

## SEM Committee Meeting

### Minutes Meeting No. 28

**Location:** Northern Ireland Authority for Utility Regulation (“UR”), Belfast  
**Date:** 27<sup>th</sup> May 2010  
**Time:** 10.00-5pm

**Attendees:** Michael Tutty (CER), Dermot Nolan (“DN”) (CER), Dermot MacCann (UR), Alan Rainey (UR), Iain Osborne (“IO”) (UR), Ignacio Perez-Arriaga (Chairman, Independent Member), Jose Sierra Lopez (Deputy Independent Member).

**Apologies:** Garrett Blaney (CER);

**In attendance:**

For all agenda items: Eugene Coughlan (“EC”) (CER), Shane Lynch (“SL”) (UR),  
For Agenda Item 1-4a: Denis Cagney (“DC”) (CER); Aoife Crowe (“AC”) (CER);  
For Agenda item 5&6: Paul Bell (“PB”) (UR);  
For Agenda Item 5b, 5c, 5d, 5e & 6: Jody O’Boyle (“JOB”) (UR);  
For Agenda Item 10a & 10b: Jamie Burke & John Lynch (CER via teleconference);  
For Agenda item 8,10a & 10b & 5a: Juliet Corbett (“JC”) (UR);  
For Agenda Items: 5a, 5b, 5c, 5d, 5e, 9, 10c. Iain Osborne (UR).

**Minute Taker:** Laura Steerman (CER/ SEMC Secretariat).

1. **Appointment of Chairman – Ignacio Perez-Arriaga**  
Appointment of Chairman agreed.
2. **Approval and Adoption of the Agenda**  
Adopted. Clarifications were made with regard to the items to be discussed under AOB.
3. **Approval of Minutes from Meeting on 29<sup>th</sup> April 2010**  
Approved - subject to minor amendment agreed.
4. **Review of Actions from Meeting on 29<sup>th</sup> April 2010**  
Action Items 111, 112, 123 and 129 were noted as complete  
Action Items 125, 126, 127, 128, 130 were noted as ongoing.
5.
  - a. **Dispatch & Scheduling**

DC took the meeting through an overview of the SEM Committee’s discussion and decisions last month on Issues 1&2 which were set out in the Dispatch Principles & Associated Trading and

Settlement Code Matters – Strawman for Discussion papers (“the Strawman Papers”). DC then went on to introduce and summarise the issues set out in Issues 3-12 of the Strawman Papers and responses received to the consultation, in turn. After discussion at length with the project team (DC, SL, JC, AC) on each Issue 3-12 in turn, the SEM Committee provided direction to the project team on the matters to be proposed in the forthcoming proposed decision paper.

The project team requested further steer on the SEM Committee's decision last month in relation to the threshold of material level of harm in relation to Issue 1 & Issue 2. The SEM Committee confirmed that the project team were to prepare quantitative & qualitative framework for June SEM Committee meeting which would consider costs and security of supply and would aim to reduce regulatory risk by indicating to industry when the threshold may be reached and regulatory change may be made.

#### **5b. MMU Governance Review**

PB provided the meeting with an overview of the background to and progress of the MMU Governance Review to date, noting the recommendations from the consultants engaged. PB outlined other issues arising meriting further consideration.

**Action:** A further package of recommendations from the UR and CER legal advisors and the MMU is to be provided for the SEM Committee's consideration and steer at the June SEMC meeting.

#### **5c. BNE new entrant**

JOB provided an overview of the background to and recommendation for Best New Entrant Fixed Cost and Capacity Requirement for 2011. He took the SEM Committee through the various elements of calculation, noting the close work with TSOs and the decrease in WACC due to a reduction in debt premium. Comments were made by the SEM Committee which the MMU will take on board. The need for maintaining an annual frequency for all elements of this review was questioned. The SEM Committee approved the consultation paper for publication.

#### **5d. Capacity Payment Mechanism (“CPM”) Medium Term Review**

JOB provided the SEM Committee with an overview of the progress to date of the CPM Medium Term Review and outlined the possible reform options put forward by the consultants. The SEM Committee discussed the consultant's findings on the performance of the current CPM design, and their proposals for reform. The project team are to take into account the comments of the SEM Committee.

#### **5e. Carbon**

DN provided an update on the progression of the Carbon Revenue Levy Bill (“the Bill”) through the legislative process in the Republic Of Ireland (“ROI”). EC provided the meeting with an overview of legal advice received. The SEM Committee noted the letter received from the Department of Communications, Energy and Natural Resources informing the SEM Committee of the introduction and progression of the Carbon Revenue Levy in ROI.

The SEM Committee noted its previous decision not to change the Bidding Code of Practice to allow generators to bid less than the full opportunity cost of carbon which was mindful that any action to recover windfall gains from the full pass-through of carbon allowances would be for Government.

Having reviewed and considered the matter of the Carbon Revenue Levy further, based on its principal statutory objective to protect the interests of consumers of electricity, the SEM Committee determined that since consumers were already paying for the opportunity cost of carbon in end-customer tariffs, consumers should not in addition have to pay for the cost of the Carbon Revenue Levy.

The SEM Committee expects that generators would respect this position in composing their bids when the Bill becomes law in the ROI.

## **6. MMU Update**

PB provided the meeting with an overview of the activities of the MMU. PB then provided an update to the SEM Committee on the investigations currently ongoing in relation to two commercial generators and noted the avenues of investigations being pursued.

## **7. TSC Update**

The Update was noted by the SEM Committee.

## **8. Decisions of Oversight Committee**

The decisions were noted by the SEM Committee.

## **9. RA Updates**

IO provided an update on the process for the re-appointment of Independent Member and Deputy Independent Member. The SEM Committee agreed that in relation to the performance assessment required by DETI from the Chairman, it was appropriate for Iain Osborne to conduct the assessments for DETI now that the Independent Member had become the SEM Committee Chairman by rotation.

## **10.**

### **a. Delegation of Authority - Oversight Committee**

The SEM Committee discussed the proposal put forward requesting amendment to the Oversight Committee Terms of Reference and Delegation of Authority.

It was decided to approve the change of the members of the Oversight Committee to reflect staffing changes as follows:

- Group B UR - Dermot McCann to be replaced by Shane Lynch;
- Group A CER - Paul McGowan and Paul O'Neill to be replaced by Denis Cagney.

The SEM Committee agreed to amend quorum requirement for the Oversight Committee to one member from Group A and one member from Group B.

### **b. All Island Collaboration & Joint Working Arrangements**

IO and DN provided an update on their review of working arrangements and noted that the next step was to set up a review group.

**c. Harmonised Ancillary Services (“HAS”)**

JC provided the SEM Committee with a summary and update of the HAS project. Outstanding issues and further work required were outlined.

The project team proposed to issue an information note for the market. The SEM Committee confirmed that the Oversight Committee could approve this note for publication.

JC outlined that the System Operators were to carry out annual review of Ancillary Services payments and charges. The SEM Committee requested that the project team send the consultation paper to the SEM Committee via email for comment and decided that the Oversight Committee would then approve the consultation paper for publication.

**d. All Island Locational Signals**

JC requested the SEM Committee’s clarification on the fixing of generator TUoS for a period of years and the basis of the load flow calculation in relation to the SEM Committee decision last month in relation to All Island Locational Signals losses. The SEM Committee indicated that though the ratio may not stay fixed the objective would be, where possible to minimize any variations. The SEM Committee clarified that the project team should leave open the option of using the average participation in the consultation.