



SEM Committee Meeting

Agreed Minutes Meeting No. 87

Location: Bewleys Hotel, Ballsbridge, Dublin 4
Date: Thursday, 27 November 2014
Time: 10.30am – 16.45pm

Attendees: Jenny Pyper (JP) (Utility Regulator) (UR) (SEMC Chair), Paul McGowan (PMcG) (CER), Bill Emery (BE) (UR), Garrett Blaney (GB) (CER), Aoife MacEvilly (AM) (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), Jo Aston (JA) (UR), Elaine Cassidy (EC) (UR), Elaine Gallagher (EG) (CER), Jean Pierre Miura (JPM) (UR),

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

For Item 5: Warren Deacon (WD) (CER), Clive Bowers (CB) (CER)

For Item 6: Paul Hogan (PH) (CER), Andrew Ebrill (AE) (CER)

For Item 7a and 7b: Andrew Ebrill (AE) (CER)

For Item 7c: Philip Newsome (PN) (CER)

Minute Taker: Elaine Gallagher (EG) (SEMC Secretariat)

1. Briefing Session with Minister Foster

The NI Minister for Enterprise, Trade and Investment, Arlene Foster met with the members of the SEM Committee and was briefed on the operation of the SEM Committee and issues facing both generation and supply in the current market as well as discussing the imperatives for changing the market embodied in the I-SEM project. The Minister discussed a number of priorities with the SEM Committee including security of supply in Northern Ireland and the importance of increased storage and interconnection.

Minister Foster acknowledged the complexity of the electricity market and the difficulties this creates for the Regulatory Authorities in communicating related issues clearly and effectively. The SEM Committee were requested to give some consideration to further improving their methods of communication with industry, with public representatives and with consumers.

2. Approval and Adoption of the Agenda

The agenda was approved and adopted.

3. Approval of Minutes from Meeting 86 on 30 October 2014

The minutes were noted and are yet to be approved.

Decision Items

4. DS3 System Services – Discussion Paper

A number of papers were circulated and they include a Memo on System Services and RoCoF, a draft SEMC Decision Paper, SEMC Summary of Responses and Response Paper and a TSO Volume Analysis Report. A brief background was provided on the full DS3 programme including its objective to increase the system SNSP from currently 50% to 75% by 2020. Two distinct work programmes with Regulatory Authority oversight were referenced by the DS3 team, that of Rate of Change of Frequency (RoCoF) and System Services.

RoCoF

A brief outline of the CER and UR RoCoF Decisions and an update was provided. The decisions consisted of three strands namely the implementation in principle of RoCoF standard subject to completion by each generator of a set of studies evidencing compliance; secondly a TSO-DSO project to resolve any issues on the distribution systems and thirdly, a back-up set of studies into possible alternative/ complementary mechanisms to achieve RoCoF outcomes if the RoCoF grid Code modification cannot be implemented. The project team provided an update with respect to each of these three strands of work. The SEMC noted the content of the paper with respect to RoCoF and the project team will update the SEMC on this issue in 6 months.

Systems Services

The project team provided some context to the System Services review stating that it involves incentivising the right mix of “services” to continue to operate the system as levels of non-synchronous generation increase and the challenge to incentivise the required plant mix at most efficient cost to the consumer. The Procurement High Level Design was noted and the design comprises a number of key elements that were discussed in detail.

- **Expenditure Cap**

An expenditure cap of €235 million by 2020/2021 was proposed and approved. The SEMC noted that this was a cap and not a pot. The Cap would be applied on an annual basis based on evidence from market with an incremental increase of the cap to be linked to volumes.

- **Interim Tariffs**

The SEM Committee approved interim tariff for 2016/17 as proposed.

- **TSO Volume Requirements**

The project team presented slides on the TSO indicative estimated Volume Requirements outlining the TSO Volume Requirement determination process including caveats which the SEM

C noted. The SEM C decided that the TSO should develop and consult on a methodology for estimating volumes. The TSO is to estimate volumes. A Portion of volumes are to be covered by long term contracts and the Consultation is to take place in 2015.

- **Prequalification:**

The SEMC approved the prequalification process as proposed. All potential and existing plant must submit capability. Competitive conditions for each service will be assessed. The TSO recommends to SEMC which services are to be procured competitively and which will be paid through regulated tariff with the SEMC to make the final decision on each case. SEMC is to submit focussed guidance on competition to the TSOs. The SEMC noted that the burden of proof lies with the TSO to justify where the recommendation is to favour regulated tariff.

