

I-SEM Senior Stakeholder Forum

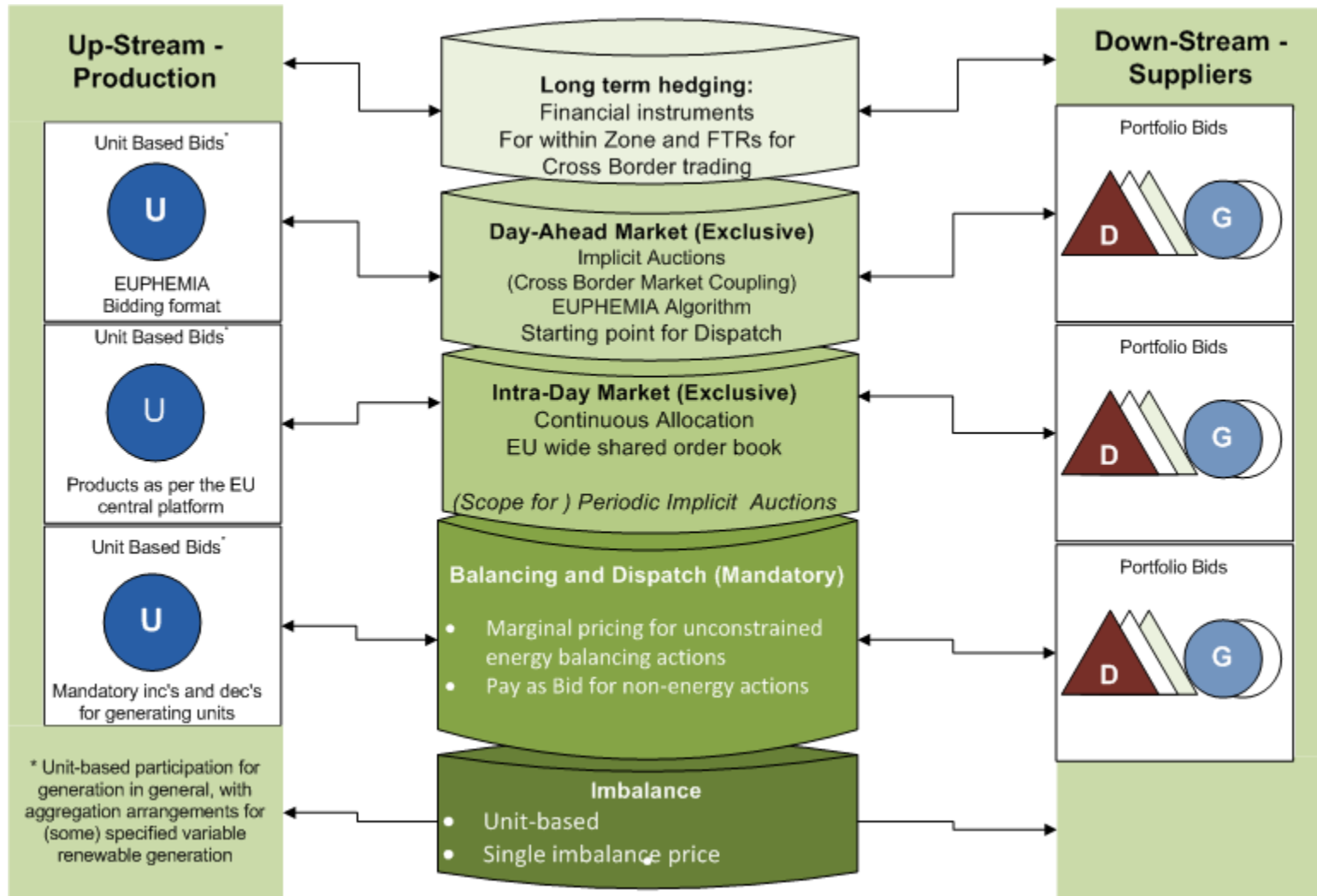
21 June 2016

WELCOME

Agenda

- Welcome and introductory remarks
- Market Design Readiness
 - Status of Market Design
 - Overall Programme
 - System Development update
 - Discussion
- Market Participant readiness
 - **Market Participant views**
 - **Discussion**
- Summary and next steps

I-SEM High Level Design



Project Status

Policy

- SEMC Decisions
- SEMC Consultation on T&SC, CMC
- Parameter Consultations – Energy, CRM

Implementation

- TSO Systems
- Licence changes
- Market Readiness and Testing

Regulatory Framework

- CRM State Aid
- Market power – Directed Contracts
- Liquidity promotion
- SEMO regulation

Long Term Hedging

- Supported by financial contracts
 - FTR Options for Cross- Border Trading
 - Directed Contracts
- Other Liquidity Promotion Measures under consultation
 - Forward Contract Sell Obligation (FCSO)
 - Market Maker Obligation (MMO)

