



**Enduring Licensing and Contractual  
Framework Applying under the SEM and  
associated changes for EU Directive  
Compliance in Northern Ireland**

**Consultation Paper**

**AIP/SEM/07/11**

**2 February, 2007**

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# 1 Introduction

## 1.1 General

The introduction of the Single Electricity Market (SEM) in the Island of Ireland represents a significant change to the existing arrangements for the purchase and sale of wholesale electricity in both the Republic of Ireland (RoI) and Northern Ireland (NI).

In addition to changes to the statutory framework underpinning the wholesale electricity arrangements in both RoI and Northern Ireland, the introduction of the Single Electricity Market will involve changes to the licensing and contractual framework supporting the operation of the wholesale electricity market. Whilst these changes to licences and contracts are substantial in the Republic of Ireland (including, for example, the introduction of the All-Island Trading and Settlement Code, a newly licensed activity of market operator, widespread changes to the Grid Code and system operator licence etc.) the changes in Northern Ireland are even more significant. There are two principal reasons for this.

First, the introduction of the SEM in Northern Ireland includes the establishment of a separately licensed company carrying out the activity of system operation (which will ultimately be corporately separated from generation and supply affiliates). This means that unlike in the Republic of Ireland, the introduction of the SEM in Northern Ireland includes the additional development of a new system operator licence, associated changes to the transmission ownership licence and the requirement for associated consequential changes to a significant number of contractual relationships.

Second, the introduction of the SEM in Northern Ireland is taking place at the same time as a number of other significant changes (most notably restructuring arrangements which principally affect NIE) to meet the requirements of EU Directive 2003/54/EC and the introduction of full retail competition. For example, in order to meet the Directive requirements, it is intended that the supply and PPB activities associated with NIE will be undertaken on a legally separate basis from the activity of Distribution system operation. The separation of these activities will result in the need to separate existing licensed organisations and the requirement to amend or establish the associated contractual framework. Changes to both licences and contracts for these purposes interact with the changes required for the SEM. Furthermore, similar issues and interactions arise with the introduction of full retail competition.

This document sets out a description of the high-level licensing and contractual arrangements that will be put in place in order to support the introduction of the SEM, the Directive compliance and the retail competition changes in Northern Ireland, all planned for November 2007. Whilst it is intended that this document will give a broad overview of the arrangements envisaged to be in place from November 2007, it is intended to provide a general overview only and not a complete and detailed statement of all the changes required. Furthermore, the principal purpose of this document is to set out a description of the enduring legal framework that will apply from November 2007 following the introduction of the SEM. It does not seek to identify transitional changes that will be needed to contracts and licences in the period between SEM go-active and SEM go-live (i.e. in the period between July 2007 and November 2007) nor does it discuss in any detail the run-off of the existing legal framework. Finally, it should be noted that the

proposed arrangements described in this document may be subject to change as the detail in certain areas is further developed.

## **1.2 Outline of Paper**

The following sections of this paper comprise:

- Section 2 which provides an overview of the high-level changes to licences and contracts;
- Section 3 which sets out a more detailed description of the changes arising from specific elements of the SEM, Directive compliance and retail competition initiatives; and
- Section 4 which includes a document-by-document summary of the high-level changes that are proposed.

## **1.3 Responding to this consultation**

The Regulatory Authorities would be interested to receive the views and comments of interested parties on the proposals contained within this consultation. The Regulatory Authorities intend to publish all comments received. If any respondent wishes certain sections of their submission to remain confidential they should submit these sections as an appendix marked confidential. Comments on this paper should be forwarded to Donna Hamill, preferably in electronic form and not later than 5.00pm on the 2<sup>nd</sup> March 2007:

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## **2 High-Level Overview of Changes to Licences and Contracts**

### ***2.1 Overview in the Republic of Ireland***

Whilst, for the reasons described above, the scope of the changes to licences and contracts in Republic of Ireland associated with the introduction of the SEM is somewhat more limited than the changes in Northern Ireland, there are nevertheless a relatively significant number of changes to be made to the arrangements in the Republic Of Ireland.

