

MINUTES OF A MEETING OF THE NORTHERN IRELAND AUTHORITY FOR UTILITY REGULATION (THE 'AUTHORITY') HELD ON THURSDAY, 8 FEBRUARY 2018 IN QUEENS HOUSE AT 11.00 A.M.

Present:

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

In attendance:

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

Barbara Cantley and Sean Murphy (agenda item 4), Sarah Brady and Meadhbh Patterson (agenda item 5), Roisin McLaughlin, Stephen Abram and Veronika Gallagher (agenda item 6), Neil Bingham and Richard Hume (agenda item 7).

1. APOLOGIES FOR ABSENCE

1.1 Jo Aston

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. GAS SOLR LICENCE MODIFICATIONS

4.1 Barbara Cantley introduced this item which sought the board's approval for the policy and proposals in respect of gas supplier of last resort arrangements (SOLR). Sean Murphy provided further detail on procedures and processes involved.

4.2 Board members sought clarification in respect of governance arrangements for the retail market procedure. A query regarding SOLR arrangements in the context of the low number of gas suppliers in Northern Ireland was also addressed. Procedural arrangements for prepayment customers in a SOLR situation were also clarified. The experience of similar SOLR arrangements in Great Britain was also briefly discussed.

4.3 With all issues addressed, the board approved the gas SOLR policy and proposals as presented.

5. CONSUMER PROTECTION STRATEGY: PLAN FOR 2018/19

5.1 Kevin Shiels briefed the board on this summary of progress relating to the implementation of the Consumer Protection Strategy (CPS). He also outlined challenges in respect of delivering against CPS commitments.

5.2 Board members welcomed the opportunity to discuss progress on the CPS and there was a brief discussion on work by other regulators in this area.

- 5.3 A discussion on success factors for the CPS implementation took place. This related to the progress that had been achieved and the focus for any revised implementation plan for the CPS. In this regard the board emphasised the importance of engagement with consumer organisations and arrangements for a planned consumer summit were endorsed. There were several suggestions made by board members in respect to the timing and format of the consumer summit.
- 5.4 A discussion on consumer engagement with utility markets prompted a broader strategic conversation. In this regard board members agreed on the need for a greater strategic consumer focus as a central plank of the new corporate strategy.
- 5.5 The board endorsed the need for an in-depth review of the CPS and a revised implementation plan. It was also agreed that the development of a new corporate strategy would be an important context for any review of the CPS.
- 6. WEST TRANSMISSION LICENCE MODIFICATION**
- 6.1 Tanya Hedley introduced this item which provided an update on ongoing discussions with West Transmission Limited (WTL) on proposed licence modifications and sought guidance on several issues.
- 6.2 The board noted the legal advice in respect of providing written comfort to WTL on several issues relevant to financing considerations. In endorsing the legal advice the board emphasised the importance of clarity in the drafting of proposed licence modifications so that WTL would be provided with sufficient information.
- 6.3 Board members discussed the definition, and triggering, of an adverse regulatory event. The risk of an adverse regulatory event was also explored. It was agreed that greater clarity should be provided on the definition of, and arrangements for, an adverse regulatory event.
- 6.4 The likelihood of the true up mechanism, relating to a financial deficit, being triggered was discussed. Further information was provided on the proposed rate of return under this mechanism and guidance was given in relation to values.
- 6.5 The board also discussed provisions relating to construction of the pipeline. Irrespective of the current progress it was agreed that there was still value in retaining this licence condition. It was accepted that any enforcement action under this condition would not impact on bond repayments.
- 6.6 Finally the board considered the situation where grant assistance to the gas to the west project has not been paid in full. A query on the conditions associated with the payment of the grant was addressed.
- 7. CYBER SECURITY UPDATE**
- 7.1 Richard Hume provided an overview on progress on the programme of work with government and industry on cyber security.
- 7.2 Board members clarified the locus of expertise in respect of cybersecurity and the role of the National Cyber Security Centre (NCSC).

- 7.3 In this regard the role of regulators was discussed. Steps taken to create awareness and seek assurance from licensees regarding an assessment of existing security arrangements were noted. The board discussed the feedback from the licensees' assessments. A query in respect of the testing of cyber security resilience was addressed.
- 7.4 The importance of ensuring the necessary steps were taken to avoid a cyber security incident was emphasised. The role of Competent Authority, under the Network Information Systems Directive, was noted. There was also support for keeping the issue of cybersecurity on the agenda of regulated utilities and continuing to engage with the NCSC.
- 7.5 The board noted the progress and endorsed continuation of the programme of work on cyber security. Finally, it was agreed that a paper on cybersecurity should be presented to the next audit and risk committee.

8. MINUTES

- 8.1 The minutes of the board meetings on 14 December 2017 and 18 January 2018 were agreed for publication subject to a small number of drafting changes.

9. ACTION POINTS

- 9.1 The action points were reviewed by the board.

10. EXECUTIVE TEAM REPORT

- 10.1 Jenny Pyper provided an overview of the Executive team report.
- 10.2 The board welcomed the recent planning decision regarding the second north-south electricity interconnector.
- 10.3 Feedback was provided on a recent strategic workshop facilitated by the Department for Infrastructure on water and sewerage services. It was noted that the PC15 Mid-term review was due to be published shortly.
- 10.4 Developments in respect of the gas tariff review, compliance issues and the NIE Landbank were also drawn to the board's attention. The board commended the extent of the detail provided in the Executive team report.
- 10.5 Jo Aston provided a comprehensive briefing on the outcome of the recent I-SEM capacity auction. Board members clarified key implications of the auction outcome and emphasised the importance of SONI's role in providing an expert analysis to inform regulatory decisions. The board was briefed on the process following the publication of the auction results, noting the derogation requests by AES and further analysis to be undertaken by SONI. It was anticipated that the board would receive a paper for consideration at its April meeting.
- 10.6 The Finance and Performance report was presented by Donald Henry and the current financial position was noted. Board members noted the update to the risk register and the position against FWP targets.
- 10.7 The board also discussed the recent costs order determination by the Competitions and Markets Authority (CMA) relating to the SONI price control appeal. Board members expressed concern regarding the CMA's award of costs and the transparency of the published

information. It was agreed that the concerns would be raised with the CMA at a planned meeting at the beginning of March.

- 10.8 The board was also briefed on a potential judicial review and approved the defence of the litigation and the appointment of counsel.

11 ANY OTHER BUSINESS

- 11.1 It was agreed that the potential for an earlier start to the next board meeting be investigated.

There being no other business, the meeting concluded at 2.20 p.m.