

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

20 April 2016



# 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.

## Our Mission

Value and sustainability in energy and water.

## Our Vision

We will make a difference for consumers by listening, innovating and leading.

## Our Values

Be a best practice regulator: transparent, consistent, proportional, accountable, and targeted.

Be a united team.

Be collaborative and co-operative.

Be professional.

Listen and explain.

Make a difference.

Act with integrity.

# Abstract

In order to give effect to the Integrated Single Electricity Market, as contained in decisions of the SEM Committee, the Utility Regulator now opens the first of two consultations on proposed licence modifications for I-SEM. The modifications considered in this consultation cover the SONI Market Operator and SONI Transmission System Operator licences.

# Audience

This document is most likely to be of interest to the SONI System Operator and Market Operator. A similar consultation process is taking place by CER for the EirGrid System Operator and Market Operator licences. Other market participants may find value in reviewing the proposed licence modifications, but should note that a second consultation (scheduled in September 2016) will focus on remaining System Operator, Market Operator, Generation, Supply and Interconnector licence conditions which will need to be modified to facilitate I-SEM implementation.

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# 1 Introduction

## BACKGROUND

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

The current SEM arrangements are provided for in:

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

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 all-island Single Electricity Market (SEM) is regulated jointly by the Commission for Energy Regulation (CER) in Dublin and the Northern Ireland Authority for Utility Regulation (or Utility Regulator) in Belfast, known as the Regulatory Authorities (RAs). The decision-making body which governs the market is the SEM Committee (SEMC)<sup>1</sup>. 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.

On 17 September 2014, the SEMC published its decision on the High Level

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<sup>1</sup> The SEM Committee is established in Ireland and Northern Ireland by virtue of section 8A of the Electricity Regulation Act 1999 and Article 6 (1) of the Electricity (Single Wholesale Market) (Northern Ireland) Order 2007 respectively. The SEM Committee is a Committee of both CER and NIAUR (together the Regulatory Authorities) that, on behalf of the Regulatory Authorities, takes any decision as to the exercise of a relevant function of CER or NIAUR in relation to an SEM matter.

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 licenses, codes and possibly other rules will be required in Ireland and Northern Ireland.

On 23 February 2016, the SEM Committee (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.

In follow-up, this paper addresses some of the I-SEM licence changes which will be required to facilitate go-live and is the first of two statutory licence consultations which will be published by the RAs. The consultation process will run simultaneously in Northern Ireland (led by the Utility Regulator) and in Ireland (led by the CER) and (while not an exact mirror of each other) the intention of the licence modifications in both jurisdictions will be the same.

### **I-SEM LICENCE MODIFICATION APPROACH**

The I-SEM is due to go-live in Q4 2017 and 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 Single Electricity Market (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; and

- Introduce the necessary changes to the Grid Codes and other impacted SEM arrangements.

In order to develop the I-SEM, a number of key workstreams were set up within the RAs to analyse and make proposals on the required I-SEM market design. Using those proposals, the SEM Committee has published decisions on:

- I-SEM High Level Design (SEM-14-085a);
- Energy Trading Arrangements Detailed Design Building Blocks (SEM-15-064);
- Energy Trading Arrangements Detailed Design (SEM-15-065);
- I-SEM Roles and Responsibilities (SEM-15-077);
- Aggregator of Last Resort (SEM-15-063); and
- The Detailed Design of the Capacity Remuneration Mechanism (CRM) (SEM-15-103).

In addition, two further consultations on the detail of the CRM (SEM-15-014 and SEM-16-010) have been published, as well as decisions regarding the Nominated Electricity Market Operator (NEMO) designations (SEM-15-073 and SEM-15-073b), assignment of TSO obligations under Article 1.3 of CACM (SEM-15-079a and SEM-15-079b), and Financial Transmission Rights (SEM-15-100). The CRM consultations and these latter listed decisions do not form part of this licence modification consultation paper, but will instead be considered for a second statutory licence modification consultation process in September 2016, outlined below.

In terms of process for implementing licence modifications, the relevant policy decisions will be reflected in the proposed modifications to licences, amendments to and introduction of market rules (such as the Trading and Settlement Code, Capacity Remuneration Mechanism market rules and subsidiary documents) as developed by the I-SEM Rules Working Groups or other forums on the basis of the RA decisions. The market rules (e.g. the Trading and Settlement Code) for I-SEM will also undergo change from the existing rules. Consideration of the changes required to the Trading and Settlement Code is currently taking place under the umbrella of the Market Rules Working Groups. This consultation deals with licence modifications only.

The licences forming part of the I-SEM Team's overall review are shown in Table 1:

**Table 1: Licences to be reviewed for modification for I-SEM**

Type of licence	Licence
System Operator (SO)	<ul style="list-style-type: none"> <li>• Transmission System Operator Licence Ireland</li> <li>• Transmission System Operator Licence Northern Ireland</li> <li>• Distribution System Operator Licence Ireland</li> <li>• Distribution System Operator Licence Northern Ireland</li> </ul>
Market Operator (MO)	<ul style="list-style-type: none"> <li>• Market Operator Licence Ireland</li> <li>• Market Operator Licence Northern Ireland</li> </ul>
Generation	<ul style="list-style-type: none"> <li>• Licence to Generate Electricity Ireland</li> <li>• Licence to Generate Electricity Northern Ireland</li> </ul>
Supply	<ul style="list-style-type: none"> <li>• Licence to Supply Electricity Ireland</li> <li>• Licence to Supply Electricity Northern Ireland</li> </ul>
Interconnector	<ul style="list-style-type: none"> <li>• Interconnector Operator Licence Ireland</li> <li>• Interconnector Operator Licence Northern Ireland</li> </ul>

Our February Information Note outlined that the RAs would consult on proposed licence modifications required for I-SEM in two tranches.

- This April 2016 consultation involves SO and MO licence changes predominately regarding policy decisions published in Energy Trading Arrangements (ETA) and the Capacity Remuneration Mechanism (CRM) 1 decision papers mentioned above.
- The second planned September 2016 licence consultation will involve generator, supplier and interconnector licence modifications and also further licence changes for the MO and SO licences which cannot be developed until after the April consultation as a number of policy decisions are still under development. These relate to CRM, Market Power and Forwards and Liquidity. As well as this, further work by the I-SEM Rules Working Groups is also required. Our work on assessing synergies and



potential conflicts of interest amongst entities of the EirGrid Group (including SONI SO, EirGrid SO, SONI MO and EirGrid MO) is ongoing and the outcome of this assessment may necessitate modifications to each of the respective licences. These will be dealt with in the September 2016 tranche of modifications.

