

**SUMMARY MINUTES OF THE FOURTEENTH MEETING OF THE NORTHERN
IRELAND AUTHORITY FOR UTILITY REGULATION (THE ‘AUTHORITY’) HELD
ON THURSDAY, 5 JUNE 2008 AT TULLYLAGAN HOUSE HOTEL, COOKSTOWN**

Present:	Dr Peter Matthews	Chairman
	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 MacCann	Director of Electricity
	Ms Jo Aston	Director of Water
	Mr Brian McHugh	Director of Gas
	Ms Sarah Brady	Social and Environmental Manager (for agenda items 12 and 13)
	Mr Greg Irwin	Board Secretary and Communications Manager
	Mr JP Irvine	Head of Legal

1. APOLOGIES FOR ABSENCE

Apologies were recorded for Clive Elphick and Donald Henry (Director of Corporate Affairs).

2. FIRE DRILL

The Board members were informed of the evacuation procedures which apply at Tullylagan House Hotel in the event of a fire.

3. DECLARATIONS OF INTEREST

None.

4. MINUTES OF THE PREVIOUS MEETING

The minutes of the Board meeting on 3 April were agreed subject to a small number of minor amendments.

5. ACTION POINTS FROM THE APRIL MEETING

The action points recorded at the last meeting had been circulated to the Board and progress against each action point was noted.

In relation to Action item 3, regarding organisational consultation, there was a query as to whether Board members had received the recent retail competition consultation paper.

It was noted, in relation to Action Item 5, that the draft minutes presented at the recent SEM Committee meeting required amendment.

A paper on financial penalties, in relation to Action Item 6, would be developed for a later meeting of the Board.

All other action items were either on the agenda or had been completed.

6. CHIEF EXECUTIVE'S REPORT

a) The Chief Executive presented his report, focusing on several areas in particular.

He provided a commentary on the recent political developments and there was a short discussion regarding the implications that a suspension of the devolved institutions might have for areas of the Authority's work, particularly in relation to water.

A report was also provided on the recent electricity price rise announcement. The Chief Executive indicated that, given the forward wholesale prices, it was probable that the Authority would be approached by NIE Energy to approve a further electricity price rise in the Autumn. The Director of Electricity briefed Board members on the cost pressures influencing rising electricity prices. Board members were concerned at the prospect of further electricity price rises, and asked the Executive

team to exercise due diligence in ensuring that any submission for a tariff increase made by NIE Energy was subject to an appropriate level of scrutiny. Furthermore, the Board was conscious of the impact of the price rises on vulnerable consumers and some discussion took place on the options for acting on the fuel poverty issue. The Chief Executive outlined several options that the Authority could use to make a contribution to addressing fuel poverty. He also made reference to the Fuel Poverty taskforce, initiated by the Department of Social Development – with the Authority as a member, as a strategic mechanism for tackling fuel poverty.

The Head of Legal briefed Board members in respect of the recent judicial review brought by AES Kilroot. The Head of Legal stated that the review hearing had proceeded satisfactorily for the Authority. A recent communication from the Judicial Review Office had indicated that the outcome of the judicial review would be known the day after the Board meeting.

The Chief Executive briefed Board members on media speculation relating to the partial sale of Viridian by Arcapita.

Board members sought clarification on gas storage proposals and the plans for consultation on this development, and more generally on exemptions under the EU Gas Directive.

An update on the Authority's Corporate Strategy was provided, and it was noted that the Board would receive a further draft for clearance, by correspondence, in mid- to late June.

b) The Chief Executive, in the absence of the Director of Corporate Affairs, provided a report on organisational finances. He stated that the final outturn for the 2007/08 year was close to the net budget position.

7. REPORTS FROM BOARD SUB-COMMITTEES

Audit Committee

Jim Oatridge, Chairman of the Audit Committee noted that the Audit Committee meeting in April had been convened to consider the outline scoping for an investigation of NI Water's information

disclosure relating to the apportionment of costs issue. The Board was subsequently briefed on the Audit Committee's discussions at its April meeting. His report on the Audit Committee meeting in May covered the following matters in particular: the agreement of a 12 month timetable of business by the Audit Committee, the presentation of the draft resource accounts – and the acknowledgement of the Finance and Administration team's work in preparing the accounts to a challenging timetable, the further development of the risk register, and, the decision – after some consideration – not to appoint independent members, given the significant non-executive presence on the Committee. The Chairman, on behalf of the Board, endorsed the Audit Committee's view on the question of appointing additional independent members. A verbal report was also made to the Board regarding an earlier Audit Committee meeting - on the same day - to discuss the NI Water investigation.

