

SEM HIGH LEVEL DESIGN (HLD) REVIEW GROUP (2)

Overview

Location: CER, The Exchange, Belgard Square North, Tallaght, Dublin 24
Date: 18th November 2013
Time: 11-4 pm

Attendees:

RAs: Eugene Coughlan (Chair), Tanya Hedley, Jean Pierre Miura, Natalie McCurry, Joe Craig, Clive Bowers, Philip Newsome, Leigh Greer, Kevin Hagen

Poyry¹: Gary Keane, Kostas Theodoropoulos, Hans-Arild Bredesen, David Cox

Members: Dr Mary Doorly (IWEA), Sam Matthews (SONI/Eirgrid), Brendan O'Sullivan (SEMO), Peter O'Shea (ESB), Patrick Liddy (Activation Energy Ltd), Ian Luney (AES), Paddy Larkin (Mutual Energy), Iain Wright (SSE), William Steele (Power NI), Seamus Downey (CBI), David Vaughan (Tynagh Energy Ltd), Dr Neil Walker (IBEC)

Capacity Remuneration Mechanisms (CRM):

A discussion took place with attendees about the recent European Communication regarding Capacity Remuneration Mechanisms. The Chairman relayed that a Capacity Payment Mechanism in the form that currently exists should only be a time-bound temporary solution and the Commission will want assurances that that all other available options have been explored. A Capacity Payment Mechanism in the form that is currently operating in the SEM should be an exceptional option and needs to pass the state-aid test.

Attendees were informed that a meeting has been scheduled pre-Christmas between DCENR and DG Energy for clarification.

All market designs presented will be compatible with and without a form of Capacity Remuneration Mechanism.

Update since last HLD meeting:

¹ Poyry are the RAs' appointed consultants

The RAs provided background since the last HLD meeting was held on 30 October 2013. The following was noted:

- Of the original six approaches presented to the SEMC for consideration, the SEMC decided that the 'SEM as Forward' (SAF) approach should not be considered further as there were concerns regarding its compliance with the target model.
- An 'Emerging Thinking' Paper is being prepared by Poyry and the RAs for presentation to the SEMC on 28 November 2013. This will form the basis of the Market Integration Consultation paper (scheduled for publication at end January 2014).

The RAs also informed the group about process as regards the HLD group:

- Lead time to distribute papers to members of the HLD Group is limited. Members should refer to the AIP website² for the most up to date information in advance of HLD meetings. Members raised that a more detailed agenda or an indication of questions for discussion in advance would be helpful. Where possible, the RAs will provide this.
- The RAs have received requests for bi-lateral meetings and will revert with dates to requestors individually.
- The next HLD group meeting will be held at the Utility Regulator's office (Queens House, 14 Queen Street, Belfast, BT1 6ED) on Tuesday 10 December 2013 at 10.30am (duration tbc).

Overview of Discussion about the SEM HLD:

Poyry referred members to a presentation (published on AIP website on 18 November, entitled '*Materials for SEM High Level Design Review Group 18th November 2013*') to guide the discussion.

Assessment principles

Feedback from HLD Review Group was that grouping of the principles into categories was not helpful as some principles cover more than one category. The "Environmental" HLD principle refers only to renewable generation; feedback was that this should refer to de-carbonisation more generally. Project Team advised that

² http://www.allislandproject.org/en/TS_Current_Consultations.aspx?article=5dc5e905-db0a-4cde-b3bb-5cf9b1873559&mode=author

these principles were taken directly from the SEMC “Next Steps Decision Paper”³, however this point was noted.

Review of options

HLD review group members discussed each of the following options in detail:

- Decentralised Market (with mitigation measures)
- Mandatory ex-post Pool for net volumes
- Mandatory Day-Ahead Pool
- Net Settlement of Gross Mandatory ex-post Pool
- Cross-Border Integration (centralised)

Feedback was that:

- The Cross-Border Integration option appears to restrict participant ability to actively participate in the European Market and for this reason is not favoured.
- Some concerns about Net Settlement of Gross Mandatory ex-post Pool option were also raised in relation to its perceived complexity.

³ http://www.allislandproject.org/en/TS_Current_Consultations.aspx?article=5dc5e905-db0a-4cde-b3bb-5cf9b1873559&mode=author