At a high-level, the following changes have been identified as being required:

- The introduction of the All-Island Trading and Settlement Code.
- The development of a new licence governing market operation and new contractual arrangements governing the interaction between the two market operator licensees.
- The amendment of the Eirgrid system operator licence to set out arrangements for all-island treatment of certain transmission related functions and the introduction of a new contract between the two system operators to support such inter-regional arrangements.
- The introduction of changes to the ROI Grid Code to reflect changes in operation and development of the ROI transmission system under the SEM.
- Changes to use of system agreements to confer all-island use of system rights on transmission users congruent with the geographic footprint of the wholesale market.
- The introduction of new arrangements to deal with market power (e.g. Short Run Marginal Cost bidding and directed contracts).
- Consequential changes to electricity licences and contracts in general to reflect SEM introduction.

### ***2.2 Overview in Northern Ireland***

In addition to changes equivalent to those identified above for ROI, the following high-level changes have been identified as being required in Northern Ireland:

- The granting of a new licence to participate in transmission to SONI as System Operator following revision to the prohibition on transmission to that of “participation in transmission” and putting in place arrangements which reflect the establishment of a system operator that is to be divested from affiliates with generation or supply interests.
- The novation/amendment of contracts for connection to and use of the (all-island) transmission system so that such arrangements for the SEM are in place between SONI and users in Northern Ireland.
- Amendment of the transmission licence of NIE to be a licence to participate in transmission as transmission owner, based on a division of transmission responsibilities between the SO and TO broadly similar to that in Scotland.
- The introduction of a new Transmission Interface Agreement between SONI as SO and NIE as TO.

- Further changes to the NI Grid Code to reflect the fact that under the SEM, this will be an SO document.
- For the purposes of Directive compliance, the separation of Distribution System Operation from the Supply and PPB activities of NIE. In order to achieve this, it is intended that NIE will hold a licence to participate in transmission which covers the activities of transmission ownership, distribution ownership and distribution system operation. PES supply<sup>1</sup> and PPB activities will be undertaken in a separate company.
- Additional contractual changes will be required to support the above arrangements. In some cases, these changes are required as a consequence of the introduction of the SEM and in others as a consequence of the introduction of the Directive. Some contracts are amended as a consequence of the introduction of both. For example, consequential amendments to the PPB contracts will be required as a consequence of the SEM; that new “Intermediary Agreements” are proposed between PPB and PPB Generators; and a new “Transmission Interface Agreement” will be required between SONI and NIE T&D. These and other changes are described further in the next section.
- Consequential changes to electricity licences for Directive compliance and SEM purposes.
- As part of the introduction of full retail competition in Northern Ireland, it is envisaged that changes will be made to the existing Order to remove references to the “PES” activity. Furthermore, it is also understood that additional changes will be made to support the establishment of new Supplier of Last Resort arrangements. Both these changes will lead to consequential amendments in licences and contracts.

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<sup>1</sup> As is discussed later, it is envisaged that the concept of a PES in Northern Ireland will be discontinued as part of the reforms to introduce full retail competition, although the former PES activity will retain some specific licence conditions reflecting its legacy and relative monopoly position.

## **3 Detailed Description of Changes**

### **3.1 Introduction**

This section sets out a more detailed description of some of the principal changes that it is intended will take place as a consequence of the introduction of the SEM in ROI and NI and the EU Directive/full retail competition in NI. It does this by focusing in on a number of specific reforms that are proposed to take place and identifying at a high-level the consequences of these for the licensing and contractual framework (and in some cases the additional changes that it is expected will be brought forward to the existing statutory framework). This analysis is supplemented by a document by document explanation of the proposed changes in Section 4.

### **3.2 SONI Separation**

In the interests of promoting competition, independence of the transmission system operator is seen as an important element of the SEM reforms.

Ideally therefore from initial SEM implementation the activity of system operation in both jurisdictions would be carried out by organisations that are fully independent from those with generation and supply interests. It has however been accepted that it is not practical for SONI to be corporately divested from its generation and supply affiliates in the same timescales as SEM implementation. Thus, whilst SEM legislation in NI provides for the divestment of an appropriately functioning system operator activity, and it is intended that the principal structural changes to licences and contracts will be made for initial SEM implementation, it is not anticipated that actual divestment will take place by November 2007. Instead, it is currently expected that this separation will take place by November 2008.

