



PÖYRY

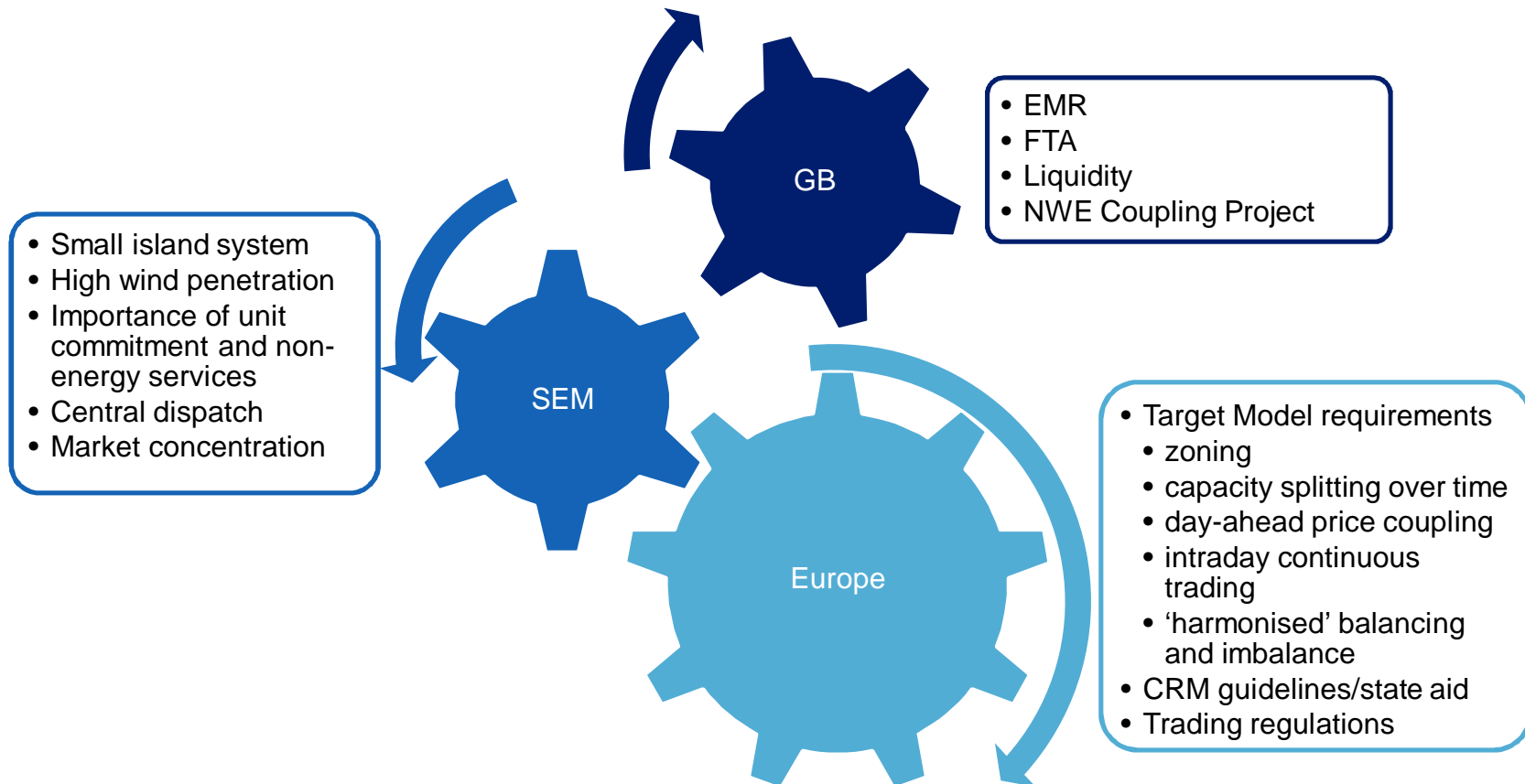
**PÖYRY'S VIEW ON MAIN ISSUES FOR PHASE II
OF THE REVIEW OF THE SEM HLD**

14 October 2013

Gary Keane

The wider policy context for the Market Integration project is complicated and continues to change

We have extensive experience across all of these issues – both through project work and contributions to public debate



It is important not to forget the range of other issues facing the SEM and its participants

Regulatory change

- The Market Integration project
- Scheduling and dispatch
- Capacity payments (emerging European positions)
- Liquidity and market power mitigation
- EMR in NI
- Tie-breaks in curtailment situations
- DS3 (ROCOF and system services)
- REMIT, MiFID and market monitoring
- Integration of new technologies (storage & DSU)

