

MINUTES OF A MEETING OF THE NORTHERN IRELAND AUTHORITY FOR UTILITY REGULATION (THE 'BOARD') HELD ON THURSDAY, 13 FEBRUARY 2020 IN QUEENS HOUSE AT 11.00 A.M.

Present:

Bill Emery (Chairman), Jenny Pyper (Chief Executive), Teresa Perchard, Alex Wiseman, Jon Carlton, David de Casseres, Claire Williams.

In attendance:

SMT - Kevin Shiels, Donald Henry, Tanya Hedley, Colin Broomfield, Roisin McLaughlin, John Mills, Elaine Cassidy, Greg Irwin

Jody O'Boyle, Ciaran MacCann, Roy Colville and Nick Francis (agenda item 5), Paul Harland (agenda item 6), Ursula O'Kane (agenda item 8), Meadhbh Patterson (agenda item 9), Jean-Pierre Miura (agenda item 10), Ian Campbell and Martina McKinley (agenda item 13).

1. APOLOGIES FOR ABSENCE

1.1 None.

2. FIRE DRILL

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

3. DECLARATIONS OF INTEREST

3.1 There were no declaration of interests.

4. MAXIMUM RESALE PRICE FOR ELECTRICITY – FOR ELECTRIC VEHICLES

4.1 Roisin McLaughlin introduced this item which sought the board's approval to facilitate a change to the Maximum Resale Price (MRP) Direction in respect of Ultra Low Emission Vehicles (ULEVs). She drew the board's attention to the consultation responses and the full responses were also made available to board members.

4.2 Board members explored the problem being addressed by the proposed change to the MRP Direction. The broader context of the impact of the Department for the Economy's energy strategy was discussed. Clarification was provided on the potential for a review of any change of the MRP Direction in the future.

4.3 The board approved the change to the current MRP Direction to include an exemption for the resale of electricity where it relates to the propulsion of an ULEV. It was noted that the board had the discretion to review the change in the light of developments on policy and competition in charge points.

5. SONI TSO PRICE CONTROL 2020-25

5.1 Tanya Hedley introduced this item which sought the board's endorsement for proposals for consultation on certain aspects of the SONI price control.

5.2 On the proposed evaluative framework, the various measures of performance were explored. SONI's engagement on the proposed framework and the company's approach to meeting the

decarbonisation outcome was also discussed. Overall, board members were supportive of the proposals in respect of the evaluative framework and recognised the importance of using this as a basis for enhancing SONI's performance.

- 5.3 The board clarified aspects of the proposed costs structure for the price control and the impact of the proposed approach. The overall proposed approach to the price control cost structure was endorsed.
- 5.4 It was noted that there had been significant engagement by SONI on the risk and return aspect of the price control. The focus of the board discussion was around the rationale for, and quantum of, the parent company guarantee allowance. Board members were supportive of the proposed treatment of the parent company guarantee and margin in respect of SONI's TUoS revenue collection role.
- 5.5 Board member queries relating to regional factors and salary benchmarking and non-labour costs growth were addressed. Overall proposals in respect of real price effects, productivity and salary benchmarking were endorsed.
- 5.6 A discussion also took place on proposals relating to the annual contribution rates and pension deficit recovery period. The timing of the actuarial valuation and the potential impact on pensions proposals was also clarified and discussed. The pension proposals as proposed at this stage were endorsed.
- 5.7 Finally, there was a discussion on wider price control and presentational considerations. The linkage between the price control and the SONI governance review and the impact of the latter on the former was explored. Key outcomes from both the price control and governance reviews were discussed. The timing of the next steps in the price control and governance reviews were clarified. In conclusion, the board endorsed the direction of travel and approach to the cost structure, performance framework and risk and return elements of the price control.

