

Standing item	Ref: 08-05/13
Submitted by:	Greg Irwin Corporate Affairs directorate
MINUTES	

MINUTES OF A MEETING OF THE NORTHERN IRELAND AUTHORITY FOR UTILITY REGULATION (THE 'AUTHORITY') HELD ON THURSDAY, 14 MARCH 2013 IN QUEENS HOUSE, BELFAST AT 9.00 A.M.

Present:

Bill Emery (Chairman), Richard Rodgers, Bill Cargo, Alan Rainey, Shane Lynch (Chief Executive)

In attendance:

Jo Aston (Director of Water), Donald Henry (Director of Corporate Affairs), Kevin Shiels (Director of Retail and Social), Brian McHugh (Director of Gas), Tanya Hedley (Director of Electricity), Greg Irwin (Board Secretary/Communications Manager)

Alan Craig (Manager, Water directorate, for agenda item 4), Colin Broomfield (Manager, Electricity directorate, for agenda item 8), Sarah Friedel (Analyst, Electricity directorate, for agenda item 9), Roisin McLaughlin (Manager, Gas directorate, for agenda item 9), Paul Harland (Manager, Gas directorate, for agenda item 10), John Mills (Manager, Water directorate, for agenda item 11), Barbara Cantley (Manager, Retail and Social directorate, for AoB agenda item), Elena Ardines (Analyst, Retail and Social directorate for AoB agenda item).

1. APOLOGIES FOR ABSENCE

1.1 None.

2. FIRE DRILL

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

3. DECLARATIONS OF INTEREST

3.1 Alan Rainey declared a potential interest relating to the Security of Supply item (in the context of his previous employment with Moyle Interconnector Limited). It was agreed his previous employment did not present a conflict given the focus of the specific agenda item.

4. NI WATER SCHEME OF CHARGES 2013-14

- 4.1 Alan Craig introduced this item which sought the board's approval for the NI Water Scheme of Charges 2013-14.
- 4.2 The board discussed, and sought clarification on, the allocation of charges across the various customer groups. It was agreed that the issue of unused k factors would be the subject of future review.
- 4.3 The board approved the NI Water Scheme of Charges under Article 201 (7) of the Water and Sewerage Services (Northern Ireland) Order 2006.

5. DRAFT BUDGET 2013-14

- 5.1 Donald Henry introduced this item which sought the board's approval for the draft 2013-14 budget. He outlined the background to the development of the budget. He noted that the proposed budget would be lower than the opening budget for the current year and explained the more material year on year movements. He provided an overview of each cost category including the level of programme costs, the related assumptions and mechanisms for controlling costs.
- 5.2 Board members sought further information and clarification regarding budgetary allocations and provisions for specific workstreams including regional integration. An update was also provided on carbon levy related legal costs and, in keeping with the current position, it was noted that no allocation would be included for that.
- 5.3 With the issues clarified, the board approved the 2013-14 budget.

6. PUBLIC SECTOR INTERNAL AUDIT STANDARDS

- 6.1 Donald Henry briefed the board on new Public Sector Internal Audit Standards (PSIAS) which come into effect from 1 April 2013. He also drew the board's attention to a number of responsibilities which the board may wish to consider delegating to the Audit and Risk Committee in light of its responsibilities.
- 6.2 The board noted the briefing and approved the delegation of its responsibilities under PSIAS to the Audit and Risk Committee with effect from 1 April 2013.

7. REVIEW OF UR RISK STRATEGY

- 7.1 Donald Henry introduced this item which sought the board's approval for a revised risk strategy following its review by the Risk and Audit Committee.
- 7.2 The board clarified the scope of the strategy. There was a discussion about the types of risks covered including risks to consumers. Public sector requirements, with regard to risk management strategies, were also discussed. Board members agreed that it would be appropriate to further discuss organisational risks in the context of developing the next corporate strategy.
- 7.3 The board approved the risk strategy as presented.

