

**MINUTES OF THE TWENTY-THIRD MEETING OF THE NORTHERN IRELAND
AUTHORITY FOR UTILITY REGULATION (THE 'AUTHORITY') HELD ON
THURSDAY, 10 JULY 2009 AT QUEENS HOUSE, BELFAST AT 9.00AM**

Present:	Mr Peter Matthews Mr Jim Oatridge Mr Chris Le Fevre Mr Philip Johnson Mr Alan Rainey	Chairman
In attendance:	Mr Donald Henry Ms Jo Aston Mr Brian McHugh Mr Dermot MacCann Mr Greg Irwin Ms Tanya Wishart Mr Kenny Dane Ms Sarah Brady Mr Michael Campbell	Director of Corporate Affairs Director of Water Director of Gas Director of Electricity Board Secretary and Communications Manager Electricity Directorate (for agenda item 10) Electricity Directorate (for agenda item 10) Social and Environmental Manager (for agenda item 11) Retail Unit (for agenda item 9)

1. APOLOGIES FOR ABSENCE

Etain Doyle, Clive Elphick, Iain Osborne, Kevin Shiels, JP Irvine

2. FIRE DRILL

The Board Members were informed of the evacuation procedures which apply at Queens House in the event of a fire.

3. DECLARATIONS OF INTEREST

No declarations of interest were made.

4. MINUTES OF THE PREVIOUS MEETING

The minutes of the previous meeting on 14 May were agreed subject to minor amendments.

5. ACTION POINTS FROM THE PREVIOUS MEETING

Regarding the action point about a meeting with non executive directors of a specific utility company, it was noted that the meeting took place on 3 June rather than 1 June.

The Chairman also indicated that he was keeping under consideration the environmental summit idea that had been previously discussed with board members.

The Board asked that the network finance update appear as a specific agenda item for the foreseeable future.

6. CHIEF EXECUTIVE'S REPORT

a) The Board noted that, in the absence of the Chief Executive, specific delegation arrangements had been instituted. The contents of the Chief Executive's report were noted and relevant Directors discussed various aspects of the report and addressed specific queries from board members.

Board members discussed the potential implications arising from future decisions on water charging.

It was noted that the contract round, by which electricity suppliers hedge for next year, is under way. Board members clarified the outlook for prices and were apprised of price comparisons relative to Great Britain.

Recent media coverage relating to the Quinn determination (and its potential implications for the Authority) was also noted.

The outcome of a recent meeting with non-executive directors of a specific utility company was also discussed.

The Director of Gas updated the Board on the situation regarding the governance arrangements pertaining to a specific gas company.

A report on progress relating to the Common Arrangements for Gas emphasised that a critical stage had been reached. Board members asked about the prospect of EU infringement proceedings should unbundling arrangements in the context of the new EU Directive requirements not be implemented.

The Director of Corporate Affairs outlined progress on the current recruitment programme and on the development of a recognition agreement with NIPSA. A specific query by one board member, regarding representation for staff who were not union members, was clarified.

b) The Director of Corporate Affairs presented the Finance and Performance report. He drew the Board's attention to the decision to defer some planned recruitment and the resulting revised salary forecast. It was also noted that an in-year review of the budget will take place in September.

Board members took the opportunity to receive an update on specific workstreams and it was noted that consideration would be given to reporting progress with planned price controls. The corporate and reputational risk registers for 2009/10 were also reviewed. There was a consensus that significant progress had been made in relation to risk management and that the organisation was addressing risk in a pro-active way. The Chairman noted the Audit Committee's role in reviewing the risk registers and indicated that he would like the Board to consider the high level corporate risks early in each financial year.

7 REPORTS FROM BOARD SUB-COMMITTEES

Energy BAG

The Chairman of the Energy BAG, Chris Le Fevre, reported on the April meeting of the BAG. Key issues discussed were pre-payment gas meters, consultation on K factors and tariffs, electricity branding, the Retail Annual Report, Social Tariffs and Harmonising Ancillary Services. A report was also received on a meeting with the board of Northern Ireland Energy Holdings.

