SINGLE ELECTRICITY MARKET COMMITTEE

Round 28 of Quarterly Directed Contracts
Q1 2025 to Q4 2025

Information Paper

4th September 2024

SEM-24-060

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1. Introduction

This paper provides information on the quantities and pricing for the upcoming quarterly Directed Contract (DC) subscription round, Round 28, covering the period Q1 2025 to Q4 2025 inclusive. Suppliers will also receive notification from the Regulatory Authorities (RAs) of their updated DC eligibilities for Round 28 by Thursday 5th September 2024.

In DC Round 18, market participants were notified of amendments made to the process of calculating DC pricing formulae (SEM-22-017). Participants were also informed of the RAs' decision to hold the Primary Subscription Window over six days.

A consultation on whether the amendment to the duration of the Primary Subscription Window should be enduring was published on 15th February 2023 (SEM-23-015). In April 2023, the SEM Committee decided that the Directed Contracts' Primary Subscription Window would be held over six days, across two consecutive weeks, and will be implemented as an enduring amendment to the Directed Contracts process, subject to review (SEM-23-026). Further, the SEM Committee decided participating suppliers shall not be obliged to purchase specific volumes of Direct Contracts on specified days. These amendments are being maintained for DC Round 28.

2. Directed Contract Quantities

DC subscription windows are typically held every quarter, with DCs allocated on a rolling basis up to five quarters ahead. DCs for Round 28 will be offered in quarterly segments for the periods Q1 2025, Q2 2025, Q3 2025 and Q4 2025.

Round 28 DC offerings will be held as follows:

- **The DC Round 28 Primary Subscription Window will be held over six days, across two consecutive weeks:**
  - Tuesday 10th - Thursday 12th September 2024 inclusive; and
  - Tuesday 17th - Thursday 19th September 2024 inclusive.

The associated Round 28 Supplemental Subscription Window will be held on Thursday 26th September.

There are three DC products in the market: Baseload, Mid-Merit and Peak. Suppliers can elect to subscribe for any given product for which they are eligible in any particular quarter from ESB. The definitions of the products are set out in the ESB PG DC Subscription Rules. These are as follows:

– ***Baseload Product****:* For Trading Periods at the Contract Quantity arising in all hours.
– ***Mid-merit Product*****:** For Trading Periods at the Contract Quantity during the hours beginning at 07:00 and ending at 23:00 on Business Days and for Trading Periods on days that are not Business Days at 80% of the Contract Quantity.
– ***Peak Product*****:** For Trading Periods arising during the hours beginning at 17:00 and ending at 21:00 on all days during October, November, December, January, February and March at the Contract Quantity.

The RAs used the Herfindahl Hirschman Index (HHI) to set DC quantities and use a target HHI level of 1,150 for the period Q1 2025 to Q4 2025.

The DC quantities to be offered by ESB for Q1 2025 to Q4 2025 in Round 28 are set out in Table 1 below.

Quarter	Baseload	Mid-Merit	Peak
Q1 2025	0	0	70
Q2 2025	0	0	n/a
Q3 2025	0	2	n/a
Q4 2025	0	0	0

Table 1: ESB DCs for Q1 2025 to Q4 2025 in the forthcoming Round 28 Subscription (MW)

The RAs note the Greenlink Interconnector has contributed to a significant reduction in the HHI levels prior to the allocation of DCs across all modelled quarters. Consequently, zero Quarter 1, Quarter 2 and Quarter 4 2025 Mid-Merit volumes and zero Quarter 4 2025 peak volumes are offered.

Cognisant of the above, the RAs have notified market participants of their intention to commence a review of the Market Concentration Model in Quarter 3 2024. The Market Concentration Model is used by RAs to calculate the quantity of Directed Contracts (DC) required to be offered to eligible suppliers in each DC round. Further information can be found here: SEM-24-038.

The cumulative (all rounds) percentage of DC quantities offered by ESB to date for Q1

2025 to Q4 2025 (including these Round 28 quantities) are shown in Table 2 below.