Furthermore, NIE are following a process of voluntary divestment of SONI and that if this process is undertaken in a timely manner, the powers available in legislation to require divestment would not need to be exercised. It is proposed that the changes to be made for initial SEM implementation will include certain changes that anticipate the subsequent divestment of SONI (for example separate licensing of SONI, etc.).

From a functional perspective, it is proposed that the split in transmission-related responsibilities between SONI as system operator and NIE as transmission owner will be broadly equivalent to the split in functionality between NGC as GB system operator and the Scottish transmission owners (Scottish Power Transmission Limited and Scottish Hydro-Electric Transmission Limited) in Scotland<sup>2</sup>. This means that SONI will be responsible for activities which include (amongst other things) the following (acting in various degrees in conjunction with Eirgrid as part of the SEM):

- scheduling and dispatch of generation;
- configuration of the transmission system;
- offering terms for and contracting for connection and use of system;
- coordinating transmission issues with ROI (through Eirgrid);

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<sup>2</sup> Although there will be some more detailed differences for example given SONI's existing functionality, it is intended that they will be responsible for safety switching.

- transmission outage planning;
- contracting for procurement of ancillary services; and
- having in place and enforcing the NI Grid Code.

NIE would be primarily responsible for (amongst other things):

- making its transmission network available to SONI (provision of “transmission services”)
- asset maintenance
- construction and associated project management
- transmission investment planning

Arrangements for coordination between NIE T&D and SONI in relation to matters such as transmission outage planning, transmission investment planning etc. would be included in the Transmission Interface Agreement, a new contract which both transmission licensees would be required to enter into and comply with. This will be a new document implemented as part of the SEM arrangements and is equivalent in purpose to the SO-TO Code in GB (or the Infrastructure Agreement in ROI). Disputes between the system operator and asset owner arising in relation to the transmission interface agreement (including, for example, disputes over proposed investment plans, outage plans etc.) would be referred to the Authority for determination.

Contracts for connection to and use of the transmission system currently in place between NIE and NI users would be transferred to SONI as part of the introduction of the SEM. This process may require the establishment of some new contracts (for example a new transmission use of system agreement between NIE’s former PES supply activity and SONI will be required) and contractual arrangements covering the connection of the Distribution System to the transmission system will be required between SONI and the NIE Distribution activity. In light of the fact that the NI distribution activity will be carried out by NIE T&D (and will be covered by a licence to participate in transmission), it is envisaged that the SONI-Distribution contractual arrangements may be dealt with in the Transmission Interface Agreement between SONI and NIE T&D. As part of the introduction of the SEM, it is also intended that agreements for use of the transmission system in both ROI and NI will be amended to give users rights to use both transmission systems so that their access rights are consistent with the scope of the wholesale market under the SEM.

Another consequence of the separation of SONI is the requirement to amend the NI Grid Code to establish the document under SONI’s licence (and not NIE’s licence) and further to reflect the split in ownership and operation of the transmission system in Northern Ireland. These changes are in addition to changes equivalent to those needed to the ROI Grid Code to reflect the joint nature of certain transmission processes (e.g. generation scheduling) under the SEM. Furthermore, in light of SONI’s separation from the distribution activity, consideration is being given to the introduction of a new, separate Distribution Code. It is envisaged that if such a document is introduced for November 2007, it would initially have only a limited functionality and the NI Grid Code would continue to be dealt a number of distribution-related matters. Over time, the scope of the distribution code would be extended (and the scope of the Grid Code correspondingly reduced) in timescales after the initial introduction of the SEM.

It is noted that draft SO licences for both SONI and Eirgrid reflecting the above arrangements have already been published for consultation on the AIP website.

### **3.3 Separation of Supply and PPB from Distribution System Operation**

As part of the introduction of the EU Directive, it is necessary for transmission and distribution system operation activities to be legally separated from the activities of generation and supply. Whilst the legal separation (and subsequent corporate separation) of the transmission system operation activity is being dealt with as part of the introduction of the SEM, this is not the case with the activity of distribution system operation, which is instead being addressed as part of the introduction of the Directive. In order to achieve Directive compliance, it is envisaged that NIE's PPB activity and current (PES) supply activity will be undertaken by a company that is legally separated from NIE T&D.

