

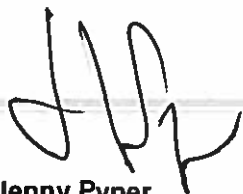
Electricity (Northern Ireland) Order 1992 – Article 14(2)

Notice of proposal to modify the conditions of the SEM operator licence held by SONI Limited

1. The Northern Ireland Authority for Utility Regulation (the **Authority**) proposes to modify the following conditions of the SEM operator licence held by SONI Limited:
 - a. New Condition 15A (Nominated Electricity Market Operator (NEMO));
 - b. New Condition 15B (Agent of Last Resort);
 - c. Condition A (Transition New Condition);
 - d. Condition 1 (Interpretation and Construction);
 - e. Condition 2 (Preparation of Accounts);
 - f. Condition 3 (Availability of Resources and Undertaking of Ultimate Controller);
 - g. Condition 5 (Prohibition of Cross-Subsidies);
 - h. Condition 6 (Provision of Information to the Authority);
 - i. Condition 9 (Restriction on Use of Certain Information);
 - j. Condition 10 (Independence of the Market Operation Activity);
 - k. Condition 11 (Prohibited Activities);
 - l. Condition 13 (Non-Discrimination);
 - m. Condition 14 (Market Operator Agreement);
 - n. Condition 15 (Single Electricity Market Trading and Settlement Code);
 - o. Condition 16 (Market System Development Plan); and
 - p. Condition 19 (Procurement of Assets and Services).in each case in the manner shown in annex A to this notice.
2. The effect of the proposed modifications is set out, and the reasons why they are proposed are stated, in annex B to this notice. Further information concerning the proposed modifications is contained in the paper entitled '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)' which can be found at www.uregni.gov.uk.
3. A copy of the proposed modifications and other documents referred to in this Notice have been published on our website (www.uregni.gov.uk).
4. Any representations with respect to the proposed licence modifications must be made on or before 17.00 on Monday 23 January 2017 to: Leigh Greer, Utility Regulator, 14 Queen Street, Belfast BT1 6ED or by email to isemlicences@uregni.gov.uk.

5. We normally publish all responses on our website. However, if you do not wish your response to be made public then please clearly mark it as not for publication. We prefer to receive responses in an electronic form so they can be placed easily on our website.
6. If we decide to make the proposed modifications they will take effect not less than 56 days after the decision is published.

Dated this 16 December 2016

A handwritten signature in black ink, appearing to read 'J Pyper', is written over a horizontal line.

Jenny Pyper

Chief Executive

For and on behalf of the Northern Ireland Authority for Utility Regulation

**ANNEX A: PROPOSED MODIFICATIONS TO THE CONDITIONS OF THE SEM OPERATOR
LICENCE HELD BY SONI LIMITED**

Modification of existing conditions

We have reproduced the text (as currently in effect) of each of the existing conditions we propose to modify below.

Deletions (which are shown in strike through) and new text (which is shown double underlined) take effect in accordance with any transitional provisions made or to be made by or under the relevant condition.

Paragraphs deleted from licence conditions will show the following text 'Not Used' in order to keep the existing numbering.

Insertion of new conditions

The text of new conditions is shown double underlined.

Re-numbering of existing conditions

Where an existing condition is proposed to be re-numbered, the text of the condition is reproduced with the existing number shown in strike through and its new number is double underlined.

ANNEX B: STATEMENT OF EFFECTS AND REASONS IN RELATION TO PROPOSED MODIFICATIONS TO THE CONDITIONS OF

THE SEM OPERATOR LICENCE HELD BY SONI LIMITED

Condition	Effect(s) of proposed modification	Reason(s) for proposed modification
New Condition 15A (Nominated Electricity Market Operator (NEMO))	A new licence condition to set out the duties of the SEM operator (the MO) in its capacity as holder of the Nominated Electricity Market Operator (NEMO) Designation including: - obligation to comply with Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management (the CACM Regulation) and the terms of its designation; - preparation of and compliance with NEMO rules setting out terms on which the NEMO Activity will be carried out; - requirement to charge in accordance with NEMO Statement of Charges (to be approved by the Authority); - establish and maintain a NEMO web-site; and - establish to the extent practicable a single point of contact for market participants when interfacing with the NEMO business.	From I-SEM go-live, only one NEMO will operate in Ireland and one in Northern Ireland, and as such, will effectively be conducting a monopoly activity in I-SEM. Although the CACM Regulation (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 Authority and the Commission for Energy Regulation (the RAs) consider that there is no certainty (at least for the foreseeable future) that another NEMO will operate in the I-SEM. Accordingly, the RAs consider it appropriate to regulate this de facto monopoly to ensure value for the all-island consumers. 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.
New Condition 15B (Agent of Last Resort)	A new licence condition requiring the MO to provide an Agent of Last Resort (AoLR) service for renewable generators and de-minimis generators. The service is to facilitate trading in the	The AoLR is a new function designed for I-SEM. The proposed licence condition reflects the MO's responsibilities under the AoLR role. In particular, the proposed licence

