

SEM Committee Meeting

Minutes Meeting No. 46

Location: Utility Regulator, Belfast
Date: 25th October 2011
Time: 10.30am – 4.30pm

Attendees: Alan Rainey (AR) (Utility Regulator) (UR) (SEMC Chairman), Shane Lynch (SL) (UR), Garrett Blaney (GB) (CER), Dermot Nolan (DN) (CER), Ignacio Perez-Arriaga (IP-A) (Independent Member), Jose Sierra Lopez (JS-L) (Deputy Independent Member).

Apologies:

In attendance:

For all items: Eugene Coughlan (EC) (CER),
For item 5 onwards: Cathy Mannion (CM) (CER) via VC.
For Items 4 and 5: Colin Broomfield (CBr) (UR), Andrew McCorriston (AMC) (UR), Andrew Ebrill (AB) (CER), Fergus O'Toole (FOT) (CER), Kevin O'Hagan (KOH) (CER)
For Item 6: Colin Broomfield (CBr) (UR), Jody O'Boyle (JOB) (UR)
For Item 7: Sheenagh Rooney (SR) (CER), Andrew Ebrill (AE) (CER), Juliet Corbett (JC) (UR)
For Item 8: Sheenagh Rooney (SR) (CER), Juliet Corbett (JC) (UR)
For Item 10: Juliet Corbett (JC) (UR), Joe Craig (JCR) (UR)
For Item 11: Aoife Crowe (AC) (CER), Juliet Corbett (JC) (UR)
For Item 13: Sarah Brady (SB) (UR) James McSherry (JM) (CER)
For Item 14: Colin Broomfield (CBr) (UR)

Minute Taker: Sarah McKenna (UR)

1. Approval and Adoption of the Agenda

The Agenda was adopted as circulated.

2. Approval of Minutes from Meeting 45 on 27th September 2011.

The Minutes were adopted with amendments as discussed.

3. Review of Actions from meeting 45 on the 27th September 2011

Actions 177 and 195 were completed, all other actions were updated and some further actions added.

4. Market Power Liquidity Draft Decision Paper

AE directed members to the report and draft Market Power and Liquidity Proposed Decision paper as circulated, reflecting the further investigation based on the policy guidance provided by the SEM Committee at the last meeting.

The SEM Committee discussed the full range of issues affecting market power and liquidity (both spot and contract) in the SEM as it now exists and as it may change over the next few years (including expected changes such as European market integration and trading over EWIC and possible changes such as ESB's business integration proposals).

Following the discussion, the SEM Committee made decisions on the key policy issues to be included in the Proposed Decision Paper:

- The present market power mitigation measures (the Bidding Code of Practice, the Market Monitoring Unit and Directed Contracts) would be maintained for the foreseeable future. Directed Contracts would be offered more frequently than annually. The HHI threshold for the provision of Directed Contracts will remain at 1,150 for the time being, though the SEM Committee reserves the right to reduce this in future if warranted, for example due to contract market power concerns.
- ESB horizontal integration would be permitted subject to agreement on the necessary licence changes. It is expected that this will lead to a significant rise in Directed Contract volumes from present levels.
- ESB vertical integration, whether full or partial, would not be permitted for the time being. This decision would be kept under review as circumstances change into the future but no specific trigger could be set at present.
- No arrangements would be implemented for RA-mandated liquidity measures but the RAs would facilitate the development of industry-led solutions.

Action: Project Team to finalise the Proposed Decision paper based on these policy decisions.

5. Generator Profitability Report

FOT directed members to an updated Financial Analysis of Generators in the Single Electricity Market (SEM) 2008/2012 paper as circulated.

Members noted the information provided and agreed the following:

- There is to be a consultation on the development of a template with clearer accounting guidelines for collecting financial data from generators, including renewable generators. The suitability of adopting a similar approach to that of Ofgem will be examined.
- The objective is publication of the data to improve transparency and also to allow meaningful comparisons within the SEM and with the GB market.

