

# Proposals for Implementation of the European Target Model for the SEM Consultation

Aughinish Alumina Trading Response to SEM-12-004  
20<sup>th</sup> April 2012

## 1. Introduction

Aughinish welcomes the opportunity to respond to the consultation paper on the Implementation of the European Target Model. Aughinish have no objection to this paper being published.

Whilst Aughinish support the European target model and the opening up of European trading borders we feel that the founding principles of the SEM are unchanged since 2005 and the benefits gained should not be discarded without compelling justification towards the alternative.

## 2. Comments

### SEM Design

In the context of the island of Ireland the gross mandatory pool has proved to hold a number of advantages over a bilateral market, as was expected by the regulatory authority at its conception. These include liquidity, transparency, dispatch efficiency, suitability for a small market with relatively large generators and the added incentives of renewables and CHP.

### European target model

The target model aims to increase the welfare of European electricity consumers and increasing security of supply by removing barriers to trade. This should be supported and the introductions of intraday trading and standardised cross boarder trading mechanisms will help improve price correlations.



## SEM Integration

At a high level it would appear the evolutionary approach outlined in option 4 of the consultation paper might offer the best of both worlds where Ireland can maintain the core SEM structure and the benefits this includes whilst also providing for the fundamental aims of the European target market.

## Cost of Change

The costs will eventually have to be borne by the electricity user. This is an important consideration especially for Ireland where the presupposition of a decentralised bilateral market does not exist and were it has already been evaluated that this type of market is not in the best interest of the Irish consumer.

Implementation costs should be kept to a minimum but more importantly an electricity market should be fit for purpose.

## Conclusion

Aughinish would support the roll out of a pilot project based on evolutionary option 4 by the end of 2012. We feel this will offer the best value for money to the electricity consumers, by opening the Irish market up to the rest of Europe whilst still maintaining all the stated benefits of the gross mandatory pool.

Thank you for the opportunity to respond,

Yours Sincerely,

Thomas O'Sullivan

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