

MINUTES OF A MEETING OF THE NORTHERN IRELAND AUTHORITY FOR UTILITY REGULATION (THE 'AUTHORITY') HELD ON FRIDAY, 13 SEPTEMBER 2013 IN QUEENS HOUSE, BELFAST AT 9.00 A.M.

Present:

Bill Emery (Chairman), Richard Rodgers, Bill Cargo, Teresa Perchard, David Strahan, Shane Lynch (Chief Executive)

In attendance:

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

Angela Kelly (Legal advisor, for agenda item 4), Jody O'Boyle (Manager, Electricity directorate for agenda item 5), Barbara Cantley (Manager, Retail and Social directorate, for agenda item 7), Elena Ardines (Analyst, Retail and Social directorate for agenda items 7,8 and 9), Colin Broomfield (Manager, Electricity directorate).

In his introductory remarks, the Chairman welcomed Teresa Perchard and David Strahan to their first meeting as members of the Authority.

1. APOLOGIES FOR ABSENCE

1.1 Harry McCracken.

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 None.

4. ENFORCEMENT POLICY, SCHEME OF DELEGATION AND RULES OF PROCEDURE

4.1 Donald Henry introduced this paper for the board's consideration. He provided background on the development of an enforcement policy.

4.2 The timing for the development of the policy was clarified. The role of an enforcement committee was explained and the objective of incentivising compliance with obligations was discussed. The linkage between the enforcement policy and the financial penalties policy and the applicable statutory time limit were noted. The possibility of distinguishing between policy and process in developing the policy was also discussed.

4.3 The board supported the proposal to develop and publish such a policy, noted the intention to consult on it before it was finalised and were invited to submit any further comments.

4.4 The board approved the proposed changes to the scheme of delegation including the minor amendments discussed.

5. NIE LAND BANK

5.1 Tanya Hedley introduced this item, which sought the board's approval for a series of recommendations relating to the NIE land bank. Jody O'Boyle provided an overview of the current situation regarding each of the land bank sites.

5.2 Board members broadly discussed the developmental potential of, and the nature of the interest expressed in, the land bank sites. A specific query about the potential for electricity generation on the sites was addressed.

5.3 The basis for making decisions on the recommendations was discussed. Board members sought information on the time criticality of decisions on the land bank sites.

5.4 It was agreed that a further iteration of this paper would be provided to the board at a future meeting. The board requested further information on the recommendations and that the paper should set out criteria and factors for taking decisions on the land bank sites.

6. GAS ENGINEERING SUPPORT – BUSINESS CASE

6.1 Brian McHugh introduced this item which sought the board's approval for a business case for engineering consultancy spend. He clarified the reasons for the increase in projects costs relative to the original business case submission.

6.2 Much of the board's discussion was around the reason for the increased business case costs. Board member queries were also addressed in respect of budgetary cover and procurement process. It was noted that, if approved, the value of the existing framework contract would be increased.

6.3 The board also discussed the broader options available for ensuring that sufficient gas engineering support was in place for the GD14 price control.

6.4 The board noted the criticality of the consultancy support for the progress of the GD14 price control. The board approved the business case.

7. NI ELECTRICITY PRICE DATA AND COMPARISONS: NEXT STEPS

7.1 Kevin Shiels presented this item for board discussion, which was a draft paper setting out next steps following the publication of an electricity prices comparison report in March.

- 7.2 Board members welcomed the Authority's progress on the electricity prices comparison work.
- 7.3 Several items were addressed in discussion: the reasons for price variations, impact of regional electricity market integration on market behaviour, the presentation of the next steps paper and the proposed actions.
- 7.4 The board also discussed the Assembly's Enterprise, Trade and Investment Committee's electricity prices inquiry and it was agreed that board members would receive a copy of the terms of reference.
- 7.5 There were several suggestions by board members to enhance the presentation of the paper. These included suggestions around readability and the extent of detail, greater prominence on key messages upfront, more clarity on objectives and the list of the actions being proposed.

