

MINUTES OF A MEETING OF THE NORTHERN IRELAND AUTHORITY FOR UTILITY REGULATION (THE 'AUTHORITY') HELD ON THURSDAY, 12 FEBRUARY 2015 AT QUEENS HOUSE AT 9.30 A.M.

Present:

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

In attendance:

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

Sarah Brady (Agenda item 5), Jody O'Boyle and Ronan McKeown (Agenda item 6), Natalie Dowey (Agenda item 7), Karen Shiels (Agenda item 8), John Mills (Agenda item 9).

The Chairman noted that David Strahan had written to him confirming his intention to resign from the Board at the end of September.

1 APOLOGIES FOR ABSENCE

1.1 Tanya Hedley.

2 FIRE DRILL

1.2 The board members were informed of the evacuation procedures which apply at Queens House in the event of a fire.

3 DECLARATIONS OF INTEREST

1.3 None.

4 LICENCE MODIFICATIONS AND APPEALS

4.1 Sarah Brady introduced this item which sought the Board's approval for the consultation on, and implementation of modification proposals relating to implement the licence modifications and appeals regulations.

4.2 Queries in respect of the timing of the programme of work leading to the implementation of licence modifications and stakeholder views on the changes were addressed.

4.3 The Board approved the licence modifications proposals and proposed approach and agreed that the Executive could refine the modifications as necessary to address any issues raised during the consultation phase.

5 OMAGH TAMNAMORE 3RD 110Kv CIRCUIT APPROVAL

- 5.1 Ronan McKeown briefed the Board on this item regarding approval for an allowance to construct the third Omagh and Tamnamore circuit.
- 5.2 Board members discussed risks relating to the planning approvals necessary to ensure that the project went ahead.
- 5.3 A discussion on the implementation of the Competition Commission's final RP5 determination in relation to the Omagh-Tamnamore funding request also took place. Board members sought re-assurance that there was no overlap in the funding request with allowances specified in the CC's determination. There was also discussion on NIE's request for distribution network expenditure in respect of undercrossings and a contingency provision.
- 5.4 At the conclusion of the discussion the Board approved an allowance of up to £22 million pending further analysis. The Board endorsed the importance of implementing the CC's decision and also ensuring that there was no duplication in the funding allowances allocated. Finally the Board agreed that, if there were further funding requests that demonstrably required assistance, discretion would be exercised in supporting these items within the overall RP5 price control allowance.

6 TARIFF REVIEW PRESENTATION

- 6.1 Kevin Shiels and Michael Campbell made a presentation on the recent regulated electricity tariff review. The presentation provided an overview of the review process, an explanation of the reasons for the tariff reduction and the relative position of Power NI's prices versus other comparators.
- 6.2 Several questions were raised by Board members. These included queries relating to: hedging strategies by Power NI, the related issue of market liquidity, the relative comparison of electricity companies in GB given recent announcements and the likely intentions on the pricing approach by other market participants. Board members were also updated on the ongoing gas tariff reviews.
- 6.3 The board noted the presentation.

7 PPB PRICE CONTROL UPDATE

- 7.1 Jo Aston provided an update on the Power NI Power Procurement Business (PPB) price control.
- 7.2 Board members clarified the contractual periods remaining on the Generating Unit Agreements (GUAs) in the context of broader considerations around the future of PPB.
- 7.3 The Board also noted the PPB proposal in respect of the gain share mechanism and were updated on the implementation of this.

- 7.4 A query on engagement with stakeholders as part of the price control process was addressed.
- 7.5 The timetable for advancing the price control was also presented. Board members noted the challenging timetable and discussed the opportunities for advancing the timing efficiently.
- 7.6 The Board noted the update on the PPB price control and it was agreed that options for advancing the price control timetable efficiently would be explored.
- 8 PROPOSED LICENCE MODIFICATIONS: IMPLEMENTING FUEL SWITCHING ARRANGEMENTS**
- 8.1 Jo Aston introduced this item relating to the licence modifications necessary to enable fuel switching arrangements by generators. Karen Shiels provided a briefing on the background and key issues.
- 8.2 The requirement for fuel switching testing was clarified. The Board also discussed the broader issue of the management of security of supply risks.
- 8.3 The Board endorsed the licence modification paper to give effect to fuel switching arrangements as provided, and the intention to publish this for consultation shortly.
- 9 NI WATER REVIEW**
- 9.1 John Mills briefed the Board on progress in respect of the review of the water supply disruptions that occurred across Northern Ireland during January. He specifically outlined the timetable for the review and the key issues.
- 9.2 The Board discussed the arrangements for the review. This included the governance and timing arrangements. It was agreed that David Strahan along with Bob Lloyd, Jenny Pyper, Tanya Hedley and Donald Henry would participate in an oversight committee which would be convened to provide overall guidance and support on the conduct of the review.
- 9.3 The need to ensure that those consumers affected were consulted as part of the review was also endorsed.
- 9.4 Board members also conducted an initial discussion on the scope of the review and the impacts of the work on the Networks group.
- 9.5 The Board noted the update and endorsed the approach to the review as outlined.
- 9.6 Separately, the Board noted recent correspondence from NI Water regarding the PC15 determination. It was agreed that further engagement with NI Water and the Department for Regional Development would be appropriate.

10 MINUTES

- 10.1 The minutes of the previous meeting on 4 December 2014 were approved for publication subject to some minor amendments.

11 ACTION POINTS

- 11.1 The action points were reviewed and noted.

12 REPORT FROM THE EXECUTIVE TEAM AND FINANCE AND PERFORMANCE SUMMARY

- 12.1 Jenny Pyper introduced this item and provided an overview of key developments and meetings with stakeholders since the last board meeting.
- 12.2 In noting that the conveyance licenses for the Gas to the West had been awarded, she recorded her thanks to the Chairman of the Evaluation panel, Harry McCracken, and the staff in the Networks group.
- 12.3 The Board was also updated on progress on addressing electricity security of supply risks.
- 12.4 Board members were apprised of recent discussions by SMT on the Forward Work programme. It was noted that while the proposed FWP projects were challenging the vast majority were non-discretionary. It was also noted that the final draft of the FWP would be presented at the March board meeting.
- 12.5 In response to a query, an update on the Customer Protection Strategy was also provided.
- 12.6 Board members also discussed the Belfast West Land Bank site update. It was agreed that, while there would be no automatic trigger to sell the site, serious consideration would be given to a sale if a proposal identifying a suitable alternative was forthcoming.
- 12.7 Several queries were also raised in respect of NISEP and the need to clarify next steps was emphasised.
- 12.8 Board members discussed and approved the finance and performance summary which included the year to date budget position, staffing and absence figures, the corporate risk register and the assessment of progress against FWP targets.

13 ANY OTHER BUSINESS

- 13.1 There was no other business.

There being no other business the meeting concluded at 12.40 pm.