



SINGLE ELECTRICITY MARKET COMMITTEE

I-SEM Project Plan Quarterly Update: August 2015

SEM-15-051

11th August 2015

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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 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 respectively 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 fourth in a series of quarterly project updates; the next will be published in October 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 in Table 2.1 Phase 3 Detailed 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:

Led by the RAs

- Energy Trading Arrangements (ETA);
- Capacity Remuneration Mechanism (CRM);
- Market Power (MP);
- Forwards & Liquidity (F&L);
- Governance and Licensing (G&L);

Led by the TSOs

- Central Systems & Services
- Central Arrangements
- Operational Capability;
- Participant Engagement and Market Readiness led by the TSOs and RAs; and,
- Legislation led by the respective departments in Northern Ireland and Ireland.

I-SEM PHASE 3 DETAILED DESIGN AND IMPLEMENTATION PHASE																												
Project Activities	ID No	High Level Tasks	2014				2015					2016					2017											
			S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O
High Level Design	0	Development of High Level	◆																									
Energy Trading Arrangements 1	1.1	Building Blocks Consultation							◆																			
	1.2	Detailed Design Decision																										
	1.3	Aggregator of Last Resort																										
	1.4	Rules																										
	1.5	Agreed Procedures																										
	1.6	Implementation																										
Capacity Remuneration Mechanism 2	2.1	CRM Decision 1																										
	2.2	CRM Decision 2																										
	2.3	CRM Consultation 3																										
	2.4	CRM Auction																										
	2.5	Rules																										
Market Power 3	3.1	Phase I Principles of MP Mitigation																										
	3.2	Phase II Licencing/Implementation																										
Governance & Licencing 4	4.1	I-SEM Institutional Arrangements																										
	4.2	Designation of NEMO																										
	4.3	Licencing Changes																										
	4.4	Modification of Codes																										
Forwards & Liquidity 5	5.1	X Border Risk Hedging (FTRs)																										
	5.2	Internal Forward Contracting (CFDs)																										
	5.3	FTR Auction																										
Central Systems & Services	6.1	Balancing Market (BM) PQQ																										
	6.2	BM RFP Development/Issue																										
	6.3	BM RFP Evaluation/Award																										
	6.4	BM System Design																										
	6.5	Test Complete																										
	6.6	Market Trial & Cutover																										
Central Arrangements 7	7.1	Euphemia Conceptual Trial																										
	7.2	Euphemia Commerical Trial																										
	7.3	Market Rules & Agreed Procedures																										
Operational Capability 8	8.1	Operational Change																										
	8.2	Operational Transitional Planning																										
	8.3	Operational Readiness Preparation																										
	8.4	Market Trial Planning																										
	8.5	Market Trial Preparation																										
Participant Engagement & Readiness 9	9.1	Participant Project Updates (Qu)																										
	9.2	Participant Market Trial Readiness																										
Legislation 10	10.1	Legislation Review																										

Table 2.1 Phase 3 Detailed Design

3 Key Update and Milestones

Since the last I-SEM Quarterly project update was published on 14 May 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 of Communications, Energy and Natural Resources (DCENR) in Ireland and the Department of Enterprise, Trade and Investment (DETI) in Northern Ireland.

3.1 RAs' update

There have been a number of achievements during the past three months with RA workstream activity significantly increasing through the publication of papers, hosting of workshops, development of an integrated project plan with TSOs and increased consultancy support for RA workstreams and legal advice. A Senior Stakeholder seminar was held on 15th May. It was well attended with useful feedback and comment for RAs and TSOs to consider.

The RAs have completed a planning review and updated the internal integrated plan to baseline status across the major workstreams supported by an appropriate change management process. A number of workshops and joint planning sessions were held with TSOs by workstream managers supported by the two project offices. A high level joint plan, dependencies and planning assumptions have been agreed which facilitate the joint monitoring of project progress and reporting to SEM Committee and the Joint Project Board as defined in the Agreed Approach Document 9th January 2015. The change management processes within TSOs and RAs have been integrated to provide joint project control on change requests and impact assessments.

