

## **SEM Committee Meeting**

### **Minutes Meeting No. 185**

**Location:** Video-conference

**Date:** Thursday 25<sup>th</sup> August 2022

**Time:** 9.00am –11.30am

#### **Member attendees:**

Commission for Regulation of Utilities (CRU): Paul McGowan (SEM Committee Chair), Jim Gannon

Utility Regulator (UR): Bill Emery, Jon Carlton (items 1 – 7), John French

Independent members: Odd Håkon Hoelsæter, Professor David Newbery (Deputy)

#### **In attendance:**

For all items: John Melvin (CRU), Colin Broomfield (UR)

For item 3: Roisin McLaughlin (UR), Elaine Cassidy (UR)

For items 3 and 4: Gordon Downie (Shepherd and Wedderburn)

For items 4 - 12: Alan Rainey (Economic Adviser to UR)

For item 4: Sheena Byrne (CRU), Gavin Miller (CRU)

For item 5: Thomas Quinn (CRU)

For item 6: Leigh Greer (UR), Karen Shiels (UR), Barry Hussey (CRU)

For item7: Daniel Barnes (UR)

**Apologies:** Aoife MacEvilly (CRU)

**Minutes:** Barbara Stevenson (SEM Committee Secretariat)

**Declarations of interest:** None

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

The agenda was approved and adopted.

#### **2. Review and approval of minutes from meetings 183, Thursday 28<sup>th</sup> July 2022 and 184, Thursday 11<sup>th</sup> August 2022**

The minutes from SEM Committee meetings 183, Thursday 28<sup>th</sup> July 2022 and 184, Thursday 11<sup>th</sup> August 2022 were agreed subject to minor amendments.

#### **3. SONI governance**

It was noted that the Committee decided on 8 June 2022 that the UR's proposed licence modification on SONI governance was not a SEM matter. The Committee had been notified that UR had subsequently made certain revisions to the text of the

proposed modification and had requested that the Committee consider those revisions.

The Committee has done so and has agreed that, having regard to its decision of 8 June, the revised text of the proposed modification should not attract any different categorisation to that given to the proposed modification considered on 8 June.

#### **4. Imperfections charges tariff year 2022-2023**

Background detail in respect of the imperfections tariff for 2022-2023 including options consulted on was summarised. Sheena Byrne provided an update on engagement with the TSOs and recently received correspondence from EirGrid in relation to the imperfections tariff was discussed.

Gavin Miller presented analysis conducted since the publication of the consultation to reflect the substantial increases in international wholesale fuel costs, end market prices and commodities futures prices. Adjustments proposed in relation to the dispatch of pumped storage and System Operator Interconnector countertrading were detailed. Options in relation to a biannual review of imperfection charges and K-factor recovery were presented.

The Committee considered consumer impact of the imperfection charges, TSO financeability and risk of significant under-recovery which could increase costs even further next year.

The Committee approved the imperfections charge as submitted by the TSOs with downward adjustments proposed by the RAs. The Committee also approved bi-annual reviews of the imperfection charge and k-factor recovery. Oversight Committee is to draft and issue a letter to the TSOs requesting a review of their contingent capital arrangements.

#### **5. Firm access methodology**

The Committee discussed the work progressed by CRU in relation to firm access methodology and agreed it was a SEM matter.

The approach to firm access in Northern Ireland and Ireland was summarised. The potential impact on capacity and RESS auctions was discussed and need to expedite work in this area stressed. The need for further engagement with the TSOs was outlined.

The Committee delegated authority to the Oversight Committee to develop a SEMC consultation on this matter.

## **6. Generation capacity statement update**

Leigh Greer summarised previous Committee discussions on the GCS, engagement with the TSOs and recent submission of the draft document.

Concerns in relation to assumptions made by the TSOs and lack of consideration of feedback was discussed. Links with the National Resource Adequacy Assessment process and ongoing work of review of the CRM by Ernst and Young were noted.

The Committee discussed the importance of the GCS in assisting in regulatory and policy-making decisions including the setting of volumes in capacity auctions. The need to develop a more collaborative and reliable GCS was stressed.

The Committee provided direction to Oversight to draft and issue a letter to the TSOs seeking improvements to the GCS process.

## **7. MMU update**

The Committee noted the circulated MMU update report.

Daniel Barnes provided further detail of key market outcomes during July including DAM prices, fuel prices and wind availability. An update on market prices so far in August was also provided. Comparison with other European markets, forward prices and clean and dark spark spreads were detailed.

## **8. FWP update**

The Committee discussed the update on progress of the Forward Work Programme including projects that may not be completed by the end of the FWP year. An overview of additional projects that have been undertaken outside the published FWP was discussed.

## **9. Updates**

### **(a) SEMC communications and governance update**

The Committee noted the circulated procurement tracker and Oversight decision log. Barbara Stevenson updated the Committee on recent communication activities and ongoing recruitment process.

### **(b) CRU/UR/Independent Members**



Jim Gannon provided an update on security of supply, consumer protection measures in light of high energy prices and CRU recruitment campaign.

John French provided an update on energy prices, the Ofgem price cap and UK Energy Bill Support Scheme roll out in Northern Ireland.

David Newbery noted the upcoming 2022 MIT CEEPR & EPRG European Energy Policy Conference.

### **(c) Legal update**

A verbal update on ongoing legal issues was provided.

### **10. Review of actions from meetings 183, Thursday 28<sup>th</sup> July 2022 and 184, Thursday 11<sup>th</sup> August 2022**

The Committee noted the update on actions.

### **11. SEMC correspondence**

The Committee discussed received correspondence, provided direction for response and delegated authority to the Oversight Committee for drafting and issue.

### **12. AOB**

None

A handwritten signature in black ink, appearing to read 'Paul McGowan', written over a horizontal line.

**Signed:** \_\_\_\_\_

**Paul McGowan, SEM Committee Chair**