

SEM Committee Meeting

Agreed Minutes Meeting No. 80

Location: CER Offices, Dublin
Date: Thursday 24 April 2014
Time: 10.30am – 15.40pm

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

Apologies: None

In attendance:

For all Items: Denis Cagney (DC) (CER), Laura Brien (LB) (CER), Jo Aston (JA) (UR)

For Item 3: Clive Bowers (CB) (CER), Philip Newsome (PN) (CER) Stephen Woodhouse (SW) (Poyry), Gary Keane (GK) (Poyry) , Jean Pierre Miura (JPM) (UR)

For Item 4: Paul Brandon (PB) (CER), Robert O'Rourke (RO'R) (CER),

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

1. Approval and Adoption of the Agenda

The Agenda was adopted as circulated.

2. Approval of Minutes from Meeting 79 on 27 March 2014

The minutes were approved for publication, subject to minor amendments.

Discussion/Information Items

3. I-SEM Market Integration

a. Project Update

JPM provided an update on progression of work in relation to the I-SEM project since the SEM Committee's last meeting on 27 March 2014. Points of note included:

- The consultation period in relation to I-SEM High Level Design (HLD) Options (SEM-14-008) closed on 4 April. A total of 95 responses were received, 26 responses in support of IWEA's opinion and 32 responses in support of IWFA's opinion on the HLD Options were received. A further 37 individual responses were also submitted.
- The project team are currently working on the preparation of procurement documents in readiness for the procurement of consultancy support for the next phase of the I-SEM project, implementation of the HLD.

Next steps for the project are as follows:

- A proposed decision on the I-SEM HLD will be submitted to the SEM Committee at their meeting in May for their consideration and approval.
- I-SEM HLD Proposed Decision Paper will be published in early June for a 4 week consultation period.
- Following the consultation period a final I-SEM HLD Decision paper will be submitted for consideration and approval by the SEM Committee at their meeting in July.
- Final I-SEM HLD Decision paper will be published in early August.

The SEM Committee noted the update.

b. I-SEM Emerging Thinking Paper

JPM presented findings in respect of the emerging thinking of the Project Team on I-SEM HLD Proposed Decision following an initial review of responses to the recent consultation on this subject (SEM14-008) which closed on Monday 4 April 2014.

The presentation included high level summary of the following emerging thoughts and issues:

- Indications of preferred options on energy trading arrangements including;
 - Long-term trading
 - Day-Ahead Trading
 - Intraday market
 - Balancing (process for reaching feasible dispatch)
 - Imbalance

- Opinions in relation a capacity remuneration mechanism (CRM)

The SEM Committee discussed the emerging thoughts and issues at length. The Committee advised the project team to prepare and submit a detailed project initiation document (PID) including a clear governance structure in relation to Phase 3 (Implementation of the HLD), to the SEM Committee for consideration by them at their meeting in May along with the Proposed I-SEM HLD Decision.

Discussion then turned to the relationship and interaction of the I-SEM and the DS3 projects with a concern raised, that sufficient engagement and consideration of synergies and approaches to incentives between the two projects had not taken place. Discussion followed this. It was noted that the SEMC had taken a decision to keep the projects separate, however slippage in the DS3 project now meant it was running in parallel with the I-SEM. Given this circumstance, the SEMC supported the need for thorough engagement between the two projects. The SEMC agreed that both the Projects Boards, teams, and consultants should meet to consider and draw out relevant issues, identify interaction points and relationships so that synergies are realised both now and going forward.

The SEM Committee also discussed concerns raised at a Government level in Northern Ireland, in relation to the possible impact that ongoing delays on the North South Interconnector Project may have on the future success of the I-SEM Project. The Committee suggested that the draft letter on behalf of the SEM Committee to DCENR and DETI regarding I-SEM legislation also note concerns over the N/S interconnector.

