

**SUMMARY MINUTES OF THE TWELFTH MEETING OF THE NORTHERN IRELAND
AUTHORITY FOR UTILITY REGULATION (THE ‘AUTHORITY’) HELD ON
THURSDAY, 6 MARCH 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

In attendance: Mr Dermot MacCann Director of Electricity
Mr Donald Henry Director of Corporate Affairs
Ms Jo Aston Director of Water
Mr Greg Irwin Board Secretary and Communications Manager
Mr JP Irvine Head of Legal
Mr Ian Campbell Finance and Administration Manager

1. APOLOGIES FOR ABSENCE

Apologies were recorded for Iain Osborne (Chief Executive) and Brian McHugh (Director of Gas).

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

Chris Le Fevre noted, in the context of the Forward Work Plan item that - although he had no involvement in any way on the specific commission - he should declare his interest as an Associate of Poyry, who had been undertaking a consultancy assignment on retail competition on behalf of the Authority. The Chairman, in accepting the basis on which the interest had been declared, asked Chris Le Fevre to reflect this declaration in the Register of Interests.

4. MINUTES OF THE PREVIOUS MEETING

The minutes and summary minutes of the Board meeting on 8 February were agreed after further input from the Board.

5. ACTION POINTS FROM THE FEBRUARY MEETING

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

On Action Item 2, the Chairman updated members on the HR delegation issue and indicated that he had communicated the Board's disquiet on the lack of further progress on the issue with the Department of Finance and Personnel (DFP). The Director of Corporate Affairs provided a further update for Board members on more recent progress.

It was apparent from the ensuing discussion that Board members remained concerned that the HR delegation had not yet been approved. Much of the discussion reflected Board members' concerns about the impact that the absence of the HR delegation was having on staff and the need to consider what contingency arrangements might be appropriate given further delay or uncertainty.

The Chairman asked the Director of Corporate Affairs to draft a letter for his signature, which would be sent subsequently to a senior official in DFP. The Chairman stated that the Board would return to this issue at its April meeting, if the matter had not been addressed before then, and such a discussion would provide a clear direction on finalising the issue.

In relation to Action item 3, the Director of Electricity provided clarification to the Board in relation to progress on the System Operator of Northern Ireland (SONI) Price Control, and, specifically, the question of the valuation of Castlereagh House.

The Chairman raised the issue of the implementation of the Corporate Communications Plan and suggested that there should be an emphasis on communicating with key opinion formers using an appropriate communications channel. As an outcome of the brief discussion, it was agreed that the

Communications Manager would present a paper on the stakeholder engagement workstream of the Corporate Communications Plan, at the April meeting of the Board.

6. CHIEF EXECUTIVE'S REPORT

a) In the absence of the Chief Executive, those Directors in attendance reported on their specific sections of the Report.

It was noted that the Water Board Advisory Group (BAG) would cover in greater detail the key issues, and it was agreed that the BAG would commence later that day to facilitate attendance by all Board members. Board members did however reflect their dissatisfaction with the recent issue regarding the misallocation of volumes by Northern Ireland Water, and noted that the Authority would be conducting a formal investigation of the matter. The Board confirmed their delegation to the Water Director and Chief Executive to approve the Scheme of Charges following receipt of the final Scheme of Charges from NIW. This was a given in recognition of the tight turnaround – in terms of timescales, the assurance that issues had been discussed in detail at the Water BAG, that a detailed report from the Technical Auditor on the misapportionment had been received, and, that the Authority was to carry out an investigation.

An update was provided by the Head of Legal on the Judicial Review being brought by AES Kilroot.

Board members also briefly discussed the draft Single Electricity Market (SEM) Committee decision on the first formal complaints that had been received, and although the time taken to deal with the complaints was queried, it was noted that the matter was being progressed within the timescale. The Chairman asked that a formal report from the SEM Committee be included as a standing item to the Board agenda.

It was noted that the Phoenix supply control was now out for consultation, and that the sale of the company's transmission assets was in progress.

The Director of Corporate Affairs informed Board members that an information request had been received regarding Member's names, places or residence and expenses. Board members were content that the information be released, with the caveat that personal addresses would not be provided.

Some discussion ensued on a recent Utility Week article regarding how much regulators are known of and appreciated by consumers. Board members discussed the finding in relation to the Authority and there was a consensus that more pro-active communications (e.g. using the website to provide key comment/ information) was needed.

b) The Director of Corporate Affairs provided a brief overview of the finance report. He noted the uncertainties inherent in the consultancy forecasts and some additional costs which had yet to accrue against the budget, but advised that he did expect the 2007-08 outturn to be within budget.

7. FORWARD WORK PLAN 2008-09

Board members considered the draft Forward Work Plan (FWP), focusing initially on the priorities identified in the document.

Several suggestions/ comments were made on the Plan, relating to organisational development, a commentary in relation to the previous year's targets and Smart metering. It was also agreed that a specific consultation response should be reviewed.

Board members were content to endorse the FWP subject to consideration of the comments/suggestions by the Executive team made in production of the final draft.

8 BUDGET 2008/09

The Director of Corporate Affairs introduced this item, drawing attention in particular to the earlier comments on the draft Budget by the Audit Committee at its February meeting. He identified key aspects of the draft Budget, outlining the reasoning behind significant budget commitments..

A significant discussion ensued on the Budget paper and the various means by which value for money could be demonstrated. It was suggested that a separate piece of work should be undertaken in that context.

Board members also considered data relating to licence fee projections for the 2008-09 year. The Board approved the draft Budget and associated staffing implications for 2008/09.

9. SCHEME OF DELEGATION

The Board agreed the Scheme of Delegation, subject to an amendment to include an annual review of the Scheme provisions.

All items of business having been discussed the Chairman brought the meeting to a close at 11.25 am.