Networks and retail

- Future TUoS & DUoS
- Grid25 & RP5
- Retail competition
- Smart metering
- Directed (& Non-) contracts
- GUAs
- PSO levy
- Grid code compliance

Generation mix and price formation

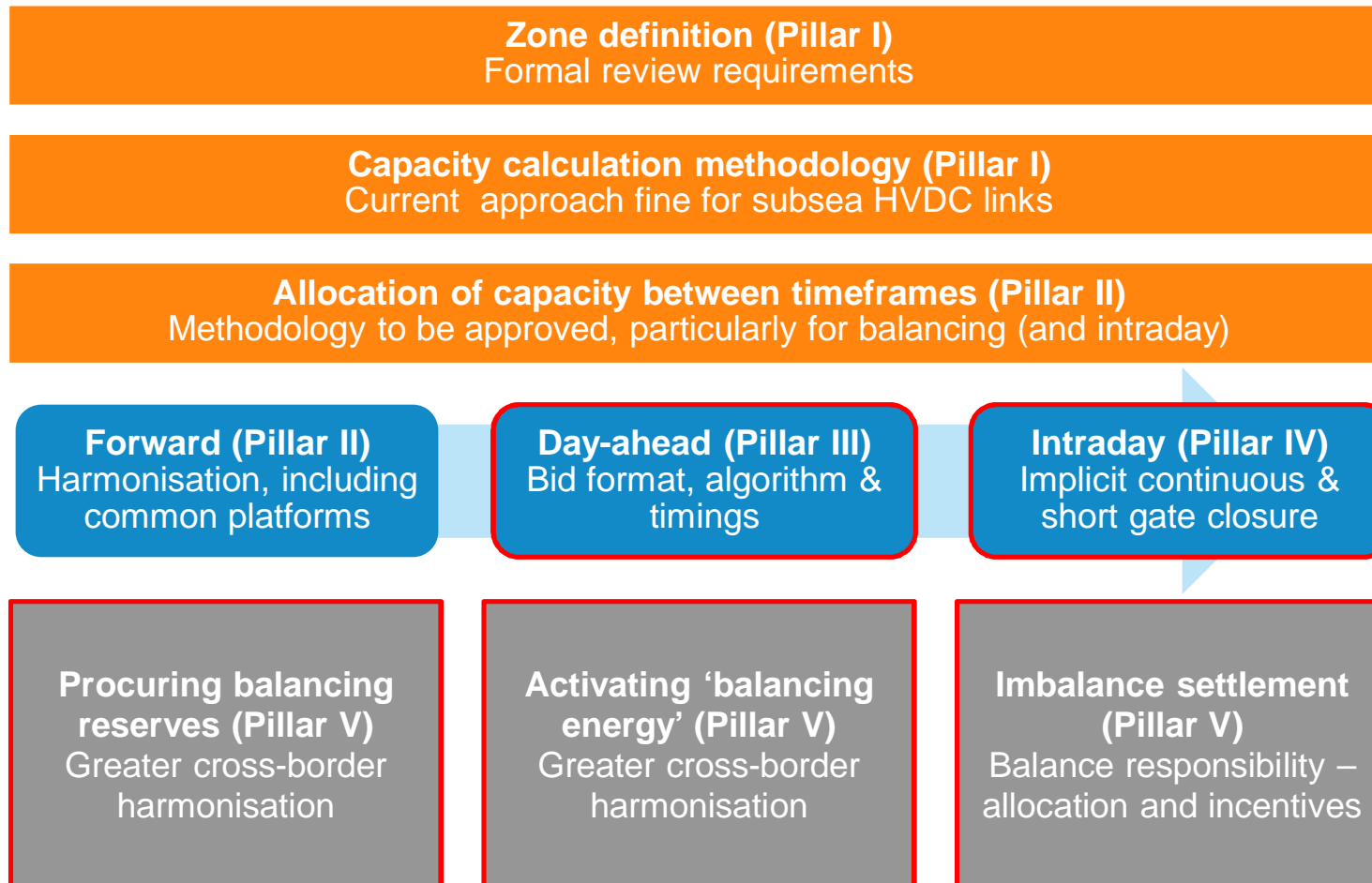
- Fossil fuel & carbon prices
- Interconnection
- High capacity margins
- Gas transportation costs
- IED implementation
- Great Island CCGT
- Unit commitment, complex bidding and consequential impact on prices
- Losses on interconnectors
- State asset sales

