

MINUTES OF A MEETING OF THE NORTHERN IRELAND AUTHORITY FOR UTILITY REGULATION (THE 'BOARD') HELD ON THURSDAY, 20 JUNE 2019, IN QUEENS HOUSE

Present:

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

In attendance:

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

Colin Magee (agenda item 4), Ian McClelland (agenda item 5), Lesley Robinson (agenda item 8), Ian Campbell and Martina McKinley (agenda item 12).

1. APOLOGIES FOR ABSENCE

1.1 Donald Henry.

1.2 Bill Emery noted that this would be Bill Cargo's last board meeting as his term of appointment was due to end and thanked him for his contribution.

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. SSE AIRTRICITY GAS SUPPLY (NI) LTD PRICE CONTROL 2020-2022

4.1 Kevin Shiels introduced this item which sought the board's approval for proposals on the scope, operating costs and margin elements of the SSE Ltd gas supply price control 2020-2022. Colin Magee provided an overview of the key aspects of the proposals.

4.2 Board members took the opportunity to clarify items relating to: the approach to the consultation, IT billing system costs and the plans to provide a new solution (and in the context of the energy transition) and capex depreciation costs.

4.3 The impact on consumers of the proposed costs allowances was also explored. The board also discussed the company's proposed staffing numbers in the context of addressing compliance issues.

4.4 Following the clarification received and at the conclusion of the discussion the board approved the consultation proposals as set out in the paper.

5. NOMINATED ELECTRICITY MARKET OPERATOR FOR NORTHERN IRELAND

5.1 Colin Broomfield introduced this item which sought the board's approval to designate SONI as a Nominated Electricity Market Operator (NEMO) for Northern Ireland and the associated NEMO designation order.

- 5.2 The board discussed and clarified its jurisdictional role in respect of the proposed designation. The role of the NEMO was also explored and the facilitation of work on the forthcoming NEMOpx price control was noted.
- 5.3 There was also a discussion around the measurement of key performance indicators and board members explored the rationale for the period of designation.
- 5.4 Finally, there was a discussion on Brexit and any implications of a no-deal scenario on the effective operation of the SEM.
- 5.5 With the discussion concluded, the board approved the designation of SONI as the NEMO for Northern Ireland and the NEMO designation order as presented.

6. EAST DOWN POSTALISED DISTRIBUTION PIPELINE APPROVAL

- 6.1 John Mills introduced this item which sought the board's approval of the payment for the East Down Postalised Distribution Pipeline (PDP).
- 6.2 Board members clarified the process and the ownership of the pipeline.
- 6.3 The board approved the payment of the East Down PDP as presented and delegated authority to the Chief Executive to confirm determination of the amount to PNGL and issue directions as provided under the WTL licence to give effect to the determination. The board also noted the intention to audit the final capital investment by PNGL and make any adjustment to the PDP capex as necessary.

7. GAS TO THE WEST VFCE EXCEPTIONS DRAFT DETERMINATION

- 7.1 John Mills introduced this item which sought the board's approval for a determination on the Verified Controllable Capital Forecast (VFCE).
- 7.2 Board members considered, and sought clarification on, the licensee's submission and the draft determination.
- 7.3 The board focused on the determination of the High Pressure (HP) pipeline delay costs. Board members explored the rationale for the licensee's submission of HP pipeline delay costs and the proposed determination. A key principle articulated by board members in discussion was the need to minimise risks to consumers.
- 7.4 Board members also discussed an uncontrollable cost in respect of the treatment of liquidated damages.
- 7.5 An update was provided on the next steps in the VFCE process.
- 7.6 The board endorsed the draft determination for VFCE exemptions as presented.

8. SECURITY OF SUPPLY UPDATE

- 8.1 Colin Broomfield introduced this discussion which identified the major issues affecting the NI wholesale market and the potential impact on security of supply.
- 8.2 In a wide-ranging discussion the Board considered the current generation fleet in the context of future capacity needs and the north-south interconnector and the impact of emissions

restrictions on existing plant. The need for new generation investment was also discussed, along with consideration of issues relating to managing market power and maximising competition.

8.3 More broadly, the Board discussed the strategic and policy environment around the wholesale market and the security of supply issue.

8.4 It was agreed that the Board would be updated on progress of the steps being taken to manage the issues identified.

9. MARKET MONITORING REPORTS

9.1 Kevin Shiels and Brian Mulhern provided an overview of the key aspects of the retail and wholesale quarterly market monitoring reports.

9.2 Board members raised several queries on both reports in respect of market profile changes, comparative prices and, specifically, in respect of the retail report, business tariffs.

9.3 The board noted both reports.

10 MINUTES

10.1 The minutes of the board meeting on 23 May 2019 were agreed for publication.

11 ACTION POINTS

11.1 The action points were reviewed by the board.

12 REPORT FROM THE EXECUTIVE TEAM

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

12.2 She noted the successful conference (jointly hosted with the Energy Institute) and reflected with the board on the wider energy transition and strategy considerations.

12.3 The latest update on Brexit was discussed. Elaine Cassidy updated the board on Brexit legislation plans. It was agreed that the need for the board Brexit Sub-Group to meet over the summer should be kept under review.

12.4 An update was also provided on the SONI Governance call for evidence paper and it was noted that this was expected to be published in early July.

12.5 In noting that the accounts were due to be signed today, the board expressed its gratitude to the executive team for the efficient and effective way in which the arrangements for submitting the Annual Report and Accounts have been handled.

12.6 The board noted the SEM update.

12.7 The finance and performance report was approved as presented.

12.8 Alex Wiseman commented on the key aspects of the Audit and Risk Committee's annual report to the board. The board approved the report.

12.9 Martina McKinley highlighted key changes in her briefing to the board on the draft Corporate Risk Register. Board members took the opportunity to clarify the rationale for the scoring of

several risks and comments in respect of several risks were noted for consideration. Board member suggestions around the formatting of the risk register were also noted. It was agreed that a risk strategy paper would be presented to the board in October.

13 ANY OTHER BUSINESS

- 13.1 A paper proposing changes to the scheme of delegation was presented. Clarification was provided on the scope of the delegation to directors. The board approved the changes subject to any final written comments by close of the following day.
- 13.2 The board also briefly reviewed the meeting and comments were noted for consideration.
- 13.3 The board approved the appointment of Claire Williams to the Audit and Remuneration Committee and David de Casseres to the Remuneration Committee. Teresa Perchard was also appointed as Chair of the Remuneration Committee. A planned rotation of committee positions was also agreed.

There being no other business, the meeting concluded at 3.25 p.m.