



Kevin Hagan
Commission for Energy
Regulation
The Exchange Building
Tallaght
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Kenny Dane
Utility Regulator of Northern Ireland
Queens House
14 Queen Street
Belfast
BT1 6ED

25th of March 2015

RE: EAI response to ISEM Building Blocks Consultation, SEM- 15-011

Dear Kevin, Kenny,

EAI is committed to constructive engagement in the ongoing detailed design process to ensure a well-functioning, competitive and sustainable electricity market on the island of Ireland. Our members welcome this latest opportunity to engage in the process to determine the ISEM Energy Trading Arrangements (ETA).

The stated objective of the 'Building Blocks' workstream is to accommodate existing high level policy issues in the detailed design of the ETA. This consultation identifies the key issues and sets out proposals on how they might be implemented in ISEM. The overall Project Plan for I-SEM needs to recognise the interconnection between workstreams and be cognisant of the fact that stakeholders cannot consider policy decisions in isolation from the market design. EAI advocates that the Project Plan include scope to re-visit relevant policy areas from the Building Blocks consultation in the context of the forthcoming Markets consultation and that a final decision on Building Blocks be deferred until the energy trading arrangements have been finalised.

The EAI endorses the RAs' explicit acknowledgement that the design of the I-SEM balancing market (BM) will determine the ultimate approach to many of the issues discussed in this consultation. Furthermore, an understanding of the TSO approach to dispatch is required to interpret how stated policies will be implemented in I-SEM. For the BM to function it is imperative that the principle of 'unconstrained' markets is respected and that Market Participants can trade up to the maximum capability of their generation units without being impacted by constraint actions from the TSO.

The remainder of this letter will outline high level comments on some of the Building Blocks to the extent that is possible whilst the final energy trading arrangements remain to be determined and in the absence of further quantitative analysis on the impact of these proposals on prices and consumers



High Level comments on the Building Blocks:

- EAI favours one single notional point for the application of **losses** in each market timeframe, including the Balancing Mechanism. The proposed approach of using difference notional points in different market timeframes is unduly complex.
- EAI supports separate representation of **interconnector losses**
- EAI welcomes the SEMC view that the treatment of **constraints** should remain the same in I-SEM as in the current SEM.
- EAI requests additional quantitative analysis to assess the potential impact of non-firm generation on the DAM and BM.
- The TSO should be obliged to publish timely and reliable information in relation to the operation of the system (including intraday forecast of the capability to accept output from non-firm generators) to assist firm and non-firm generators alike to fully exploit commercial opportunities.
- Further modelling is required to assess the extent of curtailment, in light of DS3 delays, with increasing levels of wind penetration including assessment under different scenarios, of the likely impact on the market (prices, interconnector flows, consumer costs etc).
- EAI supports retention of dual-currency arrangements.
- EAI would welcome the publication of any additional information of relevance to a dynamic market.

To conclude, EAI reserves detailed comment on the Building Blocks at this point and supports postponement of any final decision until energy trading rule decisions have been finalised. We further urge the RAs to undertake robust quantitative analysis to assess the impact of proposed policies on prices, consumers, interconnector flows etc, once those energy trading decisions have been made before deciding on the appropriate policies to apply in ISEM.

We are available to meet with you to discuss this response at the earliest opportunity.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Stephen Douglas', is written over a light blue horizontal line.

Stephen Douglas
Senior Advisor
Electricity Association of Ireland (EAI)