

SEM Committee Meeting

Minutes Meeting No. 121

Location: Ballymascanlon Hotel, Dundalk

Date: Thursday, 28 September 2017

Time: 10.15 – 16.00

Member attendees:

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

In attendance:

For all Items: Jo Aston (UR), Alan Rainey (Economic Adviser to UR), John Mills (UR)

For items 1 – 4: John Melvin (CER),

For items 4 – 13: Laura Brien (CER)

For item 3: Paddy Larkin (Mutual Energy)

For item 4: Robert O'Rourke (CER), Andrew McCorriston (UR), Mo Coolan (CER), Bobby Smith (CER), Rosemary Steen (EirGrid), Jon O'Sullivan (EirGrid), Eoin Kennedy (EirGrid)

For item 5: Colin Broomfield (UR), Lesley Robinson (UR), Tom Quinn (CER), Andrew Chattrabhuti (ESP consulting), Stuart Ffoulkes (ESP consulting)

For item 6: Andrew McCormick (Department for the Economy), Michael Manley (Department of Communications, Climate Action and Environment), Helen Mounsey (ESP consulting)

For item 9: Joe Craig (UR), Tony Doherty (UR), Marc Curran (CER)

Apologies: Laura Brien for items 1, 2 and 3

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 120 on 31 August 2017

The minutes from SEM Committee meeting 120 were approved for publication subject to the addition of minor amendments and points of clarification.

3. Briefing from Mutual Energy

Paddy Larkin updated the Committee on the full return to service of the Moyle Interconnector from 0600 on 27th September 2017. He provided a presentation to the Committee on the



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Moyle HV fault including background, nature of the fault, key findings from the investigation, overview of the repair process and views on reoccurrence.

The Committee questioned further a number of issues including the economic life of the cable as well as the insurance arrangements in place for the Moyle Interconnector.

4. System services enduring tariffs and scalars

Robert O'Rourke presented this item to the Committee providing an overview of the high level design, progress to date, proposals and key considerations. The Committee also received an update from EirGrid who presented proposals for the regulated arrangements for DS3 system services including guiding principles, payment structure and procurement.

SEMC discussed at length the proposals including questioning EirGrid on the justification, benefit, value and cost of the services to consumers, entry and exit signals for market participants, transparency, conditionality, the need for competition and fluctuation in tariffs in varying scenarios. SEMC requested further analysis to demonstrate the value of proposals.

Further discussions also took place on the enduring tariffs cap, contractual certainty and incentives for new investment, opportunities for competition, cancellation conditions and links to other workstreams.

In closing SEMC:

- Requested further detailed information from the TSOs and RAs including a further analysis to demonstrate value of proposals in respect of high wind years and average spend.
- Confirmed the budget cap of €235m applied in years post 2020 until such time as SEMC decides otherwise
- Confirmed the budget cap and glide path were in nominal terms and not subject to inflationary adjustments
- Decided that the regulated services should be procured for a period of five years following tariff approval, subject to the inclusion of cancellation clauses and conditional tariff reviews
- Noted the conditional reviews proposed had not yet been developed and asked the TSOs to
 - include details in their paper on the conditions and triggers that would precipitate tariff reviews
 - detail the process for conducting reviews
 - ensure that the tariff reviews and tariff changes would be legally implementable
- Agreed that competitive procurement arrangements be introduced for high availability units with contracts and tariff rates fixed for up to 6 years
- Asked that the recommendation and additional information be circulated to SEMC by correspondence for decision



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5. Unit Specific Price Cap (USPC) applications

Colin Broomfield presented a paper and accompanying presentation asking the Committee to approve the proposed USPC principles and recommendations.

He provided detail of the applications and approach taken by the RA's noting the consistency across all applications. He updated the Committee on responses to draft decisions from applicants as well as the key issues and potential outcomes.

SEMC discussed the details of the applications further including any variations between applications. They commented on the need to emphasise that applicants should not be able to recoup the same costs in both energy and capacity markets and highlighted that any misrepresentations made by applicants would be considered in relation to the market manipulation provisions.

Following detailed discussions SEMC:

- approved the principles for this round of the USPC application process
- approved the USPC decisions as outlined in the SEMC paper subject to minor amendments
- delegated authority to the Project Board to issue the final USPC decisions to applicants
- delegated authority to the SEMC sub-committee to approve and publish an information note on USPC principles

6. I-SEM/DS3 project updates and discussion with Departments

The Department for the Economy and Department of Communications, Climate Action and Environment joined the meeting and discussed progress on the I-SEM as well as other strategic items including Brexit and discussions with the European Commission and Whitehall. Both Departments commended the SEMC on progress that has been made to date and reaffirmed their commitment to the go-live date of 23 May 2018.

Helen Mounsey provided a progress update to the Committee and Departments. Key areas highlighted were:

- Publication of licence modifications
- Commencement of testing
- Participant training
- Market trials
- Participant readiness
- Euphemia
- State Aid

Robert O'Rourke provided a DS3 update noting:

- Tariff deadlines
- Publication of qualification trial results



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- RoCoF
- Increase of SNSP

7. Approval of balancing market principles statement

The Committee noted the paper and highlighted changes may need to be made in advance of I-SEM go-live with any material changes being brought back to SEMC for decision.

SEMC approved the Balancing Market Principles Statement as outlined in the paper.

8. Approval of the agent of last resort contract

The Committee noted the agent of last resort contract as outlined in the accompanying paper.

SEMC approved the form of the agent of last resort contract.

9. SEMO PC draft determination

Joe Craig presented a paper and presentation on proposals for the SEMO price control 2018-21. Aspects of the price control were discussed including opex, capex, financeability and KPIs. A further discussion took place on implications of the recent TSO price control and CMA referral.

SEMC approved the draft determination.

10. Updates

a. SEMC communications strategy update

Barbara Stevenson presented the communications update and provided SEMC with an overview of ongoing activity. A copy of a new I-SEM quick guide was circulated to SEMC for comment and a further overview of new materials and stakeholder engagement was provided.

b. CER/Utility Regulator/Independent members

Paul McGowan along with the rest of the SEMC congratulated Garrett Blaney on his recent appointment as the Chair of the ACER Board of Regulators and President of the Council of European Energy Regulators (CEER).

Paul McGowan updated the Committee on:

- the publication of the delivery plan for smart meters in Ireland;
- name change from Commission of Energy Regulation to Commission for Regulation of Utilities;
- OECD review



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Jenny Pyper updated the Committee on:

- Brexit discussions
- SONI CMA referral
- NIEN price control (RP6)
- GNI price control

The Committee welcomed the reappointment of Odd Håkon Hoelsæter and Professor David Newbery as independent members of the Committee for a further 5 year term.

11. Review of actions from meeting 120 on 31 August 2017


The actions were reviewed and updated.

12. SEM correspondence

SEMC reviewed recent correspondence and provided direction on letters of response.

13. AOB

None

Signed:  _____
Bill Emery, SEM Committee Chair