

**MINUTES OF THE TWENTY-FIFTH MEETING OF THE NORTHERN IRELAND  
AUTHORITY FOR UTILITY REGULATION (THE ‘AUTHORITY’) HELD ON  
THURSDAY, 15 OCTOBER 2009 AT QUEENS HOUSE, BELFAST AT 9.00 AM**

Present:	Mr Peter Matthews Mr Jim Oatridge Mr Philip Johnson Mr Alan Rainey Mr Clive Elphick Ms Etain Doyle Mr Iain Osborne	Chairman      Chief Executive
In attendance:	Mr Donald Henry Ms Jo Aston Mr Brian McHugh Mr Shane Lynch Mr Dermot MacCann Mr Kevin Shiels Mr JP Irvine Mr Greg Irwin  Mr Sean Lyons  Mr John Mills  Mr Caspar Swales Ms Eileen Mullan  Mr Quintin Oliver	Director of Corporate Affairs Director of Water Director of Gas Director of Electricity  Acting Director of Retail Head of Legal Board Secretary and Communications Manager Water Directorate (for Agenda item 14)  Water Directorate (for Agenda item 14)  Water Directorate (for Agenda item 14) Lead Consultant, Review of Board Effectiveness Stratagem (for Agenda item 19)

**1. APOLOGIES FOR ABSENCE**

Chris Le Fevre

The Chairman welcomed Eileen Mullan, who would be observing the board meeting as part of the review of board effectiveness exercise.

## **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**

No declarations of interest were made.

## **4. MINUTES OF THE PREVIOUS MEETING**

The minutes of the previous meeting on 10 September were agreed subject to minor amendments.

## **5. ACTION POINTS FROM THE PREVIOUS MEETING**

The Action Points from the previous meeting were reviewed.

A brief discussion also took place regarding trends and influences on electricity tariffs. It was agreed that the issue would be further explored at a meeting between the Acting Director of Retail and the Chairman.

## **6. CHIEF EXECUTIVE'S REPORT**

a) The Chief Executive presented his report.

He noted the continuing speculation regarding the introduction of water charging for domestic customers. It was recognised that any decision to introduce water charging was one for the Northern Ireland Executive to take.

Board members were also briefed on any possible mergers and acquisitions activity affecting the energy industry.

Some discussion also took place on the relative resource requirements of different directorates, and the need to ensure that significant workstreams could be delivered.

b) The Director of Corporate Affairs presented the Finance and Performance report. The focus of the report was on the mid-year review of the budget. Board members took the opportunity to comment

on the revised budget projections. The revised budget projections and related assumptions were approved by the Board.

A brief discussion ensued on the corporate and reputational risk registers. It was noted a full mid-year review of all risk registers will commence shortly and the outcome will be considered by both the SMT and at the November Audit Committee meeting.

## **7 REPORTS FROM BOARD SUB-COMMITTEES**

### **Audit Committee**

The Chairman of the Audit Committee, Jim Oatridge, reported on its September meeting. Key items for discussion at that meeting were a review of the risk register, consideration of a paper on the Scheme of Delegation and an Equality compliance paper. He also noted that a report from the Northern Ireland Audit Office had also commented on the continuing improvements in internal control processes at the Authority. The Audit Committee also discussed the Internal Audit Plan for 2009-10.

### **Energy BAG**

Alan Rainey reported on the September meeting of the BAG. Key issues discussed were a report on progress on the customer information systems on gas, a paper on proposed gas network extensions and IT systems for customer switching. The BAG also discussed the position regarding a consultation on Generating Unit Agreements which was due to issue early in 2010. A consultation paper on the Fuel Security Code was also approved for issue.

### **Water BAG**

The Chairman of the Water BAG, Clive Elphick, reported that its last meeting had focused on the development of the PC10 draft determination, which was subsequently published on 18 September.

### **Remuneration Committee**

The Chairman of the Remuneration Committee, Etain Doyle, reported that the Committee, at its September meeting, had received a progress update on the pay remit discussions. In this context, it also discussed approaches for senior remuneration.

## **SEM Committee**

The Chief Executive reported that the SEM Committee, at its recent meeting, discussed the following issues: the review of capacity mechanism; the rules for scheduling and dispatch into the market; the decision-making responsibility regarding then outcome of the forthcoming consultation on Generating Unit Agreements, and retail de-regulation in the Republic of Ireland.

## **8 NETWORK FINANCE**

The Chief Executive provided a brief update to board members on the financial position relating to specific utility companies.

## **9 BRIGHT IDEAS**

No Bright Ideas were presented on this occasion.

## **10 THE FUTURE OF PRE-PAYMENT GAS METERS IN NORTHERN IRELAND**

The Director of Gas introduced this paper which proposed the removal of the cap on the percentage Pay As You Go (PAYG) meters for which distribution licence holders can recover the additional cost of these meters.

