

**MINUTES OF THE THIRTY-SEVENTH MEETING OF THE NORTHERN IRELAND  
AUTHORITY FOR UTILITY REGULATION (THE 'AUTHORITY') HELD ON THURSDAY,  
10 FEBRUARY 2011 AT QUEENS HOUSE, BELFAST AT 9.00 AM**

Present:	Mr Peter Matthews	Chairman
	Mr Richard Rodgers	
	Mr Jim Oatridge	Chief Executive
	Mr Philip Johnson	
	Mr Alan Rainey	
	Ms Etain Doyle	
	Mr Chris Le Fevre	
	Mr Shane Lynch	

In attendance:

Ms Jo Aston	Director of Water
Mr Donald Henry	Director of Corporate Affairs
Mr Kevin Shiels	Acting Director of Retail and Social
Mr Brian McHugh	Director of Gas
Ms Tanya Wishart	Acting Director of Electricity
Ms Martina Maguire	Legal department
Mr Greg Irwin	Board Secretary and Communications Manager
Mr Alan Craig	Water Directorate (for agenda items 13 and 14)
Ms Sarah Brady	Social and Environmental Manager (for agenda item 12)

## 1. APOLOGIES FOR ABSENCE

Clive Elphick, Bill Cargo

The Chairman congratulated Richard Rodgers on his appointment to the board and welcomed him to his first board meeting.

## 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**

No declarations of interest were made.

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

The minutes of the board meeting on 16 December 2011 were agreed subject to one minor amendment.

The minutes of the board meeting on 13 January were agreed.

### **5. ACTION POINTS FROM THE PREVIOUS MEETING**

The Action Points from the board meetings on 16 December and 13 January were reviewed.

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

(a) The Chief Executive presented his report and identified several areas for discussion.

The Board noted recent interaction between the Chief Executive and a range of stakeholders on water issues. It was agreed that the Authority's strategic view on the funding of water and sewerage services would be an agenda item at the board's next meeting.

Board members were also briefed on capital investment proposals relating to the electricity network for the current price control period (RP4) and in relation to the new price control period from 2012 (RP5).

The outlook for retail gas tariffs was discussed. The Board endorsed a pro-active approach to communicating with consumers on likely gas tariff changes.

The Board also reviewed developments in relation to progressing the CAG project and, specifically, the Chief Executive's recent discussions with officials from the Commission for Energy Regulation.

An update was provided on engagement with Ofgem - in the context of representation on the Agency for the Co-operation of European Regulators (ACER). The Board supported further discussions with Ofgem, with the objective of agreeing the best approach for

representing Northern Ireland consumers on ACER. The Board indicated that it would review progress on meeting this objective at its May meeting.

(b) The Director of Corporate Affairs presented the Finance and Performance report for consideration and approval. An update on the budget position was provided. An overview of progress against the Forward Work Plan was also presented. Board members also contributed to the further development of the organisational risk registers.

## **7. REPORTS FROM BOARD SUB-COMMITTEES/ADVISORY GROUPS**

### **Audit Committee**

The Chairman of the Audit Committee, Jim Oatridge, provided a report on the recent Audit Committee, which had taken place on the day prior to the board meeting. The Audit Committee had reviewed its terms of reference, discussed the staff conflict of interests policy and agreed revisions to the organizations fraud policy. Following a tender exercise, the Audit Committee agreed to the re-appointment of the current internal audit provider. The 2011-12 draft budget was also considered. Finally, a short report on the NI Water investigation was also provided.

### **Energy BAG**

The Chairman of the Energy BAG, Philip Johnson, provided a brief update on a meeting of the Energy BAG that had taken place the previous day. He noted that Bill Cargo had joined the Energy BAG, following his recent appointment to the board of the Authority. The Energy BAG meeting had focused on IME3 and CAG issues.

### **Water BAG**

It was noted that key issues considered by the Water BAG at its most recent meeting, were on the agenda.

