

Terms of Reference for the I-SEM Forward & Liquidity Market Participant Working Group

I-SEM Forward Liquidity – within zone liquidity

Terms of Reference

Introduction

The I-SEM Forward & Liquidity Market Participant Working Group will consist of nominations from industry stakeholders. Membership will be constituted in order to ensure that the working character of the Group is established and maintained and each member of the Group is able to fully and constructively engage in the Group's deliberations.

Membership will be assigned to stakeholders based on the skills and knowledge demonstrated by those nominated and in accordance with the principles of non-discrimination and equal treatment of all market participants. Applicants are welcomed from those market participants of all sizes with particular interest in the promotion of liquidity in the in I-SEM and each application will be fully considered on its merits. Applicants are therefore asked to provide an expression of interest.

The Market Participant Working Group will work under the auspices of the Forward and Liquidity workstream of the RAs' I-SEM Project, which will consider the development of policies and measures designed to promote liquidity within I-SEM, particularly in the forward timeframe.

The Group will be chaired by the RAs and supported by the RAs' consultancy support.

Purpose of I-SEM Forward & Liquidity Market Participant Working Group

The purpose of the Market Participant Working Group is to discuss the policies and mechanisms required to implement the decisions regarding forward liquidity set out in the I-SEM High Level Design. The decisions within the High Level design included:

- Encouragement of forward financial market liquidity, including facilitation of a centralised forward trading platform
- Facilitating a route to market for small players

The High Level Design Decision Paper also noted that “the HLD of the I-SEM has been chosen to promote liquid and transparent trading arrangements accessible by market participants of all technologies and sizes.”

The SEM Committee has published a Discussion Paper on Forwards and Liquidity ([SEM-15-010](#)) which set out some of the reasons for lack of forward liquidity in the SEM and how these might change in I-SEM. It also set out the need to learn lessons from the operation of the SEM and the issues that need to be considered in order to promote more liquid forward trading in I-SEM.

The scope of the Working Group will therefore be to identify the potential policies, measures and mechanisms that are most important for liquidity promotion, particularly in the forward timeframe, including inter alia the following:

- Potential for a market maker function and/or other Forward Contracting Obligations (FCOs) including Directed Contracts (DCs) on market participants
- The various alternative FCOs that may be introduced, to whom and how they should apply
- Facilitation of standard products and contracts
- Measures to facilitate small party access to trading in all timeframes
- Other liquidity promotion duties that may be placed on market participants e.g. compulsory auctions, provision of information
- Mediums for trading including current brokerage services (Tullett Prebon), facilitation of a Power Exchange in forward products and a single clearing solution, including efficiency of credit collateral, how these might best be introduced and how they might be aligned with market operations in the spot markets
- Consideration of liquidity in spot markets
- Consideration of potential relationship of forward products to financial regulation requirements

It is expected that the group will have regard to the following issues:

- Experience of the SEM and relevance to the I-SEM design
- Nature and specification of forward products
- Nature of participation including market participation obligations
- Interaction with market power mitigation, including Directed Contracts as consulted upon by the I-SEM Project Market Power mitigation workstream
- Mediums for trade and trading institutions
- Expected liquidity within and across the spot markets

The outcomes of these meetings will be used to feed into the SEM Committee's Consultation Paper on I-SEM within zone liquidity and the subsequent Decision Paper. The considerations of the Working Group will supplement and not replace

the normal consultation process of written responses and stakeholder workshops, which shall seek the views of all market participants before decision making.

The Working Group however will not be limited to policy decisions within the remit of the Regulatory Authorities but will discuss steps that industry or third parties may take, and which the RAs may facilitate, that may be taken to implement liquidity promoting measures and mechanisms.

Working Group Meetings

The RAs have scheduled initial meetings (see below) and given time constraints on the workstream the agendas of these meetings will be strictly limited to the scope of the workstream.

- The Group will hold initial meetings in March and April 2016 with further meetings arranged as considered necessary
- Initial meetings will be held alternately in Belfast, Dublin and Dundalk
- Meetings are intended to be interactive so that maximum benefit is gained from members' knowledge, experience and ideas
- Numbers will be limited to allow this interaction and maximise participation of all members of the Group
- An Agenda for each meeting will be published on the AIP website (www.allislandproject.org) in advance of each meeting
- Wherever possible information to be presented will be provided to members in advance of meetings. However given the scope of the work and timescales involved this cannot be guaranteed.
- A high level report of the discussion held at each meeting will be published on the AIP website afterwards, accompanied by a copy of any presentations made.

Timetable

The RAs currently have an ambitious timetable for publication of a Consultation Paper in June 2016 and a Decision Paper in September. Details of the initial set of meetings are set out below:

Date	Time	High level agenda	Location
Mon. 7 th March	To be confirmed	Introduction to workstream Lessons of SEM/ potential of I-SEM design Nature/scope of Directed Contracts (DCs) and other Forward Contracting Obligations(FCOs) and interaction with market power Potential for market maker(s)	Belfast UR Office

Mon. 21 st March	To be confirmed	Directed Contracts/other FCO's contd. Specification of forward products small party access	Dublin CER Office
Wed. 6th April	To be confirmed	Introducing a PX/clearing house into the I-SEM Role of brokerage services Next Steps	Dundalk Crowne Plaza

Nomination Process

Applicants are requested to provide an expression of interest. This should be accompanied by evidence that they possess the required skills and professional experience relating to the terms of reference set out above. It is requested that the evidence is limited to one page and outlines the suitability of the applicant for the Working Group.

The I-SEM Project Board will assign nominated applications to the task on the basis of the skills, experience and knowledge necessary and in accordance with the principles of non-discrimination and equal treatment. The final panel resulting from this notice of the terms of reference of the Working Group will be representative of the various market participants and shall be used exclusively for the Forward and Liquidity within zone workstream.

Expressions of interest should be submitted by 5 pm on 24 February to

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and

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