



SEM Market Integration Project

An Industry Perspective

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About EAI

- Trade Association representing the electricity industry on the island of Ireland (SEM geographic area)
- Eurelectric national member for Ireland
- Membership



Generation		Supply		Networks
AES	ESB	Airtricity	Power NI	ESB Networks
BGE	Tynagh	BGE	Vayu	NIE
Bord na Móna	Energia	Energia		
Indaver Ireland	SSE	Electric Ireland		

Agenda

- Engagement and Stakeholder Forum
- Priority work-streams

SEM integration project

Expressed EAI concerns

- Market redesign is complex, governance is essential
- Understanding commercial impact of change is critical
- Success requires:
 - A well resourced Project Team
 - Direction provided by SEM-C with Departmental guidance
 - Expert technical and economic consultant advice on market design and systems
 - 2-stranded Stakeholder Forum:
 - To monitor direction and progress
 - To discuss in detail elements under consideration
 - Commercial analysis in impact assessments for each design Decision
- TSO role to be clearly defined

Pace of progress a cause of Industry anxiety

Timescales

- Milestone Plan: High level Design commences in < 2 wks.
 - ***Plan for Forum?*** “With consultants, draft and publish a Project Initiation Document (PID) ... which will outline ... reporting and governance arrangements”
- Purpose of Forum:
 - Involve participants in market design and implementation
- Key Responsibilities:
 - Engage on development & implementation of Market Design

Ofgem and EMR

- RIGOROUS stakeholder involvement necessary to provide assurance and build investor certainty
- Need process to discuss challenges and responses
- Build consensus on approach to market arrangements

Stakeholder Forum Structure

Example 1: CER Smart Metering Project

Industry Steering Group (Monthly)

Programme Direction & Monitoring
Industry Programme Sponsors
Chaired by CER Programme Sponsor

Industry Working Group (Monthly)

Programme Management & Monitoring
Industry Project Managers & CER Regulatory SME Manager
Chaired by CER Programme Manager

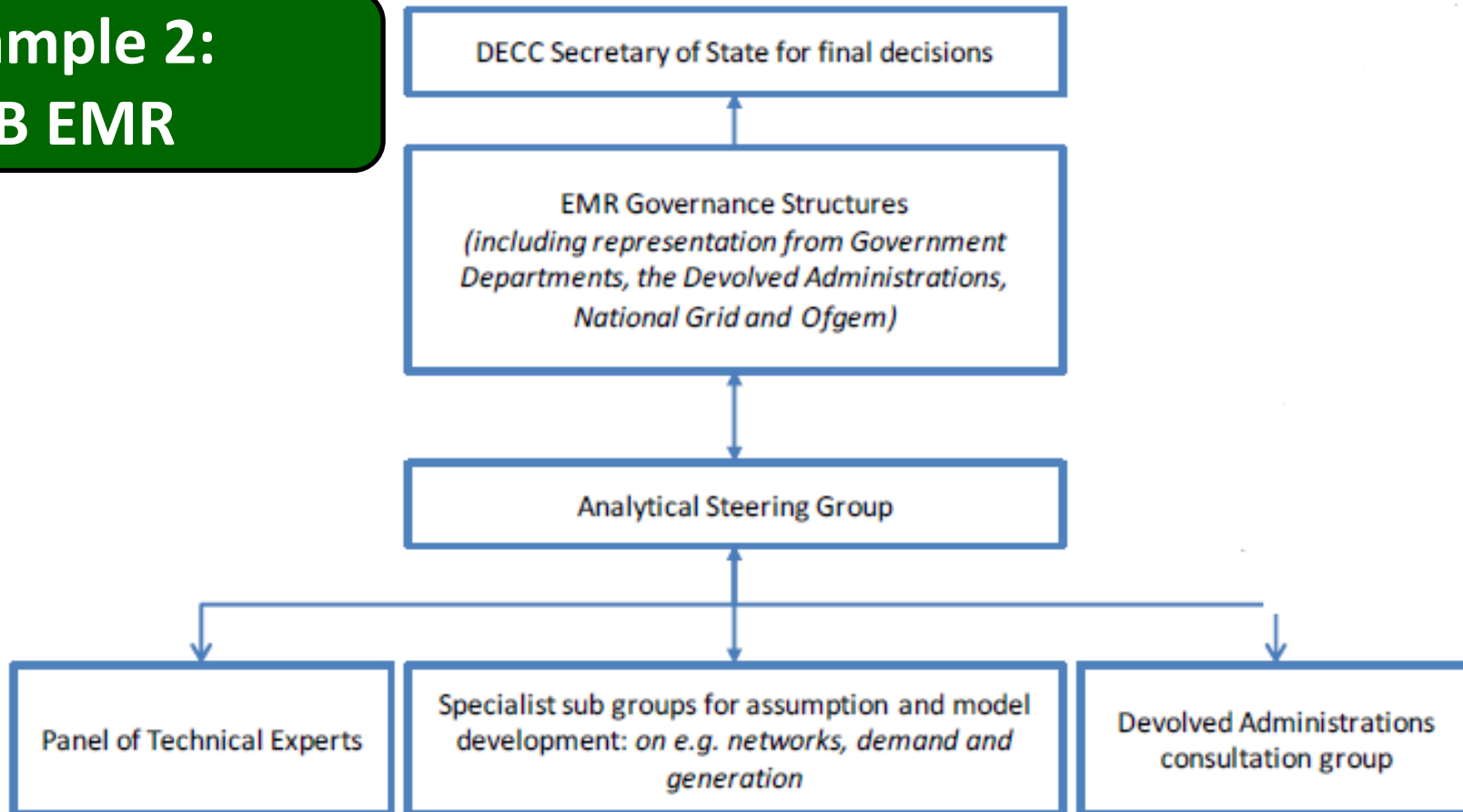
Industry Work Streams & Sub-work streams (Frequency as required)

