

**SEM Committee Meeting
Minutes Meeting No. 141**

Location: UR offices, Belfast

Date: Thursday 25th April 2019

Time: 10.30 – 14.30

Member attendees:

Utility Regulator (UR): Bill Emery (SEM Committee Chair), Jenny Pyper, Jon Carlton

Commission for Regulation of Utilities (CRU): Paul McGowan, Aoife MacEivilly

Independent members: Odd Håkon Hoelsæter, Professor David Newbery (Deputy)

In attendance:

For all items: Colin Broomfield (UR), Alan Rainey (Economic Adviser to UR), Sarah Maybin (UR)

For items 3 and 4: Paul Bell (UR), Kenny Dane (UR), Rodney Doyle (SEMO), Robin McCormick (SONI), Shane Maher (EIRGRID)

For items 5-7: Gina Kelly (CRU), Ian McClelland (UR), Tony Doherty (UR)

For item 8: Joe Craig (UR), Lisa Tate (UR)

For item 9: Rachel Strong (CRU), Andrew Waghorn (Deloitte)

For item 10: Rachel Strong (CRU)

For item 11: Aidan Short (Neueda)

Apologies: John Melvin (CRU)

Minutes: Barbara Stevenson (SEMC Secretariat)

Declarations of interest: No declarations were made

1. Approval and adoption of the agenda

A revised agenda was presented to the Committee, approved and adopted.

2. Review and approval of minutes from meeting 140 on 28th March 2019

The minutes from SEM Committee 140 were approved subject to a minor amendment.

3. CRM T-4 CY2022/23 auction results approval

The Committee considered the submitted papers detailing the provisional auction results of the T-4 CY2022/23 capacity auction. This included details of unconstrained and constrained solutions, the Auction Monitor's report, the TSOs security of supply assessment, USPC application processes, market participant correspondence and next steps.

The Committee discussed in detail the issues raised in the market participant correspondence. The Committee discussed at length relevant factors including the legal and factual context and also considered in detail other relevant information as held by the RAs. They sought further clarification from the RAs' CRM team on a number of key issues including the scope of the role of the auction monitor and findings as detailed in the auction monitor report.

The TSOs joined the meeting and confirmed that from a system operator perspective they were content with the auction results. They confirmed they had no issues following their assessment of security of supply and system assessment and that the auction had been successful.

In light of the correspondence, the Committee sought further assurances from the TSO on a number of matters including the qualification process, assessment criteria and viability of new investment. The TSOs confirmed that they were satisfied with the auction bids and that the auction criteria had been satisfied. The TSOs highlighted that the auction monitor also confirmed that the TSOs had followed the auction rules and process.

The TSOs left the meeting and SEMC further discussed the auction rules, auction results, monitor findings and feedback, comments from market participants and other relevant factors to their decision.

Following further assessment the Committee were minded to approve the T-4 auction results as presented. However, in light of the terms of the letters, the RAs were asked to further review the correspondence and thereafter provide the Committee with further information in relation to the Committee's outstanding queries. Following due consideration of this information the Committee will, only if appropriate, confirm their approval of the results by correspondence.

4. CRM T-1 T-2 parameters

Paul Bell presented the submitted papers detailing the proposed parameters for 2020/21 T-1 and T-2 capacity auctions. Consultation proposals, responses, existing capacity price cap, previous auction results and next steps were detailed.

The Committee determined the ECPC and approved the publication of the CRM 2020/21 T-1 Capacity Auction and 2021/22 T-2 Capacity Auction Parameters decision paper.

5. Cost recovery principles – ISEM post production

Gina Kelly presented the principles for cost recovery of post ISEM costs as outlined in the submitted papers following the formal closure of the ISEM project. The Committee discussed outstanding market issues and need for these to be resolved as quickly as possible. The

Committee discussed further the mechanisms for cost recovery and sought assurances that costs would be appropriately and efficiently recovered.

The Committee approved the proposals as presented in the paper.

6. Cost recovery process – intraday market

The Committee discussed the submitted proposals for the recovery of outstanding costs for the interim intraday project to allow for multiple NEMOs. The process for assessment and approval of costs was detailed along with the method of cost recovery.

The Committee approved the proposals as presented in the paper.

7. Regulatory Framework for NEMO regulation

The Committee considered the paper as presented. The framework for NEMO regulation was discussed along with market development, consultation options, responses and next steps.

The Committee approved the proposals as presented in the paper.

8. MMU update

The Committee noted the MMU update as submitted. The Committee discussed further the market overview including demand, fuel prices, prices and availability of wind. The impact of unit outages and activity in the day-ahead and intra-day markets were also discussed.

9. SEM Trading and Settlement Code market audit

The Committee considered the SEM Trading and Settlement Code market audit as presented by auditor Andrew Waghorn of Deloitte. It was noted the audit covered 2017 and up to the introduction of the new market arrangements on 1 October 2018 and was therefore the last audit of the old SEM arrangements.

The scope, materiality, responsibilities and assurance opinion were discussed with no material issues identified in the report. The Committee discussed outstanding actions and progress on upcoming audits of the Capacity Market and ISEM Market.

The Committee noted the imminent publication of the audit report.

10. Balancing Market Principles Statement overview

An overview of the Balancing Market Principles Statement was presented including its purpose, development, TSO and RA responsibilities, objective and key revisions.

11. DS3 and Wholesale updates

Aidan Short updated the Committee on key workstream progress including the Capacity Remuneration Mechanism, DS3, Forward Contracts, EU coupling, Brexit and activity in the Balancing market. The update on RoCoF compliance was discussed and update on milestones considered.

12. Updates

(a) SEMC communications and governance update

Barbara Stevenson updated the Committee on recent communication activities. Revised Rules of Procedure and Scheme of Delegation documents were presented to the Committee for consideration. Following comments updated versions are to be circulated to the Committee for further review.

(b) CRU/UR/Independent Members

Paul McGowan updated the Committee on the advertisement of the Commissioner position at CRU and the Celtic Interconnector. The Committee requested a further interconnector update at the May meeting.

Jenny Pyper updated the Committee on the sale of AES Ballylumford and Kilroot to Energetický a Průmyslový Holding (EPH) and recent Board appointments. She also provided an update on the recent industrial action by SONI employees. The Committee requested an update be provided by SONI on the implications, if any, of the industrial action on the SEM.

(c) Legal update

No legal update was considered.

(d) Brexit

The revised Brexit date of 31 October 2019 was noted.

13. Review of actions from meeting 140, Thursday 28th March 2019

No open actions to discuss.

14. SEMC correspondence

Relevant correspondence was considered under agenda item 3. As part of agenda item 3, the Committee also discussed recent issues in the Balancing Market including settlement with the TSOs as raised in recent correspondence to the Committee from EAI. The Committee sought assurances from the TSOs that these matters will be addressed swiftly and in close liaison with market participants and the RAs.

15. AOB

None



Signed: _____

Bill Emery, SEM Committee Chair

Supplementary note: 7 May 2019

CRM T-4 CY2022/23 auction results approval

Following SEM Committee meeting 141 on 25th April 2019, the Committee sought further information in relation to outstanding queries.

On 3 May 2019, members were provided with further materials including information from the RAs, TSO, Market Monitor and further legal advice.

All members of the Committee confirmed their approval of the T-4 CY2022/23 auction results by correspondence.

