



Information Note on Demand Side Unit Bidding

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Demand Side Unit Bidding in SEM

The SEM Committee has observed an increased level of participation by demand side response in the SEM as Demand Side Units (DSUs).

This increased level of participation is to be welcomed, particularly given the increasing penetration of intermittent generation, which places greater emphasis on the importance of flexibility on the demand side. Moreover, the European Commission's communication of November 2013, "Delivering the internal electricity market and making the most of public intervention"¹, stated,

"Putting demand-side response action on an equal footing with supply is the most promising tool for better matching supply and demand through market mechanisms while offering consumers the possibility to lower their electricity bills",

and,

"... the potential of the demand side response at the Union scale is enormous: peak demand could be reduced by 60 GW, approximately 10 % of EU's peak demand".

The SEM Committee has observed also an increase in the participation of DSUs with negative offer prices ("negatively-priced DSUs"). Particularly, in combination with priority dispatch of renewables generation, this has given rise to an increased incidence of negative prices and to increasing levels of 'constrained-off' payments to such participants and hence increased Imperfections Charges on consumer demand. These effects may not necessarily be undesirable but are, nonetheless, worthy of note.

¹ "Delivering the internal electricity market and making the most of public intervention", COMMUNICATION FROM THE EUROPEAN COMMISSION, Brussels, 5.11.2013 C(2013) 7243 final.



Demand Side Unit Bidding in I-SEM

The SEM Committee expects the trend of increasing DSU participation to continue after I-SEM Go-Live, and notes that the participation of DSUs with negative offer prices may also increase.

The I-SEM design is markedly different from the SEM, in particular placing greater reliance on ex-ante markets for the trading of energy and the determination of energy prices. It thus remains to be seen how the trends in negatively-priced DSUs could impact on I-SEM, and how the magnitude of any such impacts will develop over time.

Accordingly, the SEM Committee intends to monitor these developments, with regards to, *inter alia*, the implications of the negative valuation of energy by end consumers, the interaction with bidding controls (the Bidding Code of Practice and Balancing Market Principles Code of Practice)², and the interactions with priority dispatch of renewable generation, with a view to ensuring that the treatment of DSUs remains appropriate.

The SEM Committee is cognisant of the fact that demand reduction can be delivered by DSUs operating in the market through different mechanisms, for example behind-the-meter generation and actual load shutdown. The SEM Committee intends to monitor the structure of DSUs more generally and where they comprise behind-the-meter generation, the consideration of same will interact with the SEM Committee's consideration of the basis for supplier charging³.

The SEM Committee is also aware of continued concern in both Ireland and Northern Ireland regarding the emission of air pollutants such as Nitrogen Oxides (NO_x), and will consider this broader context.

² To monitor if, for example, the scale of negative pricing is consistent with the relevant bidding controls

³ <https://www.semcommittee.com/news-centre/publication-i-sem-eta-supplier-charges-charging-basis-decision-paper>