



A Sustainable Future Powered by Electricity



EAI Viewpoints

Senior Stakeholder Meeting

28th June 2017

Industry Perspective

1. Cost recovery
2. Reducing functionality of markets
 - a) EUPHEMIA
 - b) Intraday Market
3. REFIT Interaction
4. The Licence change process
5. External dependencies
 - a) State Aid
 - b) BREXIT
6. Other

Cost Recovery

- Concern at SEMC's philosophy regarding the treatment of fixed costs:
 - Precludes existing plant from recovering sunk fixed costs through the capacity market
 - Restrictive definition of SRMC in proposed Bidding controls in the balancing market will not allow fixed cost recovery
- Create significant risk for inefficient exit signals, overall market sustainability
- Where then will the opportunity to recover total costs (including both fixed and variable costs) exist?

Market Functionality - EUPHEMIA

- The ex-ante market solution has been repeatedly diluted
 - Now represents a significant deviation from what was originally envisaged
- SEMO and the ISEM Euphemia working group recommended 5 order types to address needs of participants
 - Simple; Complex (including all conditions of complex orders); Block; Linked block; and Exclusive group orders
- Lack of clarity as to how much functionality will be removed before Market Testing / Go-live
 - Will functionality for Market Testing differ at Go-Live?
 - What are the SEMC's minimum criteria for EUPHEMIA for Go-Live?
 - Absent full fange of order types, how to ensure [some] operator's costs recovered?

Keep market participants better informed of developments (general point)



Market Functionality - Intraday Market

- RA assumption that the European XBID platform would not be available at Go-Live
 - Requirement for a bespoke ISEM solution
 - Local continuous IDM combined with three regional auctions.
- Latest iteration - two regional auctions at times that differ to the those proposed initially
 - When are final arrangements anticipated?
 - Need to engage GB counterparts to optimise auction timings, maximise liquidity?

Need confirmation of number, coupling and timing of auctions

REFIT Interaction

- DCCAE issued REFIT options paper end-May
- Need decision to allow ISEM systems to be finalised.
- Process unclear
 - Does not appear to be a formal consultation BUT
 - Need decision as soon as possible
 - Significant risk of legal challenge, delay
 - What arrangements are anticipated in such an event?

External to SEMC but decision is critical for participant readiness

Licence Change Process

- Subject to a statutory procedure
- Risk of Licence Appeal by one or more participants arises
 - What arrangements are anticipated in such an event?

External dependencies – State Aid

- Aware application submitted, queries received, responses issued
- Aware modification made to design post application submission
- Aware DG COMP Decision anticipated August 17
- What arrangements are anticipated in event
 - Application refused?
 - Application accepted with conditions?

External to SEMC but decision is critical for participants

External dependencies – BREXIT

- No apparent explicit legal constraints to market continuation (limited analysis)
- Risks arise
 - Governance and jurisdictional issues
 - EU concerns re precedent setting viz. other 3rd country Agreements

External to SEMC but decisions are critical for participants

Other

- Grid Code requirement to give 3 years notice of exit
 - Incompatible with new market arrangements
 - When will agreement on change request be forthcoming?