



High Level Joint Regulatory Arrangements for the Single Electricity Market

Information Note

May, 2007

AIP/SEM/XX/XXX

1 Introduction

The SEM legal framework as set out in the Electricity Regulation (Amendment) (Single Electricity Market) Act 2007 and the Electricity (Single Wholesale Market) (Northern Ireland) Order 2007 establishes new functions, powers and duties in relation to the regulation of the Single Electricity Market (the SEM) and establishes a Single Electricity Market Committee (the SEM Committee) in this regard. Given the above, the RAs are now working to ensure that the necessary organisational structures and operational arrangements are in place, in a timely manner, to support effective decision making in the SEM.

The RAs have been working together and with industry to implement the SEM on 1st November 2007. Currently, significant emphasis is placed on market readiness to ensure that all market participants are in a position to meet their duties and obligations under the SEM. In this context, and in accordance with the requirements of the legal framework underpinning the SEM, the RAs are now working on their readiness as regulators of the new wholesale trading arrangements. It is necessary at this juncture that the procedures and working arrangements necessary to support regulatory decision making in the SEM are drawn up and implemented. The RAs are working to ensure that the arrangements and procedures to support decision making in the SEM are implemented in a timely manner that meet legislative requirements.

This note sets out the high level governance arrangements to apply under the SEM. These arrangements will build on the existing arrangements that support decision making by the RAs on SEM matters, as modified to reflect the establishment of the SEM Committee under legislation and the move from the project phase of the SEM to the management of the SEM market on a day to day basis.

In developing the Joint Regulatory Arrangements (the JRA) the RAs have been guided by the need for:

- joint arrangements;
- shared responsibility;
- equal status;
- agreed procedures;
- clear lines of responsibility;
- effective management of regulatory workload;
- compatibility with legal obligations on each RA both in the SEM and non-SEM context, and
- best regulatory practice.

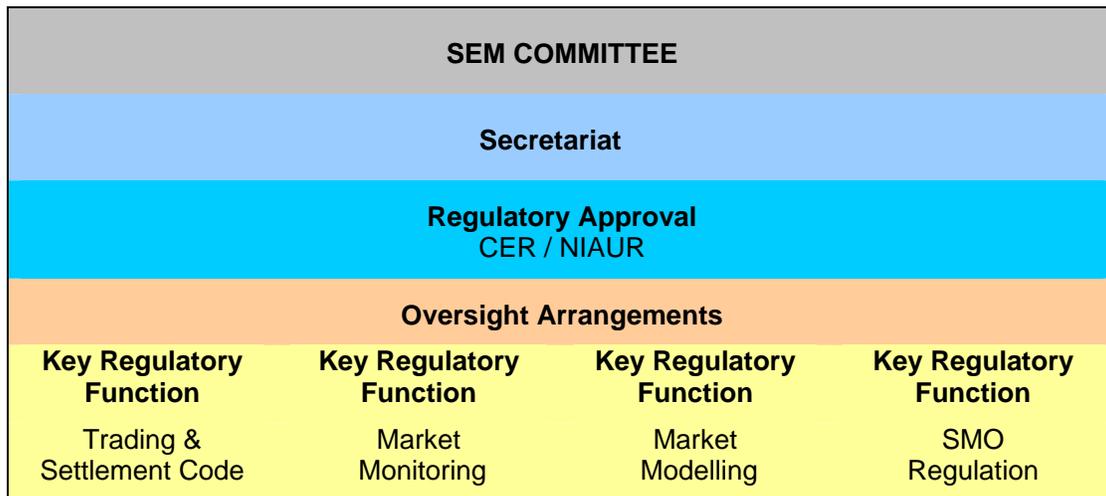
The remainder of this note sets out the high level governance arrangements to apply under the SEM as agreed by the RAs.

Queries in relation to the matters set out in this document should be directed to Tony Doherty of the NIAUR.

2 Joint Regulatory Arrangements

2.1 High Level Governance Arrangements

The SEM Committee as established under legislation will be the decision making authority on all SEM matters. The high level joint regulatory governance arrangements being put in place by the RAs to support this are outlined below.



2.2 SEM Committee

The SEM Committee shall be established in accordance with the Electricity Regulation (Amendment) (Single Electricity Market) Act 2007 and the Electricity (Single Wholesale Market) (Northern Ireland) Order 2007. The Minister for Communications, Marine and Natural Resources (the DCMNR) and the Minister for Enterprise, Trade and Industry Northern Ireland (DETINI) will appoint persons to the SEM Committee, including an independent member, in accordance with the relevant provisions. The voting rights and quorum rules for the SEM Committee are also set out in the SEM legislation. A Secretariat will provide administrative support to the SEM Committee and will be responsible for the scheduling of SEM Committee meetings, the assembly and distribution of papers required for these meetings and minuting the meetings. These are currently being developed by the RAs. The Secretariat will be supported by both RAs.

2.3 Oversight Arrangements

Oversight Arrangements shall be put in place at senior management level and shall be staffed from both RAs. The Oversight Arrangements will provide for

clear lines of responsibility at this level for all work areas directly related to the operation of the SEM.

The Managers of the Key Regulatory Functions will report to the relevant staff under the Oversight Arrangements. Agreed Work Procedures will be developed by the RAs for the operation of the Oversight Arrangements, the exercise of roles in the management of the relevant work areas, and the exercise of any delegated functions.

2.4 Key Regulatory Functions

The RAs have identified four areas as key SEM regulatory functions for which a designated Manager will be assigned as follows:

- Trading and Settlement Code Management
- Market Monitoring Unit
- Market Modelling Group (including Directed Contracts)
- SMO Regulation

In addition to the above it is recognised that there will be a requirement to assign resources to deal with other matters relevant to the SEM either on a project or an ad-hoc basis.

Each Key Regulatory Function will consist of one Manager drawn from one RA, supported by staff from both the CER and NIAUR.

The RAs consider that the above approach, which builds on the existing model of co-operation on workstreams established under the SEM/AIP project, will facilitate efficient and effective decision making and implementation of SEM Committee decisions. The RA's will continue to develop policy bilaterally on a range of matters in advance of the establishment of the SEM Committee.

3 Next Steps

The RAs are working to ensure that all the necessary arrangements to support decision making and implementation of the SEM are in place in a timely manner in accordance with legal requirements. To this end, the RAs are identifying staff to populate the Oversight Arrangements, the Key Regulatory Functions and the Secretariat. In addition, the RAs must now develop the work procedures and associated arrangements, such as IT requirements, to support the governance structure outlined above.

In accordance with Section 5 of the Electricity Regulation (Amendment) (Single Electricity Market) Act 2007 and Article 7 of the Electricity (Single Wholesale Market) (Northern Ireland) Order 2007, the CER and NIAUR will in due course publish a statement setting out the procedures and working arrangements to be adopted in order to comply with the exercise of respective statutory functions in relation to SEM matters.