

Single Electricity Market Committee

Contracts for Differences in the Single Electricity Market

The 2010/'11 Contracting Process

An Information Paper

SEM-10-047

26 July 2010

1. Introduction

The Commission for Energy Regulation and the Northern Ireland Authority for Utility Regulation (the Regulatory Authorities or RAs) have developed a single all-island electricity market, the Single Electricity Market (SEM), which came into operation on November 1st 2007. Further details on the project can be found on the AIP website (www.allislandproject.org).

The RAs have published a number of Information Papers on the provision of Contracts for Differences (CFDs) in the SEM, with the most recent Information Paper published on 22nd June, SEM-10-040¹. In this paper it was decided to split the 600 MW of PSO-related CfD products into 300 MW Baseload and 150 MW for Mid-Merit 1 and Mid-Merit 2 shape respectively. This was instead of the former proposed split of 200 MW for all three shapes and was changed to take account of comments regarding a lack of Baseload CfDs.

Following the publication of SEM-10-040 the RAs have received further requests from a number of market participants calling for changes to the timing of the PSO related auctions. Specifically, these participants have requested that the auctions scheduled for September be moved forward in order to help with tariff setting for the next tariff year (from October).

The CER is the Regulatory Authority with responsibility for the Ireland PSO related CFDs. The CER concurs that, with the timetable provided in SEM-10-040, there is a considerable concentration of PSO-related CFD product being offered in September. This is because in this month both the bi-annual auctions (for Q4 '10 and Q1 '11) and quarterly auctions (for Q4 '10 only) is being offered. The same issue applies in March next year with respect to the bi-annual and quarterly auctions.

Taking on board the market participant requests, and the RA desire that PSO auctions are spread over a reasonable time period rather than concentrated, so that the risk of fuel price variations from the auction reserve price is spread out, it has been decided to bring forward the bi-annual auctions by one month. In addition the quarterly auctions are offered over two auctions instead of one. The exact dates for these changes are shown in the next section.

2. Revised 2010-11 Schedule and Volumes of PSO-related CFDs

Below shows the contracting process for 2010/'11 PSO-related CFDs. As referred to in section 1, this differs somewhat from that contained in SEM-10-040 and should also be read in conjunction with SEM-10-031². Please also note that any unsold volume from earlier auctions will be carried over to subsequent auctions for periods that have not yet expired. There was some unsold products in the annual PSO related auctions held in June (16 MW Q2 and 44 MW Q3 Mid Merit 2) and these are not included in the tables below but will be added to the relevant auctions.

¹ http://www.allislandproject.org/en/market_decision_documents.aspx?article=4e2e9f44-7fe7-4da6-b2b6-64be1b824689

² http://www.allislandproject.org/en/market_decision_documents.aspx?article=1324200e-97d3-412e-99a2-94b64c804e1e

Bi-Annual Auctions

Approximately one third will be sold bi-annually, with 2 quarterly products from October 2010 to March 2011 and 2 quarterly products from April to September 2011, sold in August and February respectively (rather than September and March as in SEM-10-040).

Auction Date	Baseload, MW				Mid-Merit 1, MW				Mid-Merit 2, MW			
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Wed, 4 th Aug	39	39	-	-	13	13	-	-	13	13	-	-
Tues, 10 th Aug	39	39	-	-	13	13	-	-	13	13	-	-
Tues, 17 th Aug	39	39	-	-	13	13	-	-	13	13	-	-
Tues, 1 st Feb	-	-	39	39	-	-	13	13	-	-	13	13
Tues, 8 th Feb	-	-	39	39	-	-	13	13	-	-	13	13
Tues, 15 th Feb	-	-	39	39	-	-	13	13	-	-	13	13
Total	117	117	117	117	39	39	39	39	39	39	39	39

Quarterly Auctions

Approximately one third will be sold as monthly products over the following quarter, sold prior to the start of the quarter. These are held over more auctions than shown in SEM-10-040 (2 rather than 1 for each product being offered).

Auction Date	Baseload, MW				Mid-Merit 1, MW				Mid-Merit 2, MW			
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Thurs, 2 nd Sept	58	-	-	-	22	-	-	-	22	-	-	-
Tue, 14 th Sept	59	-	-	-	23	-	-	-	23	-	-	-
Thurs, 2 nd Dec	-	58	-	-	-	22	-	-	-	22	-	-
Tues, 14 th Dec	-	59	-	-	-	23	-	-	-	23	-	-
Tues, 1 st Mar	-	-	58	-	-	-	22	-	-	-	22	-
Tues, 15 th Mar	-	-	59	-	-	-	23	-	-	-	23	-
Thurs, 2 nd June	-	-	-	58	-	-	-	22	-	-	-	22
Tues, 14 th June	-	-	-	59	-	-	-	23	-	-	-	23
Total	117	117	117	117	45	45	45	45	45	45	45	45