

SEM Committee Meeting

Agreed Minutes Meeting No. 74

Location: Hilton Hotel, Belfast
Date: Thursday 31 October 2013
Time: 10.30am – 3.30pm

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

Apologies:

In attendance:

For all Items: Jenny Pyper (JP) (UR), Denis Cagney (DC) (CER), Eugene Coughlan (EC) (CER), Tanya Hedley (TH) (UR), Jo Aston (JA) (UR), Colin Broomfield (CBr) (UR), Paul Brandon (PB) (UR)

For Item 3: Gary Keane (Poyry)

For Item 4: Clive Bowers (CB) (CER), Kenny Dane (KD) (UR)

For Item 5: Clive Bowers (CB) (CER), Kevin Hagan (KH) (CER), Philip Newsome (PN) (CER)

For Item 6a: Clive Bowers (CB) (CER)

For Item 6b: Kenny Dane (KD) (UR)

For Item 6c: Jean Pierre Miura (JPM) (UR), Clive Bowers (CB) (CER), Natalie McCurry (NMCC) (UR), Leigh Greer (LG) (UR), Philip Newsome (PN) (CER), Kevin Hagan (KH) (CER), Gary Keane and Hans-Arild Bredesen (Poyry)

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

1. Approval and Adoption of the Agenda

The Agenda approved and adopted.

2. Approval of Minutes from Meeting 73 on 26 September 2013

The minutes were approved and subject to minor amendments.

Decision Items

3. DS3

AMcC provided a summary of responses received following a workshop with Industry Stakeholders on 14 October in relation to the DS3 Project. A total of five responses were received which included general comments on timelines for delivery of DS3, implications for 2020 renewable targets if DS3 is delayed and potential impact of DS3 on the Market Integration project.

PB presented an overview of Economic Analysis discussion with the TSOs and Poyry at the workshop on 14 October. The discussion included analysis of 3 phases of the DS3 Project; Phase 1 – Demand Side, Phase 2 – Supply Side and Phase 3 – Procurement and Remuneration. Gary Keane of Poyry then presented a more detailed overview on the TSOs proposed modelling approaches.

The SEM Committee were requested to approve in principle the TSOs modelling approach for phase 1 of the project and their proposed modelling approached on phases 2 and 3 of the DS3 Project.

Following a discussion at length the SEM Committee gave approval in principle of the TSOs modelling approach as requested. The Committee noted their concerns of the project timelines and suggested a number of actions to the project team and board to address this issue. The Project Board were instructed to provide a project update to the SEM Committee at their meeting in December.

Actions: Project team and board to complete actions as requested by the SEM Committee in respect of addressing their concerns regarding project timelines and resources. An update is to be provided to the SEM Committee at their meeting in December.

4. Improving Competitiveness

CBr provided an overview and background information on an internal recommendations paper in relation to improving competitiveness and the regulatory framework in the SEM. This paper was submitted following a request from the SEM Committee at their meeting in June 2013 that a project team was set up to explore and review potential changes that could be implemented in the short to medium term that would improve competitiveness in the SEM.

The SEM Committee discussed the options provided in this paper at length and thanked the team for their hard work in producing clear and comprehensive recommendations. The Committee approved the recommendations of the project team and requested that actions were taken to implement the recommendations.

Discussion/Information Items

5. Efficiency of Trade on the Interconnectors

KH presented findings of further analysis in relation to efficiency of trade on the Moyle and East West Interconnectors. The presentation provided updated information to a previous presentation on this subject which was made to the SEM Committee at their meeting in April 2013.

It was noted that this report would be shared with ACER and Ofgem and that a further update would be provided to the SEM Committee at the end of Q1 2014.

The SEM Committee held an in depth discussion on the information provided in the report and requested that the TSC team investigate a suggestion by DNew to review options on SMP costs for consideration by the Oversight Committee at their meeting in November. Following this an update will be provided to the SEM Committee at their meeting in November.

Action: TSC team to investigate suggestion by DNew to review options on SMP costs for consideration by the Oversight Committee at their meeting in November followed by an update being provided to the SEM Committee at their meeting in November.

Standing Items

6. Updates

a. Trading and Settlement Code Update

The SEM Committee noted the update.

b. Market Monitoring Update

CBr and KD provided an overview of the Market Monitoring Update Report for October drawing the SEM Committee's attention to information newly available in respect of ex-ante and ex-post prices

The SEM Committee noted the report and requested that the MMU team give consideration to reviewing the report format to enable publication of the data provided in the report by no later than Q1 of 2014.

Action: MMU team to review format of the MMU report with a view to publishing a public version of the report for the purpose of transparency. Oversight Committee to discuss and review options to enable this with the MMU team with the aim to have the first public report made available by end of Q1 2014.

c. Market Integration Project Update

JA and JPM provided an update on current status of the Market Integration project. Points of note included:

- An update on the outcome of a meeting between the Regulatory Authorities (RAs), DCENR and DETI (the Departments) to discuss widening the scope of options for the High Level Design (HLD)
- RAs have concluded the selection process for the HLD Design Review Group which is made up of key industry stakeholders.

JPM also provided an overview of an updated Project Initiation Document (PID) in relation to phase 2 of the project.

Poyry consultants gave a presentation on Market Integration Phase 2, market design approaches. The SEM Committee were requested give consideration and approval to Poyry's recommendations on market design approaches in developing the options for the Emerging Thinking Paper which will be discussed by the Committee at their meeting in November.

Following Poyry's presentation the SEM Committee discussed the information provided at length and suggested a number of actions for the project team and board to further progress the project. The update was noted.

Action: Project team and board to progress actions requested by the SEM Committee.

d. CER/ NIAUR/ Independent Members Updates

CER

DN discussed matters arising and associated issues for CER following the publication of their decision paper in August 2013 entitled "Access Tariffs and Financing the Gas Transmission System".

Utility Regulator

TH noted that the Competition Commission's provisional decision in relation to the UR's referral to them of NIE's transmission and distribution price control (RP5) was due to be published on 8 November. The SEM Committee also noted that the UR intended to publish a paper in relation to Offshore Connection Arrangements for Northern Ireland and that they would circulate the paper to the SEM Committee for information prior to publication.

7. Review of Actions from Meeting 73 on 26 September 2013

The actions were reviewed and updated.

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

The update was noted.

9. SEM Correspondence

The SEM Committee noted recent correspondence from the Grange Backup Power Ltd in relation to DS3 and delegated authority to the DS3 Project Board to draft and issue a response

10. AOB

Date of Next Meeting:

SEM Committee 75, Thursday 28 November 2013, commencing at 9.00am sharp at CER Offices, Dublin