



**Decision on Terms of Reference (ToR) for Panel of
Technical Experts (PTE) in the SEM**

SEM-24-078

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1. Introduction

1.1 Background

In August 2022, the SEM Committee published a Call for Comments (SEM-22-054)¹ on the EY Review of the performance of the SEM CRM Report (SEM-22-054a) which formed a part of the CRU Security of Supply Programme. As a part of this review, EY assessed the design of the CRM and prepared a report, which included recommendations that could be implemented to improve the performance of the CRM. The recommendations related to volume of capacity procured, level of participation in auctions, timely delivery of new capacity and value of new capacity. One of the recommendations made in the Report was to ensure “*greater transparency of target setting through a panel of technical experts (PTE) assessment of EirGrid [and SONI] recommendations, with findings published, and explanation of process by which TSO forecasts are translated to Target Volume to procure in capacity auctions*”.

In the responses to SEM-22-054, most of the respondents agreed that the introduction of a Panel of Technical Experts (**PTE**) will increase transparency around volume setting in the capacity market. On review of the responses received, the SEM Committee decided to establish a PTE to review the TSO recommended Target Volume, including locational capacity constraints, and to increase the transparency in the SEM Committee volume-setting process by publishing a report on the PTE’s findings.

In SEM-23-036, the SEM Committee said that “*the SEM Committee [is] to request a member of the Great Britain PTE to review and propose roles and scope of the SEM PTE, followed by [a] SEM Committee Consultation and Decision-making process*”. The SEM Committee consulted with a member of the Great Britain PTE and Department for Energy Security and Net Zero (DESNZ) in the UK on the Great Britain PTE roles and responsibilities² in early 2024.

Following these engagements, the SEM Committee published a consultation on the draft terms of reference for the PTE in the SEM (SEM-24-049). The SEM Committee

¹ <https://www.semcommittee.com/publications/sem-22-054-call-comments-ey-review-performance-sem-capacity-remuneration-mechanism>

² https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/117145/5/panel-technical-experts-terms-of-reference.pdf

has reviewed the responses received to this consultation and has made its decision on terms of reference for the PTE in the SEM and is set out below.

1.2 Responses to Consultation

The following three stakeholders responded to the SEM-24-049 consultation. The non-confidential copies of these responses are published alongside this Decision paper.

- EPUKI
- Energia
- Joint response from EirGrid and SONI (the “TSOs”)

2. Summary of Responses Received

2.1 The role of the Panel and its purpose

The TSOs, in their joint response, mentioned that they welcome the introduction of the PTE while noting that the PTE shall not inhibit or cut across the legislative requirements of EirGrid and SONI as their respective roles as TSOs for Ireland and Northern Ireland. The TSOs detailed their legislative requirements and TSO license obligations in relation to the publication of forecasting reports and Auction Information Packs.

In relation to the CRM auction volume setting process, the TSOs mentioned that the TSOs calculate the minimum volumes required which forms an initial Capacity Requirement based on methodologies and assumptions which have been consulted on and approved by the SEM Committee. The TSOs also confirmed that they include additional volume adjustments to the initial Capacity Requirement in their recommendations to the SEM Committee which is to be approved by the SEM Committee and is subsequently reflected in the all-island demand curve and the Local Capacity Constraint Areas (LCCA) minimum required volumes.

The TSOs mentioned that there is no clear legislative basis for the establishment of the PTE and that the final decision on volume setting is to be retained by the RAs.

Energia supported the role of the PTE in reviewing the TSO's Target Volume, including locational capacity constraints, and providing advice to SEM Committee. EPUKI also supported the recommendation to introduce a PTE to assist and advise on the target volume for the Capacity Market and generally supports the terms of reference as set out in the consultation paper (SEM-24-049).

