



## **Information Paper**

# **2019 Directed Contract Subscription Process & Dates**

SEM-18-163

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## 1. Introduction

The purpose of this paper is to inform market participants of the Directed Contract (DC) subscription dates for 2019. The dates of each primary and supplementary subscription window for DC rounds 5 to 8 as well as the share of product on offer per round are presented below.

## 2. Background

Since 1<sup>st</sup> November 2007 the Northern Ireland Authority for Utility Regulation (NIAUR or Utility Regulator) and the Commission for the 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).

An integral element of the efficient and effective operation of the SEM is risk mitigation by its participants. To date 2-way Contracts for Differences (CfDs) have been offered which have enabled generators and suppliers to manage and hedge the wholesale price risk inherent in the SEM. CfDs assist both wholesale and retail competition to the ultimate benefit of final customers. This is because the ability of generators and suppliers to enter into and access contracts enhances the financial certainty, flexibility and innovation of participants in both the wholesale and retail markets.

DCs are CfDs which are imposed, as appropriate, by the RAs on the incumbent generators - ESB PG and Power NI PPB - with market power in the SEM as part of the RAs' Market Power Mitigation Strategy. However, in recent years only ESB has been required to offer DCs under this strategy.

## 3. Overview of DC Product Types

There are three DC products in the market: Baseload, Mid-Merit and Peak. Suppliers can elect to subscribe for any given product for which they are eligible in any particular quarter from ESB. The definitions of the products are set out as follows:

- *Baseload Product*: For Trading Periods at the Contract Quantity arising in all hours.
- *Mid-merit Product*: For Trading Periods at the Contract Quantity during the hours beginning at 07:00 and ending at 23:00 on Business Days and for Trading Periods on days that are not Business Days at 80% of the Contract Quantity.
- *Peak Product*: For Trading Periods arising during the hours beginning at 17:00 and ending at 21:00 on all days during October, November, December, January, February and March at the Contract Quantity.

## 4. DC Approach for 2019

In November 2018, the RAs intend publishing an updated validated SEM PLEXOS model for the period 2018-2023 inclusive. It is the RAs intention that this model will be used for Rounds 5 - 8 of the DCs. The DC subscription windows will continue to be held quarterly, with a 3-day primary subscription window, followed a week later by a supplemental window of 1 day. Four quarters will be offered per round with 25% of each quarter available per round as detailed below in Table 1.

Table 1 - Share of products on offer per round

Round	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20
5	25%	25%	25%	25%	—	—	—
6	—	25%	25%	25%	25%	—	—
7	—	—	25%	25%	25%	25%	—
8	—	—	—	25%	25%	25%	25%

## 5. DC Timelines for 2019

This section sets out the dates for all primary and supplemental subscription windows for the SEM DC rounds in 2019. The primary subscription window in each DC round is held from Tuesday to Thursday, with the supplemental window taking place the following Thursday. The RAs will endeavour to inform all eligible suppliers of the volumes of DCs they are entitled to at least 5 working days in advance of the start of the primary subscription window. Should there be a need to amend these dates, the RAs will notify stakeholders in advance.

<b>Round 5 DC Subscription – January 2019</b>	<b>Timeline</b>
RAs publish paper on DC quantities and pricing, and inform suppliers of DC eligibility for Q2 2019 to Q1 2020 product	Late-January
Primary Subscription Window for Q2 2019 to Q1 2020 product	Tues 29 <sup>th</sup> - Thurs 31 <sup>st</sup> January
Supplemental Subscription Window	Thurs 7 <sup>nd</sup> February
<b>Round 6 DC Subscription – March 2019</b>	<b>Timeline</b>
RAs publish paper on DC quantities and pricing, and inform suppliers of DC eligibility for Q3 2019 to Q2 2020 product	Mid-March
Primary Subscription Window for Q3 2019 to Q2 2020 product	Tues 19 <sup>th</sup> - Thurs 21 <sup>th</sup> March
Supplemental Subscription Window	Thurs 28 <sup>th</sup> March

<b>Round 7 DC Subscription – June 2019</b>	<b>Timeline</b>
RAs publish paper on DC quantities and pricing, and inform suppliers of DC eligibility for Q4 2019 to Q3 2020 product	Mid-June
Primary Subscription Window for Q4 2019 to Q3 2020 product	Tues 18 <sup>th</sup> - Thurs 20 <sup>th</sup> June
Supplemental Subscription Window	Thurs 27 <sup>th</sup> June
<b>Round 8 DC Subscription – September 2019</b>	<b>Timeline</b>
RAs publish paper on DC quantities and pricing, and inform suppliers of DC eligibility for Q1 2020 to Q4 2020 product	Mid-September
Primary Subscription Window for Q1 2020 to Q4 2020 product	Tues 17 <sup>th</sup> – Thurs 19 <sup>th</sup> September
Supplemental Subscription Window	Thurs 26 <sup>th</sup> September