



ELECTRICITY
ASSOCIATION
OF IRELAND

127 Baggot Street Lwr.

Dublin, D02 F634

Date: 12th of July 2019

By email to tquinn@cru.ie and karen.shiels@uregni.gov.uk

RE: EAI response to SEMC Balancing and Capacity Market Options Paper(SEM-19-024)

Dear Thomas and Karen,

The Electricity Association of Ireland (EAI) welcomes the opportunity to respond to the Consultation Paper SEM-19-024 (SEMC Balancing and Capacity Market Options Paper) and further welcomes the 6-week period that has been provided for consideration of the proposals made.

It is the ultimate objective for all stakeholders that there is a sustainable market and a pricing mechanism that provides a clear signal for industry to help the TSO balance the system.

Since I-SEM went live on 1st October 2018 there have been two extreme pricing events, on 9th October 2018 and 24th January 2019, giving rise to concerns that the BM is not functioning as it should and crystallising the fact that Reliability Option (“RO”) holders are excessively exposed to risks beyond their control. It is also unfortunately the case that BM prices have been incorrect nearly every day from the start of the market (until the implementation of release C on 11th June 2019), which means that analysis of any proposed market changes is difficult.

In relation to the diagnosis and response to potential issues in the balancing market (and any other ISEM market timeframe) it is important that a formal governance process is in place, which addresses issues in a holistic manner, and which includes scope for engagement with all market stakeholders.

The I-SEM market detailed design was developed through the Market Rules Working Group process which involved market participants, SEMO, the TSOs and the RAs. This was an appropriate forum, that enabled constructive and interactive debate and engagement between all key stakeholders and subject matter experts over several

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months on complex and fundamental issues associated with market design. Following this involved process and the consultation that followed, the current Balancing Market (“BM”) design was decided to be the most appropriate design, in line with High-Level Design, to identify the marginal cost of energy actions and the characteristics of the all-island market with high levels of constrained TSO actions required to manage the system safely and securely.

In response to the above events, the EAI, on behalf of its members, engaged with the RAs and SEMO expressing concerns and highlighting the urgency of a resolution to reduce the exposure felt by RO holders, whilst at the same time cautioning against a reactive approach.

To this effect, certain progress has been made to manage the effects of volatility in the market as experienced on the 24th January and 9th October. Notably:

1. Mod 09_19, as mentioned in the consultation, was approved and effective from the 2nd May 2019. The impact of this modification on the market is still to be seen, but it should remove the possibility of events being triggered due to the North-South tie-line constraint.
2. It was widely accepted, as per the SEMO 24th Jan report and the SEMC paper, that the events of 24th Jan and 9th Oct were not expected or intended during the course of developing the High-Level Design. Particularly, the inclusion of the North-South Tie Line is accepted to have resulted in unintended impacts on the market.
3. Market participants have become more familiar with the new market arrangements under I-SEM and have adapted their bidding strategies accordingly.
4. A process of resettlement is underway, the outturn of which will resolve the settlement issues that have impacted all market participants, including generators, who have been particularly impacted by defects in central systems. However, system defects work also persists.

EAI Response

Option 2 in the consultation relates the SEMO “RO” modification. The SEM Committee and industry agree that the market events of 24th January and 9th October, have given

rise to the current motivation for a change in the market. The risk of exposure to market participants is still an active concern until a change is instituted, i.e. at this point, generators still remain exposed to risks beyond their control. The SEMO modification is well understood by industry and can be made relatively quickly to address the continued risk of constraint-driven Reliability Option events. Therefore, on these grounds, the EAI recommends that Option 2 is an appropriate course of action.

As always, we are available to meet and discuss the consultation and this response at your earliest convenience.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'Step Douglas', is positioned above the typed name.

Stephen Douglas,
Senior Policy Advisor,
Electricity Association of Ireland .