Renewables and carbon

- REFIT 2 & 3
- FIT CfD
- Curtailment & constraints
- Grid connection & planning
- Future wind load factors
- Export projects
- Financing
- Non-wind renewables
- Status of hybrid plant and EfW
- De Minimis threshold & Intermediary arrangements

The critical issues for the implementation of the Target Model in the SEM relate to commercial arrangements close to real-time

The DS3 programme will address the arrangements for the procuring of balancing reserves



We will work to resolve the dilemmas at the heart of how best to implement the Target Model in the SEM

These dilemmas may be perceived and/or real – however, it is clear that operational realities will challenge the ‘one size fits all’ EU market template

Price coupling
versus
efficient unit commitment

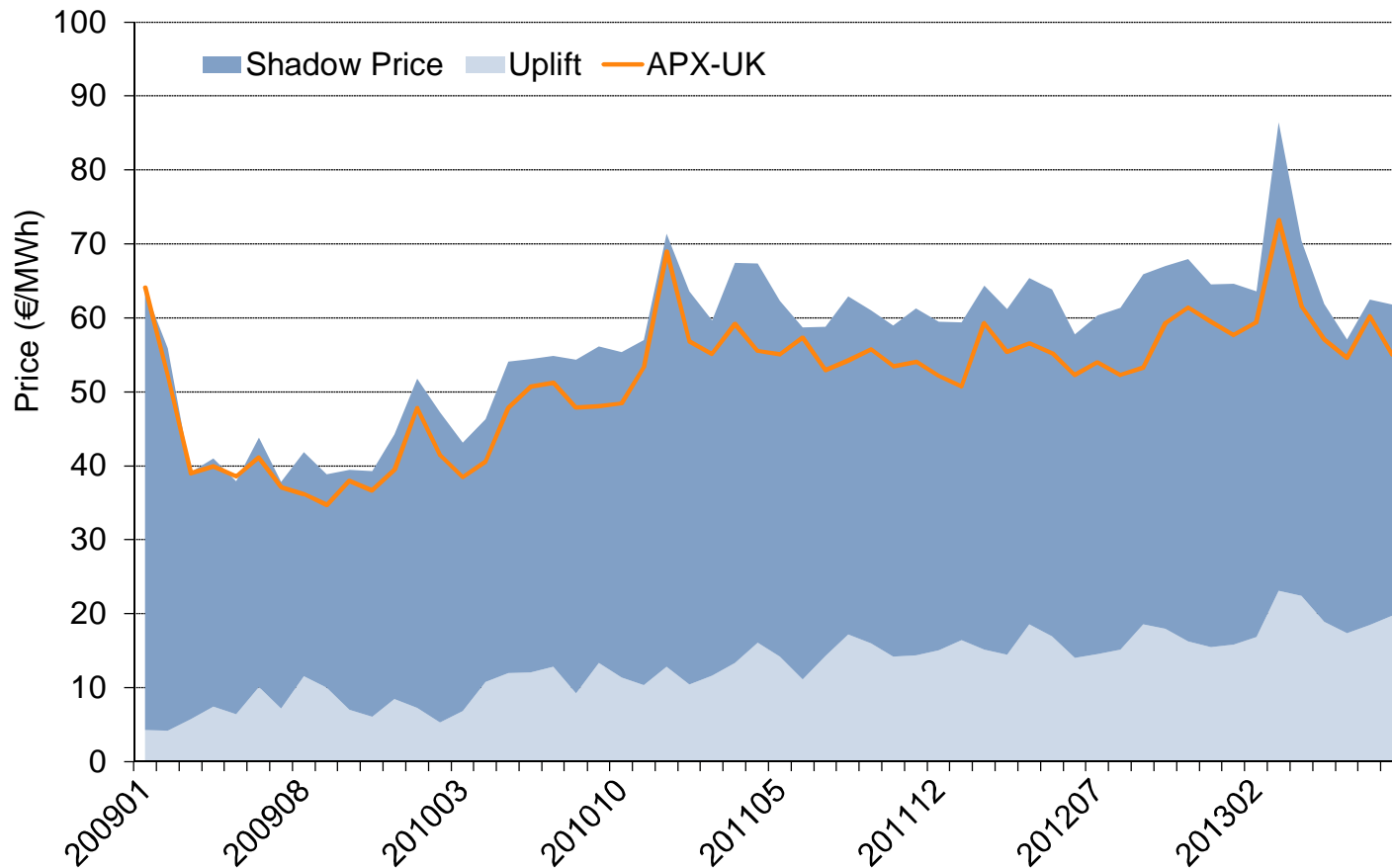
**Continuous implicit trading
up to 1 hour gate closure**
versus
**TSO (central) dispatch
requirements**