The RAs have undertaken a detailed review of all existing licence conditions to assess where modification will be required, and a parallel review of SEM Committee Decisions has also been carried out to establish if any new or revised licence conditions are needed.

Further work will continue on licence modifications for the September 2016 consultation.

## **LICENCE MODIFICATION PROCEDURE**

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 Northern Ireland Electricity Order 1992 in Northern Ireland. These respective statutory provisions outline the individual mechanisms for a statutory consultation on any licence change in each jurisdiction, to include the timeline for submission of responses or representations and the manner in which licencees should be notified of proposed licence changes.

The permitted timeframe for the submission of a response to this consultation shall be 28 days from the date of publication of this Consultation. Responses are due on 20 May 2016.

The RAs believe that it is important to provide confidence and stability both for licensees and for other participants so that as many as possible of the necessary licence changes for the MOs and TSOs should be put in place at this time. For this reason, it is intended to direct as many as possible of the proposed licence changes following the consultation.

## STAKEHOLDER RESPONSES REQUESTED

The UR requests comments from interested parties in relation to the proposed SO and MO licence modifications which are set out in this paper. Responses to the proposed licence modifications are requested by 17.00 on 20 May 2016. We ask that respondents assess the impact of the I-SEM policy decisions upon the licences, and whether the proposed changes will enable I-SEM policy to be implemented successfully.

The RAs intend to publish all comments received. If you wish any sections of your response to remain confidential, please mark clearly.

Comments on this paper, relating to SONI SO and MO licence conditions should be forwarded to:

[Leigh.Greer@uregni.gov.uk](mailto:Leigh.Greer@uregni.gov.uk)

## TIMETABLE FOR CONSULTATIONS AND DECISIONS

This (first of two) I-SEM licence modification statutory consultation is subject to the respective statutory consultation processes in both Northern Ireland and Ireland.

	<b>Date</b>
Deadline for receipt of responses or representations to UR and CER respective statutory Licence Modification Consultation 1 (Published 20 April 2016)	20 May 2016
UR publishes decision on statutory Licence Modification Consultation 1 (Published 20 April 2016)	1 July 2016
RAs publish notices of statutory licence Modification Consultation 2	Mid-September 2016

## 2 I-SEM Regulatory Framework - Licensing

### BACKGROUND

On the island of Ireland, the System Operator (SO) function is carried out by:

1. EirGrid plc in Ireland, licensed to 'operate the transmission system to transmit electricity' by the Commission for Energy Regulation (CER); and
2. SONI Ltd in Northern Ireland, licenced to 'participate in the transmission of electricity' by the Department of Enterprise, Trade and Investment (DETI).

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

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

This consultation relates to a number of licence modifications required to the SO and MO licences in Northern Ireland. A separate but simultaneous consultation is being coordinated by the CER for licence modifications required in Ireland.

# 3 SONI System Operator Licence Modification Proposals

## INTRODUCTION

SONI Limited holds a licence to Participate in the Transmission of Electricity granted by the Department of Enterprise, Trade and Investment under Article 10(1)(b) of the Electricity (Northern Ireland) Order 1992.

The RAs have reviewed the detail of this licence and the decisions of the SEM Committee in relation to the I-SEM in order to determine what changes to the conditions of this licence are needed. In undertaking this review the RAs have sought to propose only those modifications to the licence which will be required as a result of the implementation of I-SEM.

A narrative to explain our thinking is provided in the sections below and legal drafting for the proposed new or modified conditions in the SONI SO licence can be sourced in Annex 1.

## LICENCE DEFINITIONS

Given that a number of licence modifications may introduce new definitions which could be applicable in respect of more than one licence condition in a licence, a separate table of definitions will be prepared and updated as the RAs' licence review progresses. This will enable the RAs to identify how best to implement the necessary definitions as part of the modification process (i.e. within the relevant licence condition or as part of the general interpretation section). The 'definitions' section of the licences will be included in the statutory licence consultation in September 2016.

## NEW SO LICENCE CONDITIONS PROPOSED

The RAs propose that a number of new licence conditions be added to the EirGrid and SONI SO licenses. In line with SEMC decisions relating to the ETA and CRM for I-SEM, there will be:

- A requirement for development and maintenance of a 'Balancing Market Principles Statement'
- A requirement for the SO licences to enter into and administer/

maintain a Capacity Market Code.

The 'Balancing Market Principles Statement' (BMPS) will be dealt with in the September 2016 licence modification consultation once the scope of the BMPS has been established. A consultation on this is due to be published in mid-May 2016.

The 'Capacity Market Code' is considered further below.

#### Capacity Market Code Condition

The RAs propose that a condition will be added to the SO licences requiring the licensee to enter into, administer and maintain the Capacity Market Code (CMC). The licensee will enter into the CMC through acceding to a 'framework agreement', similar to the approach already in place for the Trading and Settlement Code.

The CMC will set out the terms of the Capacity Remuneration arrangements, through which participants can gain a Capacity Market Agreement and which is designed to facilitate the following objectives:

- To facilitate the efficient discharge by the licensee of the obligations imposed upon it by its licence;
- To facilitate the efficient economic and coordinated operation, administration and development of the Capacity Remuneration Mechanism and the provision of adequate future capacity;
- To facilitate the participation of electricity undertakings in the CRM;
- To promote competition in the provision of capacity;
- To ensure no undue discrimination in the CMC;
- Through the development of the CMC, to promote the short term and long term interests of consumers with respect to price, quality, reliability and security of supply of electricity.

The CMC will require a modification process which will allow the RAs to propose a modification. This modification process will be considered as part of CRM Decision Paper 3 to be published in July 2016.