The completion of recent procurements has now provided timely consultancy support to all RA workstreams as the number of papers for consultation and decisions to be published increases considerably during the months of August, September and October.

Since the last quarterly update the focus has been on the development of decisions on the ETA detailed design. In June responses were received to the Markets Consultation Paper. On 1st July the project team held another workshop with industry on imbalance pricing.

Decision Papers on ETA Building Blocks, Markets and the Aggregator of Last Resort are scheduled for September 2015. Following on from the publication of these Decision Papers, the focus will turn to the development of detailed market rules for the market. The RAs expect to publish an implementation plan for this phase at the same time as the detailed design decisions.

The Capacity Remuneration Mechanism (CRM) Workstream published the first policy consultation paper on 2nd July with responses due back on 17th August. A public workshop on this consultation paper was held on 31st July and a further workshop is scheduled to take place in September in advance of a SEM Committee decision in October. Since publication of

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

the last Quarterly Update two key changes have been made to the CRM timelines. Firstly, the proposed dates for issuing a consultation paper and decision paper in relation to Auction Rules have been brought forward by approximately three months. Secondly, the date of the first CRM Auction has been moved from January 2017 to June 2017. These changes follow a review of the project timelines and consideration of both their positive and negative impacts. While moving the auction date will reduce the time between when the auction take place and I-SEM go live, it will help facilitate the more efficient development and implementation of the CRM mechanism.

In the context of the recent project planning review by both the RAs and TSOs, the I-SEM Market Power plan has been changed from the last Quarterly Update to optimise timelines and efficiently provide for I-SEM go-live in Quarter 4 2017.

A key change is that the RAs are now aiming for a SEM Committee Decision Paper on Market Power policy to be issued in late February 2016 rather than in December 2015. This will allow more time to consider consultation responses and develop a Decision Paper on this important workstream, while still providing sufficient time for implementation issues, such as possible licence changes, to be progressed thereafter.

The RAs are planning to issue a SEM Committee Consultation Paper on I-SEM Market Power policy in September 2015, which will also include information on possible implementation timelines up to I-SEM go-live.

A public workshop on the Consultation Paper on Market Power will be held in October, prior to the deadline for receipt of responses. At this workshop the RAs will explain the Consultation Paper and obtain feedback from interested parties.

The Forwards and Liquidity workstream published a Discussion Paper in February 2015 and received 17 responses, plus two confidential responses, which were published on the AllislandProject web site. The SEM Committee also published a response to the submissions setting out the next steps it proposed to take.

These next steps included appointment of consultants in June to support the workstream, further engagement with the interconnector owners and publication of a Consultation Paper and a Decision Paper later in the year on the introduction of Financial Transmission Rights on the SEM-GB border. It was also determined that development of policy on within-zone liquidity would wait until completion of policy on FTRs. Further engagement with the IC owners has taken place and an emerging thinking paper has been drafted which forms the basis of the Consultation Paper that will be published in August. Consultation on this paper will include an open stakeholder forum to be hosted by the Regulatory Authorities. Publication of a Decision Paper on FTRs is then expected in October.

Development of the paper has benefited from engagement with Ofgem and review of the development of the Forward Capacity Allocation Network Code and Harmonised Allocation Rules (HAR). Voluntary early implementation of the HAR has allowed inclusion of a regional

annex to the HAR which has set out future application of FTRs on the current SEM-GB border.

The Governance and Licensing Workstream continues to concentrate on progressing views on I-SEM Roles & Responsibilities. This includes consideration of operational roles, the National Electricity Market Operator (NEMO) role and TSO obligations under CACM Article 1.3. The RAs are due to publish decisions on I-SEM Roles & Responsibilities, NEMO Designation and TSO Obligations under CACM at the end of September. The RAs have been liaising with Ofgem who are undertaking a parallel process on this. The CACM Regulation is due to be in force and will apply from 14th August 2015.