**Arrangements for balancing
and imbalance**
versus
**promotion of renewable
energy**

**Comparable cross-border
prices**
versus
**national capacity
mechanisms, bid structures
and price algorithms**

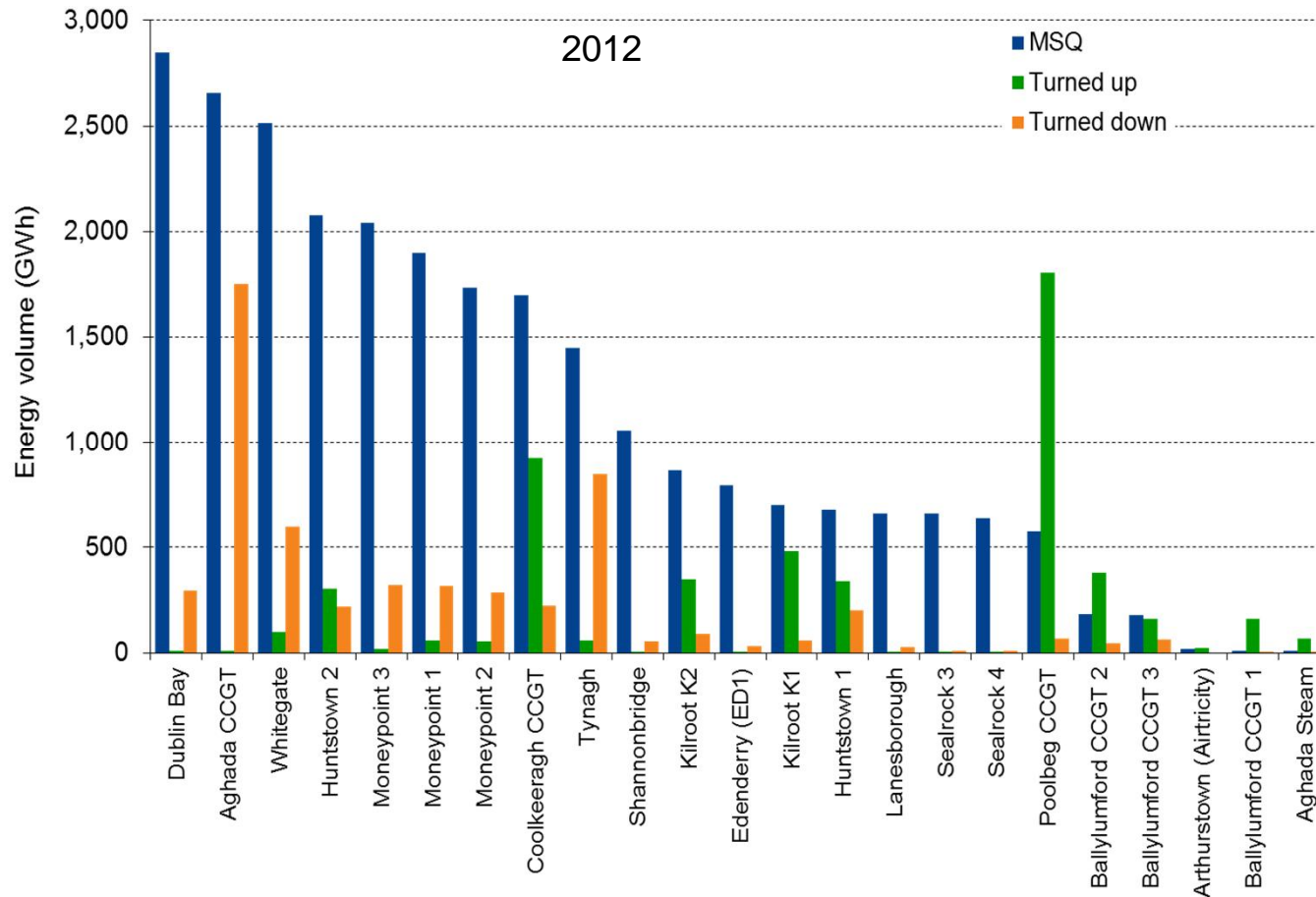
Can price coupling arrangements deliver efficient unit commitment, which is so important for the Irish system?

