

**MINUTES OF A MEETING OF THE NORTHERN IRELAND AUTHORITY FOR UTILITY
REGULATION (THE 'BOARD') HELD ON THURSDAY, 13 DECEMBER 2018 IN QUEENS
HOUSE AT 11.00 A.M.**

Present:

Bill Emery (Chairman), Jenny Pyper (Chief Executive), Teresa Perchard, Alex Wiseman, Jon Carlton, Richard Rodgers, Bill Cargo.

In attendance:

SMT - Kevin Shiels, Donald Henry, Tanya Hedley, Jo Aston, Roisin McLaughlin, Greg Irwin

Elaine Cassidy, Paul Harland and Deirdre Matheson (agenda item 4), Paul Bell and Kenny Dane (agenda item 5), Jody O'Boyle (agenda item 6), Sarah Brady (agenda item 8), Brian Mulhern (agenda item 10), Tony Doherty (agenda item 10).

1. APOLOGIES FOR ABSENCE

1.1 None.

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 There were no declaration of interests.

**4. TREATMENT OF HOUSING ASSOCIATIONS PROPERTIES AND ALLOWANCES FOR
PNGL AND GD17**

4.1 Roisin McLaughlin introduced this item which sought the board's approval for an approach to treating on Housing Association (HA) properties are dealt with in terms of GD17 allowances for Phoenix Natural Gas Limited (PNGL).

4.2 The substantive part of the board discussion explored the three possible options for an approach to the treatment of HA properties in respect of PNGL. In particular the following items were covered: the background to the issue, licence obligations and requirements (and the consequential of any decision to change the licence), the benefits accruing to PNGL from the various options, the quantum of the allowance involved and the impact on consumers.

4.3 Board members also discussed the comments made by, and engagement with, PNGL on the issue.

4.5 At the conclusion of the discussion it was agreed that Option One, using existing RIGs definitions and uncertainty mechanisms to achieve compliance on the treatment of HA properties, be used as the preferred approach. It was also agreed that this would be subject to further legal advice being sought.

5. POWER PROCUREMENT BUSINESS PRICE CONTROL 2019-23

- 5.1 Paul Bell introduced this item which sought the board's approval for proposed decisions on the Power Procurement Business (PPB) price control and related licence modifications to give effect to the decisions.
- 5.2 Board members discussed the incentives in the proposed price control decision and the potential for PPB to outperform. The context for the price control and previous board discussions on the legacy generation contracts overseen by PPB was also explored. The impact, and any potential benefits, for consumers of the proposed price control decision was also clarified. Finally, the responses to the consultation on the draft PPB price control were also reviewed.
- 5.3 The board also discussed legal risks associated with the proposed licence modifications.
- 5.4 The board approved the substantive form of the price control decision paper as presented subject to delegating the authority to the Director of Wholesale to approve final edits to the document. Additionally, the board approved the associated licence modifications to bring the price control into effect, subject to legal review.

6. SONI NIE NETWORKS LICENCE CONSULTATION – TIA CONDITION MODIFICATIONS

- 6.1 Jody O'Boyle introduced this item which sought the board's approval for an amendment of the Transmission Interface Arrangements (TIA) licence conditions for SONI and NIE Networks.
- 6.2 Board members clarified the impact of the proposed modifications and the view of SONI and NIE Networks on the changes.
- 6.3 The board, approved the proposed licence modifications to the licence conditions as presented.

7. DRAFT FORWARD WORK PROGRAMME

- 7.1 Greg Irwin introduced the Draft Forward Work Programme (FWP) 2019-20 for comment by the board.
- 7.2 The board gave a board welcome to the draft FWP as presented. A number of small drafting changes and clarifications were suggested.
- 7.3 The board endorsed the draft FWP subject to consideration of drafting suggestions and clarifications. Board members were asked to provide any further drafting comments as soon as possible.

8. NIRO UPDATE

- 8.1 Sarah Brady introduced an update on the Northern Ireland Renewables Obligation (NIRO) and recent allegations relating to anaerobic digestion generating stations.
- 8.2 Board members fully explored each of the allegations identified in the paper, in turn. In particular the accreditation arrangements under the NIRO were discussed. The auditing arrangements for the NIRO were also clarified. Potential returns for generating stations were also discussed.

- 8.3 The board sought further information the next steps in the process relating to the reported allegations. It was clarified that there was ongoing work involving the Department for the Economy and Ofgem on the issue.
- 8.4 The board noted the update and it was agreed that a further update on the issue be provided in the New Year.

9. BREXIT UPDATE

- 9.1 Elaine Cassidy provided a presentation on organisational preparations being advanced in relation to the UK's departure from the EU.
- 9.2 The presentation provided an overview on the scope of the work being undertaken for Brexit preparations, the timeline for putting in place the various statutory instruments, an update on licence modifications and key risks and associated mitigation measures.
- 9.3 Board members clarified aspects of the timing and delivery of the various workstreams and related dependencies. There was also a discussion on the current Withdrawal Agreement (between the EU and the UK) and provisions in respect of the role of the SEM Committee.
- 9.4 The board noted the extent of the work being undertaken (particularly in respect of licence modifications) and there was agreement that the board should receive regular updates on Brexit.

10. MARKET MONITORING REPORTS

- 10.1 Kevin Shield provided an overview on the Quarterly Transparency Report for Q3 2018 and highlighted key metrics and trends
- 10.2 The board discussed the difference in electricity prices between different jurisdictions. Key reasons for the differences were clarified. A board member query on the different policy costs was also addressed.
- 10.3 Brian Mulhern also provided a market monitoring overview of the SEM. The board discussion focused on the operation of the SEM since 1 October and the market prices and interconnectors flows in particular. The impact of generator outages was also briefly explored. The board commended the market monitoring arrangements for the SEM and discussed the resourcing of this function.
- 10.4 The board noted both market monitoring reports.

11. CLEAN ENERGY PACKAGE

- 11.1 Tony Doherty introduced this item which provided the board with a briefing on the main elements of the EU's Clean Energy Package of proposals and policies.
- 11.2 The board explored the scope and extent of the Clean Energy Package. The arrangements for ensuring implementation of the Clean Energy Package were also discussed. Timetabling and legislative requirement queries were also addressed.
- 11.3 The board welcomed the briefing as provided.

12 MINUTES

- 12.1 The minutes of the board meeting on 24 October were agreed for publication. The minutes of the board meeting on 15 November were agreed subject to one minor amendment.

13 ACTION POINTS

- 13.1 The action points were reviewed by the board.

14 REPORT FROM THE EXECUTIVE TEAM

- 14.1 Jenny Pyper provided an overview of the Executive team report. She noted the outcome of the process relating to the derogation requests sought by AES.
- 14.2 The board was briefed on developments in respect of VFCE determination for the Gas to the West project.
- 14.3 There was also an update on developments in respect of EU legislation which would impact on end-price regulation for energy companies in Northern Ireland.
- 14.4 The board was also briefed on the recent business contingency test and provided on an overview of the outcome and learnings from that test.
- 14.5 An overview was provided on the finance and performance report and the report was approved. It was agreed that the board should review the risk register at the January board advisory forum meeting.

15 ANY OTHER BUSINESS

- 15.1 An update was provided on the competition to recruit new board members.
- 15.2 Jenny Pyper apprised the board of her forthcoming appointment as Pro-Chancellor and Chair-designate of the Ulster University. This is not a remunerated role and the time commitment is in line with Jenny's current role as an Ulster University Council member. Bill Emery had indicated his support for this role, which reflects positively on the reputation of the Utility Regulator.

There being no other business, the meeting concluded at 2.45 p.m.