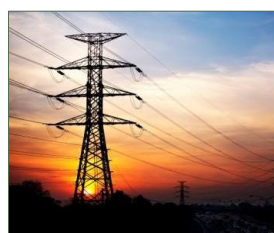


# **Statutory Consultation on Modifications to SONI Market Operator Licence and SONI Transmission System Operator Licence, necessitated to implement the Integrated Single Electricity Market (I-SEM)**

16 December 2016



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## About the Utility Regulator

The Utility Regulator is the independent non-ministerial government department responsible for regulating Northern Ireland's electricity, gas, water and sewerage industries, to promote the short and long-term interests of consumers.

We are not a policy-making department of government, but we make sure that the energy and water utility industries in Northern Ireland are regulated and developed within ministerial policy as set out in our statutory duties.

We are governed by a Board of Directors and are accountable to the Northern Ireland Assembly through financial and annual reporting obligations.

We are based at Queens House in the centre of Belfast. The Chief Executive leads a management team of directors representing each of the key functional areas in the organisation: Corporate Affairs; Electricity; Gas; Retail and Social; and Water. The staff team includes economists, engineers, accountants, utility specialists, legal advisors and administration professionals.

# Abstract

In order to give effect to the Integrated Single Electricity Market (I-SEM), as contained in decisions of the SEM Committee, the Utility Regulator now publishes a second consultation on proposed licence modifications for I-SEM which contains the majority of proposed licence modifications to the SONI Market Operator (MO) and SONI Transmission System Operator (TSO) licences. The first consultation was published on 20 April 2016 with a corresponding decision on 1 July.

Key licence condition additions/ modifications proposed in this consultation relate to the following conditions: Balancing Market Principles Statement, introduction of a Compliance and Assurance officer (for the purposes of mitigating against potential conflicts of interest within the EirGrid group) and Central Dispatch in the TSO licence. In the MO licence, a new NEMO condition (and consequential changes in other conditions) is proposed as well as a new Agent of Last Resort condition.

# Audience

This document is most likely to be of interest to the SONI System Operator and SONI Market Operator. A similar licence modification process is being conducted by CER in parallel for the EirGrid System Operator and EirGrid Market Operator licences.

Other market participants may find value in reviewing the proposed licence modifications to the MO and SO licences. Further consultations are due to be published in 2017 to cover proposed modifications to the Generation, Supply and Interconnector licence conditions to facilitate I-SEM implementation.

# 1. Foreword

## 1.1 Purpose of this Document

On 20 April 2016, the Utility Regulator (UR) in Northern Ireland and the Commission for Energy Regulation (CER) in Ireland, collectively referred to as the Regulatory Authorities (RAs), published the first of a suite of statutory licence modification consultations resulting in changes to the EirGrid plc and SONI Ltd Transmission System Operator (TSO) and Market Operator (MO) licences. These modifications were considered necessary to give effect to the Integrated Single Electricity Market (I-SEM) design and in particular to comply with SEM Committee (SEMC) decisions relating to the I-SEM. This was followed by publication of decisions on 1 July 2016<sup>1</sup> with the licence modifications taking effect on 1 September 2016.<sup>2</sup>

The UR has now published notices pursuant to article 14 of the Electricity (Northern Ireland) Order 1992 (as amended) (“the Order”) stating that it proposes to make a number of further licence modifications to the SONI Ltd MO and TSO licences, required to implement the I-SEM, stating the effects of the modifications and the reasons for supporting them. The notices include a call for representations to the UR with respect to these proposed licence modifications.

This UR consultation paper is published in order to provide background information and detailed rationale in respect of the proposed licence modifications set out in the notices. Any representations regarding the proposed licence modifications are welcomed and will be taken into account by the UR when reaching its decisions on them. Details of how to submit representations can be found within the notices published in accordance with the statutory licence modification process.

## 1.2 Document Structure

The consultation document is structured as follows:

- Chapter 1 (Foreword) outlines the purpose and structure of this document, the approach taken to engagement when developing the licence modifications, and the statutory licence modification process being followed by the UR;

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[http://www.uregni.gov.uk/publications/notices\\_of\\_decision\\_on\\_modifications\\_to\\_soni\\_tso\\_and\\_mo\\_licences\\_necessitat](http://www.uregni.gov.uk/publications/notices_of_decision_on_modifications_to_soni_tso_and_mo_licences_necessitat)

<http://www.cer.ie/document-detail/Modifications-to-EirGrid-Market-Operator-Licence-and-Transmission-System-Operator-Licence-necessitated-to-implement-the-Integrated-Single-Electricity-Market-I-SEM/1079/8141,8219>

<sup>2</sup> The decision of 1 July gave effect (as of 1 September) to TSO licence conditions concerning the Capacity Market Code, Transitional arrangements and typographical amendments to the existing Grid Code condition in the SONI TSO licence. It also gave effect to a Transitional Arrangements condition in the MO licences.

- Chapter 2 (Introduction) provides background on the current SEM arrangements and information on the European requirements for market reform leading to the development and implementation of the I-SEM. It also provides a summary table of the proposed licence modifications to the SONI TSO and MO licences on which representations are invited;
- Chapter 3 (SONI TSO Licence Modification Proposals) outlines the reasons for and effects of the proposed modifications to the SONI TSO licence;
- Chapter 4 (SONI MO Licence Modification Proposals) outlines the reasons for and effects of the proposed modifications to the SONI MO licence;
- Chapter 5 (Next Steps) provides information on key dates concerning the statutory licence modification process, as well as providing an indicative forward look at timelines for licence modifications and consultations scheduled in relation to industry codes to implement I-SEM.

### **1.3 Regulatory Approach to Licence Modifications**

In the interest of transparency and in line with best practice regulation, we consider it important to give the TSOs/ MOs appropriate notice of any licence modification which we intend to make and offer adequate opportunity for engagement on such proposals. As such, we have provided SONI with details on the proposed licence modifications, including advance sight of the proposed changes to its licences at as early a stage as possible. Significant engagement has taken place with EirGrid and SONI to explain the reasons for the proposed modifications and to gain an understanding of the TSOs'/ MOs' perspective of the impact of such proposed changes.

The publication of the statutory notices presents a further opportunity not only for EirGrid and SONI but also for all other interested stakeholders to provide representations on the proposed modifications. All representations received will be considered before we reach our decision on each of the proposed modifications.

### **1.4 Licence Modification Procedure and the Licence Notices**

This statutory consultation on licence modifications required to implement I-SEM is subject to the statutory process in Northern Ireland.

In Ireland and in Northern Ireland separate and distinct licence modification processes exist based on jurisdictional legislation, namely Section 20 of the Electricity Regulation Act (1999) (“the Act”) in Ireland and Article 14 of the Order in Northern Ireland.

These respective statutory provisions determine the procedures that must be followed in relation to proposed licence changes in each jurisdiction and include the timeline for submission of representations.

The permitted minimum timeframe for the submission of representations on the proposed modifications is 28 days from the date of publication of the statutory notices. An additional amount of time has been factored in to account for the

Christmas period. As set out in the notices, representations are due no later than 17.00 on Monday 23 January 2017.

We will give consideration to all representations made during this period and publish our decision and the licence modification(s), stating the reason(s) for and effect(s). The effective date for the licence modifications that we decide to make will be at least 56 days after the publication of the licence modification decision.

Any representations regarding these proposed licence modifications should be sent in writing or electronically, by no later than **17:00 on Monday 23 January 2017** to:

Leigh Greer  
Utility Regulator  
Queens House  
14 Queen Street  
Belfast  
BT1 6ED  
E-mail: [isemlicences@uregni.gov.uk](mailto:isemlicences@uregni.gov.uk)

Our preference would be for responses to be submitted by e-mail so that they can be placed easily on our website.

We normally publish all responses to consultations on licence modifications on our website. If you do not wish your response or name made public, please state this clearly by marking the response as not for publication. Please note that any confidentiality disclaimer that is automatically produced by an organisation's IT system or is included as a general statement in your fax or coversheet will be taken to apply only to information in your response for which confidentiality has been specifically requested.

Information provided in response to this consultation, including personal information, may be subject to publication or disclosure in accordance with the access to information regimes; these are primarily the Freedom of Information Act 2000 (FOIA) and the Data Protection Act 1998 (DPA). If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory code of practice with which public authorities must comply and which deals, amongst other things with obligations of confidence.

In view of this, it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the UR.



## 2. Introduction

### 2.1 Background

The Single Electricity Market (SEM) for the island of Ireland went live on 1 November 2007. It consists of a centralised and mandatory all-island wholesale pool market through which generators and suppliers trade electricity.

The current SEM arrangements are provided for in:

- legislation (the Single Electricity Market Act 2007 in Ireland and the Single Electricity Market (Northern Ireland) Order 2007 in Northern Ireland);
- licences for generators, suppliers, Transmission System Operators (TSOs), Distribution System Operators (DSOs), Market Operators (MOs) and Interconnectors in Ireland and Northern Ireland; and
- a suite of arrangements (set out primarily in the SEM Trading and Settlement Code, Bidding Codes of Practice, Grid Codes and Metering Codes).

The all-island SEM is regulated jointly by the CER in Ireland and the UR in Northern Ireland.

The European Union (EU) is building an internal market for electricity and gas to help deliver energy supplies that are affordable, secure and sustainable. This is underpinned by the implementation of the EU Target Model arising from the EU's Third Energy Package. The Third Package of European energy reforms created a new legal framework to promote cross-border trade, in response to the European Commission's inquiry into competition in electricity and gas markets published in January 2007.<sup>3</sup> The inquiry found that there was insufficient integration between Member States' markets and highlighted a number of issues. These included the fact that insufficient or unavailable cross-border transmission capacity and different market designs were hampering integration. In order to rectify this, a number of legally binding network codes and guidelines have been and are being established. These network codes and guidelines are designed to promote the creation of liquid markets, the efficient use of cross-border transmission capacity and the integration between Member States' gas and electricity markets.

