



# **SINGLE ELECTRICITY MARKET COMMITTEE**

## **I-SEM Project Plan Quarterly Update: October 2015**

**SEM-15-090**

**30<sup>th</sup> October 2015**

## Table of Contents

<b>1</b>	<b>Introduction .....</b>	<b>3</b>
<b>2</b>	<b>Project Plan 2017 - Detailed Design and Implementation .....</b>	<b>4</b>
<b>3</b>	<b>Key Update and Milestones .....</b>	<b>6</b>
<b>4</b>	<b>Stakeholder engagement.....</b>	<b>12</b>
<b>5</b>	<b>Frequency of Updates.....</b>	<b>13</b>

## 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)<sup>1</sup>, 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 17<sup>th</sup> September 2014 (SEM-14-085a)<sup>2</sup> 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) and the Market Operator (SEMO) 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/MO.

### 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 fifth in a series of quarterly project updates; the next will be published in January 2016. The paper indicates revisions to the project plan from those previously published. Overall, I-SEM remains on track for go-live in Q4 2017.

---

<sup>1</sup> 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.

<sup>2</sup> <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/MO

- Central Systems & Services
- Central Arrangements
- Operational Capability;
- Participant Engagement and Market Readiness led by the TSOs/MO 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	N
High Level Design	0	Development of High Level Design	◆																										
Energy Trading Arrangements <b>1</b>	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 <b>2</b>	2.1	CRM Decision 1																											
	2.2	CRM Decision 2																											
	2.3	CRM Consultation 3																											
	2.4	CRM Auction																											
	2.5	Rules																											
Market Power <b>3</b>	3.1	Phase I Principles of MP Mitigation																											
	3.2	Phase II Licencing/Implementation																											
Governance & Licensing <b>4</b>	4.1	I-SEM Institutional Arrangements																											
	4.2	Designation of NEMO																											
	4.3	Licensing Changes																											
	4.4	Modification of Codes																											
Forwards & Liquidity <b>5</b>	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 <b>7</b>	7.1	Euphemia Conceptual Trial																											
	7.2	Euphemia Commercial Trial																											
	7.3	Market Rules & Agreed Procedures																											
Operational Capability <b>8</b>	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 <b>9</b>	9.1	Participant Project Updates (Qu)																											
	9.2	Participant Market Trial Readiness																											
Legislation	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 11th August 2015<sup>3</sup>, 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

RA workstream activity during the last three months has been focused on the development of consultation and decision papers and with this the hosting of a number of stakeholder engagement events. A Senior Stakeholder seminar was held on 15<sup>th</sup> May. It was well attended with useful feedback and comment for RAs and TSOs to consider. A Senior Stakeholder workshop is planned for 27<sup>th</sup> November.

The RAs have worked closely with TSOs/MO to monitor a Joint High Level Integrated plan on a weekly basis supported by an agreed change management process. A number of workshops and joint planning sessions were held with TSOs by workstream managers supported by the two project offices. The next cross workstream meeting between RAs and TSOs workstream managers is scheduled for mid November and will become a regular and important point of contact and sharing of cross workstream dependencies. The change management processes within TSOs and RAs which have been integrated for joint project control is proving beneficial in supporting design clarifications, managing pressures on milestone dates and deliverables, tracking change requests and impact assessments.

Following the publication of decisions on the Energy Trading Arrangements detailed design on 11<sup>th</sup> September, the team have concentrated on the development of market rules, working closely with the Governance and Licencing team to establish a governance framework. The ETA team are currently procuring consultancy support to assist in this work and the development of an implementation plan. The RAs, with the TSOs/MO are developing a program of work running until late 2016 which will see the development of the detailed market rules for I-SEM. As part of this the RAs are establishing a Market Rules Working Group.

The Capacity Remuneration Mechanism workstream continues to support a number of parallel policy developments including the hosting of two workshops on 28<sup>th</sup> and 29<sup>th</sup> September on CRM Consultation 2 and CRM Decision I papers. Also responses to the first policy consultation paper were reviewed and published on 7<sup>th</sup> October. The CRM team met with DECC, Ofgem, National Grid, EirGrid, DETI and DCENR on 5<sup>th</sup> August. This included a discussion on lessons learnt from implementation of GB scheme and a discussion on cross border participation.

---

<sup>3</sup> [http://www.allislandproject.org/en/wholesale\\_overview.aspx?article=375d0858-d3fa-49b3-91f1-ead057903bed](http://www.allislandproject.org/en/wholesale_overview.aspx?article=375d0858-d3fa-49b3-91f1-ead057903bed)

Although there has been slippage to the publication dates for FTR and Market Power papers, as referred to next, the impact has been absorbed and changes on the project plan reflect the Go Live date of October 2017 is still achievable.

For Market Power, the publication of the Consultation Paper has been deferred from late September to early November 2015. The additional time is required to fully consider the relevant policy issues involved and the steer provided by the SEM Committee at its meeting on 24<sup>th</sup> September. A public workshop on the matter will be held following publication, with the date to be announced shortly. As a result of these changes, the RAs are now aiming for a SEM Committee Decision Paper on Market Power policy to be issued in March rather than February 2016.

The Forwards and Liquidity workstream published an FTR Consultation Paper on 8<sup>th</sup> September and hosted a workshop on 14<sup>th</sup> September. The delay in publishing the Consultation Paper facilitated additional input by the Interconnector owners, Ofgem and additional review into its drafting by the Project Board. The date for publication of the Decision Paper is 15th December 2015.