In order to minimise change and to retain the synergies of jointly carrying out distribution system operation, distribution ownership and transmission ownership, it is envisaged that NIE T&D will continue to carry out the TO, DO and DSO activities in a single company, and that these three activities would be subject to conditions imposed by a licence to participate in transmission (under this arrangement, there would be no requirement to commence a new prohibition on participation in distribution).

The NIE supply activity (formerly the PES activity) would be carried out by a separately licensed supplier. In light of the market power that the former PES would hold in NI and as a consequence of the historical role of the PES, it is anticipated that a number of particular conditions would apply in the former PES supply licence. These may, for example, include conditions relating to: price/revenue restrictions; non-discrimination obligations; certain business separation obligations; particular obligations in relation to the supplier of last resort role; economic purchase obligations, etc. These are currently in development and will form the basis of a consultation in the near future. It is also expected that from initial SEM implementation, the full retail competition solution will not incorporate arrangements for "global aggregation". Consequently the demand in NI assigned to the former PES will initially be determined as the difference between total NI demand and the demand assigned to customers of other Suppliers.

As part of the Directive implementation, it is also envisaged that along with the (former PES) NIE supply activity, the NIE PPB activity will also be separated from the DSO function. This means that there will need to be a change in the contractual counterparty to the PPB contracts as a consequence of the introduction of the Directive. The details of exactly how this will operate continue to be developed and will also form the basis of a separate future consultation. Whatever solution is adopted, it is expected that strong business separation arrangements will need to be put in place to ensure strict non-discrimination by the PPB activity in favour of the former PES (or any other activities of its affiliates).

Given that SONI separation is being progressed as part of the introduction of the SEM, from a licensing and contract perspective, it is envisaged that the implementation of the Directive will result in current NIE activities being separated into two further separate companies. These will include one company that carries out the activity of TO, DSO and

DO and which holds a single licence to participate in transmission and another company which encompasses the former PES supply activity and the PPB activity. The second of these companies would hold a supply licence which it is anticipated will include appropriately strong ring-fencing conditions between the PPB and supply activities. It is also envisaged that NIE T&D, the PPB activity and all NI Suppliers would be required to enter into a new “PSO” related contract which would provide for PSO levy payments to be made between all NI Suppliers and the PPB activity and NIE T&D.

### ***3.4 SEM changes in ROI and NI in general***

There are a number of general changes that are being made to licenses and contracts in both ROI and NI as a consequence of the introduction of the SEM. The introduction of a new All-Island Trading and Settlement Code is an obvious example of these changes. This will need to replace the existing TSC applicable in ROI and the arrangements under the Supply Competition Code in Northern Ireland.

Other new arrangements include the introduction of new licences for SEM operator (otherwise referred to as the “Market Operator” activity). An initial consultation on the proposed MO licences has already been undertaken. It is proposed that the relationships between the two MOs and the two SOs will be governed by the introduction of two new contracts, the MOA and the SOA respectively. Conditions of MO and SO licences will require accession to and compliance with these new contracts.

Generation and supply licences will need to be amended to require compliance with the new All-Island Trading and Settlement Code. Other changes will also be needed, for example a number of conditions will be introduced to mitigate market power (SRMC bidding and, in some cases, the requirement to offer directed contracts). Other general consequential changes will be needed. For example it is proposed that PPB generators will be required to enter into Intermediary Agreements with PPB.

A document-by-document description of the high-level changes initially envisaged is included in section 4.

### ***3.5 The introduction of full retail competition in NI***

It is also expected that the introduction of full retail competition in Northern Ireland will require changes to licences and contracts. In particular, it is envisaged that new conditions will be required in supply licences governing the behaviour of suppliers of domestic customers. New arrangements for customer registration and for determining supplier takes are being developed, for example under the Market Registration Code which, it is envisaged will need to be underpinned by new licence and contract obligations.

## 4 Document Specific Changes

### 4.1 Introduction

In this section, the high-level changes to documents are summarised on a document-by-document basis. These summaries are intended to give a broad overview to the scope of the arrangements expected to be introduced. Again, it should be noted that these proposals are potentially subject to change.

