



SEM Committee Meeting

Minutes Meeting No. 204

Location: UR Offices, Belfast

Date: Thursday 25 April 2024, 9.00 a.m.

SEM Committee:

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

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

Independent members: Jonathan Hodgkin, Chris Harris (Deputy)

In attendance:

All items: John Melvin (CRU), Colin Broomfield (UR), Kevin Shiels (UR)

Items 3: Jean Pierre Miura (UR), Andrew Chattrabhuti (ESP consulting), Lorcan Kennedy (CRU), Ian McClelland (UR), Ciaran Breen (UR), Emer Gerrard (CRU), Marie-Therese Campbell (UR), Kevin Baron (UR), Damien Doone (UR)

Item 4: Elvis Sebastian (CRU), Koyinsola Openibo (CRU)

Item 5: Sheena Byrne (CRU), Lisa Murray (CRU)

Item 6: Ciaran Breen (UR)

Item 7: Brian Mulhern (UR), Owen Kearns (UR)

Item 9: Leigh Greer (UR). Lisa Tate (UR)

Apologies: None

Minutes: Greg Irwin (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 203, Thursday 28 March 2024

The minutes from SEM Committee meeting 203, Thursday 29 February 2024 were approved subject to some minor amendments.

3.T-4 2028/2029 auction

(a) T-4 2028/2029 Auction Price Cap

Jean-Pierre Miura introduced this item which set out the key issues relating to setting the Auction Price Cap (APC) for the T-4 2028/2029 Capacity Auction.

The Committee considered the recent outcome of T-4 auctions and the responses to the T-4 2028/2029 auction parameters consultation. There was also a discussion on the factors that may impact on investors auction bid prices, including income uncertainty and the economic life of generation assets. Broader considerations, around security of supply and meeting government policy targets on generation from renewables, were also discussed.

In that context, the Committee discussed the analysis provided setting out a range of options for the APC.

Having considered the range of issues and the analysis provided relating to the APC, the Committee endorsed an increase in the multiplier, resulting in an APC of €230,000 (de-rated, per MW, per year).

(b) T-4 2028/2029 INCTOL

The Committee also discussion the Increase Tolerance (INCTOL) parameter, which is the percentage upwards tolerance that a market participant is permitted to apply to capacity market unit de-ratings in an application for qualification for the auction.

The feedback from market participants, following consultation on INCTOL proposals in the T-4 2028/2029 capacity auction parameters consultation, were discussed. The risks and benefits associated with INCTOL proposals were also considered.

The Committee decided to retain INCTOL at zero for the T-4 2028/2029 auction, and explore the issues and potential solutions for subsequent auctions.

(c) T-4 2028/2029 – Initial Auction Information Pack

The Committee discussed the T-4 2028/2029 Initial Auction Information Pack (IAIP).

The focus of the discussion was around de-rating factors in relation to Demand Side Units (DSUs). This included discussion on the materiality of applying de-rating factors and the rationale for a proposed approach to de-rating factors and DSUs. The Committee agreed to freeze the de-rating factors for DSUs as per the T-4 2027/2028 values.

The Committee noted emerging information from the TSO's relating to a potential new Locational Capacity Constraint (LCC) area which was not adopted for the



forthcoming auction. It was agreed that further analysis was required, prior to the Committee considering a new LCC area.

In clarifying timing and next steps, and emphasising the importance of communications around key decisions, the Committee approved all the elements of the IAIP as presented.

(d) T-4 2028/2029 –Parameters decision

Ian McClelland briefed the Committee on the T-4 2028/2029 auction parameters.

The Committee approved the T-4 2028/2029 auction parameters as presented.

(e) T-4 2028/2029 – Early Delivery Incentives

Emer Gerrard introduced this item which provided an update on the consultation on T-4 2028/2029 Early Delivery Incentives, which had now concluded. Responses to the consultation were noted.

The Committee welcomed the work on Early Delivery Incentives and approved the proposed decisions as presented.

4. Intermediate Length Contracts

Elvis Sebastian introduced this item, relating to proposals to introduce Intermediate Length Contracts (ILCs). A presentation was provided setting out an overview of consultation responses on the key issues.

The Committee discussed aspects of the proposals, including the duration of ILCs and approaches to prevent gaming. Decarbonisation and impacts on the environment were also discussed.

Proposed drafting changes to the ILC decision paper were also presented and considered.

The Committee approved the key decisions as presented, subject to consideration of feedback, and the identified drafting changes.

5. SEMC Imperfections Mid-Year Review

Lisa Murray introduced this item which summarised the TSO's submission of their Imperfections Charges Mid-Year Review report.

Much of the discussion focused on the TSO's calculation, and explanation, of imperfection costs. In that context, the Committee endorsed efforts to engage with the TSOs to identify key drivers and details with a view to improving the 2024/2025 Imperfection submission.

The Committee approved the recommendation not to change the imperfections tariff for Tariff Year 2023/2024.

6. CRM extension review overview

Ciaran Breen introduced this item which provided an overview of the extension requests received under J.5.2 and J.5.7 of the Capacity Market code since the beginning of June 2023.

Several queries raised by Committee members were addressed. There was also a discussion on the factors contributing to the delays which resulted in extension requests being submitted.

The overview was noted, and the Committee endorsed the intention to provide regular updates on extension requests.

7. MMU update

Owen Kearns provided an overview on key market outcomes during February including market prices, demand, wind availability, gas prices, carbon prices, coal prices, imperfection costs and interconnector flows.

The Committee, in noting the report as presented, briefly discussed market forecasting, curtailment and interconnector inflows.

8. SEM Oversight Committee decisions log 2023

The Committee noted the decisions log as presented.

9. Updates

(a) All Island Programme update

Leigh Greer briefed the Committee on the All-Island Programme update report which provided a programme overview and key updates.

(b) SEMC communications and governance update

Greg Irwin noted arrangements for the SEMC strategy day. It was agreed that ESB and NIEN and the TSOs would be invited to the next SEM Committee meeting to provide a briefing on the progress of the North-South electricity interconnector.

(c) CRU/UR/Independent Members

Jim Gannon provided an update on issues including the appointment of a new CRU Commissioner, the PR6 price control, CRU staff recruitment, the review of Commission structure and governance, Smart metering and storage.

John French provided an update on the UR Board's engagement with the Northern Ireland Assembly, the NI Water price control Mid Term Review, UR's Corporate Strategy launch and the competition to replace the UR Board Chair and Board Member roles.

(d) Legal update

No update was provided.

10. Review of actions from SEMC meeting 203, Thursday 28th March 2024.

The Committee discussed open actions.

11. SEMC correspondence

The Commission discussed an item of correspondence and delegated the response to the SEM Oversight Committee.

12. AOB

None.

The meeting concluded at 1.45 p.m.



Signed: _____

Bill Emery, SEM Committee Chair