Actions: 1. I-SEM Project Team to prepare finalise project initiation document (PID) including governance structure for phase 3 (Implementation of I-SEM HLD) for submission along with the Proposed I-SEM HLD Decision, to the SEM Committee at their meeting in May.

2. I-SEM and DS3 Project Boards, teams and consultants are to meet to draw out relevant issues, identify interaction points and relationships so that synergies are realised both now and going forward.

3. RAs to draft letter to DCENR and DETI on behalf of the SEM Committee in relation to the I-SEM legislation and noting the Committee's concerns regarding possible impact that ongoing delays on the North South Interconnector Project may have on the future efficiency of the market.

4. **DS3 Project Update**

a. **Project Update**

The SEM Committee noted the project status update report.

b. **Revised Timelines for DS3 Project**

PB provided an overview of background information in relation to proposals from the DS3 Project Board to revise the DS3 system services consultation and decision timelines. The proposals follow a request by the SEM Committee at their meeting on 27 March 2014 that the DS3 Project Board would determine project timelines that bring both the DS3 consultation paper and the I-SEM proposed decision paper to SEMC for formal consideration at the earliest opportunity.

The SEM Committee discussed pros and cons of this proposal at length and agreed to a two month delay in the publication of DS3 Consultation paper which is now scheduled for publication in early July and not early May as was originally agreed. The SEM Committee also discussed potential for overlap in consultation on CRM aspects of the I-SEM HLD and DS3.

The Committee also advised the project team and board that they were to prepare a note of the revised project timelines for publication on the AIP website by no later than Monday 28 April, including how an overlap on CRM aspects of I-SEM consultation with DS3 consultation might be accommodated.

Action: Project team and board to prepare note of revised project timelines for publication on the AIP website by no later than Monday 28 April.

c. **I-SEM / DS3 Interaction**

RO'R presented an overview of a paper for internal discussion by the SEM Committee, in relation to potential interactions between the I-SEM HLD options and DS3 procurement options.

A Q&A session followed the presentation in which the SEM Committee sought clarification of issues raised by the paper. Reference was also made to the earlier discussion regarding the SEMC support for a workshop between the two project teams and consultants, to draw out relevant issues, identify interaction points and relationships both now and going forward. The purpose of this internal workshop was to ensure there was sufficient consistencies and synergy

with the two projects, such that the emerging thinking on one is not in conflict or undermining the other. It was noted that market participants were also seeking to understand the relationships between the two projects.

The SEM Committee noted the paper.

Standing Items

5. Updates

a. Reporting of Decisions of the SEM Oversight Committee to the SEM Committee

The SEM Committee noted the update.

b. CER/ NIAUR/ Independent Members Updates

CER Update

GB noted the following relevant updates from CER:

- GB will be attending the Madrid Forum on 6-7 May
- ACER Board of Regulators to publish paper on Bridge 2025. GB will circulate this paper to the SEMC members for information when it is available.

Utility Regulator Update

JP noted the following relevant updates from the UR:

- The Competition Commission published their final determination in relation to RP5 (NIE Transmission and Distribution Price Control)
- The ETI Committee of the NI Assembly have released their own review of Retail Energy Pricing in Northern Ireland. This report also looked at associated SEM Costs and made a number of recommendations.

6. Review of Actions from Meeting 79 on 27 March 2014

Actions 300 and 301 were completed all other actions were reviewed and updated.

7. SEM Correspondence

The SEM Committee reviewed, discussed and gave appropriate instruction in relation to responses to all recently received correspondence.

Regarding correspondence recently received by both the UR and CER separately from Powerhouse Generation Ltd the SEM Committee agreed that responses to this letter would be dealt with by the Regulatory Authorities on an individual basis.

8. AOB

The SEM Committee noted that they did not require an additional extra ordinary meeting in May. It was agreed that they would extend their scheduled meeting in May if necessary.

Date of Next Meeting:

SEM Committee 81, Thursday 29 May 2014 at 10.30am – 3.30pm, Utility Regulator Offices, Belfast