With regard to the SONI SO licence, Article 11B of the Electricity (Northern

Ireland) Order 1992<sup>2</sup> allocates responsibility for generating capacity/ providing energy efficiency to DETI and the Utility Regulator. The RAs sought legal advice on whether this precludes the TSOs from procuring capacity under the CRM. On receipt of the advice, the RAs do not consider that the terms of Article 11B would inhibit the TSOs from this activity. The terms of Article 11B permit the Department to invite tenders (or direct the Authority to invite tenders) for generation capacity. It does not authorize the TSO to procure such capacity. However, the RAs consider the nature of this provision to be permissive rather than prescriptive. It does not follow therefore that it is only the Department or the Utility Regulator who are able to procure capacity. We consider that the TSOs are permitted to procure capacity as currently proposed under the CRM arrangements. We are also of the view that the existing capacity payment mechanism does not rely on this provision and we see this provision as serving a different purpose eg. Providing the ability for DETI to take action in circumstances where the market design has failed to deliver capacity.

## **SO LICENCE MODIFICATIONS PROPOSED**

After review of the current SONI SO licence, focus has been placed on modification of conditions concerning:

- Transition conditions; and
- Grid Code

As stated above, a further tranche of licence conditions will be subject to the modification process in the September 2016 consultation.

### **Section A: Transition conditions**

There are no transition conditions in the current SONI SO licence but transitional conditions A, B, C & D were inserted in the licence by a Notice dated 3 July 2007 and it is proposed that similar conditions are replaced for I-SEM.

#### Condition 1: Application of Licence conditions

This condition specifies the period of application of the following conditions which is expected to be three months after Go-Live for 'general' conditions.

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<sup>2</sup> <http://www.legislation.gov.uk/nisi/1992/231/article/11B>

### Condition 2: Transition Conditions (General)

This currently consists of general conditions titled as: General Requirement (requiring the licensee to take all reasonable steps and to do all reasonable things to support and enable the development and implementation of the I-SEM); Requirement to Cooperate; Requirement to Comply with Directions; Requirement Not to Frustrate; Potential Conflict; and Information.

We do not propose any substantive change to the general requirements sections of the condition, other than updating references to the 'revised' SEM to distinguish between the current SEM arrangements and what are commonly referred to as the 'I-SEM' arrangements.

### Condition 3: Transition Conditions (Specific)

The key substantive change to this condition is the proposed inclusion of a 'Further requirements section'. This includes conditions requiring the licensee to do specific things which are reasonably expected to be required in support of I-SEM development and implementation such as:

- Prepare and propose to the RAs a revised version of the Grid Code by such date as the RAs may direct before I-SEM Go Live;
- Carry out a review of the regulatory documents in order to identify any changes which may in the Licensee's opinion be necessary or expedient in light of the revised SEM arrangements (the "identified changes") and provide a report (by such date as the Authority may direct) on the outcome of that review and on the action which the Licensee proposes to give effect to the identified changes; which would include but not be limited to: the Transmission Interface Agreement, the Distribution Interface Agreements, the PSIA, and the System Operator Agreement.

### **Section B: Conditions to apply from I-SEM Go-Live**

A change will be required to the title only. A definition for I-SEM (if required) will be consulted on in the September 2016 consultation.

### **Section C: Conditions to apply from SEM Go-Live**

This title will be deleted as it will no longer be applicable.

### Condition 16: Grid Code

In the current SONI SO licence, there is a typo in paragraph 1(b)(c) which refers to paragraphs which do not exist. Although the RAs are seeking to make only changes to licenses which are required by I-SEM, having discovered this error, it is judged appropriate to correct it.

Also, paragraph 6 of the Grid Code condition has been edited to re-reference a metering code as a stand-alone requirement of the 'Contents of the Code'.

In regard to the remainder of the Condition, the RAs are of the view that the legal drafting is sufficiently broad to enable all the changes that will be required to the Grid Code.

### **NO LICENCE MODIFICATIONS PROPOSED**

After consideration of the following licence conditions, it was not considered that any other licence conditions require modification at this stage.

The majority of the SONI SO licence conditions include generic provisions, the terms of which can be applied to the new 'I-SEM' market. An explanation of our thinking is provided below for some of the specific conditions where no change is proposed.

### Condition 13: Prohibited Activities

The general prohibition of purchasing or acquiring electricity is subject to the consent of the UR. We considered whether formal consent may be required in respect of the AoLR role, but since this has been assigned to the TSOs in their capacity as MO, it appears that no change to this prohibition is required.

### Condition 18, 18A, 19, 24: Transmission Interface Arrangements, Distribution Interface Arrangements, PPB/ TSO Interface Agreement, System Operator Agreement

The proposed modification on Transitional Arrangements will require a sweep review of all regulatory documents to ensure they align with I-SEM decisions.

### Condition 20: Operation of the Transmission System and the System Security and Planning Standards



In paragraph 2 it is possible that the Balancing Market Principles Statement should be included in the list following 'in accordance with...'. This issue will be addressed in the September 2016 consultation when the Balancing Market Principles Statement licence condition is proposed. No changes are proposed at this time.

# 4 SONI Market Operator Licence Modification Proposals

## INTRODUCTION

SONI Limited has been granted a licence to act as SEM Operator by the Department of Enterprise, Trade and Investment under the terms of Article 10(1)(d) of the Electricity (Northern Ireland) Order 1992.

The Regulatory Authorities (RAs) have reviewed the detail of this licence and the decisions of the SEM Committee in relation to the Integrated Single Electricity Market (the I-SEM) in order to determine what changes to the conditions of this licence are needed. In undertaking this review the RAs have sought to propose only those changes to the licence which will be required as a result of the implementation of I-SEM.

A narrative to explain our thinking is provided in the sections below and legal drafting for the SONI MO licence can be sourced in Annex 2.

## LICENCE DEFINITIONS

Given that a number of licence modifications may introduce new definitions which could be applicable in respect of more than one licence condition in a licence, a separate table of definitions will be prepared and updated as the RAs' licence review progresses. This will enable the RAs to identify how best to implement the necessary definitions as part of the modification process (i.e. within the relevant licence condition or as part of the general interpretation section). The 'definitions' section of all licences will be included in the statutory licence consultation in September 2016.

## NEW MO LICENCE CONDITIONS PROPOSED

Two new enduring licence conditions are to be proposed in relation to:

- Aggregator of Last Resort

In the decision paper on the Aggregator of Last Resort (SEM-15-063) published on 11 September 2015, the SEM Committee decided that this role was required. Further detailed work is continuing in the I-SEM Rules Working Groups to determine the detail of this role and how it will be governed.

