

**SEM Committee Meeting**

**Minutes Meeting No. 122**

**Location:** CRU offices, Dublin

**Date:** Thursday, 26 October 2017

**Time:** 10.30 – 16.00

**Member attendees:**

Utility Regulator (UR): Bill Emery (SEM Committee Chair), Jon Carlton  
Commission for Regulation of Utilities (CRU): Paul McGowan, Garrett Blaney, Aoife MacEvilly  
Independent members: Professor David Newbery (Deputy)

**In attendance:**

For all Items: Jo Aston (UR), Alan Rainey (Economic Adviser to UR), John Mills (UR), Laura Brien (CRU), John Melvin (CRU)  
For item 3: Nicholas Tarrant (NIEN), Con Feeney (NIEN), Robert O'Rourke (CRU)  
For items 4 and 5: David Egan (CRU), James Curtin (CRU)  
For item 6: Paul Bell (UR via telephone), Kevin Barron (UR via telephone)  
For items 7 and 8: Kevin Hagan (CRU), Aidan Short (ESP Consulting), Robert O'Rourke (CRU)  
For item 9: Elaine Cassidy (UR)

**Apologies:** Jenny Pyper (UR), Odd Håkon Hoelsæter

**Minutes:** Barbara Stevenson (SEMC Secretariat)

**Declarations of interest:** No declarations were made.

**1. Approval and adoption of the agenda**

The agenda was approved and adopted.

**2. Review and approval of minutes from meeting 121 on 28 September 2017**

The minutes from SEM Committee meeting 121 were approved for publication subject to two minor amendments.

**3. Briefing from Northern Ireland Electricity Networks (NIEN)**

Nicholas Tarrant (NIEN) provided an overview and update on progress on the necessary rate of change of frequency (RoCoF) changes in NI as part of the DS3 programme as detailed in his 23 October 2017 letter to the SEM Committee.

He highlighted the circumstances of the Northern Ireland market including a comparison of the large and small scale generation connected to the system as well as planned connections. He provided an overview of analysis and safety assessment carried out on the proposed work. He confirmed approval had been received from the UR to make the necessary changes for large scale generation and that letters had been issued to the relevant generators. An update was provided on the progress that has been made with small scale generation noting SONI's confirmation that they will operate with a 1Hz RoCoF setting in Northern Ireland for all connected generation. It was highlighted that a revised risk assessment would now be carried out by Strathclyde University.

The Committee welcomed progress made and discussed the costs and impacts of not achieving a 75% SNSP. Next steps for small scale generation were discussed including potential risks, potential mitigation measures and timelines for delivery.

#### **4. Directed Contracts (DC) Implementation decision paper**

James Curtin sought approval from the SEM Committee in principle for the directed contracts (DC) implementation for the first DC four rounds in the I-SEM.

He provided an outline of the proposals consulted on as well as the proposed timetable for the first four DC rounds in the I-SEM. He provided detail of consultation responses to issues including the DC timetable for four rounds, DC products, call option, reference price, competition threshold, market concentration model, eligibility model, pricing model and future consultation on contracting in the I-SEM along with the proposed decision on each of these areas.

SEMC discussed the proposals as well as implications for competition, differences between SEM and I-SEM and volumes.

The Committee approved in principle the directed contracts implementation for the first four rounds in the I-SEM and delegated authority for final publication to the project board.

#### **5. Decision paper on ESB's proposed revisions to the directed contracts master agreement and subscription rules**

David Egan presented an overview of ESB's proposed revisions to the directed contracts (DC) master agreement and subscription rules. He provided background to the proposed changes as well as the decision to consult as a result of the volume of proposed changes.

He provided an overview of ESB's proposals for transacting derivative products, ESB's rationale for proposal as well as a summary of feedback from the consultation. The Committee discussed the proposals as well as the opportunity to review following the completion of the DC first round and further opportunities to intervene should evidence of market distortion become apparent.

The Committee approved in principle the decision paper on ESB's proposed revisions to the DC master agreement and subscription rules and delegated authority for final publication to the project board.

#### **6. Approaches to addressing issues with market price spikes**

Jo Aston and Paul Bell presented a paper proposing approaches to respond to market price spikes that have been observed. Noting that this was a SEMC matter, the paper provided an overview and background to an ongoing issue with a NI generator along with the consumer impact, legal considerations as well as an assessment of proposed options.

The Committee discussed at length the current market activity, proposed options as well as implications for the market, other market participants, alternative options, duration of the issues and legal position.

The Committee agreed that further legal opinion is to be sought in relation to the proposed option and this is to be circulated to the Committee for consideration and final approval.

#### **7. I-SEM stage gate update**

Kevin Hagan provided an overview of the I-SEM go-live events and stage gates. He updated the Committee on the status of the stage gates relating to financial transmission rights, capacity market and energy trading including assessment of risk. He also provided detail of next steps. The Committee also discussed state aid and euphemia testing and proposed action.

#### **8. I-SEM/DS3 project updates**

Aidan Short and the Committee noted the I-SEM project update and again noted the State Aid and Euphemia updates.

Robert O'Rourke noted the publication of the DS3 system services tariffs and scalars decision and highlighted the next steps in relation to procurement. The Committee discussed further programme risks and mitigation measures.

#### **9. I-SEM challenge**

SEMC discussed the communication from a market participant requesting the establishment of an appeal panel under s29 of the Electricity Act 1999 in order to determine on the CRU decision in relation to generation and supply conditions published on 15 Sept 2017. It was agreed that the licence modifications in question support key policy decisions required to deliver the I-SEM project and therefore substantive decisions on SEM matters. As such, SEMC members highlighted that this challenge related to SEMC matters and would



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therefore evoke the legislative provisions in relation to co-ordinated working between CRU and UR.

SEMC delegated responsibility for dealing with this appeal challenge to the I-SEM sub-committee who would meet on a regular basis and report back to SEMC at monthly meetings or more frequently as deemed necessary. Such delegated authority was to project manage operational matters arising in the course of the appeal challenge (included but not limited to the preparation and management of files, instruction and liaison with external legal advisors and management of budgets). Such authority is to include such other things as may be necessary or desirable in connection with the appeal challenge, subject to the requirement of SEMC, Utility Regulator board or Commissioner approvals.

The SEM Committee appointed the following members of the regulatory authorities to the project team – Laura Brien, Kevin Hagan and Dana Paraschiv, together with the Regulatory Authorities' legal advisors. The project team membership will be kept under review by the I-SEM sub-committee as the appeal process progresses.

The SEMC also discussed the need to consider any possible implications for the continued delivery of programme milestones with consideration of appropriate contingency plans as necessary.

### **10. Updates**

#### **a. SEMC communications strategy update**

SEMC noted the communications update. Barbara Stevenson advised the Committee of changes to the stakeholder engagement programme including date changes.

#### **b. CRU/Utility Regulator/Independent members**

Paul McGowan provided an update on:

- a recent gas system incident
- emerging connection policy for the electricity system
- retail market review next phase
- storm Ophelia

Jo Aston provided an update on the ongoing CMA referral.

There was no update from the Independent member.

### **11. Review of actions from meeting 121 on 28 September 2017**

The actions were noted.

### **12. SEM correspondence**



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Recent correspondence was considered under agenda item three. No further correspondence was discussed.

**13. AOB**

The SEM Committee thanked Bill Emery in his role of Chair for the past year. They noted and welcomed his continuation in this role for a further one year term.

Signed: Bill Emery  
**Bill Emery, SEM Committee Chair**