

SEM Committee Meeting

Minutes Meeting No. 168

Location: Video-conference

Date: Thursday 28th July 2021

Time: 09.00 – 1.30pm

Member attendees:

Commission for Regulation of Utilities (CRU): Aoife MacEvilly, Jim Gannon, Paul McGowan

Utility Regulator (UR): Bill Emery (SEM Committee Chair), Jon Carlton, John French

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

In attendance:

For all items: Colin Broomfield (UR), John Melvin (CRU), Alan Rainey (Economic Adviser to UR)

For item 3: Kevin Lenaghan (UR)

For item 4: Kevin Baron (UR), Stuart Foulkes (ESP Consulting)

For item 5: Robert O'Rourke (CRU), Dylan Ashe (CRU), Brian Mulhern (UR), Alistair Green (ESP Consulting)

For item 6: Rory O'Donnell (CRU), David Egan (CRU)

For item 7: Patrick Harney (CRU), David Egan (CRU)

For item 8: Brian Mulhern (UR)

Apologies: none

Minutes: Barbara Stevenson (SEMC Secretariat)

Declarations of interest: No declarations were made

1. Approval and adoption of the agenda

The agenda was approved and adopted.

2. Review and approval of minutes from meeting 167, Thursday 24th June 2021

The minutes from SEM Committee 167 were approved subject to minor amendments.

3. Capacity market audit – year 3

Kevin Lenaghan provided an overview of a proposed delay to the year 3 capacity market audit process following feedback from the TSOs. Detail of engagement with the TSOs, the rationale for a delay and updated timelines was provided.



The Committee discussed further the current scope of the auditor contract and next steps.

The Committee approved the revised timetable for the independent market auditor's year 3 report with Oversight Committee to progress relevant arrangements for the auditor.

4. CRM

1. Annual run hours limited de-rating factor consultation for the T-3 2024/25 capacity auction

Kevin Baron provided an overview of the Annual Run Hours Limited De-Rating Factor consultation for the T-3 2024/25 capacity auction. Detail of feedback received through consultation responses was presented alongside the analysis provided by the TSOs as part of the consultation process.

The Committee discussed relevant legislative requirements and potential impact on future auctions.

The Committee approved the proposal as presented to make no changes to the de-rating in respect of annual run hours for the T-3 2024/25 auction.

2. T-3 2024/25 Parameters decision paper

Kevin Baron provided an overview of the parameters decisions requested for the T-3 2024/25 capacity auction. Comparisons with previous auctions were provided and plans for publication outlined.

The Committee approved the T-3 2024/25 parameters as presented.

3. T-3 2024/25 Initial Auction Information pack

Kevin Baron provided detail of the decisions requested of the Committee as part of the Initial Auction Information Pack for the T-3 2024/25 capacity auction.

The Committee discussed further the de-rating values of individual technology types. Comparisons with other regions and potential changes for future auctions were discussed.

The Committee approved the T-3 2024/25 Initial Auction Information pack as proposed by the team.

4. T-4 2025/26 Parameters consultation paper

Kevin Baron presented proposals for the T-4 2025/26 parameters for consultation. Detail of proposed changes to performance security, termination charges and de-rating methodology for new and existing capacity were outlined. Next steps in terms of the auction timetable and engagement with the TSOs were also detailed.

The Committee approved the T-4 2025/26 parameters consultation as presented with delegated authority to the Oversight Committee to make final editorial amendments as necessary.

5. System Services Future Arrangements high level design consultation

Robert O'Rourke outlined the proposals to be consulted on in the System Services Future Arrangements High Level Design consultation paper.

The Committee discussed the potential options, transparency of costs and consumer impact. Further detail on the timing of the auction in relation to the energy trading markets was discussed. Detail of views sought from respondents on dealing with constraints were explored.

Proposed governance arrangements were presented and the Committee asked for views to be sought through the consultation on how a potential System Services Code Panel can be facilitated.

Proposals on distribution network interactions were presented. The Committee sought further detail on experience in other markets.

The Committee approved the proposals for consultation as presented and delegated authority to the Oversight Committee to finalise the paper for publication.

6. Forward liquidity and DC volumes

Rory O'Donnell provided a summary of previous discussions at SEMC in relation to forward liquidity, DC volumes and relevant correspondence received. Proposals to reallocate the volume of directed contracts available to small suppliers was presented.

The Committee discussed current market conditions and impacts on forward liquidity in the market. The Committee discussed the timing of DC contracts and the need to put in place measures swiftly for small suppliers accessing DC contracts.



The Committee approved the immediate reallocation of DC contracts as proposed. Delegated authority was given to the Oversight Committee to finalise an information paper detailing this change and consultation on enduring DC volumes allocation.

7. Imperfections charges - update

Patrick Harney provided an overview of the imperfections charges as published for consultation. A summary of responses received on proposals and other comments received as part of the consultation were outlined.

The Committee were content with the proposals as outlined and noted the next steps.

8. MMU update

The Committee noted the MMU update as circulated. Brian Mulhern provided further detail of demand, wind availability, gas prices, carbon prices and coal prices during June. Further detail of market outcomes during July were outlined. Reasons for the spread between GB and SEM prices were discussed including impact of wind availability and plant outages.

9. Covid update

John Melvin provided an update on restrictions as a result of Covid-19 in Rol. Colin Broomfield provided the update in respect of NI.

10. FWP update

Progress on the delivery of key 2020-2021 FWP projects was discussed. Concerns in relation to procurement arrangements were also discussed.

11. Updates

(a) SEMC communications and governance update

Barbara Stevenson updated the Committee on recent communication and stakeholder activities. An overview of draft lines to take on key issues were discussed.

Committee meeting dates for 2022 were presented and agreed.



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(b) CRU/UR/Independent Members

Aoife MacEvilly provided an update on security of supply and engagement with government, energy transition and climate action, PSO levy, Generation Capacity Statement and Greenlink Interconnector.

John French provided an update on the appointment of Gordon Lyons as Economy Minister, gas tariffs, SONI governance and DfE Energy Strategy.

(c) Legal update

No legal issues to discuss.

(d) TCA update

An update on the Trading and Cooperation Agreement was provided including potential delays to implementation timelines. The Committee discussed further implications for interconnector trading and potential next steps.

12. Review of actions from meeting 167, Thursday 24th June 2021

No open actions to discuss

13. SEMC correspondence

The Committee discussed relevant correspondence and provided direction in terms of response.

14. AOB

None

Signed: _____

Bill Emery, SEM Committee Chair