



SINGLE ELECTRICITY MARKET COMMITTEE

I-SEM Project Plan Quarterly Update: May 2015

SEM-15-034

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1 Introduction

1.1 Background

The all-island Single Electricity Market (SEM) is regulated jointly by the Commission for Energy Regulation (CER) in Dublin and the Northern Ireland Authority for Utility Regulation (or Utility Regulator) in Belfast, known as the Regulatory Authorities or RAs. The decision-making body which governs the market is the SEM Committee (SEMC)¹, consisting of the CER, the Utility Regulator as well as an independent member (who also has a deputy), with each entity having one vote.

The SEM is to undergo radical transformation arising from changes to European legislation designed to create a single wholesale electricity market across Europe. The new market design developed by the SEM Committee will result in what has been named an Integrated SEM (I-SEM) which will more fully facilitate coupling with the electricity market in the rest of Europe. Following extensive public consultation, the High Level Design for the new I-SEM was published by the RAs on 17th September 2014 (SEM-14-085a)² completing Phase I and Phase II of the Market Integration Project.

Since then, the I-SEM project has entered its final phase, Phase 3, namely the detailed design and implementation work needed to go-live with the new market anticipated for Q4 2017. Phase 3 includes various detailed design workstreams led by RAs, systems developed by the Transmission System Operators (TSOs – EirGrid and SONI) and market participant readiness testing.

The “Detailed Market Design and Implementation” phase of the I-SEM project is now well underway. The target date for I-SEM implementation is Quarter 4 of 2017.

The Regulatory Authorities (RAs) and Transmission System Operators (TSOs) in Ireland (Eirgrid) and Northern Ireland (Soni) have been working collaboratively to ensure development of a robust and achievable project timeline with alignment of key workstreams, led by the RAs or TSOs.

1.2 Purpose of this Paper

In order to inform stakeholders of how the project is progressing, the RAs undertook to publish quarterly project updates. This is the third in a series of quarterly project updates; the next will be published in July 2015. The paper indicates revisions to the project plan from those previously published. Overall, I-SEM is still on track for go-live in Q4 2017.

¹ The SEM Committee is established in Ireland and Northern Ireland by virtue of section 8A of the Electricity Regulation Act 1999 and Article 6 (1) of the Electricity (Single Wholesale Market) (Northern Ireland) Order 2007 respectively. The SEM Committee is a Committee of both CER and NIAUR (together the Regulatory Authorities) that, on behalf of the Regulatory Authorities, takes any decision as to the exercise of a relevant function of CER or NIAUR in relation to an SEM matter.

² <http://www.allislandproject.org/GetAttachment.aspx?id=85dd208f-cc91-4e35-9b58-021cb9b7b162>

2 Project Plan 2017 - Detailed Design and Implementation

The schematic below Table 2.1 Phase 3 High Level Design provides the latest high-level project plan underpinning the RA, TSO and market participant readiness aspects of I-SEM Phase 3, to facilitate the go-live of I-SEM in Q4 2017. This includes the following key workstreams:

- Energy Trading Arrangements (ETA) led by the RAs;
- Capacity Remuneration Mechanism (CRM) led by the RAs;
- Market Power (MP) led by the RAs;
- Forwards & Liquidity (F&L) led by the RAs;
- Governance and Licensing (G&L) led by the RAs;
- Central Systems & Services, Central Arrangements, and Operational Capability, led by the TSOs;
- Participant Engagement and Market Readiness led by the TSOs and RAs; and,
- Legislation led by the respective departments in Northern Ireland and Ireland.

For information, the schematic below has been changed to reflect changes to publication date of the ETAMarkets Decision paper and a change to the publication date of the Market Power Mitigation consultation paper. These changes are due to a revised mapping of the High Level Design onto the scope of the ETA, MP, CRM and F&L workstreams. We received very comprehensive responses to the initial Aggregator of Last Resort (AoLR) which was published in December 2014. Due to the comprehensive content of the responses it is the RA's view that a follow on consultation is no longer required. The AoLR decision paper will be published alongside the ETA Building Blocks and Markets decisions.

