



## SEM Committee Meeting

### Agreed Minutes Meeting No. 85

**Location:** Utility Regulator Offices, Belfast  
**Date:** Thursday 25 September 2014  
**Time:** 10.30am – 15.30pm

**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: Laura Brien (LB) (CER), Denis Cagney (DC) (CER), Jo Aston (JA) (UR), Kevin Shiels (KS) (UR)

For Items 3 & 4: Jean Pierre Miura (JPM) (UR), Fiona Hanaphy (FH), Elaine Gallagher (EG) (CER)

For Item 5: Paul Brandon (PB) (CER), Robert O'Rourke (RO'R) (CER)

For Item 6a: Colin Broomfield (CB) (UR), Brian Mulhern (BM) (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 84 on 28 August 2014

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

### Decision Items

#### 3. I-SEM Phase 3 PID and Agreed Approach Document

JA provided a high level overview of the Integrated Single Electricity Market (I-SEM) project plan and Agreed Approach Document in relation to phase 3 of the I-SEM project on detailed design and implementation.

These documents have evolved and been updated following the SEM Committee's decision at their meeting on 30 August 2014, to request an extension to the deadline for the implementation of the European Target Model in the SEM. JA also noted that work on the project initiation document for phase 3 of the I-SEM project was well progressed and that this would be submitted for review and consideration by the SEM Committee at their meeting in October.

JA went on to provide a more detailed overview of the Design and Implementation of I-SEM Agreed Approach Document. The purpose of this document is to outline and define the governance structures and working arrangements to apply between the Regulatory Authorities (RAs), the System Operators (TSOs) and the Market Operator during phase 3 of the project.

The SEM Committee reviewed and discussed the agreed approach document at length and suggested a number of amendments. The Committee also reviewed and discussed the terms of reference (ToR) in respect of the proposal to set up an I-SEM Steering Group which will be made up of members of the SEM Committee and TSOs. The purpose of this group is to lead on key aspects of design and implementation of the I-SEM project. The steering group will be empowered to make key decisions within the policy and strategic framework established by the SEM Committee.

The SEM Committee sought clarification on a number of points in the ToR for the I-SEM Steering Group and suggested some amendments. It was noted that both the Agreed Approach Document and the ToR for the I-SEM Steering Group would be tabled for in-depth discussion at a meeting between the RAs and the TSOs scheduled to take place immediately following SEM Committee meeting no. 85 on Thursday 25 September. An update on the outcome of this meeting will be provided to the SEM Committee at their meeting in October.

**Actions:**

1. I-SEM project team and Board to finalise PID in relation phase 3 on detailed design and implementation of the I-SEM project and submit for review and consideration by the SEM Committee at their meeting in October.
2. I-SEM project team and board to amend and finalise both the Agreed Approach Document and the ToR in relation to the I-SEM Steering Group, as suggested by the SEM Committee and subject to any further suggested amendments following the outcome of the meeting between the RAs and TSOs immediately following the SEM Committee meeting on Thursday 25 September. An update on the outcome of this meeting will also be provided at the SEM Committee meeting in October.

## **Discussion/Information Items**

### **4. I-SEM Project Update**

#### **a. I-SEM Project Plan**

FH provided an overview of a revised version of the I-SEM project plan in relation to phase 3 of the project on detailed design and implementation. The project plan was revised following the SEM Committee's decision to request an extension to the project deadlines with the new deadline aiming to complete the project in the early part of Q4 of 2017.

It was noted that both DCENR and DETI had been informed of the SEM Committee's recommendations regarding the extension to the project deadlines and that they were making arrangements to discuss the implications of this with the European Commission.

The SEM Committee discussed the revised plan at length and sought clarification on some of the key milestones. The Committee noted the revised project plan and endorsed the new deadline for completion of the project in the early part of Q4 2017.

## **b. TSO Cost Recovery**

LB provided an overview of a memo to the SEM Committee in relation to the TSO cost recovery for the I-SEM project noting that this memo should be read in conjunction with section 9.4 (Appendix 4) of the Design and Implementation of I-SEM Agreed Approach Document.

