

I-SEM – Market Rules Working Group Process

22nd October 2015



Agenda

- Assumptions & philosophy behind approach
- Process for development of market rules
- Work Schedule
- Topics / Rules sections
- Structure / Layout
- Next Steps



Assumptions & philosophy behind approach

- To begin development of market rules, need some assumptions and understandings to be confirmed
- Rules development will be based on the published SEMC I-SEM decisions
- This will also take account of details included in SEMC consultation papers
- Not just the formal decision papers but also need to consider worked examples that have been provided
- Where issue has not been covered by these papers, fallback is existing SEM rules and / or EU Network Codes
- Not the role of the Working Group to revisit or decide policy
- Any issues requiring policy decisions will be referred to the SEM RAs



Assumptions & philosophy behind approach

➤ I-SEM consultation papers –

- *SEM-14-008a Non-Technical Summary to I-SEM Consultation Document.pdf*
- *SEM-14-106 I-SEM Aggregator of Last Resort Framework Consultation.pdf*
- *SEM-15-010 I-SEM Forwards Liquidity - Discussion Paper.pdf*
- *SEM-15-011 ETA Building Blocks Consultation Paper.pdf*
- *SEM-15-026 I-SEM ETA Markets Consultation Paper.pdf*
- *SEM-15-028 Note to Industry on the results of the mini-consultation.pdf*
- *SEM-15-031 I-SEM Market Power Discussion Paper.pdf*
- *SEM-15-044 I-SEM Capacity Remuneration Mechanism Detailed Design Consultation Paper.pdf*
- *SEM-15-050 Project Update Presentation 31 July 2015.pdf*
- *SEM-15-050a Capacity Requirement Presentation 31 July 2015.pdf*
- *SEM-15-050b Product and Eligibility Presentation 31 July 2015.pdf*
- *SEM-15-050c Supplier and Institutions Presentation 31 July 2015.pdf*
- *SEM-15-061 FTRs - Policy Development - Final.pdf*
- *SEM-15-074d Workshop Presentation 29th Sept 2015 - Consultation 2.pdf*

Assumptions & philosophy behind approach

- I-SEM draft decisions & decisions –
 - *SEM-14-085a I-SEM SEMC Decision on HLD.pdf*
 - *SEM-14-085b I-SEM SEMC decision on HLD Impact Assessment.pdf*
 - *SEM-14-085c I-SEM HLD Summary of Responses.pdf*
 - *SEM-14-085d I-SEM HLD Non-Technical Summary Decision Paper.pdf*
 - *SEM-14-085e I-SEM Next steps.pdf*
 - *SEM-15-063 I-SEM Aggregator of Last Resort Decision Paper.pdf*
 - *SEM-15-064 I-SEM ETA Markets Building Blocks Decision Papers.pdf*
 - *SEM-15-065 I-SEM ETA Markets Decision Paper.pdf*
 - *SEM-14-054 HLD Draft Decision.pdf*
 - *SEM-15-074a 2 way CfD disapplication example.xls*
 - *SEM-15-074b MRP scenario.xls*
 - *SEM-15-074c Workshop Presentation 28th Sept 2015 - Decision 1.pdf*

Assumptions & philosophy behind approach

- Other documents that will contribute to market rules –
 - *SEM T&SC*
 - *SEM Agreed Procedures 1 through 16*
 - *NC Capacity Allocation and Congestion Management*
 - *NC Electricity Balancing*
 - *NC Forwards Capacity Allocation*
 - *Harmonised Allocation Rules*



Assumptions & philosophy behind approach

- There is a lot of material from which to start working
- First stage will be to develop a plan
- This will include -
 - *The process by which market rules will be developed*
 - *Structure and layout of the I-SEM market rules*
 - *Topics to be covered in the design work*
 - *Schedule of work*



Process for development of market rules

- Terms of Reference outlines five step process for developing rules
 1. Develop design materials
 2. Draft plain English explanatory guides
 3. Finalise plain English explanatory guides
 4. Draft legal text
 5. Finalise legal text



Process for development of market rules

1. Develop design materials

- Project team (made up of RAs, TSOs and MO) develop initial materials on market design topics
- Materials will be developed in PowerPoint or Word
- Circulated to members of the Working Group two weeks in advance of meeting
- Working Group members use this time to review and may provide comment in advance of meeting (*comments template will be used*)
- Meeting is used to discuss comments and opportunities to amend materials, not as a presentation of content
- Five day period post meeting for Working Group members to provide further input

Process for development of market rules

2. Draft plain English explanatory guides

- After final comments on design papers, project team develop more detailed explanatory guides
- Materials will be developed in Word
- Materials will set out obligations / rights as well as explaining principles
- Circulated to members of the Working Group two weeks in advance of meeting (*comments template will be used*)
- Working Group members use this time to review and may provide comment in advance of meeting
- Meeting is used to discuss comments and opportunities to amend materials, not as a presentation of content



