

SEM Committee Meeting

Agreed Minutes Meeting No. 75

Location: CER Offices, Dublin
Date: Thursday 28 November 2013
Time: 9.00am – 3.30pm

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

Apologies:

In attendance:

For all Items: Eugene Coughlan (EC) (CER), Jo Aston (JA) (UR)

For Items 3 - 7: Tanya Hedley (TH) (UR) Jean Pierre Miura (JPM) (UR), Clive Bowers (CB) (CER), Philip Newsome (PN) (CER), Kevin Hagan (KH) (CER), (UR), Leigh Greer (LG) (UR) Gary Keane (GK), Stephen Woodhouse (SW), David Cox (DC), Kostas Theodoropoulos (KT) and Hans-Arild Bredesen (HAB) (Poyry)

For Item 8: Kevin Hagan (KH) (CER)

For Item 9c: Denis Cagney (DC) (CER)

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

1. Approval and Adoption of the Agenda

The new incoming Chairman Paul McGowan thanked Odd Håkon Hoelsæter for his previous stewardship of the Chair and welcomed Jenny Pyper, the newly appointed CEO of the Utility Regulator to her first meeting as an official SEM Committee Member.

The Agenda was approved and adopted.

2. Approval of Minutes from Meeting 74 on 31 October 2013

The minutes were approved and subject to minor amendments.

Market Integration Strategy Session

3. Market Integration Project and Policy Update

JPM introduced the consultants from Poyry and provided an overview of the format of the Market Integration strategy session and of specific guidance / decisions sought from the SEM Committee.

JPM provided an overview of the Market Integration project update report. Points of note included:

- The inaugural meeting of the High Level Design Group took place in Belfast on 30 October.
- The SEM Committee were requested to give their approval to reduce the number of high level design (HLD) options from 6 to 4 and if possible to reduce the options for inclusion in the HLD Consultation Paper further.
- The SEM Committee were requested to confirm the recommendations of the Project Team as agreed by the Departments¹ regarding the length of the HLD Consultation period. This included an initial period of 8 weeks on the HLD Options Consultation Paper commencing at the end of January 2014 followed by a further consultation period of 4 weeks on the HLD Proposed Decision.

The SEM Committee confirmed and approved the recommendations of the Project Team as agreed by the Departments regarding a 12 week consultation period on the HLD Options in 2 phases of 8 weeks on the consultation paper and 4 weeks on the proposed decision.

The update was noted.

4. Target Model Overview

CB and PN gave a presentation providing an overview and background information on the European Target Model. Detail was provided on specific elements of the target model and comparisons were made between these elements and elements of the current SEM model.

A brief Q&A session followed the presentation; the SEM Committee noted concerns, at a European level, in respect of future capacity payment mechanisms.

Action: The SEM Committee requested that questions regarding the fit of capacity payment mechanisms in relation to the HLD options presented, were addressed in the HLD Consultation paper.

5. Evaluation Principles for High Level Design (HLD)

Gary Keane (GK) of Poyry gave a presentation providing an overview of the assessment framework and evaluation principles for the high level design.

Following discussion at length the SEM Committee advised the project team of a number of suggestions for inclusion in the HLD Consultation paper.

Action: Project Team to incorporate the SEM Committee's suggested revisions into the HLD Consultation paper for consideration and approval by the SEM Committee at their meeting in January 2014.

¹ The "Departments" refer to the Department for Enterprise Trade and Investment (DETI) and the Department for Communications, Energy and Natural Resources (DCENR)

6. High Level Design Options/ Consultation Paper Options

GK presented a review and update on the development of HLD options for phase 2 of the Market Integration Project. The SEM Committee were provided with detailed explanations on 6 HLD options and were requested to reduce the number of options for inclusion in the HLD Consultation paper from 6 to 4, as recommended by the project team.

Following a comprehensive discussion of the options provided, the SEM Committee agreed with the recommendations of the project team to reduce the number of HLD options from 6 to 4 for further consideration by the project team. It was noted however, that not all of the remaining 4 HLD options may be consulted upon, should this occur it was agreed that further approvals would be sought from the SEM Committee.

