



Brexit- Challenges for Energy Policy

Dr. Tanya Harrington
Head of Government Affairs &
Regulation, Powerscourt
DCU Brexit Institute
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What is the Single Electricity Market?

- The Single Electricity Market (SEM) is the wholesale electricity market for the island of Ireland.
- It was legally established pursuant to the agreement of a Memorandum of Understanding between the UK and Ireland (2006) which paved the way for domestic legislation in each jurisdiction.
- The SEM combines what were two separate jurisdictional electricity markets into one jointly administered cross-jurisdictional market.
- The SEM became one of the first of its kind when it went live on 1st November 2007.

What is the SEM Committee?

- The SEM Committee is the decision-making authority for the SEM.
- The SEM Committee, as it is established in law, is simultaneously two sub-committees of each Regulatory Authority (UR/ CRU) which corporally meet and make decisions as a single decision-making authority.
- The SEM Committee is comprised of the UR, CRU and an Independent Member (who also has a Deputy).
- Each entity has one vote and majority voting is permitted in law and has occurred in practice.
- The SEM is emblematic of EU energy policy for regional governance in terms of the degree of integration of decision-making across two jurisdictions.

Future Institutional Design (pre-Brexit)

- Future Governance Framework for the SEM
 - Option 1- Evolutionary Change (3 scenarios)
 - SEMC+ (A Single All-island Regulatory Body)
 - SEM & BETTA (All-islands Regulatory Body)
 - Multilateral Regional Governance Arrangements
 - Option 2- Revolutionary Change (1 scenario)
 - (1) NI+ BETTA- Disestablishment of SEM

Securing Institutional Stability: Addressing New Uncertainties (post-Brexit)

- Post-Brexit- Future Governance Options have narrowed (slightly) due to a range of freshly created uncertainties.
 1. Radically altered (unfavourable) political context (NEW)
 2. Risk of policy divergence (Competition/ State Aid) (NEW)
 3. Risk of regulatory divergence (Interconnectors and Market Coupling) (NEW)
 4. Unknown nature of UK's future relationship with EU and consequential implications for Dispute Resolution (NEW)
 5. Continued infrastructure risk due to delay to delivery of N/S IC (OLD)

Future Institutional Design: Narrower Choice Set (post-Brexit)

- Future Governance Framework for the SEM
 - Option 1- Evolutionary Change (3 scenarios)
 1. SEMC (possibly under GFA Strand II/ Strand III or constitutional solution involving greater devolution of powers to NI)
 2. ~~SEMC+ (SEMC + BETTA)~~
 3. Multilateral Regional Governance Arrangements (now with mixed EU Membership e.g. Nordpool (EU MS + Norway)/ Pentilateral Forum (EU MS + Switzerland))
 - Option 2- Revolutionary Change (1 scenario)
 1. NI+ BETTA- Disestablishment of SEM (new political risk in addition to delayed delivery of N/S IC)

Key Insights from 10 successful years of SEM

1. Favourable Political Context Essential
2. Agreed Political Leadership Essential
3. Shared Political Vision, Policy & Regulatory Alignment Essential
4. Robust Institutional Design & Alignment Essential

The Withdrawal Process- Political State of Play

1. Brussels

2. London

3. Belfast

4. Dublin

Powerscourt

25 Lower Leeson Street
Dublin 2

T: +353 (0)1 536 0682

www.powerscourt-group.com

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