**MINUTES OF A MEETING OF THE NORTHERN IRELAND AUTHORITY FOR UTILITY REGULATION (THE ‘AUTHORITY’) HELD ON THURSDAY, 11 OCTOBER 2012**

**IN QUEENS HOUSE, BELFAST AT 9.00 A.M.**

**Present:**

Bill Emery (Chairman), Richard Rodgers, Bill Cargo, Alan Rainey, Shane Lynch (Chief Executive)

**In attendance:**

Jo Aston (Director of Water), Donald Henry (Director of Corporate Affairs), Kevin Shiels (Acting Director of Retail and Social), Brian McHugh (Director of Gas), Tanya Hedley (Director of Electricity), Greg Irwin (Board Secretary/Communications Manager)

John Cooper (Wragge and Co, for agenda items 4 and 5), Kevin O’Neill (Network Manager, Electricity directorate, for agenda item 4), PJ McCloskey (Analyst, Electricity directorate, for agenda item 4), Sarah Friedel (Analyst, Electricity directorate, for agenda item 4), Brian Mulhern (Analyst, Electricity directorate, for agenda item 4), Elena Ardines (Analyst, Retail and Social directorate, for agenda item 9)

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1. **APOLOGIES FOR ABSENCE**

1.1 None.

**2. FIRE DRILL**

2.1 The board members were informed of the evacuation procedures which apply at Queens House in the event of a fire.

**3. DECLARATIONS OF INTEREST**

3.1 Alan Rainey and Tanya Hedley declared a potential interest in relation to the RP5 item (relating to the pensions element) and subsequently absented themselves from the meeting whenever the board came to discuss pensions under the RP5 agenda item.

**4. NIE T&D PRICE CONTROL (RP5)**

4.1 Tanya Hedley initially introduced this item which sought the board’s approval for decisions on the RP5 price control.

4.2 Kevin O’Neill then led a presentation on the key elements of the RP5 price control. He confirmed that his presentation would focus on the key changes since the last board discussion in September.

4.3 He briefed the board in relation to consultation responses to the draft determination on NIE T&D’s capitalisation practice. Tanya Hedley provided clarification in that regard.

4.4 Board members noted the related RP4 price control requirements and discussed capitalisation practice and opex performance during the RP4 period. Relevant statutory provisions were discussed and a briefing from a legal perspective was also provided. Board member queries on the classification of tree cutting work, possible asset disposal adjustments and communications with NIE T&D were addressed. The nature of the adjustment was also clarified.

4.5 Board was briefed on the proposals for opex and capex for the RP 5 period and noted the impact of facilitating renewable.

4.6 Following an update on the weighted average cost of capital (WACC) and financeability, the board discussed the relative contribution of the various components to the WACC. Financeability projections were also reviewed. At the conclusion of the discussion it was agreed that the equity risk premium should be 5% with a vanilla WACC of 4.58%.

4.7 A review of the impact on tariffs, of the proposed decisions, was also considered.

4.8 Finally, the board considered and discussed the proposed decisions relating to the pensions element of RP5.

4.9 The board approved the decisions as proposed, save for agreed changes to the vanilla WACC.

**5. BOARD MEMBERS’ INTERESTS STATEMENT**

5.1 Donald Henry introduced this item which sought the board’s approval for a revised Interests Statement. He provided some background and reported on the Audit Committee’s consideration of the issue.

5.2 Several issues were raised in discussion. This included a discussion on standards to be adhered to, the definition of a conflict of interest and declaration requirements. John Cooper also clarified the related legal requirements.

5.3 Subject to a small number of drafting amendments, the board approved the board members’ interests statement.

**6. SCHEME OF DELEGATION AND SEM EXPENDITURE**

6.1 Donald Henry introduced this item, highlighted the small number of proposed amendments to the scheme of delegation and clarified that it also applies as appropriate to the authorisation of the Utility Regulator’s share of Single Electricity Market Committee (SEMC) expenditure. It was noted that in most cases external SEMC related costs were shared 50/50 between the Regulatory Authorities with the treatment of litigation related costs being considered on a case by case basis.

6.2 The board noted the arrangements for reporting and approving changes to the SEM budget and approved the amended Scheme of Delegation and proposals relating to cost sharing for SEM expenditure.

**7. LEGAL PANEL CONTRACT**

7.1 The board approved the extension of the current legal services framework panel until 31 March 2014. The business case for re-tendering the panel was also approved as proposed.

**8. EQUALITY COMPLIANCE**

8.1 Following clarification of requirements for ensuring compliance, the board approved the Annual Progress Report and noted progress.

**9. DRAFT FORWARD WORK PLAN 2013-14**

9.1 Donald Henry presented a draft Forward Work Plan (FWP) for discussion.

9.2 Board members commented on prioritisation and resourcing issues. There was also discussion about the potential for additional workstreams that could arise in-year.

9.3 The board also noted the timetable for the progression of the FWP towards final publication before the end of March 2013.

**10. IME3: ENERGY SUPPLIER CODES OF PRACTICE**

10.1 Kevin Shiels briefed the board on this issue and the board noted the initiation of this workstream and the associated consultation exercise.

**11. BGE (UK) CERTIFICATION UPDATE**

11.1 The board noted the update provided.

**12. MINUTES**

12.1 The minutes of the board meeting held on 28 September 2012 were approved subject to a minor amendment.

**13. ACTION POINTS**

13.1 The board noted that the actions points from previous meetings were complete.

**14. CEO REPORT AND FINANCE AND PERFORMANCE REPORT**

14.1Shane Lynch presented his report and focused on several issues.

14.2 He reported on recent meetings with ratings agencies and the board encouraged the executive team to develop a plan for engaging with the financial community.

14.3 A report of recent meetings with ESB was also provided in the context of the RP5 price control.

14.4 Board members were also advised of plans to finalise the Authority’s cross-utility network price control policy paper.

14.5 Donald Henry then briefed the board on the finance and performance report. Board member queries in relation to Competition Commission costs and the risk register were addressed. The board approved the revised budget and risk registers and noted the latest position regarding delivery of the FWP targets iro the 2012/13 year.

**15. REPORTS FROM BOARD SUB-COMMITTEES/ADVISORY GROUPS**

* **AUDIT COMMITTEE**

Richard Rodgers reported on the most recent Audit Committee meeting. He noted that the Audit Committee had considered the equality report, scheme of delegation, members’ interests statement, revised budget and risk registers that had now also been considered by the board. The Committee also discussed fraud and bribery awareness, considered several audit reports and the monitoring of audit recommendations.

* **ENERGY BAG**

Alan Rainey reported on the most recent Energy BAG. The BAG had discussed the following: the recent Power NI tariff decrease, future retail regulation, gas storage, gas to the west and offshore renewable connections. A briefing had also been provided by NIE on RP5.

* **SEM COMMITTEE**

Tanya Hedley presented this report and focused her comments on regional integration and TSO certification.

**16. ANY OTHER BUSINESS**

16.1 Greg Irwin briefed the board on the Annual Report launch that followed the board meeting.

There being no other business, the meeting concluded at 1.10pm.