### 4.2 Matrix of changes envisaged

Document	SEM Changes	Changes for Directive Compliance/Full Retail Competition in NI	Comments
NI MO licence	<p>New licence to be granted to SONI. Principal conditions include requirements to:</p> <ul style="list-style-type: none"> <li>enter into and, in conjunction with other MO Licensee, establish and at all times maintain in force, the SEM TSC;</li> <li>comply with the TSC;</li> <li>enter into and comply with, and, in conjunction with the other MO licensee, at all times maintain in force, the MOA.</li> </ul> <p>See consultation draft for more details</p>	None	Initial draft published for consultation
ROI MO Licence	As above	None	Initial draft published for consultation
NI SO Licence	<p>New licence to be granted to SONI. Principal conditions include requirements to:</p> <ul style="list-style-type: none"> <li>have in force, implement and comply with a Grid Code;</li> <li>in common with the TO to, prepare, obtain the Authority's approval of, and at all times have in</li> </ul>	None (TBC)	<p>Initial draft published for consultation.</p> <p>It is assumed that the prohibition on participation in</p>

Document	SEM Changes	Changes for Directive Compliance/Full Retail Competition in NI	Comments
	<p>force, implement and comply with, arrangements the TIA;</p> <ul style="list-style-type: none"> <li>• co-ordinate and direct the flow of electricity onto and over, the transmission system;</li> <li>• have arrangements sufficient to meet the operating security standard at all times;</li> <li>• in conjunction with the ROI SO, establish and operate, a merit order system for SEM Generation;</li> <li>• accede to and comply with the TSC</li> <li>• enter into, comply with and maintain in force the SOA;</li> <li>• offer terms for connection to the transmission system and use of the all-island transmission systems;</li> <li>• not exceed the limits to which transmission services are provided by the TO.</li> </ul>		<p>transmission will be put into effect in NI and that the SONI SO licence will therefore be a licence to carry out this activity.</p> <p>SONI divestment to form part of the SEM arrangements, although some time after the initial implementation of the SEM.</p>
ROI SO Licence	<p>Amendment of the existing licence applying to Eirgrid. The existing licence already broadly covers the same scope as the new NI SO licence although some there are some amendments required for SEM. The principal amended conditions include:</p> <ul style="list-style-type: none"> <li>• the aims of the licensee;</li> <li>• requirement to enter into, have in force and comply with the SOA;</li> <li>• requirement to accede to and comply with the TSC;</li> <li>• in conjunction with the NI SO, establish and operate a merit order system for SEM Generation.</li> </ul>	N/A	Initial draft published for consultation

Document	SEM Changes	Changes for Directive Compliance/Full Retail Competition in NI	Comments
NI TO Licence	<p>Changes to the existing transmission licence will be required to reflect the separation of the SO activity. NIE's existing transmission licence will become a licence to participate in transmission and will cover transmission ownership related activities and distribution. It is expected that the transmission-related licence conditions will include:</p> <ul style="list-style-type: none"> <li>• in common with the SO to, prepare, obtain the Authority's approval of, and at all times have in force, implement and comply with, arrangements the TIA;</li> <li>• having an obligation to provide transmission services to the SO;</li> <li>• being required to plan and develop the transmission system in accordance with relevant standards;</li> <li>• offering terms to the SO following applications for connection/all-islands use of system to the SO;</li> <li>• Non-discrimination obligations and prohibitions in relation to certain activities;</li> <li>• Independence and compliance conditions.</li> </ul> <p>Distribution – related conditions which are also to be included are expected broadly to reflect the distribution-related obligations in NIE's existing licence, although in a number of cases, it is likely to be necessary develop distribution specific obligations after having taken out the SO – related activities.</p>	<p>In addition to the SEM-changes to separate out SONI, Directive changes will be made to support the introduction of full retail competition.</p>	<p>It is assumed that the prohibition on participation in transmission will be put into effect in NI and that the NIE TO licence will therefore become a licence to carry out this activity.</p>
ROI TO Licence	<p>No changes expected.</p>	<p>N/A</p>	<p>Some consequential amendments possible.</p>

