

SEM Market Integration Project

Project Update

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Commission for Energy Regulation
An Coimisiún um Rialáil Fuinnimh

Utility Regulator
ELECTRICITY GAS WATER

Project objectives and developments



Project Objectives

- ▶ EU pledge to implement Internal Market for gas and electricity by 2014
- ▶ Key element of this is Target Model for electricity trading which is reflected in Framework Guidelines for Capacity Allocation and Congestion Management (FGCACM)
- ▶ Legally binding on Member States through network codes
- ▶ SEM design will change
- ▶ SEM Committee project to meet these obligations commenced, integration to bring benefits to all customers
- ▶ 8th August 2011, SEMC published its Market Integration Project Initiation Document

Project Developments

- ▶ RA led project involving TSOs and MO
- ▶ Inclusive process
- ▶ Bilateral meetings with participants during September
- ▶ Three market integration workshops to date
- ▶ ACER / ENTSOE / FUI / NWE meetings and discussions ongoing
- ▶ Briefings to Government Departments and European Commission
- ▶ Consultation paper on *“Proposals to implement target model in SEM”* published 24 January 2012
- ▶ Three month consultation – April 20th 2012
- ▶ All project documentation available on All Island web site

- ▶ European update on ACER and ENTSOE developments
- ▶ Overview consultation paper
- ▶ Describe evolutionary options
- ▶ Answer queries, note issues
- ▶ Outline outstanding issues to address for SEM and means to progress these
- ▶ Project next steps and timeline
- ▶ Participative approach to workshop encouraged as previously
- ▶ Will be a workshop report for SEM Committee



