

**SUMMARY MINUTES OF THE TENTH MEETING OF THE NORTHERN
IRELAND AUTHORITY FOR UTILITY REGULATION (THE ‘AUTHORITY’)
HELD ON THURSDAY 13 DECEMBER 2007, AT QUEENS HOUSE, BELFAST**

Present:	Dr Peter Matthews	Chairman
	Mr Clive Elphick	
	Mr Philip Johnson	
	Mr Chris Le Fevre	
	Mr Jim Oatridge	
	Mr Alan Rainey	
	Ms Etain Doyle	
	Mr Iain Osborne	Chief Executive
In attendance:	Mr Dermot Mac Cann	Director of Electricity
	Ms Jo Aston	Director of Water
	Mr Brian McHugh	Director of Gas
	Mr Donald Henry	Director of Corporate Affairs
	Mr Greg Irwin	Board Secretary and Communications Manager
	Mr JP Irvine	Head of Legal (for Agenda Item 6)
	Mr Kevin Shiels	Strategy Manager (for Agenda Item 8)
	Mr Ian Campbell	Finance and Administration Manager (for Agenda Item 8)
	Ms Sarah Brady	Social and Environmental Manager (for Agenda Items 9, 10a and 10b)
	Mr Mike Smyth	University of Ulster (for Agenda Item 10a)
	Dr Mark Bailey	University of Ulster (for Agenda Item 10a)

1. APOLOGIES FOR ABSENCE

No apologies were recorded.

2. FIRE DRILL

The Board Members were informed of the evacuation procedures which apply at Queens House in the event of a fire.

3. DECLARATIONS OF INTEREST

No interests were declared in relation to any Agenda item.

4. MINUTES OF THE PREVIOUS MEETING

The minutes of the Board meeting on 8 November were agreed in principle by the Board, subject to a small number of amendments.

The summary minutes of the Board meeting on 8 November were agreed in principle by the Board, subject to a small number of amendments.

Minutes, once amended, will be signed for formal record at the next meeting of the board in February.

5. ACTION POINTS FROM THE NOVEMBER MEETING

The action points recorded at the last meeting had been circulated to the Board and it was noted that the majority of these points had been actioned.

The Chairman made reference to the publication of the Annual Report and expressed his hope that next year's document could be finalised earlier in the year. He also indicated his support for initiatives to advance the stakeholder engagement agenda. Finally, there was some discussion about debates concerning economic regulation generally.

6. CHIEF EXECUTIVE'S REPORT

The Chief Executive presented his report, focusing on several items in particular.

He provided an update on interaction with the Independent Water Review Panel, and the Authority's contribution to increasing the understanding of the economics of the debt funded model.

A report on discussions with Phoenix in the context of the distribution price control was also provided. The Chief Executive also noted progress in relation to the All Island Gas Project.

It was noted that a letter had been received from AES Kilroot regarding the Authority's Determination of 23 October 2007 in connection with Condition 15 of its generation licence. The Authority's Head of Legal fully briefed Board members on the correspondence received and the request contained therein. The Board recalled decisions made at its board meeting on 15 October, and considered the processes it followed in the run up to that meeting. The Board members considered the request made of them, and accepted information and advice from the Executive team. The Board agreed that there were no grounds to withdraw their original decision taken at the October Board meeting of 15 October, which decision took legal effect on 23rd October.

The Chairman recorded his thanks to those involved in the organisation of the SEM launch.

The Chief Executive made reference to the delegation of HR powers issue and expressed his hope that the matter would be resolved in the near future.

Some discussion ensued on the possibility of the Authority proceeding with providing support for a television documentary on utility/ environmental issues. The Chief Executive provided further information on the idea, and Board members, while supportive in principle, were concerned that the Authority proceeds with caution and should seek to engage with other stakeholders.

It was agreed that the Finance Report should be a standalone paper – albeit included within the Chief Executive's agenda item – in future Board papers.

Members discussed the finance report and noted the adjusted expenditure forecasts and that these could be accommodated within NIAUR's overall public expenditure allocations for 2007/08.

7. AUDIT COMMITTEE REPORT

Jim Oatridge, Chairman of the Audit Committee, provided a verbal report on the last meeting of the Committee, which took place on 8 November.

It was noted that the Audit Committee had agreed its forward timetable of business for 2008. The Audit Committee also considered a Draft Internal Audit Plan and the amount of audit management time proposed. The Audit Committee Chairman noted the Committee's confirmation of delegated authority to the Head of Legal in relation to the legal framework contract. Progress was also reported on the register of interests and the risk register. The Committee approved the terms of reference for the tender to provide internal audit services, subject to several suggested additions. It was also agreed to circulate Audit Committee

minutes to Board members in advance of Board meetings where the timing of the meetings would allow for such an approach.