Water BAG

The Director of Water provided an update on the recent Water BAG meeting in June and on PC10 developments. The recent Water BAG focused on the business plan recently received by NI Water. Board members received a broad appraisal of the business plan, noting key areas which the Authority may wish to address with NI Water. It was noted that the Authority intended to adopt a transparent approach to PC10.

SEM Committee

The Director of Electricity briefed Board members on the last meeting of the SEM Committee, which took place on 1 July. It was noted that a paper on dispatch and the SEM was agreed for consultation. The Capacity Payment Mechanism was agreed and the principles underpinning the Single Electricity Market Operator price control were also agreed.

8 BRIGHT IDEAS

There were no items suggested on this occasion.

9 PPB PRICE CONTROL DECISION PAPER

The Director of Electricity outlined the process that led to the development of the price control decision paper. He indicated that a key issue for the board to consider was the cost of capital.

A discussion on the key issues in the decision paper ensued. Board members discussed the views of consultees, the options relating to cost of capital and the impact of these on customer bills.

In agreeing the proposals contained in the decision paper, the Board specifically approved a small equity component to the cost of the stand-by working capital facility.

10 SUPPLIER OF LAST RESORT IN THE NORTHERN IRELAND ELECTRICITY MARKET

Kenny Dane outlined the outcome of the consultation on this issue and the key elements of the proposal on Supplier of Last Resort provisions, for approval by the Board.

Board members clarified specific terms identified in the paper and the time period outlined for excess cost recovery.

After the specific queries were addressed, the Board agreed the proposals outlined and mandated the publication of the decision paper.

11 SOCIAL ACTION PLAN

The Social and Environmental Manager reprised the context and background to the Social Action Plan and drew specific attention to changes made to the draft paper as a consequence of comments received during the consultation.

Board members made some suggestions in relation to the paper. Subject to consideration of the comments made, the Board approved the Social Action Plan proposals outlined and the publication of the paper.

12 SCHEME OF DELEGATION

The Director of Corporate Affairs introduced this item which proposed some amendments to the Authority's Scheme of Delegation.

The Board agreed to adopt the proposed amendments.

Separately, the Board agreed that the Audit Committee in conjunction with the Remuneration Committee as appropriate would further consider the delegations in relation to the appointment, termination and re-organisation of director level posts. It was also suggested that further clarification of the delegation arrangements in the absence of the Chief Executive would be helpful.

13 GREEN NEW DEAL

In the absence of the Chief Executive, the Director of Corporate Affairs introduced this paper which outlined developments relating to the Green New Deal.

The Board, recognised the benefits that could arise for utility consumers in Northern Ireland from the initiative, and noted the natural link between the Green New Deal and the Authority's policy shaping role. The Board was content to commit a small portion of the Chief Executive's time, but only minimal incidental resources to the project – given other demands and an ambitious forward work plan to be delivered.

14 PC10 UPDATE

This item had been discussed in conjunction with the water section of the Chief Executive's report.

15 PROPOSED SCHEDULE FOR BOARD AND BOARD SUB-COMMITTEE MEETINGS, 2010

Board members made initial comments on the proposed schedule of meetings for 2010. It was agreed that a revised schedule would be circulated for final comment.

There was also a request that consideration should be given to a joint Authority/ OFWAT/WICS meeting in 2010.

16 2009 JOINT GAS CAPACITY STATEMENT

The Director of Gas introduced this item for information. In noting the information outlined, board members' questions on demand for gas and wider strategic issues were clarified.

17 ANY OTHER BUSINESS

The Board requested that a paper on the subject of innovation and its role in economic regulation be developed for discussion at a future board meeting.

All items of business having been discussed the Chairman brought the meeting to a close at 2.20pm.