These EU legislative requirements take legal precedence over existing domestic legislation. Therefore, in order to ensure alignment with the EU Target Model, the SEMC is committed to implementing what has been commonly referred to as the Integrated Single Electricity Market or "I-SEM" on the island of Ireland. Implementing I-SEM requires the existing legal and regulatory framework and industry processes to be modified.

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<sup>3</sup> <http://ec.europa.eu/competition/sectors/energy/inquiry/index.html>

The I-SEM will more fully facilitate coupling with the electricity markets in the rest of Europe. The I-SEM will update and (in some respects) replace the current SEM arrangements and will:

- introduce Day-Ahead and Intra-Day trading through designated Nominated Electricity Market Operators (NEMOs) in each jurisdiction;
- introduce a new Balancing Market through which the TSOs will accept offers and bids from participants to move away from their traded position in order to balance generation and demand on a minute by minute basis;
- introduce a new Capacity Remuneration Mechanism which will include the introduction of a new Capacity Market Code; and
- introduce the necessary changes to the Grid Codes and other impacted SEM regulatory arrangements.

On 17 September 2014, the SEMC published its decision on the High Level Design for the I-SEM (SEM-14-085a), which was driven by the EU Target Model. Since then, the I-SEM project has entered a 'design and implementation' phase. In order to ensure effective implementation, amendments to existing legislation, and modifications to licences, codes and possibly other rules are required in Ireland and Northern Ireland.

On 23 February 2016, the SEMC published an 'Information Note on the I-SEM Regulatory Framework' (SEM-16-007). The aim of that paper was to:

- provide clarity on the overarching regulatory framework, comprising legislation, licence changes and market rules which will implement the market design referred to as I-SEM;
- provide insight on the provisional timeline and proposed consultation process regarding licence changes and the introduction of revised (and new) market rules; and
- provide initial thinking on NEMO regulation and enforcement.

This paper provides additional information on the second set of proposed modifications to the SONI Ltd TSO licence and MO licence which will be required to implement the I-SEM.

This statutory process underway in Northern Ireland will run in parallel with the corresponding statutory process for licence modifications in Ireland which is being led by the CER. While not an exact mirror of each other, the effect of the proposed licence modifications in both jurisdictions is generally the same (although there are a few minor differences).

## **2.2 Summary of modifications**

Our approach when identifying modifications necessary for the implementation of I-SEM has been one of minimum change, i.e. only proposing modifications we consider necessary to implement I-SEM in accordance with EU legislative requirements. The reasons for and effects of the proposed modifications to the SONI TSO and MO licences are described in chapters 3 and 4 but are summarised for ease of reference in the table below:

<b>Licence Type</b>	<b>New/ Modified</b>	<b>Condition</b>	<b>Indicative Change</b>
<b>SONI TSO Licence</b>	New	Condition 22A: Central Dispatch and Merit Order	<p>A new licence condition is proposed to reflect the scheduling and dispatch arrangements for I-SEM. The existing Condition 22 will remain in force until it is 'switched off' at I-SEM go-live which is the point in time at which the substantive provisions of this new condition will be "switched on".</p> <p>This condition will oblige SONI as TSO in conjunction with EirGrid to:</p> <ul style="list-style-type: none"> <li>• schedule SEM Generation and ensure that instructions for the dispatch of SEM Generation are issued;</li> <li>• undertake operational planning as detailed in the proposed modification;</li> <li>• establish and operate a merit order system for the Balancing Market.</li> </ul>
<b>SONI TSO Licence</b>	New	Condition 22B: Balancing Market Principles Statement	<p>A new licence condition requiring SONI (acting in conjunction with EirGrid) to prepare a Balancing Market Principles Statement for approval by the UR which is to be developed in accordance with Terms of Reference published by the UR. The statement will describe SONI's scheduling and dispatch process within the Balancing Market.</p>
<b>SONI TSO Licence</b>	New	Condition 23B: Compliance and Assurance Officer	<p>A new licence condition requiring the TSO to appoint an independent Compliance and Assurance Officer (in addition to and separate from the Compliance Manager role in the SONI licences) to report on compliance with other existing licence conditions concerning Non-Discrimination, Restriction on the Use of Certain Information and Prohibition of Cross-Subsidies.</p> <p>The proposed introduction of a Compliance and Assurance Officer role is as a result of the SEMC's governance review process which considered potential conflicts of interest within the EirGrid group.</p>
<b>SONI TSO Licence</b>	Modified	Condition 1: Interpretation and Construction	<p>A number of new definitions are to be added to Condition 1, as well as modifications to existing definitions to give proper legal effect to the new and modified conditions for implementation of I-SEM.</p> <p>The detail of the definition drafting can be reviewed in Annex 1, but in summary includes:</p> <p>'New' definitions –</p> <ul style="list-style-type: none"> <li>• Associated Business</li> <li>• Balancing Market</li> </ul>

Licence Type	New/Modified	Condition	Indicative Change
			<ul style="list-style-type: none"> <li>• CACM Regulation</li> <li>• Capacity Market</li> <li>• Capacity Market Code</li> <li>• Ex-Ante Markets</li> <li>• Gate Closure</li> <li>• NEMO Activity</li> <li>• SMO &amp; NEMO Business</li> </ul> <p>Modified definitions –</p> <ul style="list-style-type: none"> <li>• Permitted Purpose</li> <li>• Single Electricity Market</li> <li>• Single Market Operation Business</li> <li>• Transmission System Operator Business</li> </ul>
	Modified	Condition 1A: Transition	<p>A modification to reflect an amendment to the date on which this Transition Condition shall cease to have effect, which shall be 31 December 2018 to align with the updated implementation date for I-SEM.</p> <p>A few minor typographical errors have been identified and corrected and the condition placed as Condition 1A in the licence.</p>
<b>SONI TSO Licence</b>	Modified	Condition 3: Availability of Resources and Undertaking of Ultimate Controller	A modification is to be made to include wording to ensure that the TSO complies with the CACM Regulation as well as other specified legislative provisions.
<b>SONI TSO Licence</b>	Modified	Condition 11: Restriction on Use of Certain Information	The modification is to include additional obligations on SONI regarding the transfer of staff amongst entities of the EirGrid group in order to manage situations where proposed staff transfers could result in an unfair commercial advantage arising. The modifications include specific requirements for a cooling-off period in relation to specified staff transfers.
<b>SONI TSO Licence</b>	Modified	Condition 12: Independence of the Transmission System Operator Business	Modification of condition so that the obligation on SONI to ensure that no Associated Business has access to premises of the TSO business does not prevent the NEMO Activity being carried out in such premises.
<b>SONI TSO Licence</b>	Modified	Condition 22: Central Dispatch and Merit Order	As set out above, modification of the current central dispatch condition is to be made to specify that the condition will cease to have effect on a date determined by the UR. This date will be the same date as the UR determines that the new Condition 22A will come into effect. The new Central Dispatch condition will replace the current condition 22 and will account for different objectives for I-SEM in relation to the

Licence Type	New/ Modified	Condition	Indicative Change
			operation of the Balancing Market.
<b>SONI TSO Licence</b>	Modified	Condition 23: Single Electricity Market Trading and Settlement Code	The condition is to be modified to reflect that in I-SEM the TSO will also comply with the TSC in its capacity as operator of the Capacity Market and Balancing Market.
<b>SONI TSO Licence</b>	Modified	Condition 23A Capacity Market	This condition is to be placed as licence condition 23A and a few typographical errors are to be amended.
<b>SONI TSO Licence</b>	Modified	Annex 1	<p>In the definition of 'Dispatch Balancing Costs' within Annex 1, a modification is proposed to acknowledge both the existing Condition 22 and the 'new' Condition 22A regarding Central Dispatch and Merit Order. The modification is to ensure that the Annex 1 provisions refer to the relevant condition (either 22 or 22A) depending upon which is in force at the relevant time.</p> <p>In addition, minor modifications have been made to the definitions of 'Energy Imbalances' and 'Ex-Ante DBC Target' to correct the reference to 'Single Market Operator Business' so that they refer to 'Single Market Operation Business' which is the correct defined term.</p> <p>Paragraph 6 of Annex 1 is also to be amended to refer to effects on the 'Transmission System Operator Business' rather than effects on 'Transmission System Operation'.</p>
<b>SONI MO Licence</b>	New	Condition 15A: Nominated Electricity Market Operator (NEMO)	<p>A new licence condition to set out the duties of the MO in its capacity as holder of the NEMO Designation including:</p> <ul style="list-style-type: none"> <li>• obligation to comply with CACM and the terms of its designation;</li> <li>• preparation of and compliance with NEMO exchange rules setting out terms on which the NEMO Activity will be carried out;</li> <li>• requirement to charge in accordance with NEMO Statement of Charges (to be approved by the UR);</li> <li>• establish and maintain a NEMO website; and</li> <li>• establish to the extent practicable a single point of contact for market participants when interfacing with the NEMO Business.</li> </ul>
<b>SONI MO Licence</b>	New	Condition 15B: Agent of Last Resort (AoLR)	A new licence condition requiring the MO to provide an Agent of Last Resort service for renewable and de-minimis generators. The service is to facilitate trading in the Day-Ahead and Intra-Day markets through the NEMO. The MO will be required to prepare an AoLR contract and an annual report, for approval by the UR.