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	Day-Ahead and Intraday markets through the NEMO. The MO will be required to prepare an AoLR contract and an annual report, for approval by the Authority. The MO will also develop, administer and maintain the AoLR Procedures which shall be published on the web-site.	condition is drafted to acknowledge the objective of the AoLR and scope of its services to provide a mechanism for eligible participants (renewable generators and de-minimis generators) to trade in ex-ante markets, thereby assisting route to market for smaller participants.
Condition A (Transition New Condition)	<u>Position of condition</u> The Authority is proposing to position the condition as 'Condition A' in the SONI MO licence. <u>I-SEM go live</u> This condition shall cease to have effect a on 31 December 2018. <u>Definition of 'revised SEM arrangements</u> The definition of 'revised SEM arrangements' which is currently included within this condition will be placed in Condition 1. Additional wording is proposed for paragraph (b) of the definition to acknowledge that the 'revised SEM arrangements' span both the TSO and MO licences.	<u>Position of condition</u> To clarify the position of the condition in the licence. <u>I-SEM go live</u> A modification is required to reflect the updated I-SEM go-live date. <u>Definition of 'revised SEM arrangements</u> The definition requires to be moved due to the additional references that will be made to that defined term elsewhere in the licence following the implementation of other proposed modifications. The amendment to paragraph (b) is to clarify the meaning of the defined term.
Condition 1 (Interpretation and Construction)	<u>General amendments</u> Incorporation of various new and amended definitions. <u>NEMO Activity</u> Modifications have been made to a number of definitions to	<u>General amendments</u> To give proper legal effect to the new and modified conditions. <u>NEMO Activity</u> Alongside the introduction of a new 'NEMO' licence condition

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	acknowledge the NEMO role for which SONI has been designated. <u>NEMO Revocation</u> A new paragraph has been added to address the consequential impact of revocation of the NEMO designation to SONI on various references to 'NEMO Business' or 'NEMO Activity' throughout the licence.	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). This condition is one such condition. <u>NEMO Revocation</u> To ensure that the licence conditions which refer to NEMO continue to have proper effect in the event SONI is no longer a designated NEMO.
Condition 2 (Preparation of Accounts)	This condition 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 Authority directs that New Condition 15A shall take effect up to and including 30 September 2018.	This amendment is required to ensure proper compliance with Article 6 of the CACM Regulation as well as providing clarity and legal certainty for the licensee and to ensure transparency.
Condition 3 (Availability of Resources and Undertaking of Ultimate Controller)	<u>NEMO Activity</u> This condition has been 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	<u>NEMO Activity</u> 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

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	resources in place to enable it to carry on the Market Operation Activity and the NEMO Activity. <u>CACM Compliance</u> A modification to include the CACM Regulation alongside other legislative provisions which SONI is expected to secure sufficient financial resources to comply with.	reference (where appropriate) to the NEMO Activity (and NEMO Business) as well as the Market Operation Activity (and Single Market Operation Business). This condition is one such condition. <u>CACM Compliance</u> A number of obligations exist in the CACM Regulation for NEMOs. A number of licence conditions are proposed to be modified to require compliance with the CACM Regulation as part of those licence obligations. This condition is one such condition.
Condition 5 (Prohibition of Cross-Subsidies)	A modification to ensure no cross-subsidies can be given or received as between the Market Operator Activity and the NEMO Activity.	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.
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 Authority information.	A number of obligations exist in the CACM Regulation for NEMOs. A number of licence conditions are proposed to be modified to require compliance with the CACM Regulation as part of those licence obligations. This condition is one such condition.
Condition 9 (Restriction on Use of Certain Information)	<u>NEMO Activity</u> This condition is to be modified to extend its scope to include the NEMO Activity as well as the Market Operation Activity.	<u>NEMO Activity</u> Alongside the introduction of a new 'NEMO' licence condition in the MO licences, a number of modifications are necessary to

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	<u>CACM Compliance</u> A modification to include the CACM Regulation alongside other legislative provisions which are used to define an exception to rules elsewhere in this condition restricting the use of certain information.	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). This condition is one such condition. <u>CACM Compliance</u> A number of obligations exist in the CACM Regulation for NEMOs. A number of licence conditions are proposed to be modified to require compliance with the CACM Regulation as part of those licence obligations. This condition is one such condition.
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.	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). This condition is one such condition.
Condition 11 (Prohibited Activities)	A modification to specify that the provision of the Agent of Last Resort (AoLR) service shall not be considered to be in contravention of the requirements of this condition.	Given the SEMC's assignment of the 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 Intraday markets, the Authority wishes to make

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		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.
Condition 13 (Non-Discrimination)	This condition is to be modified to ensure that the obligations of this relate to both the Market Operation Activity and the NEMO Activity.	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). This condition is one such condition.
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 the Authority.	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.
Condition 15 (Single Electricity Market Trading and Settlement Code)	A modification to oblige the MO to adopt amendments to the Trading and Settlement Code as the Authority may direct for the implementation of I-SEM and also, to reflect the inclusion of the settlement arrangements for the capacity market within the code.	The MO 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 Authority to implement the I-SEM arrangement.

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		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.
Condition 16 (Market System Development Plan)	SONI will be obliged to publish (when required by the Authority) a Market System Development Plan on the website for both the MO business and the NEMO business.	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). This condition is one such condition.
Condition 19 (Procurement of Assets and Services)	<u>CACM Activity</u> 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). <u>NEMO Activity</u> 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.	<u>CACM Compliance</u> A number of obligations exist in the CACM Regulation for NEMOs. A number of licence conditions are proposed to be modified to require compliance with the CACM Regulation as part of those licence obligations. This condition is one such condition. <u>NEMO Activity</u> 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). This condition is one such

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		condition.