Pending further progress on this work the detail of a necessary licence condition cannot be proposed. It is intended that this condition will be proposed as part of the second tranche of licence changes planned for September 2016.

- **Nominated Electricity Market Operator (NEMO)**

On 2 October 2015, SONI limited was designated as NEMO for Northern Ireland under Article 4 of the European Commission Regulation on Capacity Allocation and Congestion Management (CACM). The RAs are considering the need for a licence condition to be added to the market operator licence to support this designation, but are still considering the detail of the requirement. It is intended that this condition will be proposed as part of the further package of licence changes planned for September 2016.

In addition, a transitional licence condition will be needed to support the work that is being carried out by the licensee to develop and implement the legal framework and the computer systems to enable the I-SEM arrangements to go live in Q4 2017. In proposing the detail of such a condition, the RAs have been guided by similar conditions introduced to support the implementation of the SEM in 2007, which conditions appeared to have been effective and have now expired. The new condition will have to refer specifically to the I-SEM arrangements.

## **MO LICENCE MODIFICATIONS PROPOSED**

After review of the current SONI MO licence, focus has been placed on modification of conditions concerning:

- Transition conditions

As stated above, a further tranche of licence conditions will be subject to the modification process in the September 2016 consultation.

### **Transitional Conditions**

#### Condition A: Application of Other Licence Conditions and Further Modification

This condition needs to be modified to give effect to replacement transitional conditions and to define the application of the new and amended conditions. It is proposed that all transitional conditions should cease to have effect 3 months after I-SEM Go-Live, which is consistent with the approach for SEM Go-Live.

Note that it is not intended to have a condition related to Run-Off Steps because the run-off of the current SEM arrangements and the transition to the I-SEM will be dealt with by the changes to the SEM Trading and Settlement Code.

#### Condition B: Transition Conditions (General)

This condition (which is no longer in effect) needs to be modified to give it effect and to refer to the implementation of the I-SEM arrangements, but is otherwise intended to have the same effect as its predecessor.

#### Condition C: Transition Conditions (Specific)

This condition (which is no longer in effect) needs to be modified to give it appropriate effect for I-SEM.

### **NO LICENCE MODIFICATIONS PROPOSED**

The RAs do not believe that any changes need to be made to any other SONI MO licence conditions at this stage. Should respondents suggest that any other modifications to licence conditions are necessary at this stage, the RAs will consider such suggestions as part of the licence review planned for September 2016.

The majority of the SONI MO licence conditions include fairly generic drafting, the terms of which can be applied to the new 'I-SEM' market. An explanation of our thinking is provided below for some of the conditions where no change is proposed.

#### Condition 10: Independence of the Market Operator Business

It is possible that this condition may need to be adjusted to allow for the designated NEMO role but such a potential change will be included in the September 2016 licence change tranche.

#### Condition 11: Prohibited Activities

It is possible that this condition may need to be amended to allow for the Aggregator of Last Resort (AoLR) role which has been allocated to SONI in its role as Market Operator. If any change is needed it will be included, together with the AoLR licence condition in the September 2016 tranche of licence changes.

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

This condition needs to have an additional sub-section in clause 1 which will enable the Authority to direct changes to the Trading and Settlement Code following consultation. Such changes are being developed through the I-SEM Rules Working Groups. It should be noted that this change will only allow such changes to be directed up to three months after I-SEM Go-live. Once the revised Trading and Settlement Code is in effect, the RAs would prefer to use the Modification Process in the Code to effect any further changes but it has to be recognised that there may be urgent changes that have to be made shortly after I-SEM Go-Live which cannot be effected through the Code Modification Process. It is right that such a power should cease shortly after I-SEM Go-Live.

The drafting of the licence modification does not require there being a designation of the Code. The drafting is based on the assumption that the primary legislation (and the Regulation) will be in place before the modification is made. Since such legislation is not in place in both jurisdictions, this change will be deferred to the September 2016 tranche of licence changes.

## 5 Next Steps

Any responses to this statutory licence modification consultation are requested by 17.00 on 20 May 2016.

The Utility Regulator will take all responses and representations into account when drafting its decision, which will be published in July 2016.

The second I-SEM licence modification consultation will be published by the RAs in mid-September 2016. Should any of the licence modifications proposed in the April consultation be subject to substantive amendment following consideration of responses, such licence conditions will be revisited in the September consultation if not before.

# Annex 1: SONI TSO Licence Modifications Proposed

## SONI Transmission Operator Licence, CAPACITY REMUNERATION MECHANISM

### NEW CONDITION

1. The Licensee shall enter into and, in conjunction with the Republic of Ireland System Operator, at all times administer and maintain in force, the Capacity Market Code, being a document which:
  - (a) makes provision in respect of the capacity arrangements described in paragraph 3;
  - (b) is designed to facilitate achievement of the objectives set out in paragraph 4; and
  - (c) contains modification procedures which provide that any modifications to the Capacity Market Code (but not, necessarily, to the Agreed Procedures) must be subject to the prior approval of the Authority and which enable the Authority to propose modifications to the Capacity Market Code;and the Licensee shall be taken to have complied with this paragraph to the extent that it:
  - (d) adopts, on the date of such designation, as the Capacity Market Code the document designated as such by the Authority for the purposes of this Condition; and
  - (e) on an on-going basis reviews and proposes such modifications to that document (in accordance with the modification provisions therein) as would be necessary to ensure that that document meets the requirements of this paragraph 1.
2. The Licensee shall comply with the Capacity Market Code insofar as it is applicable to it as the holder of a licence granted under Article 10(1)(b) of the Order.
3. The capacity arrangements referred to in paragraph 1(a) are arrangements to secure generation adequacy and capacity to meet the demands of consumers including (without limitation) rules and procedures for the application for and allocation of agreements to remunerate the provision of electricity capacity (whether through the provision of generation, electricity supplied via interconnectors, reduction in demand or otherwise) across the island of Ireland. Those arrangements taken together with

the arrangements for calculation and settlement of such remuneration (which are dealt with under the provisions of the Single Electricity Market Trading and Settlement Code), are referred to in this Condition as the “Capacity Remuneration Mechanism”.

