

SEM Committee Meeting

Agreed Minutes Meeting No. 68

Location: CER Offices, Dublin
Date: Thursday 25th April 2013
Time: 10.30am – 3.30pm

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

In attendance:

For all items: Eugene Coughlan (EC) (CER), Cathy Mannion (CM) (CER), Jo Aston (JA) (UR) (by Conference Call), Jean Pierre Miura (JPM) (UR)

For items 4 and 5: Kenny Dane (KD) (UR)

For item 6: Robert O'Rourke (RO'R) (CER), Tanya Hedley (TH) (UR)

For Items 7, 8 and 9: Sheenagh Rooney (SR) (CER), Philip Newsome (PN) (CER), Clive Bowers (CB) (CER), Stephen Powell (SP)

For Item 10: Andrew Ebrill (AE) (CER), Kevin Hagan (KH) (CER)

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

1. Approval and Adoption of the Agenda

The Chairman welcomed Paul McGowan as a newly appointed SEM Committee Member. The Agenda was adopted as circulated.

2. Approval of Minutes from Meeting 67 on 28th March 2013

The minutes were approved and adopted.

3. Review of Actions from Meeting 67 on 28th March 2013

Actions 257, 263 and 264 were completed all remaining actions were amended and updated.

4. Gas Transportation Capacity Costs

KD provided an update on ongoing work by the RA's in relation to the treatment of gas transportation capacity costs within commercial offers. A recent consultation on this workstream by the RA's elicited 35 responses, providing a wide range of opinions. Expert economic and legal advice has been received and reviewed.

The SEM Committee discussed the issue at length and also considered recent correspondence. The SEM Committee provided guidance to the Project Team on the preparation of the paper, to be available for consideration by the SEM Committee at their meeting in May. The Committee asked the Oversight Committee to draft a response to the correspondence.

Action: Project Team to prepare a paper on Treatment of Gas Transportation Capacity Costs, for consideration by the SEM Committee at their meeting in May.

Action: Oversight Committee to draft response to recently received correspondence on this subject.

5. Market Monitoring Update

KD provided an overview of the Market Monitoring update report for April highlighting a significant increase in SMP during the month of March. The SEM Committee discussed the Report and expressed concerns in relation to the increases in SMP. The Committee requested that the Market Monitoring team investigate this further and prepare a note on outcome of the investigation for circulation to the SEM Committee by week ending 10th May.

The SEM Committee noted the update.

Action: Market Monitoring Team to investigate reason for significant increase in SMP during the month of March and prepare a note on the outcome of their investigation for circulation to the SEM Committee by week ending 10th May.

6. TSO Certification

GB as Chair of the SEM Sub Committee on TSO Certification, provided an update on current status of the TSO Certification Process in Ireland and Northern Ireland. On the 12th April the European Commission (EC) issued decisions to CER and the Utility Regulator in respect of certifying Transmission System Operators in Ireland and Northern Ireland respectively.

The SEM Committee discussed issues in relation to the implementation of the EC decisions and provided guidance to the Sub Committee on progressing the certification of the TSOs in both jurisdictions in accordance with the EC decisions. The SEM Committee delegated to the Sub Committee the authority to take the necessary actions.

The SEM Committee were also provided with an update in relation to the Certification process for Moyle Interconnector Ltd. A draft Preliminary Decision has been completed and the SEM Sub Committee has arranged a consultation meeting with Moyle to enable the company to comment.

The SEM Committee authorised the Sub Committee to finalise the Preliminary Decision, taking account of any comments from the company and SONI as related TSO, and submit it to the EC for their opinion.

7. Market Integration Project Update

SR provided an overview of the Update Report on the Market Integration Project which is currently running in time with agreed project plan.

Report highlights included:

- Updates on Market Integration issues at a European Level
- Updates on progress of Network Codes which are at various stages of development
- Stakeholder forums – SEM RAs and TSOs held a second Stakeholder Forum in Belfast on 4th of April 2013
- Project Phase 2 Update – Correspondence received from DETI and DCENR formally accepting recommendations of the SEM Next Steps Decision paper.
- Procurement of Consultants running to schedule, UR to review whether or not the procurement process will be subject to the Gateway Review Process in Northern Ireland.
- Forthcoming meetings – RA's and Departments to meet with DECC and Ofgem on 3rd May. Departments will also meet with EC during May.
- RA's have identified three pieces of work to be commenced by SEM RA's and TSOs in advance of consultants being appointed as follows:
 - Analysis of Network Code Requirements
 - Operating the System with Shorter Gate Closure, and
 - Review of PCR documentation and algorithm

The SEM Committee noted the update and requested that the project team draft a response to the Departments from the SEM Committee. The Committee also requested that the UR Market Integration Team further investigate whether or not the procurement process will be subject to a Gateway Process in Northern Ireland and report back to the SEM Committee on this matter.

