

MINUTES OF A MEETING OF THE NORTHERN IRELAND AUTHORITY FOR UTILITY REGULATION (THE 'BOARD') HELD ON THURSDAY, 7 FEBRUARY 2019 IN QUEENS HOUSE AT 11.00 A.M.

Present:

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

In attendance:

SMT - Kevin Shiels, Donald Henry, Tanya Hedley, Jo Aston (agenda items 1-6), Roisin McLaughlin, John Mills, Greg Irwin

Elaine Cassidy, Roy Colville (agenda item 4), Paul Harland and Deirdre Matheson (agenda item 5), Paul Bell and Colin Broomfield (agenda item 6), Ciaran MacCann (agenda item 7), Meadhbh Patterson (agenda item 8), Sarah Brady, Luke Hargreaves and Andrew Abraham (both Ofgem) (agenda item 9),

1. APOLOGIES FOR ABSENCE

1.1 Bill Cargo.

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 Richard Rodgers noted that he was working as a senior official in the Department for the Economy and would voluntarily absent himself if there were any discussions directly or indirectly relating to departmental policy. Tanya Hedley indicated that she would voluntarily absent herself from any items relating to energy generation (item 6).

4. AFCE DECISIONS FOR GNI (UK)

4.1 Roisin McLaughlin introduced this item which sought the board's approval for proposed Actual Final Capital Expenditure (AFCE) for GNI (UK).

4.2 The board clarified the GNI (UK) view on the treatment of accruals.

4.3 The board approved the AFCE allowances as proposed in the paper.

5. TREATMENT OF HOUSING ASSOCIATIONS IN GD17 PRICE CONTROL

5.1 Roisin McLaughlin introduced this item which presented a proposed final approach to addressing the miscategorisation of housing association within the owner occupied category and the consequent impact on connection targets for PNGL.

5.2 Board members noted the context for the proposed final approach arising from a Competitions and Markets Authority appeal brought by firmus energy in respect of the GD17 price control.

5.3 Additionally, board members generally explored the impact of outperformance and the incentive arrangements. There was also a discussion around penalties relating to the failure to

meet the connection target. The legal risks associated with the proposed final approach was also discussed. Finally, the impact on consumers was clarified.

- 5.4 The board endorsed the final approach as outlined in the paper, which will correct the connection target error as part of the GD23 price control and sending of a letter to PNLG setting out this approach. Board members were asked to provide any further comments on the draft letter as soon as possible.

6. T-4 SEM CAPACITY AUCTION

- 6.1 Paul Bell and Colin Broomfield briefed the board on the T-4 SEM capacity auction. The presentation covered the background, locational capacity constraints and options for withholding in the light of demand uncertainty.
- 6.2 Board members clarified the rationale for the forecast additional demand and the outlook for the existing generation fleet on the island of Ireland.
- 6.3 A substantive discussion ensued on the need for any additional generation capacity. This focused on the assessment of the forecast additional demand. There was a discussion as to whether the forecast demand assessment was sufficiently robust at this stage as a basis for decisions on the award of additional generation capacity.
- 6.4 The implications of awarding or not awarding capacity to meet the forecast additional demand were explored. Specifically, the proportion of the costs of any additional capacity awarded in the Republic of Ireland to be met by Northern Ireland consumers was clarified.
- 6.5 The board explored the various options for withholding capacity in the light of demand uncertainty. In that context, the timing of future longer-term capacity auctions was also discussed.
- 6.6 A further option was suggested and the board noted that its consideration of the issue would be reflected by Northern Ireland members whenever the SEM Committee discussed the matter at its February meeting.

7. APPROACH TO THE SONI TSO PRICE CONTROL

- 7.1 Tanya Hedley introduced this discussion item which sought the board's view on the approach to the SONI TSO price control, following a public consultation. Ciaran MacCann provided a comprehensive presentation which covered the following: price control objectives, SONI roles and services and an overview of key areas of the approach and stakeholder feedback.
- 7.2 The board discussion focused on how the price control approach might best deliver successful outcomes for the company and consumers. Board members discussed incentive arrangements and the approach taken by other regulators and there was recognition of the challenges associated with providing financial incentives.
- 7.3 There was also a discussion on costs and efficiencies. In particular, the challenges of ensuring that SONI was efficiently run while understanding the challenges for a low-asset regulated utility.
- 7.4 Finally, the board recognised that the price control provided an opportunity to support a step change in the company's overall performance.

