



Elaine Gallagher  
Commission for Energy Regulation  
The Exchange Building  
Tallaght  
Dublin 24  
egallagher@cer.ie

Leigh Greer  
Utility Regulator of Northern Ireland  
Queens House  
14 Queen Street  
Belfast  
BT1 6ED  
Leigh.Greer@uregni.gov.uk

Date: 17<sup>th</sup> of April 2014

RE: I-SEM Roles and Responsibilities

Dear Elaine and Leigh,

EAI members welcome the opportunity to respond to this consultation concerning both the process for the designation of a market operator ('NEMO') to couple the ISEM day ahead and intraday markets with other EU markets and the role of TSO/SEMO in the other ISEM timeframes. We appreciate the efficiency benefits to having a single entity operate the respective ISEM markets but have concerns in relation to conflicts of interest between the respective roles of TSO/NEMO/Interconnector owner(ICO) and a possible loss of influence at an EU level if the MCO function is outsourced.

### **Synergies and conflicts**

EAI appreciates that there are significant synergies (including from a market interface and a credit / collateral perspective) to be gained by having a single market operator (such as SEMO) perform all market operator roles in ISEM, including the NEMO function. It is important however to address potential conflicts of interest. The consultation paper focuses on potential market operator / TSO conflicts and it is important to address these. However EAI does not agree that the issue of EWIC ownership can be dealt with separately as part of the TSO certification process, especially without clarity that it will be consulted upon. EAI would therefore strongly encourage further consultation on the treatment of EWIC.

### **Business Separation**

We note the Position of Market Operator in other markets is for TSO and NEMO to be completely separate. While this may be too onerous/costly a requirement for a small market such as I-SEM

there should be sufficient business separation between the TSO and NEMO (if SEMO is designated) such that the market has confidence that any conflict of interest issue has been addressed.

We would again stress here that potential conflicts as asset owner of EWIC should also be considered and eliminated or robustly managed.

### **NEMO designation criteria**

The NEMO designation process proposed appears to meet the obligations of both jurisdictions under CACM but EAI would question how the NEMO will be compelled to represent I-SEM at EU level and what governance mechanism will be put in place locally to give the NEMO its mandate. Given that ISEM will rely solely on EUPHEMIA and XBID to schedule the day-ahead and intra-day markets EAI emphasises the importance of ISEM exerting influence at EU level, as envisaged under the ISEM HLD, and would stress concern that outsourcing the Market Coupling Operation entails a loss of influence. There is a need for robust governance arrangements and appropriate transparency both within ISEM and externally to provide a mandate for influence at an EU level. The experience of other markets should be examined in this regard.

It is also unclear how the NEMOs will be required to provide additional market operator services beyond DAM/IDM to realise broader synergies across all markets and timeframes including: cost savings associated with economies of scope/scale and a reduction in transaction costs associated with interfacing with the market and meeting credit / collateral requirements.

In both of the above areas, it is unclear if or how any individual NEMO could be nominated or appointed to represent the interests of I-SEM and/or provide additional I-SEM roles to maximise the efficiency of the wider I-SEM operation. This needs to be carefully considered.

We are available to discuss this response or another issue relevant to this consultation.

Yours sincerely,



Stephen Douglas  
Senior Advisor  
Electricity Association of Ireland (EAI)