



**All Island Programmes:
Approach to Governance and Revenue Recovery
Arrangements**

29 August 2024

SEM-24-034

All Island Programmes:

Approach to governance and revenue recovery arrangements

1 Purpose

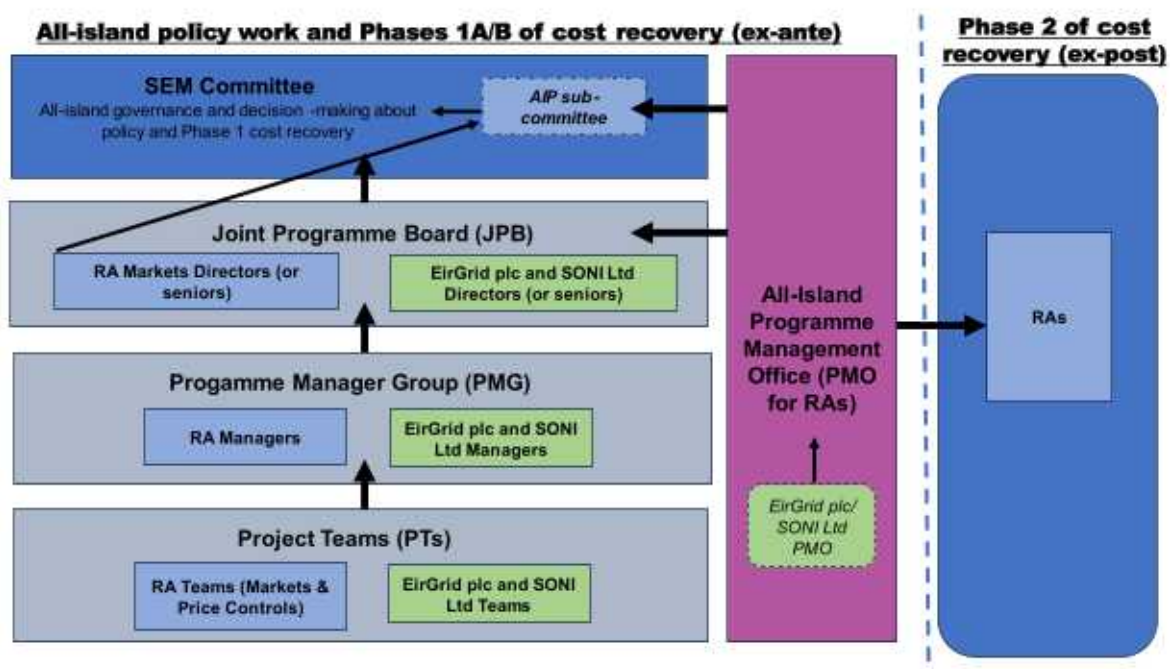
- (1) The purpose of this document is to outline an approach for All Island Programmes of work to enable robust regulatory oversight of programme progress and a co-ordinated regulatory consideration of expected costs to ensure timely implementation.

2 Scope

- (2) To be considered as an 'All Island Programme' for the purpose of this document, the work must:
 - be deemed an 'All Island Programme' by the SEM Committee so that it can fall within SEM Committee's authority or within the delegated authority of the All Island Programme sub-committee (**AIPsc**) of the SEM Committee;
 - and
 - involve input/ be capable of being implemented by both EirGrid plc and SONI Ltd in their capacities as either/ both Transmission System Operators/ Market Operators.
- (3) At the time of agreeing this document, status of All-Island Programmes is as follows:
 - the System Services Future Arrangements Programme is underway having been subject to SEMC policy decisions during 2022.
 - the Scheduling & Dispatch Programme is underway having been subject to SEMC policy decisions during 2022.
 - Engagement on the Post 2020 DS3 Programme has commenced and the aim is to agree and finalise the scope in Q2 2024.
 - Work on Strategic Markets has commenced in the first half of 2024.
- (4) It is envisaged that other work could be deemed an 'All Island Programme'; such decision will be made by the SEM Committee. This document will be reviewed 18 months after its approval by the SEM Committee on 29 February 2024.