Action: Project Team to develop the consultation paper as agreed, for issue in Q1 2012.

6. MMU MMU Update

The SEM Monitoring Report was noted.

CPM Medium Term Review Decision Paper

JOB referred members to the draft Decision Paper on the CPM Medium Term Review. JOB informed members that responses had been collated from 3 separate work packages, resulting in 47 responses.

Following discussion of the possible policy options the SEM Committee decided that, in view of the current major review of SEM design to facilitate European market integration, major changes to the CPM design or methodology would not be made now. The Committee further decided that, within that overall decision, the following detailed changes would be appropriate:

- IMR deduction from the BNE, FOP adjustment and fixing the elements of the BNE calculation for a three year period.

The issue of capacity penalties is being dealt with under another workstream. The parameters relevant to the timing and distribution of capacity payments are reviewed and consulted on annually and this will continue.

Action: Project Team to finalise the Decision Paper based on these policy decisions.

Bidding Code of Practice Cost Items

CB directed members to the memo and draft Decision Paper as circulated. Members discussed the policy options set out in the paper.

The SEM Committee was generally satisfied with the Project Team's recommendations subject to some concerns as to detail.

Action: Project Team to finalise the Decision Paper in line with the Committee's comments.

7. European Market Integration Project Update

SR directed members to the update report as circulated and discussed the progress of the actions listed in the market integration paper. Members discussed the following:

- Cfd solutions, members requested the draft document be circulated and added to the next SEM Committee agenda for discussion.
- Deliverables for 2014, cost implications.
- Timelines involved.
- Correspondence with ACER.

Members noted the comprehensive report and good progress made on the project.

8. Trading and Settlement Code Update

Members noted the report.

9. Judicial Review

EC updated members regarding the judicial review. The appeal hearing in the Supreme Court has been fixed for the 22nd November 2011. A special SEM Committee meeting may be required depending on developments over the next few weeks.

10. TSO Certification Update

JC referred members to the papers as circulated on the TSO Certification process for Northern Ireland and updated the SEM Committee on discussions with the European Commission. Members were concerned that the process, including any necessary legal reviews, would be expedited to allow the overall certification timetable to be met and asked the SEM Committee Chairman to give any necessary assistance to this end, updating the SEM Secretariat as to progress.

GB informed members in relation to TSO Certification in the Republic of Ireland that the Statutory Instrument is expected within the next two weeks. This is expected to make TSO Certification a regulatory function.

11. Reporting of decisions made by Oversight committee to SEM Committee

Members noted the information provided.

12. Updates CER-UR-Independent Members update

CER

Government is progressing work on the sale of a minority share in ESB. Publication of the IEA report is not expected for some time.

Utility Regulator

Generator Profits: There has been public debate on the reported profit margins of certain generators. The Utility Regulator has been concerned to ensure that this debate is properly informed and based on accurate figures and realistic policy options.

13. Enduring Fuel Mixed Disclosure Methodology Update

JM referred members to the report and draft Calculation Methodology Decision Paper as circulated.

Following discussion, the SEM Committee finalised some drafting points and, subject to these, approved the paper for publication and agreed the Next Steps as set out in Section 4 of the Paper.

Action: Project Team to revise, publish and implement the Decision Paper.

14. SEM Correspondence

- The response to the letter re curtailment of energy produced from renewable sources was noted by the members.
- Generator Transmission Use of System charging Decision: Members noted the letters received from industry participants and considered the SEM Committee's response. The Project Team are to draft responses for the Chairman's signature. Where matters outside the remit of the SEM Committee are included in the letters received, these will be responded to separately.

15. AOB

- DS3 project briefing: The SEM Committee requested that the TSOs give a presentation at the November meeting
- Moyle and Turlough Hill Outages: Members noted the information provided.
- NS interconnector Update: Members noted the information provided.

Date of Next Meeting: Tuesday 29th November 2011, CER Offices, Dublin