4. The objectives referred to in paragraph 1(b) are:
  - (a) to facilitate the efficient discharge by the Licensee of the obligations imposed on it by this licence, and to facilitate the efficient discharge by the Republic Of Ireland System Operator of the obligations imposed on it by the Republic of Ireland System Operator Licence;
  - (b) to facilitate the efficient, economic and coordinated operation, administration and development of the Capacity Remuneration Mechanism and the provision of adequate future capacity in a financially secure manner;
  - (c) to facilitate the participation of undertakings including electricity undertakings engaged in the generation, supply and sale of electricity in the Capacity Remuneration Mechanism;
  - (d) to promote competition in the provision of electricity capacity in the Single Electricity Market;
  - (e) to provide transparency in the operation of the Single Electricity Market;
  - (f) to ensure no undue discrimination between persons who are parties to the Capacity Market Code; and
  - (g) through the development of the Capacity Remuneration Mechanism, to promote the short-term and long-term interests of consumers of electricity with respect to price, quality, reliability, and security of supply of electricity across the island of Ireland.
5. The Licensee shall, in conjunction with the Republic of Ireland System Operator, ensure that persons who are a party to the Capacity Market Code or who wish to become a party to the Capacity Market Code have, to the extent that is reasonably practicable, a single point of contact when interfacing with Transmission System Operation.
6. The Licensee shall provide to the Authority such information as the Authority may request concerning the Capacity Market Code or any aspect of its operation.

Coming into Effect



7. The provisions of this Condition (other than those of this paragraph which shall come into immediate effect) shall come into effect on such day, and subject to such transitional arrangements, as the Authority may by discretion appoint. Different days may be so appointed for different provisions and for different purposes.

#### Definitions

8. In this Condition:

“Agreed Procedures”	means the detailed procedures that form part of the Capacity Market Code, but which are subsidiary to the main provisions of the code, as (subject thereto) such expression is defined in the code;
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## **SONI Transmission System Operator Licence, TRANSITION**

### **NEW CONDITION**

#### General Requirement

1. The Licensee shall take all reasonable steps, and do all such reasonable things, as are (in each case) within its power and necessary or expedient in order to give full and timely effect to the revised SEM arrangements, so that the Licensee is able to comply with them from the time at which they are effective (or intended to be effective).

#### Requirement to Co-operate

2. Without prejudice to paragraphs 1 and 3, the Licensee shall cooperate with authorised electricity operators and Republic of Ireland electricity operators (and with the Department, the Authority and such other persons as the Authority may direct) and shall take all reasonable steps, and do all such reasonable things, as are (in each case) within its power and necessary or expedient in order to enable:
  - (a) authorised electricity operators to comply with their statutory or licence obligations to give full and timely effect to the revised SEM arrangements, so that such authorised electricity operators are able to comply with them from the time at which they are effective (or intended to be effective);
  - (b) authorised electricity operators to comply with any directions by the Authority under a provision of their licences equivalent to paragraph 4; and
  - (c) Republic of Ireland electricity operators to comply with their statutory or licence obligations to prepare for the coming into effect of the revised SEM arrangements,

and in the event of any dispute between the Licensee and such other person as to whether a particular step, or thing, is reasonable, the Licensee or such other person may refer the matter to the Authority for determination (which determination shall be final for the purposes of this paragraph).

#### Requirements to Comply with Directions

3. Without prejudice to paragraphs 1 and 2, the Licensee shall take all reasonable steps, and do all such reasonable things, as are (in each case) within its power and necessary or expedient in order to comply with any direction made from time to time by the Authority in accordance with paragraph 4 (and shall by so doing be taken to have complied with such direction).
4. The Authority may issue directions to the Licensee setting out the steps (including without limitation those referred to in paragraph 5) to be taken (or procured) by the Licensee which are, in the Authority's reasonable opinion, appropriate in order to give full and timely effect to the revised SEM arrangements, so that the Licensee is able to comply with them from the time at which they are effective (or intended to be effective).
5. The directions made by the Authority under paragraph 4 (with which the Licensee is, in accordance with paragraph 3, required to take all reasonable steps, and do all such reasonable things, as are (in each case) within its power and necessary or expedient in order to comply) may include requirements regarding the following steps:
  - (a) to secure or facilitate the amendment or establishment of any of the core industry documents; and
  - (b) to effect the novation of (or other transfer of rights and obligations under) any of the core industry documents from the Licensee or an authorised electricity operator to the Licensee or an authorised electricity operator.
6. The Authority may, at any time, by a further direction in accordance with paragraph 4 (in order to give (or continue to give) full and timely effect to the revised SEM arrangements amend or cancel any direction (or part thereof) previously made under paragraph 4.
7. The Authority may not make a direction under paragraph 4 until it has undertaken such period of prior consultation with the Licensee (and such other persons as the Authority deems appropriate) as is reasonable in the circumstances. No direction made under paragraph 4 shall be effective until a copy is served on the Licensee.

#### Requirement not to Frustrate

8. Without prejudice to any public or administrative law right, or statutory right, that the Licensee may have to bring any claim against any public body or person, the Licensee shall not take any step, or exercise any right, which is intended to hinder or frustrate the giving of full and timely effect to the revised SEM arrangements.

#### Potential Conflict

9. If the Licensee is aware of any conflict between its compliance with the provisions of this Condition or any direction under paragraph 4 and its compliance with any other Condition of the Licence, the Licensee shall promptly inform the Authority of such conflict.
10. Provided the Licensee complies with paragraph 9, the other Conditions of the Licence shall prevail over this Condition in the event of conflict. If there is any conflict between a direction made under paragraph 4 and another requirement of the Licence, the provisions of the direction shall prevail.

#### Information

11. The Licensee shall provide to the Authority, in such manner and at such times as the Authority may reasonably require, such information and shall procure and furnish to it such reports as the Authority may reasonably require or deem necessary or appropriate to enable the Authority to monitor the Licensee's compliance with the requirements of this Condition, including (without limitation):
  - (a) information as to the Licensee's readiness concerning the revised SEM arrangements; and
  - (b) status reports concerning those matters referred to in sub-paragraph (d) of the definition of the revised SEM arrangements, and drafts of any legal documents by which such matters are to be achieved.
12. If the Licensee is aware (or should reasonably be aware) of any matter or circumstance which it considers will (or which the Licensee should reasonably consider likely to) hinder or frustrate the giving of full and timely effect to the revised

SEM arrangements, the Licensee shall promptly inform the Authority of such matter or circumstance.