Actions: Project team to further assess the 4 remaining HLD options for possible inclusion in the HLD Consultation paper. If following assessment, the project team wish to make any changes to or reduce the number of options to be consulted upon; further approvals are to be sought from the SEM Committee prior to submitting the final version of the HLD Consultation for consideration and approval by the SEM Committee at their meeting in January.

7. High Level Design Next Steps

For the benefit of the SEM Committee and the project team, the Chair provided a summary of the agreed guidance, decisions and actions given and requested by the SEM Committee in relation to the Market Integration Phase 2 Strategy Session.

JPM provided an overview of next steps for the project team as follows:

- Project team will continue work on drafting of HLD Consultation paper for consideration and approval to publish by the SEM Committee at their meeting in January 2014
- JSG meeting will take place on 4 December with RAs and Departments
- There will be 2 meetings with the High Level Design Group on 10 December and 8 January to share outcomes from the Market Integration Strategy Session and seek input into initial drafts of the HLD Consultation Paper
- A further project and policy update will be provided to the SEM Committee at their meeting in December

Information Items

8. Efficiency of Trade on the Interconnectors (SEM Action 284)

The Chair provided background information in relation to ongoing queries in relation to efficiency of trade on the Interconnectors.

The SEM Committee requested that the project team consider the points raised in Prof Newbery's recent note to the Committee and discuss further with the Oversight Committee. The Oversight Committee was requested to bring a Recommendation on the matter for discussion and decision by the SEM Committee at their meeting in December.

Action: Project team consider the points raised in Prof Newbery's recent note to the Committee and discuss further with the Oversight Committee. The Oversight Committee was requested to

bring a Recommendation on the matter for discussion and decision by the SEM Committee at their meeting in December.

Standing Items

9. Updates

a. Market Monitoring Update

The update was noted.

b. CER/ NIAUR/ Independent Members Updates

CER Update

DN noted the following relevant updates from CER:

- Irish Government announced abandonment of plans to sell Bord Gáis Energy due to final bids received being of an unacceptable level.
- There has been controversy in the Irish press around Eirgrid's plans to construct a number of overhead high voltage power lines. A number of pressure groups are lobbying to change these plans to underground power lines.
- An update was provided in relation to potential strike action by ESB workers over a dispute about pensions.

Action: The SEM Committee delegated authority to the two RAs to deal with contingency matters arising as a result of potential strike action by ESB.

Utility Regulator Update

JP noted the following relevant updates from the Utility Regulator:

- An update was provided on current status of the Competition Commission (CC) Referral of the NIE T&D Price Control (RP5). UR response to the CC's provisional determination will be submitted to the CC on Friday 29 November. A final determination from the CC is expected in February 2014.
- Security of Supply in NI – work has been ongoing in relation to quantifying the scale of this issue, proposals for a resolution are expected in Q1 of 2014

c. CER Update – Renewables Export

DC provided an update on progress of work in relation to a Memorandum of Understanding/Intergovernmental Agreement between the ROI and UK Governments in respect of a project to build and export renewable energy from Ireland to the UK.

A summary of issues arising and potential implications for the SEM were also provided.

The SEM Committee noted the update.

10. Review of Actions from Meeting 74 on 31 October 2013

The actions were reviewed and updated.

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

The update was noted.

12. SEM Correspondence

The SEM Committee discussed correspondence recently received from the Electricity Association Ireland (EAI) and Eirgrid in respect of the decision in relation to Uplift Policy Parameters for 2014 and DS3 respectively.

Actions: Relevant RA teams to action correspondence as directed by the SEM Committee

13. AOB

The SEM Committee discussed changes to the administration of SEM Committee meetings – it was agreed that the Chair would circulate a note on this to the rest of the SEM Committee for their information and comment.

Action: Chair to circulate note on suggested changes to administration of SEM Committee meetings to the Committee members for their information and comment.

Date of Next Meeting:

SEM Committee 76, Thursday 19 December 2013 at 10.30am – 3.30pm, CER Offices, Dublin