

MINUTES OF A MEETING OF THE NORTHERN IRELAND AUTHORITY FOR UTILITY REGULATION (THE 'AUTHORITY') HELD ON THURSDAY, 15 MAY 2014 IN QUEENS HOUSE, BELFAST AT 12.00 PM

Present:

Bill Emery (Chairman), Richard Rodgers, Bill Cargo, Teresa Perchard, Harry McCracken (except for agenda item 4), David Strahan, Jenny Pyper (Chief Executive)

In attendance:

Jim Oatridge (Chairman of the Audit Committee – for agenda items 11 and 12).

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

Item 4 – Jean-Pierre Miura, Item 5 – Neil Bingham and Lesley Robinson, Item 7 – Roisin McLaughlin and Richard Hume, Item 8 – Sarah Brady

The Chairman welcomed board members and made reference to the visit to NI Water which had taken place prior to the board meeting.

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 Harry McCracken declared a potential interest in respect of agenda item 4 and left the meeting before the board's discussion on this item.

4. I-SEM BRIEFING

4.1 Jo Aston presented an overview of developments in respect of the I-SEM and, in particular, the high-level design options which had recently been consulted on and emerging thinking on the way forward.

4.2 Board members took the opportunity to ask questions and seek clarification throughout the presentation. Key issues discussed by the board related to: the high level design options being proposed and their impact on prices, market power considerations for each option, remuneration arrangements for generators, comparisons with market arrangements elsewhere in Europe, the impact of demand on price formation and engagement with stakeholders on delivering the new market.

4.3 At the culmination of the presentation, and with all items of clarification addressed, the board was content to endorse the emerging thinking as outlined in the presentation.

5. APPROACH TO SUPPLY PRICE CONTROL FOR FIRMUS ENERGY

- 5.1 Neil Bingham and Lesley Robinson introduced this item which sought the board's guidance on the approach to the firmus supply price control.
- 5.2 Specific aspects of the proposed approach were discussed. The size of the market and the scope and coverage of the price control were discussed. The allocation of business costs across the firmus businesses was also clarified. A query around the extent of the engagement with firmus was also addressed.
- 5.3 The board also discussed the broader issue of retail competition. Board members discussed the various approaches to protecting consumers in the retail markets and the longer-term development of these markets. It was agreed that some context on retail market development should be included in the consultation documentation on the firmus supply price control.
- 5.4 The board endorsed the approach to the firmus supply price control and noted that broader issues associated with retail market development would be addressed through the retail competition review project.

6. ANNUAL REPORT 2013-14

- 6.1 Greg Irwin introduced this item which sought the board's input on the Authority's draft Annual Report 2013-14.
- 6.2 Board members made several comments on the draft. The comments included suggestions around the organisation of the narrative, the extent of detail in some sections and the presentation of headline information.
- 6.3 It was agreed that a further draft of the Annual Report should be provided, by correspondence, to the board for any final comment.

7. GORMANSTON EXIT TARIFF

- 7.1 Roisin McLaughlin introduced this item which provided an update and sought the board's guidance on the Gormanston exit tariff and related issues.
- 7.2 The board clarified information on the specific issue and also discussed broader considerations and specifically those associated with stakeholder relationships.
- 7.3 It was agreed that, as a first step, an initial meeting should be convened with the Commission for Energy Regulation to discuss the specific and broader gas issues.

8. CONSUMER PROTECTION STRATEGY

- 8.1 Sarah Brady introduced this information paper. She provided an overview of the plan for advancing a consumer protection strategy and its linkage with the Authority's Corporate Strategy 2014-19.

- 8.2 The board's main comments related to two areas. Firstly, there was clarification around the consumer protection strategy's positioning within the broader retail and consumer protection work agenda. Secondly, board members discussed the objectives and intended outcomes from the consumer protection strategy. It was recognised that consultation on the consumer protection strategy would be critical in ensuring that the strategy identifies clear and achievable objectives.

9. MINUTES

- 9.1 The minutes of the meetings on 13 March 2014 were approved for publication. The minutes of the meeting on 10 April were approved subject to a minor amendment.

10. ACTION POINTS

- 10.1 The action points were reviewed.

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

- 11.1 Jenny Pyper introduced this item and provided an overview of key developments and meetings with stakeholders since the last board meeting.
- 11.2 The board's attention was drawn to the following aspects of the executive team report: the gas to the west licence process, an update on smart metering, the internal audit programme, the Authority's membership of Business in the Community and plans for engaging with staff.
- 11.3 A brief discussion took place on opportunities for engagement prior to the board's approval of memoranda of understanding with the UKRN and UKCN respectively.
- 11.4 A proposal for an amendment to the Authority's rules of procedure was approved.
- 11.5 The Chairman briefed the board on the first meeting of an enforcement committee which had taken place the previous day.
- 11.6 Board members also noted and approved the finance and performance summary which included the year to date budget position, staffing and absence figures, the draft corporate risk register and the assessment of progress against FWP targets. The provisional budget outturn for 2013-14 was also briefly discussed.

12. REPORT OF THE AUDIT COMMITTEE AND THE DRAFT 2014-15 RISK REGISTER

- 12.1 The Chairman of the Audit Committee, Jim Oatridge, presented the annual report of the audit and risk committee for 2013-14. The report presented an overview of the work programme undertaken by audit and risk committee and provided an assurance that the terms of reference of the committee had been fulfilled. He also updated the board on the previous day's meeting of the audit committee and the report from the Northern Ireland Audit Office.

- 12.2 He also provided a presentation on risk management. This included a report of a risk management workshop and subsequent work by the executive team to develop a new corporate risk register. The board discussed the draft corporate register and plans to develop this further. It was agreed that further engagement on the register should be planned with the board in September.
- 12.3 Several other items were also addressed during discussion. These included: the question of risk appetite, presentational developments on the risk register (trend, reflecting the consequences of risks), progress in addressing risks and the visibility of risks below the corporate level.
- 13. ANY OTHER BUSINESS**
- 13.1 Donald Henry briefed the board on correspondence received from SONI regarding the price control. It was agreed that an update would be provided at the next meeting.
- 13.2 Tanya Hedley briefed the board, and sought guidance, on the landbank site at Belfast West. The board endorsed an approach that would focus on protecting consumers.

There being no other business the meeting concluded at 4.10 pm.