



WORKING GROUP 2 REPORT
MOD_14_19 INTERCONNECTOR REPRESENTATION ON THE
MODIFICATIONS COMMITTEE
20 FEBRUARY 2020

SONI CONFERENCE CENTRE, BELFAST

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Document History

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Distribution List

Name	Organisation
Modifications Committee Members	Modifications Committee
Working Group Attendees	Various

Reference Documents

Document Name	Document Reference
Mod_14_19	Modification Proposal Form
Mod_14_19	Presentation
Mod_14_19	Terms of Reference
Mod_14_19	Working Group 1 Report

In Attendance

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1 INTRODUCTION

Secretariat welcomed all attendees and thanked them for committing their time to Working Group 2. A high level overview of the Working Group process was provided covering timescales, communication and the objective of submitting a second Working Group report with a recommendation to the Modifications Committee.

2 BACKGROUND

Mod_14_19 Interconnector representation on the Modifications Committee was received by the Secretariat on 8th August 2019. This Modification Proposal was first raised at Meeting 93 on 22nd August 2019.

At Meeting 93 the Proposer delivered a [presentation](#) on this Modification Proposal describing the composition of the Modifications Committee and changes between SEM and ISEM with Interconnector Owners being neither Generators nor Suppliers. They are more actively interested in the Trading and Settlement Code compared to the old SEM market, and given that Interconnectors can now be balance responsible Participants in the market, consideration should be made for them to have a seat on the Modifications Committee, without impacting the Quorum. Questions were raised on how to arrange for Interconnector Owner representation given that only two Participants exist in such a category and should they instead be nominated alternating the Member and Alternate and represented as non-voting members in the same way as the TSOs and the MDPs.

The Proposer replied that the intention was to gain a voting seat because recent Modifications have impacted them directly and it seemed clear that they should have a say.

The Committee discussed the current set up of the Panel and how Parties are represented. This is a wider issue than the one raised in the Modification Proposal, and the Proposal provides a good opportunity for a review of both voting rules and Panel composition. It was agreed that a Working Group should be convened to consider the constitution of the Modifications Committee and how it is elected more generally. The RAs also asked to specifically consider the voting mechanism currently assigning one vote per Participant, and the 'constituency' grouping. The RAs asked for this to be discussed at the Working Group as an issue that had been already discussed at the Oversight Committee.

[Working Group Mod_14_19 Meeting 1](#) took place on 13th November 2019 with agreement to schedule a further meeting to progress this issue.

The Chairperson thanked all for attending Working Group 2 and introduced an RA Representative to highlight the comments and feedback to the spreadsheet containing a summary of change options proposed from Working Group 1 and a discussion was opened up after each of the items.

[Working Group 2 responses to the options circulated:](#)

A) No changes to the Modifications Committee

It was noted that there was a majority support among the respondents to not want the Committee to remain the same and there was support for a change. One respondent had suggested retaining the current form while adding an extra step to the process for consultation with industry to ensure that the RAs hear all of industry's views. However changes had to be well considered and justified as 'change for the sake of changing' would not lead to an effective improvement.

Addition of an independent, non-voting Member

There was no support for this proposal. The RAs noted that this was justified by the requirement for additional funding for this additional member bringing a complexity to the Panel without adding overall value. Also concerns were expressed on the true independent nature of this additional Member.

B) Addition of an Interconnector Member (voting or non-voting)

It was found that respondents were divided on this issue both in terms of voting and non-voting options. A Supplier Representative advised that before adding another seat, the overall make-up of the Committee would need to be understood. A Generator Representative agreed on this point stressing that the balance of Members plays an important role in the market. Another Generator Representative stated that the Interconnectors would bring a different view to the Panel that would be worth hearing especially in light of the large energy volumes passing through them.

The Chairperson asked the Committee to consider the voting and non-voting aspect of the Interconnector seat. A discussion ensued on the difference between both with a Generator Representative noting their view that the input of an Interconnector in the Balancing Market is commercial as opposed to Generators which are balance responsible. Neither non-voting Members nor Observers are able to vote but there were benefits noted for being a non-voting Member as they would be required to attend the meetings therefore always being able to provide a viewpoint similar to MDPs and TSOs, while Observers could vocalise their points and contribute to the Panel significantly but their presence is not required. A Generator Representative indicated that from experience they felt this was a significant difference. A Representative for Interconnector was present at the Working Group and he confirmed that a non-voting seat was not their objective and that they did not see it as substantially different from attending as an Observer therefore they would not be supporting it.

