

## SEM Committee Meeting

### Draft Minutes Meeting No. 31

**Location:** Commission for Energy Regulation ("CER") Offices, Dublin  
**Date:** 31<sup>st</sup> August 2010  
**Time:** 10.00-5pm

**Attendees:** Michael Tutty (CER), Dermot Nolan (CER), Garrett Blaney (CER), Iain Osborne (Utility Regulator Northern Ireland ("UR")), Dermot MacCann (UR) Alan Rainey (UR), Ignacio Perez-Arriaga (Chairman, Independent Member), Jose Sierra Lopez (Deputy Independent Member).

**In attendance:**

For all agenda items: Eugene Coughlan (CER), Shane Lynch ("SL") (UR)  
For agenda item 4f: Denis Cagney  
For agenda items 4d -10: Cathy Mannion (CER)  
For agenda item 4b: Gordon Downie (Shepherd & Wedderburn Solicitors) ("GD")  
For agenda items 4a, 4b, 4c: Stephen Powell (Consultant).  
For agenda item 4a, 4b, 4c: Paul Bell ("PB")  
For agenda items 4d & 4e: Paul Brandon ("PBr")  
For agenda items 4d- 4f: Juliet Corbett (UR) (via telephone).  
For agenda item 4a: Philip Newsome  
For agenda item 4d: Kevin Hagan,  
For agenda item 4e: John Lynch (CER)

**Minute Taker:** Laura Steerman (CER/ SEMC Secretariat).

**1. Approval and Adoption of the Agenda**

The agenda was approved and adopted.

**2. Approval of Minutes from Meeting on 27<sup>th</sup> July 2010**

The minutes were approved.

**3. Review of Actions from Meeting on 27<sup>th</sup> July 2010.**

Action Items 135, 140, 141, 142 & 143 were noted as complete.

Action Items 127, 128, 136, 137, 138 & 139 were noted as ongoing.

**4. Policy Papers/ Matters**

**a. Update on Regional Integration**

PN outlined Regional Integration issues arising from March to August 2010. PN also took the meeting through a note on 'Accommodating the East West Interconnector.'

**Action:** The Project team is to consult with TSOs and bring consultation paper to SEM Committee in October on the Treatment of Interconnectors in the SEM market rules.

**b. Carbon Revenue Levy**

GD set out his legal advice in relation to the carbon revenue levy ("the Levy") and the powers potentially exercisable by it in relation to a levied generator who proposes to include the costs of the Levy in its Commercial Offer Data.

Having discussed the advice and having considered the other relevant materials which had been circulated to it, the SEM Committee decided that it would be appropriate, subject to seeking the views of the levied generator, to issue a direction preventing the generator from including the Levy costs in its bids.

The SEM Committee agreed to delegate authority to the Chairman to take a decision on its behalf in this matter, such authority to include power to settle and approve the terms of the relevant direction, to consult with the affected generator and to do such other things as may be necessary or desirable in connection with those matters

**Action:** The direction is to be circulated by GD for the approval of the Chairman to issue.

**c. Investigation Report to SEM Committee**

PB gave an overview of milestones, analysis and findings of the MMU in relation to the formal investigation carried out as to whether there was a breach of the Bidding Code of Practice by a commercial generator.

**Action:** The SEM Committee requested that the Oversight Committee approve the MMU Report on the investigation for submission to the commercial generator for comment. The SEM Committee requested that any comments from the commercial generator and the findings of the MMU be submitted to the SEM Committee for review in September.

**d. TLAF Draft Decision**

PBr summarised the background to the proposals and the consultation responses received. The findings of the Regulatory Authorities' modelling work on the uniform TLAF and compression scenarios were presented, and the proposal was accepted for TLAFs from 1 October 2010, subject to final assessments being completed on the impact of the Error Supply Unit. With a view to the long term, for the solution to be applied in the dispatch schedule the SEM Committee decided to value efficiency and in the market schedule the SEM Committee decided to value stability. The SEM Committee decided that the final decision paper is to be approved for publication by the Oversight Committee.

**Action:** Project Team to submit an updated project plan to the Oversight Committee, taking into account concurrent work streams.

**e. Rates for Ancillary Services and Other Charges**

JC provided the background to, and an overview of, the recommendations received from the System Operators on All-island Ancillary Services Rates and Other System Charges for the forthcoming tariff year. The SEM Committee noted that though there were changes to the exchange rate the methodology in calculating the rates remained the same. On the matter of phasing in of certain rates the SEM Committee decided not to accept the recommendation of the System Operators as sufficient reasoning to depart from the SEM Committee's earlier decision of January 2010 was not presented to it. It was decided to approve the recommendations on this basis.

**f. Scheduling and Dispatch – Material Level of Harm**

DC noted an open industry forum is planned to discuss the core proposals set out in the Scheduling and Dispatch Position paper, which is due for publication this week.

The SEM Committee imparted further guidance to the Project team on the development of a Paper on the Assessment of Material Level of Harm. It was requested that an update be provided to the SEM Committee in September on what the measures are to be monitored and how monitoring would be undertaken.

**g. Acquisitions in Northern Ireland**

SL spoke about the acquisition by ESB of NIE and the acquisition by AES of Premier Power noting the UR typically consults, following mergers and acquisitions of this kind, on whether the current licence conditions are 'fit for purpose' in light of the changed circumstances.

In relation to the ESB acquisition of NIE, the SEM Committee considered the ownership of transmission and distribution networks in the Republic of Ireland and Northern Ireland, and ESB's generation portfolio. The SEM Committee considered the exercise of any relevant functions by the UR consequent on the acquisition to be a SEM Matter.

In relation to the AES acquisition of Premier Power Ltd the SEM Committee considered analysis on AES' market power and share and considered the exercise of any relevant functions by the UR consequent on the acquisition to be a SEM Matter.

**Action:** Oversight Committee to assess the licence provisions applying to ESB and AES in each jurisdiction in light of the acquisitions. A consultation paper on the exercise of relevant functions in relation to each acquisition is to be prepared by UR for the SEM Committee.

**5. MMU Update**

The update was noted by the SEM Committee.

**a. Process Manual**

SL provided an update on the development of the MMU Process Manual, which will be consulted upon in due course.

**6. Update on the TSC Modifications**

The update was noted by the Committee.

**7. Reporting of decisions made by Oversight Committee**

The report was noted by the Committee.

**8. Updates from CER/ UR/ Independent Members.**

DN provided an update on the PES retail tariffs for the coming year, noting an announcement is due tomorrow in ROI. SL provided an update on network charges, PES retail tariffs and PSO proposed in Northern Ireland.

**9. SEMC and OSC Dates for 2011**

The update was noted by the Committee.

**Action:** Oversight Committee to discuss SEM Strategy Day 2011.

**10. AOB**

**a. Forward Agenda to End 2010**

The update was noted by the Committee.

**b. Shepherd & Wedderburn Contract**

The SEM Committee approved the extension of the Contract to October 2011.

**Date of next meeting: 28 September 2010, UR Offices, Belfast.**