

SEM Committee Meeting

Minutes Meeting No. 114

Location: UR Office, Belfast.
Date: Thursday, 23 February 2017
Time: 10.45am – 3.30pm

Member attendees:

Utility Regulator (UR): Bill Emery (SEMC Chair), Jon Carlton.
Commission for Energy Regulation (CER): Garrett Blaney, Aoife MacEvilly, Paul McGowan
Independent members: Odd Håkon Hoelsæter and Professor David Newbery (Deputy)

In attendance:

For all Items: Jo Aston, Alan Rainey (Economic Adviser to UR), and Keith Holmes (Secretariat).
For Item 3: Jean Pierre Miura (UR).
For Item 4: Robert O'Rourke (CER), John Melvin (CER), Brian McHugh (UR), Paul Bell (UR), Andrew McCorriston (UR).
For Item 5: Colin Bell (UR), Karen Shiels (UR), Tom Quinn (CER), Andrew Chattrabhuti (ESP Consulting), Stuart Ffoulkes (ESP Consulting).
For Item 6: David Egan (CER), James Curtin (CER).
For Item 7: Helen Mounsey (I-SEM project manager, ESP Consulting).
For Item 8: Helen Mounsey (I-SEM project manager, ESP Consulting), Robert O'Rourke (CER), John Melvin (CER), Brian McHugh (UR).
For Item 9a: Paul Bell (UR).

Guest attendee :

Dermot Nolan (CEO of OFGEM). In attendance for an informal meeting with the committee prior to the SEM Committee meeting and for agenda items 1 to 5.

Apologies :

Jenny Pyper (UR) – due to attendance at the Planning appeals commission hearing with regards to the North/South interconnector.

Laura Brien (CER).

Minutes : Keith Holmes (Secretariat)

Declarations of interest: No declarations were made.

1. Approval and adoption of the agenda

The agenda was approved.

2. Review and approval of minutes from meeting 113 on 27 January 2016

A number of editorial amendments were proposed and accepted by the committee. The amended minutes were approved for publication.

3. Decision on Forwards & Liquidity 2 decision paper

Jean Pierre Miura presented an update on the Forwards & Liquidity 2 decision paper. During this update, the committee discussed each proposed decision. The key discussion points for each decision were;

Decision 1: Intervention in the I-SEM Forward market

- Who can intervene in the market.
- The time period for the intervention.

Decision 2: Policies to reduce barriers to forward energy transactions.

- The mix of forward products, in particular clip sizes.

Decision 3: ESB's ring-fencing arrangements.

- Reasons for the existence of ring fencing.
- The development of a future review process for ring fencing.

Decision 4: Consultation on directed contracts allocation process.

- A new consultation upon alternatives to the current allocation process for directed contracts.

The committee approved the decision paper in principle and delegated the approval of the final decision paper to the I-SEM sub-committee.

4. DS3 re-plan, Industry information paper and Revised project plan

Robert O'Rourke presented a summary of the future approach for DS3 system services to the committee. Areas discussed with the committee were;

- The approach and timelines for regulated arrangements, competitive arrangements and incentives.
- Resource commitments and options to deliver the project.

The committee endorsed the plan and timeline.

The committee delegated the approval of the final plan and the final information paper to the I-SEM sub-committee.

The committee delegated the approval of the TSO tariffs to the DS3 project board.

5. CRM parameters emerging thinking

Colin Broomfield presented an update to the committee with regards to the emerging thinking of the CRM parameters. Areas discussed with the committee were;

- CRM parameter decision timings.
- Revised plans for transitional auctions.
- Key parameter decisions.

A draft note relating to the CRM parameter issues raised by market participants was also presented to the committee. It was noted by the committee that this draft note was very helpful.

Dermot Nolan was invited to give an update with regards to the GB experiences of capacity auctions.

The project team informed the committee that a final decision paper will be presented to the SEM committee March meeting (SEMC 115).

6. Market Power – update on emerging thinking of bidding controls and legal advice

David Egan and James Curtin presented slides to the committee. These slides set out the background and the rationale for the emerging thinking of the bidding controls paper. Information was also presented with regards to the legal advice received in response to the key decision paper issues. A summary of the next steps was also provided. This information was discussed with the committee. The project team informed the committee that a final decision paper will be presented to the SEM committee March meeting (SEMC 115).

7. Draft UR internal audit paper

Helen Mounsey provided an update on the response to the ten specific recommendations as noted in the 'Review of governance structures supporting the I-SEM programme' performed by Capita. This was followed by a discussion with the committee. It was noted that all ten recommendations had been satisfactorily recognised and addressed. It was also suggested to re-engage with Capita to perform a further review not before the second half of June 2017.

8. I-SEM/DS3 project updates

I-SEM

Helen Mounsey provided a progress update to the committee. Overall project progress is ok with no late level 1 milestones. It was also noted that April 2017 will be a busy month with several decision papers to be published.

The risks potentially impacting project timelines with regards to T&SC, ETA parameters, I-SEM system and services build and market coupling were also discussed with the committee.

DS3

Robert O'Rourke provided a progress update to the committee. Points discussed with the committee were:

- The publication of the industry information paper - still on track, resourcing challenges were also noted.
- RoCoF generator workstream is progressing well. ESNB have been engaging with the embedded generators. NIE have published a consultation on cost recovery. Utility Regulator is planning to engage with NIE to review their timelines and overall workstream status.
- SNSP – The 60% SNSP limit trial has been extended.

9. Updates

A – Q4 2016 RA MMU public report

The new version of RA MMU public report was presented to the committee. Paul Bell provided a summary of the key messages, this was followed by a discussion with the committee. Feedback was provided with regards to the content of the report.

B – SEMC communications strategy update

Agenda item noted as read.

C – I-SEM and DS3 hymn sheets

Updated hymn sheets discussed by the committee.

D – CER/NIAUR/independent members

CER

- Update provided with regards to the north south interconnector.
- Retail report re review of electricity and gas markets has been issued. Positive feedback noted.

UR

- Progress update provided with regards to the north south interconnector.

Independent Members

- Odd Håkon Hoelsæter – provided an update of the meetings he had attended.
- Professor David Newbery – no further updates.

10. Review of actions from meeting 113 on 27 January 2017

Actions were updated.

11. SEM Correspondence

Letters from an energy company to discuss forwards and liquidity decision paper – correspondence noted, one response to be drafted.

Letters from an energy company re proposed regulatory controls in the I-SEM energy and capacity markets and the draft response were presented to the committee. Draft response was approved.

12. AOB

No further items discussed.



Signed: _____

Bill Emery, SEMC Chair