Even under current SEM arrangements, start-up and no load costs increasing in importance in consumer bills – highlights importance of including this in the optimisation



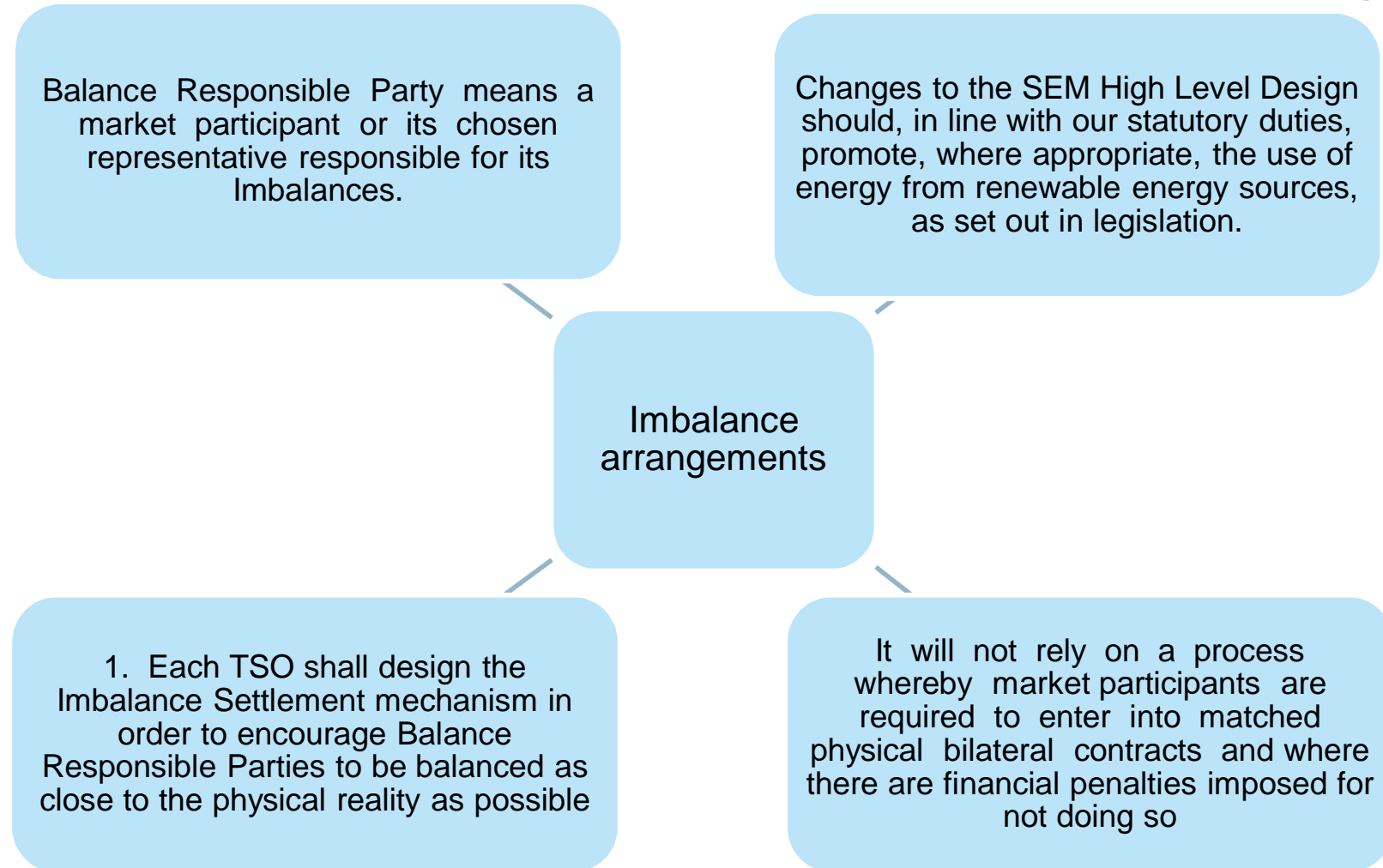
How will continuous intraday trading interact with the ability of the TSO to dispatch the system?