Quarter	Baseload	Mid-Merit	Peak
Q1 2025	100%	100%	100%
Q2 2025	75%	75%	N/A
Q3 2025	50%	50%	N/A
Q4 2025	25%	25%	25%

Table 2*:* Percentage of DCs offered to date (incl. this Round 28 subscription)[1]

As outlined in SEM-21-085, the SEM Committee has decided the amendment to the methodology of calculating DC allocations that took place during DC Round 16 will be implemented in subsequent rounds thereafter. As per SEM-21-065, the RAs will re-allocate DCs from market participants who cannot participate in the DC round (as a result of not executing a Financial Energy Master Agreement (FEMA) with ESBPG) to suppliers with a Maximum Import Capacity (MIC) value less than 5% of the total market MIC.

Per section 3.2.13 of the November 2017 decision paper (SEM-17-081), the SEM Committee has changed part of the Market Concentration methodology, such that a fixed fraction will be solely used in the first round that a product is offered. In subsequent rounds, up to the penultimate round, previous volumes sold are deducted from the annual total determined by the Market Concentration Model in that round; then the balance is multiplied by the remaining fixed fraction. In the final round, all the previous volumes sold are deducted from the annual total determined. There is no fixed fraction in the final round for which a product is on offer. A further clarification to this procedure was outlined in SEM-19-030a whereby in the event that a product was oversold in the first three rounds, the oversold volume will be deducted from downstream products.

If the volumes in the previous rounds for a particular product add up to more than the annual total volume determined by the Market Concentration Model in the last round, then the volumes for that product are set to zero.

[1] Note that the exact percentages shown in this table will vary depending on outturn DC volumes in future subscription rounds.

3. Directed Contract Pricing

The prices of DCs are determined by regression formulae that express the DC CfD Fixed Price in a given quarter and for a given product (Baseload, Mid-merit or Peak) as a function of forward fuel and carbon prices. Section 3 of SEM-22-017 outlined amendments made to the process of calculating DC pricing formulae in DC Round 18. Such amendments are also implemented in DC Round 28.

The pricing formulae are updated every quarter in line with the established rolling approach to DCs as per SEM-12-026 and SEM-17-081.

The CfD Strike Price for each transaction will be set using the published formulae and associated forward fuel prices, as set out in the Subscription Rules SEM-18-036d.

The DC seller, ESB, will apply the approved published fuel and carbon indices to the regression formulae each day throughout the subscription window and notify suppliers who have elected to subscribe for DC products on that day of the calculated CfD Fixed Price. ESB contracts will be priced in euro.

It should be noted that if, between the publication date of the pricing formulae and a time at which it is applied during the subscription period, forward fuel or carbon markets move to a point outside the range of values for which there is sufficient confidence in the pricing formulae, the RAs reserve the right to suspend subscription and rerun the econometric pricing model or otherwise to amend the determination of the DC CfD Fixed Prices to correct any mispricing. The rerun would use the prevailing forward fuel and carbon prices as inputs. In this case, the resulting formulae would replace the original formulae and to establish CfD Fixed Prices thereafter. The formulae may also be rerun if there is significant change to plant availability. The subscription window would reopen once the formulae are revised.

The DC regression formulae for the forthcoming round will take the following form:

$$\textbf{CfD Fixed Price}_{q,p} = \alpha_{q,p} + \beta_{q,p} * \textbf{Gas}_q + \delta_{q,p} * \textbf{Coal}_q + \varepsilon_{q,p} * \textbf{CO2}_q$$

where:

CfD Fixed Price$_{q,p}$ = DC Fixed Price (in €/MWh) for the relevant quarter (q) and product (p), i.e., Baseload, Mid-merit and Peak.

$\alpha_{q,p}$ = formula constant, which may vary by quarter (q) and product (p).

$\beta_{q,p}$, $\delta_{q,p}$, and $\varepsilon_{q,p}$ = formula coefficients, which may vary by quarter (q) and product (p).

Gas_q = the price (in pence sterling per therm) for quarterly Intercontinental Exchange Natural Gas Futures for the relevant quarter. As stated in SEM-21-005, the RAs notified industry of updates to the calculation of quarterly "ICE UK Natural Gas Futures – NBP" ÷ (GBP/EURO Exchange Rate).