8. CONSUMER PROTECTION PROGRAMME

- 8.1 Kevin Shiels introduced this item relating to the Consumer Protection Programme (CPP). Along with Meadhbh Patterson a presentation was provided which covered the context for the CPP, an assessment of the programme, consultation feedback and a definition for vulnerability and the delivery of the programme.
- 8.2 The board discussion focused on the meaning and scope of the definition of a vulnerable consumer. Board member comments centred on how such a definition could be applied in practice. The extent to which the measurement of vulnerable consumers under the definition was also queried. Finally, it was recognised that setting such a definition was challenging given, for instance, the sometime transient nature of being a 'vulnerable consumer'.
- 8.3 Overall, the board approved the proposed CPP project tables as presented and gave approval for the executive team to develop a new CPP decisions paper for consideration at the next board meeting. While the board also endorsed the principle of a vulnerability definition for the CPP there was agreement that the feedback provided should be considered in developing a further version.

9. NIRO UPDATE

- 9.1 Luke Hargreaves introduced this item which was a further briefing in respect of the NI Renewables Obligation and allegations regarding NIRO-accredited generating stations that utilise biogas from anaerobic digester plants. The briefing provided a background summary, information on audits of the anaerobic digesters and wider analysis, information on off-grid and zero-export audits and accreditations and set out the NIRO audit strategy for 2019-20.
- 9.2 The board availed of the opportunity to discuss aspects of the presentation and clarify items of detail. Board members clarified the outcome of the audit of the NIRO-accredited anaerobic digester stations that had been the subject of allegations. There was a discussion around the ratings applied to these audits and board members explored the meaning of such ratings. It was agreed that a note setting out the meaning of the audit ratings would be provided.
- 9.3 Clarification was also provided on progress in respect of the audit of the off-grid and zero-export installations.
- 9.4 Finally board members briefly discussed the options for the application of sanctions should any evidence emerge to support such a course of action.

10 BREXIT UPDATE

- 10.1 Jenny Pyper introduced this item which provided an update on developments in respect of Brexit and organisational steps being taken in respect of Brexit readiness.
- 10.2 Jon Carlton, as chairman of the Brexit Board Sub-Group, provided a report of that group's first meeting. The draft terms of reference for the group was approved, subject to one material amendment to be made. It was agreed that the Sub-Group would convene around the time of each board meeting and could also be convened at short notice as necessary.
- 10.3 In noting the Sub-Group's consideration of a stakeholder engagement plan, feedback on the joint UR/ BEIS/DfE stakeholder event on 6 February was discussed (and it was agreed that the slides for this event be shared with the board). It was also noted that the SEM Committee was

also due to host a Senior Stakeholder event on 18 February and arrangements for that event were also briefly discussed.

- 10.4 Board members clarified aspects of the timing and delivery of the various workstreams and related dependencies. There was also a discussion on the current Withdrawal Agreement (between the EU and the UK) and provisions in respect of the role of the SEM Committee.
- 10.5 The board noted the extent of the work being undertaken (particularly in respect of licence modifications) and there was agreement that the board should receive regular updates on Brexit.
- 10.6 Finally, the board noted a document setting out organisational arrangements for Brexit and it was agreed that the contact details needed to be updated in the document.

11 MINUTES

- 11.1 The minutes of the board meeting on 13 December 2018 were agreed for publication. The minutes of the board meeting on 17 January 2019 were agreed subject to one minor amendment.

12 ACTION POINTS

- 12.1 The action points were reviewed by the board.

13 REPORT FROM THE EXECUTIVE TEAM

- 13.1 Jenny Pyper provided an overview of the Executive team report.
- 13.2 She formally welcomed John Mills to the board following his recent appointment as Head of Function.
- 13.3 A further update was provided on engagement with NIE Networks in respect of the retail IT system co-ordination arrangements.
- 13.4 The board noted the inclusion of a list of current disputes, enforcement and litigation as an annex to the report.
- 13.5 Following a briefing, board approval was also provided for a business case to defend litigation.
- 13.6 An overview was provided on the finance and performance report and the report was approved. It was agreed that the board should review the risk register at the April board advisory forum meeting. Alex Wiseman also provided an overview report of the Audit Committee meeting that preceded the board meeting.

14 ANY OTHER BUSINESS

- 14.1 The board considered appointments and reviewed interests issues in a closed session.

There being no other business, the meeting concluded at 3.45 p.m.