

SEM Committee Meeting

Minutes Meeting No. 180

Location: Video-conference

Date: Thursday 26th May 2022

Time: 9.00am – 2.15pm

Member attendees:

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

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

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

In attendance:

For all items: John Melvin (CRU), Colin Broomfield (UR)

For items 1 – 13: Alan Rainey (Economic Adviser to UR)

For item 3: Conall Heussaff (CRU), Gráinne Black (CRU)

For item 4: Jean-Pierre Miura (UR)

For item 5: Barry Hussey (CRU), Gary McCullough (UR)

For item 6: Barry Hussey (CRU)

For item 7: Paul Bell (UR)

For item 8: Leigh Greer (UR)

For item 9: Brian Mulhern (UR)

For item 14: Roisin McLaughlin (UR), Elaine Cassidy (UR), Michael Barrett (CRU), Gordon Downie (Sheppard and Wedderburn)

Apologies: None

Minutes: Barbara Stevenson (SEMC Secretariat)

Declarations of interest: None

1. Approval and adoption of the agenda

The agenda was approved and adopted.

2. Review and approval of minutes from meeting 179, Thursday 28th April 2022

The minutes from SEM Committee meeting 179, Thursday 28th April 2022 were approved subject to a minor amendment.

3. Generator financial performance report

Conall Heussaff presented the generator financial performance report for financial year 2020 to the Committee. An overview of key findings were outlined including average market prices, volumes sold, total revenue, operating costs, gross and net margins, depreciation and impairment for the period.

The Committee discussed the time period covered by the report noting that the data pre-dates the significant increase in international wholesale prices currently impacting the market. Price trends were discussed including net margins.

The Committee approved the generator financial performance report CY2020 for publication.

4. Compensation of interconnectors for net transfer capacity reductions

Jean-Pierre Miura provided detail of trading on the interconnectors during high-price periods and response by the TSOs and interconnector operators. An ongoing dispute in relation to the outcomes of the net transfer capacity auctions was detailed. Relevant correspondence received and industry documents including licence conditions and cross border interim arrangements were detailed. Associated market costs were presented and detail of the current position of the RAs was discussed.

The Committee approved relevant next steps and issuing of correspondence to the TSOs in relation to this matter as circulated.

5. Issues arising from Article 12 and 13 decisions

Barry Hussey provided background detail to previous Committee decisions in relation to Articles 12 and 13 of the Clean Energy Package. Correspondence received from industry in relation to the decisions was presented alongside a previously issued and published response from the Committee. A summary of discussions with, and clarifications sought by, market participants was provided.

Gary McCullough detailed the current thinking of the RAs in response to raised issues and presented draft responses. Relevant TSO implementation timelines were discussed.

The Committee instructed the RAs to produce an information paper for industry to provide clarity on next steps in relation to previously published decisions including indicative timelines.

The Committee approved the issuing and publication of relevant correspondence.

6. ACER pricing paper

Barry Hussey provided summary detail of ACER's final assessment of the EU wholesale electricity market design report as published in April 2022. ACER key recommendations and the EU Commission response were outlined. The Committee discussed the findings of the report, overall market design and experience in other jurisdictions.

Ongoing work by the RAs in response to high prices was noted.

7. T-1 CY2023/24 update

Paul Bell provided an overview of current thinking in relation to the potential timetable for a CY2023/24 capacity auction. The need to reduce the timelines for certain processes in order to ensure the delivery of the auction were highlighted.

The Committee discussed the identified capacity gap for the 2023/24 year and ongoing engagement with the TSOs. Next steps were agreed.

8. Update on TSO activities – RA issues

Leigh Greer provided an updated summary of known issues and areas for development and monitoring relating to the TSOs.

The Committee discussed a range of performance issues including known and emerging concerns. The need for the TSOs to focus on actions to mitigate high prices, manage security of supply as well as providing clarity on work programme prioritisation was stressed. A process for ongoing engagement with the TSOs on issues was considered.

The Committee agreed to write to the TSOs in advance of their next quarterly update meeting with the Committee indicating areas for discussion.

9. MMU update

The Committee noted the MMU update as circulated.

Brian Mulhern provided more detail on key events during April including day-ahead market prices, volumes, gas prices, carbon prices, wind availability and outages. Clean and dark spark spreads were presented.

The Committee discussed further movements in the gas price, current forward prices and level of peak demand. Publication of a new monthly MMU monitoring report was noted.

10. FWP update

The Committee noted the publication of the update on progress of delivery of the FWP following the April Committee meeting. An update on key projects was provided.

11. Updates

(a) SEMC communications and governance update

Barbara Stevenson updated the Committee on recent communication and governance activities including the recruitment of new Independent and Deputy Independent members of the Committee.

Colin Broomfield presented an overview of the current interim joint procurement arrangements and action requested from the Committee. The Committee endorsed the proposal to extend the current interim arrangements until the end of July 2022.

(b) CRU/UR/Independent Members

John French provided an update on the current political situation in Northern Ireland, energy tariff increases, the gas distribution price control and ongoing security of supply situation in relation to a generator.

Aoife MacEville provided an update on CRU resources and working arrangements, procurement of generation to address security of supply issues, gas network tariffs, PSO levy and Celtic Interconnector planning decision. The publication of the interim RESS II action results was noted and a summary of results provided.

(c) Legal update

No update to note

12. Review of actions from meeting 179, Thursday 28th April 2022

The Committee noted the update on actions.

13. SEMC correspondence

The Committee discussed received correspondence under relevant agenda items.


14. SONI governance

Roisin McLaughlin presented a summary of the UR consultation on proposed modifications to the SONI TSO licence in respect of governance. An overview of responses to the consultation was provided alongside a work in progress summary of potential changes to the licence modifications consulted on. Elaine Cassidy updated the Committee on the appeal by SONI against the High Court judgment in relation to this matter.

The Committee noted the next steps including relevant timelines.

15. AOB

None

Signed:  _____

Paul McGowan, SEM Committee Chair