A brief report was also provided by Jim Oatridge regarding his attendance at a recent meeting of the Joint Regulation Group Audit Chairs.

8 DRAFT FORWARD WORK PLAN

The Director of Corporate Affairs presented the draft Plan. Board members were supportive of the progress made on this document and praised the thematic approach outlined in the Plan. Several suggestions were received for enhancing the document further.

The Chairman stated that the Board were signing off a draft plan for Year 1 on the basis that a draft budget would be produced for consideration by the Board at a subsequent meeting.

9. AFFORDABILITY TARIFFS

This discussion paper was presented by the Chief Executive, which posed the question ‘under what circumstances could the Authority support special tariffs for fuel-or water-poor customers’.

Significant discussion ensued. Board members, in making their contributions, were conscious of the Authority’s statutory duties in relation to consumers and individuals on low incomes. The discussion focused on the role of the Authority in making a contribution to addressing fuel poverty, the mechanisms available for making that contribution and the relative impact of various mechanisms.

The Chairman drew the discussion to a close by re-stating the statutory duties relating to low income consumers and individuals. He stated that account should be taken of these duties in price determination decisions. Drawing on the discussion, he noted that there were a number of ways in which the statutory duties could be given expression and there were opportunities, specifically in relation to tariff structures, for practically reflecting outcomes that addressed the needs of low income individuals and consumers. Although the Authority could not pro-actively lead initiatives on affordability tariffs, it should be ready to respond constructively and progress should be made in each of the utility areas in that context.

10. SUSTAINABILITY STRATEGY

A) Research into elasticity of demand presentation

Mr Mike Smyth and Dr Mark Bailey gave this presentation, which initially outlined the economic theory relating to elasticity of demand and the correlation between energy price and energy demand. Much of the presentation suggested that income had a greater impact on demand than price, and the substantive discussion tended to focus on the relative contribution of the income and price variables on energy demand.

Board members, in recognising the limitations of addressing the income variable as it related to rising energy demand, discussed ways of reducing energy consumption. The increasing consumer preference for carbon information on bills was identified as one option for reducing energy consumption, although some Board members were of the view that this tended to have a relatively small impact. It was felt that encouraging the public to consume less energy required initiatives that changed attitudes and one Board member noted that legislation was often the key driver for changing attitudes.

The presenters noted that further research was required to gain a comprehensive understanding of variables impacting on energy demand.

The Chairman concluded that further research on the subject would be necessary. He said it was important to put in place the building blocks of robust research whilst being clear about the direction of such research. In advocating for a properly structured research programme generally, the Chairman mandated the Chief Executive and the Social and Environmental Manager to decide on next steps in relation to research on the area of elasticity of demand for energy.

B) Note to Board on Sustainability Strategy Development

The Social and Environmental Manager provided an update on the draft sustainability paper. Board members recognised the good progress made on the paper, and also identified some areas where further work would add value and also made specific suggestions.

The Chairman stated that the paper should focus on the major principles. The Chief Executive outlined the timetable for the engagement programme on the draft paper, starting in January, and the Chairman asked members to send any further comments to the Social and Environmental Manager as soon as possible.

11. WATER ENFORCEMENT

The Director for Water provided a brief verbal update on its enforcement investigations which confirmed that the 9 EU-infracted wastewater sites are now operational, are in receipt of secondary treatment provision, and are thus compliant with NIW's Article 149 duty and

related EU Urban Waste Water Treatment Regulations (especially Regulation 6 and 7) as at the end of 2007.

12. POWER PROCUREMENT BUSINESS PRICE CONTROL DECISION

Board members noted the progress made by officials on this issue and no significant discussion took place.

13. A MUTUALISATION

B PHOENIX PRICE CONTROL

As these issues had been discussed under the Chief Executive's report item, it was not felt necessary to address them again as a specific agenda topic.

14. STRAND 2 SUBMISSION

The Director for Water provided a verbal update, which focused on the timetable for the publication of the Strand 2 report and the Authority's response.

15. OPERATION SYMPHONY

The Chairman welcomed the paper and the good progress that had been made. He also asked the Executive team to give further consideration to developing a more concise and engaging mission and vision statement for use to external audiences.

16. SCHEDULE OF BOARD, BAG, AUDIT AND REMUNERATION MEETINGS, 2008

Board members noted the schedule of meetings. It was agreed that the Water and Energy BAGs be organised for the same time in February and that consideration be given to an additional Audit Committee meeting, before the schedule of meeting dates would be re-issued to Board members.

18. ANY OTHER BUSINESS

The Chairman indicated that performance appraisals for Board Members should take place as soon as possible after the end of the financial year, and asked the Board Secretary to arrange.

All items of business having been discussed, the Chairman brought the meeting to a close at 2.45 p.m.