3 Key Update and Milestones

Since the last I-SEM Quarterly project update was published on 30 January 2015³, the RAs have continued to work with the TSOs to ensure that the project is progressing to schedule and that key stakeholders are afforded opportunity to engage regarding the programme. The RAs have also continued to engage with the Department for Communications, Energy and Natural Resources (DCENR) in Ireland and the Department of Enterprise, Trade and Investment (DETI) in Northern Ireland.

RAs' update

Jim McAllister was appointed as I-SEM Project Manager for the RAs at the end of March. Jim brings a wealth of project management experience and is a valuable addition to the team.

A Framework Agreement was set up for consultancy support for the RAs in February. A number of 'mini-tenders' have now been issued, including those for continued support for the ETA Workstream, the CRM Workstream, and for a review of TSO I-SEM costs.

During February and March, the Energy Trading Arrangements (ETA) Workstream (led by the RAs) held further workshops for the Rules Liaison Group (RLG). The Building Blocks element of the ETA Workstream is well advanced after publication of a consultation paper. The Markets consultation component of the ETA Workstream was published on 23rd April. Responses are due by 5th June and a final decision on the ETA (encompassing both Building Blocks and Markets) for the I-SEM will be published in September 2015. A number of Rules Liaison Group Meetings were held over a 5 day period. Beyond these, the Team will start to focus on developing the detailed rules for the new market.

The Capacity Remuneration Mechanism (CRM) Workstream completed a procurement process for technical support and consultants were appointed in mid April. A number of engagements have taken place throughout March and April with the TSOs and the first stakeholder workshop will take place on 8th May .

A discussion paper was issued by the Forwards & Liquidity Workstream on 10th February, setting out initial views on issues of relevance to the Forwards and Liquidity workstream within the I-SEM detailed design; 19 responses were received to the paper and these have been published on the All Island Project Website and are being considered to inform the consultation paper which is due to be published in June 2015. Procurement of consultants has been initiated in the form of a mini tender under a Framework Agreement.

The Market Power Workstream has undergone a significant timeline review. Changes to the market power timeline reflect a review of deliverables and interaction with other workstreams to include a phased approach to the consultation process. These are depicted in Tables 2.1 and 3.1. The purpose of these changes are to ensure that certain policy decisions in the ETA and CRM workstreams can be progressed prior to making decisions related to market power mitigation, while also ensuring that

³ http://www.allislandproject.org/en/wholesale_overview.aspx?article=375d0858-d3fa-49b3-91f1-ead057903bed

there is minimal impact on the TSOs' subsequent works. The Market Power workstream published a Discussion paper on 8th May.

Under the G&L Workstream the 'I-SEM Roles & Responsibilities' consultation was published on 6 March and responses were received in mid April. The next stage in the assignment of I-SEM roles was the publication of a paper on 13th May inviting applications for the NEMO role.

TSO Update

Central Arrangements

The TSOs have been working collaboratively with the RAs on the detailed market design process, most notably on the balancing market arrangements.

Trialling of Euphemia, the day-ahead algorithm for I-SEM, commenced in January. A working group representing seventeen organisations was established to support the trial, while a public workshop on the inputs and outputs of the Initial Trial Phase, completed in March, was held in April. Work is also well advanced on preparing for the Commercial Trial Phase, which commences in May.

Central Systems and Services

The procurement process is underway for I-SEM Balancing Market Systems (Settlement, Credit, Registration and System Operations). A Pre-Qualification Questionnaire (PQQ) was published at the end of January. The evaluation has now been completed and a number of candidates have been qualified to move to the next stage of the procurement process, RFP (Request for Proposal), which is expected to be released in August 2015.

The procurement process is also underway for Client Side Advisor (Phase II) to support the I-SEM implementation phase and expected to commence work in Q4 2015 through to the end of the programme.

