

Market Integration Project

Phase 2 - HLD

Jean Pierre Miura

- ▶ The phase 1 of the project has been completed.
 - Publication of the SEM Next Steps Decision Paper
 - Selection of the consultancy firm to support the RAs on the HLD phase.
- ▶ The Phase 2 of the project (High Level Design) is now underway.
 - Poyry Consulting has been selected to support the RAs throughout this phase.
 - Consultants are already on board and a number of meetings and workshops have already taken place.

- ▶ Objectives of this phase:
 1. To review of the SEM High Level Design in light of target model requirements.
 2. To achieve some flexibility within the target model so that the particularities all island system and market structure can be accommodated. (This will be achieved by RAs engagement at EU level)

- ▶ Authority for the Project
 - The SEM Committee is the project's decision making body.
 - However the overall authority for market design lies with the government departments (DETI and DCENR)
 - Therefore any market design developed by the RAs must be endorsed by the Departments.

▶ Key Deliverables:

- Consultation Paper (February 2014)
- Proposed Decision Paper (June 2014)
- Decision Paper (August 2014)

▶ Constraints

- New HLD should be in line with principles and working assumptions as set out on SEM Next Steps Decision Paper (SEM-13-009.)
- The new HLD should also be in line with pillars of the target model which are:
 - Implementation of Capacity Calculation Zones
 - Introduction of Cross Border Forwards
 - Day Ahead/Intraday Market Coupling
 - Cross Border Balancing Facilities in place

▶ Key Assumptions

1. No major changes of direction (in addition to the ones already signalled)
 - By European Commission on key policy areas.
 - By Ofgem on BETTA's Market Design
 - And By DECC's on the EMR process

▶ Key Interfaces and external dependencies

- The DS3 is obviously a key interface of this project – The HLD should take in consideration all streams of revenues for market participants.
- Commitology process of the CACM Network Code is also a key external dependency – Any significant delay in this process could affect our timeframes.
- Finally the imminent publication of the EC's decision on State Aid Guidelines could reduce the degrees of freedom for the design of the new CPM and bid controls mechanisms.

- ▶ The production of the policy papers on the new HLD will be divided in three workstreams
 - **Workstream A: Development of HLD Proposals**
 - Development of a number of feasible options
 - Review of consultation responses
 - Drafting of policy papers
 - **Workstream B: Impact Assessment of Options**
 - Qualitative and quantitative assessment of the proposed HLDs
 - It will also include CBA of the proposed market design.
 - **Workstream C: Stakeholder Engagement**
 - Coordination with internal and external stakeholders
 - Organization of industry forums.

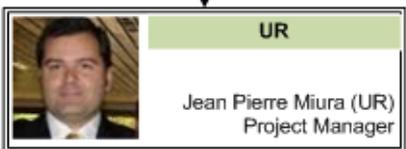
▶ Resources

- The RAs have allocated five full time analysts and 2 Managers to this project.
- Poyry will deliver 480 man-days of consultancy support to the RAs team.
- **SEMO and TSOs:** Will also be involved in the project in their capacity as ENTSOE and EUROPEX members.

▶ Governance

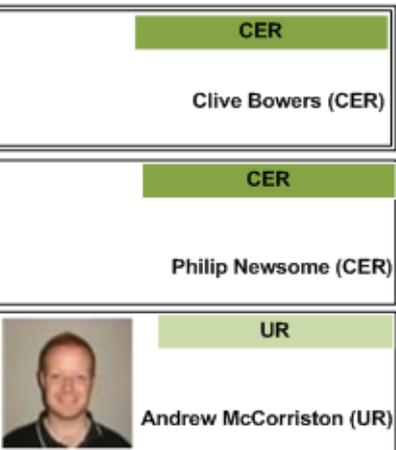
- **PROJECT BOARD:** Responsible for the overall direction of the project.
- **PROJECT MANAGER:** Responsible for the day-to-day management of the project within the constraints set out by the project Board.
- **WORKSTREAMS LEADERS:** Technical responsibility for the achievement of the workstreams objectives.