#### Further requirements

13. Without prejudice to the generality of the foregoing provisions, the Licensee shall:
- (a) take all reasonable steps, and do all such reasonable things, as are (in each case) within its power and necessary or expedient in order to secure the co-ordinated and effective commencement and implementation of, and operations under the Single Electricity Market Trading and Settlement Code in light of its modification or amendment (or intended modification or amendment) under or by virtue of the revised SEM arrangements (including the development, testing, trialling and start-up of the systems, processes and procedures employed in such implementation and employed by authorised electricity operators and others in connection with such operations); and
  - (b) carry out a review of the regulatory documents in order to identify any changes which may in the Licensee's opinion be necessary or expedient in light of the revised SEM arrangements (the "identified changes") and provide a report (by such date as the Authority may direct) on the outcome of that review and on the action which the Licensee proposes to give effect to the identified changes.
  - (c) with the Republic of Ireland Transmission System Operator Licence holder develop the changes to the Grid Codes necessitated by the changes to the SEM trading arrangements and propose such changes to the Regulatory Authorities no later than three months before Go-Live.

#### Coming into Effect and Cessation of Effect

14. The provisions of this Condition (other than those of this paragraph and of paragraphs 15 and 16 which shall come into immediate effect) shall come into effect on such day, and subject to such transitional arrangements, as the Authority may by direction appoint. Different days may be so appointed for different provisions and for different purposes.

15. This Condition shall cease to have effect on 30 June 2018, without prejudice to the continuing enforceability of any right or obligation (including any requirement to comply with a direction of the Authority issued prior to that date) which may have accrued or otherwise fallen due for performance prior to that date.

#### Definitions

16. In this Condition, unless the context otherwise requires:

“core industry documents” means those documents relating to the revised SEM arrangements which may from time to time be designated, by direction of the Authority, as such for the purposes of this Condition;

“regulatory documents” means those codes, agreements and other documents which the Licensee is required to prepare, be party to or have in effect (or with which the Licensee is required to comply) under or by virtue of this Licence or the Order, including without prejudice to the generality, the Grid Code and the System Operator Agreement; and

“revised SEM arrangements” means:

(a) any modifications made (or which the Authority has formally indicated are likely to be made) to the Licence, or to the licences of any authorised electricity operator, for the purpose (in each case) of implementing the high level design set out in the document entitled, “Integrated Single Electricity Market (I-SEM): SEM Committee Decision on High Level Design”, with reference SEM-14-085a and published on 17 September 2014;

- (b) the conditions of the Northern Ireland Market Operator Licence and the Licence;
- (c) the terms imposed in any exemption granted pursuant to Article 9 of the Order that reflect a modification referred to in sub-paragraph (a); and
- (d) the matters that the Licensee knows (or should reasonably know) are envisaged by the modifications and conditions referred to in sub-paragraphs (a) and (b) (including, without limitation, the establishment, amendment or termination of, or the transfer of rights and obligations under, core industry documents);

including, without prejudice to the generality, any of the provisions or matters described above by which the Licensee is bound (or intended to be bound).

## **SONI Transmission System Operator Licence, GRID CODE**

### **Condition 16. Grid Code**

#### **Establishment of the Grid Code**

1. The Licensee shall prepare and at all times have in force, and shall (subject to paragraph 12) implement and comply with, a Grid Code:
  - (a) covering all material technical aspects relating to connections to and the operation and use of the total system or (insofar as relevant to the operation and use of the total system) the operation of electric lines and electrical plant within Northern Ireland connected to the total system or any other system in Northern Ireland for the transmission or distribution of electricity and (without prejudice to the foregoing) making express provision as to the matters referred to in paragraph 6; and
  - (b) which is, in respect of the transmission system, designed so as to:
    - (i) permit the development, maintenance and operation of an efficient, co-ordinated and economical system for the transmission of electricity in Northern Ireland as part of efficient, co-ordinated and economical systems for the transmission of electricity on the Island of Ireland;
    - (ii) facilitate the transmission system being made available to persons authorised to supply or generate electricity in Northern Ireland, on terms which neither prevent nor restrict competition in the supply or generation of electricity on the Island of Ireland; and
    - (iii) subject to sub-paragraphs (i) and (ii), promote the security and efficiency of the electricity generation, transmission and distribution system in Northern Ireland as a whole.
  - (c) which is, in respect of the distribution system, designed so as to:
    - (i) permit the development, maintenance and operation of an efficient, co-ordinated and economical system for the distribution of electricity; and



- (ii) neither prevent nor restrict competition in the generation and supply of electricity in Northern Ireland, or, to the extent that the Grid Code, in respect of the distribution system, may have such effect, on the Island of Ireland.

### **Reviews of the Code**

2. The Grid Code in force at the date on which this Condition becomes effective shall be the document approved as such by the Authority. Subsequently, the Licensee shall (in consultation with electricity undertakings and the Republic of Ireland System Operator, to the extent such persons are liable to be materially affected thereby) periodically review (including upon the request of the Authority) the Grid Code and its implementation. Following any such review, the Licensee, shall send to the Authority:
  - (a) a report on the outcome of such review;
  - (b) any proposed revisions to the Grid Code from time to time as the Licensee (having regard to the outcome of such review) reasonably thinks fit for the achievement of the objectives referred to in paragraphs 1(b) and (c); and
  - (c) any written representations or objections from any electricity undertakings or the Republic of Ireland System Operator (including any proposals by such persons for revisions to the Grid Code not accepted by the Licensee in the course of the review) arising during the consultation process and subsequently maintained.

### **Revision of the Code**

3. Revisions to the Grid Code proposed by the Licensee and sent to the Authority pursuant to paragraph 2 shall require the Authority's approval before they may be made.
4. Having regard to any written representations or objections referred to in subparagraph 2(c), and following such further consultation (if any) as the Authority may consider appropriate, the Authority may issue directions requiring the Licensee to revise the Grid Code in such manner as may be specified in the directions, and the Licensee shall forthwith comply with any such directions.

