

**MINUTES OF A MEETING OF THE NORTHERN IRELAND AUTHORITY FOR UTILITY
REGULATION (THE 'AUTHORITY') HELD ON THURSDAY, 13 MARCH 2014 IN
QUEENS HOUSE, BELFAST AT 9.00AM**

Present:

Bill Emery (chairman), Richard Rodgers, Bill Cargo, Teresa Perchard, Harry McCracken, David Strahan (except for agenda items 4, 8 and 11), Jenny Pyper (chief executive)

In attendance:

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

Items 4 and 11 – Alan Craig, Item 5 – Roisin McLaughlin, Item 6 – Elena Ardines, Item 7 – Martina McKinley, Item 8 – Caspar Swales, Item 10 – Barbara Stevenson

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 Teresa Perchard declared a potential interest in respect of agenda item 5 and left the meeting for the duration of the board's discussion on this item.

4. NI WATER SCHEME OF CHARGES 2014-15

4.1 Tanya Hedley introduced this item which sought the board's approval for the NI Water scheme of charges 2014-15.

4.2 Board members clarified issues associated with the impact of unused K on bills, the timing for the scheme of charged review process and the notional domestic bill.

4.3 With these issues clarified, the board approved the scheme of charges 2014-15. It was also agreed that the Authority's rules of procedure should be amended to remove the requirement for this to be a reserved matter and negate the need for board approval in future.

5. GAS TO THE WEST EVALUATION COMMITTEE

5.1 Roisin McLaughlin introduced this paper which sought the board's approval for the terms of reference, rules of procedure and membership of the Gas to the West committee.

5.2 Board members discussed the legal advice that was provided in respect of the committee. The board emphasised the importance of ensuring that procedural and process issues were progressed with due diligence.

- 5.3 Issues associated with the committee's role, the timing for the process and the related consultation and publicising the membership of the committee were discussed. A small change was agreed in respect of the ordering of the steps in respect of each of the licences.
- 5.4 The board approved the terms of reference and rules of procedure. It was also agreed that the members of the committee would be: Harry McCracken (Chairperson), Jenny Pyper and Brian McHugh.
- 6. CORPORATE STRATEGY AND FORWARD WORK PROGRAMME**
- 6.1 Jenny Pyper introduced this item which sought the board's approval for the corporate strategy 2014-19 and the Forward Work Programme (FWP) 2014-15.
- 6.2 The focus of the board's discussion on the corporate strategy related to key performance indicators (KPIs). Board members commented on the clarity and measurement of KPIs generally and, more specifically, the inclusion of KPIs relating to renewables, security of supply and smart metering. There was also a discussion around the need to provide greater prominence to the north-south electricity interconnector issue. Comments relating to the proposed drafting on innovation were also discussed.
- 6.3 There were also several drafting suggestions on the draft FWP. These related to the wording of project descriptions and linkages between projects. The need to consider the ETI Committee's recent electricity pricing inquiry report was also noted. Minor drafting suggestions were also made relating to the cover page of the FWP and acronyms in the document.
- 6.4 A significant discussion on the budgetary provision to enable delivery of the draft corporate strategy and FWP also took place. The need to ensure budgetary efficiency over the strategy period was discussed and it was agreed that this should be considered each year as part of the development of FWPs.
- 6.5 The board noted the comments received as part of the formal consultation on the draft corporate strategy and FWP. The draft corporate strategy and FWP were approved subject to consideration of drafting suggestions. It was noted that the corporate strategy and FWP would be circulated to the board for any final comment.
- 7. DRAFT 2014-15 BUDGET**
- 7.1 Donald Henry introduced this item which sought the board's approval for the draft 2014-15 budget.
- 7.2 Board members endorsed the level of efficiency proposed and discussed the following: the comparison of proposed budgetary provision relative to the current year and the rationale for changes, the staffing implications, the costs of other regulatory bodies and the projects that would require external support. It was noted that

executives would manage the budget and deal with any pressures and easements on an organisational wide basis in the first instance.