It was also determined that development of policy on within-zone liquidity would wait until completion of policy on FTRs. Publication of a Decision Paper on FTRs is then expected at the end of November. The team engaged in consultation with GB industry at National Grid Forum on the 29th September and bilateral meetings with SEM market participants on 30 September. On 15th October CER and the UR approved the Access Rules and Charging Methodology Statements for Eirgrid Interconnector Limited and Moyle Interconnector Limited. There is an ongoing programme of bilateral meetings with industry participants and representatives.

The Governance and Licensing Workstream has also published a number of significant papers and achieved important planned milestones. These included the Roles and Responsibilities Decision Paper, NEMO Designation and TSO Obligations under CACM. In recent weeks the team has been developing terms of reference for the first working group meeting to review governance process, requesting nominations and participation.

In advance of delivering a new SEMC website it is planned to put in place a dedicated I-SEM webpage. This page will be mirrored on the UR and CER websites and will, for the first time, provide in one place key background and publications information about the I-SEM. This webpage will have links directly to the existing AIP website. The I-SEM webpage is scheduled to go live at the start of November.

The following table 3.1 lists recent publications and presentations.

<b>Date</b>	<b>Description</b>
31/07/2015	CRM Workshop Presentation
14/08/2015	MP – Market Power Mitigation Response Paper
04/09/2015	G&L – Modification of the Trading & Settlement Code (Information paper)
08/09/2015	FTRs Policy Development
11/09/2015	ETA – Markets Decision Paper
11/09/2015	ETA – Building Blocks Decision Paper
11/09/2015	ETA – Aggregator of Last Resort Decision paper
14/09/2015	FTRs Open Forum Material
28/09/2015	CRM Detailed Design Workshop Invitations
29/09/2015	CRM Workshop Presentation
02/10/2015	CER NEMO Designation Decision under CACM
02/10/2015	CER NEMO Designation Appendix 1 Designation Order EirGrid
02/10/2015	UR NEMO Designation Decision under CACM
02/10/2015	UR NEMO Designation Decision Appendix 1 Designation Order to SONI
07/10/2015	I-SEM Market Rules Information Note and Invitation for Nominations for Working Group
07/10/2015	Draft Terms of Reference for I-SEM Market Rules Working Group
07/10/2015	I-SEM Roles and Responsibilities Decision and Next Steps on Synergies and Conflicts of Interest
07/10/2015	Assignment of TSO Obligations under Article 1.3 of CACM Regulation
07/10/2015	I-SEM CRM Consultation 1 Publication of Responses
15/10/2015	Approval of IC Interconnector Rules including HAR Regional Annex with Ofgem

**Table 3.1 Recent RA Publications and Presentations**

### 3.2 TSO Update

The I-SEM Market Rules Working Group which included reps from TSOs, met for the first time on 22<sup>nd</sup> October. It addressed the Terms of Reference and working arrangements for a series of working groups.

The Euphemia commercial phase trials are underway. The Working Group met on 12<sup>th</sup> October. with attendance from Euphemia Algorithm expert from APX/EPEX.

The TSOs have appointed (Accenture with Market Reform) as Client Side Advisors (CSA).

The Balancing Market Request for Proposal (Settlement & System Operations) responses were received on 2 Oct. Evaluation in progress with preferred vendor expected to be selected early November. Contract award and mobilisation expected December.

SONI and EirGrid were designated NEMO in Northern Ireland and Ireland.



Assignment of key roles in Balancing Market (BM) and Capacity Remuneration Mechanism (CRM) to EirGrid and SONI.

An I-SEM Project update seminar is to be held on 4<sup>th</sup> November in Dundalk supported by RAs and TSOs and is the first of the Business Liaison Groups (BLG) meetings with participants and will include project managers. The launch of the liaison group meetings will also set out the terms of reference for the Programme Managers Groups (PMG) and Technical Liaison Groups (TLG) through which the project will interact with participants.

### **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
<b>CRM</b>			
<b>CRM Consultation 1</b>	May 2015	28 <sup>th</sup> Sept 2015	Nov 2015
<b>CRM Consultation 2</b>	Nov 2015	29 <sup>th</sup> Sept 2015 Other TBD	Mar 2016
<b>CRM Consultation 3</b>	March/April 2016		Jul 2016
<b>Market Power</b>			
<b>Phase 1 Consultation Paper – Mitigation Measures</b>	Nov 2015	Early Dec 2015	Mar 2016
<b>Forwards &amp; Liquidity</b>			
<b>Cross Border Risk Hedging (FTRs)</b>	Sept 2015	Sept 2015	Dec 2015
<b>Within Zone Forward Contracting</b>	Jan 2016	Feb/Mar 2016	May 2016
<b>Governance and Licencing</b>			
<b>TSO Roles and Responsibilities</b>	June 2015		Sept 2015
<b>TSO Roles under CACM</b>	May 2015		Sept 2015
<b>NEMO Designation</b>	May 2015		Sept 2015
<b>Governance &amp; Rules Working Group meetings (ToR)</b>	Oct 2015		Nov 2015
<b>Governance &amp; Rules Working Group meeting schedule (TBC)</b>		Starts 22 <sup>nd</sup> Oct 2015 (ongoing)	
<b>Energy Trading Arrangements</b>			
<b>Aggregator of Last Resort</b>	Dec 2014		Sept 2015
<b>Building Blocks</b>	Feb 2015		Sept 2015
<b>Markets</b>	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 January 2016.

*~ End of Document ~*