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To: info@sem-o.com.

RE: SEM Ex-Ante Market Design for EU Re-Integration

Introduction

The EAI welcomes the chance to provide feedback to SEMO on their information paper outlining the proposed SEM Ex-Ante Market Design for EU Re-Integration. We appreciate the engagement on this extremely critical issue for the future of the Irish energy system and hope that this engagement will continue throughout the reintegration process. The implementation of this project to a satisfactory standard is a significant undertaking for the market operators and therefore frequent and in-depth engagement will be required to address any concerns raised by industry. It is also important to understand whether SEMO and the Regulatory Authorities have any sense as to how disruptive this change could be to our SEM market, if it will impact the competitiveness of the industry and if any necessary exemptions/carve outs have been explored.

- **A Clear Roadmap** - A clear roadmap is required that sets out how this reintegration project interacts with all the other ongoing and delayed SEMO projects (e.g., timeframe for the DASSA system services auction), that need to be progressed, such as the scheduling and dispatch programme. The resourcing and timelines envisaged for the progression of these projects needs to be clearly set out to provide clarity for participants and allow for appropriate planning and resourcing by them.

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It is worth also noting that there are other workstreams associated with discharging Clean Energy Package obligations (VOLL, LOLE, Reliability Standard), which have not been consulted on as yet. We would expect that given the direction of travel for recoupling with Europe, that we would be seeking to better align these parameters with the rest of Europe, which will help to ensure our local generation can compete on a level playing field.

- **Clarity of the project** – we appreciate the early sight of the project plan for the re-integration. But the lack of detail, or a set schedule for engagement has left our members with a multitude of questions. All have been added as Appendix A to this response.
- **Day in the life of control centre** - The protocol for how decisions are going to be made throughout the course of a typical day in a control room needs to clear for all market participants. There is no view of how scheduling and dispatch will be carried out if there is to be an agnostic approach. At the stakeholder workshop, there was an explanation provided that alluded to the control room taking all ex-ante positions into account to consider the ultimate scheduling and dispatch and that ex-ante positions would be optimised all-island. Respectfully, this approach by the control room does not ultimately produce an agnostic outcome if it discounts what flows from another European market which is also required to be accounted for. Clarity is needed in this context of step-by-step protocols for how trades will be taken, units dispatched, and interconnectors balanced. This will allow industry to properly assess the impact of the market design outlined in the paper.
- **Interconnector treatment** - It will be important for Ireland to be able to export excess renewable energy and import power in scarcity scenarios; however, the All-Island

system will only realize marginal carbon reduction benefits of being a major exporter of power where there is a carbon regime to claim the carbon benefits of this excess renewable electricity. For security of supply, it has been well-documented that stress events are no longer isolated in our connected markets, and therefore, interconnectors may well be in reverse flows as we have seen at times of stress. EAI believes that the consideration of the Celtic interconnection project should tie in with broader net zero energy system modelling for Ireland and connected markets.

As part of the re-integration activities, there needs to be a clear plan to establish a SEM-validated PLEXOS model that reflects the expected operation of the Celtic interconnector in the market. The current SEM-validated model is not fit for purpose in a high renewables, highly interconnected market. Remuneration methodologies for the new interconnector could interact with the incentives for demand side participation such that exports might be incentivised over dispatchable loads on the island. This needs careful consideration to ensure unintended and nonintuitive incentives are not created noting that electricity interconnectors have not provided security of supply at times of stress. How the Celtic interconnector is treated in the markets is of major concern for our members. It is the only Irish interconnector that will be in the Day-Ahead auction and treatment of Celtic versus other interconnectors in terms of hedging products is a key clarification.

- **Hedging/liquidity** - Forwards markets are not symmetrical between Ireland and France so a SEM translation will be needed. Neither does it appear that there will be symmetry between the interconnectors all connected to the SEM, where FTRs were being suggested for only Celtic. There is 700MW of capacity to bid for but once this capacity is spoken for, market participants must now turn to now limited local markets and local

interconnectors where liquidity is much lower (and without the benefit of additional hedging products). It is worth noting that also once the 700MW is bid out, XBID will no longer be visible. Therefore, there is not an enduring EU market visibility during the day, that can assist with hedging.

