

MINUTES OF A MEETING OF THE NORTHERN IRELAND AUTHORITY FOR UTILITY REGULATION (THE 'AUTHORITY') HELD ON THURSDAY, 24 MAY 2018 IN QUEENS HOUSE AT 11.00 A.M.

Present:

Bill Emery (Chairman), Jenny Pyper (Chief Executive), Teresa Perchard, Alex Wiseman, Jon Carlton, Bill Cargo

In attendance:

SMT - Kevin Shiels, Donald Henry, Tanya Hedley, John Mills, Jo Aston, Greg Irwin

Elaine Cassidy, Nicola Parker (agenda item 4), Jody O'Boyle and Natalie Dowe (agenda item 5), Alison Farr (agenda item 6), Colin Broomfield (agenda items 8 and 9), Lesley Robinson and Stephen Abram (agenda item 8), Alan Craig and Jonny Millar (agenda item 10), Jillian Ferris (agenda item 11), Ian Campbell (agenda item 12)

1. APOLOGIES FOR ABSENCE

1.1 Richard Rodgers

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 There were no declaration of interests.

4. POWER NI PRICE CONTROL EXTENSION

4.1 Nicola Parker introduced this item which proposed the extension of the current price control period for Power NI. The paper also proposed the sharing of an identified quantum arising from forecast efficiencies between Power NI and consumers and the publication of licence modifications to reflect the proposals.

4.2 The board sought further information on discussions with Power NI. The proposed level of efficiency was also clarified.

4.3 Board members also sought an update on the outlook for wholesale energy prices.

4.4 The board approved the proposals as presented and also noted the constructive dialogue being undertaken with Power NI on several regulatory matters.

5. DECISION TO IMPLEMENT CMA COST ORDER – SONI LICENCE MODIFICATIONS

5.1 Tanya Hedley introduced this item which proposed licence modification decision to implement the Competition and Markets Authority (CMA) costs order relating to the price control appeal brought by SONI.

5.2 Board members discussed the SONI response to the consultation on the licence modifications and the issues raised by the company. The board was fully briefed on each of the issues raised by SONI and took the opportunity to clarify several points.

- 5.3 The legal risks arising from a decision on the licence modifications were also explored. It was agreed that the board should also be provided with legal correspondence before the publication of any licence modifications.
- 5.4 With all items addressed the board approved the licence modification decision as presented. It was agreed the licence modifications would be published after the board had been provided with legal correspondence and subject to any further clarifications that board members may require.

6. NISEP

- 6.1 Donald Henry introduced this item which sought the board's approval for the extension of the Northern Ireland Sustainable Energy Programme (NISEP). He briefed the board on the issues and risks and arrangements for the review which would be undertaken to provide an assessment of the need for an energy efficiency support scheme. It was noted that we are working with the Department for the Economy and the Consumer Council and that some resources would be made available to CCNI to cover research and focus groups.
- 6.2 Board members clarified the scope of review. There was also a discussion on the beneficiaries from NISEP. In this respect board members agreed that the review would be an opportunity to provide useful evidence on issues such as customer willingness to pay. Finally board members briefly discussed the potential for a further extension of NISEP in the context of the review and the absence of an alternative energy efficiency scheme.
- 6.3 The board approved the extension of NISEP for a further year to March 2020. Additionally, the board approved a further extension of NISEP as required to facilitate implementation of Phase 2 of the review if Phase 1 of the review establishes the need for an energy efficiency scheme to replace NISEP.

7. MUTUAL ENERGY GOVERNANCE REVIEW

- 7.1 Tanya Hedley introduced this item which provided an overview of the review of Mutual Energy governance arrangements.
- 7.2 The board discussion focused on the role of the company's members in the overall governance arrangements. The board also reflected on governance arrangements in similar companies. Specifically the board explored options for supporting members to enable them to make an effective contribution to enhancing Mutual Energy's governance arrangements.
- 7.3 It was agreed that further engagement would be carried out with the company to explore the outcomes from the interim report. The company would also be requested to put in place an action plan to further enhance its governance model. Direct engagement would also take place with the current members to seek their views and a further review would take place once the identified actions had been completed.

8. AES DEROGATION PROCESS

- 8.1 Jo Aston introduced this item which was an update on the process relating to the derogation requests by AES. Colin Broomfield delivered a presentation which included background, an update on recent developments and further assessment considerations and financial information in respect of the derogation requests.

