



Single Electricity Market Committee

Directed Contracts Subscription Process & 2015 Dates

Information Note

SEM-15-015

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1. Purpose of this Paper

The purpose of this RA paper is to inform market participants of the Directed Contract (DC) process and subscription dates for 2015.

2. Background

Since 1st November 2007 the Northern Ireland Authority for Utility Regulation (NIAUR or Utility Regulator) and the Commission for Energy Regulation (CER), 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) covering both Northern Ireland and the Republic of Ireland. Further details on the project can be found on the AIP website at www.allislandproject.org.

The SEM includes a centralised gross pool (or spot) market which, given its mandatory nature for generators (above 10 MW) and suppliers, is fully liquid. In this pool, electricity is bought and sold through a market clearing mechanism, whereby generators bid in their Short Run Marginal Cost (SRMC) and receive the System Marginal Price (SMP) for each trading period for their scheduled market quantities, as well as other revenue streams. Suppliers purchasing energy from the pool pay the SMP for each trading period along with other costs.

Risk Management is an integral element of the efficient and effective operation of the SEM. To date there have been offerings of a substantial volume of 2-way Contracts for Differences (CfDs) which have enabled generators and suppliers to manage and hedge the wholesale price - i.e. SMP - 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 by the RAs on the incumbent generators - ESB PG and NIE Energy PPB - with market power in the SEM. This is part of the RAs' Market Power Mitigation Strategy. In recent years only ESB has been required to offer DCs under this strategy.

In April 2012 the RAs published a decision paper, SEM-12-019¹, setting out a new approach for the offering of DCs for the 2012/13 contract year and beyond. The paper detailed the RAs' decision to move away from offering all DCs in a one-off annual basis for the forthcoming contract year. The RAs decided in that paper that, in place of the annual offering, the DC subscription windows are to be held every quarter with DCs being allocated on a rolling basis up to 5 quarters ahead.

3. DC Approach for 2015

For 2015, the quarterly approach to DCs, as well as the duration of the primary and supplementary subscription windows, will be the same as that in 2013 and 2014.

¹ Directed Contracts Option Decision Paper 2012-13 – [SEM-12-019](http://www.allislandproject.org/SEM-12-019)

The primary subscription window will be held over 3 days, Tuesday, Wednesday and Thursday and the supplemental window on the following Thursday (see Section 4 of this paper for the dates). There will be no daily cap on subscriptions and nominations will be in MWs. The RAs will endeavour to inform all eligible suppliers of the volumes of DCs they are eligible for, at least 5 working days in advance of the start of the primary subscription window.

During every quarterly DC subscription the Concentration model is run for four quarters, starting two quarters ahead, and 25% of the outturn DC volume is allocated for each quarter. The same applies for the supplier eligibility model which is run quarterly by the RAs.

The DC pricing formulae will be derived every second quarter. For the quarters in which new formulae are not newly derived, the formulae constants will be adjusted so that the formulae outturns match the results of a new PLEXOS run. This will help ensure that formulae apply over a reasonable timeframe and are therefore reasonably accurate.

4. DC Timelines for 2015

This section sets out the dates for all primary and supplemental subscription windows to be held in 2015. As per section 3, there is no change to the DC approach applied in 2013 and 2014.

The RAs do not currently expect that there will be any change to the below dates, but should there be a need to amend any dates the RAs will notify stakeholders in advance.

12th DC Subscription – March 2015	Timeline
RAs publish paper on DC quantities and pricing, and inform suppliers of DC eligibility for Q3 2015 to Q2 2016 product	Mid-March
Primary Subscription Window for Q3 2015 to Q2 2016 product	Tuesday 24 th to Thursday 26 th March
Supplemental Subscription Window	Thursday 2 rd April
13th DC Subscription – June 2015	Timeline
RAs publish paper on DC quantities and pricing, and inform suppliers of DC eligibility for Q4 2015 to Q3 2016 product	Early to mid-June
Primary Subscription Window for Q4 2015 to Q3 2016 product	Tuesday 16 th to Thursday 18 th June
Supplemental Subscription Window	Thursday 25 th June
14th DC Subscription – September 2015	Timeline
RAs publish paper on DC quantities and pricing, and inform suppliers of DC eligibility for Q1 2016 to Q4 2016 product	Early September
Primary Subscription Window for Q1 2016 to Q4 2016 product	Tuesday 8 th to Thursday 10 th September
Supplemental Subscription Window	Thursday 17 th September
15th DC Subscription – December 2015	Timeline
RAs publish paper on DC quantities and pricing, and inform suppliers of DC eligibility for Q2 2016 to Q1 2017 product	Late November
Primary Subscription Window for Q2 2016 to Q1 2017 product	Tuesday 1 st to Thursday 3 rd December
Supplemental Subscription Window	Thursday 10 th December