Operational Capability

Business user and detailed requirements have been collated for central market/TSO systems and/or services based on the current design status. This will provide the basis for the technical requirements to be included in the procurement of services or systems at a later stage.

Participant Engagement and Market Readiness

A new Communications Strategy was developed for the project which included an External Stakeholder Plan.

Table 3.1 Indicative Publication dates outlines proposed dates for **C**onsultation (**C**), **P**ublication (**P**), **A**pplications (**A**) and **D**ecision (**D**) Papers by the RAs in Phase 3 of I-SEM for the detailed design workstreams.

Since the last Quarterly update was published, we have added dates for the consultations and decisions falling under the 'Governance & Licensing' Workstream.

All consultations will be subject to a six-week consultation period.

Workstreams	Dec 14	Jan 15	Feb 15	Mar 15	Apr 15	May 15	Jun 15	Jul 15	Aug 15	Sep 15	Oct 15	Nov 15	Dec 15	Jan 16	Feb 16	Mar 16	Apr 16	May 16	Jun 16	Jul 16	Aug 16	Sep 16
Energy Trading Arrangements																						
AoLR Consultation 1	C																					
AoLR Decision										D												
Building Blocks Consultation			C																			
Building Blocks Decision										D												
Markets Consultation					C																	
Markets Decision										D												
Capacity Remuneration Mechanism																						
Policy Area 1 Consultation							C															
Policy Area 1 Decision											D											
Policy Area 2 Consultation												C										
Policy Area 2 Decision																D						
Auction Rules Consultation																	C					
Auction Rules Decision																						D
Market Power																						
Phase I - Broad Principles Consultation											C											
Phase I - Broad Principles Decision													D									
Phase II - Scope /Timelines (paper) published											P											
Governance and Licensing																						
Roles and Responsibilities Consultation				C																		
TSO functions under CACM 1(3)						C																
Applications for NEMO Designation						A																
Roles/Responsibilities & NEMO Designation Decision											D											
Forwards & Liquidity																						
Cross Border Risk Hedging (FTRs)							C				D											
Internal Forward Contracting (CFDs) - Indicative													C				D					

Table 3.1 Indicative Publication dates

4 Upcoming Stakeholder engagement – Indicative dates

4.1 Provisional Schedule

A number of workshops and forums have been held with stakeholders throughout the duration of the 'Detailed Market Design and Implementation' phase of the project to date. Such engagement covers a broad range of personnel, including analytical, managerial and senior stakeholders. As well as the proposed workshops listed below for each key Workstream (aimed at a working level). The first Senior Stakeholder forum took place on 26 September 2014, hosted by the SEM Committee. A second Senior Stakeholder forum will take place on 15th May and it is our intention that such senior stakeholder forums will take place twice a year.

Notification of any other events that the RAs will be partaking in regarding the I-SEM project will be updated on the All Island Project website.

The provisional dates for meetings and workshops are set out below. Some dates are still to be defined and as such are indicative dates are only provided.

Workshop Description	Target Date
Energy Trading Arrangements	
Markets Consultation Paper Public Forum	13/05/2015
Capacity Remuneration Mechanism (Dates to be confirmed)	
CRM Workshop Group 1 (3 workshops)	08/05/15 – 30/9/15
CRM Workshop Group 2 (Number of workshops TBC)	Oct 2015 – Feb 2016
CRM Workshop Group 3 (Number of workshops TBC)	Mar – Aug 2016
CRM Workshop Group 4	Oct 2016
Market Power (Dates to be confirmed)	
Public Workshop	Sept 2015
Forwards & Liquidity	
Workshop - Cross Border Risk Hedging (FTRs)	June 2015

5 Frequency of Updates

5.1 Updates

The RAs have committed to publishing an update to the I-SEM Phase 3 Project Plan on a quarterly basis. Hence the next Project Plan will be published by the RAs on the AIP website in July 2015.

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