

SUMMARY OF THE MINUTES OF THE SIXTH MEETING OF THE NORTHERN  
IRELAND AUTHORITY FOR UTILITY REGULATION (NIAUR) HELD ON  
FRIDAY 7 SEPTEMBER 2007 IN QUEENS HOUSE, BELFAST

Present:                   Dr Peter Matthews                   Chairman  
                              Ms Etain Doyle  
                              Mr Philip Johnson  
                              Mr Clive Elphick  
                              Mr Chris LeFevre  
                              Mr Jim Oatridge  
                              Mr Alan Rainey  
                              Mr Iain Osborne                   Chief Executive

In attendance:        Mr Dermot MacCann  
                              Ms Jo Aston  
                              Mr Brian McHugh  
                              Ms Fiona Gallen  
                              Mr Richard Haigh                Skyplex  
                              Mr Derek Goodban               Wragge & Co.  
                              Mr Ronnie Quinn                KEMA  
                              Ms Emma Magill  
                              Ms Sarah Brady

1. APOLOGIES FOR ABSENCE

None

## 2. FIRE DRILL

The Board Members were reminded of the evacuation procedures in the event of a fire in Queen's House.

## 3. DECLARATIONS OF INTEREST

It was noted that all forms had been returned.

The Chairman welcomed Alan Rainey to the Board. Mr. Rainey told the meeting that he had no conflicts of interest to declare. Following a brief discussion, the Chairman agreed but stated that normal procedure would require Mr. Rainey to declare an interest if during any future discussions matters relating to his previous employment were tabled.

## 4. MINUTES OF THE PREVIOUS MEETING

The minutes of the previous meeting were agreed and signed off by the Chairman.

## 5. ACTION POINTS FROM THE JULY MEEING

A note on the action points recorded at the last meeting had been circulated to the Board and it was noted that the majority of these points had been actioned.

The meeting was informed that the FEMO 2005 contingency spend had been approved, signed off and had in fact been spent. Board access to the intranet site was currently being brought forward.

It was agreed that a note on the physical safety of assets would be prepared for the November meeting.

## 6. CHIEF EXECUTIVES REPORT

The report updated the Board on developments in relation to Water, Gas, Electricity, Northern Ireland Energy Holdings, Management and Political and Regulatory Developments.

### Water

The Director of Water told the Board that although NIW's Business Plans for this year had not been signed off, progress was being made on an agreed activity log which would help ensure delivery and clarity in relation to deadlines.

### Gas

It was noted that good progress was being made on the Phoenix Price Control and that both the Chairman and Chief Executive were due to meet with the Chairman of Phoenix Natural Gas today.

### Electricity

It was agreed that Osborne, MacCann & Rainey would be nominated to represent The Utility Regulator on the SEM Committee.

### CEO Delegations

The Board noted that the Chief Executive would be out of the office for the fortnight commencing Monday 10 September in the event that an urgent exercise of formal delegation is required approved the following;

to Jo Aston, Dermot MacCann and Brian McHugh powers to act as CEO (including the exercise of all relevant legal and policy functions) on matters relating to water, electricity or gas respectively;

to any of Jo Aston, Dermot MacCann and Brian McHugh powers to act as CEO (including the exercise of all relevant legal and policy functions) on matters relating to Corporate Affairs, or to the general management of the office.

The board approved this temporary delegation.

## 7. FINANCE REPORT

The Chair of the Audit Committee welcomed the progress made in this area but added that it remained a work in progress. The Board endorsed the Audit Committee's recommendation to continue in line with the original budget which had been approved at the April Board meeting.

## 8. SEM GO-LIVE UPDATE

An overview paper of the proposed decision making process on the SEM/Directive Go-Live had been forwarded to the Board in advance. Richard Haigh, Ronnie Quinn and Derek Goodban joined the meeting at this point.

The meeting was informed that some additional licence modifications were required and that they were currently out to consultation. It was noted that a paper containing contentious changes would be produced and forwarded to the Energy BAG before the Board were asked to approve them at the October meeting.

The board were briefed on the readiness of market participants, and the regard which should be had to such readiness. A useful discussion ensued. The Board were informed that a series of market trials had taken place and that some provisions to deal with system failures and contingency plans were both in place in the Trading and Settlement Code. The Board were informed that everything was on track for the launch in November and that the SEM team were continuing to monitor progress.

