussion, the board approved the firmus energy supply price control determination proposals as presented.

7. BREXIT LICENCE MODIFICATIONS

- 7.1 Elaine Cassidy introduced this item which sought the board's approval for modifications to electricity and gas licences to ensure that these continue to operate effectively should the UK leave the EU without an agreement. All of the proposed licence modifications were also provided for board member inspection.
- 7.2 Board members sought clarification around the impact of the various Brexit-related scenarios on the licence modifications process. Queries in respect of Brexit preparations in other jurisdictions and the extent of the work undertaken on the licence modifications were also addressed.
- 7.3 A discussion also took place on the presentation of the licence modifications. The board agreed that it was important to emphasise that making modifications to licences was a necessary precaution in the context of the Brexit-related risks.
- 7.4 The board expressed its gratitude to those staff members that had been involved in the process of identifying and making changes to the licences. The board approved the delegated authority to the Chief Executive to sign and issue the Article 14 notices and associated final consultation paper and take the final decision in relation to the modifications following the end of the consultation.

8. GAS DISTRIBUTION INFILL IN PNGL ISLANDED AREAS

- 8.1 John Mills provided a detailed briefing for this discussion item about those properties in the Phoenix Natural Gas Ltd (PNGL) area which had not yet been passed by a gas main.
- 8.2 Board member queries in respect of the investment recovery period, the economic level of mains investment per property passed, the connections incentives and the consumer impact of connecting to gas were addressed.
- 8.3 The broader context and strategic policy on gas network development, in the light of the energy transition, was also discussed. It was noted that any new policy in respect of gas network development was not imminent.

- 8.4 The board also explored the consequences of any decision to approve further connections. In that context, the board clarified the treatment of any connection requests for new housing developments.
- 8.5 In concluding the discussion the board noted the analysis provided. The board endorsed the further development of the Greater Belfast network at the most economic cost to consumers. In that regard, the board encouraged further engagement with PNL.
- 9. GAS TO THE WEST UPDATE**
- 9.1 John Mills briefed the board on a proposed Verified Controllable Capital Forecast (VFCE) determination for Gas to the West.
- 9.2 Board members sought clarification on the quantum of liquidated damages and changes to those allowances set out in the draft determination.
- 9.3 In approving the proposed determination as presented, the board reflected on the progress that had been made with Gas to the West and the fact that gas was now available to consumers.
- 10. ELECTRIC VEHICLES – RESALE OF ELECTRICITY**
- 10.1 Neil Bingham and Laura Kane provided a presentation on the Maximum Resale Price (MRP) in relation to the resale of electricity. The presentation covered the rationale for reviewing the MRP, the broader context of electric vehicles, options for consultation, risks and next steps.
- 10.2 Board members teased out the scope and implications of the options presented. The issue of transparency of information around pricing and charges was touched on. The board also discussed the broader policy context around electric vehicles. Consumer attitudes and behaviour towards electric vehicle adoption and use was explored.
- 10.3 The board endorsed the consultation options as proposed and the opportunity to promote discussion on the options identified. It was agreed that, following consideration of the consultation responses, a proposed decision on the MRP would then be provided to the board.
- 11. CPP IMPLEMENTATION UPDATE**
- 11.1 Meadhbh Patterson provided a further update on the implementation of the Consumer Protection Programme (CPP).
- 11.2 Board member queries in respect of the project status reports and the progress of the network care register review were addressed.
- 11.3 The board noted the update and welcomed the progress being made in relation to the CPP.
- 12. MARKET MONITORING REPORTS**
- 12.1 Brian Mulhern provided an overview of SEM Market Monitoring update and specifically provided a briefing on recent market events. Board members explored the recent market events in the context of the broader security of supply situation.
- 12.2 John Magill introduced the Annual Transparency and the Quarterly Transparency reports (ATR and QTR). Queries from board members in respect of the timing of data used for the ATR and exchange rate impacts on prices were addressed.

13. BREXIT UPDATE

13.1 Colin Broomfield provided a verbal update on recent developments and contingency planning for the UK's departure from the EU. He also briefed the board on engagement with key stakeholders.

13.2 The board noted the update.

14. MINUTES

14.1 The minutes of the board meeting on 20 June 2019 and 22 August 2019 were agreed for publication subject to a small number of minor amendments.

15. ACTION POINTS

15.1 The action points were reviewed by the board.

16. REPORT FROM THE EXECUTIVE TEAM

16.1 Jenny Pyper provided an overview of the Executive team report.

16.2 She noted the achievement of the NI Executive's target for generation from renewables and briefed the board on engagement with the Department for the Economy on the development of a new energy strategy.

16.3 The board also briefly discussed a further update on the review of SONI governance.

16.4 Progress was also noted on the NI Water PC21 price control. The board discussed the wider strategic context around water and sewerage services and it was noted that a meeting with the board of NI Water was planned for the next board meeting.

16.5 A query, in respect of the impact of Brexit on water and sewerage services and the gas supply, was also addressed.

16.6 The board noted the SEM update.

16.7 Donald Henry provided an overview of the finance and performance report encompassing the budget, the risk register and progress against FWP targets. It was noted that a Brexit Risk Register, developed by the Brexit Co-Ordination Team, was appended to the finance and performance report for information. The finance and performance report was approved as presented.

17. ANY OTHER BUSINESS

17.1 The board also briefly reviewed the meeting and comments were noted for consideration. The presentation of performance information was identified for review. There was also a brief discussion on the timing of the Audit Committee meeting which preceded the board meeting.

17.2 Jon Carlton apprised the board of the recent report by National Grid relating to power outages in Great Britain during August. Colin Broomfield indicated that, given the learnings from the outages in Great Britain, a letter had been sent to SONI seeking assurances on related issues.

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