

SEM Committee Meeting

Minutes Meeting No. 65

Location: Utility Regulator Offices, Belfast
Date: Thursday 7th February 2013
Time: 10.30am – 4.30pm

Attendees: Alan Rainey (AR) (Utility Regulator) (UR) (SEMC Chairman), Dermot Nolan (DN) (CER), Garrett Blaney (GB) (CER), Shane Lynch (SL) (UR), Odd Håkon Hoelsæter (OHH) (Independent Member), Professor David Newbery (DNew) (Deputy Independent Member).

In attendance:

For all items: Paul McGowan (PMcG) (CER), Bill Emery (BE) (UR), Eugene Coughlan (EC) (CER), Cathy Mannion (CM) (CER), Tanya Hedley (TH) (UR), Jean Pierre Miura (JPM) (UR), Gordon Downie (GD) Shepherd and Wedderburn, Laura Boyd (LB) (UR)
For items 4 and 5: Sheenagh Rooney (SR) (CER), Philip Newsome (PN) (CER)
For item 7: Paul Brandon (PB) (CER), Michael Kelly (Eirgrid), Marie Hayden (Eirgrid), Niamh Delaney (SEMO), Bill Thomson (Eirgrid)
For Item 8: Paul Brandon (PB) (CER)
For items 9 and 10: Andrew Ebrill (AE) (CER), Fergus O'Toole (FO'T) (CER)
For item 11: Joe Craig (JC) (UR), Paul Brandon (PB) (CER)
For item 12: Colin Broomfield (CBr) (UR)

Minute Taker: Mignonne Smith (MS) (SEMC Secretariat)

1. Approval and Adoption of the Agenda

The Agenda was amended and adopted.

2. Approval of Minutes from Meeting 64 on 10th December 2012

The minutes were approved subject to agreed amendments.

3. Review of Actions from Meeting 64 on 10th December 2012

Actions 225, 236, 238 and 240 were completed all remaining actions were amended and updated.

4. Market Integration Next Steps Decision

SR provided an update on current status of the Market Integration project, following the recent closure of a consultation period on the SEM Committee's Next Steps Proposed Decision Paper (SEM-12-105a) which received a total of 19 responses. A summary of the responses to the consultation was provided, 18 of which were deemed to be non confidential, an overview of issues arising included:

- Concerns about stakeholder involvement in the process
- Project Resources
- Market Participants suggestion to be provided at this stage with high level milestone timelines for the project.
- Clarification of the SEM Committee's minded to decision on dispatch and market model

The SEM Committee discussed the next steps and project risks at length. Members noted the complexity and risks of the project in the context both of the present good match between the SEM design and the characteristics of the electricity market on the island of Ireland; and of the need to comply with the Target Model as it develops.

The Committee requested some wording amendments to the decision paper and suggested that the Oversight Committee discuss and consider setting up a Sub Committee of the SEM Committee, as an additional project governance measure.

The SEM Committee:

- adopted the SEM Committee decisions as set out in the paper thus setting the context for phase 2 of the project;
- agreed recommendations to the Departments, proposing high level principles and governance arrangements for the implementation for the Target Model in the SEM for discussion at the Joint Steering Group (JSG); approved publication of the Next Steps decision paper and high level milestones timeline, subject to JSG agreement; and
- requested that the RAs procure consultants as soon as possible in order to commence phase 2 of the project.

The Committee thanked the Project Team for their work on the project to date.

Actions:

- Project Team to publish Implementation of the European Target Model for the SEM, Next Steps Decision Paper and the high level milestones timeline, subject to agreement by the JSG.
- RAs to procure consultants (project management and market design) as soon as possible in order to commence project.
- Oversight Committee to discuss and consider benefits of setting up a Sub Committee of the SEM Committee as additional project governance measure as soon as possible

5. Trading and Settlement Code Update

The SEM Committee noted the update.

6. Security of Supply Update

This item was deferred for discussion by the SEM Committee at their meeting on the 28th February.

7. Treatment of Curtailment in Dispatch

The SEM Committee welcomed representatives from Eirgrid and SEMO the Transmission System Operators (TSOs) and the Market Operator (MO) and invited them to present on their proposed rule-set for distinguishing curtailment from constraint.

A Q&A session followed the presentation, in which the SEM Committee sought clarification on a proposed tapering or sliding scale mechanism for reducing Dispatch Balancing Costs (DBC) for curtailment. The Committee thanked the TSOs and MO for their input.

PB provided background information and an overview of the Treatment of Curtailment in Tie-Break Situations Proposed Decision Paper and of legal advice provided to the SEM Committee on this issue.