Document	SEM Changes	Changes for Directive Compliance/Full Retail Competition in NI	Comments
NIE PES Supply Licence	<p>SEM-related arrangements are expected to include an obligation to accede to and comply with the TSC. Non-discrimination obligations will also apply under the SEM.</p> <p>A new obligation to enter into and comply with the PPB-Supplier "PSO contract" to be put in place</p> <p>Ring-fencing arrangements separating PES from other group affiliate businesses or activities will be required.</p>	<p>It is initially viewed that the following will be required:</p> <p>Removal of the separate PES concept in the order such that the licence becomes simply a licence to supply.</p> <p>Additional general licence conditions relating to the introduction of retail competition would apply. These may include:</p> <p>Arrangements relating to Supplier of Last Resort.</p> <p>Possible business separation arrangements from affiliates or between activities.</p> <p>Obligation to accede to and comply with Market Registration Code.</p>	<p>Price control conditions will continue to apply to the former PES.</p> <p>Further detailed consideration required.</p> <p>Whilst it is envisaged that the former PES would be the initial Supplier of Last Resort in NI, it is not expected that this would necessarily be case on a longer-term basis. The details of how it is proposed the SOLR is appointed under supply licences will be dealt with in the forthcoming consultation on NI supply licences.</p>
PPB Activity	<p>Expected to be dealt with under the conditions of the former PES Supply licence.</p> <p>Licence conditions should include an obligation to enter into and comply with:</p> <ul style="list-style-type: none"> <li>• Interface Agreements with PPB generators;</li> <li>• PPB-Supplier PSO contract;</li> <li>• Possibly a new interface agreement with SONI</li> </ul>	<p>Treated as a separately ring-fenced activity under the supply licence of the former PES.</p>	<p>Further detailed consideration required, including in some instances exactly which changes are viewed as SEM changes and which are viewed as Directive changes.</p>

Document	SEM Changes	Changes for Directive Compliance/Full Retail Competition in NI	Comments
	<p>(detail to be confirmed).</p> <p>General review of the provisions relating to:</p> <ul style="list-style-type: none"> <li>• Non-discrimination;</li> <li>• Compliance;</li> <li>• Ring-fencing.</li> </ul> <p>Provisions governing the extent to which PPB is permitted/required to enter into contracts for differences (and if so on what basis).</p> <p>Limitations on the entering into of new electricity purchase contracts.</p> <p>Obligation to accede to and comply with the TSC.</p> <p>There may also be a need for provisions relating to the treatment of Directed Contracts and requiring PPB to bid in relevant generators at SRMC.</p>		Other PSO – related conditions may apply.
Second Tier Supply Licence NI	<p>An obligation to accede to and comply with the TSC.</p> <p>Possible Non-discrimination obligations may also apply under the SEM.</p> <p>New obligation to enter into and comply with the “PSO contract” to be put in place.</p> <p>Possible obligation to offer terms for supply.</p>	<p>Additional conditions to apply to those serving retail customers.</p> <p>Obligation to accede to and comply with the Market Registration Code.</p>	Further detailed consideration required.
Supply licences ROI	<p>Obligation to accede to and comply with the TSC</p> <p>Other consequential changes may be needed</p>	N/A	
Moyle T licence	Generally consequential changes only, principally to reflect the separation of SONI from NIE.	Some consequential amendments may be needed.	Conversion to a licence to participate in transmission required.
NI Generation Licences (non-PPB)	<p>In addition to consequential changes, it is expected that changes will be needed as follows:</p> <ul style="list-style-type: none"> <li>• Obligation to bid in at short run marginal cost;</li> <li>• Obligation to accede to and comply with TSC;</li> <li>• Obligations in relation to independent bidding.</li> </ul>	Requirement to produce an audit report in relation to non-discrimination and non-cross subsidisation.	

