



Kevin Hagan
Commission for Energy Regulation
The Exchange Building
Tallaght
Dublin 24

Kenny Dane
Utility Regulator of Northern Ireland
Queens House
14 Queen Street
Belfast
BT1 6ED

5th of June 2015

RE: EAI response to ISEM ETA Markets Consultation

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).

It is necessarily a brief high level response because of the short consultation time period, and more fundamentally because of the genuine difficulty our members have understanding how the large number of disparate options presented in the consultation paper will deliver an internally consistent well-functioning market that is consistent with the intent of the HLD.

EAI members are concerned that there is an overriding emphasis throughout the consultation paper on TSO operational requirements (most notably provision to accommodate extensive early TSO actions) without due consideration of their impact on TSO behaviours or market incentives. We believe this approach is unorthodox and at odds with the I-SEM energy market design philosophy and Target Model objectives and therefore risks undermining the integrity of the I-SEM energy markets.

Our members anticipated the above issues from earlier participation in RLG meetings and EAI wrote to the Regulatory Authorities (RAs) on 9th February 2015 specifically to raise the need for more principled and structured market design debate around the intent of the HLD. We believe this is still required and should be progressed through further RLG meetings and appropriate analysis. Without such debate, informed by qualitative and, where appropriate, quantitative analysis of design proposals, and further clarification regarding the TSO approach to system management under I-SEM it is difficult for our members to provide definitive views on the proposals presented in the Markets consultation paper.

In light of the above concerns EAI requests on behalf of its members, and in the interests of the consumer, that the RAs publish a Proposed Decision for further consultation. We suggest that the Proposed Decision should be used to clearly set out the following:

1. The philosophy of the energy market design
2. The TSO approach to system management under I-SEM

3. Coherent groupings of design proposals that offer appropriate and proportionate solutions to well-defined problems
4. Design proposals that are demonstrably consistent with the overarching philosophy of the I-SEM energy markets.

Adopting such an approach will help facilitate: (1) the development of coherent market design proposals that interested parties can meaningfully evaluate and respond to; and (2) delivery of well-designed, efficient energy trading arrangements.

EAI is keen to engage with the RAs, the TSOs and their respective consultants to progress the design of the I-SEM energy markets and achieve the above objectives in a timely manner and therefore suggest that a dedicated working group is established to support and model the I-SEM balancing market design. Furthermore, EAI requests that a dedicated workstream is set up and integrated into the I-SEM project to co-ordinate and manage modelling activities. Such an approach would fully integrate modelling working group activities into the detailed design process, and would allow the inter-dependencies between modelling work and design decisions to be effectively managed, maximising utility across all stakeholders.

Given the TSO-focused nature of this Consultation, EAI believes that further industry engagement as to the TSOs' demonstrable needs for early actions is required. It is difficult to understand the extent to which early actions are required given the incentives on market participants, particularly imbalance price exposure, to reach as balanced a position as possible by balancing market gate closure. In light of the diversity of views between the TSOs and market participants regarding the extent of early TSO actions required, EAI believes that it may be worthwhile for the RAs to consider obtaining an independent expert review of the TSO approach to system management under I-SEM with reference to comparative international benchmarks and the overarching market design philosophy of I-SEM (to be clarified by the SEM Committee). Such a review could be used to assess TSO operational requirements (most notably provision to accommodate extensive early intervention) giving due consideration to: (1) whether such measures are appropriate within the context of the design; and (2) whether they are proportionate to the system risks they are intended to mitigate. This review could also put forward recommendations for minimising early TSO actions in the form of incentives and potential revisions to operating procedures, dispatch and system security standards and management of the transmission system to facilitate the transition from SEM to I-SEM.

EAI looks forward to the opportunity to discuss the issues raised further with the RAs before any final decisions are made on the energy trading arrangements to apply in I-SEM.

Yours sincerely,



Stephen Douglas
Senior Advisor
Electricity Association of Ireland (EAI)