$Coal_q$ = the price (in US dollars per tonne) for quarterly ARA Coal Futures. As noted in SEM-21-005, the RAs noted updates to the calculation of quarterly "Rotterdam Coal Futures – ARA" ÷ (USD/EURO Exchange Rate).

$CO2_q$ = the settle price (in Euro per tonne of Carbon Dioxide) for the December month Intercontinental Exchange ECX EUA Carbon futures as reported as "ICE ECX EUA Futures – EUX – (monthly)" for the given calendar year. The December price for a given year will apply to all quarters falling within that year. As noted in SEM-21-005, the commodity data provider, ICE, transitioned from a public to a fee-based subscription for access to Carbon data.

The values of the constants and the independent variable coefficients are set out in the following table.

Coefficients **Multiply Gas coefficient by euro/therm Gas price, Coal coefficient by euro/tonne Coal price, and CO_2 coefficient by euro/tonne CO_2 price.**					
Contract (p)	**Quarter (q)**	**Constant ($\alpha_{q,p}$)**	**Gas ($\beta_{q,p}$)**	**Coal ($\delta_{q,p}$)**	**CO_2 ($\varepsilon_{q,p}$)**
Baseload	Q1 25	28.79	60.415	0.0000	0.3217
Midmerit 1	Q1 25	32.64	64.935	0.0000	0.3492
Peak	Q1 25	44.59	76.195	0.0000	0.4066
Baseload	Q2 25	24.30	64.322	0.0000	0.3227
Midmerit 1	Q2 25	27.32	68.947	0.0000	0.3523
Baseload	Q3 25	25.33	60.613	0.0000	0.3293
Midmerit 1	Q3 25	29.02	65.048	0.0000	0.3576
Baseload	Q4 25	27.51	61.350	0.0000	0.2947
Midmerit 1	Q4 25	31.05	66.073	0.0000	0.3280
Peak	Q4 25	44.01	76.497	0.0000	0.3788

4. Subscription Rules

The Subscription Rules (SEM-18-036d) for the DCs have been made evergreen. To allow this, two items which require updating will be included in the Information Paper published by the RAs prior to each quarterly DC Round. These are the details of the matrix of ESTSEM p,q prices for the purpose of credit cover calculations and Bank Holidays.

Prices for Credit Cover calculations

The matrix of ESTSEM p,q prices for the purpose of credit cover calculations based on closing fuel and carbon prices from 15th August 2024 are as follows[2]:

	ESTSEM p,q		
	Baseload € per MWh	**Mid-Merit € per MWh**	**Peak € per MWh**
Q1 25	133.35	145.28	176.53
Q2 25	127.36	138.26	
Q3 25	122.75	133.89	
Q4 25	128.19	140.28	170.40

5. Directed Contract Round 29

The Primary Subscription Window and Supplemental Subscription Window of Directed Contract Round 29 is envisaged to take place in Quarter 4 2024. The RAs intend to publish the dates of Directed Contract Rounds 29 – 32 before the end of Quarter 3 2024.

[2] The RAs note that the prices calculated are based on the most recently validated SEM PLEXOS Model and incorporate the 2021 Generation Capacity Statement (GCS) Inputs. Per information received from SEMOpx, the market coupling date of the Greenlink Interconnector is 18th December 2024. Additionally, SEMOpx advised for current modelling purposes, the loss rate of the Greenlink Interconnector is 2.32%. Further, within the SEM PLEXOS Model the retirement date of Bord na Móna's Edenderry Unit has been extended beyond 2023. In order to be more reflective of the current market developments the RAs have conducted modelling closer to the subscription window commencement date.

6. Public/Bank Holidays 2025

The following dates are those known at the time of execution to be bank and public holidays (in the Republic of Ireland and Northern Ireland) between Q1 2025 and Q4 2025:

01 January 2025
03 February 2025
17 March 2025
18 April 2025
21 April 2025
5 May 2025
26 May 2025
2 June 2025
14 July 2025
4 August 2025
25 August 2025
27 October 2025
25 December 2025
26 December 2025
1 January 2026