Five day period post meeting for Working Group members to provide further input

Process for development of market rules

3. Finalise plain English explanatory guides

- After comments on guides, project team will update the documents in line with these
- Given that initial design has already been set out, this phase should confirm that guides accurately reflect this
- Circulated to members of the Working Group two weeks in advance of meeting (*comments template will be used*)
- Working Group members use this time to review and may provide comment in advance of meeting
- Meeting is used to discuss comments and opportunities to amend materials, not as a presentation of content



Five day period post meeting for Working Group members to provide further input

Process for development of market rules

4. Draft legal text

- After finalisation of guide documents, the project team develop first draft of the legal text
- Starting point is the design and guides with final comments from Working Group members
- Legal text focussed on obligations / rights only
- Circulated to members of the Working Group two weeks in advance of meeting (*comments template will be used*)
- Working Group members use this time to review and may provide comment in advance of meeting
- Meeting is used to discuss comments and opportunities to amend



Five day period post meeting for Working Group members to provide further input

Process for development of market rules

5. Finalise legal text

- After comments on initial legal draft, the project team update and finalise the legal text
- These phases will be done with professional legal support
- Final texts circulated to members of the Working Group two weeks in advance of meeting
- Working Group members use this time to review and may provide comment in advance of meeting
- Meeting is used to discuss comments and opportunities to amend materials, not as a presentation of content
- Five day period post meeting for Working Group members to provide further input



Work Schedule

- Life cycle of a topic from design to final legal text involves five Working Group meetings
- To respect two week advance review and one week post review, as well as time to incorporate comments, this results in five week timeline between meetings
- Working Group members will have fifteen weeks review on design topics as they are developed
- To be clear: not all market rules topics will need to go through all stages
 - *Some may move straight to explanatory guides*
 - *Some may even move straight to legal drafting*
- Market design papers / materials will focus on areas where SEMC decision envisaged further work in implementation phase



Work Schedule

- Work schedule in Terms of Reference is demonstrative only
- It sets out the pattern of how suggested topics can be approached
- The topics named may not be addressed in that order and there may be more topics to be covered
- Imbalance pricing & imbalance settlement do need to be addressed up front
- Important for system procurement that additional detail is set out
- Intend to set out the implementation of the SEMC decisions to allow system development to proceed
- Other topics will be determined through an assessment of the decisions and setting out the approach to be followed



Topics / Rule Sections

- Refers to subsets of the market rules and not full chapters
- First pass will be a high level overview to assess what is needed in the I-SEM market rules
- Should identify the major sections to be included plus additional sub-sections
- For example –
 - **Major section** – *Financial Arrangements*
 - **Sub-section 1:** *Funds transfer*
 - **Sub-section 2:** *Credit Risk*
 - **Sub-section 2a:** *Collateral Requirements for generators*
 - **Sub-section 2b:** *Collateral Requirements for suppliers*



Topics / Rule Sections

- More detailed review of SEMC decisions
- Review of current T&SC
- Review of applicable Network Codes
- Should help identify the topics to be covered in the market rules drafting
- Should lead us to the structure / layout of the new rules
- Each market rules section represents a piece of the jigsaw
- The structure / layout document will show us what the completed jigsaw should look like



Structure / Layout

- Building on the high level review and identification of topics
- Will set out the high level Table of Contents
- Will use sub-sections identified to fill out more detail
- Content outlines will provide initial summaries of the expected composition
- Output of this will set out the detailed schedule of work for the completion of the rules
- Using the current draft schedule, a schedule of meetings will be set out for the Working Group members



Structure / Layout

Meeting #	Date (proposed)	Agenda Items
1	22/10/2015	Set out working arrangements
2	05/11/2015	Imbalance pricing & settlement Terms Of Reference
3	10/12/2015	Structure / Layout, Content outline Design presentations on imbalance pricing & settlement
4	14/01/2016	Topic 1 Topic 2 ... First plain English text on imbalance pricing & settlement
5	25/02/2016	Topic 3 Topic 4 ... Final plain English text on imbalance pricing & settlement First plan English text on Topic 1 & Topic 2
6	07/04/2016	Topic 5 Topic 6... First legal draft on imbalance pricing & settlement
7	19/05/2016	Etc.
8	24/06/2016	Etc.
9	29/07/2016	Etc.
10	01/09/2016	Etc.
11	06/10/2016	Etc.

Next Steps

1. Organise Working Group meeting for November 5th
2. Materials to be issued to members of Working Group
 - *Sets out implementation of imbalance pricing & imbalance settlement*
 - *Presentation materials on system operations will be included for context*
 - *System operations will be finalised through Balancing Principles Working Group*
3. Working Group members to review materials in advance of November 5th
 - *Deadline for comments post meeting is November 12th*
4. Comments template will be circulated to Working Group members
 - Queries / comments to I-SEM_MarketRules@sem-o.com



Questions?

