

SEM Committee Meeting

Minutes Meeting No. 27

Location: Utility Regulator ("UR"), Belfast
Date: 29th April 2010
Time: 10.00-330pm

Attendees: Iain Osborne (UR, Chairman), Michael Tutty (CER), Dermot Nolan (CER), Garrett Blaney (CER), Dermott MacCann (UR), Alan Rainey (UR), Ignacio Perez-Arriaga, Jose Sierra Lopez.

In attendance:

For all agenda items: Eugene Coughlan (CER), Shane Lynch (UR), Cathy Mannion (CER);
For Agenda item 5; Paul Bell and Colin Broomfield (UR);
For Agenda Item 1-4a: Denis Cagney (CER);
For Agenda Item 4a: James McSherry (CER), Andrew Mc Corrison (UR);
For Agenda Item 4b-11: Jamie Burke;
For Agenda item 4a&b: Juliet Corbett;

Minute Taker: Laura Steerman (CER/ SEMC Secretariat);

1. Adoption of Agenda

Adopted

2. Approval of Minutes

The Minutes of the meeting of 25th March 2010 were approved.

It was noted at paragraph 4d 'Jurisdictional Audit' of the minutes that the internal review of the governance arrangements was completed and was tabled for discussion today. As such the approved amendments suggested by the legal advisors in their paper should be made.

Action: The suggested amendments (approved by the SEM Committee on 25th March 2010) of the legal advisors to existing procedures to codify existing information sharing practice are to be made

3. Review of Action List

Items 111, 112 and 123 were noted as ongoing
Items 113, 114, 115, 120, 121, 122 and 124 were noted as complete

It was agreed that the approved SEM Committee Annual Report (Action Item 122) would be published after 6th May 2010.

4. (a) Strawman Dispatch & TSC Workstream Update

DC and SL provided the SEM Committee with a joint presentation on the Dispatch Principles & Associated Trading & Settlement Code Matters Strawman for Discussion papers (“**the Strawman Papers**”). DC outlined the 12 issues therein for consideration which were consulted upon in July of 2009. The SEM Committee was taken through the background to the papers, including the Dispatch & Scheduling consultation document, the responses received by the RAs, factual context, general policy issues and the legal context. The SEM Committee’s consideration and steer were requested in relation to the Issues set out in the Strawman Papers.

Issue 1 on Alignment of the Market Schedule and Dispatch (“**Issue 1**”) and Issue 2 on Allocation of Infra Marginal Rents behind Constraints (“**Issue 2**”) set out in the Strawman Papers were discussed in detail. The SEM Committee debated the potential advantages and disadvantages of the proposals put forward under Issues 1 and 2 of the Strawman Papers at length. It was acknowledged that Issue 2 is a subset of Issue 1.

On Issue 1, the SEM Committee decided that the matter of the divergence between the dispatch and market schedule would continue to be monitored closely. There would be no immediate change made until the matter of divergences between actual dispatch and the market schedule, and the materiality of divergences becomes more certain and quantifiable.

On Issue 2, the SEM Committee decided that, in the short term, there were no strong reasons presented to it that the scale of the problem of the treatment of generators behind export constraints had become material. As such in the short term, the SEM Committee was reluctant to commit to an option presented to it for Issue 2 and take immediate action.

The SEM Committee requested that the Project team define the threshold of a “material level of harm” in the proposed decision paper. The SEM Committee broadly agreed that if a threshold of a material level of harm occurred in the future, the SEM Committee were minded that the matter could be addressed with Option 1 of Issue 2.

The SEM Committee recognized and noted that developments such as network development and wider regional integration would have a positive impact and may avoid the threshold ever being reached.

The SEM Committee thought that the harmonisation of distribution connection policy may well merit consideration but noted resource constraints. The Oversight Committee was asked to consider what priority should be given to this issue in work-planning.

Action:

- Project team to define a threshold of material level of harm to be incorporated in the proposed decision paper;
- Oversight Committee to review and clarify the status quo with respect to the firm access for the next SEM Committee meeting in May (OC);
- Issues 3-12 in the Strawman Papers are to be discussed at the next SEM Committee meeting in one strawman paper. A Proposed Decision Paper is to be prepared for the June meeting of the SEM Committee.

4 (b) All Island Locational Signals

JB and JC provided the meeting with an overview of the TUoS and TLAF proposed decisions and outlined the review process to date. It was noted that the development of harmonised all-island TUoS and TLAF arrangements was an objective stated in the original SEM high level design. The relevant principles, objectives, policy considerations and issues were highlighted.

After debate and discussion at length on the proposals put forward by the Regulatory Authorities (“RAs”), the SEM Committee approved the proposed decision for publication.

In particular, it was decided that:

- The project team’s proposal on TUoS was supported, i.e. that the Generator TUoS charging shall have a locational element and a postal stamp dynamic model element. In addition the SEM Committee determined that the TUoS rate should be fixed for five years at a time with a grandfathering approach. The ratio of locational to postalized costs was not determined.

Action: TUoS proposal approved is to be updated in line with the SEM Committee’s decision and circulated to the SEM Committee for information only.

- The SEM Committee approved the proposal put forward for TLAFs in the short term, namely that from October 2010 the treatment of losses in dispatch and the market schedule are to be treated on a uniform basis.
- The SEM Committee approved in principle of the proposal put forward for TLAFs in the long term of ‘Splitting’ i.e. the separate treatment of transmission losses in the market schedule from those in dispatch. In dispatch decisions TLAFs should be derived as close to real time as possible. In the market schedule, it was decided that the uniform approach to losses should be adopted. The implementation of the ‘Splitting’ proposal is to be contingent on a satisfactory outcome from an impact assessment to be carried out by the RAs on the separation of the market schedule from dispatch.

Action: RAs to carry out an impact assessment on the proposed separation of the market schedule from dispatch.

5. Market Monitoring Unit Update

The Update paper was noted. PB verbally provided an update on the problems the MMU was experiencing with its IT System but that the MMU was working to solve this problem.

PB also spoke of a formal complaint received by the MMU about a generator’s bidding behaviour PB noted that the process set out in Annex A would be followed by the MMU in investigating the complaint.

In another formal investigation, the letter received by the SEM Committee from a commercial generator regarding the formal investigation concerning them was noted and discussed.

Action: The SEM Committee to respond to the commercial generator.

6. Update on TSC Modifications

Noted

7. Reporting of Decisions made by Oversight Committee to SEM Committee

Noted

8. Updates from UR/CER/ Independent Members

- SL provided the meeting with an update on the UR final decision to issue a notice of intent to NIE and AES Kilroot to cancel the two GUAs relating to the coal-fired generator units at Kilroot. SL noted that these 2 GUAs are to be cancelled on 1st November 2010. SL said that UR had decided to keep the other GUAs in place in Northern Ireland under continual review.
- DN provided an update and overview of the CER De-Regulation Roadmap which was published by the CER last week.
- DN reported that a decision paper on the revenue regulation of ESB Customer Supply was to be published shortly by the CER.
- The article in a national newspaper last weekend reporting preparations by ESB to buy NIE PPB was noted.

9. Six Month Forward Agenda

Approved.

10. All Island Collaboration/ Working Arrangements

IO and DN provided a summary of the paper. The paper was approved subject to minor modification of the mission statement agreed.

Action: DN and IO to progress the All Island Collaboration/ Working Arrangements paper.

11. AOB

- a) The Temporary Delegation of Authority was approved.
- b) It was noted that IPA will take over as Chairman at the next SEM Committee meeting in May for a period of six months.