- 7.3 The board approved the proposed budget for 2014-15.

8. PC15 PRICE CONTROL – OPEX EFFICIENCIES

- 8.1 Tanya Hedley introduced this discussion item which described the ‘minded to’ approach for setting operational or ‘opex’ efficiencies for the PC15 price control for NI Water.
- 8.2 Board members clarified information relating to the overall impacts on opex from previous price control determinations. An explanation of the rationale for any efficiency gains made by NI Water was also provided.
- 8.3 A general discussion also took place on approaches to benchmarking efficiencies. This included a discussion of the various options for assessing NI Water’s efficiencies and the choice of the comparator company for benchmarking purposes.
- 8.4 Board members sought further information regarding the treatment of public private partnerships and the approach to the efficiency challenge in this area of expenditure.
- 8.5 The board also considered the Authority’s engagement with stakeholders. This included the communication with NI Water on methodological and price control issues. There was also a brief discussion on previous price control determinations and specifically, given its locus in respect of public expenditure, communications with the Department of Finance and Personnel.

9. COMMUNICATIONS STRATEGY

- 9.1 Greg Irwin introduced this paper which presented a draft communications strategy for board discussion and endorsement.
- 9.2 The board discussed the need to ensure that communications activities were sufficiently resourced and prioritised. The potential for pro-actively delivering a range of communications activities was also considered. There was also a discussion on identifying key stakeholders and ensuring that appropriate activities were undertaken by the Authority to engage with these stakeholders.
- 9.3 The board endorsed the broad thrust of the strategy as presented.

10. ASSESSMENT OF BOARD EFFECTIVENESS

- 10.1 Greg Irwin introduced this report of the responses to a board effectiveness questionnaire. The report also identified several suggested actions to enhance board effectiveness. Barbara Stevenson addressed board members’ queries on findings from the questionnaire.

- 10.2 The main focus of the discussion related to the board's role on longer-term strategic issues. The board considered the role of the board advisory forum and its relationship to meetings of the board.
- 10.3 A broader discussion also took place on reporting progress to the board. The enhanced report from the executive team was noted as was the need to report of progress against flagship projects in the FWP.
- 10.4 In noting the report findings the board requested an update on progress against the actions to enhance board effectiveness after 3 months.

11. NI WATER PENSION SCHEME

- 11.1 Tanya Hedley introduced this item, which provided a briefing for the board on the NI Water pension scheme.
- 11.2 Board members clarified items of detail relating to the scheme. The extent of the information provided to the Authority on the performance of NI Water's pension scheme was also clarified. The board also noted the impact of external issues on the NI Water pension scheme, including any implications arising from the Competition Commission's inquiry on the NIE T and D price control and public sector pension reform.

12. MINUTES

- 12.1 The minutes of the meetings on 13 February 2014 were approved for publication.

13. ACTION POINTS

- 13.1 The action points were reviewed.

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

- 14.1 Jenny Pyper introduced this item and provided an overview of key developments and meetings with stakeholders since the last board meeting.
- 14.2 The board's attention was drawn to the following aspects of the executive team report: the ETI Committee electricity pricing inquiry, the MoU with the Commission for Energy Regulation, the update on the Competition Commission's inquiry on the NIE T&D price control, the Airtricity gas tariff review, a billing dispute, the communications planner and arrangements for a visit by the board to the north west in June. It was agreed that the communications planner would be appended to the next executive team report. Board members also noted and approved the finance and performance report which included the year to date budget position, the risk register and the assessment of progress against FWP targets.
- 14.3 Board members questions and comments related to the resources associated with dealing with the billing dispute, the marketing code of practice, the naming of the plan which supersedes the social action plan, the UKRN and the role of the SEM

Committee and the Authority in respect of decisions on the I-SEM. Following a brief discussion on the potential benefits of I-SEM, it was agreed that the board should receive a further briefing on this area.

15. ANY OTHER BUSINESS

15.1 None.

There being no other business the meeting concluded at 1.25pm.