Licence Type	New/ Modified	Condition	Indicative Change
			The MO will also develop, administer and maintain the AoLR Procedures which shall be published on the website.
<b>SONI MO Licence</b>	Modified	Condition A Transition	<p>A modification to reflect an amendment to the date on which this Transition Condition shall cease to have effect, which shall be 31 December 2018 to align with the updated implementation date for I-SEM. The definition of 'revised SEM arrangements' is to be moved to Condition 1 and paragraph b) amended so that it refers to both the TSO and MO licences.</p> <p>The condition placed as Condition A of the licence.</p>
<b>SONI MO Licence</b>	Modified	Condition 1: Interpretation and Construction	<p>A new paragraph is to be added to address the consequential impact of any future revocation of the NEMO designation for SONI on various references to NEMO throughout the licence.</p> <p>A number of new definitions are to be added to give effect to the modifications proposed to the licence for I-SEM.</p> <p>'New' definitions –</p> <ul style="list-style-type: none"> <li>• CACM Regulation</li> <li>• Ex-Ante Markets</li> <li>• Gate Closure</li> <li>• NEMO Activity</li> <li>• NEMO Business</li> <li>• Republic of Ireland NEMO Activity</li> <li>• SMO &amp; NEMO Business</li> </ul> <p>Modified definitions –</p> <ul style="list-style-type: none"> <li>• Market Operation Activity</li> <li>• Permitted Purpose</li> <li>• revised SEM arrangements</li> <li>• Single Electricity Market</li> <li>• Single Market Operation Business</li> </ul>
<b>SONI MO Licence</b>	Modified	Condition 2: Preparation of Accounts	Modifications have been made throughout this condition to acknowledge the NEMO role for which SONI has been designated, so that accounting records are prepared and kept for the NEMO Activity as well as separately for the Market Operation Activity.
<b>SONI MO Licence</b>	Modified	Condition 3: Availability of Resources and Undertaking of Ultimate Controller	This condition is to be modified to acknowledge the NEMO role for which SONI has been designated. The aim of the licence condition is to ensure that SONI has sufficient resources in place to enable it to carry on the Market Operation Activity and the NEMO Activity.
<b>SONI</b>	Modified	Condition 5:	A modification to ensure no cross-subsidies can be

<b>Licence Type</b>	<b>New/ Modified</b>	<b>Condition</b>	<b>Indicative Change</b>
<b>MO Licence</b>		Prohibition of Cross-subsidies	given or received as between the Market Operator Activity and the NEMO Activity.
<b>SONI MO Licence</b>	Modified	Condition 6: Provision of Information to the Authority	A modification to include the CACM Regulation alongside other legislative provisions under which SONI might be expected to provide the UR information.
<b>SONI MO Licence</b>	Modified	Condition 9: Restriction on Use of Certain Information	This condition is to be modified to extend its scope to include the NEMO Activity as well as the Market Operation Activity.
<b>SONI MO Licence</b>	Modified	Condition 10: Independence of the Market Operation Activity	The title of this condition is to be changed. Rather than 'Independence of the Market Operation Activity', it is now proposed as 'Independence of the Market Operation Activity together with the NEMO Activity'. The condition itself is to be modified to include the NEMO Activity. This means that SONI will need to ensure full operational independence of the MO activity, together with the NEMO Activity. In terms of compliance, all staff of both the Market Operation and NEMO activities should be informed of relevant procedures etc, and the SONI Compliance Manager will be a senior member of staff engaged in the management and operation of the Market Operation Activity and/ or the NEMO Activity.
<b>SONI MO Licence</b>	Modified	Condition 11: Prohibited Activities	A modification to specify that the provision of the Agent of Last Resort service will not fall within the scope of the prohibited activities under this licence condition.
<b>SONI MO Licence</b>	Modified	Condition 13: Non-Discrimination	This condition is to be modified to ensure that the obligations of this condition 13 relate to both the Market Operation Activity and the NEMO Activity.
<b>SONI MO Licence</b>	Modified	Condition 14: Market Operator Agreement	This condition is to be modified to reflect that the scope of the Market Operator Agreement is to include provision in relation to NEMO Activity as well as Market Operation Activity.  The condition will also extend the obligation on SONI to publish the Market Operator Agreement on the website for the NEMO Business (as well as website for the Single Market Operation Business) if required by UR.
<b>SONI MO Licence</b>	Modified	Condition 15: Single Electricity Market Trading and Settlement Code	A modification to oblige the MO to adopt such amendments to the Trading and Settlement Code as the UR may direct for the implementation of I-SEM and also, to reflect the inclusion of the settlement arrangements for the new capacity market within the TSC.
<b>SONI</b>	Modified	Condition 16:	This condition is to be modified to require SONI to

Licence Type	New/ Modified	Condition	Indicative Change
<b>MO Licence</b>		Market System Development Plan	publish the Market System Development Plan on the website for the NEMO Business (if required by the UR).
<b>SONI MO Licence</b>	Modified	Condition 19: Procurement of Assets and Services	<p>This condition is to be modified such that SONI shall be required to procure assets and services as may be necessary to discharge its obligations under the CACM Regulation (as well as other specified legislative provisions).</p> <p>The modification will extend the requirements with respect to the procurement of assets and services to include the NEMO Activity as well as the Market Operation Activity.</p>

Accompanying modifications are published in Annex 2 (for TSO licences) and Annex 3 (for MO licences).

A summary of new and modified definitions within the TSO and MO licences can also be referenced in Annex 1.

## 2.3 Related Documents

The proposed licence modifications described in this paper are intended to implement the market revision envisaged in the following SEMC policy decisions:

- I-SEM High Level Design Decision (SEM-14-085)
- I-SEM Energy Trading Arrangements Markets Decision Paper (SEM-15-065)
- I-SEM Energy Trading Arrangements Building Blocks Decision Paper (SEM-15-064)
- I-SEM Energy Trading Arrangements Aggregator of Last Resort (SEM-15-063)
- I-SEM Roles and Responsibilities Decision Paper (SEM-15-077)
- NEMO Designation Decisions for Ireland and Northern Ireland (SEM-15-073)
- Assignment of TSO Obligations for Ireland and Northern Ireland under Article 1(3) of CACM (SEM-15-079)
- I-SEM/ DS3 Mitigations for potential conflicts of interest in EirGrid group (SEM-16-041)
- Information paper on Regulatory Framework for NEMOs operating in I-SEM (SEM-16-053)
- Modifications to EirGrid Market Operator Licence and Transmission System Operator Licence, necessitated to implement the Integrated Single Electricity Market (CER/16/128)



- Decision on Modifications to the SONI Market Operator Licence and SONI Transmission System Operator Licence, necessitated to implement the Integrated Single Electricity Market<sup>4</sup>
- BMPS Terms of Reference Decision Paper (SEM-16-058).

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<sup>4</sup> <https://www.uregni.gov.uk/publications/notices-decision-modifications-soni-tso-and-mo-licences-necessitated-implement-i-sem>

### **3. SONI Ltd Transmission System Operator Licence Modification Proposals**

#### **3.1 Introduction**

On the island of Ireland, the TSO function is carried out by:

- EirGrid plc in Ireland, licensed to ‘operate the transmission system to transmit electricity’ by the CER; and
- SONI Ltd in Northern Ireland, licensed to ‘participate in the transmission of electricity’ by the Department for the Economy (previously the Department of Enterprise, Trade and Investment (DETI)).

The RAs have collaboratively reviewed the detail of the SONI TSO licence, the EirGrid TSO licence and the decisions of the SEMC in relation to the I-SEM in order to determine what changes to the conditions of this licence are needed. Separate proposed modifications have been published by the CER for EirGrid plc (in Ireland).

The UR proposes to modify the SONI TSO licence and has sought to propose only those modifications to the SONI Ltd TSO licence which will be required as a result of the implementation of I-SEM.

A narrative to explain the reasons for the proposed modifications and the effect of the modifications is provided in the sections below. Legal drafting for the proposed new and modified conditions in SONI TSO licence can be sourced in Annex 2.

#### **3.2 New licence conditions proposed in the SONI TSO licence**

In line with SEMC decisions regarding the I-SEM, the UR proposes that a number of new licence conditions be added to the SONI TSO licence. These are outlined below as follows:

##### **3.2.1 New Condition 22A: Central Dispatch and Merit Order**

###### Reason for the modification:

The SEMC ETA decision paper (SEM-15-065) contains a number of guiding principles related to the scheduling and dispatch process for I-SEM. Scheduling and dispatch is the process by which, based on commercial bids and offers submitted by market participants and other market and system information, the TSOs determine requirements and take actions (issue dispatch instructions) to facilitate the operation of the market, maintain system security, maximise the output of priority dispatch generation and meet other statutory requirements.

The objectives of the scheduling and dispatch process for I-SEM are different to those in the current SEM. Whereas in SEM the goal of the scheduling and dispatch process is to minimise the cost of dispatch, a new set of objectives needs to be

reflected in the TSO licence that reflects the evolution of the scheduling and dispatch process into a more market-oriented process under which the market itself will resolve energy imbalances with the TSO seeking to minimise the cost of non-energy actions taken by it to resolve constraints.

#### Effect of the modification:

Unlike current practice in the SEM, where the scheduling and dispatch process is largely independent of the market scheduling process, in I-SEM, participant balancing quantities and imbalance prices in the Balancing Market will be directly affected by the scheduling and dispatch process. The new objectives will include:

- minimising the cost of diverging from physical notifications;
- allowing the ex-ante energy markets to resolve energy imbalances ahead of gate closure;
- minimising the cost of non-energy actions in the context of ongoing ex-ante energy markets.

The new condition will account for these changes in objectives. In addition it is necessary to include new parameters in the software used by the TSOs to support the scheduling and dispatch process. These parameters whose function is to delay the need for scheduling and dispatch action as late as possible to allow participants to resolve their energy imbalances in the ex-ante markets, will initially include:

- Long Notice Adjustment Factors (LNAF); and
- System Imbalance Flattening Factors (SIFF).