Energia mentioned that the PTE should consist of members with technical backgrounds like electrical engineers and members with direct industry experience along with economists. Energia also added that it is important for the PTE members to have a deep understanding and experience of the SEM. The TSOs suggested that at least one member of PTE should have experience in electricity transmission system operation. TSOs also mentioned that the PTE members should not have been involved in work of the TSO or the RAs relating to the CRM for a reasonable period of time.

SEM Committee Response:

The SEM Committee notes the support of the stakeholders to the introduction of the PTE. The SEM Committee assures the stakeholders that the SEM Committee will meet its obligations, including the decision making of Capacity Requirement for each capacity auction. The role of the PTE is to providing expert insights on the TSO adjustments and make recommendations to the SEM Committee before finalizing the Capacity Requirement. The recommendations of the PTE are to be published on the SEM Committee website to ensure transparency of this process. The SEM Committee foresees that this will require effective engagement between the PTE, TSOs and RAs.

The SEM Committee may also seek recommendations from the PTE on other adequacy studies within the scope of the ToR of PTE and in that case, without inhibiting the obligations and vires of any other stakeholders. As the PTE is to be established as an advisory group to the SEM Committee, the SEM Committee is of the view that there is no need for a legislative basis for the PTE. The SEM Committee will consider the need to incorporate the roles and scope of the PTE in the RA governance for the CRM in future.

The SEM Committee agrees that the PTE should consist of members with technical background as well and an understanding of the SEM. The SEM Committee also considers wider international experience might be beneficial.

2.2 Requirements

Energia supported the proposed tasks of the PTE. Energia noted the importance of the timely publication of the PTE's formal report to the SEM Committee to ensure the report's relevance to CRM participants. Energia also added that the ToR should be clear that the SEM Committee retains the final responsibility for setting the CRM volume requirements and procuring sufficient volumes to ensure the security of supply to the relevant reliability standard. Energia asserted that the SEM Committee should have full discretion to deviate from any recommendations of the PTE.

SEM Committee Response:

The SEM Committee has made changes to the “*role of the PTE and its purpose*” section of the PTE ToR to assure the stakeholders that the SEM Committee is the deciding authority for setting the CRM volume requirements.

The SEM Committee is of the view that the PTE report must be published in a timely manner such that the stakeholders have increased confidence in TSO forecasting and the SEM Committee decision on the target volume. The SEM Committee notes that the PTE report must only be published after the TSO recommendations are available to stakeholders to protect the confidential data used in the calculations. This timeline may be difficult to achieve by all the parties involved during the initial auctions where PTE is engaged and the SEM Committee notes that the process and exact timelines may take time to be established. The RAs will keep the industry informed as to the timelines, and once some experience is established, a more formal timeline for the PTE’s work will be developed.

2.3 Ways of working and reporting

TSOs stated that the introduction of PTE must not affect the continuation of existing auction timelines. TSOs also mentioned that TSOs would need to be adequately resourced and funded to facilitate any additional activities with respect to any PTE interactions.

Energia supported frequent and structured communication between the PTE, the RAs, the TSO and the SEM Committee. Energia noted the importance of the RAs, SEMC and TSOs to make resources and analysis sufficiently available to the PTE.

SEM Committee Response:

As mentioned in the above section, the SEM Committee notes the possibility of delays in the existing auction timelines in the initial years after the establishment of PTE. The SEM Committee, supported through the RAs, will work together to ensure that the involvement of PTE does not delay the existing auction timelines significantly and does not cause any serious concerns to the stakeholders regarding timelines.

The SEM Committee does not expect material resource allocation to be required to support the engagement between the TSOs and the PTE. The SEM Committee

expects this engagement to be manageable within the existing resources in RAs and TSOs.

2.4 Code of Practice

Energia supported the code of practice as set out in the consultation paper (SEM-24-049). Energia added that it might be beneficial to seek third-party assurance on the governance arrangements and the independence of the PTE from time to time.