5. The Authority shall be entitled, in order to implement the requisite arrangements referred to in condition 60 of the NIE Energy Supply Licence, to issue directions to the Licensee requiring the Licensee to revise the Grid Code in such manner and with effect from such date as may be specified in the directions, and the Licensee shall comply with any such directions, provided that such revisions shall not affect the rights or obligations of any party to:
- (a) a power purchase agreement that is not a cancellable generating unit agreement; or
  - (b) a cancellable generating unit agreement that has not, at the relevant time, been the subject of a cancellation direction, under that agreement, beyond what may reasonably be regarded as de minimis in relation to that party.

#### **Content of the Code**

6. The Grid Code shall include:
- (a) connection conditions specifying the technical, design and operational criteria to be complied with in respect of any connection or proposed connection at an entry or exit point on the total system;
  - (b) a set of operating codes specifying conditions and procedures under or in accordance with which the Licensee shall operate the total system, and under or in accordance with which other persons shall operate their plant and/or systems for the distribution of electricity in relation to the total system (including procedures and conditions relating to outages of generation sets and associated power station equipment), insofar as is necessary to protect the security and quality of supply and to ensure the proper and safe operation of the total system under both normal and abnormal operating conditions or in order to give effect to paragraph 2 of Condition 22;
  - (c) a planning code specifying the requirements for the supply of information by persons connected (or seeking connection) at an entry point or an exit point on the total system, or in respect of the applications envisaged by Condition 27, (in each case) in order for the planning and development of the total system to be undertaken, and specifying the technical and design

criteria and procedures to be applied in the planning and development of the total system and to be complied with by other persons connected or seeking connection at an entry point or an exit point on the total system in the planning and development of their own plant and systems;

- (d) a set of scheduling and dispatch codes specifying conditions and procedures for the scheduling and dispatch of generation sets connected at an entry point or exit point on the total system which are either:
  - (i) required to be subject to central dispatch instructions under the terms of any exemption granted under Article 9 of the Order or any licence granted under Article 10 of the Order; or
  - (ii) are agreed by the operator of that generation set to be subject to central dispatch; and which may include provisions relating to the management of emissions.
- (e) a metering code setting out requirements and procedures for metering.

#### **Copies of the Code**

- 7. The Licensee shall ensure that a copy of the Grid Code is given or sent to the Authority and the Department and is published on the Licensee's website.
- 8. The Licensee shall (subject to paragraph 9) ensure that a copy of the Grid Code is given or sent to any person requesting it.
- 9. The Licensee may make a charge for any copy of the Grid Code given or sent pursuant to paragraph 8 of an amount which will not exceed any amount specified for the time being for the purposes of this Condition in directions issued from time to time by the Authority.

#### **Non-Discrimination**

- 10. In preparing, implementing and complying with the Grid Code the Licensee shall not:
  - (a) unduly discriminate against or unduly prefer any person or class or classes of persons in favour of or as against any other person or class or classes of persons; or

- (b) restrict or prevent competition in generation or supply on the Island of Ireland.
- 11. The Licensee shall keep and maintain such records concerning its implementation of and compliance with the Grid Code as are in accordance with such guidelines as the Authority shall from time to time have given to the Licensee and are, in the opinion of the Authority, sufficient to enable the Authority to assess whether the Licensee is performing the obligation imposed upon it under paragraph 10 concerning these matters and the Licensee shall furnish to the Authority such records (or such of these as the Authority may require) in such manner and at such times as the Authority may require.

### **Derogations**

- 12. The Authority may from time to time (following consultation with the Licensee) issue directions relieving the Licensee of its obligations to implement or comply with, or to enforce against any other person any provision of, the Grid Code in respect of such parts of the transmission system and/or the distribution system to such extent as may be specified in the directions.

### **Long Form Distribution Code**

- 13. Until such time as the Authority has approved, and the Transmission Owner has implemented, a Distribution Code designed so as to achieve the objectives referred to in paragraph 1(c) without substantial cross reference to the provisions of the Grid Code, the Licensee shall, to the extent that any provision of the Grid Code is designed so as to achieve the objectives referred to in paragraph 1(c):
  - (a) only propose revisions to the relevant parts of such provisions with the agreement of the Transmission Owner; and
  - (b) undertake any consultations undertaken in accordance with paragraph 2 that relate to the relevant parts of such provisions in cooperation with the Transmission Owner.
- 14. Once a Distribution Code, as described in paragraph 13, is approved and implemented, as described in paragraph 13, this Condition shall automatically be modified by the deletion of paragraph 1(c) and (subject to any contrary direction by the Authority) by the replacement of all references to "total system" with

“transmission system. The Licensee shall, as soon as reasonably practicable following any such modification, undertake a review of the Grid Code in accordance with paragraph 2.

### **Definitions**

15. In this Condition, unless the context otherwise requires:

"cancellable generating unit agreement" shall have the meaning given to that term in the NIE Energy Supply Licence.

"power purchase agreement" shall have the meaning given to that term in the NIE Energy Supply Licence.

# Annex 2: SONI MO Licence Modifications Proposed

## **SONI Market Operator Licence, TRANSITION**

### **NEW CONDITION**

#### General Requirement

1. The Licensee shall take all reasonable steps, and do all such reasonable things, as are (in each case) within its power and necessary or expedient in order to give full and timely effect to the revised SEM arrangements, so that the Licensee is able to comply with them from the time at which they are effective (or intended to be effective).

#### Requirement to Co-operate

2. Without prejudice to paragraphs 1 and 3, the Licensee shall cooperate with authorised electricity operators and Republic of Ireland electricity operators (and with the Department, the Authority and such other persons as the Authority may direct) and shall take all reasonable steps, and do all such reasonable things, as are (in each case) within its power and necessary or expedient in order to enable:
  - (a) authorised electricity operators to comply with their statutory or licence obligations to give full and timely effect to the revised SEM arrangements, so that such authorised electricity operators are able to comply with them from the time at which they are effective (or intended to be effective);
  - (b) authorised electricity operators to comply with any directions by the Authority under a provision of their licences equivalent to paragraph 4; and
  - (c) Republic of Ireland electricity operators to comply with their statutory or licence obligations to prepare for the coming into effect of the revised SEM arrangements,

and in the event of any dispute between the Licensee and such other person as to whether a particular step, or thing, is reasonable, the Licensee or such other person

may refer the matter to the Authority for determination (which determination shall be final for the purposes of this paragraph).