The RAs have also been developing the process for the implementation of the I-SEM in relevant codes and licenses and it is intended to publish an implementation plan in this regard in September.

The Allislandproject website will continue to be used to host publications and presentation material and the following table 3.1 lists recent publications and presentations.

Date	Description
06/03/2015	I-SEM Roles & Responsibilities Consultation Paper
12/05/2015	I-SEM CRM Stakeholder Engagement and EU Update CRM Workshop
13/05/2015	I-SEM ETA Markets Consultation Paper
13/05/2015	Invitation for NEMO Applications in N.I. and Rol.
13/05/2015	Consultation on TSO Obligations under CACM Regulation 1.3
15/05/2015	Senior Stakeholder Forum Presentation Slides
19/05/2015	I-SEM Stakeholder Workshop Presentation Slides from 8 th May
20/05/2015	DS3 System Services Project – Detailed Design & Implementation Phase
27/05/2015	Responses to ETA Building Blocks Consultation Paper
26/06/2015	Responses to ETA Market Consultation Paper
02/07/2015	I-SEM Capacity Remuneration Mechanism Detailed Design Consultation Paper and Workshop Invitation
31/07/2015	CRM Workshop Presentation

Table 3.1 Recent RA Publications and Presentations

3.2 TSO Update

There were a number of significant workgroup engagements since May. The EUPHEMIA Working Group met at the end of months May, June and July. The second public workshop was held on 26th June. The engagement at all meetings has been good. The EUPHEMIA Trial process has been amended to incorporate feedback received from WG members. The contract for the *Commercial Trial Phase* was signed with APX/PCR. A report on the *Initial Trial Phase* was sent to the EUPHEMIA WG for comment.

The TSOs presented the initial results of their modelling analysis on Imbalance Pricing options at a well-supported industry workshop held on 24th June.

Work is ongoing to identify the changes to a number of TSOs' license and legal requirements that need to be amended to give effect to the I-SEM. An assessment has been made of the key requirements which are applicable to the TSOs under the Network Codes.

A number of TSO procurement processes are underway: The Request for Proposals (RfP) for Client Side Advice 2 and Legal Support was issued on 8th June. The Client Side Advisor 2 tenders were received on 8th July. Evaluation is currently underway and is expected to be finalised in early September.

A number of vendor workshops took place in July for those vendors that qualified through the PQQ process earlier this year in respect of Balancing Market Systems RfP (Settlement, Registration, Credit and System Operations) which is due to be issued in August. In addition a number of workshops were held with vendors and the DS3 System Services project to consider cross project coordination.

The RAs and TSOs are looking at providing information updates via a Website. There are a number of options which are currently being evaluated. Finally, there have been a large number of workshops between the RAs and TSOs including a number of planning meetings and the RLG Imbalance Pricing Workshop which took place on 1st July.

3.2.1 Participant Engagement and Market Readiness

Background Objectives & Strategy

The I-SEM Project is a vital one for the electricity industry which will deliver benefits to customers and the electricity industry in Ireland and Northern Ireland, through facilitating a secure, sustainable, competitive market. A key factor in its success will be stakeholder engagement and communications to ensure that participants are fully aware and participate in the delivery of the new market arrangements.

Objectives

- To ensure that high level messages in relation to the I-SEM are communicated effectively;
- To ensure that the I-SEM Project, market design and delivery of project are well understood by stakeholders, through coordinated communications activity;
- To ensure that key issues and messages are clearly communicated;
- To facilitate assistance where needed for the successful delivery of the project.

Strategy

- Pro-active communications across the full range of participant and stakeholder groups around high level messages and then detailed key issues and messages to each group;
- Coordination with RA's and Government Departments in Ireland, Northern Ireland (and in GB).
- A number of Fora to be established with participants to deliver I-SEM.

Fora

It is envisaged that a number of I-SEM updates will be provided initially by a Forum on a monthly, quarterly, bi-monthly basis. The purpose of these Fora is to ensure that participants are aware of I-SEM progress across the range of areas within the project.

