

SEM Committee Meeting

Minutes Meeting No. 34

Location: Utility Regulator Northern Ireland (“UR”) Offices, Belfast
Date: 30th November & continued into 1st December 2010
Time: 10.00-5pm

Attendees: Michael Tutty (Commission for Energy Regulation) (“CER”), Dermot Nolan (CER) (SEMC Chairman), Garrett Blaney (CER), Iain Osborne (UR), Shane Lynch (UR) Alan Rainey (UR), Ignacio Perez-Arriaga (Independent Member), Jose Sierra Lopez (Deputy Independent Member).

Apologies: For item 5c, 5e and 5i Jose Sierra Lopez

In attendance:

For all items: Tanya Wishart (“TW”) (UR); Eugene Coughlan (CER);
For items 4-10 Denis Cagney (CER), Stephen Powell (CER/ Consultant);
For items: 5b, 5f, 5h, 5i -10 Cathy Mannion (CER);
For items: 4, 5a Colin Broomfield (UR) (“CB”);
For items: 4, 5a, 5b, 5f Clive Bowers (CER);
For item 5b Kenny Dane (UR);
For items; 4, 5a, 5f Paul Bell (“PB”) (UR);
For items: 5f, 5h, 5d, g(i) Dana Kelleher (CER), Philip Newsome (CER), Sheenagh Rooney (CER), Jean Pierre Miura (UR);
For item 5c, 5f: Andrew Ebrill (“AE”) (CER);
For item 5d, 5e, 5h, g1 Juliet Corbett (“JC”) (UR);
For item 5e Aoife Crowe (via telcon) (CER), Andrew McCorriston (“AMcC”)(UR);
For items 5c, 5e, 5i Paul Brandon (CER);
For item 10 Mary Jones (UR) Martina McGuire (UR), Gordon Downie (via telcon) (Shepherd & Wedderburn).
For Item 5f: FGS McClure Watters: Donal Laverty (“DL”)
For Item 5h - SEMO: Sean McGoldrick, Rodney Doyle (“SEMO”)

Minute Taker: Laura Steerman (CER/ SEMC Secretariat).

1. Approval and Adoption of the Agenda

The Agenda was adopted. Dermot Nolan was appointed to be the Chairman of the SEM Committee for the next six months.

2. Approval of Minutes from Meeting on 26th October 2010

The Minutes were adopted without change.

3. Review of Actions from Meeting on 26th October 2010

Action Items 127, 136, 144, 146, 148, 150, 152 were noted as complete.
Item 151 is to be merged with item 137.
Action Items 128, 137, 138, 153 were noted as ongoing.

Action It was decided to circulate a draft of the report (item 153) by the end of next week (close of business on 10th December) and that it would be approved by written procedure.

4. Meeting

A commercial generator made a presentation to the SEM Committee in relation to its commercial offer data.

5. Policy papers / matters

a. Discussion on one MMU Investigation

The SEM Committee discussed the submissions made by a commercial generator who was under investigation and the findings of the MMU. It was decided that it was proportionate in the circumstances not to publicly name the generator and to write to the generator with its decision on the investigation.

The SEM Committee also requested that a consultation paper be drafted for the next Oversight Committee meeting on the treatment of fuel stock risk in commercial offer data.

Action:

- Letter to be drafted to the generator with the decision within one week, which is to be circulated to the SEMC for signature by Dermot Nolan and Michael Tutty.
- The SEM Committee also requested that a consultation paper be drafted for the December Oversight Committee meeting on the treatment of fuel stock risk in commercial offer data.

b. Process Manual Consultation

PB provided an overview of the draft MMU process manual and the SEM Committee provided some guidance to the MMU on the content and approaches proposed for consultation.