Programme Deliverables & Activities
Industry SMEs as required
Chaired by Work Stream Lead

- Tariffs (CER Lead)
- Consumer Policies & Procedures (CER Lead)
- Electricity Retail Market Systems & Processes (ESB Networks Lead)
- Gas Retail Market Systems & Processes (Bord Gáis Networks Lead)
- Electricity Wholesale Market Systems & Processes (EirGrid Lead)
- Consumer Engagement (CER / SEAI Lead – TBC)
- Electricity Solution Procurement (ESB Networks Lead)
- Gas Solution Procurement (Bord Gáis Networks Lead)

GB Electricity Market Reform

Example 2: GB EMR



Suggested Engagement Approach

Market Integration Stakeholder Forum (Steering Group: Monthly)

Programme Direction & Monitoring

TSOs, industry, academia and consumer groups: *Chaired by RA Project Director*



Industry Working Group (Monthly)

Programme Management & Monitoring

Industry Project Managers: *Chaired by RA Project Manager*



Technical Work Streams (Frequency as required)

Programme Deliverables & Activities

Membership as required: *Chaired by Work Stream Lead*



Wider Programme Stakeholder Engagement & Communications

Stakeholder Management & Communication Plan

Priority Work-streams 1

- [Implementing Governance Framework – *maximise use of available experts*]
- Delivering DA Coupling
- Delivering Intraday Coupling
- Forward trading
- Balancing (to include dealing with priority dispatch) and imperfections
 - *How tightly coupled must each be between markets*
 - *Risk assignment and capacity of participants to manage*
 - *Nature and liquidity of risk management products traded in market*
 - *Supplier participation (or generator only) in wholesale market*
 - *Revenue adequacy and sustainability/finance-ability*

Priority Work-streams 2

- Treatment of RES – if separate from Balancing
- Market Power mitigation and risk management
 - *BCOP, DCs, liquidity*
 - *I/C market power may need consideration*
- Capacity Payments and ancillary services
 - *Changing industry structure; decreasing energy and increasing capacity and flexibility cost*
 - *Addressing stranded investments*
- Zones / locational issues
 - *Non-jurisdictional (N-S or E-W), scale aspects*

Conclusion

- Structured interaction of participants via Stakeholder Forum a critical element of process
 - Suggested model proposed
- Key issues align
 - Early, consistent consideration of commercial aspects
 - System operational issues ≠ market design