

**MINUTES OF A MEETING OF THE NORTHERN IRELAND AUTHORITY FOR UTILITY
REGULATION (THE 'BOARD') HELD ON THURSDAY, 10 SEPTEMBER 2020 BY VIDEO
CONFERENCE AT 9.30 A.M.**

Present:

Bill Emery (Chairman), Jenny Pyper (Chief Executive), Teresa Perchard, Alex Wiseman, Jon Carlton, David de Casseres, Claire Williams.

In attendance:

SLT - Kevin Shiels, Donald Henry, Tanya Hedley, Colin Broomfield, Roisin McLaughlin, John Mills, Elaine Cassidy, Greg Irwin

Caspar Swales, Paul Stewart, Alan Craig and Paul Harland (agenda item 4), Brian Mulhern, Barbara Cantley and John Magill (agenda item 5), Leigh Greer (agenda item 7), Roisin Kelly

1. APOLOGIES FOR ABSENCE

- 1.1 None.
- 1.2 Bill Emery welcomed Roisin Kelly who was attending the meeting as part of the Board Apprentice Scheme.

2. DECLARATIONS OF INTEREST

- 2.1 There were no declaration of interests.

3. SONI

(a) Revised Business Case for SONI price control consultancy expenditure

- 3.1 The board considered a paper setting out an addendum to the global business case for SONI price control consultancy expenditure.
- 3.2 In noting the rationale for the proposed further expenditure and the governance requirement for approval of such expenditure the board approved the addendum to the global business case as presented.

(b) Timetable for SONI price control and governance reviews

- 3.3 Roisin McLaughlin provided a briefing on the proposed timelines for the completion of the price control and governance reviews. She also set out the current thinking on the options to be presented in the SONI governance review paper.
- 3.4 The board explored the proposed options for the SONI governance review. The discussion covered the implications, and the relative merits, of each option. There was endorsement for the proposed options as presented.

- 3.5 Board members also discussed the presentation of the SONI governance review. The nature and scope of the public consultation was clarified. An update was also provided on engagement with key stakeholders.
- 3.6 The board noted the updated timetable for both the SONI price control and governance reviews.
- 4. PC21**
- 4.1 John Mills introduced this item which sought the board's endorsement of specific elements of the NI Water PC21 draft determination and guidance on other aspects of the price control. He reminded the board of previous discussions on aspects of the PC21 price control and, along with Network directorate colleagues, provided a presentation to draw out the issues identified in the board paper.
- 4.2 The proposal in relation to Opex catch-up efficiency was discussed. Clarification was provided on NI Water's Opex efficiency performance during the current price control period. NI Water's overall trajectory in respect of Opex efficiency was also noted. There was a discussion on the proposed benchmark for Opex catch-up efficiency and the rationale for this was explained to the board. The board endorsed the Opex catch-up efficiency proposal as presented.
- 4.3 The board also endorsed proposals in respect of Opex and Capex productivity. The assessment of capital delivery during PC15 was also noted.
- 4.4 An extended discussion then took place on PC21 tariffs in the context of the additional information provided to the board in advance of the meeting. There was clarification on the position regarding scope of, and funding for, the Long-Term Water Strategy. Board members sought further information on the impact of the proposed tariff profile and on the different customer groups. The board discussion focused on achieving the right balance between short-term and long-term funding needs for water and sewerage services. At the conclusion of the discussion the board endorsed the approach to tariffs and the treatment of the Weighted Average Charge increase (WACI) as presented. It was agreed that the draft determination needed to clearly explain the approach taken in respect of tariffs and the WACI.
- 4.5 The board also discussed the capital expenditure profile and explored the deliverability of the capital programme as proposed.
- 4.6 Finally, the board was provided with an update on the preparations for the publication of the draft determination. The need for further analysis and assessment and engagement with NI Water and other stakeholders, prior to the publication of the draft determination, was noted.

5. MARKET MONITORING REPORTS

(a) SEM Market Monitoring Unit Quarterly report

- 5.1 Brian Mulhern provided an overview of the recent quarterly Single Electricity Market (SEM) market monitoring report. He highlighted key trends in respect of demand, prices and the cost of carbon. Other issues around liquidity in the market, generator availability and various projects being undertaken by the Market Monitoring Unit were also identified in the update to the board.
- 5.2 Board member queries in respect of supplier purchasing strategies and market participant profitability were addressed.

(b) Quarterly Transparency Report

- 5.3 John Magill provided an overview of the key aspects of the recently published retail energy market Quarterly Transparency Report for Quarter 1 and Quarter 2 2020. He highlighted the relative market share of suppliers, pricing comparisons and the incidence of consumer switching.
- 5.4 The focus of the board discussion was around any evidence of customer debt. In this regard it was noted that the board would receive a paper on COVID-19 retail market monitoring metrics at its October meeting.
- 5.5 In noting the content of both market monitoring reports the board endorsed the enduring value and usefulness of the analysis presented.

6. REGULATED TARIFFS UPDATE

- 6.1 Kevin Shiels provided a verbal briefing for the board in respect of recent regulated gas tariff pricing announcements. He explained the rationale for the decrease and the likely outlook for regulated prices.
- 6.2 The board noted the briefing.

7. INTERIM APPROACH TO CHARGING BATTERY STORAGE FOR USE OF SYSTEMS

- 7.1 Colin Broomfield updated the board on the recent consultation on the proposal to grant generation licences for electricity battery storage. Board members discussed the issues emerging from the consultation.
- 7.2 The board noted the update and that a further update would be provided in due course.

8. BREXIT UPDATE

- 8.1 Colin Broomfield provided a verbal update on continuing work with the Department of Business, Energy and Industrial Strategy and the Department for the Economy in respect of Brexit. He noted the focus of the work on wholesale market trading with Great Britain and representation on the EU energy fora following the end of the transition period.

8.2 The board noted the update.

9 MINUTES

9.1 The minutes of board meetings on 18 June and 6 July were agreed for publication.

10 ACTION POINTS

10.1 The action points were reviewed by the board.

11 REPORT FROM THE EXECUTIVE TEAM

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

11.2 An update was provided on preparations for a future return of staff to Queens House. It was agreed that the board should be provided with a presentation providing an overview of findings of a staff wellbeing survey.

11.3 The board were updated on plans for the SEM Committee to develop a workplan and strategy. It was agreed that the SEM update should be a standing item on the board agenda.

11.4 An overview was provided on the finance and performance report. Queries in respect of year end budgetary outcomes and the staffing of the Legal team were addressed. The report was approved. The board noted the budget position and the status update on the Forward Work Programme.

12 ANY OTHER BUSINESS

12.1 The board conducted a meeting review focusing on the content of papers and the agenda timing.

There being no other business, the meeting concluded at 1.10 p.m.