

## **IWEA response to I-SEM Market Power Mitigation Discussion Paper**

**17 June 2015**

IWEA welcomes the opportunity to respond to the discussion paper on Market Power Mitigation in the I-SEM. The area of Market Power is something that needs to be addressed in such a small market with limited competition. The increased trade with other markets which is anticipated with the new market design also opens the potential for market power abuse from other markets. Any analysis carried out under this workstream should look not only at the current market participants, but also the likely changes which will take place during the lifetime of the market. This all needs to be given due consideration in terms of market power mitigation measures. We note that our comments in relation to this discussion paper are in the form of initial feedback and we will continue to engage in more detail in the formal consultation phase which is expected to follow in September. With the decision on the trading arrangements expected around this time we expect to be better placed to provide more detailed response to the formal consultation process.

There are a number of areas where we consider that market power could have a significant impact for wind generation:

- Intraday market – it is essential that there are measures in place to ensure a liquid intraday market so that wind participants can update their trades based on improved forecasting. In our response to the I-SEM Markets consultation IWEA welcomed the proposal to introduce intra-day auctions, and we proposed that these should be introduced on an enduring basis rather than just as a transitional measure. These will allow greater liquidity at certain timeframes and will enable increased intraday trading to take place. It is essential that this is coordinated with GB to ensure there is increased liquidity. The largest concerns for wind are both in terms of price (intraday and balancing) and liquidity (intraday). IDM auctions do help with price and liquidity.
- There needs to be clear provision for assetless traders in the market which will increase liquidity in a number of market timeframes. This will help reduce the impact of any potential market power by increasing the number of participants and the level of competition.
- The availability of PPAs through a range of suppliers is also of particular importance to the wind industry. The provision of an Aggregator of Last Resort is an important aspect in ensuring there is a route to market for all generators. Again, IWEA believes that this should be an enduring feature of the market.
- Further consideration needs to be given to the setting of the Imbalance Price in the I-SEM. IWEA has called for further work to be carried out in this area with more detailed discussion before any decision can be arrived at. Depending on the option chosen, the market power implications could be different.

- The discussion mentioned measures such as a Bidding Code of Practice (BCOP). BCOP has been a successful measure to control bidding behaviour in the current SEM and is worth consideration in some form, especially for the balancing market, in light of the need for transparent balancing prices and a suitable transition to balance responsibility for wind generators. However it is essential that any measure which is introduced does not put participants on I-SEM at a disadvantage relative to market participants in other jurisdictions or lead to market distortion.
- There may be potential for market power interactions between Energy Markets, Capacity and DS3 given that all will require bidding through auctions by market participants, and this will need to be addressed.
- Detailed consideration needs to be given to ensure there is no abuse of local market power which may arise behind constraints on the system. In particular with the inclusion of early balancing actions in the market design needs to be done in such a way that local market power considerations are taken into account.

In summary, IWEA welcomes the option to respond to this discussion paper at this time and looks forward to engaging in more detail during the formal consultation phase, at which stage we expect there will be more clarity in relation to the energy trading arrangements.