LNAF and SIFF will be used by the software to avoid early dispatch decisions. It will also be necessary for the TSO to review the performance of these parameters and to propose changes to the UR that it believes to be necessary to improve the effectiveness of its scheduling and dispatch and the extent to which participants have been enabled to resolve energy imbalances through the ex-ante markets. It will also be necessary for the TSO to propose initial values of LNAF and SIFF for approval by the UR.

Due to the fact that the proposed licence change will create a different approach to scheduling and dispatch objectives, it is necessary to switch off the existing central dispatch and merit order condition at the same point in time at which the new condition is switched on.

### **3.2.2 'New' Condition 22B: Balancing Market Principles Statement**

#### Reason for the modification:

This is a proposed new condition, required because the SEMC supported the development<sup>5</sup> of a Balancing Market Principles Statement (BMPS) by the TSOs to

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<sup>5</sup> <https://www.semcommittee.com/publication/sem-15-065-i-sem-eta-markets-decision-paper>

ensure consistency, transparency and comprehensibility of TSO decision-making in the Balancing Market in I-SEM.

The BMPS licence condition has been proposed because it will place a requirement on the TSO (in conjunction with the Republic of Ireland TSO) to develop a BMPS in line with the agreed Terms of Reference and to publish the BMPS following approval, as supported by the SEMC decision on the Terms of Reference of the BMPS.

The SEMC was of the view that the BMPS should evolve from a Terms of Reference decision document which would be consulted on by SEMC; this was published in October 2016<sup>6</sup> and states that the BMPS will be approved by the SEMC after consultation with market participants.

The need for transparency and predictability of TSO actions in the Balancing Market is considered vital in the I-SEM. The BMPS will be a document which promotes such transparency by providing clarity and certainty to market participants on the timing and nature of TSO actions and requiring reporting of exceptions against it.

#### Effect of the modification:

The new condition will:

- Require the TSO to prepare the BMPS (in accordance with the Terms of Reference) and publish it following approval;
- Enable the TSO to propose changes to the BMPS in accordance with a specified procedure which will ensure that market participants are given an opportunity to submit representations;
- Require the TSO to ensure that the BMPS is an accurate statement of the scheduling and dispatch process and report exceptions against it.

The licence condition promotes transparency via publication of the BMPS. The drafting of this condition includes wording to reflect an obligation to ensure that the BMPS is up-to-date to the extent possible.

### **3.2.3 'New' Condition 23B: Compliance and Assurance Officer**

#### Reason for the modification:

This is a proposed new condition to implement the SEMC decision set out in the Information paper<sup>7</sup> on Mitigation Measures for potential Conflicts of Interest in the EirGrid group (published on 29 July 2016). When proposing mitigation measures, the SEMC was mindful of the need to strike the right balance between maximising

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<sup>6</sup> <https://www.semcommittee.com/news-centre/balancing-market-principles-statement-terms-reference-decision>

<sup>7</sup> <https://www.semcommittee.com/news-centre/mitigation-measures-potential-conflicts-interest-eirgrid-group>

synergies and mitigating measures for real or perceived conflicts of interest so that the long term interests of consumers are protected.

No provisions currently exist in relation to conflicts of interests around I-SEM and system service roles. There is an existing role of Head of Internal Audit and Compliance in the EirGrid group but responsibilities are internally focused, rather than on external reporting. The introduction of this new independent compliance and assurance role is designed to alleviate SEMC and stakeholder concerns around potential conflicts of interest in the EirGrid group. The aim of the licence condition is to provide stakeholders with confidence in the high importance that the UR and SONI puts on ensuring compliance with behavioural restrictions designed to mitigate the possibility of internal conflicts of interest, therefore promoting transparency.

#### Effect of the modification:

The effect of this licence condition for the appointment of an independent 'Compliance and Assurance Officer' will be to increase transparency, to address perceptions of and mitigate against any possible conflicts of interests, as well as ensuring an environment where any potential conflicts of interest, to the extent that they exist, will not be acted on. The Compliance and Assurance Officer will be in addition to and separate from the Compliance Manager role which already exists in the SONI licence.

Duties and tasks of the Compliance and Assurance Officer will include:

- providing relevant advice and information to the TSO to ensure compliance with existing conditions in the licence relating to Non-Discrimination (Condition 15), Restriction on the Use of Certain Information (Condition 11) and Prohibition of Cross-Subsidies (Condition 5);
- monitoring the TSO's compliance with the aforementioned conditions and providing assurances around this;
- reviewing the processes followed and ensure that due process has been applied to the investigation of any complaint in respect of matters arising under or by virtue of the specified conditions;
- recommending and advising on the remedial action which any such investigation has demonstrated to be necessary or desirable;
- reporting annually to the directors of the TSO on his activities during the period covered by the report and the investigations conducted. The report shall be submitted in a form approved by the UR and shall include the Compliance and Assurance Officer's assessment of the compliance of the TSO with the requirements of the specified conditions and shall include an explanation of the practices, procedures and systems adopted to effect compliance with those conditions.

The annual report produced by the Compliance and Assurance Officer together with the TSO's response on it will be submitted to the UR before being published for stakeholder visibility. The format of the report is yet to be confirmed but it is envisaged that as a minimum, will provide the Compliance and Assurance Officer's verification and assurances regarding:

- how the TSO complies with the regulatory measures intended to mitigate any possible conflicts of interest;
- provide details of separation safeguards regarding ring-fencing of information;
- provide details of separation safeguards regarding physical barriers to 'informal' discussions between I-SEM and system service delivery roles, and EirGrid Interconnector teams;
- provide details regarding treatment of staff transfers within the EirGrid group.

This public annual reporting is an important element of the package of mitigation measures. It will place an onus on SONI to demonstrate how it enforces any procedures (e.g. in Codes of Conduct) beyond just stating that a Code of Conduct exists. The resulting transparency will help to address perceptions of possible conflicts of interests.

### **3.3 Modifications proposed to the SONI TSO licence**

In addition to the new conditions outlined above, the UR also proposes to modify the following existing conditions in the SONI TSO licence:

#### **3.3.1 Condition 1: Interpretation and Construction**

##### Reason for the modification

To give proper legal effect to the new and modified licence conditions for implementation of I-SEM.

##### Effect of the modification

Incorporation of various new and amended definitions in the licence. The detail of the definition drafting can be reviewed in Annex 1.

#### **3.3.2 Condition 1A: Transition**

##### Reason for the modification

To place the condition in the licence, to amend typographical errors and to update the date on which the condition will cease to have effect to reflect the updated I-SEM go-live date.

##### Effect of the modification

Although this condition was consulted on, on 20 April 2016, with a subsequent decision on 1 July 2016 which took effect on 1 September 2016, the UR is now proposing to position the Transition condition as 'Condition 1A' in the SONI TSO licence. Further modifications are also proposed to amend the date on which the condition shall cease to have effect (being 31 December 2018) as opposed to 30 June 2018 and also to fix a few typographical errors.

### **3.3.3 Condition 3: Availability of Resources and Undertaking of Ultimate Controller**

#### Reason for the modification:

The CACM Regulation entered into force in August 2015. This is one of the European network codes relating to electricity markets which sets out the rules for Day Ahead, Intra-Day, Forwards and Balancing markets, paving the way for market coupling. The TSO will have various obligations under the CACM Regulation which it will require to fulfil. In order to recognise and address that, Condition 3 of the SONI TSO licence (which is the obligation on SONI to ensure that it has sufficient resources available to it) will be modified to ensure compliance with CACM as well as other specified legal obligations.

#### Effect of the modification:

Paragraph 1(b) of this condition is to be modified so that SONI Ltd as TSO will need to ensure that it has sufficient resources (including management resources, financial resources and financial facilities) to enable it to carry on the TSO business and comply with its obligations under the Electricity (NI) Order 1992, the Energy (NI) Order 2003, the Electricity (Single Wholesale Market) (NI) Order 2007 and the Licence, and now also the CACM Regulation.

### **3.3.4 Condition 11: Restriction on Use of Certain Information**

#### Reason for the modification:

As part of a 'Governance Review Process' tasked by the SEMC to the RAs regarding a review of synergies and potential conflicts of interest within the EirGrid group, the RAs engaged heavily with EirGrid plc, SONI Ltd and industry to establish existing mitigations against potential conflicts, and to assess what further level of mitigation was needed.

A key stakeholder concern related to the ability of EirGrid/ SONI staff to fluidly move between departments or functions of the EirGrid group, thereby transferring key knowledge which could provide an unfair commercial advantage to that department or function.

A modification has been proposed to the condition to add a new paragraph to oblige SONI to ensure that any staff transfers made from SONI TSO to an Associated Business which might result in a commercial advantage are informed to the UR together with detail on the steps being taken to ensure that no unfair commercial advantage will accrue to either business.

The UR has also proposed that a 'cooling-off' period be applied when appropriate (i.e.. dependant on circumstances such as staff involved, time of transfer) to ensure that there are sufficient breaks between staff transferring between designated activities in the capacity market with tasks associated with Interconnector ownership and/ or development. The 'cooling-off' period will mean that staff working on ownership and/ or development of interconnection cannot access the areas in which

specific capacity market activities are carried out. The aim of such a provision is to instil confidence amongst participants that capacity market and interconnector related activities are sufficiently separate in terms of knowledge share.

In addition, an obligation will now exist for a new Compliance and Assurance Officer (introduced for the purposes of reporting on measures taken within the EirGrid group to mitigate against the potential for any conflicts of interest being realised) to report, amongst other things, on actions taken by the TSO to evidence that any staff transferring 'in-house' within the EirGrid group will not result in any unfair commercial advantage. Further explanation can be found in the narrative for new Condition 23B (Compliance and Assurance officer).