Following clarification on some minor points, the Board decided, subject to the outcome of the statutory consultation, to remove the gas distribution licence condition relating to the cap on the percentage PAYG meters for which distribution licence holders can recover the additional cost of these meters.

## **11 SCHEME OF DELEGATION**

The Director of Corporate Affairs introduced this item and updated board members on drafting amendments to the Scheme of Delegation since the last time it was considered by the Board.

Board members noted the annotated amendments and were content to approve the Scheme of Delegation, subject to minor wording clarifications to the document.

## **12 EQUALITY COMPLIANCE UPDATE**

The Director for Corporate Affairs introduced and provided the background to this item. Board members noted, in particular, the update on key equality compliance undertakings. The Board approved the Annual Progress Report for formal submission to the Equality Commission for Northern Ireland.

## **13 THE PROCUREMENT OF A NEW LEGAL FRAMEWORK**

The Head of Legal provided the background to, and key elements of, the procurement of the legal services framework proposal.

Board members clarified items relating to approvals required for the procurement process to proceed and the scope of the legal services framework.

With the necessary clarification provided, the Board approved the procurement of a new reduced-cost legal services framework contract for 2010-13 subject to several conditions outlined in the paper.

## **14 PC10 BRIEFING**

The Director of Water and Heads of Branch from the Water Directorate provided a comprehensive briefing to board members on PC10.

The briefing was structured in three parts: (1) key PC10 financial issues; (2) the Capital Programme and Outputs; (3) the Opex efficiencies. Throughout the briefing, board members took the opportunity to ask questions relating to the detail as well as discussing wider issues that arose.

At the conclusion of the briefing, the Chairman clarified next steps in the process. Specifically, it was noted that NI Water would make a presentation to the Water BAG on 3 November regarding its response to PC10. It was also agreed that a special meeting of the Board would be convened on 25 November to review the response to the PC10 consultation and to shape the development of the final determination.

## **15 COMMON ARRANGEMENTS FOR GAS**

The Director of Gas presented this paper which provided an update on developments regarding system operator arrangements for the Common Arrangements for Gas (CAG) project and presented options for the board to discuss for moving the project forward.

Board members considered the range of practical options presented in the paper. Much of the board discussion focused on ensuring that there was effective communication and engagement with key stakeholders and the impact of time on the various options presented.

It was agreed that any final decision on options for CAG would be taken by the Board at the appropriate time.

## **16 FORWARD WORK PLAN**

The Director of Corporate Affairs presented a work-in-progress draft of the Forward Work Plan (FWP) for initial comment by the Board.

Board members made initial comments on the draft.

It was agreed that board members would send comments on the draft within one week, to enable the issue of the draft Forward Work Plan for consultation in the week commencing 25 November.

## **17 CONSULTATION ON SENIOR ROLE – REGULATORY FINANCE AND PRICE CONTROLS**

The Board supported the nature of the role proposed by the Chief Executive, noted the length of the term would be agreed in advance and agreed that the job title should be finalised in conjunction with the Chief Executive.

## **18 UPDATE ON NI WATER UNDERTAKINGS**

The Director of Water provided an update on progress by NI Water against undertakings submitted by the water company in January 2009. The Board clarified the information received from NI Water and the extent to which this had met the requirements in the undertakings.

It was agreed that the Board would review the matter again at its February 2010 meeting, and take a decision then whether to release NI Water from any of its undertakings.

## **19 REVIEW OF BOARD EFFECTIVENESS**

Quintin Oliver and Eileen Mullan presented a mid-term update on the review of board effectiveness which had been commissioned by the Board. The update reviewed progress to date, key themes emerging and emerging conclusions.

Board members held an initial discussion on the key themes emerging. It was anticipated that the final report of the review would be presented to the Board at its December meeting.

## **20 KEY ISSUES ARISING FROM THE EU'S THIRD PACKAGE**

The Head of Legal provided a briefing on the EU's Third Package which focused on the high level content, discussed the potential impacts and practical consequences on the Authority, and tentatively sketched out the main tasks and respective timeframes for the implementation of the legislation.

The Board held a brief preliminary discussion on the Third Package, and agreed that a further more extensive discussion should be held at a later date.

## **21 THE PUBLICATION OF BOARD MEMBER AND SENIOR STAFF EXPENSES**

The Director of Corporate Affairs introduced this paper. The Board endorsed the approach outlined in the paper, which recommended the publication of board and senior staff expenses - on an annual basis - as a consolidated report for each person, by category of expense, on the Authority's website.

## **22 ANY OTHER BUSINESS**

- It was agreed that a board-to-board meeting between the Authority and GEMA (the Ofgem board) should be explored, with a further meeting with CER also considered.

All items of business having been discussed the Chairman brought the meeting to a close at 3.05 p.m.