System dispatch increasingly influenced by factors not recognised in trading of standard energy products

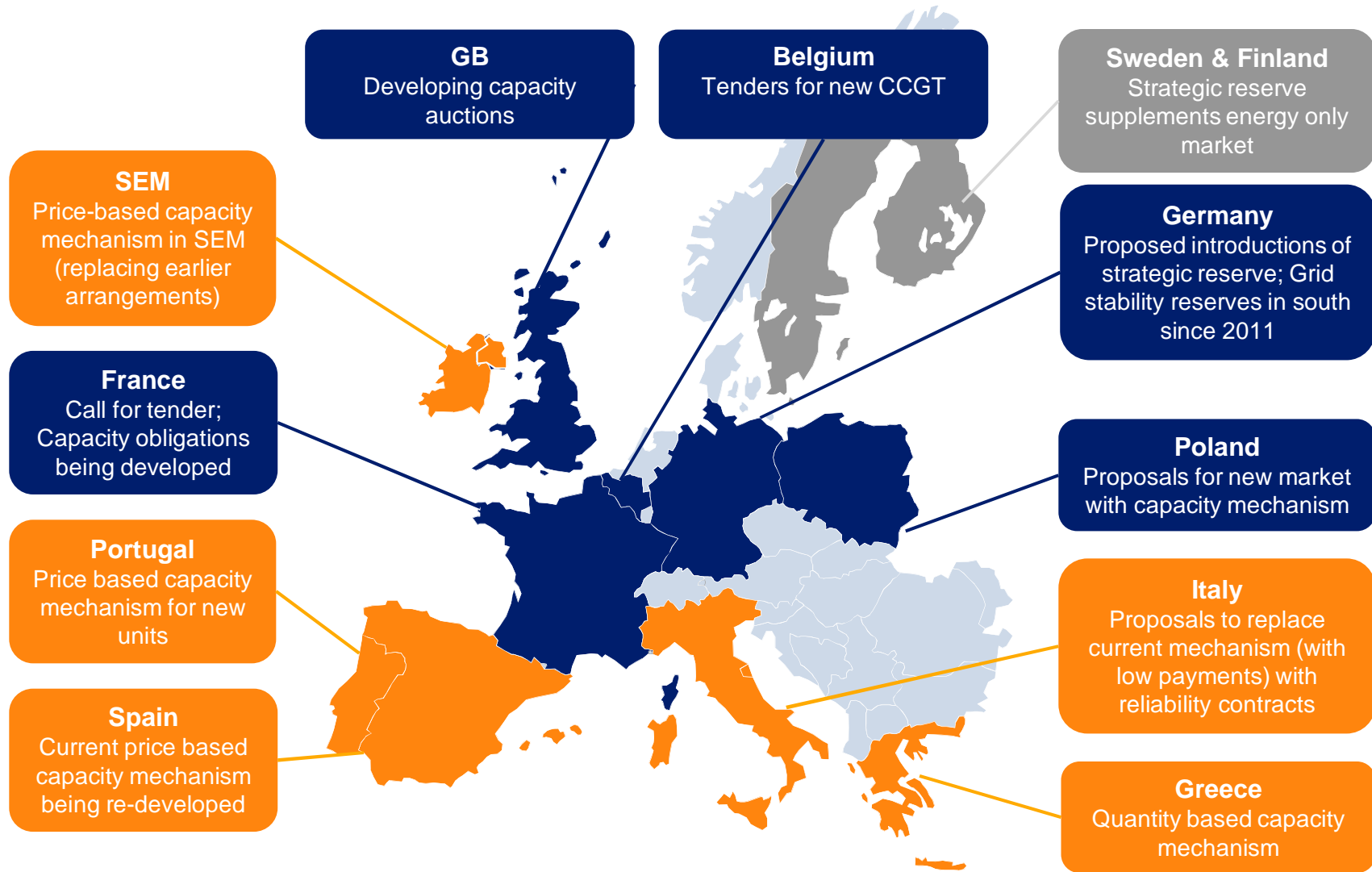


Any changes to the arrangements for ex-post pricing will need to consider the impact on renewable energy

The Target Model uses the term 'imbalance settlement' to refer to ex-post pricing



There is a fierce European debate on the future of national capacity mechanisms



This will be a high-profile, challenging and interesting project – positive engagement with industry required for success

SEM is not facing these issues alone – discussions here will be reflected in wider European debate about the market integration process

Price coupling versus efficient unit commitment

Continuous implicit trading up to 1 hour gate closure versus TSO (central) dispatch requirements

Arrangements for balancing and imbalance versus promotion of renewable energy

Comparable cross-border prices versus national capacity mechanisms, bid structures and price algorithms

Coherent alignment of rewards, risks and responsibilities (across scheduling and dispatch)

Delivering workable, robust and timely solution that delivers real benefits for Irish consumers



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