

**MINUTES OF THE ELEVENTH MEETING OF THE
NORTHERN IRELAND AUTHORITY FOR ENERGY REGULATION
HELD ON THURSDAY 27 MAY 2004 IN BROOKMOUNT BUILDINGS**

IN ATTENDANCE :

AUTHORITY : Mr Douglas McIldoon - Chairman
Mr Charles Coulthard
Prof John FitzGerald
Mr Peter Lehmann
Mrs Joan Whiteside

OFREG : Mr Dermot MacCann
Mr Eddie Gaw
Mrs Anne McMinnis - Secretary

KILROOT : Mr Shane Lynch (For Item 14)
Mr John Poley
Mr Philip Grant - SunGard Energy Systems

1. APOLOGIES FOR ABSENCE

An apology was received from Mr John Gilliland.

2. MINUTES OF THE PREVIOUS MEETING

The Minutes of the previous meeting were agreed by Authority Members and signed by the Chairman.

3. MATTERS ARISING

3.1 Water Reform (para 3.2)

It was noted that following a request for an update, DRD had informed the Authority that their Minister had recently written to the DETI Minister suggesting that a Utilities regulatory system was the best option for regulating the Water Industry. To date no response had been received to this correspondence. Officials from the Water Reform Unit of DRD have asked to be given the opportunity to attend the next Authority meeting to provide an update to Authority members.

3.2 Review of the Building Regulations (NI) Order (para 3.6)

It was noted that DFP had been unable to attend today's meeting because of another commitment: they had, however, offered to attend the next Authority Meeting to discuss their proposals in this review.

4. CHECKLIST OF MATTERS BROUGHT FORWARD

4.1 Legal Services (Item 1)

It was noted that following tendering procedures, a new law firm had been appointed, Wragge & Co, to deal with both electricity and gas issues.

4.2 Emissions Trading (Item 5)

It was noted that DETI officials were still dealing with this and that the DETI Minister had not yet met Margaret Beckett, MP, to discuss the matter.

4.3 Corporate Risk Register (Item 19)

After discussion, it was agreed that the meeting with the Ofreg Heads of Branches and Authority Members to draw up the CRR for 2004/05 should be rearranged for 27 July, when more Authority Members would be available.

4.4 Expenses (Item 20)

A note explaining the normal Inland Revenue practice of taxing expenses paid to Non Executive Directors was circulated prior to the meeting.

5 CHAIRMAN=S BUSINESS

A paper itemising meetings which the Chairman had attended since the last Authority meeting had been circulated.

6. THE PHOENIX SITUATION UPDATE

Mr MacCann gave an account of developments since 8 April on the negotiations with Phoenix which had led to the draft letter to Phoenix which had been circulated prior to the meeting.

7. UPDATE ON OTHER GAS ISSUES

7.1 SNIP Mutualisation

Mr MacCann reported that the target date of 1 July 2004 for achieving financing had slipped to September/October because of complications in designing the structure of the mutualisation.

7.2 Gas Transportation Postalisation Implementation

Mr MacCann reported that Ofreg remained on track to introduce the system of common gas transportation tariffs on 1 October 2004.

7.3 New BGE Distribution/Supply Licence

Mr MacCann reported that negotiations with BGE had developed well and that drafting of the Licence documents was well advanced.

8. NIROCS ADMINISTRATION

The Chairman reported that the purpose of bringing this topic to the Authority=s attention was to seek their views on which organisation, Ofreg or Ofgem should deal with the administration and management of the Northern Ireland Renewable Obligation (NIRO) which DETI proposes to introduce with effect from 1 April 2005.

9. EMISSIONS TRADING : NATIONAL ALLOCATION PLAN

The Chairman gave details about the background of this topic in that the Governments of the UK and ROI were both committed to the concept of an island wide energy market and both Governments had submitted National Allocation Plans (NAPs) to the EC as required under the EU Emissions Trading Scheme.

10 ALL ISLAND MARKET

The Chairman mentioned that he had been present at a ministerial bi-lateral meeting on 19 May in Dublin and said that it had been decided to publish the >road map= to a single Irish market at the Energy Ireland Conference in June. A copy of this >road map= had been circulated to Authority Members.

11. DRAFT PAPER ON RENEWABLES

The Chairman circulated a draft response to a proposed Departmental consultation paper on Renewables and asked Members to forward any comments to him.

12 DRAFT ELECTRICITY POSITION PAPER

At the last meeting it was decided that a series of position papers should be published and the Chairman had circulated an Electricity, >Work in Progress= paper for comment.

13. MOYLE DIRECTION

The Chairman reported that Moyle Interconnector Limited had proposed that the Authority issue a direction which would make the necessary changes to the finance and regulatory rules to enable the company to have greater control over surpluses generated and so enable them to avoid the potential threat of technical insolvency in future years.

14. KILROOT UPDATE

The Chairman reported that discussions on the Kilroot contract had been pursued on and off since 1996; its contract was until 2024 but could be cancelled at 2010.

15. ELECTRICITY TARIFF POSITION

The Chairman had circulated a letter he had received from NIE following discussions on the NIE Business Tariffs situation with effect from 1 July 2004.

16. MEETING WITH MINISTER

After discussion it was agreed that the Minister would be notified of a number of items which the Authority would welcome the opportunity to discuss with him on Tuesday 2 June.

17. RELOCATION OF OFREG

A Business Case had been circulated to members and agreement was given by Authority Members to the relocation of Ofreg to a newly refurbished Queen=s House in Queen=s Street.

18. DRAFT AUTHORITY=S ANNUAL REPORT 2003/04

A first draft of the Annual Report had been circulated and some suggestions were made at the meeting.

19. AUDIT COMMITTEE BUSINESS

It was noted that the next Audit Committee Meeting would take place on Tuesday 22 June at 2.00 pm.

20 ANY OTHER BUSINESS

20.1 Rebated Oils Excise Duty

A paper had been circulated which gave an indication of the impact of rebated oils excise duty on NI generation costs.

20.2 Energy Ireland Conference

It was noted that no members had indicated that they wanted to attend this Conference which was scheduled to take place on 21 & 22 June 2004. The Chairman offered to make his Conference papers available to Members.

20.3 Centrica

Mr MacCann mentioned that it had been suggested, at an earlier meeting, that a letter should issue to Centrica requesting information as a means of putting pressure on them and he considered that this was the right time to issue such a letter.

21. ARRANGEMENTS FOR NEXT MEETING

The next Authority Meeting would be held in Brookmount Buildings on Wednesday 23 June.

Signed-----
Chairman