



127 Baggot Street Lower,
Dublin 2,
D02 F634
Ireland.

DATE: 30th of January 2017

By e-mail to TSCconsultation@cer.ie and TSCconsultation@uregni.gov.uk

RE: Cover Letter Supplementary to EAI Response to TSC Consultation

Dear sir/madam,

EAI welcomes the opportunity of responding to this consultation. Please find attached a list of important detailed comments for consideration as per the RAs' template. Please note that this list is not exhaustive and members have additional concerns including in relation to excessive complexity, exposure to unmanageable risks, lack of transparency, roles and responsibilities of EirGrid under the Code, incompleteness of draft rules, and a lack of prototyping and testing, among other concerns.

The Trading and Settlement Code for the I-SEM Balancing Market, incorporating CRM settlement, is critical to the effective functioning of I-SEM. The SEM Committee will appreciate that this is a highly complex and quite unique set of market arrangements that has been developed under an accelerated timetable which has made it difficult for members of the Rules Working Group to keep pace with and scrutinise. As ESP Consulting observe in their Stocktake Report:

"[T]he design has been developed in consultation with the industry, who have also been part of Rules Working Groups scrutinising that design - albeit recent workload at the Rules Working Groups has inevitably impacted the level of scrutiny of rules by participants, and hence the level of comfort that can be derived from this process...."¹

It would also be a fair assessment that there was insufficient analysis and prototyping of complex and important areas of the Code, such as the imbalance pricing and settlement algebra, during the rules development process as noted by ESP:

¹ ESP Consulting, November 2016, 'I-SEM Programme: Stocktake Report', p.24

“It is best practice for complex areas of market rules to be prototyped (using tools like Excel) to provide assurance that they work, and do not give rise to unintended consequences. This has not been done in the case of the I-SEM rules.”²

In the light of the above, it is EAI’s recommendation that the SEM Committee undertake a wider holistic review of the market arrangements for I-SEM and end-to-end testing to identify and address any other material issues that cannot be uncovered through this consultation given the lack of extensive prototyping during the rules development process, among other shortcomings. We suggest that this should include, inter alia, extensive, industry inclusive testing of the energy and capacity settlement algebra as soon as possible, as recommended by ESP in their Stocktake Report, to ensure that it works as intended, and a comprehensive holistic review of credit and collateral arrangements across all I-SEM markets.

As ESP have stressed, robust modelling and testing of the market rules is essential *“to provide confidence that they work and do not have un-intended consequences (or that such unintended consequences are manageable)”*.³

It is also EAI’s recommendation, recognising that the Code issued for consultation is incomplete and premature in important respects⁴, that the SEM Committee issue a marked-up version of the Code for a further round of consultation in due course before finalisation of the Code.

Yours sincerely,



Stephen Douglas
Senior Advisor
Electricity Association of Ireland (EAI)

² Ibid, p.24

³ Ibid, p.25

⁴ For example, a large proportion of the settlement algebra for suppliers is missing, the recent escalation decision published 23 January 2017 implies considerable changes which need to be assessed, the provision of spreadsheet and training on CRM settlement algebra has not yet been provided.