

MINUTES OF A MEETING OF THE NORTHERN IRELAND AUTHORITY FOR UTILITY REGULATION (THE 'AUTHORITY') HELD ON THURSDAY, 23 OCTOBER 2014 AT THE MANOR HOUSE HOTEL, KILLADEAS, AT 9.30 AM

Present:

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

In attendance:

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

Item 7 – Michael Campbell and Robert Stewart

1. APOLOGIES FOR ABSENCE

1.1 None.

2. FIRE DRILL

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

3. DECLARATIONS OF INTEREST

3.1 None.

4. MEMORANDUM OF UNDERSTANDING WITH THE CONSUMER COUNCIL

4.1 Jenny Pyper presented a draft Memorandum of Understanding (MoU) for the Board's approval.

4.2 The Board welcomed the development of the document and approved the draft MoU as presented.

5 UR CONSULTANCY COSTS FOR THE NIED PROJECT

5.1 Tanya Hedley introduced this item, which sought the Board's approval for future consultancy requirements relating to the NI European Development Project (NIED).

5.2 Board members sought further information on the project costs, the timing of the drawdown of budgetary resources and the benefits associated with the project. A discussion on project risks also took place. Finally, the Board clarified the timetable for the work.

5.3 Following the discussion, the Board approved the business case for further consultancy requirements as presented.

6 ENERGY EFFICIENCY DIRECTIVE

6.1 Kevin Shiels introduced this item which was a draft consultation paper on proposed licence modifications to implement the Energy Efficiency Directive (EED).

- 6.2 There was a discussion around the extent to which energy suppliers have taken, or are already taking, action to support energy efficiency initiatives. The scope of these initiatives and the activities were also explored.
- 6.3 The approach to implementing the EED in Northern Ireland was also discussed. In this respect, board members clarified the approach to ensuring compliance in the context of regulatory best practice.
- 6.4 At the conclusion of the discussion, the Board noted the EED requirements. The Board also approved the proposals for modifying the energy licence conditions and delegated the final drafting of such modifications to the Executive team.

7 REVIEW OF EFFECTIVENESS OF RETAIL COMPETITION

- 7.1 Kevin Shiels introduced this item which was a presentation on Cornwall Energy's report on the effectiveness of competition in retail energy markets. Robert Stewart delivered a presentation which outlined the background and methodology and the key findings in the Cornwall Energy report.
- 7.2 Board members asked about the timing of the research relative to a similar review being conducted in Great Britain and communications between the Authority and the Competition and Markets Authority.
- 7.3 Items of detail about consumer switching, market size and the consumer awareness were clarified. There was also a brief discussion around switching comparison websites.
- 7.4 A broader discussion on the state of the market and how to enhance its effectiveness also took place. There was recognition that several of the issues impacting on the effectiveness of the market were not immediately solvable and required an ongoing approach. The potential impact of the new wholesale electricity market, the I-SEM, and other issues such as smart metering were also discussed.
- 7.5 Having considered the evidence there was agreement that there was no compelling rationale for reducing the current regulatory oversight of the retail markets. The board did agree however that, based on the evidence, there was scope to improve the working of the retail markets.
- 7.6 Finally, the board was briefed on the next steps for the review.

8. UR APPROACH TO PRICE CONTROLS

- 8.1 Brian McHugh provided an annotated briefing on this item, which was a discussion paper on the Authority's approach to price controls.
- 8.2 The substance of the board discussion was in two parts. There was firstly a discussion around the formatting and structure of the paper. This included

consideration as to whether the Authority's philosophy in respect of price controls should be more clearly delineated in the paper and/or should be the first part of paper. Board members also commented on the length of the document. There was agreement that the timelines for price controls were useful but that these should be updated to reflect the current situation.

- 8.3 There was also a high level discussion on the purpose and key messages in the paper. Board members emphasised the importance of the paper and the need to carefully consider the high level key messages before publication. Several board members suggested that the paper should set out what the Authority expected from regulated companies and should also articulate more clearly what a successful price control process looks like.
- 8.4 There was a brief discussion around next steps and it was agreed that board members should directly provide any further drafting suggestions as soon as possible.

9. DRAFT FORWARD WORK PROGRAMME 2015-16

- 9.1 Donald Henry introduced this item which sought the Board's guidance on the draft Forward Work Programme (FWP).
- 9.2 Board members discussed the extent of the work to be undertaken as outlined in the FWP and the timings for delivery of the projects. A discussion on the budgetary implications of delivering the I-SEM, and the articulation of this in the draft FWP, also took place.
- 9.3 Board members provided some drafting suggestions around the format of Annex 1 and the narrative associated with I-SEM.
- 9.4 The Board endorsed the draft FWP as presented subject to consideration of comments provided. Board members were also asked to provide any further drafting comments directly.

10. MINUTES

- 10.1 The minutes of the previous meeting on 23 October 2014 were approved for publication.

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 An update was provided in respect of the I-SEM. It was noted the Authority has engaged with EU officials in Brussels regarding the delivery of the I-SEM.

Additionally, the Board was briefed on the implementation of additional project management arrangements to ensure the efficient delivery of the I-SEM project.

- 12.3 The Board also discussed its meeting with the Enterprise, Trade and Investment Minister on the previous evening and were briefed on recent meetings with DETI officials.
- 12.4 Recent developments in respect of Gas to the West were noted. Separately, the Board was notified of the decision relating to the Gormanston exit tariff.
- 12.5 The publication of the Authority's decision on the Generating Unit Agreements was briefly discussed and the Board was made aware of correspondence received from AES.
- 12.6 Board members noted 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. The Board also approved an amendment to the Scheme of Delegation and also the Authority's Annual Equality Scheme return. Finally, the Authority's Internal Audit Strategic Plan 2014-17 was noted.

13. ANY OTHER BUSINESS

- 13.1 The Board were briefed on, and discussed, developments relating to the PC15 price control.
- 13.2 Arrangements for the Board's meeting with local stakeholders, to take place immediately after the board meeting, were outlined.

There being no other business the meeting concluded at 12.50 pm.