



## **Information Paper**

# **Auction Dates and Volumes on Offer for ESB's PSO-supported CfDs**

SEM-18-012

21 March 2018

## Table of Contents

1	Introduction .....	3
2	Background.....	3
3	PSO-supported CfDs under revised SEM Trading Arrangements .....	4
3.1	Overview .....	4
3.2	PSO CfD Auction Volumes and Dates for 2018 Contract Period.....	5
3.3	Modelling of PSO CfD Indicative & Reserve Prices .....	6
3.4	PSO CfD Master Agreement & Auction Rules.....	6
3.5	PSO CfD Auction Volumes and Dates for 2019.....	6

# 1 Introduction

This Information Paper is published to provide market participants with information on the volume, shape and timing of Public Service Obligation (PSO) supported Contract for Differences (CfDs) that are to be offered by ESB for the period in Q2 2018<sup>1</sup> up until the end of Q4 (31<sup>st</sup> December 2018) (hereinafter, “Contract Period”).

In summary, and as detailed in section 3 of this Information Paper, circa 0.49 TWh of PSO-supported CfDs will be offered for the Contract Period. Within this Contract Period, varying PSO CfD volumes, supported to expected plant output<sup>2</sup>, will be allocated to each quarter, with monthly products provided and auctions held quarterly. The distribution of the PSO supported CfD products will remain on a 50:25:25 capacity (MW) basis between baseload, mid-merit and mid-merit 2.

# 2 Background

Since 1st November 2007, the Northern Ireland Authority for Utility Regulation (NIAUR or Utility Regulator) and the Commission for Regulation of Utilities (CRU), together referred to as the Regulatory Authorities or RAs, have jointly regulated the all-Island wholesale electricity market known as the Single Electricity Market (SEM).<sup>3</sup>

To date, there has been three types of CfDs offered publically in the SEM, which have enabled generators and suppliers to manage and hedge their exposure to wholesale electricity price movements. In brief, the three types of CfDs currently available in SEM are:

- i. PSO-supported CfDs associated with ESB’s thermal generating plants covered under the PSO levy in Ireland, offered via auction over the “Tullett Prebon” platform.

---

<sup>1</sup> The cutover time for the revised SEM trading arrangements is 23:00 GMT on 22<sup>nd</sup> May 2018. Consequently, Q2 2018 under the revised SEM trading arrangements covers the period from 11pm on the 22<sup>nd</sup> May 2018 to end of June 2018.

<sup>2</sup> The PSO CfD volumes offered relate to expected output from ESB’s Lough Ree Power plant and West Offaly Plant.

<sup>3</sup> Further details on the SEM can be found on the SEM Committee website at [www.semcommittee.com](http://www.semcommittee.com).

- ii. Directed Contracts (DCs) offered by ESB, whose volume, price and eligibility is set by the RAs as part of the SEM market power mitigation strategy; and
- iii. Non-Directed Contracts (NDCs), where market participants can offer CfDs which suppliers are free to bid for. The RAs have no role in setting the price or volume of these forward contracts, although we do promote their provision.

With reference to the offering of PSO-supported CfDs under the revised SEM trading arrangements arising from I-SEM implementation, the RAs committed to publishing an information paper in Q1 2018 with the volumes and dates of auction for the PSO supported CfDs that will apply after I-SEM implementation (see SEM-17-55). Consequently, this Information Paper sets out the volumes and dates for PSO-supported CfDs under the revised SEM trading arrangements that are to be offered for the 2018 Contract Period.

### **3 PSO-supported CfDs under revised SEM Trading Arrangements**

#### **3.1 Overview**

Under the revised SEM trading arrangements arising from I-SEM implementation, the RAs are continuing with the overall approach to PSO-supported CfDs (as existed in previous years) for the remainder of 2018 Contract Period, which is consistent with the minimal change approach that was adopted for the DCs under the revised SEM trading arrangements.<sup>4</sup>

Consequently, there will be quarterly offering of PSO-supported CfDs via auction, circa one month or so in advance, with monthly products offered for each quarter. The distribution of PSO-supported CfD products also remains on a 50:25:25 capacity (MW)

---

<sup>4</sup> SEM-17-081: [Directed Contracts Implementation Decision Paper](#)

basis between baseload, mid-merit and mid-merit 2. The reasons for this were detailed in SEM-11-027 Contracting Process Information and Decision Paper<sup>5</sup>.

### 3.2 PSO CfD Auction Volumes and Dates for 2018 Contract Period

A total of approximately 0.49 TWh of PSO-supported CfDs will be offered for the remainder of the 2018 Contract Period. This will be apportioned between each quarter supported to the expected output of PSO thermal generating plant, with monthly products offered for each quarter.

Table 1 shows the exact volumes (MW) of PSO-supported CfDs on offer for each quarter:

MW	Q2 <sup>6</sup> 2018	Q3 2018	Q4 2018
Baseload	80	30	80
Mid Merit	40	15	40
Mid Merit 2	40	15	40

*Table 1: Expected Volumes (MW)*

The equivalent in GWh offered per quarter is shown in Table 2, as follows:

	Q2 2018	Q3 2018	Q4 2018
GWh	119.46	87.8	285.65

*Table 2: Equivalent in GWh*

<sup>5</sup> Please see <https://www.semcommittee.com/publication/sem-11-027-contracting-process-2011-2012>

<sup>6</sup> Q2 2018 under the revised SEM trading arrangements covers the period from 11pm on the 22<sup>nd</sup> May 2018 to end of June 2018.

The auctions for the remainder of the 2018 contract period will be typically held approximately 1 month before the quarter in question, as listed below:

- The remainder of Q2 and all of Q3 product will be offered by ESB on Thursday 19<sup>th</sup> April 2018; and
- All of Q4 2018 product will be offered by ESB on Thursday 9<sup>th</sup> August 2018.

### **3.3 Modelling of PSO CfD Indicative & Reserve Prices**

In calculating the indicative and final reserve prices for the PSO CfD auctions, the forecast prices from the RA's PLEXOS model will be capped at the RO strike price for the given period. The capping will work by replacing any price above the RO strike price with the RO strike price for the period in question. This is to take into account the Commodity Call Option that is linked to the PSO CfD, as per ESB's CfD (being a PSO-Supported Contract) Financial Energy Master Agreement ("CfD PSO FEMA").

### **3.4 PSO CfD Master Agreement & Auction Rules**

Arising from I-SEM implementation, ESB's PSO CfD Master Agreement have been updated. The updated PSO CfD Master Agreement is consistent with the DC FEMA implemented by market participants for I-SEM (see SEM-17-085). The CfD PSO FEMA is available on the SEM Committee website; the relevant auction rules are available on the Tullett Prebon website.

### **3.5 PSO CfD Auction Volumes and Dates for 2019**

The RAs intend to publish an information paper in Q3/Q4 2018 setting out the volumes and dates of auctions for the PSO supported CfDs that will apply from 2019. This will cover from Q1 2019 though to Q4 2019.