- **Auction timing** – it is our members’ understanding that the timings of the auctions are largely dictated by the obligations of the EU Single Market. But the new timings of auctions are less than ideal or convenient. They pose a risk to helping to cover the peak periods or operational changes in the afternoons. Therefore, one suggestion from our members is for an additional IDA3 be reintroduced at the local SEM-GB market level at a time that would support this later time frame, and at any rate, at a time after the EUIDA3. Furthermore, it is unclear to our members how a local gas shipper booking market will translate into EU coupled markets for gas generation.
- **Risk/increased costs passed to consumers** - There is complexity and uncertainty in terms of IC treatment, timing, timelines etc. A knock-on effect of this is increased risk on part of the suppliers. The extra risk can lead to costs being passed onto consumers in the form of higher prices so any uncertainty or unnecessary complexity that can be removed will benefit energy customers.
- **Engagement moving forward** - The clear schedule for engagement on this project with industry is required due to the significance of this project. Market participants need to be involved and this cannot be via the SOEF Advisory Council as was suggested at the information workshop in June. The SOEF Advisory Council is a closed group of defined, and limited membership.—. Conventional units by far have the greatest experience in trading in SEM markets, but currently hold only one seat at SOEF—therefore, it cannot be seen as a representative forum for this workstream unless membership is reopened.

We ask that a dedicated workstream is established on the markets design for EU Re-integration and that once a more detailed plan is agreed, there will be another (ideally) in-person workshop to progress views and comments. The workstream must include regular, scheduled stakeholder engagement meetings where participants can submit questions beforehand for discussion with the outputs shared with all as part of meeting records. Participants need to be informed on the scale of systems and revenue impacts that can result from this work and we ask that initial potentials are shared by the end of 2023 on the understanding that they will be refined as early as possible in 2024 as the Detail Design work progresses.

Stacy Feldmann

Chair, Markets Committee

Electricity Association of Ireland

Appendix A: EAI Members' Questions

1. *Limited experience with XBID—which assume will be utilised. Important for market participants to get engagement on how this is expected to operate—can this be provided?*
2. *Option 4 is deemed the most legally compliant, but the assumptions for the traffic light assessment of options are unclear. And so legally compliant could be a strict interpretation with no allowance for the unique configuration of the Irish market with a third country local coupled market that politically through the NI Protocol is expected not to be overtly undermined.*
3. *MRLVC is yet to be implemented—is option 4 still suitable in a scenario where MRLVC is implemented?*
4. *How will gas trading feature in this market/how will gas balancing exposure be managed? How is this accounted for in the project for re-integration?*
5. *How will interconnectors be treated in a balanced and fair manner across 2 different jurisdictions?*
6. *How will the market manage and be protected against price effects of other jurisdictions across the interconnectors? Currently there are mods in place and measures the TSO can take to halt flows on the ICs to GB. But this latter measure is not allowed under EU codes—so how is SEMO planning to manage this?*
7. *How will our scarcity and stress triggers be managed where generators could be at a disadvantage compared to the French market that does not have both these triggers? There is a reasonable scenario where external capacity can trigger our RO strike prices for instance. Has this been considered?*
8. *How does a system services DSSA auction fit with now a 7-tier market structure?*
9. *What is the ETA for forwards and balancing market implementation, including system services dispatch, EBGL...etc.?*

10. *How are current and emerging market design requirements being incorporated/monitored in this plan?*
11. *Is ABB being used for this project again? Can this new project not be delivered by a new provider with a better track record?*
12. *A complete roadmap of all interacting projects that will affect the new re-integration project—must be provided immediately to provide clarity*
13. *What is the schedule for industry engagement on this project? It is significant and market participants need to be involved. How will code changes be managed in this project—as a separate delivery stream to current code releases? It is important for market participants to be aware of the full degree of resource burden and work through modifications committees over the next few years.*
14. *How will this project be resourced?*