8. DRAFT CORPORATE STRATEGY

- 8.1 Greg Irwin presented a draft of the Authority's corporate strategy for discussion. He specifically outlined the process of engagement to date and sought board comment on the proposed objectives.
- 8.2 There was agreement that the timeline for producing the strategy be extended to ensure that input from the new board members and the chief executive designate can be accommodated.
- 8.3 The board made several drafting suggestions for enhancing the draft strategy. These included: a greater focus on our role as a multi-utility regulator, more about achievements since 2009 and more clearly outlining the link between the draft strategy and the forward work programme (FWP). Queries about the impact of the strategy on the budget and the timeline for the development of the draft strategy were also addressed.
- 8.4 A broader discussion also ensued about the proposed strategy objectives. There was a discussion about consumer protection in the context of the Authority's mission statement and options for a third objective.
- 8.5 It was agreed that board member comments would be considered in developing the draft strategy.

9. DRAFT FORWARD WORK PROGRAMME (FWP) 2014-15

- 9.1 Greg Irwin presented a work-in-progress draft of the FWP for comment.
- 9.2 Board members queried the completion time for FWP projects. It was also suggested that the document should highlight flagship projects. The resourcing implications were also discussed. A specific query was also noted about the consistent identification of similar workstreams across directorates.

- 9.3 It was agreed that board member comments would be considered in developing a further draft of the FWP and also with reference to the further work on the draft corporate strategy.

10. STAKEHOLDER ENGAGEMENT UPDATE

- 10.1 Greg Irwin provided an update on the Authority's stakeholder engagement work.

- 10.2 The board discussed the assessment of the Authority's engagement with certain stakeholder groups. This included the relative influence and impact of certain stakeholders and initiatives to improve engagement.

- 10.3 The board noted the update.

11. GAS REGULATION COMPLIANCE PROJECT

- 11.1 The board noted the update on this project.

12. MINUTES

- 12.1 The minutes of previous board meeting held on 28 June 2013 were approved.

13. ACTION POINTS

- 13.1 The board reviewed the action points from previous meetings. All of the action points were complete.

14. REPORT FROM THE EXECUTIVE TEAM

- 14.1 Shane Lynch introduced this report. Several items in the report were drawn to the board's attention.

- 14.2 The board was briefed on further developments relating to the Competition Commission's inquiry on the NIE T and D price control (RP5). Board member queries in respect of the overall assessment of the inquiry to date and the process were addressed.

- 14.3 Developments in respect of electricity security of supply were also discussed. The board discussed the options for addressing the issue.

- 14.4 The Chief Executive also noted a potential licence breach.

- 14.5 The sale of Phoenix Natural Gas Ltd was discussed by the board. The recent tariff increase by firmus was also discussed.

- 14.6 Board members also briefly clarified and discussed other items contained in the executive team report: the retail market monitoring and supply licence compliance regime, consumer engagement on the PC15 price control and the use of a revenue cap versus a price cap. An update on TUS engagement was provided and the scope and timing of a board effectiveness self-assessment were also discussed.

14.7 The board noted and approved the finance and performance report. Board members were briefed on the mid-year review of the budget. It was noted that at this stage there were no plans to increase the budget. Board members were also briefed on an opinion re liability for legal costs which had been received and noted the proposed next steps in that regard.

15. REPORTS FROM BOARD SUB-COMMITTEES/ ADVISORY GROUPS

- **AUDIT COMMITTEE**

Richard Rodgers outlined the key items from the audit committee meeting which had taken place the previous day. He noted that the Authority's financial statements had been certified without qualification. Several internal audit reports were reviewed and it was also noted that the internal audit service was about to be tendered. The committee had also considered the mid-year of the budget. Finally, he also noted that the committee had discussed an external quality assessment of the Authority's internal audit arrangements.

16 ANY OTHER BUSINESS

The board conducted a short meeting review before concluding business.

There being no other business, the meeting concluded at 1.30 p.m.