



Single Electricity Market

Update on Single Electricity Market Continuity for Remainder of Trading Year 2018

Information Paper

SEM-18-026

03 May 2018

1 EXECUTIVE SUMMARY

The SEM Committee offers interested Stakeholders and Participants an update on the Single Electricity Market (SEM) in light of the I-SEM Go-Live date of 1 October 2018¹.

This information paper contains the SEM Committee's commentary on information relating to several aspects of the SEM and key dates and pertaining to the SEM, in light of the above deferred I-SEM date.

The information applies subject to the approval of JCR362 which is the change request that has been raised to move the I-SEM timetable to go live on 1 October 2018.

¹ See I-SEM project update [I-SEM Market Update 17 April 2018](#)

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3 INTRODUCTION

On 17 April 2018, the SEM Committee published a note regarding the revised Go-Live date for the new I-SEM. In light of this, the SEM Committee would also like to provide interested stakeholders and Participants with an update to some existing arrangements within the SEM, and the potential effects that the new Go-Live date would have upon them.

4 KEY SEM ASPECTS / WORKSTREAMS

The following aspects are not necessarily exhaustive although the SEM Committee feels that it is important to provide commentary on these key work streams by way of this update.

4.1 ANNUAL CAPACITY PAYMENT SUM 2018

In the decision paper on *'Fixed Cost of a BNE peaking plant, Capacity Requirement and Annual Capacity Payment Sum for the Trading Year 2018'*², the SEM Committee approved the BNE for 2018 and determined alongside this, the associated ACPS for this Trading Year.

The new I-SEM will go live on 1 October 2018 and as such the current Capacity Payment Mechanism will discontinue at that time. The RAs published the Capacity Period Payment Sum ("CPPS") for 2018 within the 2017 Decision Paper to indicate the monthly sums to be paid for the period Q1 2018- Q2 2018 ahead of previous 23 May 2018 I-SEM Go-Live.

The SEM Committee has decided that the same CPPS table is to apply as per the decision paper, however the monies to be paid out until I-SEM Go-Live have been aligned with the revised 30 September 2018³ go-live date instead of 23 May 2018. The table below mirrors

² See [SEM-17-078](#)

³ There are 7 hours missing in the SEM Capacity Month of September 2018 due to cutover occurring at 11pm on the 30th, partway through the SEM Trading Day 30 September of 6am – 5.30am.

that of Table 1.2 in SEM-17-078, reflecting this, as well as an adjustment for the partial Trading Day on 30 September 2018:

Month	Capacity Period Payment Sum 2018
January	€55,355,619
February	€53,608,147
March	€49,572,140
April	€41,515,538
May	€38,538,025
June	€36,493,688
July	€34,686,566
August	€38,014,970
September	€37,980,545 €37,611,290
Total SEM Period	€385,395,983
October	€47,692,306
November	€55,034,591
December	€57,624,024
Total ACPS 2018	€546,116,160

Table 4.1. Revised CPPS and associated ACPS for Trading Year 2018

The SEM Committee wish to also reiterate the associated BNE price and associated deductions, along with the Capacity Requirement for Trading Year 2018:

Metric	Decision 2018
BNE Annualised Cost (€/kW/Yr)	88.23
DS3 Deduction (€/kW/Yr)	7.76
Inframarginal Rent (€/kW/Yr)	6.35
BNE Cost per kW per year	74.12
Capacity Requirement (MW)	7368
ACPS for Trading Year (€)	546,116,160

Table 4.2 – 2018 Consultation Paper and Decision BNE Prices

The RAs have engaged with the Market Operator (SEMO) in terms of the cutover to the new I-SEM and the necessary changes required for the Central Market Systems (CMS) associated with the termination of the SEM within part of a Trading Day. Changes to the CMS for Energy, Capacity and Market operator Charges will be required in readiness for the 23:00:00 30

September cutover date and the RAs will continue to engage with SEMO in relation to this changeover.

4.2 EXISTING SEMO PRICE CONTROL 2018 - 19

The SEMO Price Control (SEM-16-043) was published on 3 August 2016 and was designed to be flexible to take account of potential movements in the I-SEM commencement date.