The SEM Committee thanked SR for her hard work on this project to date and offered congratulations to her on her recent promotion to Director of Safety and Customer Affairs within the CER.

Action: Project Team to draft response to the Departments.

Action: JPM to investigate whether or not the Market Integration Project procurement process will be subject to the Gateway Review Process in Northern Ireland and report back to the SEM Committee on this matter.

8. Efficiency of Trade on the East West and Moyle Interconnectors

PN presented an update on Efficiency of Cross Border Trade on the East West and Moyle Interconnectors, as requested by the SEM Committee at their meeting on 28th March.

The presentation provided background information on this issue which has been ongoing since 2009, it also provided a review of barriers to cross border trade and progress on improvements to trading on the Interconnectors since 2009. The team indicated that there was insufficient data available at this stage to provide a fuller in-depth analysis of this issue and noted that they aimed to review this again in 6 months time and report back to the SEM Committee.

The SEM Committee discussed related issues and requested that the Market Monitoring Team initiate a review of trading across the Interconnectors in both the GB Market and the SEM Market.

The update was noted and the proposed next steps endorsed by the SEM Committee.

Action: MMU team to initiate a review of trading across the interconnectors in both the GB market and the SEM Market.

9. Update on TSO Countertrading for Priority Dispatch Reasons

CB provided an overview of an update report in relation to counter trading on the Interconnectors by the TSOs after gate closure to reduce curtailment of priority dispatch generation. The update included background information, data on countertrading achieved to date, options to progress with the TSOs implementation of countertrading provisions of the SEM Committee's decision on Priority Dispatch (2011) and next steps.

The SEM Committee noted the update, endorsed the proposed next steps and suggested that the relevant RA Team should prepare a letter from the SEM Committee to the TSO's encouraging continued improvements to countertrading arrangements.

Action: Project Team to draft letter to TSO's from the SEM Committee encouraging continued improvements to countertrading arrangements for priority dispatch reasons.

10. Generator Profitability

AE and KH presented a report on SEM Generator Profitability and a separate internal note on Clean Spark Spreads. Approval from the SEM Committee to publish the report was sought.

The SEM Committee discussed the report contents and gave approval to publish subject to incorporating information on Clean Spark and Dark Green Spreads into the report. The Committee was conscious of the need to keep generator profitability under review in the context of the development and implementation of the new market.

The SEM Committee also discussed the recently received correspondence expressing concerns on the publication of this report and agreed that the Project Team should meet with the correspondent to discuss prior to publishing the report.

Action: Project Team to arrange meeting with correspondent and update the report to include a new Clean Spark and Dark Green Spread section, prior to publication of the report on Generator Profitability.

11. Interconnector Reports

a. Moyle Interconnector Report

The SEM Committee noted the Report.

b. East West Interconnector Report

The SEM Committee noted the Report.

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

The update was noted.

13. Updates CER/UR/Independent Members

CER

DN noted the following:

- BGE Sale proceeding
- Plans for the introduction of Water Charges in Ireland are progressing.

Utility Regulator

SL noted that the UR plans to publish report on Security Of Supply in next few weeks, the report will identify possible solutions to dealing with this issue.

14. **SEM Correspondence**

a. IWEA Correspondence on Tie-Breaks

The SEM Committee noted correspondence from IWEA in relation to Tie-Breaks and gave approval to finalise and issue draft response.

b. SEM Committee Letter re North South Interconnector

The SEM Committee suggested amendments to the letter and delegated authority to the Oversight Committee to finalise amendments and issue letter.

c. DCENR Correspondence re Transposition of Directive 2009/72

The SEM Committee noted the correspondence.

d. SSE Correspondence re Outturn Availability

KD provided an overview of recently received correspondence from SSE plc on the subject of Outturn Availability. The SEM Committee discussed matters arising and requested that Oversight Committee investigate this issue further and provided a note for discussion by the SEM Committee at a future meeting.

The Committee also delegated authority to the Oversight Committee to prepare and issue a response letter on behalf of the SEM Committee to SSE.

Actions: Oversight Committee to prepare and issue response on behalf of the SEM Committee to SSE in respect of their correspondence on Outturn Availability. Oversight Committee to investigate matters arising in relation to Outturn Availability and submit a note for discussion by the SEM Committee at a future meeting.

15. **AOB**

The following items were discussed under AOB:

- a) The SEM Committee approved changes to the Oversight Committee.
- b) TH offered an invite to the SEM Committee and CER staff to attend the a workshop morning on Market Integration on 31st May at the Utility Regulator Offices in Belfast.

Date of Next Meeting:

SEM Committee 69, Thursday 30th May 2013, Utility Regulator Offices, Belfast