23rd March 2012

Chairperson,

SEM Trading & Settlements Code Modifications Committee

c/o SEMO Secretariat

160 Shelbourne Road

Ballsbridge

Dublin 4

Dear Chairperson,

**Re:** **DEMAND SIDE VISION FOR 2020**

As you are aware, the Regulatory Authorities published the decision paper on a Demand Side Vision 2020 (DSV 2020) in 2011. In that paper, the SEM Committee (SEMC) set out the next steps with regard to the development of demand side participation on the island.

While there are already a number of areas where work is underway in bringing about a market environment that facilitates active demand side participation, the DSV 2020 identified 13 key decisions for the further development of demand side participation in the SEM. These decisions are set out in the Annex to this letter.

Decisions #3 and #9 refer to the work of the Trading & Settlements Code (T&SC) Modifications Committee. Further to the SEMC’s decision paper I am writing to you as chair of the committee to request that the T&SC Modifications Committee should;-

1. give consideration to any barriers to Demand Side Management identified through current code modifications and to consider the implications for demand side participation in relevant future modifications brought before the T&SC Modifications Committee

and

1. consider any barriers within the code facing distributed generators and/or other measures to facilitate participation from distributed generation.

It is requested that the T&SC Modifications Committee should give consideration to hosting a working group, outside of the formal role of

considering T&SC modifications. The scope of this working group would be to discuss barriers facing distributed generators and demand side participants in market rules with a view to proposing future modifications. SEMC would like the Secretariat to consider organising such a meeting at a suitable time.

The SEM Committee is fully committed to the delivery of the Demand Side Vision 2020 and intends to review progress with respect to the delivery of the decisions in the report on an annual basis. An update report on progress should be forwarded from the T&SC Modifications Committee to the RAs by August 2012. This report will feed into an annual implementation plan update for the SEMC.

The RAs recognise the potential for demand side measures to deliver significant economic and environmental benefits to the All-Island market. However much still needs to be done in order to remove the remaining barriers to demand side management and to fully engage both industry and consumers. The SEMC greatly appreciates your assistance in relation to this challenge.

Yours sincerely,



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Mr Ignacio Perez-Arriaga

Chairman SEM Committee

**Annex – I Demand Side Vision 2020 Decisions**

1. The SEM Committee and RA‟s will continue to liaise with the relevant bodies and government departments with regards to energy efficiency measures in both jurisdictions and will endeavour to promote a roll out of energy efficiency measures through the development and implementation of remedies outlined in the NEEAP in ROI and the NISEP in NI.
2. The SEM Committee will ensure that consideration is given in any modification to the trading and settlement code to introduce firm day ahead pricing in the SEM allowing the support of demand side participation. Demand side participation in the market will be integrated as a key driver into the project going forward.
3. The SEM Committee will write to the T&SC Modifications Committee Chair asking it to consider any barriers to DSM identified through current modifications and to consider the implications for demand side participation in relevant future modifications brought before the T&SC Modifications Committee. The T&SC Modifications Committee will be required to report back to the SEMC.
4. The SEM Committee will meet regularly with industry representative groups including the Irish Business and Employers Confederation (IBEC) and the Confederation of British Industry (CBI Northern Ireland) to consider what further actions can be taken to engage with the industrial and commercial sector to facilitate further work in this area.
5. CER will request that the TSOs consider if/how the current retail demand reduction schemes in ROI will fit within the harmonising and further review of Ancillary Services currently proposed by the TSOs. It is the SEM Committee‟s view that this review should also include an examination of the pricing of Ancillary Services with a view to promoting demand response.
6. Both RAs will monitor the introduction of Time of Use tariffs individually (where smart meters have been installed). With reference to the requirements of the Energy Services Directive, this may include the implementation of mandatory requirements for Time of Use tariffs.
7. In principle the RAs support the proposal for mandatory standards and/or subsidies to encourage adoption of smart appliances. The RAs will, via the publication and dissemination of this report, and through regular engagement with industry representative groups including IBEC and CBI Northern Ireland, bring these recommendations to the attention of manufacturers and relevant government.
8. The RAs will consider the impact of demand participation on distribution networks and the value of dynamic demand in line with the development of smart grids.
9. The SEM Committee will write to the T&SC Modifications Committee and Grid Code Committee Chairs asking them to consider any barriers facing distributed generators and/or other measures to facilitate participation from distributed generation. The T&SC Modifications Committee and Grid Code Committee will be required to report back to the SEM Committee.
10. The RAs will monitor the network needs for electric vehicles and will liaise with the DSO‟s to ensure that the distribution networks are capable of handling future volumes of EVs, both in the medium and longer term.
11. The SEM Committee will consult with industry on the development of standard contract structures between aggregators and capacity providers, which may facilitate participation from distributed generation (DG).
12. The SEM Committee supports the concept of a scheme for the labelling of smart appliances and will ensure that the benefits of such a scheme are communicated to relevant industry groups and government departments. If a labelling scheme for smart appliances was put in place the RAs will engage with the relevant actors to promote the scheme and ensure that consumers are fully informed.
13. The SEM Committee will request that the TSOs undertake a review covering payments for system wide storage and provide recommendations to the SEM Committee.