Following analysis of the responses to the recent consultation on a Proposed Decision (SEM-12-090) on this subject, the Project Board have provided recommendations to amend the Proposed Decision and a number of options in respect of dates at which DBC for curtailment should end. Approval was sought from the SEM Committee to finalise and publish the paper subject to agreed amendments. The Project Board also sought approval from the Committee in relation to the TSOs' and MO's proposed rule-set for distinguishing curtailment from constraint.

The SEM Committee held a detailed discussion in relation to the Project Board's recommendations and on options provided in respect of dates at which DBC for curtailment should end. The Committee agreed that the 1st January 2018 would be the date on which DBC for curtailment would end. They further approved the recommendations of the Project Board in relation to amendments to the Decision Paper and delegated authority to the Project Board to finalise and publish the final Decision Paper subject to legal review.

Action: Project Board to finalise Decision Paper as discussed and arrange publication of the paper subject to legal review.

8. TSO Constraints Group

PB provided background information in relation to the Decision on Constraint Groups on the foot of SEM-11-105 on the treatment of Constraints in tie-break situations. The TSO's subsequently consulted (SEM-12-076) on their proposals.

The Decision Paper proposed the implementation of two constraint groups as identified and modelled by the TSOs, with no constraints group for Northern Ireland. New constraints groups would only be created where the need arose in future. It was proposed that a mechanism should be put in place to allow monthly reporting, detailing all constraint and curtailment events on a wind-farm by wind-farm basis, TSOs to provide proposals on this report to the SEM Committee in Q2 of 2013.

The SEM Committee discussed the proposals and gave approval to publish the Decision Paper,

Action: TSOs to provide proposals on mechanism to allow monthly reporting, detailing all constraint and curtailment events on a wind-farm by wind-farm basis, by Q2 in 2013 (June SEM Committee)

9. SEM Generator Profitability

FO'T provided an overview of a report on Financial Analysis of Generators in the Single Electricity Market (SEM) 2008 – 2013.

The SEM Committee discussed the information provided in the report and requested the Team to prepare a Q&A document for the Committee regarding questions that may arise once a report is published. The SEM Committee delegated authority to the Oversight Committee on report publication and development of the Q&A document.

Action: Market Modelling Group to prepare a report for publication and a Q&A document as requested by the SEM Committee.

10. ESBPG Generation Licence

AE provided background information on proposed modifications to the ESB Generation Licence following the SEM Committee's decision on Market Power and Liquidity on 1 Feb 2012 via SEM-12-002. The proposed licence modifications, intended to go-live in April 2013, have been subject to legal review for the SEM Committee.

The SEM Committee gave approval to publish the proposed ESB Generation Licence modifications, consistent with its market power and liquidity decision. Comments received during the licence consultation process will be reviewed by the SEM Committee.

11. TSO Certification

GB as Chair of the Sub Committee on TSO Certification provided an update on current status of the process for TSO Certification in Ireland and Northern Ireland noting issues arising since the SEM Committee were last updated at their meeting on 10th December 2012, particularly those resulting from the transmission companies' responses on the draft Preliminary Decision papers.

The SEM Committee discussed these issues at length and agreed that the Preliminary Decision papers would be further revised to take these into account, together with the relevant further legal advice, prior to submission of the papers to the European Commission. Authority was delegated to the Sub Committee to finalise the Preliminary Decision papers and submit them to the European Commission for their decision.

12. Market Monitoring Update

CBr provided an overview of the Market Monitoring Update Report for January 2013. The SEM Committee noted the update and suggested some amendment to the report format to include information on Interconnector efficiencies. It was agreed that the members would review the Market Monitoring Report Format and forward amendment suggestion to CBr for consideration by the Market Monitoring Team.

Action: Members to review Market Monitoring Report Format and forward suggested amendments to CBr for consideration by the Market Monitoring Team

13. Reporting of Decisions made by Oversight Committee to SEM Committee

The update was noted.

14. Updates CER/UR/Independent Members

CER

DN noted plans for CER to regulate the water industry in Ireland are still ongoing. DN also noted that both UK and Irish Governments had recently signed a high level Memorandum of Understanding in relation to the export of renewable energy from Ireland to the UK. Updates on this matter will be provided to the SEM Committee if regulatory issues emerge.

Utility Regulator

SL noted the forthcoming publication of a report providing price comparisons on retail energy between the UK, Ireland and other EU Countries. SL also noted forthcoming publication of a consultation of Offshore Connection Policy

15. SEM Correspondence

There was no correspondence.

16. AOB

The following items were discussed:

- **Modifications to NIE's Transmission Licence following acquisition by ESB** – TH noted that a note on this would be submitted for discussion by the SEM Committee at their meeting on the 28th February.
- **DETI Consultation on Further Legislative Measures to Transpose the EU Third Energy Package** – The SEM Committee will discuss further and respond as necessary.

Date of Next Meeting:

SEM Committee 66, Thursday 28th February 2013, CER Offices, Dublin