



**Single Electricity Market
(SEM)**

**Guidance note on questionnaire on costs and benefits of
change to imbalance settlement period of 15-minutes**

SEM-20-054

17 August 2020

PURPOSE

This note is intended to provide some background on the attached questionnaire on the costs and benefits of changing to an imbalance settlement period of 15-minutes and gives guidance to stakeholders to assist in completing this questionnaire.

BACKGROUND

The Guideline on Electricity Balancing (2017/2195)¹ the “EBGL” puts an obligation on all Member States to implement a process of harmonisation whereby all Imbalance Settlement Periods (ISPs) will be set to 15 minutes by 3 years after entry into force, which is December 2020. Article 8 of the Clean Energy Package (CEP) Regulation (2019/943)² also requires a 15-minute ISP to be implemented in all areas by 1st January 2021.

The Regulatory Authorities (RAs) working in cooperation with the TSOs/SEMO believe it unlikely that a 15-minute ISP can be implemented in the all-island Single Electricity Market (SEM) by January 2021. This is due to a number of practical considerations, such as substantial changes required in metering and to market systems.

Derogation and exemption process

The EBGL and CEP allow for Regulatory Authorities (RAs) to grant a derogation or exemption from having a 15-minute ISP by 1st January 2021. A derogation may be granted which would allow for a 30-minute ISP to continue up until 1st January 2025. The derogation process has timelines set out in article 62 of EBGL. The TSOs may request a derogation or the RAs may at their own initiative grant it.

The exemption process does not have timelines set out as explicitly in EBGL and allows for a 30-minute ISP beyond 1st January 2025. However, in contrast to the derogation approach the exemption process requires a Cost Benefit Analysis (CBA) at least every 3 years, and this CBA is to be undertaken in cooperation with ACER. The TSOs of a synchronous area may request an exemption or the RAs at their own initiative may grant an exemption.

¹ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R2195&from=EN>

² <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019R0943&from=EN>

Following consideration of each of these approaches the RAs are proposing to seek an exemption from the 15-minute ISP, and as part of this, must undertake a CBA. This CBA looks at the costs and benefits of changing from the current arrangements (30-minute ISP) to a 15-minute ISP. The results of this CBA will inform the RAs' decision to grant this exemption.

Cost-Benefit Analysis

The original CBA that was used to support the ISP of 15 minutes in EBGL was published in 2016³. This modelling was carried out by Frontier Economics in a report for ENTSO-E. The CBA suggested that a move to a 15-minute ISP would have a negative net welfare effect for Ireland and Northern Ireland under all of the scenarios presented. It is as a result of this analysis (2016 CBA) and the predicted negative net welfare effect for Ireland and Northern Ireland in moving to a 15-minute ISP, that the RAs consider it appropriate to examine the option of granting an exemption to this obligation.

The RAs are taking the analysis published in 2016 as the starting point in carrying out an updated CBA for Ireland and Northern Ireland. This work involves reviewing the original inputs to this analysis and updating and/or changing different inputs and/or assumptions as required.

Questionnaire

As part of the CBA work this questionnaire is being published and represents a critical step in the CBA process. The questionnaire is aimed at all stakeholders in order to capture a broad and accurate picture of the costs and benefits to stakeholders of changing the current imbalance settlement period from 30 minutes to 15 minutes. The compiled results from this questionnaire will feed into the CBA.

QUESTIONNAIRE LAYOUT

The questionnaire has 4 worksheets, these are:

- Worksheet one: Cover page
- Worksheet two: "Respondent-ID" is for the respondent to identify themselves and describe what type of market participant they are
- Worksheets three and four: The next two worksheets called "Costs" and "Benefits" are where the majority of information is requested on the costs and benefits of changing from an ISP of 30 minutes to 15 minutes. The costs/benefits worksheets list different line items to capture the different costs and benefits

³ https://eepublicdownloads.blob.core.windows.net/public-cdn-container/clean-documents/Network%20codes%20documents/Implementation/CBA_ISP/ISP_CBA_Final_report_29-04-2016_v4.1.pdf

Costs

Respondents are asked to estimate costs for different line items captured under the headings of:

- Trading systems/platforms
- Metering systems and meter reading
- Notification systems
- Scheduling systems
- Settlement systems
- Billing systems
- Other costs

The requested estimated costs are split between the initial capital investment costs between now and 2022, and the annual operational costs for 2023 to 2032. If possible, please provide a range of costs for each of these with low, central, and high estimates please. Where only a single cost estimate is available then it should be entered as the central estimate.

Respondents are only expected to provide estimates against line items which are relevant to their activities. Guidance notes/comments are included within the questionnaire form for many cost line items in Column C from row 9 onwards.

Benefits

Respondents are asked to estimate benefits for different line items captured under the headings of:

- Reduced balancing costs
- Increased liquidity in IDM and/or DAM
- Improved investment outcomes
- Improved power plant dispatch
- Frequency quality
- Other benefits
- Other non-monetary benefits

The requested estimated benefits are for 2022 and for 2032. In this questionnaire 2022 is assumed the earliest implementation date for establishment of 15-minute ISPs. If possible, please provide a range of benefits for each of these with low, central, and high estimates please. Where only a single benefit estimate is available then it should be entered as the central estimate.

Respondents are only expected to provide estimates against line items which are relevant to their activities. Guidance notes/comments are included within the questionnaire form tab for some benefit line items in Columns C and E from row 9 onwards.

Please note there is a cell in the “Costs” (cell D5) and “Benefits” (cell G5) tab which allows for EUR or GBP to be selected, participants in Ireland should select EUR and submit data in EUR, and participants in Northern Ireland should select GBP and submit data in GBP.

CONSULTATION PERIOD

The RAs request that stakeholders please respond to the attached questionnaire by close of business Monday 14th September 2020.

Completed questionnaires should be returned to Thomas Quinn at tquinn@cru.ie and to Ian McClelland at Ian.McClelland@uregni.gov.uk by close of business Monday 14th September 2020.

Any queries about the questionnaire can also be addressed to the emails above.