#### Effect of the modification:

A new paragraph has been proposed within Condition 11 of the SONI TSO licence to oblige the TSO to consider the potential impact of a proposed staff transfer from the TSO Business to another part of the EirGrid group. SONI will be obliged to inform the UR of proposed transfers where an unfair commercial advantage could arise and the steps being taken to ensure that it does not. Given the particular sensitivities around transfers of any member of staff involved in the establishment of the Capacity Market to the Interconnector, the condition will also make such transfers subject to a cooling-off period of a duration to be agreed with the UR.

### **3.3.5 Condition 12: Independence of the Transmission System Operator Business**

#### Reason for the modification:

As per the UR decision to designate SONI Ltd as NEMO in Northern Ireland, independence of the TSO business from the MO business now needs to extend to SONI's NEMO activities. A modification is proposed to the condition so that the existing obligation (on SONI to ensure that no Associated Business has access to premises of the TSO business) does not prevent the NEMO Activity being carried out in such premises.

#### Effect of the modification:

In paragraph (d) of Condition 12 of the SONI TSO licence, wording has been added to include the NEMO Activity. This licence modification clarifies that the NEMO Activity (as well as the Market Operation Activity) can be carried out from premises of TSO business.

### **3.3.6 Condition 22: Central Dispatch and Merit Order**

#### Reason for the modification:

The existing Central Dispatch and Merit Order condition is to be modified to allow the UR to 'switch it off'. The reason for the modification is that a new Condition (proposed as Condition 22A) will replace the existing Condition 22 at I-SEM go-live.



#### Effect of the modification:

The existing Condition 22 shall cease to have effect from a date determined by the UR, allowing Condition 22A to take effect at the same point in time. Condition 22A provides for the new scheduling and dispatch arrangements under I-SEM in relation to the Balancing Market.

### **3.3.7 Condition 23: Single Electricity Market Trading and Settlement Code**

#### Reason for the modification:

The Single Electricity Market Trading and Settlement Code (TSC) sets out the rules by which the market participants may operate. SONI TSO has an existing obligation to accede to and comply with the TSC in its capacity as system operator. The TSC is one of the regulatory documents undergoing revision to incorporate necessary changes for I-SEM and is currently subject to consultation (SEM-16-075, a-u).<sup>8</sup> The TSOs have been assigned the Capacity Market delivery and Balancing Market Operator roles for I-SEM; this was communicated in SEM-15-077. For this reason, condition 23 of the SONI TSO licence is to be modified to acknowledge this expanded role.

#### Effect of the modification:

Wording has been added to the condition so that compliance of the TSO with the TSC will include the performance of its obligations in operating the Capacity Market and Balancing Market for I-SEM.

### **3.3.8 Condition 23A: Capacity Market**

#### Reason for the modification:

To place the condition in the licence and also to amend typographical / drafting errors. These changes relate to the consistency and accuracy of the condition to ensure robust legal interpretation of the condition.

#### Effect of the modification:

The UR is now proposing to position the Capacity Market condition as 'Condition 23A' in the SONI TSO licence.

The following small modifications are proposed to the Capacity Market Condition. Replace "island of Ireland" with "Island of Ireland" as per the capitalised defined term. Replace "Electricity Capacity" with "electricity capacity". This reflects that the term "electricity capacity" is not defined. Paragraph 3 is to be amended. Rather than describing the capacity arrangements in paragraph 1(a) and arrangements for calculation/ settlement of remuneration as the "Capacity Remuneration Mechanism",

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<sup>8</sup> <https://www.semcommittee.com/publication/sem-16-075-i-sem-eta-trading-and-settlement-code-amendments-consultation>

it is to be described as the “Capacity Market”. The reference to ‘Transmission System Operation’ in paragraph 5 is to be amended to ‘Transmission System Operator Business’.

### **3.3.9 Annex 1**

#### Reason for the modification:

In the definition of ‘Dispatch Balancing Costs’ within Annex 1, a modification is proposed to refer to both the existing Condition 22 and the ‘new’ Condition 22A regarding Central Dispatch and Merit Order. The modification is required to ensure that the definition can continue to operate after the new central dispatch and merit order condition is brought into effect and the existing condition is switched off.

#### Effect of the modification:

The modification is to ensure that the relevant condition (either 22 or 22A) is referred to as appropriate and in order to ensure that the provisions have ongoing and proper effect.

## **4. SONI Market Operator Licence Modification Proposals**

### **4.1 Introduction**

The SEM is administered by the Single Electricity Market Operator (SEMO) formed through a contractual joint venture between EirGrid plc and SONI Ltd:

- EirGrid plc in Ireland, licensed to 'undertake the role of single market operator of the Single Electricity Market' by the CER; and
- SONI Ltd in Northern Ireland, licensed to 'act as SEM Operator' by the Department for the Economy (previously the Department of Enterprise, Trade and Investment (DETI)).

As with the TSO licences, the RAs have collaboratively reviewed the detail of this SONI MO licence, the EirGrid MO licence and the decisions of the SEMC in relation to the I-SEM in order to determine what changes to the conditions of the licence are needed. A separate licence modification process with respect to the EirGrid plc MO licence in Ireland is being conducted by CER in parallel to this process.

The UR proposes to modify the SONI MO licence and has sought to propose only those modifications to the SONI Ltd MO licence which will be required to implement I-SEM.

Since the passing of the Northern Ireland (Wholesale Electricity) Amendment Order 2016, the definition of the Single Electricity Market has been broadened to allow for the revised arrangements required to implement I-SEM. The NEMO activity will be a core element of these new arrangements and will be performed in I-SEM by SONI for so long as it continues to be designated. Given that only one NEMO has been designated for Ireland and one for Northern Ireland, and given the importance of the NEMO markets to the I-SEM, the RAs consider that incorporating provisions in relation to the performance of the NEMO functions into the existing MO licences is appropriate. This will provide a level of regulatory oversight (in addition to compliance with CACM).

A narrative to explain the reasons for and the effects of the proposed modifications is provided in the sections below. Legal drafting for the proposed new and modified conditions in SONI MO licence can be sourced in Annex 3.

### **4.2 New conditions proposed in the SONI MO licence**

In line with SEMC decisions the UR propose that a number of new licence conditions be added to the SONI MO licence. These are outlined below as follows:

#### **4.2.1 'New' Condition 15A: Nominated Electricity Market Operator (NEMO)**

Reason for modification:

“NEMO” is a role which arose as a result of the CACM Regulation which came into force on 14 August 2015.

On 2 October 2015, the UR and CER separately published designation notices for SONI Ltd and EirGrid plc as Nominated Electricity Market Operators (NEMOs) in Northern Ireland and Ireland respectively<sup>9</sup>. These designations mean that SONI Ltd and EirGrid plc are responsible for the operation of the ex-ante markets as NEMOs as well as certain obligations prescribed in the CACM Regulation. These obligations are in addition to obligations which EirGrid and SONI will hold in I-SEM in terms of operation and settlement of the balancing market.

The SEMC published an Information paper<sup>10</sup> on 30 August 2016 (SEM-16-053) regarding governance of the NEMOs.

From I-SEM go-live, only one NEMO will operate in Ireland and one in Northern Ireland (albeit as a ‘joint venture’ type arrangement), and as such, will effectively be conducting a monopoly activity in I-SEM. Although CACM (Article 4 (5)) allows for a NEMO which has been designated in another European member state to ‘passport across’ to operate in other member states, the RAs consider that there is no certainty (at least for the foreseeable future) that another NEMO will operate in the SEM. Accordingly, the RAs consider it appropriate to regulate this de facto monopoly to ensure value for the all-island consumers.

Under Article 6 of the CACM Regulation the UR will continue to ensure the compliance of SONI Ltd with the designation criteria set out in the Regulation. However, as noted above, EirGrid plc and SONI Ltd are at present the only NEMOs designated in Ireland and Northern Ireland respectively. In the absence of legislation providing for NEMO activities as a specific licensable activity, the licensing of NEMO through the modified MO licences is considered a robust approach which will allow the most effective regulatory oversight.

The content of the licence condition has been drafted so that a set of rules (the ‘NEMO Exchange Rules’) are submitted to the UR for approval. The reason for the requirement to approve NEMO Exchange Rules is to ensure that a number of I-SEM specific requirements are dealt with and to ensure that the UR is updated on particular issues relating to the amendment of NEMO Exchange Rules.

The scope of the NEMO condition (as set out below) reflects the UR’s desire to balance the need to protect the interests of consumers and the desire not to interfere to a greater extent than necessary. As such, for so long as there is not considered to be sufficient competition for NEMO services, SONI will be required to obtain approval of its statement of charges from the UR.

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<sup>9</sup> [https://www.uregni.gov.uk/sites/uregni.gov.uk/files/media-files/UR\\_NEMO\\_Designation\\_Decision\\_under\\_CACM.pdf](https://www.uregni.gov.uk/sites/uregni.gov.uk/files/media-files/UR_NEMO_Designation_Decision_under_CACM.pdf)

<sup>10</sup> <https://www.semcommittee.com/news-centre/information-paper-regulatory-framework-nemos-operating-i-sem>

In addition, approval of NEMO Exchange Rules is to ensure regulatory oversight of the NEMO interaction with the Trading and Settlement Code and NEMO compliance with CACM.

Effect of the licence modification:

The new NEMO condition will oblige SONI for so long as it is designated to: i) fulfil its NEMO obligations under CACM ; ii) maintain compliance with Article 6 of CACM; iii) comply with the conditions of its designation and to comply with the 'NEMO Exchange Rules'.

The exchange rules need to be approved by the UR. The NEMO Exchange Rules will be 'off-the-shelf' rules of agreed procedures and will include codes of conduct by which NEMOs must behave as well as providing clarity around how market participants can use NEMO services in the ex-ante markets.

