

MINUTES OF A MEETING OF THE NORTHERN IRELAND AUTHORITY FOR UTILITY REGULATION (THE 'AUTHORITY') HELD ON WEDNESDAY, 14 DECEMBER 2016 IN QUEENS HOUSE AT 11.30 A.M.

Present:

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

In attendance:

SMT - Kevin Shiels, Brian McHugh, Donald Henry, Tanya Hedley

Paul Harland and Karen Wilson (agenda item 4), Jody O'Boyle (agenda item 6 and 9), Fiona Kane (agenda item 6), Ciaran MacCann (agenda item 9), Caspar Swales (agenda item 7)

1. APOLOGIES FOR ABSENCE

1.1 Jon Carlton, Jo Aston

1.2 Bill Emery welcomed everyone to the final board meeting of 2016 and thanked them for their contribution to a risk management workshop which preceded the board meeting.

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. ENGINEERING CONTRACT BUSINESS CASE

4.1 Brian McHugh introduced this item which sought the board's approval for a business case to establish an organisation-wide engineering advice and consultancy support framework.

4.2 Board members queries, in respect of the choice and scope of the framework and the extent to which asset management would be factored into the work undertaken, were clarified.

4.3 The board approved the business case to establish a framework for engineering support as presented.

5. RP5 LICENCE MODIFICATIONS

5.1 Brian McHugh updated the board on the process of implementing the RP5 price control modifications.

5.2 Engagement with the Competition and Markets Authority (CMA) and the process for implementing the modifications were briefly discussed.

5.3 The board was content to approve the delegation of giving notice on proposed RP5 modifications to the CMA subject to any new material issues arising in the consultation.

6. BELFAST WEST LANDBANK SITE

- 6.1 Tanya Hedley briefly introduced this paper which outlined the current situation in respect of the Belfast West Landbank site. The board was also apprised of its previous discussions on this issue.
- 6.2 Board members explored several aspects of the issue. This included clarifying the scope of the agreement with Belfast Harbour Commissioners and progress on finalising this. The impact on consumers of current and proposed future arrangements were also discussed. Finally the board reviewed the strategic risks associated with decisions around the Belfast Landbank site.
- 6.3 Having considered the various aspects of the issue the board agreed that engagement with the Department for Infrastructure was required before a decision on next steps could be taken. It was agreed that, following this engagement, the board would be provided with an update.

7. FIRMUS REFERENCE OF GD17 PRICE CONTROL

- 7.1 Brian McHugh provided a presentation to the board on the referral of the GD17 price control to the Competition and Markets Authority (CMA).
- 7.2 It was noted that the board had provided its approval, via correspondence, for a business case to incur expenditure to defend the appeal to the CMA.
- 7.3 Board members also commented on the response to the CMA on the question of firmus' permission to appeal. This had been circulated to board members earlier in the week and the board endorsed the robust response which had been submitted.
- 7.4 The presentation summarised: the GD17 price control decision, the grounds for appeal, our response to the CMA on the question of the firmus permission to appeal, the CMA process and the next steps.
- 7.5 Board members clarified and discussed the following aspects of the presentation: the options for the CMA following our response to the question of the firmus permission to appeal, the grounds for appeal in respect of the GIS oversight, the connections incentive and the rate of return (and a discussion on how any change in these areas may impact on the overall balance of the GD17 determination).
- 7.6 Finally, the board discussed communications from firmus relating to the referral of the GD17 price control. The board also noted that the CMA appeal would inevitably have resourcing impacts on other workstreams.

8. DRAFT FORWARD WORK PROGRAMME

- 8.1 Jenny Pyper introduced the draft Forward Work Programme (FWP) 2017-18 and provided an overview of steps taken to produce the draft, following the board's previous discussion on this item in November.
- 8.2 Board members made comments in respect of minor drafting issues. There was also a brief discussion on several discretionary projects identified in the document.
- 8.3 With all comments noted and queries addressed the board endorsed the publication of the draft FWP.