Action: A re-draft based on comments received from the SEM Committee is to be circulated for SEM committee written approval to publish in near future.

c. Market Power & Liquidity

AE provided an overview of the consultation paper prepared by the independently appointed consultants for the Regulatory Authorities, CEPA, their findings and the draft cover note from the RAs. It was decided to approve the paper for publication, alongside the RA's cover note, before Christmas (subject to minor amendments being agreed and made by the Oversight Committee in line with the comments of the SEM Committee).

d. SEMO Price Control Decision

JC provided an overview of the draft decision on the form of regulation, the allowed revenue for SEMO and all associated tariffs, noting the submissions received from consultees. The SEM Committee approved the paper for publication prior to Christmas

subject to amendments being made based on comments received from the Committee and approved by the Oversight Committee.

e. Impact of Divergence of Market Schedule from Dispatch/ Material level of Harm

AMcC gave a presentation to the SEM Committee on the background to the draft consultation paper and outlined the recommended indicators to measure the impacts on consumers of the divergence of the Market Schedule from Dispatch, and on which basis it would be monitored. The SEM Committee imparted further guidance to the project team on the indicators to be consulted upon.

Action: The paper is to be revised for approval by SL and DC so that it can be re-submitted to the SEMC (within 2 weeks of this meeting) for 1 week review to be published before Christmas.

f. Project ARC Findings

DL provided an overview of the key findings from the work undertaken by FGS. The findings were then discussed at length by the Committee and attendees. It was agreed that the discussion would be reflected upon and be continued at the next SEM Committee meeting.

g. Interconnection

i. Treatment of Moyle and EW interconnector in the SEM

PN took the meeting through the options for how to treat the Moyle and EW Interconnectors in the SEM, and outlined the views of the two interconnector owners on whether they should be treated as one or separately in the Trading and Settlement Code.

The SEM Committee decided to consult on the matter with the 'minded to proposal' to treat the interconnectors separately, and the Oversight Committee are to approve the paper for consultation before Christmas.

ii. Interconnector Access Arrangements – A SEM matter?

Due to time constraints, this item was deferred for discussion until January.

h. Intra Day Proposal Paper

PN and JC provided an overview of the Intra Day Trading Modification. SEMO made a presentation to the SEM Committee on the progress of the modification and overview of the High Level Design summary. It was noted that the design was approved by the Modifications Committee. After questioning SEMO on various aspects to the proposal and discussing the matter, the SEM Committee decided to approve SEMO and TSO continuing work on the proposal.

Action: SEMO and the project team were asked to bring impact assessment and full cost benefit analysis to the meeting of the SEM Committee in January.

i. ESB Acquisitions Consultation Paper

TW provided an overview of the acquisition, the implications thereof from a regulatory perspective and highlighted the proposed licence changes set out in the draft consultation paper. The SEM Committee imparted guidance to the project team and a re-draft is to be circulated to SEM Committee for approval to publish.

Action: A re-draft of the consultation is to be circulated to the SEM Committee in December.

6. Market Monitoring Unit (“MMU”) Update

The SEM Committee noted the MMU update.

7. Update on TSC Modifications

The SEM Committee noted the update on TSC Modifications.

8. Reporting of decisions made by Oversight Committee to SEM Committee

The SEM Committee noted the decisions of the Oversight Committee in the past month.

9. Updates CER/NIAUR/Independent Members

None.

10. AOB

a. Consolidated Legal Advice

The SEM Committee noted the Consolidated Legal Advice provided to it.

b. Carbon Revenue Levy Update

The SEM Committee discussed the commencement of legal action by way of judicial review in relation to the Directions issued to Viridian Power Limited and Huntstown Power Company Limited by the SEM Committee. The SEM Committee appointed the following members of the Regulatory Authorities to be the project team – Shane Lynch, Eugene Coughlan, Clive Bowers, Martina McGuire, Mary Jones, Laura Steerman, together with the legal advisors from Shepherd & Wedderburn (altogether referred to as “the Project Team”). The SEM Committee agreed to delegate broad authority to the Project Team to project manage operational matters arising in the course of any legal action (including but not limited to the preparation and management of files, appointment, instruction and liaison with external legal advisors and management of budgets). Such authority is to include such other things as may be necessary or desirable in connection with any legal action, subject to the requirement that SEM Committee, NAIUR Board or Commissioner opinions and approvals are sought where necessary,

- c.** On behalf of the SEM Committee the Chairman thanked Iain Osborne for his time on the SEM Committee and wished him luck in his new position,

Date of next meeting: 25th January 2011, CER Offices, Dublin