The NEMO Exchange Rules will exist outside of the TSC (since they will be commercial arrangements between NEMO service providers and participants in the Day-Ahead and Intra-Day timeframes) but will feed into the TSC to provide the data needed for settlement in the Balancing Market which depends upon Day Ahead and Intra-Day trades, which also determine the Physical Notifications in the Balancing Market. Only parties who wish to trade in the Day Ahead or Intra-Day Markets will have to comply with the NEMO Exchange Rules. Both generators and suppliers will be required to trade in the Day Ahead and Intra-Day Markets only through the designated NEMO in their jurisdiction. The NEMO Exchange Rules should set out the terms on which EirGrid/ SONI will carry out the NEMO activity and shall be consistent with the CACM Regulation, the Electricity Market Regulation and the Trading and Settlement Code. It should be noted that the UR, alongside CER, is cognisant of the fact that the NEMO Exchange Rules will be accurate to the extent possible, given that an interim Intra-Day solution (which is not compliant with CACM) will be in place until a date to be decided; a common sense approach to approval of the NEMO Exchange Rules will therefore be applied.

In addition to this, the new licence condition will require a NEMO 'Statement of Charges' to be published, after approval by the UR. The Statement of Charges will include a price list, and further specifications of the detail required in the Statement of Charges will be consulted on in due course by the UR as will the process by which SONI's costs will be assessed, with further Market Operator licence modification processes ensuing where appropriate. The legal drafting also provides that the UR may from time to time make directions as to the content of the Statement of Charges.

The requirement for SONI to obtain approval of its Statement of Charges from UR may be dis-applied in the event that the UR determines that there is sufficient competition for NEMO services. SONI will be under an obligation at all times to charge in accordance with its statement of charges.

Both EirGrid plc and SONI Ltd will be obliged to cooperate and engage with each other for the purposes of NEMO activity in Ireland and Northern Ireland. The Market Operator Agreement is to be updated accordingly to reflect this.

#### **4.2.2 Condition 15B: Agent of Last Resort**

##### Reason for modification:

The High Level Design of the I-SEM stipulated that an Aggregator of Last Resort - now referred to as Agent of Last Resort - (AoLR) shall be provided for in the new market design. The AOLR is a new function designed for I-SEM. A licence condition is proposed to be inserted into the SONI MO licence to reflect the MO's responsibilities under the AoLR role.

The SEMC published a Consultation Paper on the AoLR Framework on 5 December 2014, followed by a decision<sup>11</sup> on 11 September 2015 which states that the AoLR will undertake the passive approach as outlined in the Consultation Paper. This means that the AOLR will provide a mechanism for eligible participants (renewable generators and de-minimis generators) to trade in the ex-ante markets, thereby assisting the route to market for smaller participants.

The proposed licence condition is drafted to acknowledge the objective of the AoLR and scope of its services. SONI as AoLR will be obliged to submit an AoLR Contract to the UR for approval, and subsequently be obliged to publish that contract along with the AoLR procedures on its website. An annual report is also to be provided to the UR for publication on the website; publication of such documents is to create transparency.

It is anticipated that the scope of the AOLR service required under the licence condition will be such that the opportunity will exist for commercial aggregators to develop. This 'passive' AOLR will be an in-house function within the market systems. The objective of the AOLR services is to facilitate participation of renewable generators and de minimis generators in the ex-ante markets.

##### Effect of the licence modification:

The MO will be required to offer and provide AoLR services in accordance with the set objectives and scope and to develop, administer and maintain procedures pertaining to the operation of, and participation in, AoLR services.

A Service Notice will be submitted to the UR for approval which should outline the form of the contract which the AoLR will enter into with market participants. The licence condition also obliges the MO to prepare an annual report for submission to the UR.

It has also been necessary to propose a change to Condition 11: Prohibited Activities to clarify that the AOLR role is not so prohibited.

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<sup>11</sup> <https://www.semcommittee.com/publication/sem-15-063-i-sem-aggregator-last-resort-decision-paper>

## **4.3 Modifications proposed to the SONI MO licence**

### **4.3.1 Condition 1: Interpretation and Construction**

#### Reason for the modification

To give proper legal effect to the new and modified licence conditions for implementation of I-SEM. In addition it is necessary to ensure that licence conditions which refer to NEMO can continue to have proper effect in the event that SONI is no longer a designated NEMO.

#### Effect of the modification

Incorporation of various new and amended definitions in the licence. In addition to this, a new paragraph has been added to address the consequential impact of revocation of the NEMO designation to SONI such that the provisions in the licence to NEMO Activity and / or the NEMO Business shall be understood as relating thereto only in respect of the period in which condition 15A is in effect .

The detail of the definition drafting can be reviewed in Annex 1.

### **4.3.2 Inclusion of NEMO Activity**

#### Reason for the modification:

Alongside the introduction of a new 'NEMO' licence condition in the MO licences, a number of modifications are necessary to existing conditions (including the definitions) to incorporate reference (where appropriate) to the NEMO Activity (and NEMO Business) as well as the Market Operation Activity (and Single Market Operation Business).

Given the importance of the ex-ante markets to the revised SEM arrangements, the UR considers that the framework for regulating NEMO activity should in part sit within the Market Operator Licences of SONI Ltd and EirGrid plc. This overarching view explains at a high level why a number of modifications are proposed to the SONI MO licences.

Recent legislative changes in both Ireland and Northern Ireland have expanded the definition of SEM to allow for the provision of I-SEM related activities such as NEMO. For this reason, a number of existing definitions in the MO licences need to be amended to reflect the operation of NEMOs in the market and specifically to distinguish between obligations owing to SONI Ltd with respect to the Balancing Market and those existing with respect to NEMO activities.

#### Effect of the modification:

In addition to compliance with obligations in respect of the 'Market Operator Activity' in the following conditions it is proposed to modify each of the conditions to extend the obligations to also include 'NEMO Activity' and/or 'NEMO Business':

- Condition 2: Preparation of Accounts
- Condition 3: Availability of Resources and Undertaking of Ultimate Controller
- Condition 5: Prohibition of Cross-Subsidies
- Condition 9: Restriction on the Use of Certain Information
- Condition 10: Independence of the Market Operator Activity ‘together with the NEMO Activity’
- Condition 13: Non-Discrimination
- Condition 14: Market Operator Agreement
- Condition 16: Market System Development Plan
- Condition 19: Procurement of Assets and Services

The above licence conditions are to be modified to acknowledge the MO’s responsibility to comply with its NEMO related obligations. Drafting of the modifications can be viewed in Annex 3.

Some additional information is given below in respect of Condition 2 (Preparation of Accounts), Condition 5 (Prohibition of Cross Subsidies) and Condition 14 (Market Operator Agreement).

#### **4.3.3 Inclusion of CACM compliance**

##### Reason for the modification:

A number of obligations exist in the CACM Regulation for NEMOs.

The following licence conditions are proposed to be modified to require compliance with the CACM Regulation as part of those licence obligations:

- Condition 3: Availability of Resources and Undertaking of Ultimate Controller
- Condition 6: Provision of Information to the Authority
- Condition 9: Restriction on Use of Certain Information
- Condition 19: Procurement of Assets and Services

##### Effect of the modifications:

The effect of modifying the above licence conditions is that SONI MO will need to ensure that it complies with the CACM Regulation in addition to other existing legislative provisions in order to comply with these licence conditions.

#### **4.3.4 Condition A: Transition**

##### Reason for the modification:

To place the condition in the licence and to amend definitional errors and to update the date on which the condition will cease to have effect to reflect the updated I-SEM go-live date. The amendment to the definition of revised SEM arrangements to include reference to the TSO licence (as well as the MO licence) is to reflect that the scope of the revised SEM arrangements includes both the TSO and MO licences.



Effect of the modification:

The Transition condition shall cease to have effect approximately 6 months after go-live, that is on 31 December 2018.

The definition of 'revised SEM arrangements' which is currently included within the Transition condition will be placed in Condition A. We have also proposed additional wording in paragraph (b) of the definition to acknowledge that the 'revised SEM arrangements' span both the SONI TSO and MO licences (not just the MO licence).

#### **4.3.5 Condition 2: Preparation of Accounts**

Reason for the modification:

This amendment is required to ensure proper compliance with Article 6 of CACM as well as providing clarity and legal certainty for the licensee and to ensure transparency.

Effect of the modification:

Condition 2 is to be amended to extend the obligations of SONI such that it will be required to prepare accounting records in respect of its NEMO Activity, separate from those prepared in respect of its Market Operation Activity. A new paragraph 2a is to be introduced to specify that the first financial year shall run from the date on which the UR directs that Condition 15A (NEMO) shall take effect up to and including 30 September 2018.

#### **4.3.6 Condition 5: Prohibition of Cross-Subsidies**

Reason for the modification:

The SEMC Information paper on Mitigation Measures against potential conflicts of interest within the EirGrid group focussed primarily on potential conflicts between the TSO business and the MO business; concerns about cross-subsidies between the MO and NEMO activities were not so significant. However, Article 4(5) of the CACM Regulation allows for a NEMO which has been designated in another European member state to 'passport across' to operate in another member state (subject to that member state not disallowing it to carry out its operations there). The UR wants to ensure that SONI as designated NEMO in Northern Ireland does not have the ability to benefit from any cross-subsidies as this would mean that there would not be a level playing field between SONI and passporting NEMOs.

Effect of the modification:

A modification has been proposed to ensure no cross-subsidies can be realised as between the Market Operator Activity and the NEMO activity.

#### **4.3.7 Condition 11: Prohibited Activities**

##### Reason for the modification:

Paragraph 1 of the existing licence condition 11 notes that 'except with the prior written consent of the Authority and in accordance with any conditions of that consent, the Licensee shall not purchase or otherwise acquire electricity for the purpose of sale or other disposition to third parties on the Island of Ireland, save to the extent it does so in compliance with any other licence it holds under the Order'. Given the SEMC's assignment of the Agent of Last Resort (AoLR) role to the MO which will be responsible for facilitating participation of renewable generators and de minimis generators in the new Day-Ahead and Intra-Day markets, the UR wishes to make it clear that the provision of such services will not be considered to be in contravention of this prohibition or the objective of the AoLR condition could be frustrated.