Document	SEM Changes	Changes for Directive Compliance/Full Retail Competition in NI	Comments
	Some updates to the non-discrimination provisions may also be necessary.		
NI Generation Licences (PPB)	As above, in addition, provisions requiring the entering into and compliance with the Interface Agreements with PPB will be needed.	As above, furthermore arrangements to transfer the contracts to PPB outside NIE will be required.	Some amendments to deal with the preservation of the cancellation provisions of the certain PPB contracts will be needed.
ROI Generation Licences	As for NI non-PPB generation licences.	N/A	
Market Operator Agreement (MOA)	<p>This will be a new agreement between the two market operator licensees setting out the matters as between them required in order to carry out their respective licence obligations. This includes the arrangements between them to discharge the role of Market Operator under the TSC.</p> <p>Whilst it is intended that this document will be in the public domain, it is essentially a vehicle for enabling the two MO licensees to require things from one another to ensure that they can comply with their licence and contractual obligations.</p>	N/A	SONI and Eirgrid have consulted upon their proposed heads of terms for this document.
System Operator Agreement (SOA)	In principle, this document is the SO equivalent to the MOA, although it is also envisaged that this document will also set out any relevant matters between either SO and either MO. Again, it is principally viewed as a means by which the SOs can require things from each other in order to discharge their licence and contract obligations.	N/A	

<b>Document</b>	<b>SEM Changes</b>	<b>Changes for Directive Compliance/Full Retail Competition in NI</b>	<b>Comments</b>
ROI Grid Code	General update to reflect the introduction of the SEM, including the development of sections common with the NI Grid Code, revised governance arrangements of the common sections and revisions to reflect the all-island nature of certain processes under the SEM.	N/A	
NI Grid Code	As above, in addition to changes to reflect the fact that the GC will be a SONI document under the SEM.	Some consequential changes may be needed. To confirm.	The NI GC is also expected to continue to govern a number of the arrangements relating to the distribution system until a fully fledged distribution code is developed.
SEM TSC	New all-island trading and settlement code to replace the existing wholesale trading contracts in ROI and NI.	Probably no changes.	The development of the TSC is ongoing. Current version of the draft TSC can be found on the AIP website.
NI Supply Competition code	It is expected that the existing substantive provisions of this document will be run off.	None.	It is possible that this document may be used as a useful vehicle for requiring compliance with other SEM or directive related changes.
NI Supply Codes of Practice	None	General update required to reflect the introduction of full retail competition.	
NI FSC	DETI are undertaking a review of this document.	For review.	

<b>Document</b>	<b>SEM Changes</b>	<b>Changes for Directive Compliance/Full Retail Competition in NI</b>	<b>Comments</b>
Existing NI PPB contracts, and associated connection agreements Leases and additional interface arrangements	<p>It is expected that a general update to the existing suite of PPB related contracts will be required in NI to substantively roll forward these contracts against the background of the introduction of the SEM.</p> <p>Further consideration is also being given as to whether any specific interface arrangements are required between PPB and SONI and PPB and NIE T&amp;D.</p>	Again, a general review will be required to roll forward the PPB contracts against the background of the implementation of the SEM.	Further development of the detailed proposals in this area is required.
NI TIA (SONI-T&D)	<p>A new contract is required between SONI and NIE T&amp;D governing the relationship between the two transmission organisations.</p> <p>The content of this document will be broadly based on the GB SO-TO Code, although this will need to be tailored to meet NI requirements. It is also envisaged that this document may set out arrangements between SONI as SO and the DSO/DO activity – for example dealing with connection arrangements etc.</p>	No changes are anticipated, but this is subject to confirmation.	
ROI Infrastructure Agreement	Consequential changes may be needed.		
Intermediary Agreements between PPB and generators	These new contracts are envisaged to be required to be put in place between PPB and PPB generators. They would deal with issues between PPB and the Generator which each needs from the other to discharge its obligations in relation to the PPB contracts. For example, matters between PPB and the generator required to support PPB's bidding in of the generation units under the TSC. It would also cover any additional requirements	None anticipated, but subject to confirmation. Whilst the IAs are expected to be in place between the separated PPB affiliate of NIE and PPB generators, the requirement for these contracts arises from the introduction of the	Further development required.