Long Term
Hedging

Day Ahead
Market

Intra-Day
Market

Balancing
Market

Day Ahead Market



- ‘Exclusive’ route to a physical position at the day ahead stage – only method for both demand and generation to offset balance responsibility.
- Eirgrid and SONI designated as NEMOs – September 2015
 - Contracted with EPEX as service provider
 - EuPHEMIA trial completed, and request for order types for ISEM submitted to PCR
 - Eirgrid/SONI working with EPEX re. implementation
 - RAs considering form of regulatory oversight of NEMO function

Intra Day Market Background

Long Term Hedging

Day Ahead Market

Intra-Day Market

Balancing Market



- XBID is the European solution for cross border intraday trading
- However XBID will not be available to Ireland and Northern Ireland for I-SEM go-live in October 2017
- Interim Intraday Market (IDM) solution needed for I-SEM go-live. Proposal:
 - Continuous trading within zone
 - 3 cross border auctions with GB

Intra Day Market GB Stakeholders

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- Feasibility of 3 cross-border intraday auctions is contingent on acceptance by GB Stakeholders
- I-SEM NEMOs are continuing engagement with GB Stakeholders
- I-SEM NEMOs are presenting on the interim IDM proposal at the GB Joint Electricity Stakeholder Group (JESG) in June
- Useful to garner views from wider GB market participants

Balancing Market (BM)

- Mandatory Participation
- Similar to GB, but BM runs concurrently with Intra-day Market
- Focus on energy and non-energy actions a consequence of significant constraints in I-SEM
- Detailed rules being developed by Rules Liaison Group
 - Drafting by Eirgrid/SONI
 - Oversight by RAs
 - Industry participation

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Status of Balancing Market Development

Trading and Settlement Code

- Completion of balancing market rules drafting
- SEMC consultation on final Trading and Settlement Code

Energy Market and Settlement Parameter Development;
examples:

- Administered scarcity pricing
- Parameters related to settlement periods

CRM Policy Development

Consultation 1

- Capacity requirement
- Eligibility
- Product Design
- Supplier arrangements
- Institutional arrangements

Decision Dec 15

Consultation 2

- Interconnector and cross-border capacity
- Secondary trading
- Detailed Reliability Option design
- Level of Administered Scarcity Price
- Transitional issues

Publish Dec 15
Decision May 16

Consultation 3

- Auction Design Framework
- Auction Frequency & Volumes
- Market Power Mitigation Measures
- Auction Parameters
- Governance & other issues

Publish Mar 16
Decision Jul 16

- De-rating and Capacity Requirement (Q3/4 2016)
- Parameters (Q3/4 2016)

Status of CRM Development

Policy and parameter development

- Finalise CRM 3 decisions
- Further work on managing exit
- Ongoing work on parameters / derating

