



## **Information Paper**

# **Auction Dates and Volumes on Offer for ESB's PSO-related CfDs**

SEM-18-043

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# 1 Introduction

This Information Paper provide market participants with information on the volume, shape and timing of Public Service Obligation (PSO) related Contract for Differences (CfDs) that are to be offered by ESB for the period in Q1 2019 up until the end of Q4 2019 (31<sup>st</sup> December 2019). This period is referred to as the “Contract Period”.

In summary, and as detailed in section 3 of this Information Paper, circa 1.11 TWh of PSO-related CfDs will be offered for the Contract Period. Within this Contract Period, varying PSO CfD volumes, related to expected plant output<sup>1</sup>, will be allocated to each quarter, with monthly products provided and auctions held quarterly. The distribution of the PSO related CfD products will remain on a 50:25:25 capacity (MW) basis between Baseload, Mid-Merit and Mid-Merit 2.

# 2 Background

Since 1st November 2007, the Northern Ireland Authority for Utility Regulation (NIAUR or Utility Regulator) and the Commission for Regulation of Utilities (CRU), 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).

To date, there has been three types of CfDs offered publically in the SEM, which have enabled generators and suppliers to manage and hedge their exposure to wholesale electricity price movements. In brief, the three types of CfDs currently available in SEM are:

- i. PSO-related CfDs associated with ESB’s thermal generating plants covered under the PSO levy in Ireland, offered via auction over the “Tullett Prebon” platform.
- ii. Directed Contracts (DCs) offered by ESB, whose volume, price and eligibility is set by the RAs as part of the SEM market power mitigation strategy; and

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<sup>1</sup> The PSO CfD volumes offered relate to expected output from ESB’s Lough Ree Power plant and West Offaly Plant.

- iii. Non-Directed Contracts (NDCs), where market participants can offer CfDs which suppliers are free to bid for. The RAs have no role in setting the price or volume of these forward contracts, although we do promote their provision.

With reference to the offering of PSO-related CfDs under the revised SEM trading arrangements arising from I-SEM implementation, the RAs committed to publishing an information paper in Q3 2018 with the volumes and dates of auction for the PSO related CfDs ([SEM-18-012](#)) that will apply for the 2019 calendar year.

### **3 PSO-related CfDs under revised SEM Trading Arrangements**

#### **3.1 Overview**

Under the revised SEM trading arrangements arising from I-SEM implementation, the RAs are continuing with the overall approach to PSO-related CfDs (as existed in previous years) for the remainder of 2018/2019 Contract Period, which is consistent with the minimal change approach that was adopted for the DCs under the revised SEM trading arrangements.<sup>2</sup>

Consequently, there will be quarterly offering of PSO-related CfDs via auction, circa one month or so in advance, with monthly products offered for each quarter. The distribution of PSO-related CfD products also remains on a 50:25:25 capacity (MW) basis between baseload, mid-merit and mid-merit 2. The reasons for this were detailed in SEM-11-027 Contracting Process Information and Decision Paper<sup>3</sup>.

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<sup>2</sup> SEM-17-081: [Directed Contracts Implementation Decision Paper](#)

<sup>3</sup> Refer to [SEM-11-027](#) for further details.

### 3.2 PSO CfD Auction Volumes and Dates for 2019 Contract Period

A total of approximately 1.11 TWh of PSO-related CfDs will be offered across the full 2019 Contract Period. This will be apportioned between each quarter related to the expected output of PSO thermal generating plant, with monthly products offered for each quarter.

Table 1 shows the exact volumes (MW) of PSO-related CfDs on offer for each quarter:

MW	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Baseload	80	60	100	100
Mid Merit	40	30	50	50
Mid Merit 2	40	30	50	50

*Table 1: Volumes (MW)*

The equivalent in GWh offered per quarter is shown in Table 2, as follows:

	Q1 2019	Q2 2019	Q3 2019	Q4 2019
GWh	257.32	195.12	329.45	329.45

*Table 2: Equivalent in GWh*

The auctions for the 2019 contract period will be typically held approximately 1 month before the quarter in question, as listed below.

- Q1 19 product will be sold on 15<sup>th</sup> November 2018
- Q2 19 product will be sold on 14<sup>th</sup> February 2019
- Q3 19 product will be sold in 16<sup>th</sup> May 2019
- Q4 19 product will be sold in 15<sup>th</sup> August 2019

### **3.3 Modelling of PSO CfD Indicative & Reserve Prices**

In calculating the indicative and final reserve prices for the PSO CfD auctions, the forecast prices from the RA's PLEXOS model will be capped at the RO strike price for the given period. The capping will work by replacing any price above the RO strike price with the RO strike price for the period in question. This is to take into account the Call Option that is linked to the PSO CfD, as per ESB's PSO CfD Financial Energy Master Agreement (FEMA).

### **3.4 PSO CfD Master Agreement & Auction Rules**

Arising from I-SEM implementation, ESB's PSO CfD Master Agreement have been updated. Details of the PSO CfD Master Agreement are available [here](#), as well as on the SEM Committee website. Details of the relevant auction rules are available on the Tullett Prebon website.