3 Governance

- (5) Governance for all-island programmes will involve the following bodies or organisations: the SEM Committee, the CRU, the UR, EirGrid plc and SONI Ltd. An overview of reporting arrangements is depicted below:



- (6) A **Programme Management Office (PMO)** will be established by the regulators. The responsibilities of the PMO will extend to programme management, facilitation and management of engagement which falls under the governance arrangements, an initial review and recommendation on reasonableness of project costs, and ongoing co-ordination and support of respective regulatory teams on any items related to the All-Island Programmes to be incorporated into annual revenue approvals. The PMO will attend all JPB meetings outlined below and provide a facilitation and secretariat function for each.
- (7) The **SEM Committee (SEMC)** is the body responsible for all determinations on SEM regulatory policy and associated programme cost estimates in relation to All-Island Programmes, underpinned by relevant legislation, regulatory direction and/ or government policy. The SEM Committee may delegate authority to the **AIPsc** for decision-making. **EirGrid plc and SONI Ltd**, in their capacities as Transmission System Operators or Market Operators, will be responsible for implementation of regulatory decisions.
- (8) The **AIPsc** will have delegated authority from the SEMC to make decisions about policy and programme cost estimates relating to All-Island Programmes within its limitations. The AIPsc will consist of the CEO of the UR and the Chair

of the CRU. Recommendations for approvals will be made to the AIPsc by the RA Markets Directors.

- (9) The **Joint Programme Board (JPB)** will comprise of Directors (or equivalent) representing EirGrid plc, SONI Ltd, the CRU and the UR respectively. The JPB CRU and UR members will comprise at least of the RA Markets Directors. The JPB will be represented fairly across each organisation insofar as possible. The PMO will chair the JPB meetings on behalf of the RAs. The JPB will discuss matters as proposed by the PMG, and the JPB will agree on discussion items in advance of presentation to the SEMC. Should a Director (or equivalent) not be available to attend a JPB meeting, a deputy can be elected by the Director of the respective organisation; this should be communicated to all other members in advance. One Director (or equivalent) from each organisation should be present at each meeting to constitute a quorum for any collective decision-making. Additional attendees may be brought to the JPB meetings as agreed or on a specific topic basis.
- (10) The **Programme Manager Group (PMG)** will include management from EirGrid plc, SONI Ltd, the CRU and the UR respectively. The PMG will be represented fairly across each organisation insofar as possible. The PMG will work with the PMO to agree an Agenda for each JPB meeting, visit the Actions log to ensure ownership and action, work with the PMO to ensure that project status, project risks, project issues, actions and change requests are identified/ prepared/ updated for each JPB meeting, discuss key workstreams of the All Island Programmes and agree issues for escalation at the JPB meetings in advance. The PMG will also discuss the required detail of project cost submissions following pre-engagement in advance of the formal submissions being made by EirGrid plc/ SONI Ltd. Additional attendees may be brought to the PMG meetings as agreed.
- (11) The **Project Teams (PTs)** will include Teams across EirGrid plc, SONI Ltd, the CRU and UR respectively; each Team will include a Manager. The Project Teams will discuss the detail of the transposition of SEM Committee decisions to implementation. The PTs will work together to find workable solutions as appropriate. The PTs will take ownership of any actions as appropriate and the collective Managers of the Project Teams will work with the PMO to suggest an Agenda for each JPB meeting. The PTs will also engage sufficiently to ensure a common understanding and clarity of the specification/ scope of All Island Programmes and will engage with/ include the relevant regulatory price control teams to allow sufficient transfer of knowledge to aid cost recovery considerations.
- (12) Each of the respective fora above will meet as follows (unless otherwise decided):

- The SEMC convenes monthly, but the JPB will present to the SEMC every four months to provide an update on the progress of the All Island Programmes and anything else that the SEMC requests. The PMO will engage with the SEMC secretariat to facilitate and will ensure invitations are issued to the EirGrid plc and SONI Ltd Directors (or equivalent) in timely manner for meetings they are required to attend. Virtual or in-person attendance will be decided in advance.
- The AIPsc will meet virtually as a decision-making body at the request of the RA Markets Directors; timing of meetings can be managed with sufficient notice to the PMO to allow for efficiency of any decisions required.
- The JPB will meet every two months. Ad hoc meetings may also be arranged. The PMO will facilitate. Meetings will be scheduled to align with upcoming SEMC meetings which the JPB is due to present at. The JPB will discuss matters as proposed by the PMG, and the JPB will agree on discussion items in advance of presentation to the SEMC. Meetings can take place virtually but are encouraged to take place in-person as appropriate.
- The PMG will meet every month. These meetings will be scheduled to align with upcoming JPB meetings; ad hoc meetings may also be arranged. The PMO will facilitate. Meetings will take place virtually unless otherwise agreed.
- The respective PTs will meet as often as required and will comprise the relevant EirGrid plc/ SONI Ltd and RA teams and Managers and consultants for the relevant All Island Programmes. The meetings will be scheduled by the lead Manager of the RA PTs. A schedule of meetings should be communicated to the PMO. Meetings can take place virtually but are encouraged to take place in-person periodically.

