

SEM and European Electricity Market Integration Regulatory Update

Ballymascanlan, June 3 2011

- ▶ **SEMC 09/042 – Short to medium interconnector issues in SEM**
 - Recommendations on actions to increase use of SEM interconnectors / develop thinking on market coupling and intraday trading

- ▶ **SEMC 10/011 – SEMC Regional Integration Decision**
 - Recommendations on coordination of forward explicit auctions / day ahead price development/ intraday trading solution / SO to SO trades and barriers to trade
 - Market participants generally in favour of an evolving approach

- ▶ **June 2010 – Infringement letters UK / Republic of Ireland from EC on conditions for access to network for cross border exchanges in electricity**
 - No provision for intraday trading in SEM, absence of coordination up to day ahead, Moyle issues

- ▶ **January 2011 – SEMC Decision on Intraday trading solution**
 - For implementation mid 2012

- ▶ ACER Draft Framework Guidelines on Capacity Calculation and Congestion management (FGCACM), closing date for consultation June 10 2011
 - SEMC response
 - Industry participants response?

- ▶ European Council conclusions Feb 2011 – *internal market by 2014 so as to allow gas and electricity to flow freely*

EC / ACER / ENTSOs 3 year plan summary

Deliverable	ACER draft	ENTSO E draft	ACER evaluation	Commitology	Comment
FG CACM	Q2 2011			Q1 2014	
FG network connection	Q2 2011			Q2 2013	
FG system op	Q1 2011			Q4 2014	
FG balancing	Q3 2011			Q1 2014	
Guideline on governance				Q3 2011	
Guideline transparency				Q4 2011	

- ENTSO-E will hold workshops for market participants as Network Codes are developed
- Goal is to implement target models by 2014 and to accommodate the SEM

SEM & European Market Design Disparities

- ▶ European model of voluntary decentralised ‘net pool’ with aim to centralise trading Day Ahead through PXs to create single market
- ▶ SEM a mandatory gross pool with complex bidding, centralised dispatch, ex-post pricing & operated by market operator. No physical trade outside pool.
- ▶ SEM highly liquid market with transparent pricing based on SRMC complex bidding and unit commitment algorithm
- ▶ European markets are self dispatch and unit commitment and so conducive to continuous intra day trading – UCTE meshed network
- ▶ SEM centralised commitment with relatively long gate closure. Continuous intra day trading is likely to be incompatible with SEM

FG CACM

Long term capacity allocation

Single European platform with single set of access rules

- ▶ Procurement of a common auction platform by Moyle and East West IC and associated access rules consultation and approval processes – Q3 2011 Moyle and mid 2012 East West
- ▶ Implementation of coordination project for all ICs in region by September 2011
- ▶ Regional TSOs established a project to produce common and coordinated auction rules for region with long term objective of a pan European platform
- ▶ SEM design issues impact on level of coordination possible at this stage, e.g. CMG requirement for identical nomination procedures

- ▶ ***Day ahead – goal is single European price market coupling***
- ▶ GB / CWE border by mid 2012 and participate in NWE TSO and PCR projects by end 2012
- ▶ GB / SEM border
- ▶ Challenging due to elements of SEM design
 - No firm day ahead price
 - Complex bids
 - Centralised unit commitment and dispatch
 - Longer gate closures
- ▶ Pöyry report
- ▶ SEMC ACER response to acknowledge gross pool market difficulties and to examine loose volume coupling as an option
- ▶ Forthcoming year SEM (RAs/MO/SOs and participants) to actively engage with NWE TSOs and PCR initiatives to see how SEM can be accommodated
- ▶ Preferred option decision by Q4 2012, could be eitherA or B
- ▶ Goal of 2014, wish to maintain SEM high level design

Continuous implicit trading ... Pool markets with central dispatch regional auctions may complement...

- ▶ SEM intraday trading solution 2012 first step to compliance
- ▶ GB/NWE implementation of enduring solution by 2014
- ▶ SEMC ACER Response
 - Robust intraday arrangements important for high wind, island systems
 - Gate closure flexibility important for central dispatch
 - Continuous trading issues for management of system
 - Auction type system should be allowed
 - Model still being developed
 - SEM to engage with NWE enduring solution
 - Need for positive cost benefit outcomes
- ▶ GB/SEM options on how to extend to NWE by end 2012

Other aspects of Target Model

CACM

- ▶ Zone delimitation
- ▶ Capacity calculation

Cross Border Balancing

Governance Guidelines

Cost benefit analyses

FUI work update

▶ FUI actions

- Stakeholder meeting – March 2011
- Minutes on the CEER website
- Ongoing work on compliance with CMG in anticipation of next steps by EU Commission
- TSOs working on coordination plans

Present SEM Committee Strategy

- ▶ Aim to achieve current compliance with CMG:
 - via coordination of long term auctions
 - introduction of two intraday gates in SEM

- ▶ Acknowledgement that:
 - SEM is working well and is meeting its original objectives
 - No desire for a redesign now
 - Changes would require demonstration that benefits outweigh costs

- ▶ Currently no plans to redesign SEM but acknowledgement of importance of target models and commitment to work with TSOs / MO and market participants to see how SEM can make changes to meet model requirements

- ▶ Commitment for SEMC to make decisions by end 2012

- ▶ Response to ACER by 10 June to seek changes to FGCACM to facilitate SEM on intraday and day ahead
- ▶ Publish SEMC response next week
- ▶ RA Input into FUI ACER compliance workplan
- ▶ Oversee introduction of intraday solution by mid 2012
- ▶ Input into other FG
- ▶ Continue to address CMG compliance issues
- ▶ Kick-off project on day ahead/intraday solutions with TSOs / MO and publish RA workplan
- ▶ SEMC decision by end 2012 on next steps
- ▶ Goal of implementation in 2014