

**MINUTES OF THE THIRTEENTH MEETING OF THE NORTHERN IRELAND
AUTHORITY FOR ENERGY REGULATION HELD ON WEDNESDAY 28 JULY IN
CITY HOTEL, QUEEN'S QUAY, LONDONDERRY**

IN ATTENDANCE:

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| AUTHORITY : | Mr Douglas McIlDoon – Chairman | |
| | Mr Charles Coulthard | |
| | Prof John Fitzgerald | |
| | Mr Peter Lehmann | |
| | Mrs Joan Whiteside | |
| | Mr John Gilliland | |
| OFREG: | Mr Dermot MacCann | |
| | Mr Eddie Gaw | |
| | Mrs Karen Gault | |
| | Miss Fiona Gallen | |
| THE BRATTLE GROUP: | Mr Carlos Lapuerta | (Item 6) |
| PHOENIX NATURAL GAS: | Mr Gerry Loughran | (Item 9) |
| | Mr Phil Holder | |
| | Mr Richard Rodgers | |
| | Mr Peter Dixon | |
| | Mr Michael McKinstry | |
| | Mrs Maeve Bell | |
| OFFICE ESTATES AND BUILDING STANDARDS DIVISION (DFP) : | Mr Norman Taylor | (Item 10) |
| | Mr Bill White | |

1. APOLOGIES FOR ABSENCE

There were no apologies.

2. MINUTES OF THE PREVIOUS MEETING

It was agreed that June's draft should be corrected to read, "Before discussion on this topic began, Mr Gilliland declared a conflict of interest as he was entering into litigation with the Water Service." (Page 8, Paragraph 16).

3. MATTERS ARISING

3.1 Emissions Trading

It was noted that DETI officials are still dealing with this.

4. CHECKLIST OF ISSUES BROUGHT FORWARD

4.1 Moyle Direction

A compromise direction was agreed which gave Moyle greater control over surpluses, with an understanding that would allow the Authority access to the surpluses when necessary.

4.2 NERA Report

The Chairman told the meeting that he and Tom Reeves from CER had signed a memorandum of understanding which set out the working arrangements for developing an All Island Market on the understanding that the memorandum had to be ratified by the Authority. Mr Coulthard said that although he was broadly happy with the memorandum, he did have a number of concerns, as the memorandum had not been referred to the Authority to allow them to consider their responsibilities and statutory duties. He also pointed out that if this were not a licensed activity, using

expenditure raised from licence fees to cover any costs incurred might be problematic. He suggested that the Authority should seek legal advice to ensure that their actions were in line with NIAER's legal and statutory duties.

4.3 INTERCONNECTORS

DTI's proposal for interconnector double licensing would be problematical for a number of reasons, including the complexities of being regulated by both OFGEM and NIAER, as well as the doubling of licence fees. The Chairman had been in contact with The Better Regulation Task Force on this issue but had received no response as yet. He had also been to meet Ofgem and had agreed to explore with Ofgem the scope for a common Ofgem/Ofreg position to take to DTI officials.

4.4 DRAFT AUTHORITY'S ANNUAL REPORT

Eddie Gaw reported that work on the Annual Report was progressing well and that it was due to be published by late August.

5. CHAIRMAN'S BUSINESS

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

6. JOINT STEERING GROUP: PRESENTATION BY BRATTLE CONSULTANTS

Mr Carlos Lapuerta from The Brattle Group joined the meeting and gave a presentation on a draft report, jointly commissioned by Ofreg and CER. A copy of his presentation on harmonising gas transmission tariffs between Northern Ireland and the Republic was circulated to Authority Members for information.

7. UPDATE ON OTHER GAS ISSUES

A draft paper on the agreement between BGE and Ofreg on the transmission rate of return was distributed to the Authority members and the deal was approved as per Dermot MacCann's letter to Michael O'Sullivan. However it was noted that this deal would require a licence modification.

8. GAS POSTALISATION SYSTEM

This presentation was postponed.

9. THE PHOENIX SITUATION UPDATE/REPRESENTATION BY PNG BOARD

At this point members of the Phoenix Natural Gas Board joined the meeting – Gerry Loughran, Richard Rodgers, Peter Dixon, Maeve Bell, Michael McKinstry and Phil Holder. It was noted that Phoenix had requested this meeting with the Authority.

10. PRESENTATION ON REVIEW OF BUILDING REGULATIONS :DFP

Norman Taylor and Bill White from Office Estates and Building Standards Division in the Department of Finance & Personnel joined the meeting to give a presentation on Building Regulations in Northern Ireland. A copy of the presentation had been circulated to the Authority Members in advance.

11. ELECTRICITY TARRIFF POSITION AT 1 JULY 2004 UPDATE

The Chairman told the meeting that he had no progress to report following the meeting in Brussels. NIE will put up their tariffs from 1 August.

12. & 13. ELECTRICITY SUPPLY PRICE CONTROL & ENERGY EFFICIENCY LEVY

The Authority has approved an extension to NIE's Supply Price Control, the benefits of this will be delivered to customers through energy efficiency schemes and other measures. This is the latest in a number of controls agreed with NIE. It was recorded that Joan Whiteside objected to this price control.

14. KILROOT POWER STATION UPDATE

It was noted that Kilroot Power Station had decided to comply with the EU directive. The Chairman told the meeting that Kilroot had resubmitted their proposal to NIE (See fax of 8 July 2004) which contained a retainer for fuel diversity and supply and a risk sharing approach. The Chairman told the board that NIE were likely to turn down this proposal. He was concerned that Kilroot might require customers to pay for the FGD under their existing contract which runs out in 2010.

15. NIRO

A copy of the Authority's response to DETI's consultation paper on the NIRO was circulated at the meeting. During discussion it became apparent that one of the main reservations regarding the introduction of NIRO was the costs it would impose on NI customers who already contribute to the cost of renewables.

16 WATER REFORM UPDATE

It was noted that the Authority points of contact Charles Coulthard and Joan Whiteside were currently reviewing the water reform instructions to Councils.

17 AUDIT COMMITTEE BUSINESS

The Chairman of the Audit Committee, Mr Coulthard told the meeting that Ofreg had recently received a very good internal audit report from the Helm Corporation which showed a significant improvement from last year in that it offered "substantial assurance". It was also noted that the Resource Accounts for 2003/04 had been completed on schedule and had been sent to NIAO.

18 ANY OTHER BUSINESS

SNIP MUTUALISATION PAPER

An update on SNIP mutualisation had been circulated to the Authority in advance of today's meeting. Mr John Fitzgerald commented that he would prefer to see different board members sit on Moyle and SNIP as it would prevent the possibility of potential conflict of interest.

MR COULTHARD'S RESIGNATION

Mr Coulthard told the meeting that he was tendering his resignation and it would take effect from the week ending 29 July 2004.

19 ARRANGEMENTS FOR NEXT MEETING: TUESDAY 21 SEPTEMBER 2004

The next Authority meeting will be held on Tuesday 21 September in Brookmount Buildings.

Signed _____

Chairman