A Generator Representative reiterated that they do not see the need for a separate Interconnector seat as they are unaffected by most Modifications. A Representative for Interconnectors reaffirmed the point that all Committee Members are voting on something that doesn't affect them at some point. He stated that they would aim to bring a fairly balanced view as they operate as an honest broker being mindful of the interests of consumers and having both the Generators and Suppliers perspective. A Generator Representative indicated that their main concerns would be on how the voting process would apply for Interconnectors Owners given the pool of Interconnectors is small so when it comes to elections this may lead to an unfair advantage for some companies; also that such a small constituency would gain a disproportionate weight on the Panel as they would only be representing 2 Parties with a third in few years' time.

A suggestion from an RA representative was made to incorporate Interconnectors Owner Participants with Assetless Participants. Discussions on the difference between the two types ensued and it was noted that an Interconnector Owner would have a disadvantage if contesting such seat as the majority of voters would be Assetless Participants.

There was support from a number of parties for an Interconnector seat separate from Assetless and appreciation that they didn't want someone else representing their interests instead of doing so themselves.

C) Splitting Suppliers and Generators into subgroups (and potential expansion)

There was support from a majority of respondents to expand the Committee to 5 Generators and 5 Suppliers, including 1 dedicated renewable seat under Generators. One respondent was unsure why it was necessary to increase the number of Generator Seats while another inquired as to whether a dedicated Renewables seat would be open to Independent Renewable Operators only because most Participants would have at least one renewable unit in their portfolio and would be unfair to have a Member with mostly thermal units, trying to truly represent the interests of renewables. There was some discussion as to how the set of 'Renewable Participants', who could be nominated for such a seat, should be determined and whether such a Member should have to be an Independent Renewable Operator. This concluded with the view that this process should be specified in any subsequent Modification Proposal and might draw on definitions of Renewable Generator from existing legislations and that it may not be necessary to limit it to independent renewable operators.

A Generator Representative agreed that renewables should get a dedicated seat. This was supported by a Supplier Representative noting that Renewables would largely sit in the category of Generator and therefore the Generator seats could be reorganised by having one dedicated to renewable without the need of adding a 5th seat. A DSU Representative advised that a company may be a multiple types of Participant but can only have membership for one type which they must solely represent on the Committee. A Supplier Representative advised that although this should be the case, he was representing the wind sector. A Generator Representative responded that when voted into a Supplier seat on the Committee should act accordingly to represent Suppliers interests, as this is explicit in the Trading and Settlement Code. The Secretariat interjected referring also to the T&SC and noted that whoever is selected is obliged to represent that Participant type with a need for accountability and transparency. Jurisdictional impact on the Committee representation was also discussed with the view that by increasing the Members to 5 there would be less of a risk that jurisdiction could become an issue. There was also a brief discussion on the potential for sub dividing the Supplier seats in terms of vertically integrated vs non-vertically integrated or dispatchable vs non-dispatchable. The Chairperson explained this would add too much complexity and that it would be preferable to find a method of classification that would be easy to implement such as relying on data available from the Market Registration systems.

A Supplier Representative noted their concern that changes could impact on whether both jurisdictions are represented. A Supplier Representative noted that instead of looking at the numbers of representative, considerations should be given to purpose and intent of any new or existing Member and whether they truly represent interests that would otherwise not be represented currently on the Panel. It was also noted that increasing the number to five could lead to difficulties in having enough nominations although some participants responded that normally elections were contested by more than enough candidates. The Supplier Representative stated that each Member role and representing interests should be clear and that there could be a need for further clarifications such as that the definition of those Participants who can be nominated for a Supplier seat should require actual supply to an end consumer.

D) Committee Voting

The RAs discussed the comments and noted a lack of agreement on changing the voting rules away from the current simple majority approach. Half of the respondents favoured a single transferrable vote system while the other half favoured simple majority. There was general agreement that proposed clarifications to the voting provisions in Agreed Procedure 12 regarding Modifications Committee operation would be welcomed and that a Modification Proposal would be required to amend it. In light of the lack of consensus to change the voting rules a simple majority system should be retained and clarified in Agreed Procedure 12.

