



SEM Integration Workshop

EAI Perspectives

14th October 2013



A Sustainable Future Powered by Electricity

Context



**Undermining of future investments
a major long-term risk for customers**

Uncertain External Drivers

- Commission (DG ENER) Guidance (16th Oct?)
 - RES Support and Cooperation Mechanisms
 - CRM
 - Demand Response
- Environment and Energy State Aid Guidelines (Nov?)
- 2030 Energy and Climate Framework (Mar 2014?)
- Competitiveness Agenda / Energy Affordability
- Critical Network Codes not finalised
- Future of GB EMR?

Frame of Reference

A Square Peg?

SEM Fundamentals

- Gross Mandatory Pool
- Ex-post price

SEM Next Steps

- Core Centralised Design
- Incorporates RES
- Capacity Mechanism

A Round Hole?

Target Model Fundamentals

- Long Term Cross Zonal Hedging (Forward) via FTR/PTR
- Firm Day-Ahead (Ex Ante) Price Coupling
- Intraday
 - Continuous bilateral or
 - Intraday Auctions
- TSO-TSO Balancing

A move to ex-ante* pricing for SEM design makes many of the issues become manageable (* exclud Balancing)

EAI Market Integration Priorities

- Forward trading
- Delivering DA coupling
- Delivering Intraday coupling
- Balancing and imperfections
- Capacity payments and ancillary services
- Integration of RES
- Market power mitigation
- Risk management and market liquidity
- Zones / locational issues

Engagement with EU at all stages a key requirement

Customer engagement with process

- Key impacts for customers determined at high level design stage; technical design and implementation a second order concern
- Stated primary issue for customers is price –
 - Highlight price vs. security trade-off to encourage engagement
 - Express concepts in plain language
- Input channelled through representative bodies (IBEC-CBINI, CAI-CCNI) and via direct response to consultations

EAI Proactively Promoting Flexibility from Europe

• Engagement with EURELECTRIC

Markets	Member	Alternate	
Markets Committee	John Lawlor (ESB)	Jill Murray (BGE)	SEM Integration
WG Wholesale Market Design	John McNamara (BnM) Ciaran O'Brien (BGE)	Kevin Hannafin (Energia)	RES Integration CRM
WG Gas to Power (Horizontal)	Derek Russel (EI)	Derek Scully (Energia)	
TF Financial Regulation & Market Integrity	Julie-Anne Hannon (BGE) Jag Basi (ESB)	Vacant	
WG Market Integration & Network Codes	Paul Conlon (ESB) Kevin Hannafin (Energia)	Julie-Anne Hannon (BGE)	SEM Integration
Energy Policy and Generation	Member	Alternate	
Energy Policy & Generation Committee	David Manning (SSE)	Cormac Madden (ESB)	RES Integration
WG Innovation (Horizontal)	Fergal Egan (ESB)	Vacant	
WG Renewables	David Finn (ESB)	Kevin Hannafin (Energia)	RES Integration
WG Thermal & Nuclear	Brian Armstrong (ESB)	Marion Troy (SSE)	
WG Hydro	Karol O'Kane (ESB)	Vacant	
Networks	Member	Alternate	
Networks Committee	Donal Crean (ESBN)	Carl Hashim (NIE)	RES Integration
WG DSO Project Deployment	Ellen Diskin (ESBN)	Senan McGrath (ESBN)	
WG Distribution Regulation & Policy	Carl Hashim (NIE)	Derek Hynes (ESBN)	RES Integration
WG Distribution Customers & Grid Management	Philip Denmeade (ESBN)	Kevin O'Neill (NIE)	
WG Distribution System Design	Tony Hearne (ESBN)	Tony Walsh (ESBN)	
Environment and Sustainable Development Policy	Member	Alternate	
Environment & Sustainable Development Committee	John Reilly (BnM)	John McNamara (BnM)	RES Integration
WG Environmental Protection	Duncan Clarke (ESB)	Marian Troy (SSE)	
WG Climate Change	Reinout Wissenburg (SSE)	Cormac Madden (ESB)	RES Integration
WG Energy & Resource Efficiency	Ger Harrett (BGE)	Alistair McGirr (SSE)	
Retail Customers	Member	Alternate	
Retail Customers Committee	Mark Fogarty (EI)	Alistair McGirr (SSE)	RES Integration
WG Commercial Processes & Customer Relationship	Alistair McGirr (SSE)	Derek Russell (EI)	

• Engagement with EU Bodies (Submissions to ACER, ENTSO-E and Commission)

- Network Codes
- State Aids (CRM, RES)
- Energy policy

General Summary

Finding a workable solution to electricity import/export is main objective

- Move to ex ante pricing for trading timeframes makes integration manageable
 - Feasible within current SEM structure
- Needs of participants and society met where LRMC (renewable and conventional) recovered
- Physical, infrastructure and technical characteristics of SEM a core consideration
- CPM
 - Has supported market development
 - Capacity (and/or storage) an inevitable, increasing element of future cost to customers as RES increases
 - Retain CPM
 - Ex ante, all participants, cognisant of EU developments
- RES integration a priority design factor
- Risk allocation, management and liquidity important supplier and generator concerns
- Design should address integration of Electricity and Gas markets
- Value in robust CBAs at key elements in design process

END



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