The attendees were briefed on the schemes associated with the creation of NIE Energy and after a short debate on the transfer of contracts and the need to identify parties that could be potentially adversely affected, it was noted that the SEM team were currently carrying out an exercise to confirm which contracting parties consented to the transfer.

The Board acknowledged and confirmed the continued appropriateness of delegated authority, as given to the Electricity Director and endorsed the decision making process outlined in the paper with the exception that the Board wished to make any decisions to change the terms of revocation of supply licences itself. It was also noted that some of the contract changes might be put into effect after the go-live decision was taken but prior to go-live.

The Board also noted that the following decisions would be required to give effect to the SEM/Directive Go-Live at the October meeting;

- Approve (the pre Go-Live) modifications to generation and supply licences.
- Determine whether requisite arrangements have been developed entitling the Authority to exercise its cancellation of legacy PPAs powers.
- Approve a statement setting out rules of procedure adopted for SEM Committee making decisions on behalf of the Authority and describing arrangements for working with CER regarding exercising SEM related functions.
- Approve/assent to the general principle of moving to Go-Live phase and accordingly to designate the Go-Live time and date.

## 9. PHOENIX NATURAL GAS – COMBER LICENCE EXTENSION

The Board approved the proposed licence extension applications which would enable Phoenix to connect and supply new customers in the Comber area.

## 10. GAS INTER-REGULATOR MOU

The Authority endorsed the proposed Memorandum of Understanding between the regulators in the North West (NW) region of the Gas Regional initiative (GRI) under the joint leadership of CER and NIAUR.

## 11. RENEWING CONTRACT WITH OFGEM

The Board approved the revised working arrangements with OFGEM concerning the NI Renewables Obligations Scheme.

## 12. AUDIT COMMITTEE UPDATE

The Chair of the Audit Committee reported that NIAO had certified the annual accounts and that they had received an unqualified opinion yesterday. It was noted that a representative from NIAO had attended the Audit Committee and that a number of points had been raised in the Management Letter which included the management of contracts. He added that the existing contract for internal audit services would be extended for another year and that a specification for a new contract would be proposed at the November Audit Committee meeting. It was noted that all of the outstanding internal audit issues were being progressed.

The Board approved the revised Terms of Reference.

## 13. REMUNERATION COMMITTEE REPORT

The Chair of the Remuneration Committee reported that discussions at today's meeting had dealt with a variety of pay issues, NED remuneration for extra duties and performance bonus structures for the coming years.

## 14 WATER BAG FEEDBACK

The Board were updated on the issues discussed at the Water Board Advisory Group earlier today.

Following debate on the practicalities of implementing the next Price Control and the current uncertainties involved, the Director of Water agreed to investigate all the issues involved and develop plans for both a one year and a five year approach which would be outlined in a paper to be presented to the Board at the November meeting.

On Enforcement Strategy, the Board agreed that putting Memoranda of Understanding in place with the agencies involved would help clarify roles, responsibilities and monitor compliance.

It was noted that the Utility Regulator's submission to the Hillyard Panel would also be issued next week.

The Board were also briefed on developments in relation to metering and a series of stakeholder seminars which would be held in early October.

## 15. SUSTAINABILITY UPDATE

A paper outlining a proposed structure for a consultation on the issue of "Sustainable Development - The Regulator's Role" and a timetable for taking the process forward had been circulated. Following discussion on the broader conceptual framework and the appropriate context, it was agreed that it was vital to strike the correct balance between the instruments used for example market mechanisms and incentives. The Board were enthusiastic and supportive of the approach outlined and agreed that it would generate a useful debate around NIAUR's remit. It was noted that the proposal should be amended to include a local view on Climate Change .

## 16. BRIGHT IDEAS

It was noted that the information on the various Board Advisory Groups and Committees should be included in the framework of governance arrangements published in the Annual Report.

## 17. ANY OTHER BUSINESS

The Board Schedule for the remainder of 2007 and 2008 was discussed and amended.

It was noted that Alan Rainey would join the Energy Board Advisory Group.

## 18. ARRANGEMENTS FOR OCTOBER MEETING

It was noted that the October meeting would be held at the Ofwat offices in Birmingham on Wednesday 3 (11.30am - 5.30pm) & Thursday 4 (8.30am - 12.30 pm) October.