Remuneration Committee

Etain Doyle, Chairman of the Remuneration Committee, provided an update on the Remuneration Committee's May meeting. The meeting considered the progress of the HR delegation process and the associated risks and issues involved. A presentation was made by PriceWaterhouseCoopers on CEO remuneration and the Committee discussed issues stemming from the presentation relating to the development of a pay and reward framework for the CEO.

Energy BAG

Chris Le Fevre, as Chairman of the Energy BAG (Board Advisory Group), provided an update on its May meeting. A significant discussion - in a joint session with the Water BAG - took place on a draft of the Authority's Corporate Strategy. BAG members took the opportunity to comment on process and content matters relating to the draft Corporate Strategy. The Energy BAG also discussed items on Phoenix connection incentives, the Common Arrangements for Gas (in relation to tariff development and the operational regime), Smart metering, Pricing dispatch in the Single Electricity Market (SEM) and feedback on the Market Monitoring Unit (MMU) Inquiry.

Water BAG

The Director for Water provided a report on the Water BAG meeting in May. A key focus of the meeting was on operational risks and the application of resources by the regulator. Significant discussion also took place in relation to the planning of the Price Control 2010 programme.

8 SEM COMMITTEE REPORT

The Director of Electricity reported on the recent SEM Committee meeting which took place at the end of May. Key items discussed were the outcome of non-directed contracts, a presentation by Electricity Supply Board focusing on the key drivers of its business and the MMU Inquiry.

9 BRIGHT IDEAS

The Chairman introduced this item, and outlined a proposal relating to an engagement with Belfast Metropolitan College in relation to the development of Board members and support for members of public seeking appointment to organisational boards. It was agreed that this proposal should be investigated further.

10 NI WATER PRICE CONTROL 2010 – PROGRAMME, PUBLIC CONSULTATION AND STAKEHOLDER INTERACTION

The Director of Water introduced this item, and focused on the programme, consultation arrangements and Board to Board considerations.

A significant discussion ensued. Board members were concerned at the challenging timelines and the critical milestones associated with the Price Control process. The role of NI Water in providing information as part of the Price Control process was also discussed and it was agreed that the Authority needed to robustly make clear its expectations regarding NI Water's role in the Price Control 2010 process.

The Board agreed that it would invite NI Water Board members to attend its July meeting to provide an opportunity to clearly convey the Authority's expectations regarding the role of NI Water in relation to the Price Control 2010 process, as well as – on a separate matter, inform the water company about the outcome of the stage one investigation on the costs apportionment issue.

In relation to the investigation of NI Water regarding the costs apportionment issue specifically, the Board agreed a dissemination process.

Board members confirmed their support for the Audit Committee in its investigation of NI Water on the cost apportionment issue, and the Authority's Head of Legal conveyed his satisfaction that a firm legal basis for the investigation existed.

11. DRAFT OF THE UTILITY REGULATOR'S ANNUAL REPORT

The Communications Manager presented this document for information, noting the timetable for the final publication of the Annual Report. Board members suggested a small number of minor changes to the document.

12. PUBLICATION OF THE RENEWABLES OBLIGATION; ANNUAL REPORT 2006-07

The Social and Environmental Manager introduced this paper for information, focusing on the comparative situation via a visit to other parts of the UK. There was also a brief discussion on the impact of SEM and the renewables obligation. It was agreed that a paper should be presented to the July meeting of the Board in relation to the Authority's response to a Department of Enterprise, Trade and Investment consultation on the reform of the Northern Ireland Renewables Obligation (NIRO).

13. A SOCIAL PROFILE OF NORTHERN IRELAND

The Social and Environmental Manager presented this paper for information. Board members felt that the paper was a useful reference point. A brief discussion on fuel poverty and related issues also took place.

14. PHOENIX SUPPLY TARIFF INCREASE

The Director of Gas presented this paper for information. A short discussion took place on the relative costs for gas in Northern Ireland compared to Great Britain.

15. ANY OTHER BUSINESS

Given the Chairman's absence on business outside the UK for most of June it was formally noted that Jim Oatridge would act as Chairman during the period in question, in accordance with paragraph 26 of the Rules of Procedure.

All items of business having been discussed the Chairman brought the meeting to a close at 1.10 pm.