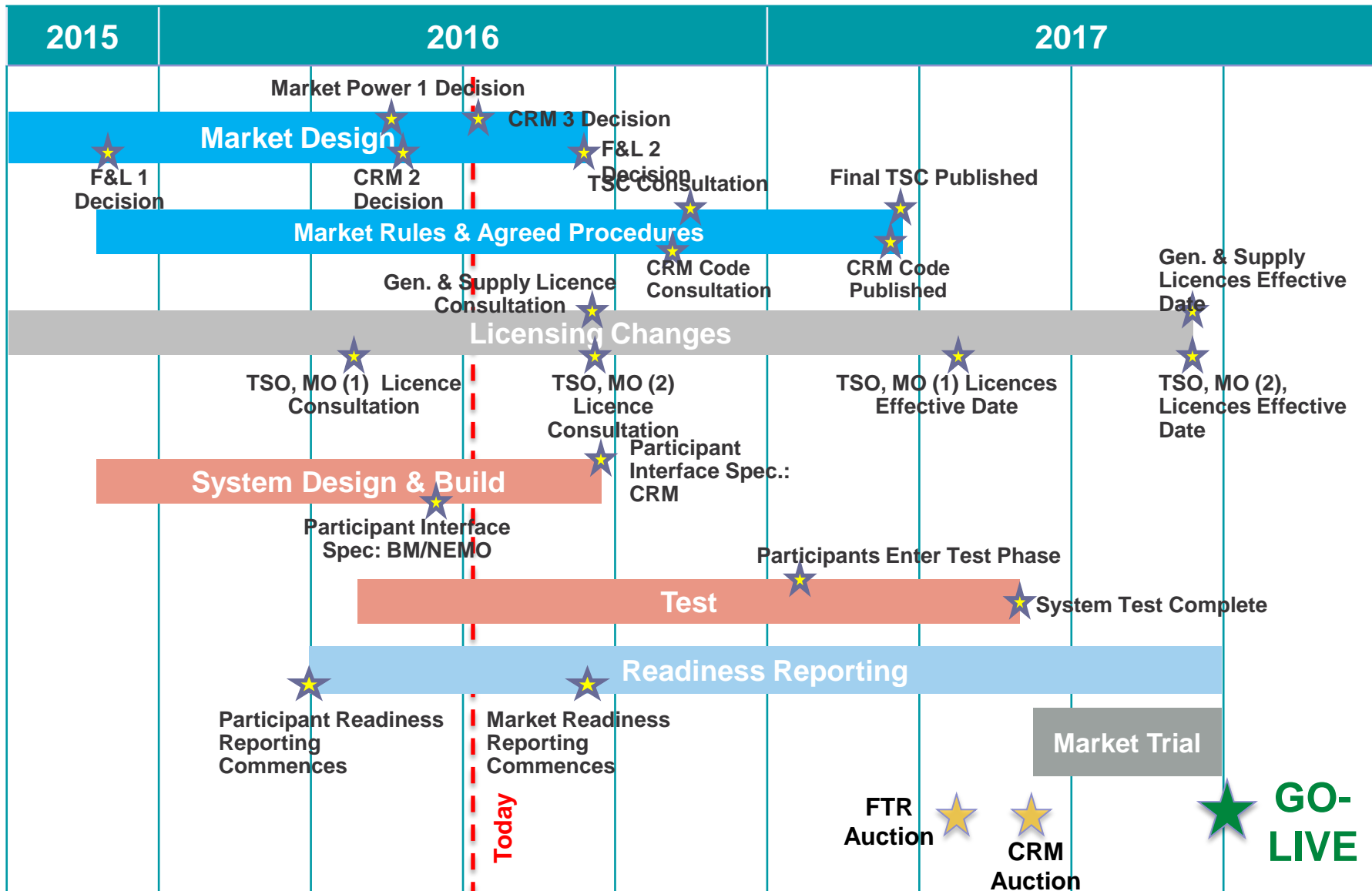
State Aid notification

- Pre-notification papers submitted by Departments – content aligned
- Alignment with EEAG and incorporating lessons learned from GB notification
- Expert analysis and modelling by TSOs justifying need
- Regular engagement and briefing with DG Competition

DISCUSSION

I-SEM OVERALL PROGRAMME

I-SEM Level 1 Milestone Plan



NEMO= Nominated Electricity Market Operator; **FTR**= Financial Transmission Rights; **CRM**= Capacity Remuneration Mechanism; **BM**= Balancing Market; **F&L**= Forwards & Liquidity; and **TSC**= Trading & Settlement Code.

I-SEM Delivery – Progress to Date

The RAs have published the majority of **Market Design Decision Papers**. The remaining two (CRM3 and F&L) are on schedule to be published this summer

The **Trading and Settlement Code** is being developed through a programme of workshops involving the RAs, TSO and participants running throughout 2016. Emerging from this, the TSC is on schedule to be published in March 2017

Consultation has completed on the first tranche of **Generator, Supplier, TSO and MO licence changes**; consultation on second tranche on track for Autumn 2016

The **NEMO** has been appointed, with consideration of the governance options nearing completion

The TSO is completing the development of the **I-SEM system design specifications** with its appointed subcontractor, ABB, and has commenced **system build**

Four **Liaison Groups** have been established to support stakeholder participation in I-SEM delivery

Participant readiness reporting has commenced, with good progress amongst larger stakeholders

I-SEM Delivery – Future Milestones

I-SEM remains on target to **Go Live** on 1 October 2017. The following key activities need to be completed to achieve this:

Publication of the remaining **system and interface specifications** – the latter in particular to allow stakeholders to complete their own system developments needed to participate in I-SEM

Completion of the **legislative framework**, including supporting legislation, the Trading and Settlement Code, the Capacity Market Code, and modifications to the Grid Code, and the Generator, Supplier, TSO and MO licences

Completion of the **I-SEM system build**, allowing entry into the TSO-led **test programme** for all delivered systems and interfaces. This will culminate in a full market test programme involving all participants over the summer of 2017

An ongoing programme of **readiness reporting** for the RAs, TSO and all participants, to inform readiness for Go Live

Registration of all participants in time for the first **FTR and CRM auctions** in 2Q17, and Go Live thereafter

I-SEM Delivery – Key Challenges

Further work to be done to establish the impact of Local Security of Supply/Managing Exit on the CRM workstream scope and timescales

Timeline for engagement and clearance of State Aid for CRM

Timescales for ABB's system build and test are challenging

Participant readiness and timelines for their systems development prior to market test entry

Work to complete the draft Trading and Settlement Code, and Capacity Market Code consult on same and publish final documents

Early participant readiness reporting suggests limited I-SEM awareness amongst smaller participants – targeted work is now underway specifically to address this

DISCUSSION