EPUKI shared its concerns about the confidentiality clause in the ToR which makes only the final report available to the stakeholders. EPUKI mentioned that this clause removes the independent element from the PTE. EPUKI requested that an initial draft report be made available to stakeholders before accounting for feedback from the TSOs and RAs. EPUKI suggested that, if only the final report is published, the PTE report would be a replication of the SEM Committee report on the volume setting methodology and adjustments to volumes in the Capacity Auction.

SEM Committee Response:

The SEM Committee does not view the additional workload of publishing an initial report before accounting for feedback from TSOs and/or RAs, on the members of PTE who have limited admin support as beneficial at the initial stage.

The SEM Committee reiterates that the PTE will be an independent advisory body to the SEM Committee. Additionally, the publication of the initial PTE report would imply that the initial recommendation of TSO also needs to be published. This is not the practice to date and the SEM Committee does not find it reasonable to start such a process at an initial stage.

3. Next Steps

Appendix A of this document sets out the specific terms of reference for PTE in the SEM.

The SEM Committee will start collecting details of potential SEM PTE members who have expertise in at least one of the fields mentioned in the terms of reference and initiate the process of finalizing the members. Any queries relating to the establishment of the SEM PTE, including suggestions of potential PTE members, can be sent to [kevin.baron\[at\]uregni.gov.uk](mailto:kevin.baron@uregni.gov.uk) and [mjoseph\[at\]cru.ie](mailto:mjoseph@cru.ie).

APPENDIX 1: TERMS OF REFERENCE FOR PANEL OF TECHNICAL EXPERTS IN THE SEM

1. The role of the Panel and its purpose

The Panel of Technical Experts (“the Panel”) is an advisory group of energy experts appointed by the Regulatory Authorities (RAs) on behalf of the SEM Committee, to review *inter alia* the TSO recommended Target Volume to be procured in the CRM auctions and to provide a report on their recommendations to the SEM Committee on the final Capacity Requirement.

The SEM Committee may request further advice from the Panel on an ad hoc basis throughout the process, if necessary, within the terms of the agreement.

In addition to the TSO recommended target volume, the Panel may also review the TSO's wider adequacy studies, such as the National Resource Adequacy Assessment (**NRAA**) in the future if requested to by the SEM Committee.

The role of the PTE is to provide a critical and constructive review of the TSO recommended Target Volume, including locational capacity constraints to the SEM Committee, including but not limited to the assumptions, sensitivities and modelling methodologies. The role of the PTE also includes providing independent technical guidance to the SEM Committee on the development of the Capacity Requirement for each auction based on a robust assessment. The SEM Committee will decide the final Capacity Requirement for each capacity auction and have full discretion to deviate from any recommendation made by the Panel.

The role of the Panel is a technical function and not a forum for policy commentary or for advising the SEM Committee or RAs on its objectives for the Capacity Market or wider energy issues, the policies being implemented, or policy decisions surrounding them.

This means the Panel does not have a role in advising how the analysis should be interpreted for the purpose of policy decisions, in particular, on the reliability standard set by the Government or providing views on the objectives that the Governments, RAs or the SEM Committee has set out for the Capacity Market, Electricity Markets or the methods chosen to achieve its objectives.

The purpose of the Panel is to impartially review, and quality assure the analysis carried out by the TSOs, the choice of modelling methodology employed, and to scrutinise the inputs and outputs from that analysis in terms of the methodology used. The Panel is to test whether the analysis carried out by the TSOs and the choice of modelling methodology employed is robust and fit for purpose, for the SEM Committee to decide on the final Capacity Requirement for a particular capacity auction.

