

MINUTES OF A MEETING OF THE NORTHERN IRELAND AUTHORITY FOR UTILITY REGULATION (THE 'AUTHORITY') HELD ON THURSDAY, 8 SEPTEMBER 2016 IN QUEENS HOUSE, BELFAST AT 11.00 A.M.

Present:

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

In attendance:

SMT - Kevin Shiels, Brian McHugh, Jo Aston, Donald Henry, Greg Irwin

Vanessa Williams (all items), Paul Harland, John Mills, Alan Craig and Caspar Swales (agenda item 4), Barbara Cantley (agenda items 4 and 5), Martina McKinley (agenda item 9).

1. APOLOGIES FOR ABSENCE

1.1 Tanya Hedley

2. FIRE DRILL

2.1 The board members were informed of the evacuation procedures which apply at Queens House in the event of a fire.

3. DECLARATIONS OF INTEREST

3.1 None.

4. GD17

4.1 Brian McHugh introduced this item which sought the board's approval for the publication of the GD17 final determination. It was clarified that, following a consultation on consequent licence modifications, the board would be required to approve final changes to the licences.

4.2 He also outlined our statutory duties and provided an overview of consultation responses on the draft determination. A report detailing the consultation comments received, with a draft response, was also provided to board members.

4.3 A comprehensive presentation was provided for the board members which outlined: key metrics in respect of price control outputs and deliverables, information on the rate of return and financeability ratios, a summary of key issues raised by each company, the consumer impact of the proposed price control decisions and next steps.

4.4 Board members' queries on the price control outputs were clarified.

4.5 A discussion on financeability took place. Board members explored the financeability assumptions in the proposed final determination. Feedback on engagement with credit ratings agencies was also provided.

- 4.6 There was also an extended discussion on the treatment of firmus under-recovery and the associated rate of return to be used in terms of timing and the benchmark to be applied. Representations made by firmus on the issue were fully considered as part of the discussion. The board explored the options for applying an appropriate rate of return. At the culmination of the discussion it was agreed that the change to the rate of return would be applied from the start of the price control on a LIBOR+% basis (with a reducing % for the first three years of the price control).
- 4.7 Board members also discussed the assumptions in respect of volumes for the update of natural gas. The potential impact of low oil prices on new natural gas connections was an important context. It was noted that a new areas allowance was proposed in the price control and this was an incentive for increasing the number of new connections.
- 4.8 The board agreed the publication of the GD17 determination, based on the determined values and designated parameters. The executive team was delegated to finalise the drafting of the final determination and any minor changes to the values in the final determination. It was confirmed that the board would be required to approve consequent licence changes following consultation.
- 4.9 Arrangements for the publication of the final determination and next steps were discussed. Finally, Bill Emery conveyed the appreciation of the board to the staff involved for their work on the GD17 project.

5. RETAIL ELECTRICITY AND GAS COMPLIANCE AND ENFORCEMENT

- 5.1 Kevin Shiels presented an update on compliance-related work undertaken by the retail team in the previous year. He also provided context for the work in respect of retail market competition and the development of a market monitoring regime.
- 5.2 The board noted the development of the retail market monitoring regime and the progress made in advancing arrangements for achieving supplier compliance. The potential for significant resources to be expended on compliance/enforcement work was noted.
- 5.3 The issue of promoting compliance by suppliers was explored. This included discussion around buy-in by senior management, the capacity of companies to develop compliance systems and adherence to formal compliance plans.
- 5.4 The discussion concluded with the board considering aspects of best practice, particularly around the timeliness of the enforcement process.

6. RETAIL MARKET MONITORING – QUARTERLY TRANSPARENCY REPORT

- 6.1 Kevin Shiels introduced this information item, relating to the publication of the Quarterly Transparency Report (QTR) at the end of August.
- 6.2 The board asked about the profile of the QTR and it was clarified that the publication generally resulted in a significant level of external interest.
- 6.3 Queries in respect of the distribution of pre-payment meters and the relative unit cost across the various customer groups were clarified.

6.4 The board noted the publication of the QTR.

7. MINUTES

7.1 The minutes of the board meetings on 23 June 2016 and 24 August were agreed for publication subject to making some amendments.

8. ACTION POINTS

8.1 The action points were reviewed by the board. All actions were complete. An update on the extension of NISEP was provided.

9. REPORT FROM THE EXECUTIVE TEAM

9.1 Jenny Pyper provided an overview of the Executive team report. She noted the continuing challenging agenda around issues such as I-SEM and network price controls.

9.2 The board discussion the broader strategic considerations around the Programme for Government and the need to ensure that energy considerations were appropriately reflected.

9.3 The board was briefed on a review of board effectiveness and a 360 assessment of the senior management team.

9.4 The board discussed the finance and performance report. In particular there was a discussion on the mid-year review of the budget. The board recognised the challenging budgetary context and the resource intensive nature of the I-SEM and network price controls workstreams. Board members explored the implications of resourcing these areas in-year and the impact on the budget. The impact on licence fees for 2016/17 was also clarified. There was agreement that licence fees could be issued on the basis of the forecast expenditure identified in the finance and performance report. It was noted that the revised budget would be consulted on at the next meeting.

9.5 Jo Aston provided a project overview on I-SEM. The key issue discussed was the planned stocktake of the I-SEM project. It was noted that enhanced project management arrangements had also been put in place to manage I-SEM going forward.

9.6 The board briefly noted the assessment of progress against FWP targets. A brief discussion on risks took place and Alex Wiseman provided a report of the Audit Committee's earlier consideration of the risk register. It was agreed that the board and the audit committee should conduct a joint workshop on the risk register before the end of the year.

10. ANY OTHER BUSINESS

10.1 Jenny briefed the board on a seminar organised by the University of Cambridge on Brexit and the impact on energy.

There being no other business, the meeting concluded at 2.40 p.m.