##### Effect of the modification:

Wording has been added to paragraph 1 to note that 'the provision of the Agent of Last Resort service in accordance with Condition 15B shall not be considered to be in contravention of the requirements of paragraph 1'.

#### **4.3.8 Condition 14: Market Operator Agreement**

##### Reason for the modification:

The Information Paper on the Regulatory Framework for NEMOs Operating in I-SEM (SEM-16-053) clarified that the RAs were of the view that to operate together as two designated NEMOs, one operating in Ireland and one operating in Northern Ireland, it is appropriate that the existing Market Operator Agreement be updated to reflect this.

##### Effect of the modification:

This condition is to be modified to reflect that the scope of the Market Operator Agreement is to include provision in relation to NEMO Activity as well as Market Operation Activity.

The condition will also extend the obligation on SONI to publish the Market Operator Agreement on the website for the NEMO Business (as well as website for the Single Market Operation Business) if required by UR.

#### **4.3.9 Condition 15: Single Electricity Market Trading and Settlement Code**

##### Reason for the modification:

Eirgrid plc and SONI Ltd jointly currently carry out the SEMO function for the SEM. SEMO is responsible for the administration and operation of the TSC, and will remain as such for I-SEM. The TSC is undergoing revision to take account of I-SEM

related market rules and it is essential that the MO adopts such changes as may be directed by the UR to implement the I-SEM arrangement

Similarly the amended scope of the TSC in I-SEM to include settlement arrangements in relation to the new capacity market needs to be reflected in the licence condition.

Effect of the modification:

A new sub-paragraph has been added in paragraph 1 of the condition to oblige the TSO to adopt amendments made to the TSC as directed by the UR (following such consultation as it considers appropriate) and the expanded scope of the TSC (as regards the settlement of capacity market) will also be included. The amended scope of the TSC in I-SEM to include settlement arrangements in relation to the new capacity market will be reflected in the licence condition.

## 5. Next Steps

	Date
Deadline for receipt of responses or representations to UR Licence Modification Consultation published on 16 December 2016	17:00 on Monday, 23 January 2017
UR publish decision on statutory Licence Modification Consultation	Q1 2017 (date tbc)

In parallel with the development of these licence modifications, the RAs are also working with the TSOs to develop an amended Trading and Settlement Code and Capacity Market Code. A consultation process has opened with respect to an amended Trading and Settlement Code, the closing date for which is 10 January 2017.<sup>12</sup> A similar consultation process on the Capacity Market Code is scheduled to take place in January 2017.

- Further licence modification consultation on changes required to implement I-SEM are planned as follows:
- TSO licence modifications relating to the ‘Shipping Agent’ role and interfaces with the Interconnectors in Q1 2017;
- Interconnector licence modifications in Q1 2017;
- Generator and Supplier licence modifications in June 2017.

Note that the proposed licence modifications for generators and suppliers (currently scheduled for June 2017) are expected to include modifications required in respect of Forwards and Liquidity and Market Power.

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<sup>12</sup> <https://www.semcommittee.com/publication/sem-16-075-i-sem-eta-trading-and-settlement-code-amendments-consultation>

## 6. Annex 1 – SONI TSO and SONI MO licence definitions

Licence Type	New/ Modified	Source	Definition of:	Proposed definition wording
<b>TSO Licence</b>	New	Condition 1	Associated Business	means any business of the Licensee (or of any affiliate or related undertaking of the Licensee) other than a relevant holding company.
<b>TSO Licence</b>	New	Condition 1	Balancing Market	has the meaning set out in the Single Electricity Market Trading and Settlement Code, Part B.
<b>TSO Licence</b>	New	Condition 1	CACM Regulation	means Commission Regulation (EU) 2015/1222 of 24 July 2015, establishing a Guideline on Capacity Allocation and Congestion Management.
<b>TSO Licence</b>	New	Condition 1	Capacity Market	means the arrangements for securing generation adequacy and capacity described in Condition 23A and set out in the Capacity Market Code.
<b>TSO Licence</b>	New	Condition 1	Capacity Market Code	means the code of that name referred to in Condition 23A.
<b>TSO Licence</b>	New	Condition 1	Ex-Ante Markets	means the day-ahead and intra-day markets for the trading of wholesale electricity in the Single Electricity Market prior to the relevant Gate Closure.
<b>TSO Licence</b>	New	Condition 1	Gate Closure	has the meaning set out in the Single Electricity Market Trading and Settlement Code, Part B.
<b>TSO Licence</b>	New	Condition 1	NEMO Activity	has the meaning given to that term in the

				Northern Ireland Market Operator Licence.
<b>TSO Licence</b>	New	Condition 1	SMO & NEMO Business	has the meaning given to that term in the Northern Ireland Market Operator Licence.
<b>TSO Licence</b>	Modified	Condition 1	Permitted Purpose	<p>means the purpose of all or any of the following:</p> <p>(a) the Transmission System Operator Business;</p> <p>(b) the Market Operation Activity;</p> <p>(c) <b>the NEMO Activity;</b></p> <p>(d) <del>the Single Market Operation Business</del> <b>the SMO &amp; NEMO Business;</b></p> <p>(e) <del>(d)</del> without prejudice to the generality of sub paragraphs (a), (b) and (c), any payment or transaction lawfully made or undertaken by the Licensee in relation to the disposal of or relinquishment of operational control over any relevant asset in accordance with Condition 9; and</p> <p>(f) <del>(e)</del> without prejudice to the generality of sub paragraphs (a), (b) and (c), any payment or transaction lawfully made or undertaken by the Licensee for a purpose within sub-paragraphs (i) to (vi) of paragraph 1(b) of Condition 10.</p>
<b>TSO Licence</b>	Modified	Condition 1	Single Electricity Market	<p><del>means the single wholesale electricity market for the Island of Ireland, implemented in Northern Ireland pursuant to Section 23</del> <b>has the meaning ascribed to it by Article 2(2) of the Electricity (Single Wholesale Market) (Northern Ireland (Miscellaneous Provisions) Act 2006.) Order 2007 (2007/913).</b></p>

<b>TSO Licence</b>	Modified	Condition 1	Single Market <del>Operator</del> <b>Operation Business</b>	<i>No change to content of definition; title modified.</i>
<b>TSO Licence</b>	Modified	Condition 1	Transmission System Operator Business	<p>means the business of the Licensee (or any affiliate or related undertaking) in the planning and operation of the transmission system, <b>or in the operation of the Capacity Market</b>, or in the procurement of System Support Services (whether or not pursuant to directions of the Department made under Article 37 or 38 of the Order), or in the co-ordination and direction of the flow of electricity onto and over the transmission system, <b>or in the operation of the Balancing Market</b> or in the undertaking of its obligations under the Licence in respect of Northern Ireland Interconnectors, or in the undertaking of electricity trades with the operators of systems other than the transmission system as approved by the Authority, including any business in offering to enter into, and entering into, Connection Agreements and Use of System Agreements, but shall not include:</p> <p>(a) any business of the Licensee (or any affiliate or related undertaking) in undertaking <del>Market Operator</del> <b>Operation Activity or the NEMO</b> Activity; or</p> <p>(b) any business of the Licensee (or any affiliate or related undertaking) in undertaking the Transmission Owner Business; or</p> <p>(c) any business of the Licensee (or any affiliate or related undertaking) in undertaking the Distribution Business; or</p> <p>(d) any other business of the Licensee (or any affiliate or related undertaking) in the provision of services to or on behalf of one or more persons.</p>
<b>TSO</b>	New	Condition	cooling off period	means a period of time during which a

<b>Licence</b>		11		member of staff is not actively engaged in any work of the Licensee which requires access to protected information.
<b>TSO Licence</b>	New	Condition 11	member of staff	means an employee of the Licensee.
<b>TSO Licence</b>	New	Condition 22A	available	means, in relation to any generation set or Interconnector transfer, generation set or Interconnector transfer which is available in accordance with the Grid Code or the Republic of Ireland Grid Code (as applicable) and " <b>availability</b> " shall be construed accordingly;
<b>TSO Licence</b>	New	Condition 22A	central dispatch	means the process of scheduling and issuing direct instructions by the Licensee, in conjunction with the Republic of Ireland System Operator, as referred to in paragraph 1;
<b>TSO Licence</b>	New	Condition 22A	Interconnector transfer	means the flow of electricity across an Interconnector into, or out of, the Island of Ireland;
<b>TSO Licence</b>	New	Condition 22A	Long Notice Adjustment Factor	means a multiplier applied to the start-up costs of generation sets which varies depending on the length of notice provided in any instruction from the Licensee to synchronise such generation set and which has greater values for greater lengths of notice;
<b>TSO Licence</b>	New	Condition 22A	merit order system	means a system establishing economic precedence of electricity from available generation sets or Interconnector transfers to be delivered or transferred to the All-Island Networks (subject to other system needs).
<b>TSO Licence</b>	New	Condition 22A	NI SEM Generation	means the available generation sets of each relevant generator which:  (a) are required to be subject to central dispatch instructions under the terms of that relevant generator's licence or exemption (as



				applicable); or  (b) are otherwise agreed by that relevant generator to be subject to central dispatch.
<b>TSO Licence</b>	New	Condition 22A	non-energy actions	means dispatch instructions issued with the intent of resolving constraints in the transmission system rather than balancing energy between demand and generation;
<b>TSO Licence</b>	New	Condition 22A	physical notification	has the meaning set out in the Single Electricity Market Trading and Settlement Code Part B;
<b>TSO Licence</b>	New	Condition 22A	relevant generator	means:  (a) the holder of a licence under Article 10(1)(a) of the Order; or  (b) a person who is exempt from the requirement to hold such a licence in accordance with Article 9 of the Order, and whose generation set is connected to the total system.
<b>TSO Licence</b>	New	Condition 22A	Republic of Ireland Generator	means a person licensed to generate electricity under Section 14(1)(a) of the Republic of Ireland Electricity Act, or the Republic of Ireland Board acting in its capacity as the owner or operator of generation sets.
<b>TSO Licence</b>	New	Condition 22A	Republic of Ireland SEM Generation	means the available generation sets of each Republic of Ireland Generator which:  (a) are required to be subject to central dispatch under the terms of that Republic of Ireland Generator's licence; or  (b) are otherwise agreed by that Republic of Ireland Generator to be subject to central dispatch
<b>TSO Licence</b>	New	Condition 22A	scheduling and dispatch parameters	means the parameters to be used in the Licensee's scheduling and dispatch support systems which shall be designed to defer central dispatch instructions to enable the maximum use by participants of the Ex-Ante Markets and shall include a Long Notice Adjustment Factor and a System Imbalance Flattening Factor;
<b>TSO Licence</b>	New	Condition 22A	SEM Generation	means NI SEM Generation, Republic of Ireland SEM Generation and available Interconnector transfers taken together.

