

**MINUTES OF THE TWENTY-SECOND MEETING OF THE NORTHERN IRELAND
AUTHORITY FOR UTILITY REGULATION (THE 'AUTHORITY') HELD ON
THURSDAY, 14 MAY 2009 AT QUEENS HOUSE, BELFAST AT 9.00AM**

Present	Mr Peter Matthews Mr Clive Elphick Ms Etain Doyle Mr Jim Oatridge Mr Chris Le Fevre Mr Philip Johnson Mr Alan Rainey Mr Iain Osborne	Chairman Chief Executive
In attendance	Mr Donald Henry Ms Jo Aston Mr Brian McHugh Mr Dermot MacCann Mr Kevin Shiels Mr Greg Irwin Mr JP Irvine Ms Tanya Wishart Ms Sarah Brady Mr Michael Campbell	Director of Corporate Affairs Director of Water Director of Gas Director of Electricity Acting Director of Retail Board Secretary and Communications Manager Head of Legal Electricity Directorate (for agenda items 9, 10 and 16) Social and Environmental Manager (for agenda item 18) Retail Unit (for agenda item 11)

1. APOLOGIES FOR ABSENCE

None

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 (14 May) were agreed subject to minor amendments.

The Chairman noted that there was no further progress to report on the idea of an environmental summit which he had raised with the Board at a previous meeting.

5. ACTION POINTS FROM THE PREVIOUS MEETING

The action points recorded at the last meeting had been circulated to the Board and progress against each action point was noted.

6. CHIEF EXECUTIVE'S REPORT

The Chief Executive presented his report.

The outlook for domestic water charging was discussed by the Board. The Chief Executive undertook to provide a note to clarify charging policy.

Board members also noted the work led by the Department of Regional Development on joint household billing (of water charges with rates). It was clarified that water metering was not within the scope of the project.

The Board was encouraged by progress made by NI Water in meeting undertakings it had given to the Authority to address data system deficiencies.

The Chief Executive also provided an update on developments relating to the contract round whereby electricity suppliers hedge for next year.

A discussion on the transposition of an EU electricity directive took place. Clarification was sought on the scope of the system planning function. Board members, in recognising the importance of the transposition of an EU Directive, were also keen to ensure that the Authority should take the opportunity to understand stakeholder views.

Several other specific electricity issues were addressed briefly. Clarification was sought on the potential for rolling out of smart meters in Northern Ireland (it was noted that a third of customers

already have semi-smart keypad meters). There was also support and encouragement from Board members for efforts by the executive team to ensure a soundly based debate on the new North-South transmission line.

The Chairman asked that an updated schematic be provided for board members on the structure of the energy industry in Northern Ireland and its potential fit with various unbundling models contained within the Third Package.

In relation to gas, Board members briefly clarified progress on specific issues associated with Common Arrangements for Gas, the implementation of EU legislation relating to gas network access and a code modification request.

The Chief Executive updated the Board on the adoption of new staff policies. A further brief discussion took place on future recruitment options in the light of budgetary approval given by the Board at its March meeting.

Board members were also apprised of the draft Floods and Water Management Bill in Great Britain and developments in relation to the Climate Change Adaptation Committee.

7 REPORTS FROM BOARD SUB-COMMITTEES

Audit Committee

The Chairman of the Audit Committee, Jim Oatridge, reported on its recent meeting. The Committee had reviewed draft resource accounts for 2008-09 and it was expected that the accounts would be finalised within the prescribed timetable. An internal audit report had also been discussed and the year-on-year progress and improvement in the levels of assurance had been noted by the Committee. The risk register was also reviewed, minor modifications to the Scheme of Delegation agreed and a Whistleblowing policy approved.

Board members briefly sought clarification on the timetable for finalising the accounts and noted that the draft Accounts would now be formally submitted to NIAO. It was hoped that the audited

Accounts would be laid before the NI Assembly in advance of the July recess. It was also noted that the organisation's draft Annual Report would be sent to Board members for comment during June.

Energy BAG

The Chairman of the Energy BAG, Chris Le Fevre, reported on the April meeting of the BAG. Key issues discussed were security of supply, the North-South Interconnector, the Fuel Security Code and the growing dependence on wind power. It was noted that the Energy BAG's forward work programme would be reviewed.

Water BAG

The Chairman of the Water BAG, Clive Elphick, reported on the recent Water BAG meeting. The timetabling of PC10 was discussed. Social and Environment Guidance issued by the Department of Regional Development was also discussed. Board members took the opportunity to discuss the Authority's response to the guidance.

Remuneration Committee

The Chairman of the Remuneration Committee, Etain Doyle, reported that the Committee had made decisions on the Chief Executive and Directors performance and pay and also reviewed the outcome of the performance review process with staff. The Committee had noted the quality of the staff performance in the 2008-09 reporting year.

In commending staff performance, the Chairman also reflected on the successful away-day event that had taken place around the time of the previous board meeting.