Rules Liaison Group (RLG)

The Rules Liaison Group (RLG) is the forum established by the RAs for the Detailed Design Phase of I-SEM. EirGrid and SONI are involved in supporting the RAs in this project phase, including presentation of material on specific subjects and presentation of relevant topics at the RLG meetings. The RLG is made up of nominated members from participant groups, including the Interconnector Owners, and interested parties. This group will continue to address EUPHEMIA testing and related issues as appropriate. The RAs will provide further information in September on the process and governance arrangements for the implementation of the I-SEM Detailed Design in detailed market rules and how this relates to the BLG and TLG referred to below.

Business Liaison Group (BLG)

The Business Liaison Group (BLG) will be the forum for communication, consultation and coordination with all Market Participants regarding the functional aspects of I-SEM implementation.

The principal focus of the BLG is to provide business input into business process and system specification activities, particularly those related to participant interfaces. This forum will also provide for training, market trial arrangements and transition.

It is envisaged to commence BLG during October 2015 following a number of key milestone deliveries in Sept 2015. The BLG will meet on a monthly basis and will be chaired and minuted by the EMIP Project Office. Ad-hoc meetings may also be held as required. Notification of location and time will be provided.

Technical Liaison Group (TLG)

The Technical Liaison Group (TLG) is the forum for technical communication, consultation and coordination with all Market Participants. Technical information will be shared with market participants, to ensure that they are in a position to successfully interface with the market systems. This includes the sharing of timely and accurate information regarding project status, technical implementation plans, technical interface specifications and the coordination of industry-wide technical activities, such as system integration testing.

The TLG will commence when the preferred vendor(s) has been selected and details emerge for system requirements, it will meet on a monthly basis with additional ad-hoc meetings held as required.

The TLG will be chaired and minuted by the EMIP Project Office. Ad-hoc meetings will also be held as required. Notification of location and time will be provided.

Programme Management Group (PMG)

The Programme Management Group (PMG) is a forum for communication and coordination with the lead project managers from market participants. It is intended to provide a higher level of interaction with participants advising on future commitments and requirements to SEM implementation market arrangements. This forum will meet on a quarterly basis initially and this will be reviewed as required. It is envisaged to commence PMG in Oct 2015 following a number of key milestone deliveries in Sept 2015.

Website Communications

The SEMO website will be used by the TSO to communicate with participants. A page will be developed to provide a general introduction and explanation of the project with hyperlinks directing to updates. A calendar will be used on the website to communicate BLG, TLG, RLG and PMG meetings. Agendas, minutes, timelines, reports and feedback will all feature as part of the communications on the SEMO website. Training material and presentations will be published on the site.

Topic	Consultation Paper	Workshops	Decision Paper
CRM			
CRM Consultation 1	May 2015	28 th Sept 2015	Nov 2015
CRM Consultation 2	Nov 2015	29 th Sept 2015 Other TBD	Mar 2016
CRM Consultation 3	March/April 2016		Jul 2016
Market Power			
Phase 1 Consultation Paper – Mitigation Measures	Sept 2015	Oct 2015	Feb 2016
Forwards & Liquidity			
Cross Border Risk Hedging (FTRs)	Aug 2015	Sept 2015	Nov 2015
Within Zone Forward Contracting	Jan 2016	Feb/Mar 2016	May 2016
Governance and Licencing			
TSO Roles and Responsibilities	June 2015		Sept 2015
TSO Roles under CACM	May 2015		Sept 2015
NEMO Designation	May 2015		Sept 2015
Energy Trading Arrangements			
Aggregator of Last Resort	Dec 2014		Sept 2015
Building Blocks	Feb 2015		Sept 2015
Markets	Apr 2015		Sept 2015

Table 3.1 Indicative Publication Dates

4 Stakeholder engagement

4.1 Upcoming milestones and engagement

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

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 October 2015.

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