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Design options for the Integrated Single Electricity Market

Dear Jean-Pierre, Dear Philip,

Ibec, the group that represents Irish business, welcomes this opportunity to comment on the four design options that are currently being considered by the SEM Committee. Through our Energy Policy Committee, we seek to promote common interests amongst our members, who include electricity generators, suppliers, users and network operators. This letter summarises the main points that Catherine Joyce-O'Caollai and I raised at our bilateral meeting with you on 12th March.

First, we would like to reiterate that Ibec members wish to see market arrangements in place from 2016 that are not only compliant with the EU Target Model but also economically efficient. We do not currently have a consensus amongst our members as to which of design option is preferred. There is, however, broad agreement that the following concerns need to be addressed.

- The SEM Committee's proposed decision should be accompanied by a Regulatory Impact Analysis (RIA), incorporating some quantitative modelling of plausible market outcomes under different interconnector flow directions. The worked examples that have been provided to date are helpful, but they are not sufficient for this purpose.
- The results from this modelling should enable market participants to understand whether SEM wholesale prices are likely to be more or less sensitive to movements in fossil fuel prices and/or to BETTA market prices than at present. To do this will require some explicit assumptions about generator bidding rules.

- To enable energy end-users to understand the likely impact of the SEM Committee's decision on their electricity bills, the counterfactual scenario in each modelling run should be as close as possible to the current ex-post pool design.
- Assuming that the chosen design will incorporate one or other of the CRM options that have been outlined, it will be very important to ensure that the overall market design does not require notification to the EU for State Aid approval. The capacity mechanism must therefore not interfere with competition or cross-border trade, and should not confer selective advantage on particular classes of market participant.

Also, we recommend that the following questions be considered in evaluating the design options.

- If a particular design option required renewable generators to act as price-makers rather than price-takers, how would this be reconciled with the principle of priority dispatch?
- If a particular market design required bidding rules based on marginal cost principles, how would this apply to interconnectors?
- If a particular design option would not result in transparent, achievable daily reference prices for renewable generators, how would the regulator validate the incurred cost of any public service obligation?

In conclusion, we would like to thank you again for having involved us in the High Level Design Review Group. We very much enjoyed participating in the process, and we look forward to reviewing the proposed decision paper.

Yours sincerely

A handwritten signature in blue ink that reads "Neil Walker". The signature is written in a cursive, slightly slanted style.

Neil Walker
Head of Energy and Environment Policy