Following the first movement of the I-SEM Go-Live date from 1 October 2017 to 23 May 2018, SEMO submitted a revenue requirement for the tariff year 2017/18 which was approved by the SEM Oversight Committee as per the SEM-17-054 Information Paper published on 27 July 2017. This approved revenue of €10.394m allowed SEMO to propose Market Operator Charges to apply from 1 October 2017 to 23 May 2018 which were approved and published by SEMO on 7 September 2017⁴.

On 23 February 2018 SEMO submitted a revenue requirement for the initial period of I-SEM Go-live 23 May until 30 September 2018, which was approved by the SEM Oversight Committee. The decision and the corresponding tariffs were published under SEM-18-008 SEM-18-011.

In light of the SEMC decision to revise the I-SEM Go live date to 1 October 2018, SEMO have now reviewed the revenue requirement and applicable tariffs for 2017/18 and calculated an updated entitlement for 2017/18 of €11.378m to extend the SEM to 30 September 2018, which is an increase of €0.984m on the figure approved on 6 September 2017.

In addition to the request for this additional revenue allowance, SEMO have proposed that the SEM-applicable tariffs approved by the RAs and subsequently published by the SEMO on 7 September 2017 should roll forward to the end of September 2018, and that the difference

⁴ <http://www.sem-o.com/Publications/General/2017-2018%20SEMO%20Tariffs%20and%20Imperfections%20Costs.pdf>

between revenue and entitlement created be captured within the relevant K factor for 2017-18. This proposal would also require the cancellation of the decisions within SEM-18-008 and SEM-18-011.

The SEM Committee is currently considering these proposals, but is in any case at this juncture supportive of the **rolling forward of all Market Operator tariffs as laid out within SEMO publication on 7 September 2017 to the end of September 2018**. The SEM Committee can also confirm the application of the K factor process to any amounts that are approved by it⁵ in light of SEMO's new revenue requirement submission. The SEM Committee also wishes to confirm the cancellation of the I-SEM tariff decisions within SEM-18-008 and SEM-18-011.

4.3 I-SEM SEMO AND SEMOPX PRICE CONTROLS

The SEM Committee acknowledge that the current decision papers outlining the respective Price Controls for both SEMO⁶ and SEMOPx⁷ are published and decided upon.

The impact of the delay to the I-SEM Go-Live date to 1 October 2018 on these decisions will be reviewed and examined by the RAs in due course.

4.4 DIRECTED CONTRACTS

In preparation for the I-SEM Go-Live, the SEM Committee published a suite of documents pertaining to ESB's Directed Contracts (DCs) obligations, including:

- i. DC Implementation Decision Paper ([SEM-17-081](#)), which set out the timelines for Round 1-Round 4 of the DCs under the revised SEM arrangements arising from I-SEM

⁵ For clarity this document is not an approval of the revised revenue entitlement calculations submitted by SEMO.

⁶ See [SEM-17-054](#)

⁷ See [SEM-18-003](#)

implementation, in conjunction with a description of the models that will be used by the RAs in determining the DCs that are to be offered by ESB.

- ii. Decision Paper on ESB's Proposed Revisions to the DC Master Agreement & Subscription Rules ([SEM-17-083](#)), which confirmed the replacement of the DC Master Agreement and Subscription Rules with a Financial Energy Master Agreement (SEM-17-085), a Credit Support Annex (SEM-17-085a), Confirmation document (SEM-17-085b) and a revised set of DC Subscription Rules (SEM-17-085c). Additionally, the decision paper (SEM-17-083) confirmed that the Day Ahead Market (DAM) price will be used as the reference price for the DCs and that the 2-way Contract for Difference (CfD) will be linked to a call option (i.e. a 1-way CfD).

Additionally, the SEM Committee published a validated I-SEM PLEXOS Model ([SEM-17-089](#)),⁸ which covers the period from 23 May 2018 until the end of 2019, with the intention of using the validated model for Rounds 1-4 of the DCs under the revised SEM arrangements. To date, the validated model has been used for pricing Round 1 and Round 2 of the DCs.

Given that the I-SEM Go-Live date is now the 1 October 2018, the SEM Committee can confirm the following arrangements that are being applied to DCs:

- **DC Timelines & Product Offering:** Round 3 and Round 4 of the DCs will take place on dates as set out in the DC Implementation Decision Paper (SEM-17-081):
 - Round 3: Q4 2018 to Q3 2019 DC product will be offered on the 12-14 June 2018 (Primary Subscription Window) and on the 21 June 2018 (Supplemental Subscription Window).