6. GD23 AND CONNECTION INCENTIVE

- 6.1 John Mills introduced this discussion paper on the key issues that will be considered for public consultation on the gas distribution price control (called GD23).
- 6.2 The main focus of the board's discussion was on the broader context of future development of the natural gas network, decarbonisation and future energy strategy. Developments in Great Britain and the Republic of Ireland around promoting lower carbon methods of heating homes and businesses were noted. It was clear that the board recognised that a policy choice was needed to inform investment options for both domestic and business heat and the natural gas network. The board agreed a policy decision would influence other key GD23 considerations, such as around the connection incentive.
- 6.3 There was also some discussion on the approach to consumer engagement. The need to learn from good practice elsewhere to ensure that consumer views were integral to the GD23 price control review was endorsed.
- 6.4 An update on next steps in the price control review was provided. The board noted the potential for broader developments before the publication of the draft price control that may impact on key price control considerations.

7. KEY ASPECTS OF NI WATER PC21 SUBMISSION

- 7.1 John Mills provided a presentation to the board by way of update on the PC21 price control. The presentation provided an initial briefing on NI Water's PC21 price control business plan which had been submitted at the end of January.
- 7.2 Board members took the opportunity to clarify and discuss key aspects of the presentation including around: the proposed capital programme, water infrastructure and development constraints, efficiency benchmarking and comparator utilities and affordability considerations.
- 7.3 In noting the PC21 process and timeline, the board was also apprised of future price review work priorities. It was noted that the board would be asked to approve a price control review business case approving support arrangements for the conduct of the review.

8. REVIEW OF NI ENERGY SUPPLIERS' DEBT ENGAGEMENT WITH DOMESTIC CUSTOMERS

- 8.1 Ursula O'Kane introduced this item and provided an overview of the review of communications between NI energy suppliers and domestic consumers and the related proposals for consultation.
- 8.2 Several queries around the role of the Utility Regulator and methods of communications with consumers and debt re-payment levels were covered in discussion. Experience of communications with customers in Great Britain was also touched on.
- 8.3 The board welcomed the work in this area to date and endorsed the proposed consultation.

9. CONSUMER PROTECTION PROGRAMME: REVIEW OF QUICK CHECK 101

- 9.1 Meadhbh Patterson briefed the board on the review of the Quick Check 101 scheme and, specifically, the recommendations and outcomes from the review.
- 9.2 Key discussion points covered by board members included the approach to joint and coordinated communications planning, awareness of the Quick Check 101 and the volume of calls to the number and the impact of the scheme on preventing crime.
- 9.3 The board noted the review recommendations and changes to the membership of the scheme and endorsed the outcomes as presented, subject to consideration of views made by board members.

10 BREXIT UPDATE

- 10.1 Jean-Pierre Miura provided the board with an update on Brexit preparations in the context of the UK's departure from the EU on 31 January.
- 10.2 Board member queries in respect of access to relevant EU agencies after the end of the transition period and the UK's position as a third party after Brexit were addressed.
- 10.3 The board noted the briefing.

11 MINUTES

- 11.1 The minutes of the board meeting on 12 December and 16 January were agreed for publication, subject to one amendment to the minutes of the latter meeting.

12 ACTION POINTS

12.1 The action points were reviewed by the board.

13 REPORT FROM THE EXECUTIVE TEAM

13.1 Jenny Pyper provided an overview of the Executive team report.

13.2 The board was apprised of progress on gas and electricity tariff reviews.

13.3 There was also an update the gas transportation agreement and it was noted that the board was due to meet Mutual Energy next month.

13.4 An update was provided on the NIAO NIRO investigation and the board noted that the Audit Committee had discussed this issue at its meeting prior to the board meeting. It was agreed that the draft audit report be provided to board members.

13.5 Board member queries in respect of the SEM Capacity Remuneration Mechanism and the payment of a supplier of a penalty were addressed.

13.6 An overview was provided on the finance and performance report and the report was approved. It was noted that the return of the NI Assembly may impact on other workstreams and that this possibility would need to be reflected in next year's Forward Work Programme. Board members briefly discussed the current budget position.

13.7 The board forward look was reviewed.

14 ANY OTHER BUSINESS

14.1 The board conducted a review of the meeting.

There being no other business, the meeting concluded at 3.40 p.m.