4 Funding

- (13) Revenue recovery arrangements and approvals for All Island Programmes will be considered by the regulators in a staged approach, summarized in the table below:

Stage 1A	Stage 1B	Stage 2
<ul style="list-style-type: none"> • Sufficient cross-party 	Change requests as required:	Ex-post efficiency assessments will be carried out within the respective price control regimes with

<p>engagement re. scope/ costs</p> <ul style="list-style-type: none"> • EirGrid Ltd/ SONI plc submission to SEMC of evidenced programme cost estimate • AIPsc/ SEMC ex-ante decision (on behalf of SEMC) of programme cost estimate 	<ul style="list-style-type: none"> • Require AIPsc/ SEMC agreement to proceed • Change requests can be considered by exceptions for significant variation and cover changes in scope or timeline. 	<p>involvement from the PMO. Stage 2 will be supported by verifications from the EirGrid plc/ SONI Ltd Audit function(s).</p>
---	---	---

Each stage is described in turn.

Stage 1A of revenue recovery assessment (all-island review):

- (14) Any SEMC decision will set the policy framework for the fulfilment of the relevant All-Island Programme. Upon review of a SEMC decision, EirGrid plc and SONI Ltd in their capacities as either/ both TSOs/MOs will need to develop proposals for implementing the decision fully. While under development and in advance of submission, the proposals should be subject to sufficient engagement with the RAs to aid understanding and clarity of specification, scope and costs. In respect of associated cost recovery, any engagement should include personnel from the RA price control teams as deemed necessary by RA management.
- (15) The proposals will be jointly submitted to the SEMC by EirGrid plc and SONI Ltd, having been endorsed by their Joint Programme Board, and should in summary:
- **Provide well-evidenced cost proposals:**
 - The submission should be clearly evidenced in terms of;
 - Need;
 - Additionality to existing revenue recovery allowances; and
 - efficiency (including assessment of other options explored in addition to the recommended option.

- **Where costs are uncertain the sources and nature of this uncertainty needs to be clearly explained;** for example, what are the expected ranges for these estimates, what could cause costs to be higher/lower than the central estimate?
 - **Clearly set out well-specified expected outputs which align with policy** (i.e. the relevant SEMC decision or underpinning legislation).
 - **Identify timelines for delivery**, including key milestones within the financial year for programmes which are to be delivered over multiple years.
 - **Clearly define treatment of costs as Opex or Capex:** the submission should be clear on the treatment of costs, and how these will flow into annual tariffs. The basis for assumptions should clearly reference the specific section of the relevant CRU/UR revenue recovery decision paper.
 - Clearly articulate the **risks and mitigation measures** of the programme.
- (16) Within the joint submission, EirGrid plc and SONI Ltd should include proposals as to the allocation of costs between the TSOs and MOs.
- (17) In the joint submission, EirGrid plc and SONI Ltd will request that the SEMC provide an ex-ante approval for EirGrid plc and SONI Ltd to proceed with operational and capital expenditure by reference to a programme cost estimate.
- (18) All joint submissions should include a cover note and any relevant submission for assessment through the relevant annual revenue review process:
- The cover note should cover points 15-17 above.
 - A summary of principles which the submission should meet are outlined in the table above and the relevant annual revenue review submission requirements are provided below, so any joint submission should ensure to meet such requirements:
 - A submission in respect of EirGrid TSO should:
 - Clearly set out the costs expected to be incurred by EirGrid TSO.
 - The format of the submission should meet the requirements of section 4.5 of CRU/20/154.
 - Where the Monitoring Committee is not yet in place, the submission can be made without the Monitoring Committee report but otherwise must meet the requirements of section 4.5 of

CRU/20/154. In such circumstances cost recovery will be through the use of a placeholder in the annual revenue process and once established the Monitoring Committee will review the EirGrid submission and submit a report to the CRU. The CRU will take this report, including the Monitoring Committee's close-out report, into consideration when conducting its ex-post review and setting the adjusted allowances for the PR5 cost-incentive.

