

**SUMMARY OF MINUTES OF THE FIRST MEETING OF THE NORTHERN  
IRELAND AUTHORITY FOR UTILITY REGULATION (NIAUR)<sup>1</sup> HELD ON  
WEDNESDAY 4 & THURSDAY 5 APRIL 2007  
IN QUEEN'S HOUSE**

<b>Present:</b>	Dr Peter Matthews	Chairman
	Ms Etain Doyle	
	Mr Chris LeFevre	
	Mr Philip Johnson	
	Mr John Gilliland	
	Mr Iain Osborne	Chief Executive
	(Collectively the "Board")	
<b>In attendance:</b>	Mr Dermot MacCann	Deputy Chief Executive
	Mr JP Irvine	(Agenda Items 7 & 15)
	Mr Brian McHugh	(Agenda Items 8 & 9)
	Mr Caspar Swales	(Agenda Item 11 & 12)
	Ms Fiona Gallen	
<b>NIE:</b>	Mr. Ashley Boggs	(Agenda Item 14 only)
	Mr. Rodney Ballentine	
	Ms. Caroline Murphy	

## **1. APOLOGIES FOR ABSENCE**

It was noted that Clive Elphick had sent apologies.

## **2. FIRE DRILL**

The Board members were reminded of the evacuation procedures in the event of a fire in Queen's House.

## **3. DECLARATIONS OF INTEREST**

It was noted that United Utilities had won a contract with the NI water co. Clive Elphick had informed the office that he had not been personally involved in this process. It was agreed that the file note on the conflicts register should be updated to reflect this development.

## **4. MINUTES OF THE PREVIOUS MEETING**

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<sup>1</sup> NIAUR is the new name for the Northern Ireland Authority for Energy Regulation (NIAER). Henceforth, meetings of the Authority shall be recorded by reference to this new numbering system.

Following a brief discussion, the minutes were agreed subject to a few minor amendments.

## **5. ACTION POINTS FROM MARCH MEETING**

The Chief Executive outlined action on points listed in the memo since the last meeting.

## **6. CHIEF EXECUTIVE'S REPORT**

The Chief Executive's report updated the Board on developments in relation to Gas, Electricity, Management and Regulatory & Industry Developments.

### Water

The Chief Executive told the meeting that the Water Legislation had commenced on April 1 and that our powers came into effect from that date. He confirmed that no bills would be issued to domestic customers pending a political discussion, but added that NIAUR nevertheless had to take action to fulfil its new statutory responsibilities. He told the Board that given recent political developments, clarification was needed on a wide range of issues and that he was currently scheduling meetings with the main political parties.

### Rebranding

The Chief Executive told the Board that Ofreg had successfully rebranded to the Utility Regulator. He added that work was continuing on securing the appropriate domain name and that business cards would be printed when this issue had been sorted out.

## **7. RULES OF PROCEDURE (PART 1)**

A copy of updated rules of procedure which included a comparative exercise on the reserved functions of fellow regulators and a checklist of actions arising from a review of the current rules of procedure had been circulated to the Board in advance of today's meeting. Following discussion, it was agreed that in-house legal would make the necessary amendments reflecting the Board's discussion and submit a revised and final document for adoption on day two of the Board meeting.

## **8. BGE NI LICENCE MODIFICATION**

Following a brief discussion, the Board endorsed the proposals as reflecting a useful clarification of the regulatory regime and agreed that they should go out to consultation.

## **9. BGE NI PRICE CONTROL**

A decision paper on the BGE (NI) Rate of Return had been forwarded to the NEDS. Following a lengthy discussion, the Board determined that the cost of debt for BGE (NI) should be set for the next five years using prevailing market rates for debt rather than a long term view on what the cost of debt may be over the five year period.

#### **10A. CORPORATE STATEMENT & FORWARD WORK PLAN**

The Chief Executive explained that the Corporate Strategy incorporated several wide ranging themes including sustainability and multi-utility metering. After a discussion on content, it was agreed that ideas on an appropriate mission statement and corporate values should be further condensed and included in strategy document at a later date. The Board agreed that the Forward Work Plan and the Corporate Strategy should be considered separate, stand alone documents. The Forward Work Plan would act as a companion to the Corporate Statement and would be published in the first instance while additional ideas were being developed for the Corporate Strategy Document.

