

# **EU Stakeholder Forum 2015**

## **I-SEM Roles & Responsibilities Consultation**

10 March 2015




# Outline of Consultation Paper – 6 March

- **Introduction**
  - Implementation of EU Network Codes
  - I-SEM institutional arrangements
- **Description of I-SEM Roles and Functions**
  - Changes from SEM roles – NEMO, TSOs etc.
- **Assignment of roles and functions**
  - Balancing Market
  - Imbalance Settlement
  - Capacity Mechanism Delivery
  - Capacity Mechanism Settlement
  - Forward Capacity Allocation and Settlement
- **Synergies & Conflicts of interest**
- **NEMO designation - CACM process and our interpretation of designation criteria**

# Introduction – EU Network Codes

- EU Network Codes – binding Regulations directly applicable in Ireland and Northern Ireland
- First Electricity Regulation – CACM - finalised in December 2014 and due to enter into force in June/July 2015- Derogation for Ire and N.I to end 2017.
- **But** - Articles 4, 5 and 6 and participation in the development of terms and conditions or methodologies apply from entry into force
- NEMO designation required by +4 months from entry into force
- Key tasks and methodologies:
  - Determination of capacity calculation regions and methodologies
  - Development of plan for MCO role
  - Products for DA and ID markets
  - Max and min prices
  - Back up procedures
- So important that decisions on roles for I-SEM particularly in relation to CACM are made as soon as possible.

# Description of Roles and Responsibilities

- **SEM Roles:**
  - Generators
  - Suppliers
  - TSOS
  - IC Owners
  - IC Users
  - IA
  - DSOs
- **Changes for I-SEM**
  - CACM – NEMOs, IC Owners  TSOs
  - Balancing Code – Imbalance settlement
  - FCA - allocation platform, settlement of FTRs
  - CRM Delivery Body
  - CRM Settlement Body

# Assignment of Roles

- **Proposed decision on the allocation of the following operational roles and functions for the I-SEM:**
  - Balancing Market Operator Role (TSOs)
  - Settlement of Imbalances Role (TSOs or MO)
  - Capacity Mechanism Delivery and Auction Role (TSOs)
  - Capacity Mechanism Settlement Role (TSOs or MO)
- **Other Roles to be defined in individual workstreams**
  - Forward Contracting Roles (Forwards and Liquidity)
  - AOLR (ETA)

