



Interim Bidding Controls for I-SEM Go-Live following the Appeal

Panel's determination

Information Paper

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CONTENTS

- CONTENTS 3
- 1 INTRODUCTION & CONTEXT 4
- 2 SCOPE OF INTERIM BIDDING CONTROLS 8
- 3 TRADING AND SETTLEMENT CODE MODIFICATION 9

1 INTRODUCTION AND CONTEXT

Market participants will be aware that an appeal was brought in Ireland under the Energy Regulation Act 1999 in relation to certain I-SEM related modifications to the Generator Licences held by Huntstown Power Company Limited and Viridian Power Limited (the Appellants). In its determination published on 4 July 2018 the Appeal Panel established in accordance with Section 29(3) of the Act, directed the CRU not to make those modifications. That determination is being challenged via judicial review by the CRU.

Given that the direction given by the Appeal Panel presently prevents the application to the Appellants of the bidding controls contained in the Balancing Market Principles Code of Practice (BMPCOP), the SEM Committee considers it appropriate to provide for an interim approach to bidding controls for I-SEM Go-Live in the event that the BMPCOP cannot be applied to all participants on 1 October 2018.

This information paper provides guidance for participants on that interim approach to bidding controls in preparation for I-SEM Go-Live.

Reform of Bidding Controls

Bidding controls in the SEM are presently governed by a licence condition contained in all Generator Licences¹ and a Bidding Code of Practice (BCOP) issued in accordance with that licence condition. Those controls, which require bids to reflect Short Run Marginal Cost, presently apply to all Commercial Offer Data submitted under the Single Electricity Market Trading and Settlement Code.

The reform of those bidding controls for the revised SEM arrangements, referred to as the 'Integrated Single Electricity Market' (I-SEM), was first outlined in SEM-16-024. In this paper the SEM Committee stated that the introduction of the I-SEM provided the

1. Condition 15 in the Generation Licence (IE) and Condition 9 in the Generation Licence (NI)

opportunity to make bidding controls more targeted, and that this approach is facilitated by the existence of a number of market timeframes. It was decided that controls would only apply to non-energy actions transacted through the Balancing Market.

Decisions around the form and detailed design of the reformed bidding controls were outlined in SEM-17-020 and SEM -17-048. The objective of the reform of bidding controls was to replicate competitive market behaviour in the potentially non-competitive elements of the Balancing Market, and therefore to mitigate against the potential for abuse of temporal and locational market power arising primarily from constraints on the electricity system. A final version of the BMPCOP to apply from I-SEM Go Live was published (SEM-17-049) in July 2017.

Implementation of Licence Modifications

On 15 September 2017, the Regulatory Authorities (RAs) issued separate decisions with regard to modifications to Generator and Supplier Licences in Ireland ([CER/17/277](#)) and [Northern Ireland](#) in preparation for I-SEM. These modifications included the addition of a condition² (which was intended to be ‘switched on’ at I-SEM Go-Live) obliging Generator Licence holders to comply with the BMPCOP, and the modification of the current condition obliging compliance with the BCOP so as to allow it to be ‘switched off’ at I-SEM Go-Live.

Those licence modifications were due to take effect on 16 October 2017 in Ireland and 10 November in Northern Ireland. However, prior to this date, two Generation Licence holders in Ireland challenged the said modifications by way of an appeal to the Minister for Communications, Climate Action and Environment (DCCA). Pursuant to Section 29(3) of the Electricity Regulation Act, 1999 (the Act), the Minister of CCAE set up an Appeal Panel

2. Condition 15A in the Generation Licence (RoI) and Condition 9A in the Generation Licence (NI)

to consider the appeal. This suspended the modifications with respect to the Appellants' Generator Licences.

The Appeal Panel reached its determination on 2 July 2018 and this determination was published on 4 July 2018 on the [DCCAE website](#). In its determination the Appeal Panel directed the CRU not to make the modifications mentioned above to the Appellants' Generator Licences.

The CRU is in the process of initiating Judicial Review proceedings to overturn the Appeal Panel's determination, but the outcome of these proceedings will not be known until after 01 October 2018.

Interim Bidding Controls Approach

There has been some uncertainty among industry given the circumstances around the Appeal Panel's determination. The SEM Committee recognises that clarity is required on these matters urgently. In addition to providing clarity to industry, the SEM Committee's priority is to ensure that when I-SEM goes live on 01 October 2018 it does so in a way that:

- protects consumers; and
- provides a level playing field for all participants.

It may be the case that, notwithstanding the CRU's challenge to the Appeal Panel determination, the BMPCOP cannot apply to the Appellants at I-SEM Go-Live. In that event, the SEM Committee considers that it may be inappropriate, from a level playing field perspective, to apply the BMPCOP to market participants other than the Appellants at that point in time. In the event that this scenario cannot be avoided and the BMPCOP cannot be applied to all participants at I-SEM Go-Live, an interim approach to bidding controls at I-SEM Go-Live is therefore necessary.

In order to deliver on its priorities, the SEM Committee is of the view that the application of the BCOP in an interim period will ensure that consumer interests are protected. With regard to the second priority, relating to the need for a level playing field, the SEM Committee is of the view that this can also be preserved on an interim basis by requiring all participants to abide by the current set of bidding controls. This said, the SEM Committee remains committed to the principles contained within the BMPCOP.

In this context, in order to remove any uncertainty and to provide clarity to industry, the SEM Committee is of the view that, until it is satisfied that the BMPCOP can be applied in an appropriate manner across all licensees, the new licence condition requiring compliance with the BMPCOP should not be 'switched on' in any Generator Licence. As a consequence, the BCOP may continue to operate at the Go Live of the I-SEM, as an interim bidding controls approach.

If this approach is taken, the SEM Committee will review the interim bidding controls 10 weeks after Go Live in light of developments relating to the Appeal Panel Determination, and expect at that point to revert to the BMPCOP, and certainly to revert to the BMPCOP no later than March 2019.

2 SCOPE OF INTERIM BIDDING CONTROLS

The BCOP licence condition, strictly speaking, applies to all Commercial Offer Data submitted under the Single Electricity Market Trading and Settlement Code. The BCOP itself also requires compliance with respect to all Commercial Offer Data submitted under the Single Electricity Market Trading and Settlement Code.

However this is not necessary in the context of the SEM Committee's decision SEM-16-024, which does not require bidding controls for any aspect of ISEM other than non-energy actions in the Balancing Market.

The SEM Committee therefore takes the position that, under the interim bidding controls approach (i.e. the BCOP applying to all participants until the BMPCOP can apply to all participants) and notwithstanding the strict terms of the licence condition, generators should formulate Complex Bid Offer Data submitted to the Balancing Market in accordance with the BCOP licence condition, but will not need to do so in respect of Simple Bid Offer Data submitted to the Balancing Market.

3 TRADING AND SETTLEMENT CODE MODIFICATION

In order to support this interim bidding controls approach, a modification to the Single Electricity Market Trading and Settlement Code will be raised which will provide an interim definition of “Schedule Production Cost” for the purpose of the BCOP licence condition. The current definition contained within the Trading and Settlement Code (which had not been intended to operate in an I-SEM context) includes terms such as Market Schedule Quantity which have no clear meaning in the context of the revised market arrangements set out in Part B and C of the Trading and Settlement Code.