#### Requirements to Comply with Directions

3. Without prejudice to paragraphs 1 and 2, the Licensee shall take all reasonable steps, and do all such reasonable things, as are (in each case) within its power and necessary or expedient in order to comply with any direction made from time to time by the Authority in accordance with paragraph 4 (and shall by so doing be taken to have complied with such direction).
4. The Authority may issue directions to the Licensee setting out the steps (including without limitation those referred to in paragraph 5) to be taken (or procured) by the Licensee which are, in the Authority's reasonable opinion, appropriate in order to give full and timely effect to the revised SEM arrangements, so that the Licensee is able to comply with them from the time at which they are effective (or intended to be effective).
5. The directions made by the Authority under paragraph 4 (with which the Licensee is, in accordance with paragraph 3, required to take all reasonable steps, and do all such reasonable things, as are (in each case) within its power and necessary or expedient in order to comply) may include requirements regarding the following steps:
  - (a) to secure or facilitate the amendment or establishment of any of the core industry documents; and
  - (b) to effect the novation of (or other transfer of rights and obligations under) any of the core industry documents from the Licensee or an authorised electricity operator to the Licensee or an authorised electricity operator.
6. The Authority may, at any time, by a further direction in accordance with paragraph 4 (in order to give (or continue to give) full and timely effect to the revised SEM arrangements amend or cancel any direction (or part thereof) previously made under paragraph 4.
7. The Authority may not make a direction under paragraph 4 until it has undertaken

such period of prior consultation with the Licensee (and such other persons as the Authority deems appropriate) as is reasonable in the circumstances. No direction made under paragraph 4 shall be effective until a copy is served on the Licensee.

#### Requirement not to Frustrate

8. Without prejudice to any public or administrative law right, or statutory right, that the Licensee may have to bring any claim against any public body or person, the Licensee shall not take any step, or exercise any right, which is intended to hinder or frustrate the giving of full and timely effect to the revised SEM arrangements.

#### Potential Conflict

9. If the Licensee is aware of any conflict between its compliance with the provisions of this Condition or any direction under paragraph 4 and its compliance with any other Condition of the Licence, the Licensee shall promptly inform the Authority of such conflict.
10. Provided the Licensee complies with paragraph 9, the other Conditions of the Licence shall prevail over this Condition in the event of conflict. If there is any conflict between a direction made under paragraph 4 and another requirement of the Licence, the provisions of the direction shall prevail.

#### Information

11. The Licensee shall provide to the Authority, in such manner and at such times as the Authority may reasonably require, such information and shall procure and furnish to it such reports as the Authority may reasonably require or deem necessary or appropriate to enable the Authority to monitor the Licensee's compliance with the requirements of this Condition, including (without limitation):
  - (a) information as to the Licensee's readiness concerning the revised SEM arrangements; and
  - (b) status reports concerning those matters referred to in sub-paragraph (d) of the definition of the revised SEM arrangements, and drafts of any legal documents by which such matters are to be achieved.



12. If the Licensee is aware (or should reasonably be aware) of any matter or circumstance which it considers will (or which the Licensee should reasonably consider likely to) hinder or frustrate the giving of full and timely effect to the revised SEM arrangements, the Licensee shall promptly inform the Authority of such matter or circumstance.

#### Further requirements

13. Without prejudice to the generality of the foregoing provisions, the Licensee shall:
  - (a) take all reasonable steps, and do all such reasonable things, as are (in each case) within its power and necessary or expedient in order to secure the co-ordinated and effective commencement and implementation of, and operations under the Single Electricity Market Trading and Settlement Code in light of its modification or amendment (or intended modification or amendment) under or by virtue of the revised SEM arrangements (including the development, testing, trialling and start-up of the systems, processes and procedures employed in such implementation and employed by authorised electricity operators and others in connection with such operations); and
  - (b) carry out a review of the regulatory documents in order to identify any changes which may in the Licensee's opinion be necessary or expedient in light of the revised SEM arrangements (the "identified changes") and provide a report (by such date as the Authority may direct) on the outcome of that review and on the action which the Licensee proposes to give effect to the identified changes.

#### Coming into Effect and Cessation of Effect

14. The provisions of this Condition (other than those of this paragraph and of paragraphs 15 and 16 which shall come into immediate effect) shall come into effect on such day, and subject to such transitional arrangements, as the Authority may by direction appoint. Different days may be so appointed for different provisions and for different purposes.
15. This Condition shall cease to have effect on 30 June 2018, without prejudice to the

continuing enforceability of any right or obligation (including any requirement to comply with a direction of the Authority issued prior to that date) which may have accrued or otherwise fallen due for performance prior to that date.

## Definitions

16. In this Condition, unless the context otherwise requires:

“core industry documents” means those documents relating to the revised SEM arrangements which may from time to time be designated, by direction of the Authority, as such for the purposes of this Condition;

“regulatory documents” means those codes, agreements and other documents which the Licensee is required to prepare, be party to or have in effect (or with which the Licensee is required to comply) under or by virtue of this Licence or the Order, including without prejudice to the generality, the Market Operator Agreement; and

“revised SEM arrangements” means:

- (a) any modifications made (or which the Authority has formally indicated are likely to be made) to the Licence, or to the licences of any authorised electricity operator, for the purpose (in each case) of implementing the high level design set out in the document entitled, “Integrated Single Electricity Market (I-SEM): SEM Committee Decision on High Level Design”, with reference SEM-14-085a and published on 17 September 2014;
- (b) the conditions of the Northern Ireland

Market Operator Licence and the Licence;

- (c) the terms imposed in any exemption granted pursuant to Article 9 of the Order that reflect a modification referred to in sub-paragraph (a); and
- (d) the matters that the Licensee knows (or should reasonably know) are envisaged by the modifications and conditions referred to in sub-paragraphs (a) and (b) (including, without limitation, the establishment, amendment or termination of, or the transfer of rights and obligations under, core industry documents);

including, without prejudice to the generality, any of the provisions or matters described above by which the Licensee is bound (or intended to be bound).