

**SUMMARY OF MINUTES OF THE FORTIETH MEETING OF THE
NORTHERN IRELAND AUTHORITY FOR ENERGY REGULATION (the
Authority/NIAER) HELD ON THURSDAY 8 FEBRUARY IN QUEEN'S HOUSE**

Present:	Dr Peter Matthews	Chairman
	Ms Etain Doyle	
	Mr Jim Oatridge	
	Mr Clive Elphick	
	Mr Philip Johnson	
	Mr John Gilliland	
	Mr Iain Osborne	Chief Executive
In attendance:	Mr Dermot MacCann	Deputy Chief Executive
	Mr Mike Lowry	(Agenda Item 7 & 9 only)
	Mr Alan Smith	(Agenda Item 9 only)
	Ms Fiona Gallen	

1. APOLOGIES FOR ABSENCE

Chris LeFevre.

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

Nothing further to declare. It was agreed that the Audit Committee would review The Register of Interests periodically.

4. MINUTES OF THE PREVIOUS MEETING

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

5 ACTION POINTS FROM JANUARY MEETING

It was noted that the majority of the action points had been progressed. However, the Chief Executive told the meeting that NIE had not provided the information requested on the FEMO 2005 project and therefore a paper had not been tabled for this particular meeting as agreed. He added that a briefing would be prepared when the figurework had been received.

6 CHIEF EXECUTIVE'S REPORT

The Chief Executive's report updated the Board on developments in relation to Water Reform, Gas, and Electricity.

Human Resources

The Chief Executive told the meeting that the Department of Finance and Personnel had formally approved 65 posts. However, he added that they had not yet approved the HR framework which meant that the full direct recruitment programme could not proceed for the time being. Following a brief discussion on the dynamics of NIAER's relationship with NICS, it was noted that the situation should be reviewed in one year's time when the full HR package was in place.

Political & Regulatory Developments

It was suggested that future reports presented to the Board should evolve to include detail on political and regulatory Developments from across the UK and that increased communication with Ofgem and Ofwat would help keep NIAER in the loop.

Water Reform

The Chief Executive discussed a series of slides prepared by Deloitte on the NIWL Strategic Business Plan. He added that any comments should be forwarded to him as he would be preparing a response at the start of next week.

Branding

The Chief Executive informed the Board that a focus Group had been set up to help launch the new brand. He added that the name change provisionally agreed at the last meeting had been validated with Weber Shandwick who see it as a strong approach. It was recorded that although the "Northern Ireland Authority for Utility Regulation" was the core legal term for the organisation, "The Utility Regulator" would be used on a day to day basis. However, the Board stressed that they were keen to see a strong corporate identity emerging and wanted to avoid any confusion which might arise from the use of two slightly different titles. The Chief Executive agreed to liaise with Weber Shandwick and draw up branding guidelines to ensure that a coherent and consistent approach was adopted on this issue.

7 PHOENIX LICENCE MODIFICATIONS

Mike Lowry joined the meeting at this point. It was noted that the modifications were necessary to implement the 2006 agreement with Phoenix and centred on the extended recovery period, the opening asset value (at January 2007), the Rate of Return (from January 2007) and the methodology by which the regulatory asset value, cash flows and

revenues are determined. The Board were informed that the modifications were currently being drafted and would be put out to public consultation in mid February. The Board endorsed the proposals and approved the approach outlined. A discussion on the April 2007 tariff review and price stability followed, it was noted that as wholesale gas prices had fallen, this review provided an opportunity for further rigorous analysis and a reduction in gas prices for consumers.

8 BUDGET 2007-08

It was agreed that a more detailed budget would be prepared when the branch plans which underpin the forward work plan had been finalised in late February.

9 BRAINSTORM ON COMPETITION STRATEGY

The Board agreed that they would continue to be proactive in promoting competition and that future strategy should include ideas to help remove impediments where practical. It was noted that NIAER policy should focus on what is required to make the markets work well, issues for new entrants and factors which discouraged players from entry. The Chief Executive told the meeting that some research on incumbent behaviour was being carried out and that data on the importance of consumer choice and the standard of service delivered might help inform future debate. Following discussion on security of supply, sustainability, diversification and micro-generation, it was agreed that an innovative strategy should be developed to help ensure that these priorities were targeted effectively.

10 BRAINSTORM ON ENVIRONMENTAL STRATEGY

A discussion paper was circulated to Board members.

11. AIP LEGISLATION UPDATE

A briefing paper on SEM legislation had been forwarded to the Board for information.

12. ANY OTHER BUSINESS

Agenda items for the March and April meetings were discussed.

13. ARRANGEMENTS FOR THE MARCH MEETING

It was noted that the Authority meeting would be held on the afternoon of Thursday 8 March in Queen's House and would resume at 9.30am on Friday 9 March.