

1. APOLOGIES FOR ABSENCE

None

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 indicated that he had been working for Poyry on the Transmission price control in Great Britain.

4. MINUTES OF THE PREVIOUS MEETINGS

The minutes of the board meetings on 10 February (subject to one minor amendment) and 25 February/ 2 March were agreed.

5. ACTION POINTS FROM THE PREVIOUS MEETING

The Action Points from the board meeting on 10 February were reviewed.

The Chairman, on behalf of the board, recorded his thanks to those staff that had been involved in producing the recent investigation report on NI Water's handling of the freeze/thaw incident. It was agreed that a meeting between the executive and non-executive directors of NI Water and the Authority should be organised at the earliest opportunity. The meeting would focus on implementing the action plan outlined in the investigation report. It was also agreed that the implementation of the investigation report action plan would be a standing item on the Authority's agenda.

6. CHIEF EXECUTIVE'S REPORT

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

An update and electricity and gas tariffs was provided. A query on the risks associated with forward purchase on wholesale energy markets was addressed. The board discussed competition in the domestic gas market in the Greater Belfast area. This included discussion on the price differentials being provided by suppliers and developments to enable

consumer switching. The board was also briefed on the option of delaying the conclusion of the gas tariff review, owing to volatility in the wholesale energy markets.

Board members were also briefed on developments relating to the Common Arrangements for Gas (CAG) project. It was noted that discussions on a security of supply issue were being progressed separately while the CAG workplan was being prepared for publication. The board endorsed this approach.

There was also a brief discussion on the Authority's briefing to the Assembly's Enterprise, Trade and Investment committee on 3 March.

It was noted that the Authority had been engaging with Ofgem to agree a Memorandum of Understanding. The board encouraged the executive to agree the MoU as soon as possible.

The Chairman, in reflecting on reaction to the recent investigation report on NI Water, raised specific issues (such as in relation to direct river abstraction), which required further consideration. It was agreed that the Authority would raise these issues with the appropriate authorities.

(b) The Director of Corporate Affairs presented the Finance and Performance report for consideration and approval. An update on the budget position was provided. A query related to invoicing was addressed. A discussion on the risk register led to further amendments to the document. The resourcing of the recent water investigation was discussed and a query about trade effluent appeals was also discussed.

7. REPORTS FROM BOARD SUB-COMMITTEES/ADVISORY GROUPS

Cross Utility BAG

The Chairperson of the Cross Utility BAG, Etain Doyle, provided a report on this group's last meeting, on 10 February. The focus of the meeting was on Project Zeus papers associated

with price caps and incentivisation. It was noted that the Cross Utility BAG would discuss emergency planning at its next meeting.

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 progress of the judicial review in relation to the Irish carbon levy, acquisitions, an inquiry by MMU, regional integration and the SEMO price control.

8 NETWORK FINANCE

The Board briefly discussed the purchase of NIE Transmission and Distribution by ESB. A discussion also took place on next steps regarding the Authority's consultation on financing networks. It was agreed that the Cross Utility BAG would discuss financing networks at a future meeting.

9 BRIGHT IDEAS

Further progress was noted on the project with scouting organisations.

10 DRAFT BUDGET 2011/12

The Director of Corporate Affairs presented the draft budget 2011/12 for consideration and approval for the board.

The Chairman of the Audit Committee, Jim Oatridge, reported on that committee's consideration of the draft budget at its February meeting. He stated that, following a review of the draft budget, the Audit Committee was content to recommend the budget to the Board.

The view of directors on relevant aspects of the budget was sought. In particular, board members asked about the deliverability of major workstreams and the achievability of forward workplan targets within the proposed budget. On the latter point, board members noted that the Authority's draft budget for 2011-12 showed a further reduction.

With all issues clarified the board approved the draft budget.

11 SONI PRICE CONTROL

Kevin O'Neill and Leigh Smyth presented a minded-to price control paper, following the conclusion of a public consultation, for System Operator of Northern Ireland (SONI) for the period 1 April 2010 – 30 September 2015. The presentation covered both the responses received to the consultation and considerations relating to allowed revenue.

A significant discussion ensued. Board members discussed the following areas: proposed staffing costs, the impact of renewable energy commitments on SONI costs, provisions for property costs, depreciation, the costs to consumers of the proposed price control revenue allowances and the benefits accruing to consumers from the price control provisions.

At the culmination of the discussion, the board was content to approve the minded-to position subject to amending the depreciation profile, inserting a clause in the licence - relating to property transactions and the inclusion of summary outlining the impact on consumers in the final decision paper. It was noted that the final decision paper would be submitted to the board for approval during April.

12 CHARGES FOR CONNECTING GROUPS OF GENERATORS TO NI DISTRIBUTION SYSTEM

Kevin O'Neill presented this paper which outlined proposals for a new connection charging methodology for connecting groups of generators to the Northern Ireland Distribution System. A briefing on the outcome of the consultation on the proposals was also provided.

The paper outlined options and recommended that Option 3, whereby each generator would pay in accordance with their share of the connection capacity, should be approved by the board.

Having given consideration to the options presented, and noting the consultation responses, the Board approved the development of a new connection methodology as described by Option 3.

13 ELECTRICITY LICENCE FEE METHODOLOGY

Simon Scott introduced this paper and provided a briefing on the electricity licence fee methodology and the outcome of a recent public consultation on the issue, which sought views on the options for a permanent electricity fee methodology.

Board members clarified the options being considered. There was some discussion on the de-minimis annual fee for 'dormant' licences, the threshold for a licence and clarification on the application of the retail price index.

Following the discussion, the Board agreed that Option 1 should be the chosen methodology (from 2011-12 onwards), which applied the methodology used in the current interim determination.

14 NI WATER SCHEME OF CHARGES

Alan Craig presented this paper, which outlined progress on the scheme of charges and proposed that the board agree a delegation of responsibilities regarding the approval of the final scheme of charges.

Board members discussed the apportionment of charging between domestic and non-domestic customers, k factors relating to sewage and the comments received from the Reporter.

The Board approves a delegated authority to the Chief Executive and Director of Water to approve the final scheme of charges.

15 CONSULTATION ON CONNECTIONS POLICY

Kevin O'Neill and Albert Shaw presented an update on a recent public consultation on connections policy.

A significant discussion ensued on the issue of contestability. Board members also discussed approaches to connections policy elsewhere.

In concluding the discussion, the board noted that several of the issues arising from the consultation will be addressed in the context of the next electricity network price control, RP5.

16 IME3 KEY ISSUES

Mary Jones introduced this paper, which provided a briefing on the high level content of the two Directives and three Regulations commonly known as the 'Third Package' or 'IME3'.

Board members discussed the following: the different transmission system operation models, the Authority's status as a National Regulatory Authority (NRA) and the role of NRAs in regard to the certification of system operators, interaction with other stakeholders on the delivery of workstreams associated with IME3, billing disputes, and the impact on statutory duties.

It was agreed that the board would receive a further paper at its next meeting on the impact of IME3 on the Authority's statutory duties.

17 LEARNING OPPORTUNITY - PRESENTATION

The board noted a presentation by the Director of Gas on a recent learning opportunity.

18 ANY OTHER BUSINESS

There was no further business.

All items of business having been discussed, the Chairman brought the meeting to a close at 2.10 p.m.