

**SEM Technical Workshop on Market Integration Design  
Issues  
Crown Plaza Hotel Dundalk  
October 3rd 2011**

The purpose of this workshop is to provide a forum for interested parties to assist in the development of design options for the SEM to align with the Capacity Allocation and Congestion Management Framework Guidelines.

**Agenda (4 x 1hr Sessions)**

- 09:30**            **Registration and Tea/Coffee**
- 10:00**            **Welcome and Introduction**  
10:10            Project Assumptions and Objectives of Workshop  
10:20            Introduction to Break-Out Sessions
- 10:30**            **Breakout Session 1: SEM and the European Target Model**  
10:30            Introduction (10mins)  
10:40            Discussion (30mins)  
11:10            Updates from Group Chairs (15mins)
- 11:25**            **Break (10mins)**
- 11:35**            **Breakout Session 2: Day-Ahead Timeframe**  
11:35            Introduction (10mins)  
11:45            Discussion (30mins)  
12:15            Updates from Group Chairs (15mins)
- 12:30**            **Lunch**
- 13:00**            **Breakout Session 3: Intra-Day Timeframe**  
13:00            Introduction (10mins)  
13:10            Discussion (30mins)  
13:40            Updates from Group Chairs (15mins)
- 13:55**            **Break (10mins)**
- 14:05**            **Breakout Session 4: Day-Ahead and Intra-Day**  
14:05            Introduction (10mins)  
14:15            Discussion (30mins)  
14:45            Updates from Group Chairs (15mins)
- 15:00**            **Closing Remarks**
- 15:15**            **Meeting closed**

## SEM Market Integration Project Update: August –Sept 2011

ACER finalised the Framework Guideline on Capacity Allocation and Congestion Management in July 2011. Shortly after this, the SEM Committee launched the SEM Market Integration Project in August with the initial objective of providing a report to the SEM Committee by December 2011. This report will identify options for SEM to both give effect to compliance with the target models for the internal electricity market by 2016 and to appropriate transitional arrangements by 2014. The project requires engagement with market participants, consumers, national regulatory authorities, TSOs and power exchanges within the France-UK-Ireland region and beyond.

Since the launch of the project, a number of meetings have taken place to ensure that all viable and compliant options are considered and taken into account.

- On 8th and 9th September, the SEM Market Integration Project Team met with market participants in Dublin and Belfast to have open discussions on how market participants could best be informed on developments and actively participate in the process. These meetings proved to be very useful and identified the need to involve market participants from the start of the project with a workshop scheduled for 3rd October to get market participants views before identifying a number of feasible options in a recommendations report to the SEM Committee for December.
- The SEM Market Integration project team has also met with European regulators, TSOs and power exchanges over the course of September to get additional information on the options available to SEM to meet the transitional arrangements in 2014 and enduring arrangements by 2016.

Discussions with these groups covered but were not limited to –

- The Price Coupling for Regions initiative,
- The NWE market coupling initiatives,
- A Day Ahead Contract for Difference market,
- Emerging European market designs,
- Developments in GB in relation to the above.

In addition, a number of events/meetings have taken place with the purpose of informing market participants of developments towards achieving the Internal Energy Market by 2014.

- On 1st September Energy Ireland hosted an EU Integrated Electricity Market Seminar.
- As an active member of ENTSO-E, the association tasked with writing the Network Codes, EirGrid hosted a forum on the European Electricity Market on 16th September to inform the industry of developments on the network codes, renewables and the grid.

## Market Design issues for consideration

The SEM has been in operation on the island of Ireland since 1<sup>st</sup> November 2007. The high level design of the SEM was published on 10<sup>th</sup> June 2005. This identified the key features of the SEM design as –

- Gross Mandatory Pool, and
- Central Commitment.

By its nature, a Central Commitment market design gave rise to long gate closure, 24 hours optimisation periods and ex-post pricing. The high level market design included the following additional features –

- SMP based on unconstrained bid stack,
- Generator offers to include start and no-load costs,
- Single price for the island,
- Transmission Constraint payments, and
- Explicit Capacity Payment Mechanism.

On 29<sup>th</sup> July 2011, the Agency for the Cooperation of Energy Regulators (ACER) adopted the Framework Guidelines on Capacity Allocation and Congestion Management for Electricity. This set out the guidelines on how future market integration at European level is to develop. This includes –

- Flow based or ATC based Capacity calculation,
- Firm capacity allocation,
- Capacity Allocation through a Day Ahead market using implicit auctions via a single price coupling algorithm, and
- Continuous implicit trading in the intra-day timeframe, with possibility of complementary regional implicit auctions.

These developments give rise to a number of issues with the SEM design. These include –

- Harmonisation of day-ahead bidding deadlines,
- Firm day-ahead prices,
- Single price per bidding area per hour,
- Inclusion of block bids but not necessarily complex bids,
- Harmonised gate closure time for intraday cross-zonal trade

During the fact-finding meetings, a number of issues were identified that need to be addressed to allow the SEM integrate further with European markets. These are set out in the table below –

<b><i>Characteristic</i></b>	<b><i>SEM Design</i></b>	<b><i>European Target Model</i></b>
<b><i>Market Design</i></b>	Pool	Bi-lateral Contracts
<b><i>Trading Day</i></b>	06AM for 24 hours	23PM for 24 hours
<b><i>Trading Period</i></b>	30 minutes	1 hour (for Day Ahead and Intra-Day contracts)
<b><i>Gate Closure</i></b>	Trading Day – 20.5hrs (EA1)	Trading Day – 12hrs (Day- 1)
<b><i>Offers/Bids</i></b>	Generator Complex Offers (with Commercial and Technical components) Demand does not bid.	Simple Offers and Bids Sophisticated Offers (Block Bids, Linked Bids, Minimum Revenue, Energy Limited)
<b><i>Intra-Day</i></b>	2 Implicit Auctions	Continuous Implicit Trading
<b><i>Form of dispatch</i></b>	Central Dispatch	Self Dispatch
<b><i>Firm Pricing</i></b>	Ex-Post	Day Ahead and Intraday
<b><i>Financial Contracts</i></b>	Limited contracts market	Forwards financial and physical markets
<b><i>Cross Border Settlement</i></b>	Interconnector Units settle cross border trades.	Shipping agent settles cross border trades.
<b><i>Capacity Payment</i></b>	Explicit Capacity Payments	Not considered in the FG CACM