

**MINUTES OF A SPECIAL MEETING OF THE NORTHERN IRELAND AUTHORITY FOR
UTILITY REGULATION (THE 'AUTHORITY') HELD ON FRIDAY 28 SEPTEMBER 2012
AT QUEENS HOUSE, BELFAST, AT 10.30 AM**

Present: Bill Emery Chairman
Philip Johnson
Jim Oatridge
Richard Rodgers
Bill Cargo
Clive Elphick
Alan Rainey
Shane Lynch Chief Executive

In attendance: Jo Aston Director of Water
Donald Henry Director of Corporate Affairs
Kevin Shields Acting Director of Retail and Social
Brian McHugh Director of Gas
Tanya Hedley Director of Electricity
Greg Irwin Board Secretary/Communications
Manager
Kevin O'Neill Network Manager, Electricity
directorate (for agenda item 5)
Roisin McLaughlin Manager, Gas directorate (for
agenda item 4)
Graham Craig Analyst, Gas directorate (for agenda
item 4)
PJ McCloskey Analyst, Electricity directorate (for
agenda item 5)
Sarah Friedel Analyst, Electricity directorate (for
agenda item 5)
Albert Shaw Analyst, Electricity directorate (for
agenda item 5)
Leigh Smyth Analyst, Electricity directorate (for
agenda item 5)
Simon Scott Analyst, Electricity directorate (for
agenda item 5)

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 voluntarily absented themselves from the meeting whenever the board came to that agenda item.

4. BGE PRICE CONTROL

- 4.1 Brian McHugh introduced this paper which sought the board's approval for the BGE (NI) price control determination 2012-17. The proposed determination covered the opex, capex and cost of debt elements of the price control.
- 4.2 The board initially discussed the context within which BGE (NI) operates.
- 4.3 The board then turned to the issue of the cost of debt. Board members discussed the components which comprise the cost of debt calculation. Specific issues pertaining to BGE (NI)'s licence conditions were also explored and clarified.
- 4.4 Queries on the gas statutory duties and the timetable for the publication of the final determination were also addressed.
- 4.5 The board approved the opex and capex proposals as presented. The proposal relating to cost of debt was also approved.

5. NIE T&D PRICE CONTROL (RP5)

- 5.1 Tanya Hedley initially introduced this item which set out a minded-to position on key elements of the final determination for the RP5 price control. She reminded the board of the overall objectives for the price control and outlined the timetable for the remainder of the price control process.
- 5.2 Kevin O'Neill then led a presentation on the key elements of the RP5 price control. His presentation outlined progress since the draft determination was published in April. The board was also briefed on further engagement with NIE and consultation responses to

the draft consultation. He also specifically updated the board on the consultation on NIE capitalisation practice.

- 5.3 During his briefing on capex, board members took the opportunity to clarify the following issues: the rationale for increasing the allowance for asset replacement, comparative unit costs, the use of a reporter to assess capex programmes, an assessment of the overall network condition, processes for ensuring efficiency of expenditure on less predictable capex programmes, capex incentives and the impact of renewables capex proposals on tariffs.
- 5.4 The board's comments on opex focused on the overall comparison between the price control proposals and previous price control periods. There was also discussion on the presentation of this information in the final determination.
- 5.5 The board's view was specifically sought on the inflation element of the cost of debt proposal. It was agreed that further consideration would be given to this issue and would subsequently be included in the final RP5 determination.
- 5.6 A briefing on financeability led to the board endorsing the proposal to adjust revenue profiles.
- 5.7 Board members then discussed the proposal to introduce a reporter. The extent of the reporter's remit and reporting requirements were explored.
- 5.8 Finally, the board reviewed the proposals relating to pensions. The board discussion concentrated on current pension arrangements, the pension deficit amount, the deficit recovery period and the regulatory fraction.
- 5.9 The board's discussion concluded by endorsing the minded-to position on key RP5 elements as outlined in the paper. It was noted that the RP5 final determination would be presented at the October meeting of the board.

6. AMENDMENT TO THE RULES OF PROCEDURE

- 6.1 Donald Henry introduced this paper, briefly setting out the background and rationale for proposed changes to the rules of procedure and audit committee terms of reference.
- 6.2 The board approved the changes including one suggested amendment and approved the appointment of Jim Oatridge to the post of independent Chair of the Audit Committee.

7. MINUTES

- 7.1 The minutes of the board meeting held on 4 September 2012 were approved.

8. ANY OTHER BUSINESS

- 8.1 Bill Emery recorded the thanks of the Authority to Jim Oatridge, Clive Elphick and Philip Johnson, who were standing down from the board.

There being no other business, the meeting concluded at 3.05 pm.