- A submission in respect of SONI TSO should:
 - Clearly set out the costs expected to be incurred by SONI TSO.
 - The format of the submission should meet the requirements of the SONI price control Dt/ Zt mechanism. Information required to gain approval will be in accordance with UR uncertainty mechanism guidance.
 - A submission in respect of SEMO/ SEMOpx should:
 - Clearly set out the costs expected to be incurred by SEMO/ SEMOpx.
 - If there is insufficient provision in the SEMO/ SEMOpx price control, a request for additional allowance should be made.
- (19) The PMO will work with the RA Teams (including price control personnel as necessary) to validate the identified scope of works by reference to the SEMC Decision and to consider the cost range. Any queries will be/ will have been raised and discussed at meetings with the RAs. This engagement will be used by the PMO and RA Teams to inform/ make recommendations to the RA Markets Directors and AIPsc/ SEMC.
- (20) The SEMC/ AIPsc will, after consideration of a Stage 1A submission, formally write to EirGrid plc and SONI Ltd on a joint basis to provide an ex ante decision of an approval in line with their respective price control regimes of a programme cost estimate. The intention of this is to provide the relevant ex ante decisions to EirGrid plc and SONI Ltd that the need for the associated work with a programme cost estimate has been identified so that any necessary works on the project can proceed without delay.
- (21) In line with Stage 2 of the cost recovery process, the SEMC/ AIPsc will ask EirGrid plc and SONI Ltd to work with the RAs in line with the respective price control mechanisms to allow consideration of revenue recovery through the respective tariffs so that the regulators can give effect to the Stage 1 decisions in line with the respective price control regimes.

Stage 1B of revenue recovery assessment (change requests: all island review):

- (22) Change requests will be considered by exception if EirGrid plc and SONI Ltd expect a significant deviation in scope/ costs required to fully implement the SEM Committee's decisions. Submissions will be made by EirGrid plc/ SONI Ltd to the RA Markets Directors, having been clearly explained and clarified at meetings with the RA Project Teams.
- (23) Decisions on change requests will be made by the SEMC/ AIPsc following a similar process as that set out under point 20.¹

Stage 2 of revenue recovery assessment (jurisdictional reviews and approvals):

- (24) Upon a SEMC/ AIPsc ex-ante decision to approve the programme cost estimate, the submission and associated analysis of the PMO and RA teams will be passed on to the relevant regulatory teams for consideration as part of the annual revenue and tariff setting processes to give effect to the Stage 1 decision.
- (25) EirGrid plc and SONI Ltd will support the regulators in validating the submissions by providing periodic verification reports from their internal audit function(s) to verify that the costs are efficiently incurred, demonstrably necessary and incremental to existing price control allowances. The PMO may be involved in this process.
- (26) Each regulator will follow agreed process in either jurisdiction to allow for recovery.
- (27) EirGrid plc and SONI Ltd should include a line item referencing the relevant approval of the programme cost estimate in the relevant annual revenue submission.

¹ Ref Appendix 1: Change Request Template

5 Appendix 1: Change Request Template

Change Request Template

The following template will be used for raising and completing Impact Assessments for all Change Requests. This may be altered if deemed necessary by the RAs.

All Island Market Programmes			
Change Request & Impact Assessment Form			
Section 1: CHANGE REQUEST DETAILS (to be completed by CR Originator)			
CR Title:			
CR Description & Reason for submission:	<A detailed description of the CR should be included in this section. If necessary, supporting documentation should also be attached>		
CR Originating Party:			
CR Sponsor Name:			
CR Originator Name:			
CR Originator Email:			
CR Originator Phone:			
CR Date Raised:		Date Required:	

Section 2: CHANGE REQUEST LOGGING				
CR ID:				
Project Team(s) Date:				
CR Priority:	Minimum		Moderate	
			Significant	

Impacted Organisation(s):	Core Parties :		Other Impacted Parties (please list) :	
	TSO			
	RAs			
	Project Teams :			
	PT 1			
	PT 2			
	PT 3			
Date issued for IA:				
Due Date for IA completion:				

Section 3: IMPACT ASSESSMENT (to be completed by relevant party)	
Name, email and phone number of person completing IA (if different from CR Originator):	
Date IA completed and returned:	
CR Impact Assessment	
Include suggested process, impact on dependencies, project schedule, project scope, identify individuals/organisations involved.	
CR Estimated Time Impact / Target Date for Completion	
CR Estimated Cost Impact (please state £ or €)	

Section 4: RECOMMENDATION AND DECISION (to be completed by PT)	
RA Project Team Recommendation to RA Markets Directors:	<Approve / Defer / Reject>
Additional notes / comments:	
RA Markets Directors Decision / Recommendation to <AIPsc/SEMC> (Significant CR only):	<Approve / Defer / Reject>
Additional notes / comments:	
All Island Market Programme <AIPsc/SEMC> (Significant CR only):	<Approve / Defer / Reject>
Additional notes / comments:	
Implementation Date:	<The date by which the change needs to be implemented>