<b>Document</b>	<b>SEM Changes</b>	<b>Changes for Directive Compliance/Full Retail Competition in NI</b>	<b>Comments</b>
	that the generator may have from PPB to comply with the generators obligations under the Code etc.	SEM, not the directive.	
PPB-Generators	The PPB contracts themselves are expected to require amendments consequential to the introduction of the SEM.	The PPB contracts will need to be moved to the new PPB affiliate of NIE. Some additional consequential changes may also be required.	For further consideration.
New Directed Agreements (Market Power)	It is envisaged that ESB Power Generation will be required to offer to enter into Directed Agreements to mitigate market power. These contracts for differences would be offered to SEM Suppliers.	None	PPB may also be required to offer similar contracts.
NI Market Registration Code	May be consequential changes including those to reflect the metering requirements of the TSC. Furthermore, new licence conditions requiring compliance may be introduced if the Supply Competition Code is run off as a part of SEM implementation.	Changes to reflect the full retail competition solution will be required.	For further consideration
ROI transmission and distribution use of system agreements with generators	It is intended that these contracts will be amended to confer rights of access over the all-island transmission networks. Some changes may also be required to deal with limitation of liability between the transmission sector and users. Finally, consequential changes will generally be required to these contracts.	N/A	
NI transmission use of system agreements with generators	As above. In addition these contracts will need to be moved to be held by SONI, not NIE. In some cases, this may require certain contracts to be split into generation and transmission use of system agreements.	None expected, but confirmation required.	

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ROI transmission use of system agreement with suppliers	It is intended that these contracts will be amended to confer rights of access over the all-island transmission networks. Some changes may also be required to deal with limitation of liability between the transmission sector and users. Finally, consequential changes will generally be required to these contracts.	N/A	
NI transmission use of system agreement with suppliers	As above. In addition it is expected that existing contracts will need to be split into distribution and transmission elements, in some cases there may be a need to create new contractual relationships (e.g. SONI to NIE (ex-PES) supply).	None expected (for confirmation).	
ROI transmission connection agreements for G and D	Consequential changes may be required	N/A	
NI transmission connection agreements for G and D	As above. In addition, these will need to be transferred to SONI. New arrangements will be needed to deal with the distribution connection to the transmission system, this may be dealt with in the SONI-NIE transmission interface agreement.	None expected (for confirmation)	
ROI distribution connection and use of system agreements for generation and	Some consequential changes may be needed	N/A	

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demand			
NI distribution connection and use of system agreements for generation and demand	As above. Some existing contracts may need to be amended to split transmission related matters from distribution. New obligations to comply with the NI Distribution Code may be required.	There may be some supply competition related changes – for confirmation. Change to reflect the separation of NIE PES from T&D.	
Connection Works Agreements	As per associated connection and use of system agreements.	None expected (for confirmation)	
ROI Distribution Code	Consequential amendments may be needed	N/A.	
NI Distribution Code	This is a new Code which may be put in place from initial SEM operation. If this is put in place, it is not envisaged that this would be a full version of a distribution code. Instead an initial high-level distribution code dealing with a specific set of issues is proposed.	Possibly certain arrangements associated with metering etc.	Further development of the initial D code may accompany SONI divestment from NIE.
NIE T&D General Conditions of Connection	As per associated connection agreements.	None expected (for confirmation)	
NI Market Registration Code	Some consequential changes may be needed	General changes to accommodate the introduction of retail competition.	
AS and SSS contracts	Whilst it is not proposed that there would be a fundamental change in the nature of these contracts from initial SEM operation, generally ancillary services contracts and system support services contracts in both	None expected.	

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	jurisdictions are expected to require consequential amendments. To the extent that elements of the contracts are covered by other mechanisms in the SEM, it is expected that these would be run-off.		
System Value Agreement	This contract requires a general review against the background of the introduction of the SEM. To the extent that elements of the contract are covered by other mechanisms in the SEM, it is expected that these would be run-off.	None expected.	
Moyle Contractual Arrangements	Generally the contractual arrangements associated with the use of the Moyle interconnector require to be reviewed. It is currently anticipated that these will need only consequential amendments as part of the introduction of the SEM.	None expected.	
NI PSO Contract	This is a new contract that it is proposed will be established to govern NI PSO payments. It is currently anticipated that some of these would be paid through the NIE T&D activity and some through the NIE PPB activity. This contract would therefore be between all NI suppliers, NIE T&D and the new company carrying out the PPB activity.	None expected.	The SCC may be used as the contractual vehicle for this.