



committee

I-SEM CRM Stakeholder Engagement and  
EU Update  
CRM Workshop, Dundalk  
12.05.15

# Overview

- Stakeholder Engagement
  - Bilateral Meetings with market participants
  - Other engagement
- Planned future engagement
- EU Update
- Next Steps

# Bilateral Meetings – Key Issues

- 28 Bilateral Meetings with industry held over four days in December 2014
- Generators, potential new investors, demand side units, supply companies and large energy users
- Key Issues discussed:
  - Performance Regime/ Incentive
  - Strike Price and Reference Market
  - Eligibility
  - Contractual arrangements and supplier charging
  - Auction design
  - Stakeholder engagement and implementation timelines
  - European and cross border issues

# Views: Performance Regime

- Performance regime should create incentive for reliability at periods of system stress
- Need to ensure that ROs address the 'missing money' problem
- But performance incentive should not be so strong as to deter investment
- Agreement that ROs should be physically backed

# Views: Reference Market & Strike Price

- Different views on DA or Bal as reference market
- Concern that DA would not provide correct incentive to be available during system stress event
- Concern that Bal would reduce liquidity DA and would not suit generation with long start times
- Level of strike prices important. Indexed to fuel prices
- How often would the option be 'called' if strike price set just above marginal cost of peaking generator?

# Views: Eligibility

- Renewables
  - Will supported generation be allowed to participate?
  - What de-rating factors will apply?
  - Concern that ROs are not appropriate for intermittent plant
- Demand Side Units
  - CRM needs to allow DSU participation
  - Application of supply charges/penalty regime/energy payments
- Storage
  - Arrangements should incentivise storage
- Cross Border Rules
  - Interconnector or Generation lead?
  - De-rating factors

# Views: Contractual arrangements and Settlement

- View that transitional arrangements should be developed to allow for 'smoothing' into ROs
- Delivery period and contract length
- Counterparty arrangements for ROs
- How will 'double payment' issue with forward contracts work?
- Concerns as to how capacity charges will be levied on suppliers and profiled
- Concern from suppliers around effect of new CRM on multiannual tariffs

# Views: Auction Rules

- Market power in auction raised as key concern
- Sequencing of CRM auction with DS3 to be addressed
- Bidding rules, demand curve, price floors
- Auction format – sealed bid, descending clock
- Auction timetable and delivering periods



# Views: Stakeholder Engagement, Project Timelines and EU engagement

- View that CRM implementation timelines tight
- Views that more engagement required and RA resources not adequate
- Views that existing CRM should be maintained as a transitional measure
- Concern as to emerging EU 'model' for CRMs
- State Aid Notification

# Other Engagement To Date

- Meetings with DECC on cross border and implementation
- Meetings and engagement with TSOs
- ESRI
- New England ISO

# Planned Future Stakeholder Engagement

- WORKSHOP 1A – 8 MAY 2015 (PRE CONSULTATION 1)
- **PUBLISH CONSULTATION 1 – JUNE 2015**
- WORKSHOP 1B - JULY 2015 (PRESENT CONSULTATION 1)
- WORKSHOP 1C – SEP 2015 (PRE DECISION 1)
- **PUBLISH DECISION 1 – OCTOBER 2015**
- WORKSHOP 2A – OCT 2015 (PRE CONSULTATION 2)
- **PUBLISH CONSULTATION 2 – NOVEMBER 2015**
- WORKSHOP 2B - DEC 2015 (PRESENT CONSULTATION 2)

# EU Developments

- Forthcoming EC Energy Union Paper – Summer 2015
- Engagement with DG Comp and DG Ener
  - DG Comp Sector Enquiry
  - Notification to DG Comp planned for 2016
- Key design elements for CRM – SAG and future legislation
  - regional approach to generation adequacy
  - Avoiding distortions to internal market
- ACER work on cross border participation
- Eurelectric Report on CRMs – published Feb 2015.

# Next Steps

- Consultation Paper to be published End June
- More detailed workshops with stakeholders planned thereafter
- Ongoing engagement with European Commission and DECC/Ofgem/NG on cross border issues