



**Single Electricity Market
(SEM)**

**Response from SEMO to
Consultation on Intermediary Arrangements in the SEM**

SEM-20-033

1. CONTENTS

1. Contents	2
2. Executive Summary	3
3. Purpose Of This Response	4
4. Introduction	5
4.1. Background And Summary Of Existing Arrangements	5
4.2. Summary Of Existing Criteria	6
5. Consultation Questions	7
5.1. Question 1	7
5.2. Question 2	7
5.3. Question 3	8
5.4. Question 4	8
5.5. Question 5	9
5.6. Question 6	9
5.7. Question 7	9
6. Final Observations.....	9

2. EXECUTIVE SUMMARY

SEMO is a contractual joint venture entered into by EirGrid plc and SONI Ltd, who are each licensed by the Commission for Regulation of Utilities and the Utility Regulatory with respect to their Market Operation Activities.

The European Union (EU) in building an internal market for electricity and gas, to help deliver energy supplies that are affordable, secure and sustainable, set in place provisions for the implementation of the European Electricity Target Model (EU Target Model). The EU Target Model is a set of harmonised arrangements for the cross-border trading of wholesale energy and balancing services across Europe.

In implementing this EU Target Model and to ensure efficiency in cross-border trading for the Single Electricity Market (SEM), the SEM Committee introduced a revised set of trading arrangements (revised SEM arrangements) across forwards, ex-ante and balancing markets. The arrangements for the Balancing Market are set out in the SEM Trading and Settlement Code (TSC or the Code), a multiparty contract binding market participants in the SEM.

The revised SEM arrangements went live on 1 October 2018.

The initial criteria for registration of intermediaries were set out in the SEM Committee's Decision Paper on the 'Criteria for Approval of Intermediary Applications under the Trading and Settlement Code' in 2007 ([SEM-07-029](#)). The SEM Committee decision sought to achieve three goals:

- to facilitate the transfer of pre-existing arrangements to minimise the burden on very small generators;
- to create an accommodating environment for renewable generators in the new SEM; and
- to ensure that there were no inadvertent market power risks created by allowing a single entity to represent and participate on behalf of a significant portion of the market.

The RAs have concluded that these objectives have been generally achieved, and the level of renewable penetration, and the diverse ownership profile of units in the SEM suggests that the Intermediary arrangements were not a significant barrier to entry and may indeed have been a useful support.

Before the revised SEM arrangements went live in October 2018, the SEM Committee consulted on modifications to these arrangements and in [SEM-17-025](#) set out a number of decisions in relation to the transition of Intermediary arrangements to the new market and the eligibility criteria that would apply. This Consultation mainly focused on the mechanism for transitioning RA Intermediary consents to the new market and the eligibility criteria for any new Intermediary applications.

The resulting decision (SEM-17-025) was explicitly limited to minimising the changes for market participants during the transition from SEM to the revised SEM arrangements. In that decision the SEM Committee noted the wide range of interesting and potentially important amendments that could be made to the criteria to support the future needs of the system and the market but that such changes could not be considered at that time. The SEM Committee committed to reviewing in a more wide-ranging way Intermediary arrangements following Go-Live of the revised SEM arrangements and the SEM Committee.

[SEM-20-033](#) considers a number of issues raised in response to SEM-17-025 and the broader application of Intermediary Arrangements in the SEM. The RAs have continued to emphasise the important role that Intermediary arrangements play the SEM in providing an alternative route to market for stakeholders that may not wish to participate directly. In SEM-20-033, the RAs have indicated that there is potential for the eligibility criteria to be revised and that a broader application of these arrangements is worth consideration, particularly in light of new requirements to facilitate aggregation in the market under the Clean Energy Package and the potential role of Intermediaries in this area. The arrangements and mechanisms to decide on eligibility criteria for Intermediaries are discussed below along with the potential application of these arrangements across the ex-ante markets, for suppliers and for aggregators.

3. PURPOSE OF THIS RESPONSE

In this response SEMO has compiled its observations and comments with respect to the questions raised in Consultation SEM-20-033. SEMO looks forward to any further engagement on this important issue through the SEM Trading and Settlement Code Modifications Committee.

4. INTRODUCTION

4.1. BACKGROUND AND SUMMARY OF EXISTING ARRANGEMENTS

The role of an Intermediary is to act for the Generator owner in relation to specific Generator Units under the Trading and Settlement Code (TSC). This involves taking on their rights and responsibilities under the TSC, including bidding, settlement and provision of credit cover. Intermediary arrangements are used by a wide range of mainly renewable units to allow other TSC Parties (mainly suppliers) to interact with the market on their behalf. It is also a mechanism used by REFIT-supported generators to avoid the need to interact with a supplier that is not part of the same company, allowing a supply company to act on behalf of a generator owned by the same parent company.

Although Intermediaries were originally proposed in the “Decision Paper on the Criteria for Approval of Intermediary Applications under the Trading and Settlement Code” on 28 February 2007 ([AIP/SEM/07/029](#)); the applicable criteria have been reassessed on a number of occasions but the arrangements themselves have not been reconsidered.

An extension of the application of the criteria was published on 30 March 2011 ([SEM/11/014](#)). The criteria applicable to Intermediaries was simply carried over to the revised SEM arrangements (ISEM) in Decision [SEM-17-025](#), which affirmed the SEM Committee’s commitment to review and reconsider the Intermediary Arrangements following ISEM go-live.