2. Requirements

The proposed tasks of the Panel include (but are not limited to):

- Determine the appropriate modalities to perform their role and reach an agreement on the methods with the RAs
- Engage with the TSO to review the locational capacity constraints, the TSO Target Volume modelling methodology and techniques used in the process of post demand forecasting, where demand forecasting is completed in accordance with NRAA
- Report to RAs through formal written reports and informal reports (for example, presentations or written minutes of meetings) during the process
- Attend all Panel meetings
- Submit a report, including recommendations, to the TSOs to allow the TSOs to incorporate the recommendations as deemed appropriate by the TSOs
- Submit a formal report to the SEM Committee outlining the Panel's review of the TSO recommended Target Volume, including but not limited to the assumptions, sensitivities, locational capacity constraints and modelling methodologies used by the TSO. This report will be published and should be written in plain English, concisely and clearly covering each of the key aspects of the assessment.
- The Panel is expected to agree its work plan with TSOs and RAs in advance.

The RAs will appoint a Chair of the Panel, selected from the Panel members. The post of the Chair will exist until the final report is provided to the SEM Committee for each capacity year (e.g. 12 months) and will be rotated among the Panel members based on their availability. In addition to the functions of a Panel member, the Chair is required to act as a point of contact between the SEM Committee and/or the RAs and the Panel. The Chair is expected to find consensus among the Panel members and decide on the content of the final reports. However, where strongly divergent views exist, they must be clearly explained in the Panel's report(s) outlining the different views and the element of disagreement.

3. Ways of working and reporting

3.1 Engagement with the RAs

The Panel will engage with the SEM Committee through the RA teams working on the CRM, and other teams where appropriate. The frequency of engagement with RAs will depend on the stage of the process and is to be established in the work plan.

3.2 Engagement with the SEM Committee

The Panel will be expected to attend SEM Committee meetings occasionally in-person or electronically as appropriate and align with meetings at which the TSOs present their recommended Target Volume and locational capacity constraints. In the same meeting, the Chair of the Panel will present a summary of the Panel's findings and recommendations.

3.3 Engagement with the TSOs

The TSOs will provide the Panel with the analytical information required for it to perform its independent assessment. The TSOs will facilitate information sharing with the Panel and arrange meetings and/or workshops as required.

4. Code of Practice

4.1 Confidentiality

The work of the Panel is confidential. This confidentiality applies to all papers and information provided to the Panel to facilitate its role as well as the papers prepared by the Panel. The Panel must not discuss or disseminate any information it receives beyond the Panel and the primary holder of that information. This includes the analytical details provided to the Panel for review.

No confidential or restricted information will be shared electronically unless the appropriately secure channels are used. Non-secure email addresses can only be used for administrative purposes, not for the exchange of information for use in their role.

The SEM Committee will publish the Panel's final reports. These will not disclose any confidential or commercially sensitive information that the Panel may have had access to as part of its work.

4.2 Register of Interests

The Panel must declare any related (personal, non-personal, financial and non-financial) interests and potential conflicts of interest at the start of their term. The interests are those that might conflict with the Panel's responsibilities as a member or Chair, or which may be perceived (by a reasonable member of the public, or industry) to influence their judgement. The register may be recorded and published on the SEM Committee website. The Panel members and the Chair are obliged to inform the SEM Committee of their interests and any potential or real conflicts of interest upfront and any changes to them, as they occur.

4.3 Transparency

To facilitate transparency in this process whilst maintaining the necessary confidentiality, the SEM Committee will make the following public.

- Details of the Panel's Terms of Reference,
- Membership of the Panel,
- Members' interests (if applicable) and

- The Panel's final reports.

5. General Information

The Panel is expected to have a term of at least three years and is refreshed as appropriate, for example every three years as is the case in Great Britain.

The membership of the Panel is intended to provide a range of professional analytical skills, bringing diverse practical experiences of electricity markets and knowledge of a range of generation technologies.

The SEM Committee proposes that the Panel is to be made up of a minimum of four members to a maximum of six members, including a Chair. The members will be chosen primarily from academia and industry, and will have a range of expertise in at least one of the following areas: demand forecasting, energy economics, codes and procedures, electrical engineering. All members should have some level of experience in energy modelling.

The Panel members are independent members in their own right. They are not representatives of any current or previous employers, trade associations or membership organisations.