SEM Committee

The Director of Electricity briefed Board members on the last meeting of the SEM Committee at which the key discussion was on the wind study. It was noted that a consultation paper had been developed with the expectation that this would be issued before the end of May.

8 BRIGHT IDEAS

The Board Secretary/Communications Manager briefly updated Board members on progress on the Guide to Regulation.

9 LICENCE CONDITION OBLIGING NIE ENERGY (PPB) TO ENTER INTO DIRECTED CONTRACTS WITH SUPPLIERS

Tanya Wishart introduced this paper and highlighted that the proposed changes brought PPB into line with ESB on this point.

Much of the Board member comments related to the impact and timing of the proposed modification.

In noting the licence condition proposal the Board was aware that the decision to approve the licence condition modification would have to be taken by the SEM Committee.

10 SUPPLIER OF LAST RESORT IN THE NORTHERN IRELAND ELECTRICITY MARKET

Tanya Wishart explained the rationale for the Supplier of Last Resort provision and the key features of the proposed consultation paper which was attached to the board papers.

Board members discussed the Authority's options in the event of supplier failure. The issue of data quality was also briefly discussed. One Board member also clarified the consultation time period.

At the conclusion of the discussion, the Board agreed that the consultation document as presented should be published.

11 NIE ENERGY SUPPLY PRICE CONTROL

The Director for Electricity introduced this paper and outlined the significant issues arising from the consultation.

A significant discussion ensued on this item. Board members discussed the key issues emanating from the consultation. The period of the price control was discussed in detail and Board members

debated the merits of a further extension of the price control period. Clarification was sought on the operating scope provision. Board members also asked for information regarding comparisons with price controls for energy companies in Great Britain.

At the conclusion of the discussion, the proposal to modify the NIE Energy Supply price control - as described and documented in the paper presented to the Board - was agreed. The Board, in making its decision, was aware that the price control will be kept under review and that work would be advanced to enable the Authority to take a longer term view before the expiry of the next price control period.

12 REVIEW OF BOARD EFFECTIVENESS: TERMS OF REFERENCE

The Board Secretary introduced this paper which sought the Board's approval for the terms of reference for a review of Board effectiveness.

Board members, in welcoming the review, noted its specific focus. Several specific queries were raised on the conduct and process of the review.

The Board agreed the terms of reference for the review of Board effectiveness.

13 CORPORATE COMMUNICATIONS UPDATE

The Board Secretary introduced this review of communications activity in the 2008-09 year and plans for advancing corporate communications during the rest of the current year.

Findings from a recent survey of the public and separate research involving stakeholders, which has been provided to board members, were referred to in discussion on corporate communications activity. The Board was encouraged by the findings from both pieces of research and agreed that those who had participated in the stakeholder research should receive a copy of the research report.

A key aspect of the discussion was the plans for stakeholder engagement. Board members recognised the importance of engaging on an ongoing basis with stakeholders and the Chairman underlined the Board's commitment to its participation in the programme. Board members made suggestions regarding specific organisations that should be involved in stakeholder engagement.

14 NETWORK FINANCE RISK ASSESSMENT

The Director of Electricity presented an update on issues related to network finance which had been discussed by the Board at its previous meeting.

A substantial discussion ensued. Information about the cash position of specific utility companies was clarified for Board members. Board members also sought information on the financial liabilities of specific utility companies. The specific issue of credit ratings and the more general and related matter of access to finance for utility companies was also discussed. Clarification was also provided for Board members on Special Administrator arrangements in place in other jurisdictions and it was noted that the Authority had written to DETI on this matter.

In drawing the discussion to a close the Chairman noted the conclusions on network finance outlined in the update and the Board's agreement that the proposals for further action should be advanced. Specifically, the Board agreed that seeking assurances on governance relating to a specific utility company was paramount and agreed on a further action in this regard.

The Chairman indicated the Board's ongoing interest in the issue being discussed by asking that the subject remain a standing agenda item for the foreseeable future.

15 PC10 PROGRESS

The Director of Water provided an update on PC10 progress. Specifically, the timetable for key meetings involving board members was outlined.

16 THE POTENTIAL CANCELLATION OF THE GENERATING UNIT AGREEMENTS (GUAs) WITH POWER STATIONS IN NORTHERN IRELAND

The Electricity Directorate provided a briefing on this issue.

Board members discussed the upcoming workstream on the cancellation or otherwise of the Generating Units Agreements (GUAs).

In mandating further analysis, industry communications and consultation on the GUAs to continue the Board noted the challenging timetable for the work.

17 OVERVIEW ON DEVELOPING ENERGY RETAIL COMPETITION

The Acting Director of Retail provided a general overview for the Board on developing energy retail competition. It was noted that the Retail Unit would be engaging with the Energy BAG as the programme of work associated with the Unit develops.

18 THE RENEWABLES OBLIGATION: ANNUAL REPORT 2007:08

Sarah Brady outlined the key features of the Annual Report on the Renewables Obligation. The Board noted the briefing and the associated Annual Report.

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