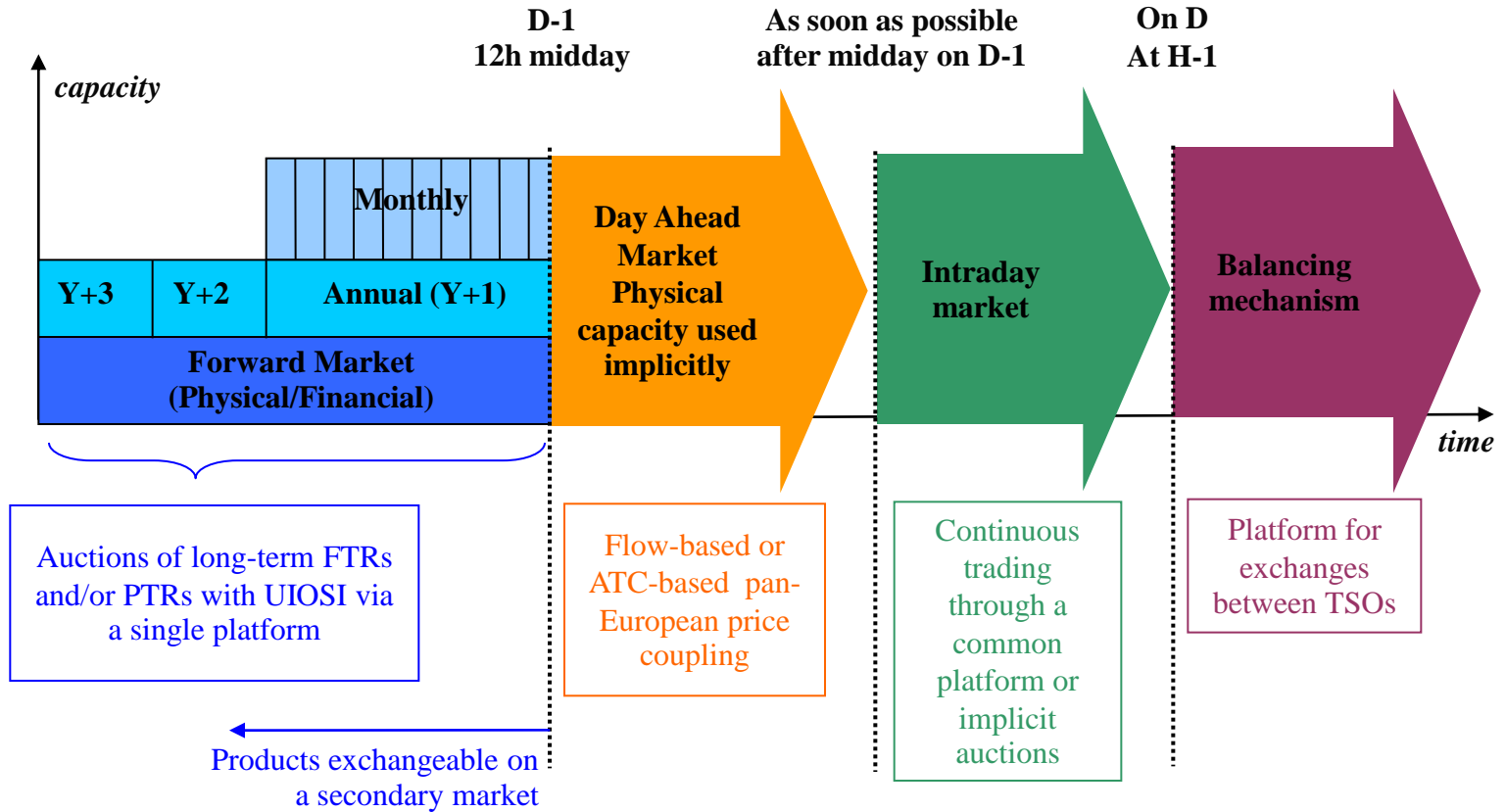
»» Re cap on the challenge

- ▶ SEM is a mandatory gross pool with complex bidding, centralised unit commitment and dispatch, ex-post pricing
- ▶ European decentralised model with aim to centralise trading day ahead & intra day through PXs to create single market
- ▶ Self dispatch in European markets and UCTE meshed network conducive to continuous intra day trading
- ▶ SEM centralised unit commitment with relatively long gate closure – Continuous intra day trading may be problematic

SEM & European Design









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

European Target Model



Market Coupling Current Status



REGIONAL IMPLICIT AUCTIONS		
	CWE	Price coupling
	Austria	1 AT PX price coupled to GE (no congestion)
	GB	1 GB PX price coupled to NL via BritNed only
	Nordic + Estonia	Price coupling, also Poland via Swepol
	ITVC	Volume coupling CWE - Nordic
	Italy - Slovenia	Price coupling
	Mibel	Price coupling
	Czech - Slovak	Price coupling

Source: ENTSO-EW & Europex, May 2011

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»» Potential extra time for SEM

- ▶ Challenge for SEM market design acknowledged
- ▶ Compromise: CACM Section 1.2 regarding implementation:

*‘The CACM Network Code(s) may provide for transitional arrangements for the **day-ahead and the intra-day markets of island systems with central dispatch**, as long as these transitional arrangements:*

- *are justified on the basis of a cost-benefit analysis;*
- *do not unduly affect other jurisdictions;*
- *guarantee a reasonable degree of integration with the markets in adjacent jurisdictions;*
- *do not extend beyond 2016.*

The transitional arrangements shall be proposed by the relevant NRA(s) for inclusion by ENTSO-E in the CACM Network Code(s). The NRA(s) shall provide ACER with the information required for assessing that the above conditions are met’.

»» Conclusions and next steps

- ▶ SEM has met its original objectives but needs to evolve further for benefits of integration to be fully realised
- ▶ SEM Committee committed to Internal Electricity Market. Target Model to be implemented by 2014 –2016
- ▶ Decision to be made on whether to evolve or replace SEM. Network constraints, market power, wind integration are some key issues for SEM
- ▶ Target Model likely to develop over time post 2014
- ▶ Changes to neighbouring markets are also relevant to SEM market integration
- ▶ SEM Committee will continue to work with government ministries, ACER, EC and regional stakeholders

- ▶ Consultation paper first step in process in reaching integration goal by 2016
- ▶ Discussion document to stimulate debate and inform policy
- ▶ Multitude of stakeholders involved
- ▶ Issues remain to be progressed during consultation
- ▶ 1.2 “derogation”
- ▶ Meetings Member States, FUI colleagues, Commission
- ▶ Invitation to Bi-lateral meetings in March
- ▶ Responses due by April 20th 2012
- ▶ SEM Committee Decision expected project next steps Q3 2012
- ▶ Could involve recommendation to Member States