

MINUTES OF A MEETING OF THE NORTHERN IRELAND AUTHORITY FOR UTILITY REGULATION (THE 'AUTHORITY') HELD ON FRIDAY, 27 JUNE 2014 IN QUEENS HOUSE, BELFAST AT 9 AM

Present:

Bill Emery (Chairman), Richard Rodgers, Bill Cargo, Teresa Perchard, Harry McCracken, David Strahan , Jenny Pyper (Chief Executive)

In attendance:

SMT: Donald Henry, Kevin Shiels, Tanya Hedley, Brian McHugh, Greg Irwin

Item 11 – Colin Broomfield and Kenny Dane, Item 12 - Jean-Pierre Miura, Item 13 – Robert Stewart

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 Harry McCracken declared a potential interest in respect of agenda items 12-14 and left the meeting before the board's discussion on these items.

4. AIRTRICITY GAS SUPPLY PRICE CONTROL

4.1 Brian McHugh introduced this paper and provided background and commentary on the key issues.

4.2 Board members' queries in respect of the impact of increasing volume on revenues and the timing of the review of the price control were addressed.

4.3 The board approved the proposal not to re-open the price control.

5. REVIEW OF COMPETITION COMMISSION REFERENCES

5.1 Jenny Pyper introduced this paper as an initial reflection on lessons learned following the Authority's recent references to the Competition Commission.

5.2 Board members considered the issues and provided their perspectives on the referrals. In discussion, several board members emphasised the need to ensure that communication between the Authority and regulated companies was optimised during price controls. The impact on resources arising from the Competition Commission references, for both the Authority and the regulated company, was also discussed. Specifically, the significant demands placed on staff, of meeting ongoing information requests, was noted.

- 5.3 In this respect the board then discussed how price control processes could be more efficient and effective. This included the possibility of establishing an agreed outcome-focused approach between the Authority and the regulated company at the outset of the price control process. It also included a discussion on the potential for greater sharing of information and analysis between the Authority and the regulated company. The issue of incentivising regulated companies in developing their price control plans was also raised.
- 5.4 Board members also noted that while there were several issues in common, there were also distinctive elements to both referrals made by the Authority.
- 5.5 There was agreement that any referral to the Competition Commission should normally be an exceptional occurrence. It was also recognised that, whenever the Authority's price control proposals were rejected, the option of referral to the Competition Commission needed to be considered carefully.
- 5.6 Finally, there was agreement that the Authority should develop a document setting out how price controls would be undertaken in the future. Additionally it was agreed that a workshop should be scheduled with the board to discuss the development of the approach by the Authority. Engagement with external stakeholders on the development of the handbook was also endorsed.

6. NETWORK COSTS ALLOCATION PROJECT

- 6.1 Kevin Shiels introduced this briefing on the network costs allocation project.
- 6.2 The presentation covered the background to the project, key emerging findings, initial conclusion, some consideration of alternative costs allocation scenarios and policy implications. Board member queries and clarifications during the presentation were addressed.
- 6.3 The Board noted the presentation and the next steps for the project.

7. BOARD SCHEDULE 2015

- 7.1 The proposed schedule of board and board sub-committee meetings for 2015 was presented.
- 7.2 The board endorsed the proposed schedule and its wider circulation within the Authority.

8. MINUTES

- 8.1 The minutes of the meetings on 15 May 2014 were approved for publication.

9. ACTION POINTS

- 9.1 The action points were reviewed and a minor correction was noted.

9.2 It was agreed that an update on gas issues related to the Gormanston exit tariff be provided at the next board meeting.

10. REPORT FROM THE EXECUTIVE TEAM AND FINANCE AND PERFORMANCE SUMMARY

10.1 Jenny Pyper introduced this item and provided an overview of key developments and meetings with stakeholders since the last board meeting.

10.2 The board's attention was drawn to the following aspects of the executive team report: the publication of the Authority's Annual Report and accounts and the further development of the organisational risk register. On the latter, board members noted the progress that had been made and the intention to hold a workshop in September.

10.3 The publication of the Authority's over-arching retail strategy paper was noted. An update was provided on the SONI price control. Clarification was also provided on the SEM Committee items relating to energy trading arrangements and the MMU report on SEM bidding and outcomes. A brief discussion also took place on processes associated with, and the resourcing of, disputes. The outcome of the review of consumer representation was also briefly commented on.

10.4 A proposal for an amendment to the Authority's scheme of delegation was approved, with a minor drafting item noted.

10.5 Board members also noted and approved the finance and performance summary which included the year to date budget position, staffing and absence figures, the draft corporate risk register and the assessment of progress against FWP targets.

11. GENERATING UNIT AGREEMENTS

11.1 Colin Broomfield introduced this item regarding the potential cancellation of the remaining generating unit agreements (GUAs). He provided background on the issue, noted previous discussions by the board on GUAs and the responses to the recent consultation. Copies of all the detailed responses to the consultation were also provided to board members in advance of the meeting.

11.2 The board clarified several issues relating to the data on the GUAs and the position of PPB. A discussion on timing considerations around any decision to cancel also took place. The board agreed to delay any decision on the cancellation of the GUAs until its September meeting. In the meantime, it was agreed that a paper setting out the analysis on the GUAs, and outlining the responses to the consultation, would be published as soon as possible.

12. I-SEM BUSINESS CASE

12.1 This item sought the board's approval of a business case to commit expenditure for the I-SEM (the new integrated wholesale electricity market) design and implementation. The board also noted the developments since the issue of the paper.

- 12.2 Board members clarified and commented on the following: the profile of planned expenditure, project management arrangements for the external support being sought, costs and benefits considerations and project controls.
- 12.3 The board approved the business case as presented subject to the consideration of board member comments in the final document to be provided to the Department of Finance and Personnel.

13. REVIEW OF EFFECTIVENESS OF RETAIL COMPETITION

- 13.1 Kevin Shiels provided this update on the Authority's approach to retail market regulation.
- 13.2 The board noted the engagement with the Competition and Market Authority. There was also a discussion around the assessment criteria for the review of the market. The issue of fuel poverty was also raised in the context of the review.
- 13.3 The board noted the update.

14. ANY OTHER BUSINESS

- 14.1 Tanya Hedley briefed the board latest developments relating to the landbank site at Belfast West.
- 14.2 A short meeting review was conducted focusing on agenda and presentation of papers.

There being no other business the meeting concluded at 12.55 pm.