- 8.2 Board members availed of the opportunity to discuss key issues and clarify aspects of the presentation. Board member questions on capacity requirements for Northern Ireland and the future arrangements for the competitive auctions were addressed.
- 8.3 Further information, which would enable the board to make a decision on the AES derogation requests, was also provided. This included strategic considerations as well as more operational information relating to the assessment of financial costs and system stability.
- 8.4 The board also clarified the next steps in the derogation process and the timetable for reaching a decision.
- 8.5 Robin McCormick provided an update to the board on the technical assessment being undertaken by SONI on the derogation requests. Board members clarified potential scenarios and risks arising from the technical assessment.
- 8.6 In noting the overall update, and endorsing the process being undertaken to date, it was agreed that the board would consider a decision on the derogation requests at its June meeting.
- 9. SONI/EIRGRID GENERATION CAPACITY STATEMENT 2017-18**
- 9.1 Jo Aston introduced this item which provided a draft Generation Capacity Statement (GCS) for 2017-18. Colin Broomfield delivered a presentation which provided an overview, identified the impact on the ISEM capacity remuneration mechanism, other key issues and next steps.
- 9.2 Board members discussed the draft GCS and the presentation of information and the implications of changes to several key findings from the previous GCS. Some concerns were expressed at the content changes and the process of engagement with stakeholders in developing the draft GCS.
- 9.3 The board noted the assumptions and impacts in the draft GCS, endorsed further engagement to improve the draft and clarify the approval process to facilitate the publication of the document.
- 10. PNGL NETWORK EXTENSION TO WHITEHEAD**
- 10.1 Roisin McLaughlin introduced this item which provided an update on Phoenix Natural Gas Ltd's (PNGL) application to extend its licence area to Whitehead.
- 10.2 Board member queries in respect of the positive net present value and the additional potential consumer connections were addressed. A brief discussion on the remaining parts of Northern Ireland without natural gas coverage also ensued and it was agreed that this issue could arise during the development of the new corporate strategy 2019-24.
- 10.3 The board agreed that the licence modification required to enable the extension was not significant and therefore was not a reserved board matter. It was also agreed that the maximum costs associated with the extension be approved by the Chief Executive.
- 11. CONSULTATION NETWORK CODE ON HARMONISED TRANSMISSION TARIFF STRUCTURES**
- 11.1 Tanya Hedley introduced this information item relating to a proposal to consult on a capacity commodity spilt in the postalised gas tariff regime.

11.2 A board member query on revenue impacts for gas suppliers was addressed.

11.3 The board noted the proposal.

12. GDPR

12.1 Elaine Cassidy provided a training presentation to board members on the General Data Protection Regulation (GDPR).

12.2 Board members also discussed and clarified several aspects of GDPR including the scope of personal data, consent rights and the sanctions for GDPR breaches.

12.3 The board was also briefed on action taken to ensure compliance with GDPR. Additionally the board was provided with our privacy notice, an updated retention and disposal schedule and a GDPR summary factsheet which would be provided to all staff. The board also noted reporting requirements to ensure compliance with GDPR.

12.4 In endorsing the steps taken to date and the various documentation provided, the board emphasised the importance of ensuring compliance with GDPR. The board formally approved the retention schedule which is to be laid before NI Assembly.

13 ANNUAL REPORT

13.1 Greg Irwin provided an overview of the substantial draft of the Annual Report.

13.2 Board members identified some drafting suggestions. A query on the timing of the publication of the Annual Report was addressed.

13.3 It was agreed that if board members had any further drafting comments that they would be provided within a week of the board meeting.

14 MINUTES

14.1 The minutes of the board meetings on 8 March and 19 April were approved for publication.

15 ACTION POINTS

15.1 The action points were reviewed by the board.

16 REPORT FROM THE EXECUTIVE TEAM

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

16.2 The board's attention was drawn to the conclusion of the GD17 appeal and steps being taken to ensure compliance with RoCoF.

16.3 The board was briefed on an investigation being undertaken by the Information Commissioner's Office in respect of two Freedom of Information requests by SONI and the approach being taken.

16.4 The board discussed a recent legal ruling relating to ARC21 and the potential repercussions for decision-making by government on areas of work relevant to energy and water regulation. Specifically, the board discussed the implications of the legal ruling for the second north-south electricity interconnector and the gas to the west project.

16.5 The board also discussed supplier non-compliance.

16.6 Donald Henry also presented the finance and performance report which was approved by the board. Board members noted the provisional budget outturn. It was noted that Audit Committee had reviewed the risk register and that the board would have an opportunity to consider the risk register at its June meeting.

17 ANY OTHER BUSINESS

17.1 Bill Emery thanked board members for contributing to the recent skills audit and this would be used to support the development of the board and to inform future board recruitment.

There being no other business, the meeting concluded at 3.35p.m.

Bill Emery
21 June 2018