### **SEM Committee**

The Acting Director of Electricity provided a high level update on current SEM policy matters, identified key consumer risks and identified key policy decisions to be made by the

SEM Committee over the coming months. In particular, she briefed the Board on the judicial review in relation to the Irish carbon levy, the review of market power and liquidity, and regional integration.

## **8 NETWORK FINANCE**

The Board was briefed on the recent purchase of NIE Transmission and Distribution by ESB.

## **9 BRIGHT IDEAS**

The Chairman outlined progress the project involving scouting organizations and engagement with other organisations to develop ways of addressing value for money issues for home heating oil consumers.

## **10 MID-TERM REVIEW OF CORPORATE STRATEGY**

The Board Secretary introduced this paper. He outlined the background to the paper and the approach and timing for carrying out the review. A specific query regarding external developments affecting some utility companies was discussed.

The Board approved the general approach and timing for the mid-term review.

## **11 FORWARD WORK PLAN**

The Director of Corporate Affairs presented this paper, which provided an overview of comments received during the consultation on the draft Forward Work Plan and the Authority's consideration of these in formulating a final draft for approval by the Board.

Board members discussed the following aspects of the Forward Work Plan: feedback to consultees, the relationship between proposed resource provision and the wider economic environment and the Authority's role in respect of the emergency plans of utility companies. It was agreed that the Cross Utility BAG would consider the issue of utility companies' emergency plans at its next meeting.

Following the discussion the Board approved the final draft of the Forward Work Plan, as revised, for publication.

## **12 FUTURE OF RENEWABLES OBLIGATION AND THE CLIMATE CHANGE LEVY**

Sarah Brady presented this paper, which outlined plans to reform the electricity market in Great Britain and separate plans regarding the Climate Change Levy and Carbon Floor Price Support.

Board members clarified the options being considered in relation to the future of the Renewables Obligation in Northern Ireland.

The Board noted that the Authority planned to submit a response to the consultation on electricity market reforms and plans regarding the Climate Change Levy and the Carbon Floor Price Support.

## **13 NI WATER INVESTIGATION UPDATE**

The Board discussed the investigation into NI Water's handling of the recent water supply interruption.

The Director of Water provided a briefing on emerging findings from the investigation. Board members discussed the following issues: the causes of water leakage, the condition of water network assets, NI Water's Major Incident Plan, the water company's response to customer supply problems, communications with customers and the management of the crisis.

Following discussion and clarification on the emerging findings, the Board considered plans for receiving, approving and launching the investigation report. The Chairman outlined handling arrangements which received the endorsement of the Board.

## **14 LICENCE MODIFICATIONS, NI WATER**

The Director of Water provided the board with an update on the approach being taken on licence modifications in relation to NI Water.

The Board clarified the broader context for the licence modifications. There was also discussion on the specific issue of referral rights to an independent appeals body in the event of a disputed determination.

In noting the overall approach and timing of the licence modifications, the Board endorsed the view that the principle of an independent appeals mechanism should be retained.

## **15 LICENCE MODIFICATION UNDER IME3**

The Director of Corporate Affairs provided the board with an update on changing the current regulatory licence modification procedure in order to implement the IME3 legislation.

There was discussion on comparative arrangements in relation to licence modification processes in Great Britain and the proposal to enable bodies, other than the Regulator, to make a Competition Commission reference.

The Board agreed that further engagement was required to discuss the implications of aligning licence modifications procedures in Great Britain with Northern Ireland. It was also agreed that the board would receive a high level paper on IME3 at its next meeting.

## **16 GENERATING UNIT AGREEMENTS REVIEW PROGRAMME**

A brief paper outlining the approach for assessing the option to cancel remaining Generating Unit Agreement (GUA) contracts was discussed.

Board members clarified the impact of previous decisions relating to GUA contracts and the need to ensure that consideration of all GUA contracts would be addressed consistently.

It was agreed that a special meeting of the board would be convened in September to review GUA contracts.

## **17 ANY OTHER BUSINESS**

There was no further business.

All items of business having been discussed, the Chairman brought the meeting to a close at 2.45 p.m.

