

## SEM Committee Meeting

### Minutes Meeting No. 25

**Location:** Dublin  
**Date:** 25<sup>th</sup> Feb 2010  
**Time:** 10.00 – 3.00 pm

**Attendees:** Iain Osborne (NIAUR, Chairman), Michael Tutty (CER), Dermot Nolan (CER), Garrett Blaney (CER), Dermot MacCann (NIAUR), Alan Rainey (NIAUR), Ignacio Perez-Arriaga, Jose Sierra.

**In attendance:**

For all items Eugene Coughlan (CER), Shane Lynch (NIAUR),  
For Agenda Item 4a. Cathy Mannion (CER)  
Pat O Doherty (ESB)  
Brid Horan (ESB)  
Paddy Hayes (ESB)  
Fergal McNamara (ESB)  
For Agenda item 4b, 4c, 4d. Cathy Mannion (CER)  
For Agenda item 4e. Andrew Ebrill (CER)  
For Agenda item 4f, 4g, 6 Sheenagh Rooney(CER), Philip Newsome(CER),

**Minute Taker: Paul O Neill.**

**1. Adoption of agenda**

Agenda adopted.

**2. Approval of Minutes.**

Minutes of the meeting of 26<sup>th</sup> Jan. 2010 were approved subject to minor edits

**3. Review of Action List.**

Item 108, 109, 110, closed. Item 107 ongoing.

**4.a ESB Proposals on Deregulation. F. McN.**

FMcN outlined their case for the horizontal and vertical de-regulation of the ESB. They pointed to the successes of the SEM wholesale market and the new competitive landscape in the retail market. De-regulation they argued would lead to lower costs to customers, avoidance of unfair discrimination, a reduction to the risks in Customer Supply and avoidance of potential market distortions. ESB indicated they would commit to maintaining existing liquidity levels, and some improvement, in the de-regulated environment.

Following the presentation the Committee discussions centered on the two key issues of liquidity in the wholesale market and the exercise of market power.

**Action:**

- Identify any components in the ESB proposals that can be implemented quickly which might be capable of acceptance on a “no risk or regrets” basis.
- Prepare a Terms of Reference and work-plan setting out the high level requirements for a review of liquidity and market power in the SEM including the impacts of ESB de-regulation. A consultation document on the matters should be published in the summer.
- Circulate for email approval the Terms of Reference for consultants for the above consultation.
- The impacts of this work on current work-plans and budgets should be assessed.
- Ask ESB to outline their proposals for liquidity in a de-regulated environment.
- The Oversight Committee to consider further the jurisdictional issue regarding the potential integration of ESBIG and ESBIE.

**4.b Report on Ring-fencing Compliance. EC/SL.**

Report was noted by the Committee.

**4.c Summary of responses to Retail Roadmap Consultation. CM**

Responses noted by the Committee.

**4d EPO and Horizontal Supply Integration. SL/EC**

SL/CM gave their views in a short presentation on where jurisdiction lies in relation to the EPO and horizontal integration between ESBCS and ESBIE. It was agreed that regulation in the retail market can have effects on both the wholesale and the retail markets.

There was broad agreement that in a fully competitive retail market horizontal ringfencing at a retail level is not required.

In relation to both the EPO condition on ESBCS and the ringfencing conditions between ESBCS and ESBIE, there was agreement that these conditions could be removed, subject to replacement by any new conditions which the SEMC may deem necessary to address wholesale market power or liquidity issues. This possible requirement for new regulation should be considered in the consultation on liquidity and market power referred to in Item 4a above.

**Action:**

The Oversight Committee should draft a short policy statement on EPO and liquidity along the lines agreed above in due course.

**4e Update on DC/NDC Contracting Rounds. AE**

AE gave a brief update on the contracting rounds.

The possible impact of the cancellation of the GUA contracts on the NDC's was discussed and NIAUR will consider how to address this uncertainty.

Action; NIAUR to revert on GUA contracts. SL

**4f Regional Integration Consultation. SR**

SR gave an update on the responses to the consultation on Regional Integration. She then updated the meeting on the proposed decisions in the following areas,

Forward Explicit Auctions  
Day Ahead Coupling  
Intra-Day Trading  
SO-SO Trades  
Capacity Payments-TSC Changes  
Removal of Barriers to trading and European Developments.

The Committee thanked the team for a very good report and approved the decision paper for publication.

**4g Strategy Day Information Note. SR**

The document was approved subject to refining the drafting to include the new work on liquidity and market power, see Item 4a.

**5. MMU Update. PB/CB**

Noted by the Committee.

**6. Update on TSC Modifications**

Noted by the Committee.

**7. Reporting of the decisions of the Oversight Committee. PON.**

Decisions were noted by the Committee.

**8. Updates CER/NIAUR/Independent members**

A note for the Committee in relation to Carbon windfall tax will be prepared. DN  
Discussions to take place on Large Customers survey by NIAUR. SL/CM

**9. Draft Agenda items for March. PON**

Draft agenda items were noted.

**10. AOB**

**Date of next meeting: SEM Committee 25<sup>TH</sup> Mar. 10.00 – 3.00 Bewleys Hotel, Dublin**