#### **10B. BUDGET 2007/08 BASED ON FORWARD WORK PLAN**

A copy of the draft budget for 2007/08 had been copied to the NEDs. A brief discussion followed on the figures outlined and the meeting was informed that the budget had been aligned with the Corporate Strategy. The Board approved the draft budget.

#### **11. WATER STATEMENT OF REGULATORY INTENT**

An updated copy of the Statement of Regulatory Principles and Intent in relation to the regulation of the Northern Irish water and sewerage industry had been circulated to the Non Executive Directors and had been reviewed by the Water Board Advisory Group in advance of today's meeting. The Board approved the statement for issue.

#### **12. WATER INFORMATION REQUEST**

Following discussion on level of service indicators and guaranteed standards for customers, the attendees agreed that NIW Ltd should ensure that data is captured at individual customer level. The Board approved the proposal to issue an information gathering request using powers granted under NIW's licence to vary, modify and amend the initial level of service letter issued from DRD.

#### **13. GAS DIRECTIVE LICENCE MODIFICATIONS**

A decision paper outlining the modifications required to ensure that current gas licences comply with the implementation of the EU Gas Directive 2003/55 had

been issued for consideration. After a brief discussion on the requirements of and exemptions from the directive, the Board approved the proposals.

#### **14.FEMO 2005 PROJECT NON DOMESTIC MARKET OPENING**

A delegation from NIE joined the meeting and gave a presentation on the FEMO 2005 Project and an analysis of the project costs. The Board queried the background to the problems encountered and the additional costs incurred as a result. They agreed that they were uncomfortable with the potential cost pass through as a good proportion of the costs appeared to arise from operational or management problems but agreed to consider the matter further at the May meeting.

#### **15.RULES OF PROCEDURE (PART 2)**

The amended Rules of Procedure were approved by the Board. It was agreed that they would be reviewed again this time next year.

#### **16.PHOENIX SUPPLY PRICE CONTROL**

A discussion paper on the Phoenix Supply Price Control in the Competitive Context (Tariff Market) had been circulated. Following debate on NIAUR's duty to promote the gas industry, the suitability of a supply margin and the need to ensure that Phoenix were incentivised to procure gas efficiently, the Board agreed that an iterative approach to the price control should be adopted which was flexible as competition developed but did not allow excess profit in the absence of competition (for other reasons). It was noted that the necessary Price Control Consultations would be tabled for discussion at the Energy Board Advisory Group before being put to the Board for approval.

#### **17.BAGS/ AUDIT COMMITTEE FEEDBACK**

##### Energy Board Advisory Group

It was noted that the Energy Board Advisory Group had met yesterday and that the majority of discussion had centred on the All Island Project. The attendees were informed that the Energy BAG would be considering the key issues, processes and regulatory arrangements involved in implementing the project over the next few months, as well as gas topics .

##### Audit Committee

The Chair of the Audit Committee told the meeting that a mechanism to provide regular financial reports to management would be implemented as a matter of priority. Following a brief debate, it was agreed that a quarterly "Corporate Dashboard" report containing information on key performance indicators and on the financial and staff resources would prove useful. It was noted that over the next few months the committee would be considering a variety of measures to

improve internal control and good governance, including reviewing current audit arrangements, the corporate risk register and the register of members' interests. The meeting was informed that compliance with Treasury guidelines would also be addressed.

## **18.BRIGHT IDEAS**

It was noted that the possibility of on-line registration and a facility for recording the number of hits on the website should be investigated with ISU.

## **19.ANY OTHER BUSINESS**

### Ministers

It was agreed that a letter congratulating the new Ministers on their recent appointment would be issued by the Chairman.

### Communications Strategy

The Chief Executive agreed to engage with Weber Shandwick and formulate a proactive communications strategy.

### Agendas

It was noted that all future NIAUR agendas would be forwarded to Jack Layberry of the Department of Finance & Personnel.

## **20.ARRANGEMENTS FOR MAY MEETING**

It was noted that the May meeting would take place on 2 & 3 May in Dublin. An Audit Committee Meeting would take place at noon on 2 May, followed by an Energy BAG at 4pm Representatives from CER and DCMNR would be invited to attend dinner in the evening and the main board meeting would take place on 3 May.