⁸ Note: SEM PLEXOS Model (2018-19) was updated in March 2018 in order to make a correction to the model ([SEM-18-010b](#))

- Round 4: Q1 2019 to Q4 2019 DC product will be offered on the 11-13 September 2018 (Primary Subscription Window) and on the 20 September 2018 (Supplemental Subscription Window).
- **DC Contracting Framework:** With reference to the ESB's DC contracting framework (i.e. FEMA, CSA, Confirmation, etc), the SEM Committee can confirm that this contracting framework still applies to DC contracts entered into in Round 1⁹ and Round 2¹⁰ of the DCs. However, under ESB's revised DC contracting framework, the pricing mechanic for the DCs offered for Q2 2018 (23 May -30 June) and Q3 2018 will revert back to the SMP. Consequently, the calculation period for Q2 2018 (23 May – 30 June) and Q3 2018 DC product will revert back to half-hourly and only the 2-way CfD remains (i.e. the call option doesn't apply).

For all other DC products offered in Round 1 and Round 2 (i.e. Q4 2018, Q1 2019 and Q2 2019) the relevant reference price will remain the DAM price, the calculation period will remain hourly and the 2-way CfD will be linked to a call option (i.e. a 1-way CfD).

- **DC Prices:** The delay in the I-SEM Go-Live date resulted in Q2 2018 (23 May -30 June) and Q3 2018 DC product (offered during Round 1 and Round 2 of the DCs) being priced under the revised SEM trading arrangements arising from I-SEM implementation. Having considered this matter, the SEM Committee does not intend revising the DC prices for Q2 2018 and Q3 2018 DC product that was offered in Round 1 and Round 2 of the DCs. The SEM Committee notes that the assumptions used for Rounds 1 and 2

⁹ R1 of the DCs took place on the 12-14 December 2017 (Primary Subscription Window) and the 21 December 2017 (Supplemental Subscription Window), and involved ESB offering DC product for Q2 2018 (23 May -30 June), Q3 2018, Q4 2018 and Q1 2019). An additional supplemental round for R1 of the DCs took place on the 21 March 2018.

¹⁰ R2 of the DCs took place on the 2-5 April 2018 (Primary Subscription Window) and the 12 April 2018 (Supplemental Subscription Window), and involved ESB offering DC product for Q3 2018, Q4 2018, Q1 2019 and Q2 2019.

were made based on the best available assumptions at the time, and DCs are typically not repriced once more market information becomes available.

It should also be noted that the RAs are currently progressing the validation of the SEM PLEXOS Model up to 2023 (SEM-18-004) to facilitate the RAs in fulfilling their modelling requirements, including completion of Existing Capacity Price Cap assessments and Unit Specific Price Cap assessments for the upcoming capacity auctions (i.e. T-1: Capacity Year 2019-20 and T-4: Capacity Year 2022-23). Subject to the completion of this validation, the RAs intend using this validated model for subsequent DC modelling.

4.5 PHYSICAL TRANSMISSION RIGHTS

The current SEM allows for physical allocation of Capacity rights on both the Moyle and East-West Interconnectors via an explicit, sealed bid allocation process.

To date, physical capacity on the Interconnectors has been sold in long-term and daily auctions on an Auction Management Platform (AMP) specifically built to facilitate allocating capacity on Moyle and EWIC.

In light of the deferred I-SEM Go-Live date of 1 October 2018, both Mutual Energy and the Eirgrid Group have published separate Long Term Capacity Auction timetables given the new I-SEM Go-Live date¹¹. It is anticipated that the current process of allocation will continue throughout 2018 until this new, revised Go-Live date.

¹¹ For Mutual Energy and Long Term Capacity Auctions on Moyle, see [2018 Moyle Calendar](#), for the EWIC Interconnector see [EWIC Auction Calendar 2018 to I-SEM Go-Live](#)

4.6 IMPERFECTIONS

On 6 September 2017, the Imperfections Charge of €5.00/MWh was approved and applied from 1 October 2017 to 30 September 2018.

This charge forms part of the Market Operator Tariffs and the process for setting the Imperfections Charge for 1 October 2018 until 30 September 2019 is due to commence shortly.

The K-factor process would normally correct any under or over recovery based on the current Imperfection charge rate which will be reviewed as part of the 2018/19 Imperfections process.