9. ELECTRICITY CONNECTIONS REVIEW

- 9.1 Ciaran MacCann provided a background briefing and overview on the electricity connections review.
- 9.2 Board member queries in respect of the timelines for NIRO closures and applications and differentiation between the different types of connection were addressed.
- 9.3 The board also explored the objectives for, and the strategic focus of, the connections review.
- 9.4 The various roles and responsibilities of stakeholders in relation to grid connections and engagement with these to date was also discussed.
- 9.5 Being mindful of the timeline for the review, the board requested that a further discussion should be planned for February/March.

10. RP6 UPDATE

- 10.1 Caspar Swales introduced this item which set out several methodological approaches in respect of real price effects and productivity to the RP6 price control for board endorsement.
- 10.2 Following some initial clarification, the board endorsed the methodological approaches in respect of the split of 'general' versus 'specialist' costs, the use of notional company weights, the position on a specialist labour premium and the assumption to be used for a productivity assumption.

11. RETAIL QTR – Q3

- 11.1 Kevin Shiels introduced this item relating to the recently published Quarterly Transparency Report (QTR) for the third quarter of 2016. He provided an overview of the key findings from the QTR.
- 11.2 Board members sought clarification on several items. The issue of gas customer switching trends was clarified and the scope for choosing the same electricity and gas provider was also raised. Comparative pricing with the Republic of Ireland and the impact of recent exchange rate volatility was explored. The likely outlook for prices and the enhanced market monitoring arrangements were also briefly discussed.
- 11.3 With all queries addressed the board noted the publication of the QTR.

12. MINUTES

- 12.1 The minutes of the board meetings on 13 October and 16 November were agreed for publication.

13. ACTION POINTS

- 13.1 The action points were reviewed by the board. In the context of the presentation to the Board Advisory Forum on the North-South Interconnector, it was noted that the An Bord Pleanála decision on the southern side of the interconnector was due before Christmas.

14. REPORT FROM THE EXECUTIVE TEAM

- 14.1 Jenny Pyper provided an overview of the Executive team report.
- 14.2 The board's attention was drawn to bidding behaviour in the wholesale market and the work being progressed by the Market Monitoring Unit and the Networks team.

- 14.3 A briefing was provided to the board on recent meetings with energy suppliers and the pressures being experienced by some arising from spikes in wholesale energy prices. The board was advised of the arrangements in place if any supplier exited the market.
- 14.4 A board member query, in respect of the NIE Networks meter replacement programme, was addressed.
- 14.5 The board received an update on the ongoing judicial review relating to a connections issue and it was noted that a further briefing would be provided to the board in January.
- 14.6 Further information was provided on engagement with GNI (UK) on the GT17 price control. There was also a brief discussion on progress on concluding a transportation agreement relating to access to the GB gas market for NI suppliers.
- 14.7 A dispute in respect of a gas supply connection for a domestic consumer was noted by the board.
- 14.8 A proposed change to the scheme of delegation relating to approvals for expenditure was approved.
- 14.9 The Finance and Performance report was presented and approved. It was noted that the risk management workshop held before the board meeting had provided an opportunity to review key organisational risks and identify updates to the corporate risk register.
- 14.10 The board was briefed on the latest budget position to 31 October 2016 and the content was noted. The significant budget pressures likely to arise as a result of the judicial review and the more recent referral by firmus of the GD17 price control to the CMA was highlighted. It was noted that the expenditure forecasts included estimates for the costs expected to be incurred in the defence of the judicial review and CMA referral. Although such costs could not have been anticipated, it was agreed that they needed to be incurred. It was noted that this was likely to have a significant impact on licence fees. A board member query in respect of licence fees was addressed. It was noted that no provision has been made for any third party costs that may be due if we are unsuccessful in the judicial review and/or CMA referral. It was noted that some of those costs may need to be provided for in the 2016/17 year.

There being no other business, the meeting concluded at 2.20 p.m.