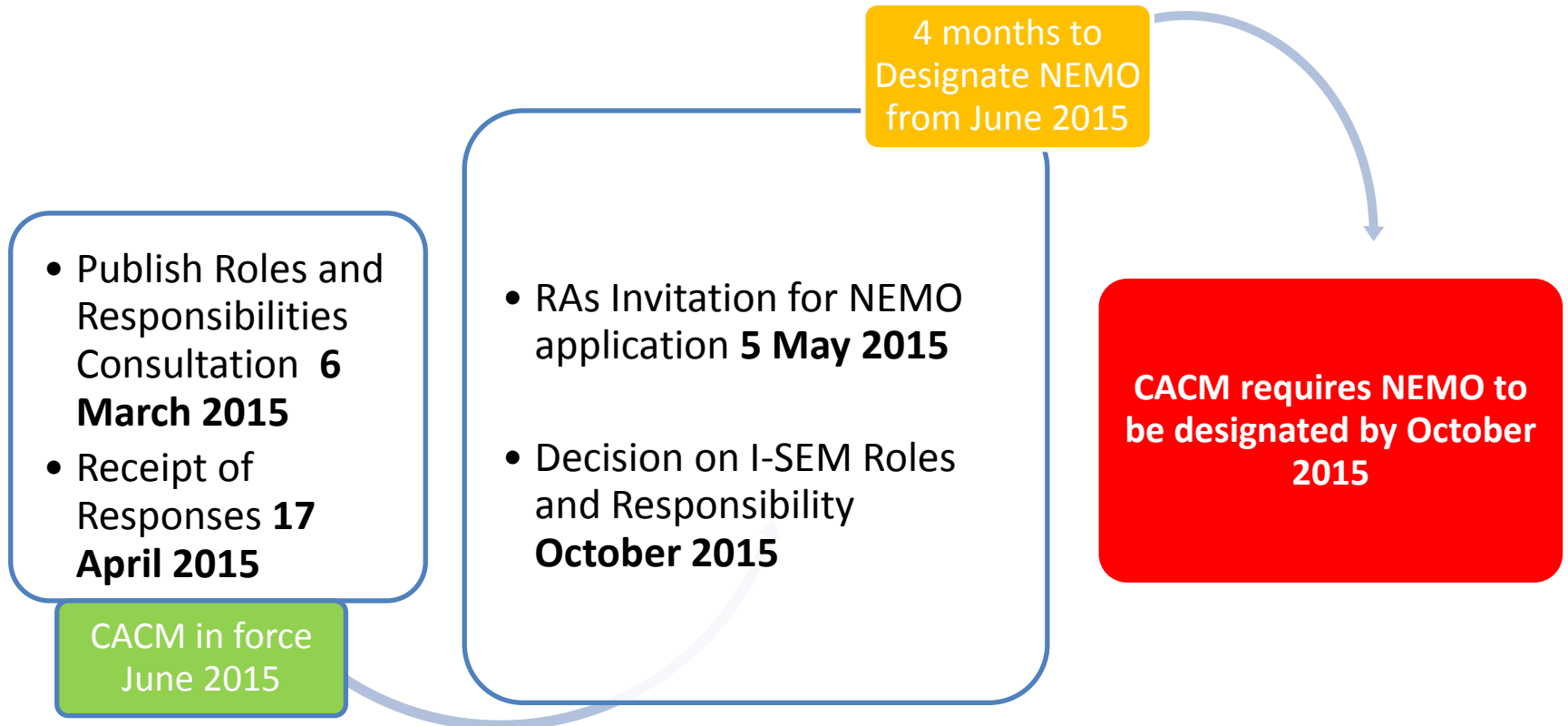
# Synergies and Conflicts of Interest

- **For I-SEM operational roles SEM Committee is focussed on:**
  - achieving synergies where they reduce costs to consumers; and
  - Mitigating perceived conflicts of interest where they increase costs to consumers
- **Synergies regarding market operator roles may include:**
  - Economies of scope
  - Economies of scale
  - Lower transaction costs to market participants
- **Conflicts of Interest between TSOs/MO roles:**
  - Identification of conflict of interest and how it could increase costs
  - Assessment of ability to act on conflict
  - Assessment of incentive to act on conflict
  - Mitigation measures

# NEMO Designation in Ireland & Northern Ireland

- DCENR and DETI letters on NEMO Designation:
  - No legal monopoly – Article 4 process applies
  - CER and UR will be responsible for designation in Ireland and N.I.
  - Coordinated approach for I-SEM bidding zone
- RAs are jointly consulting on our proposed application of the Article 6 CACM criteria for NEMO designation
- Focus is on capability to perform NEMO functions – adequate resources, cost efficiency etc.
- Invitation to Interested parties to apply for the NEMO role will be posted on the CER, UR and AIP websites in May 2015
- Formal designation by CER and UR by October 2015
- Timelines line up with CACM requirements and I-SEM Procurement.

# NEMO Designation Process





# Licences and Codes

- Overview and assumptions of changes to legal framework
- Legislation as required – Departments
- Licence changes will be required for I-SEM
- Assumption that Codes (TSC) will be updated/replaced by revised set of market rules – multilateral contract
- Other codes and rules as required

# Next Steps

- Consultation Paper published
  - 6 March
- Responses due to Roles & Responsibilities consultation
  - 17 April
- RAs will invite applications for NEMO Designation
  - 5 May
- Publish Decision on Roles and Responsibilities
  - October 2015 to align with CACM requirement and procurement timelines