

MINUTES OF A MEETING OF THE NORTHERN IRELAND AUTHORITY FOR UTILITY REGULATION (THE 'AUTHORITY') HELD ON FRIDAY, 26 JUNE 2015 AT QUEENS HOUSE AT 10.00 A.M.

Present:

Bill Emery (Chairman), Bill Cargo, Teresa Perchard, Richard Rodgers, Jenny Pyper (Chief Executive)

In attendance:

SMT: Donald Henry, Kevin Shiels, Brian McHugh, Tanya Hedley, Jo Aston, Greg Irwin

Jody O'Boyle and Karen Shiels (for agenda items 4-6).

1 APOLOGIES FOR ABSENCE

1.1 David Strahan.

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 None.

4 SONI PRICE CONTROL

4.1 Brian McHugh introduced this discussion item on the System Operator of Northern Ireland (SONI) price control. He updated the board on the overall progress and timetable of the price control review and recent correspondence from SONI.

4.2 A presentation was also provided which covered the following areas: consultation responses to the draft price control determination, payroll and headcount, pensions, Capex and investment planning.

4.3 The board clarified and discussed issues associated with the transfer of the investment planning function from NIE to SONI. This included seeking clarification around the treatment of the costs of the transfer of investment planning generally and the impact on pay and pensions arrangements.

4.4 A discussion focused on the treatment of IT system costs and treatment of costs in respect of the new wholesale electricity market, the I-SEM as well as appropriate benchmarks for payroll costs.

4.5 The board noted the update on the financeability issue and the further work being undertaken in this area. In this context, the board discussed the extent of the risks faced by SONI.

- 4.6 At the conclusion of the discussion it was noted that a final determination would be presented to the board for its consideration in August.

5 SONI TSO GOVERNANCE

- 5.1 Jo Aston introduced this item which sought the board's guidance on the proposed approach to reviewing the independence licence condition and putting in place a sustainable governance structure for SONI.
- 5.2 The board's discussion initially focused on the meaning and intent of independence. Board members sought clarification on existing governance structures, the licensing arrangements for Eirgrid and SONI and the relative cost allocation for corporate operational expenditure items.
- 5.3 The board explored the various options regarding SONI governance. Key issues included any impact of closer integration with Eirgrid on, and the attribution of these to, SONI's costs. There was also a discussion on the critical role of both SONI and Eirgrid in delivering the second north-south electricity interconnector as well as the development of the I-SEM.
- 5.4 While noting the complexity associated with SONI governance, the board agreed that a paper setting out the various options for SONI governance be developed. The board also recommended that there should be further engagement with key stakeholders before the paper would be published for consultation.

6 PROPOSED LICENCE MODIFICATION FOR SONI TSO LICENCE

- 6.1 Karen Shiels introduced this paper which outlined proposed licence modifications for SONI in respect of Dispatch Balancing Code incentivisation and clarification of tariffs in the absence of price control modifications.
- 6.2 Board members clarified the significance of the proposed licence modifications and the linkage with the SONI price control.
- 6.3 The board noted the proposed licence modifications and delegated approval to Jenny Pyper for decision, after consultation, on tariff-related modifications.

7 ANNUAL AUDIT AND RISK COMMITTEE'S REPORT 2014-15

- 7.1 Donald Henry introduced the Audit and Risk Committee's Annual Report. He updated the board on oversight arrangements by the Northern Ireland Audit Office.
- 7.2 Board members noted the satisfactory internal audit opinion for the 2014-15 year. Recent engagement between the senior management team and the new head of internal audit was also noted.
- 7.3 Queries from board members in respect of risk appetite and the internal audit programme were addressed. It was agreed that membership of the audit and risk committee would be kept under review, pending the outcome of the competition to recruit new board members.

7.4 The board noted the Audit and Risk Committee report 2014-15.

8 NI WATER'S PC15 OUTPUT REDUCTION PROPOSAL FOR 2015-16

8.1 Tanya Hedley presented this information item setting out our approach to NI Water's proposal to reduce its service outputs in the context of reduced public expenditure funding.

8.2 The board discussed the impact of the reduced funding on service outputs. The approach to monitoring service outputs was also discussed.

8.3 The board noted the information paper.

8.4 An update on the publication of the review report into NI Water's handling of water supply disruption during December 2014/January 2015 was provided.

9 MINUTES

8.1 The minutes of the previous meetings on 21 May 2015 and 10 June 2015 were approved for publication.

10 ACTION POINTS

10.1 The action points were reviewed and noted.

11 REPORT FROM THE EXECUTIVE TEAM

11.1 Jenny Pyper provided an overview of the Executive Team report and highlighted the considerable amount of work being progressed to deliver the I-SEM.

11.2 The board reflected on a recent meeting with NIE and the related correspondence that had since issued. A query related on the meter replacement programme was addressed.

11.3 A verbal report on the recent meeting with board members and the senior executives from the Competition and Markets Authority was also provided.

11.4 A discussion also took place on the announcement by the Department of Energy and Climate Change and Minister Bell's related statement on the earlier closure of renewables support mechanisms.

11.5 Several items relating to internal organisational matters were also noted. Items mentioned were: the draft HR strategy, the recognition agreement with NIPSA, a recent staff conference and the leasing situation for Queens House.

11.6 The advertisement of the competition to recruit new board members was also noted and it was agreed that board members would receive the details when they were available.

11.7 The board also approved the finance and performance summary which included the year to date budget position, staffing and absence figures and the assessment of progress against FWP targets. An amendment to the scheme of delegation in respect

of the authorisation of levy exemption certificates was also approved. The board's attention was also drawn to changes to the corporate risk register.

12 ANY OTHER BUSINESS

12.1 None.

There being no other business the meeting concluded at 12.15pm.