The RAs sought guidance from the SEM Committee in relation to their proposals for the process of review for TSO I-SEM project cost recovery to be applied going forward, taking into account alignment with existing TSO/MO price controls. A high level approach for an 'Expenditure Recovery Framework' for Eirgrid / SONI / SEMO (the TSOs) was drafted and agreed by the RAs and TSOs.

The SEM Committee reviewed the Expenditure Recovery Framework document and held a detailed discussion of matters arising in relation to this issue. It was acknowledged that the recovery of costs incurred by the TSOs as a result of progression of the I-SEM project was acceptable subject to assurance that the TSO costs are accurately evidenced.

The Committee endorsed the RAs approach to this issue noting their agreement of the fundamental principles to be applied by the RAs in respect of the I-SEM cost recovery process for the TSOs which states;

*“that any expenditure which is efficiently incurred, demonstrably necessary for progression of the I-SEM, incremental to price controls and capable of being robustly validated by the RAs must be considered.”*

## **c. Senior Stakeholder Event – Update**

JA presented an overview of the proposed format in relation to the SEM Committee's meeting with senior stakeholders in relation to the I-SEM project on Friday 26 September 2014. The SEM Committee discussed and agreed the format for this event.

## **5. DS3 Project Update**

PB provided an overview of the DS3 project update report which included a review of progression of work to date on this project and of expected next steps. Points of note included:

- Consultation on DS3 now closed, a total of 26 responses were received.
- A summary of emerging themes from the consultation process was provided.
- RAs are continuing to engage with stakeholders through a series of bi-lateral meetings.
- A paper on emerging thinking on DS3 will be submitted for a substantial discussion by the SEM Committee at their meeting in October.
- Final decision on DS3 is expected to be submitted for consideration by the SEM Committee at their meeting in November.
- Updates in respect of issues in relation to curtailment and RoCoF will also be provided to the SEM Committee at their meeting in November

The SEM Committee noted the update.

## **Standing Items**

### **6. Updates**

#### **a. Market Monitoring Quarterly Update Report**

BM presented an overview of the SEM Market Update Report for the period April – June 2014. The SEM Committee sought clarification of a number of issues arising in the report and thanked the MMU team for their work on producing this report in a new format noting that this market information report would now be published on a quarterly basis with reports for both Q1 and Q2 of 2014 being published on the AIP website within the next week.

#### **b. CER/ NIAUR/ Independent Members Updates**

##### CER Update

GB noted the following relevant updates from CER:

- An update was provided on matters arising at the last ACER meeting in respect of Acer's conclusion paper on 'A Bridge to 2025'
- It is expected that the new Commissioner will be appointed to the CER in early October and will be in attendance at the October SEM Committee meeting as an observer.

##### Utility Regulator Update

JP noted the following relevant updates from the UR:

- An update was provided in relation to the remaining GUA contracts in Northern Ireland
- UR Board have been discussing security of supply issues for Northern Ireland from 2016 and beyond.
- An update was provided on progression of work on the North South Interconnector. An Bord Pleanála have now made a determination on this issue and it was noted that work on the interconnector would now be commencing.
- A recruitment process for new Non Executive Directors for the UR Board is underway. It is expected that one of the people recruited will also be appointed to the SEM Committee.

##### SEM Independent Members Updates:

DNew noted that a report had been published by Ofgem's panel of technical experts that offered criticisms of the National Grid's report on an assessment of capacity in the new market.

### **7. Review of Actions from Meeting 84 on 28 August 2014**

Actions 311, 313, 314, 315 and 318 were completed all other actions were updated.

### **8. SEM Correspondence**

#### **a. EAI Letter dated 17 September 2014**

The SEM Committee noted recently received correspondence from EAI regarding the I-SEM project. It was advised that a response to this letter would be drafted following the outcome

of the I-SEM Senior Stakeholder Event which is taking place on Friday 26 September and is being attended by a representative from the EAI.

**9. AOB**

No further items were discussed.

**Date of Next Meeting:**

**SEM Committee 86, Thursday 30 October 2014 at 10.30am – 3.30pm, CER Offices, Dublin**