

MINUTES OF A MEETING OF THE NORTHERN IRELAND AUTHORITY FOR UTILITY REGULATION (THE 'AUTHORITY') HELD ON THURSDAY, 14 SEPTEMBER 2017 IN QUEENS HOUSE AT 10.30 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, Brian McHugh, Tanya Hedley, Jo Aston, John Mills, Greg Irwin

Michael Campbell (agenda item 4), Philip Weir (agenda item 5), Kevin Baron (agenda item 6), Richard Hume and Neil Bingham (agenda item 7), Adele Boyle and Barbara Stevenson (agenda item 8), Veronika Gallagher (agenda item 9).

1. APOLOGIES FOR ABSENCE

1.1 None.

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. MEASURES TO ENHANCE THE OPERATION OF THE SMALL BUSINESS ENERGY MARKET

- 4.1 Kevin Shiels introduced this item which sought the board's approval for the publication of a consultation paper on measures to enhance the operation of the small business energy market.
- 4.2 A presentation was provided by way of overview. The presentation covered the following: current provision for domestic industrial and commercial customers, the project background, the project purpose, the project analysis, measures for consultation, electricity impacts, gas impacts and key timelines.
- 4.3 A query in respect of customer deposits was addressed. The board also generally discussed the transparency of the small business energy market relating to unit rates and the level of supplier profit and explored ways of protecting consumers in that regard. Board members also briefly discussed energy brokers.
- 4.4 The board also made some drafting suggestions in respect of the consultation paper. This included setting out the direction of regulation in this area and identifying the successful outcomes.
- 4.5 The board approved the consultation paper as presented subject to consideration of drafting suggestions.

5. GAS TO THE WEST (G2W) UPDATE

- 5.1 John Mills introduced this item which provided the board with a briefing on the forecast Controllable Expenditure (VFCE) for the Gas to the West project.
- 5.2 Board members discussed the main issues relative to VFCE as identified in the paper. Key aspects of the discussion included the overall current estimated cost versus original projections. Board members explored the rationale for the current estimated costs.
- 5.3 The board also provided guidance on the construction contingency and design and project management cost items. The potential for project risks to crystallise was also discussed. The board also discussed the opportunity for the SGN to outperform VFCE allowances. Finally, board members clarified progress on the award of contracts.
- 5.4 An overview was provided on the next steps by way of a timetable for reaching a decision on the VFCE. It was noted that the board was also scheduled to meet the SGN board in November after the draft VFCE determination had been published.

6. MARKET MONITORING QUARTERLY REPORTS: RETAIL TRANSPARENCY REPORT AND SINGLE ELECTRICITY MARKET (SEM) MARKET MONITORING REPORT

- 6.1 The board received a briefing on two monitoring reports relating to the retail and wholesale energy markets.
- 6.2 The favourable position of domestic consumer prices in Northern Ireland relative to other markets in Europe was noted. A query about the reaction to the most current version of the retail transparency report was addressed. The board discussed how the presentation of the retail transparency report could be enhanced by providing additional commentary. A discussion on the development of the retail market and the assessment of what constituted success also took place. It was noted that a paper on the retail energy market monitoring framework (REMM) would be provided to the board in January or February.
- 6.3 An overview was provided on the headline findings from the MMU report. Comparisons between the SEM and other wholesale markets were briefly discussed. Board members also reflected on the audience for the MMU reports. A query on the impact of demand side units on the SEM was addressed.
- 6.4 The board also noted its previous approval, via correspondence, of the business case for the Market Monitoring Unit (MMU) IT system.
- 6.5 In noting the publication of the market monitoring reports, the board commended both documents as an interesting and useful body of data.

7. UPDATE ON PHYSICAL AND CYBER SECURITY OF NI UTILITY INFRASTRUCTURE

- 7.1 Tanya Hedley introduced this item which provided an update on the programme of engagement with government and industry to raise awareness of security risks and to strengthen arrangements where required. Richard Hume provided a presentation on a recent cyber security incident involving Eirgrid outlining the nature and scale of the incident and the response.
- 7.2 Board members sought further information on the recent cyber security incident in terms of scope and impact. The effectiveness of the reporting of the incident was also discussed.

- 7.3 The board also explored more widely the different roles of the regulator and regulated utilities in respect of responsibility for cyber security. It was agreed that further engagement with regulated utilities was required in this regard. The board also noted that Tanya Hedley was attending a UK Regulator's Network event on cyber security later in September.

8. COMMUNICATIONS STRATEGY REVIEW

- 8.1 Greg Irwin introduced this item which was sought the board's views on a new communications strategy. He provided a presentation which focused on progress against the current strategy and prompted discussion on key considerations for a new communications strategy.
- 8.2 The board discussed several aspects of the presentation including the progress against previous targets, the perceptions of external stakeholders and the changing trends in respect of communications.
- 8.3 In noting the presentation, the board noted that a process of engaging with internal and external stakeholders would be undertaken before a draft strategy would be presented to the board in the new year.

9. POSTALISED TARIFF SETTING: GAS CONVEYANCE LICENCE MODIFICATIONS

- 9.1 Tanya Hedley introduced this information item regarding the intention to modify gas conveyance licences such that the postalised gas transmission tariff is published prior to 31 May each year.
- 9.2 Board members sought further information on the reasons for the earlier publication of postalised transmission tariff.
- 9.3 The board noted the paper.

10. MINUTES

- 10.1 The minutes of the board meetings on 29 June and 24 August were agreed for publication.

11. ACTION POINTS

- 11.1 The action points were reviewed by the board.

12. REPORT FROM EXECUTIVE TEAM

- 12.1 Jenny Pyper provided an overview of the Executive team report.
- 12.2 The board was briefed on the RP6 and GT17 price controls. An update was also provided to the board on the costs order relating to the firmus price control appeal to the Competition and Markets Authority (CMA). It was noted that the CMA SONI price control appeal provisional determination was due to be made available shortly.
- 12.3 The issue of deharmonisation of retail market arrangements with the Republic of Ireland was identified and it was noted that the board would receive a paper on this in due course.
- 12.4 The board's attention was also drawn to progress on the implementation of a Single System Operator for gas in Northern Ireland. An update was provided on progress to extend the transportation agreement which enables direct access by NI suppliers to the gas market in GB. Finally it was noted that a positive meeting had taken place with all the key stakeholders on the implications of different scenarios for gas markets in the UK and RoI from the UK's exit from

the EU. The board noted an analysis being undertaken internally to assess Brexit implications for the single electricity market in particular and this would be shared with the board in due course.

- 12.5 Board member queries on the next Power NI price control and a supplier licence compliance issue were addressed.
- 12.6 The Finance and Performance report was presented and approved. Board members noted the budget position and that the mid-year budget process was ongoing with the outcome of this to be reported to the October board. The risk register was also reviewed. Progress against Forward Work Programme targets were also noted.
- 12.7 There being no other business, the meeting concluded at 2.10 p.m..