<b>TSO Licence</b>	New	Condition 22A	System Imbalance Flattening Factor	means a multiplier applied to the start-up costs of generation sets which varies depending on the degree to which forecast generation including forecast imports and exports on Interconnectors is short of forecast demand and which has greater values for greater shortages.
<b>TSO Licence</b>	New	Condition 22B	BMPS Terms of Reference	means Appendix A of the document named "Balancing Market Principles Statement Terms of Reference" published by the SEM Committee on 7th October 2016 (SEM-16-058) or such other document replacing the same and published by the Authority from time to time.
<b>TSO Licence</b>	Modified	Annex 1	Dispatch Balancing Costs	<p>means costs relating to or incurred in respect of:</p> <p>(a) the constraining on or off (as the case may be) generation sets pursuant to the central dispatch and merit order systems and processes established by the Licensee in accordance with Condition 22 or Condition 22A (whichever is in effect) or for the purposes;</p> <p>(b) the management of Energy Imbalances;</p> <p>(c) any Uninstructed Imbalance;</p> <p>(d) Testing Charges;</p> <p>(e) Other System Charges; and</p> <p>(f) any SO Interconnector Trade.</p>
<b>TSO Licence</b>	Modified	Annex 1	Energy Imbalances	means the imbalance between the (a) payments made by the Single Market <del>Operator</del> Operation Business to generators for electricity sold from generation sets scheduled to operate in accordance with the Licensee's instructions pursuant to the processes and procedures for central dispatch and merit order, and (b) the payments received by the Single Market <del>Operator</del> Operation Business from electricity suppliers in respect of the electricity purchased by such electricity suppliers.

<b>TSO Licence</b>	Modified	Annex 1	Ex-Ante Target	DBC	means, in respect of any relevant year, the Dispatch Balancing Costs approved by the Authority and the Commission for Energy Regulation for the purpose of their inclusion as a component in the Imperfection Charge proposed to be levied on suppliers by the Single Market <del>Operator</del> <b>Operation Business</b> for that relevant year.
<b>MO Licence</b>	New	Condition 1	CACM Regulation		means Commission Regulation (EU) 2015/1222 of 24 July 2015, establishing a Guideline on Capacity Allocation and Congestion Management;
<b>MO Licence</b>	New	Condition 1	Ex-Ante Markets		means the day-ahead and intra-day markets for the trading of wholesale electricity in the Single Electricity Market prior to the relevant Gate Closure.
<b>MO Licence</b>	New	Condition 1	Gate Closure		has the meaning set out in the Single Electricity Market Trading and Settlement Code, Part B;
<b>MO Licence</b>	Modified	Condition 1	Market Operation Activity		means the business of the Licensee (or any affiliate or related undertaking of the Licensee) in undertaking the obligations imposed on the Licensee under, or as a consequence of, the Licence, and in exercising the rights conferred on the Licensee by virtue of the Licence (including any obligations imposed, or rights conferred, on the Licensee, in its capacity as the holder of a licence granted under Article 10(1)(d) of the Order, by the Single Electricity Market Trading and Settlement Code and any enactment), <b>including the activity provided for in Condition 15B, but excluding the NEMO Activity.</b>
<b>MO Licence</b>	New	Condition 1	Nominated Electricity Market Operator (or NEMO) Activity		means the activities of the Licensee in performing the activities required of a Nominated Electricity Market Operator for performance of day-ahead and intra-day market coupling under the CACM Regulation.
<b>MO Licence</b>	New	Condition 1	NEMO Business		means the NEMO Activity of the Licensee together with the Republic of Ireland NEMO Activity.
<b>MO Licence</b>	Modified	Condition 1	Permitted Purpose		means the purpose of all or any of the following:  (a) the Market Operation Activity;  (b) <b>the NEMO Activity;</b>  (c) <del>the Single Market Operation Business</del> <b>the</b>

				<p><b>SMO &amp; NEMO Business;</b></p> <p>(d) the Transmission System Operator Business;</p> <p>(e) without prejudice to the generality of sub-paragraphs (a), (b), (c) and (ed), any payment or transaction lawfully made or undertaken by the Licensee in relation to the disposal of or relinquishment of operational control over any relevant market asset in accordance with Condition 7; and</p> <p>(f) without prejudice to the generality of sub-paragraphs (a), (b), (c) and (ed), any payment or transaction lawfully made or undertaken by the Licensee for a purpose within sub-paragraphs (i) to (vi) of paragraph 1(b) of Condition 8.</p>
<b>MO Licence</b>	New	Condition 1	Republic of Ireland NEMO Activity	has the meaning attributed to the expression "NEMO Activity" in the Republic of Ireland Market Operator Licence.
<b>MO Licence</b>	Modified	Condition 1	Revised SEM arrangements	<i>Re-positioned into Condition 1, rather than previously proposed as within the Transition condition. No change to content.</i>
<b>MO Licence</b>	Modified	Condition 1	Single Electricity Market	<del>means the single wholesale electricity market for the Island of Ireland, implemented in Northern Ireland pursuant to Section 23</del> has the meaning ascribed to it by Article 2(2) of the Electricity (Single Wholesale Market) (Northern Ireland (Miscellaneous Provisions) Order 2007 (2007/913) Act 2006..
<b>MO Licence</b>	Modified	Condition 1	Single Market Operation Business	means the Market Operation Activity taken together with the <del>activities</del> equivalent activity of the Republic of Ireland Market Operator Licensee in its capacity as such.
<b>MO Licence</b>	New	Condition 1	SMO & NEMO Business	means the Single Market Operation Business and the NEMO Business taken together.
<b>MO Licence</b>	Modified	Condition 9	authorised purpose	means the management and operation of the Separate Business, and / or the NEMO Activity or, where protected information is disclosed to another business of the Licensee

				(or of an affiliate or related undertaking of the Licensee) in accordance with paragraph 4, the purpose for which such disclosure was made.
<b>MO Licence</b>	Modified	Condition 9	protected information	means any information which is held or obtained by the Licensee (or any affiliate or related undertaking of the Licensee) pursuant to, or by virtue of, its carrying on the Market Operation Activity <b>and / or the NEMO Activity</b> , but excluding information which is in, or comes into, the public domain other than as a result of any breach by the Licensee of the Licence (or any other legal obligation of the Licensee).
<b>MO Licence</b>	New	Condition 15	Capacity Market	has the meaning given to that expression in the Transmission System Operator Licence.
<b>MO Licence</b>	New	Condition 15	Capacity Market Code	has the meaning given to that expression in the Transmission System Operator Licence.
<b>MO Licence</b>	New	Condition 15A	Designation	means the designation of the Licensee by the Authority (which took effect at 12:00 am on 3 October 2015) as NEMO for single day-ahead and intra-day coupling in  Northern Ireland as amended and/or replaced from time to time;
<b>MO Licence</b>	New	Condition 15A	Electricity Market Regulation	means Regulation (EC) 714/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the network for cross-border exchanges in electricity;
<b>MO Licence</b>	New	Condition 15A	NEMO	has the meaning ascribed to it by the CACM Regulation; and
<b>MO Licence</b>	New	Condition 15A	NEMO Statement of Charges	means a list of the charges to be applied by the Licensee in respect of its NEMO Activity.
<b>MO Licence</b>	New	Condition 15B	AoLR Contract	means the terms and conditions of the agreement to be entered into between the Licensee and each AoLR Participant for the provision of AoLR services, which exclude the AoLR Procedures as amended from time

				to time;
<b>MO Licence</b>	New	Condition 15B	AoLR Procedures	mean the operational processes or procedures to be followed by the Licensee and/or the AoLR Participant when providing or receiving (as the case may be) AoLR services;
<b>MO Licence</b>	New	Condition 15B	AoLR Participant	means any eligible generator that utilises AoLR services provided by the Licensee;
<b>MO Licence</b>	New	Condition 15B	De-Minimis Threshold	has the meaning set out in the Single Electricity Market Trading and Settlement Code, Part B;
<b>MO Licence</b>	New	Condition 15B	eligible generator	means: (a) any Generator Unit with a rated capacity lower than the DeMinimis Threshold or (b) any Generator Unit producing energy from renewable sources as that term is defined in Article 2 of Directive 2009 /28/EC ;
<b>MO Licence</b>	New	Condition 15B	Generator Unit	has the meaning set out in the Single Electricity Market Trading and Settlement Code, Part B.

## 7. Annex 2 – Proposed SONI TSO licence modifications

*Please view separate **Annex 2**, published alongside this consultation paper.*

## 8. Annex 3 – Proposed SONI MO licence modifications

*Please view separate **Annex 3**, published alongside this consultation paper.*