There are three key aspects to existing arrangements:

- 1) Private commercial arrangements between the Generator owner and Intermediary: The Generator owner and the Intermediary must reach an agreement to govern their relationship. An example of such an arrangement might be a Power Purchase Agreement (PPA).
- 2) Regulatory Consent: Under the terms of the TSC, the Generator owner and Intermediary must receive the consent of the RAs to be appointment an Intermediary.
- 3) Once both parties (the Intermediary and the Generator) have received consent they must submit a Form of Authority (together with evidence of the RA consent) to the Market Operator. The purpose of the Form of Authority is to provide evidence that both parties understand and have agreed to the arrangement.

4.2. SUMMARY OF EXISTING CRITERIA

The RAs may grant consent for an Intermediary arrangement:

- A. Where a party's participation in a bilateral agreement is under a PSO contract, then the use of an Intermediary will be permitted for the duration of that contract;
- B. Where a Generator Unit has Priority Dispatch for the whole of its output and is contracted to a Supplier that is a Party to the TSC; or
- C. Where a Generator Unit is non-controllable and non-dispatchable for the whole of its output and is contracted to a Supplier that is a Party to the TSC; or
- D. Where a Generator Unit is contracted to a Supplier that is a Party to the TSC and the following criteria are satisfied:
 - The Generator Unit has been allocated to a support-scheme, where to access payment the requirements of the scheme are that such an Intermediary must be appointed to receive the support-scheme payments, and where no alternative of receiving support-scheme payment in the SEM exists;
 - The generator's Maximum Export Capacity is less than 100MW; and
 - Subject to applicable licence conditions, the Intermediary appointed will only act on behalf of a generator in the SEM with which it has a related undertaking or affiliate as set out in the relevant jurisdictional Generator Licences.

5. CONSULTATION QUESTIONS

5.1. QUESTION 1

The RAs propose to revise Part C of the eligibility criteria to allow for a broader range of market participant categories to apply and also to provide for renewable units which may be dispatchable and / or controllable to take part in such arrangements. The revised criterion would be; where a Wind Power Unit, a Pumped Storage Unit, a Battery Storage Unit, a Demand Side Unit or a Solar Power Unit with a Maximum Export Capacity of less than 100MW is contracted to a Supplier that is Party to the TSC.

SEMO supports in principle a revision of and / or extension to the eligibility criteria to facilitate the participation of a broader range of market participant categories, which might include battery storage, Demand Side Units or Solar Power.

Nonetheless, SEMO is keen to understand the mechanism that might be used to determine the revised eligibility criteria, and whether any such test might itself be subject to consultation.

SEMO assumes that the extension of the eligibility criteria to a broader range of market participant categories will also be considered by the appropriate competition authorities and / or in terms of its implications with respect to competition in the SEM.

5.2. QUESTION 2

The RAs propose to allow Suppliers to take part in Intermediary arrangements. Do you agree with this proposal and do you have a view on whether this should be available to all suppliers or only to those below a certain threshold of market share?

SEMO supports transparent and competitive Intermediary arrangements, which are subject to applicable competition law standards and / or review by the relevant authorities including the Competition and Consumer Protection Commission as appropriate.

5.3.QUESTION 3

The RAs propose that an additional criterion is added to the Trading and Settlement Code to allow for specific registrations to be approved once they meet the SEM Committee’s specific objectives in this area. A Modification to the TSC would be raised following this Consultation to provide for this change. Do you agree with this proposal?

SEMO would like further clarity on the type of criterion which might be added to the Trading and Settlement Code to allow for specific registrations to be approved, and in particular what the SEM Committee’s specific objectives should be. SEMO is of the view that in the interests of transparency and to facilitate continued participation of new technologies in the SEM, that the arrangements applying to intermediaries should continue to be clearly and transparently set out by the SEM Committee and reflected in market rules.

While SEMO accepts that the emergence over time of new technologies may create a perceived need to ‘future-proof’ the market rules; nonetheless, SEMO is of the view that a firm set of criteria, should be prescribed setting out the standards that any such new technology should meet, to include specified objectives of the SEM Committee. In the alternative SEMO opines that a clear process should be set out for the approval of any future registrations, which should also set out the determining criteria on which the SEM Committee would base any such decision.

5.4.QUESTION 4

The RAs propose to publish a quarterly report on the SEM Committee website setting out the details of the current Intermediary arrangements in place in the SEM. Participants involved in these arrangements would be required to notify the RAs and SEMO of any changes to these. Do you agree with this proposal?

SEMO considers that clarity as to any applicable Intermediary arrangements is imperative to Participants and to the Market Operator. A requirement to notify the Market Operator and the RAs of any changes to extant arrangements promotes transparency and facilitates the efficient operation of the market by the Market Operator and it is for these reasons that SEMO supports this proposal.

5.5.QUESTION 5

What is your view on the potential added value of the application of Intermediary Arrangements in the Ex-Ante Markets?

SEMO welcomes the separate consultation by the SEM Committee on aggregation ([SEM-20-042](#)) and would support increased transparency with regard to aggregators and / or assetless traders in the SEM.

5.6.QUESTION 6

Are there limitations to the current arrangements which could be revised to better facilitate corporate PPAs?

SEMO looks forward to understanding any views presented by Participants in this regard but notes that this matter to which Participants are better placed to respond.

5.7.QUESTION 7

Are there further changes to the Form of Authority that the Regulatory Authorities should consider?

SEMO has no comments with respect to this question.

6. FINAL OBSERVATIONS

SEMO supports the further consideration of the drafting of any required changes to market rules through the established Modifications Process, while understanding the importance of clarity and transparency of market rules to Participants.