Project Board

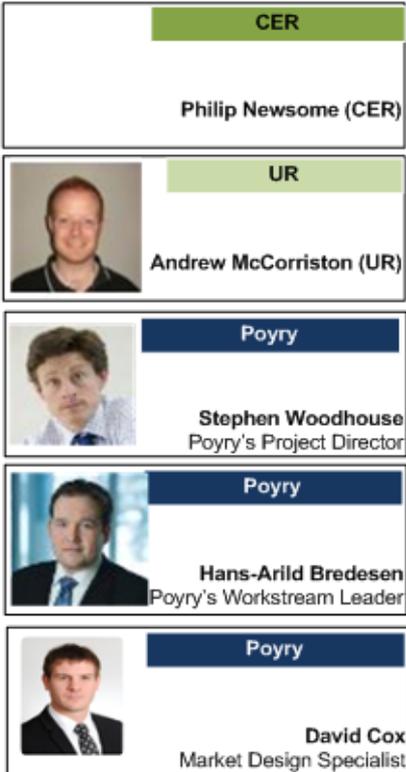


Project Office

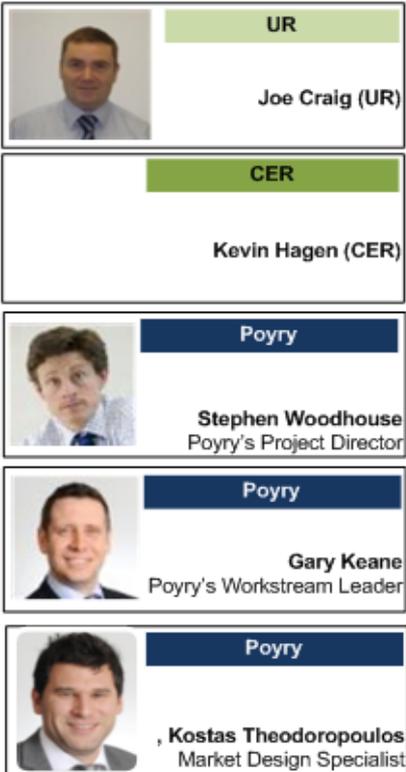
Target Model Development and HLD Consistence Check



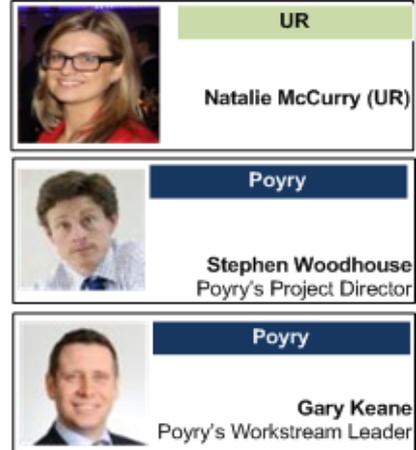
Workstream A: Options and Document Development



Workstream B: Assessment



Workstream C: Stakeholder Engagement



- ▶ **Open Stakeholder Forum**
 - Open to all interested parts.
 - From now until August 2014 the RAs will hold another 4 or 5 pan lateral meetings with the industry.
 - Next meetings provisionally scheduled to February 2014

- ▶ **High Level Design Review Group**
 - The RAs will invite interested parties to join a group of about 14 individuals which will form the SEM HLD Review Group.
 - It is expected that this group would meet monthly to discuss the emerging thinking in terms of options for the HLD.
 - The selection criteria for the formation of this group will be based on relevant experience of each individual and industry's segment representation
 - Invitations to interested parties will be sent shortly.
 - First meeting has been provisionally scheduled for 30th October

- ▶ Very compressed timescales for the delivery of key policy papers.
- ▶ Timely decision making of the SEM Committee will be critical for the success of the project.
- ▶ The project will be resource intensive and will require additional dedicated staff from industry, TSOs and Departments.
- ▶ The new market design will need to be agreed by both RAs (UR and CER) and both Department (DETI and DCENR).

- ▶ Publication of the terms of reference for the HLD Review Group (15–Oct)
- ▶ First discussion on the emerging thinking for HLD options will take place at the next SEM Committee meeting on (31–Oct)
- ▶ Publication of the projects chronogram (end of this week)
- ▶ First HLD Review Group meeting to take place in Belfast on (30–Oct)
- ▶ Second HLD Review Group meeting (18–Nov)
- ▶ The SEMC will hold a Strategy Day which will be used for the refinement of options of HLD on (27–Nov)
- ▶ January’s SEM Committee should approve the consultation paper with options of HLD to be consulted upon from **February 2014**

Thank you