A Generator Representative made a point that it would be interesting to see the volumes of people voting. The Secretariat confirmed that there was more activity in the Member elections but numbers decreased in the Chairperson election both in terms of people nominating themselves for the position and in people voting for it. There was agreement that Participants should be encouraged to utilise their vote(s). A SEMO Representative voiced concerns that publishing detail on voting outcomes for individual seats could influence future elections in that more tightly contested elections could appear more appealing to prospective nominees leading to skewed competition for different seats. Some Participants also expressed concerns about detailed voting information being published and it was suggested that general publication of

voter turnout would aid transparency and that provision could be made for individual nominees to request more detailed information from the Secretariat if they so wish with regards to their own results.

A Supplier Representative expressed concern that not all Participant voices were being heard. In response to this the Secretariat reminded all Members that they were there to represent their respective constituents and be that voice at the Committee. Secretariat then questioned Members on how they currently engage and communicate with their constituents. Secretariat advised that they will review all communication processes to see how the work of the Committee can have increased awareness and understanding within the wider industry.

A discussion followed on the suggestion that provision be made for Alternates to be nominated for Chairperson or Vice Chairperson roles where a Member and Alternate share attendance evenly. Concerns were raised that it would be inappropriate for both a Member and Alternate simultaneously sit at a Committee Meeting with one voting generally and the other holding a deciding vote for split decisions as the Chairperson. A SEMO Representative suggested that a proposal to allow for Alternates to hold Chairperson or Vice Chairperson roles should be raised as a separate proposal if it was felt that this was appropriate, rather than progressing through this Working Group process as other items have reached a better level of consensus and could be progressed without delays.

The RAs summarised the key points following the discussion on the comments and queries.

- Committee composition – general agreement that some changes to the Modifications Committee could be considered, in particular the introduction of a renewable seat, expanding to five Generator and five Supplier Members and considering adding definitions for either renewable or Supplier Participants.
- Remaining options will be circulated for a further round of feedback prior to any potential subsequent proposal (See Appendix)
- There will be no progression on including an independent non- voting Member to the Committee.
- A proposal regarding voting clarifications and transparency provisions will be separately drafted by SEMO.
- The existing proposal regarding the introduction of an Interconnector Owner Member should progress independently.

A SEMO Representative asked what the view was on the current cap in Committee Membership as no more than seventeen if it were to expand. A Supplier Member advised that the composition if including Interconnector Owner Membership would increase numbers and that the cap should therefore increase if this were to happen. It was similarly noted that if an expansion in Generator and Supplier Members was introduced the cap would also have to increase to allow open seats to be filled by RA appointment if the RAs determine that this is necessary. A Generator Representative noted their view that different changes should be grouped in separate Modifications Proposals so that dissenting views on one change do not stop another well supported change from proceeding.

NEXT STEPS

- Working Group Recommendation Report to be drafted following additional round of feedback;
- Remaining options regarding the Committee make up have been included in appendix for comment – before a Modification Proposal is drafted if deemed appropriate based on feedback;
- Voting clarification and transparency provisions to be progressed by SEMO via a separate proposal;
- Existing Interconnector Owner Member proposal to progress independently at next Modification meeting 98.

ACTIONS

- Secretariat to circulate Working Group 2 report including Appendix detailing RA remaining final options document;
- Participants to undertake further review of remaining final options document to be produced by RAs;
- Secretariat to draft Working Group Recommendation Report to then be sent to Modifications Committee once reviewed by Working Group;
- RAs to raise Modification Proposal/Proposals considering final comments from working group final review and feedback if deemed appropriate;
- SEMO to raise Modification Proposal relating to the clarification of the election voting process and transparency measures; Modifications Committee to progress existing Interconnector Owner Member proposal at meeting 98.

After discussion at Working Group 2, many of the potential options for changing the composition of the Modifications Committee that were sent around to attendees for comment were excluded, including the addition of an Independent Member and the addition of a non-voting Interconnector Member. The attendees of Working Group 2 are invited to comment on the remaining options:

- No changes to the composition of the Committee
- The creation of a renewable seat under the Generator category (with no further seats added)
- The addition of an extra seat for both the Generator and Supplier categories, with a renewable seat under the Generator category.

We would also invite comment on how attendees think a renewable seat should be defined, i.e. should it represent solely renewables or the broader Generators category, what characteristics makes an industry member eligible to run for this seat.