

**MINUTES OF A MEETING OF THE NORTHERN IRELAND AUTHORITY FOR UTILITY REGULATION (THE 'AUTHORITY') HELD ON THURSDAY 10 SEPTEMBER 2015 AT QUEENS HOUSE AT 10.30 A.M.**

**Present:**

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

**In attendance:**

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

Caspar Swales (agenda item 4), Nicola Sweeney (agenda item 6), John Mills (agenda item 7), Neil Bingham (agenda item 8), Roisin McLaughlin (agenda item 9), Jean Pierre Miura (agenda item 10), Dermot Nolan - Ofgem (agenda item 10).

**1 APOLOGIES FOR ABSENCE**

1.1 Jo Aston.

**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 None.

**4 RP6 APPROACH**

4.1 Caspar Swales introduced this item seeking the board's endorsement on the approach to the NIE price control (RP6). The main issues covered by the paper related to: the duration of the price control, consumer stakeholder engagement and innovation, the delivery of price control and the future shape of the network.

4.2 In the discussion on the duration of the price control, the focus of the board's comments was on the level of risk faced by NIE over the proposed 6 ½ year period. There was discussion on the potential for uncertainties and shocks that might for necessitate a review of allowances during the period of the price control.

4.3 The board endorsed the focus on developing a better understanding of consumer needs to inform price control outcomes and outputs. There was a discussion around the approaches by other regulators to consumer engagement and the desired outcomes arising. Board members also discussed NIE's potential to support innovation and assessing the costs and impacts of innovative approaches.

4.4 The discussion on delivery focused on comparative approaches to benchmarking and the application of regulatory incentives. Board members also sought clarification on the timing of NIE's business plan.

- 4.5 There was also a discussion on external uncertainties for NIE associated with the delivery of the new wholesale electricity market and the second North-South electricity interconnector. Board members agreed that these are unlikely to impact significantly on RP6 over the 6 ½ year price control period.
- 4.6 At the conclusion of the discussion the board endorsed the overall price control approach as outlined, provided some guidance on presentational aspects and clarified next steps.

## **5 MOVING FIRMUS ENERGY (DISTRIBUTION) TO A REVENUE CAP REGIME**

- 5.1 Brian McHugh introduced this item which sought the board's approval for the principle that firmus Energy (Distribution) Licence price control move from a price cap to a revenue cap.
- 5.2 The board's discussion initially focused on the nature of the firmus business and comparisons with other gas distribution network operators in Great Britain. The impact on firmus' cost of capital was also explored. Incentive arrangements linked to connections was also discussed. Any benefits for customers from the revenue cap approach was clarified.
- 5.3 An overview of engagement with firmus and the responses to the proposed licence modification to give effect to a revenue cap approach was noted.
- 5.4 The board approved the proposal to move firmus Energy (Distribution) to a revenue cap price control approach.

## **6 SUPPLY RELATED LICENCE MODIFICATIONS**

- 6.1 Kevin Shiels briefed the board on the background and rationale for this paper, which sought the board's approval for supply related licence modifications.
- 6.2 The board noted the range of modifications being proposed. Board members discussed the level of debt recovery proposed. In respect of refunds for customers closing an account board members sought further information on the size of the problem. Board members endorsed the approach which required suppliers to use best endeavours to refund any outstanding credit to customers within six week. Finally it was agreed that, where it is not possible to return money in closed accounts to customers, the potential to distribute this to charitable causes should be explored.
- 6.3 A broader discussion on supply licences ensued. This related to the size and complexity of supply licences and the potential to move to simpler, more principles-based licences. It was noted that exploring the potential for moving to more concise licences would be a strategic issue, which might be most appropriately considered following the conclusion of the retail energy market review.
- 6.4 The board agreed to the supply licence modifications as proposed.

## **7 GAS TO THE WEST UPDATE**

- 7.1 Brian McHugh updated the board on progress with the Gas to the West project. He outlined recent engagement with the project developers in respect of planning issues and the potential for any delay to the overall project plan.
- 7.2 Board members sought clarification on the timing of key project delivery milestones. Feedback from key project stakeholders was also noted. An update was also provided on supplier arrangements for the Gas to the West area.
- 7.3 In noting the update the board endorsed a pro-active approach to engagement with the project promoters, to ensure that the project is delivered within the optimal time.

## **8 NI WATER ACTION PLAN AND REPORTING UPDATE**

- 8.1 Neil Bingham briefed the board on the current position in relation to the action plan arising from the review of NI Water's handling of water supply disruption.
- 8.2 The board noted the progress that had been made on addressing actions and stakeholder feedback was also discussed. .

## **9 DESIGNATION OF FORECASTING PARTY FOR GAS**

- 9.1 Roisin McLaughlin introduced this item which sought the board's approval for the designation of Premier Transmission as the Forecasting Party for the purpose of compliance with the EU network code on balancing.
- 9.2 The board approved the designation of Premier Transmission as outlined in the paper. An update on the NIED project was also provided.

## **10 I-SEM ETA DECISION PAPERS**

- 10.1 Jean-Pierre Miura provided a presentation on the Energy Trading arrangements (ETA) workstream of the I-SEM project. His presentation outlined the differences between the new energy trading arrangements versus the current Single Electricity Market approach. The key aspects of the new arrangements were also outlined. The resourcing arrangements for the workstream were described and the timeline for delivery outlined.
- 10.2 Board members took the opportunity to clarify aspects of the presentation and discuss the most significant issues arising.

## **11 MINUTES**

- 11.1 The minutes of the previous meetings on 26 June 2015 and 19 August 2015 were approved for publication.

## **12 ACTION POINTS**

- 12.1 The action points were reviewed and noted.

## **13 I-SEM UPDATE**

- 13.1 It was noted that all relevant I-SEM items had been covered under the earlier agenda item on the ETA decision papers.

## **14 REPORT FROM THE EXECUTIVE TEAM**

- 14.1 Jenny Pyper provided an overview of the Executive Team report and noted the considerable amount of work that had been advanced by the office over the summer months. The ongoing impact of I-SEM on the office's resources and other workstreams was also noted.
- 14.2 Regulated tariff decreases were highlighted. The rationale for the decreases was outlined.
- 14.3 A progress report on the recruitment of new board members was provided. The timing of any board member appointments was discussed.
- 14.4 A query in respect of feedback from SONI on the price control was addressed.
- 14.5 The board also approved the finance and performance summary which included the year to date budget position, staffing and absence figures and the assessment of progress against FWP targets. It was noted that the Audit Committee had discussed the mid-year review of the budget at its meeting the previous day. The board noted the changes to the corporate risk register.

## **15 ANY OTHER BUSINESS**

- 15.1 Richard Rodgers provided an overview of the key items discussed at the Audit Committee meeting. This included: the mid-year review of the budget (which would be provided to the board at its next meeting), the Audit report provided by Capita, the 2014/15 Accounts – noting that they were unqualified, Equality compliance and procurement management. It was agreed that the audit report on corporate governance arrangements should be circulated to the board.
- 15.2 Outline arrangements for the board's October meeting were provided. The board's dinner with the SEM Committee on 23<sup>rd</sup> September was also noted.

There being no other business the meeting concluded at 3.05 pm.