

SEM Committee Meeting

Minutes Meeting No. 29

Location: Commission for Energy Regulation ("CER") offices, Dublin.
Date: 29th June 2010
Time: 10.00-4pm

Attendees: Michael Tutty (CER), Dermot Nolan ("DN") (CER), Dermot MacCann (Utility Regulator Northern Ireland ("UR")), Alan Rainey (UR), Iain Osborne ("IO") (UR), Ignacio Perez-Arriaga (Chairman, Independent Member), Jose Sierra Lopez (Deputy Independent Member); Garrett Blaney (CER);

In attendance:

For all agenda items: Eugene Coughlan ("EC") (CER), Shane Lynch ("SL") (UR)

For agenda item 10a, 8 – Cathy Mannion (CER)

For agenda item 5a – Priti Dave Stack (CER)

For agenda item 5a and 4d - Clive Bowers (CER)

For agenda items Item 4b – Jean Pierre Miura ("JPM") (UR) and Juliet Corbett ("JC")(UR), Dana Kelleher (CER)

For agenda items 4c, 4d, 5a, and 10a - Mary Timlin (UR),

For agenda items 4b, 4c, 4d, 5a and 10a, Paul Bell ("PB") (UR)

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

1. Approval and Adoption of the Agenda

The agenda was approved and adopted. Clarifications were made with regard to the items to be discussed under AOB.

2. Approval of Minutes from Meeting on 27th May 2010

Amendments were proposed and the amended minutes are to be circulated for email approval by the SEM Committee.

3. Review of Actions from Meeting on 27th May 2010.

Action Items 123, 130 and 131 were noted as complete

Action Items 125, 126, 127 and 128 were noted as ongoing.

4.

a. Dispatch & Scheduling – Firm Non Firm

SL provided a verbal update to the SEM Committee that the paper on the matter of firm access would be provided to the SEM Committee in July for discussion and approval along with the draft proposed decision and a paper on the threshold of material level of harm.

b. SEMO Price Control

JC provided the SEM Committee with the background to the 4th SEMO Price Control Consultation undertaken by the regulatory authorities. JPM then took the SEM Committee through a presentation highlighting the key proposals set out in the consultation paper on the revenue allowance, incentivisation arrangements, tariffs and charges for SEMO for the period from 1 October 2010- 30 September 2013.

It was noted that the form of regulation would be a new tariff period of three years and that SEMO move to an incentivised form of price control. The departures from previous approaches used as part of the SEMO price control and the reasons for proposing new approaches were discussed at length.

The SEM Committee decided to accept the regulatory framework proposals for the OPEX to depart from Cost-Pass-Through to RPI-X under a Revenue Cap Regime to incentivize efficiency and reduce costs, and for the CAPEX to depart from the Rate of Return to a Revenue Cap Regime with the allowance to be determined through a menu form of regulation. It was noted in relation to the menu regulation proposal that the baseline would continue to be subject to the traditional form of scrutiny. The SEM Committee thought it would be useful to include the current regime in relation to the CAPEX allowance (a single allowance, with incentivisation, determined by RAs) as an option for consultation.

Action: The SEM Committee requested that the project team prepare a table setting out a range of percentages which may be appropriate for SEMO to reduce its total payroll by for written approval of the SEM Committee.

c. CPM Medium Term Review.

PB provided the SEM Committee with the background to the 'CPM Medium Term Review Work Packages 1-5, Historical Analysis of CPM and Proposed Decisions' Discussions Paper, and provided an overview of the five Work Packages completed to date. The SEM Committee discussed and commented the packages and decided in principle to approve the paper for consultation subject to amendments being made based on the comments made at the meeting and any further comments to be received from the Chairman. SEM Committee decided that EC could then approve the paper for consultation.

Action: PB to incorporate comments received from the SEM Committee into the Discussion Paper and to submit final version to EC for approval to publish for consultation.

d. Interim Direction

LS provided an overview of the legal considerations in relation to issuing interim directions to licensees and the SEM Committee discussed the enforcement of licence conditions.

5. MMU Update

The Update was noted by the SEM Committee.

a. MMU Governance Review – Next Steps

PB outlined the contents of the 'MMU Governance Review Next Steps' Discussion Paper and took the SEM Committee through the recommendations made in the paper.

Having considered the recommendations, the SEM Committee decided that a process manual should be developed as a priority item over the summer months and that the other recommendations relating to creating a streamlined decision making and the development of a resource contingency plan should be considered further.

Action: Discuss the development of a MMU Process Manual at the next Oversight Committee.

6. TSC Update

The Update was noted by the SEM Committee.

7. Decisions of Oversight Committee

The decisions were noted by the SEM Committee.

8. RA Updates

- SL updated the SEM Committee that AES Kilroot may acquire Premier Power in Northern Ireland as the two generators are currently engaged in exclusive negotiations. The SEM Committee agreed that the implications of such an acquisition should be kept under review.
- DN provided an update to the SEM Committee on the progression of the Carbon Revenue Levy legislation in the Republic of Ireland.

9. Draft Forward Agenda

The Draft Forward Agenda was noted by the SEM Committee.

10. AOB

a. Delegation of Authority

The SEM Committee discussed the proposal put forward by IO and DN and agreed to appoint Tanya Wishart of the UR to the Oversight Committee.

b. Letters received

The Chairman provided an overview of the letters received by the SEM Committee in relation to the SEM Committee's proposed decision of 29 April 2010 on Transmission Loss Adjustment Factors ("TLAFs"). SL and CM explained that an industry workshop is due to be held in July as part of the consultation process. Having discussed the matters raised in the letters received, the SEM Committee decided to extend the consultation on the proposed decision by two weeks.

c. Facilitation of Renewables Report

GB noted the Facilitation of Renewables Report published by SONI and EirGrid and recommended the matters raised in the final report be kept under review.