- **Auction:**

The auction design was approved as proposed. Further consideration must be given as to the control of the auction process.

Action: Project Board to consider auction process as part of the detailed design phase.

- **Regulated Tariff:**

The SEMC approved the proposal for a regulated tariff for services where competition is insufficient. The SEMC approved the payment basis as proposed together with the scales to be developed in the detailed design.

- **Treatment of Interconnectors:**

The SEMC approved in principle the treatment of Interconnectors as proposed. JA raised an issue with respect to potential funding on Moyle which might merit further consideration. JP raised the question of potential conflicts of interest between EIL and the TSOs. Responsibility for the finalisation of the text on the treatment of interconnectors was delegated to Project Board.

- **System Services: Procurement Design:**

The project outlined the workload breakdown with respect to both the High Level Design and Detailed Design. The project team asked for guidance from SEMC in terms of project approval. JP stated that there was agreement on all of the high level design elements and that the paper should include a section on emerging thinking and an update on RoCoF.

Action: Responsibility for finalisation and publication of System Services Procurement Design Decision Paper is delegated to Project Board.

5. **I-SEM Aggregator of Last Resort:**

The Aggregator of Last Resort Framework Consultation Paper was approved by SEMC subject to a number of small amendments. GB underlined the importance of giving options in the consultation paper to promote good governance. OH recommended inserting specific questions into the text of the consultation paper to facilitate engagement.

Discussion/Information Items

6. **Generator Financial Performance Presentation of Report Findings**

PH provided a presentation on the Generator Financial Performance report findings. The report is to be circulated to SEMC for approval and sensitive/ commercial information will not be included.

Action: This oversight of this workstream was delegated to SEM Oversight Committee and certain editing changes were suggested.

7. I-SEM

a. Project Update

AE provided an update on I-SEM progress to date. He updated the SEMC on the project management appointment process. He stated that the project team are commencing evaluations of the Framework Contract Tender. He noted that key elements of the PID are yet to be finalised but that this document would go to SEMC in December. He provided an update on the Agreed Approach Document (AAD) cost approval process. AE noted that designation of the project roles and responsibilities had the potential to impact on the efficiency of the procurement process. He confirmed that voting on CACM is to take place at Comitology on 4 and 5 of December 2014.

b. Project Initiation Document (PID)

AE noted that further key elements of the PID are yet to be finalised by the project team before submitting to SEMC in December.

Action: The PID is to go to SEMC in December.

c. I-SEM Roles and Responsibilities

PN provided a general overview of the governmental and licencing changes that will be required by I-SEM. He looked at the function of a 'super' Market Operator to perform certain administrative functions required by the market but falling outside of specific requirement of the Capacity Allocation and Congestion Management Guidelines (CACM). He noted that there may be synergies in having the market operator have administrative functions in the market but suggested that it would be useful to obtain stakeholder views on this. He underlined that ring-fencing of the current market operator may be an issue and consideration of the width, scope and height of ring-fencing, were it to take place, would be necessary. PN also emphasised that consideration was being given to the potential need for licence changes and how these changes might most effectively be achieved. He outlined the interaction with DCENR and DETI in this workstream and provided an update on CACM.

Standing Items

8. Updates

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

Noted

b. CER/ NIAUR/ Independent Members Updates

CER Update

No updates noted.

Utility Regulator Update

No updates noted.

SEM Independent Members Updates:

DNew gave evidence to House of Lords and comments on security of supply.

9. Review of Actions from Meeting 86 on 30 October 2014

Actions 308 and 320 were completed all other actions were updated.

10. SEM Correspondence

- SEMC agreed to draft a letter to EirGrid/SONI with respect to North South 400kV Interconnection Development and in particular a letter from EirGrid of 18.11.2014. Final text to be agreed with DCENR and DETI.
- SEMC to draft a letter of response to DS3 Advisory Council.
- SEM approved draft letter to Budget Energy in response to letter received on 31/10/14.

11. AOB

SEMC Training Day to be scheduled around the January or February SEMC meeting to facilitate training in effective SEM Governance and strengthening of the Secretariat drawing on guidelines from Shepherd & Wedderburn issued previously.

The SEM Committee noted that the responsibility for the provision of the SEM Committee Secretariat function would remit to the CER with effect from January 2015

Date of Next Meeting:

SEM Committee 88, Thursday, 18 December 2014 at 10.30am – 3.30pm, Utility Regulator, Queens House, Queen Street, Belfast.