8. SECURITY OF SUPPLY

- 8.1 Jo Aston introduced this item which provided briefing on two issues, the Moyle Interconnector and the North-South Interconnector, as the basis for a broader discussion on security of supply. Colin Broomfield provided an overview on the Moyle Interconnector and Sarah Friedel provide briefing on issues associated with the North-South interconnector.
- 8.2 In respect of the Moyle Interconnector issue, the board focused on clarifying the reason for the latest fault, the options for restoring the Interconnector to its full capacity and the financing of this. The board was briefed on discussions with Mutual Energy on the company's plans to address the short-term and longer-term issues. It was also noted that Moyle Interconnector had submitted a Collection Agency Income Requirement (CAIRt) call.
- 8.3 The board discussion on the North-South interconnector focused on the ongoing delay, the impact on security of supply considerations and engagement with key stakeholders.
- 8.4 In conclusion the board agreed that repairing the Moyle Interconnector as soon as possible should be a priority. The board also endorsed the publication of an information paper by the Authority on the North-South Interconnector to inform public discussion on this issue.

9. UPDATE ON GAS CERTIFICATION

- 9.1 The board considered this paper which provided an update since its previous consideration of the issue in December and outlined several discussion points.
- 9.2 In the light of subsequent developments which impact on the Authority's preliminary decision, a discussion took place on the options in respect of BGE (UK)'s certification as an Independent Transmission Operator. The board discussed the merits and implications of the options presented. Issues associated with the potential sale of the company were also considered. The position of other regulatory stakeholders was also discussed.
- 9.3 Following a substantial discussion the board's overall view, in the light of developments since its previous discussion, was that the Authority was not in a position to certify BGE(UK) as an ITO.

10 PNGL14

- 10.1 Brian McHugh introduced this paper which provided an update on the approach for the gas distribution price controls (following public consultation) and discussed the duration of the price control.
- 10.2 The board focused on exploring the question of the duration of the price control. The issues of late submission of price control information by regulated companies, the need

to adequately address strategic aspects and the concept of regulatory certainty were considered. Feedback was also provided on recent engagement with PNGL.

- 10.3 The board endorsed the option of a three-year price control with the price control from 2017 onwards a more comprehensive review of all the price control elements.

11 PC15 PRICE CONTROL

- 11.1 John Mills presented a briefing on the development of the PC15 price control setting out the programme, progress achieved to date and key issues still to be addressed.
- 11.2 In noting the contents of the briefing it was agreed that provision should be made for a briefing from NI Water after the submission of its business plan.

12. REVIEW OF CONSULTATION PRACTICE

- 12.1 Greg Irwin introduced this item which outlined the Authority's response to the review of consultation practice. The board briefly discussed several of the consultation comments.
- 12.2 The board noted the response and the proposed next steps.

13 MINUTES

- 13.1 The board agreed the minutes of the board meeting on 14 February subject to a minor amendment.

14 ACTION POINTS

- 14.1 The board reviewed the action points from previous meeting.

15 CEO REPORT AND CORPORATE DASHBOARD

- 15.1 Shane Lynch presented his report and focused on several issues.
- 15.2 He updated the board on the timeline for the referral of the RP5. The board was also apprised of preparations being undertaken by the Authority for the referral.
- 15.3 He also made reference to several of the contextual issues associated with the publication of an electricity price comparisons paper.
- 15.4 The board was briefed on an issue relating to a claim for IT costs associated with an electricity supply company.
- 15.5 He provided the board with a report of a series of recent meetings with key stakeholders. This also included feedback on recent speaking engagements.
- 15.6 Donald Henry then briefed the board on the finance and performance report. He noted that the forecast budget position was broadly consistent with that reported last month and drew attention to the progress with FWP targets and the risk registers. The Board noted the latest position and approved the finance and performance report.

16 REPORTS FROM BOARD SUB-COMMITTEES/ADVISORY GROUPS

• SEM COMMITTEE

Tanya Hedley presented this report and noted that the EU decision on NIE and ESB certification was due on 15 April. The appointment of the Chairman to the SEM Committee (SEMC) was also noted and the board briefly discussed the process of appointments to the SEMC.

17 ANY OTHER BUSINESS

17.1 The board received a briefing from the Retail and Social directorate on the forthcoming publication of the electricity price comparisons paper..

There being no other business, the meeting concluded at 1.45 p.m.