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Subject: Consultation on Day Ahead and Intraday Proposals for arrangements concerning more than one Nominated Electricity Market Operator (NEMO) in the SEM bidding zone, SEM-17-073

Dear Mariela and Ian,

Bord Gáis Energy (**BGE**) welcomes this opportunity to respond to the Regulatory Authorities' (**RAs**) consultation on the Day Ahead and Intraday Proposals for arrangements concerning more than one NEMO in the I-SEM bidding zone.

At a high level, we welcome measures that aim to facilitate the operation of more than one NEMO in I-SEM. Ultimately, competition in NEMO numbers should reduce the cost of ex ante trading, the benefits of which should be felt by customers. From a market participant perspective, key considerations influencing our view on these arrangements include:

- i. The need to ensure that all market participants have access to any number of NEMOs of their choosing, on fair terms, at all times;
- ii. The need to ensure that the interaction of all NEMOs' order books within a bidding zone is not limited or hindered such that it affects market liquidity and coupling outcomes;
- iii. The need to ensure that the chosen arrangements do not result in high costs for market participants and consumers alike; and,
- iv. The need to ensure that all NEMOs are facilitated to comply with the CACM arrangements and offer comparative trading terms to market participants. Where discretion is given to relevant NEMOs to organise or share certain obligations the regulators should consider establishing clear rules to be followed such that market efficiency is maintained.

In this context, and on the understanding that this is stage one of a multi-stage process in finalising arrangements to accommodate more than one NEMO, we outline below our views on the Day Ahead Market, Intraday Market and on Financial Arrangements respectively.

1. Day Ahead Market

With regard to the regional specific examples of how multiple NEMOs are catered for elsewhere in the Day-Ahead Market (**DAM**), our views include:

- i. **Multi-regional coupling (MRC) assumption:** The Nordic, French and DE/ AT/ LU bidding zone perspectives are premised on the fact that MRC will be applied EU-wide at the DAM stage and in most instances will be performed on a Price Coupling of Regions (**PCR**) basis. Given that I-SEM is using PCR for its DAM coupling, this seems like a sensible assumption from which to start in I-SEM also. All NEMOs should be required to comply with relevant PCR rules and procedures;
- ii. **Order Books:** The French example notes a possible issue with PCR in that it does "not provide that several NEMOs active within the same bidding zone can each send their order books" and they suggest amendment of Euphemia to allow several NEMOs to share their order books with each other without limitation. The Nordics on the other hand appear to deal with the issue by dividing the bidding zones into hubs with one hub per NEMO per bidding zone. Notably however, between the different hubs, within the bidding zone, and between each hub and its bidding zone there are effectively "infinite capacities". BGE agrees that limitations on order book merging within

- a bidding zone need to be avoided in order to maintain market liquidity. Either of the French or Nordic approaches may work but if a “hub” type approach is pursued, it is critical that “infinite capacities” are guaranteed so as not to reduce market liquidity or bidding zones in any way;
- iii. **Cross Zonal Capacity (CZCs) and Allocation Constraints (ACs):** With regard to CZCs and ACs, it is pragmatic that the information received by NEMOs is received by all NEMOs simultaneously to maintain as level a playing field between them as possible. The suggestions in the various regional examples, to utilise a platform or one single endpoint for data exchange are considered amenable to this aim. We note also that the Coordinated Capacity Calculator (**CCC**) that will ultimately calculate CZCs under CACM, is to be established under CACM by mid January 2018 but that there is a possible option for the TSOs to define the CZCs across bidding zone borders should the CCC be delayed. We would welcome clarity on whether the I-SEM TSOs anticipate carrying out this task and if they do, what methodologies they will apply?
 - iv. **Transfer of Data:** Reference is made in the DE/ AT/ LU Bidding Zone example to the NEMOs being required to “organise themselves” with regard to who is in charge of forwarding the CZCs and ACs to the PCR Matcher/ Broker for a given day. We would urge the RAs to apply explicit rules to ensure that when more than one NEMO exists in I-SEM, any decisions that leave an element of discretion to the NEMOs are made expediently so as to avoid any negative knock-on impact on cross-border coupling and timing;
 - v. **Clearing and settlement:** In relation to the shipping agent’s role in collecting the congestion income and distributing it to the TSOs, the Nordic approach of utilising only one common shipping agent for all borders, (meaning one shipping IT-infrastructure and a possible reduction in collateral contribution from relevant TSOs) appears to be a cost-efficient solution particularly from a TSO tariffs viewpoint. The Nordic example also points to valuable operational security and contractual benefits of the one common shipper approach which also supports its possible suitability as a solution for I-SEM;
 - vi. **Fall Back:** The Fallback arrangements for I-SEM have already been determined outside this consultation process whereby, when day-ahead coupling fails, there will be a reallocation of the DAM cross-zonal capacity to the first IDM auction. BGE does however agree that during fall back scenarios all NEMOs should be involved and treated equally, while simultaneously ensuring coupling results are determinable. Given our current interconnection and close interaction from a coupling perspective, with GB and its NEMOs our approach should complement and align with GB’s approach. BGE does not believe that the potential for hub based prices as referenced in the French and DE/ AT/ LU bidding zone examples should be considered in I-SEM. Such an approach can lead to price spikes in the hubs and reduce incentives for NEMOs to enter the market, all of which are not conducive to competition or consumer price;
 - vii. **System Price:** Akin to the Nordic example, it is expected that financial contracts in I-SEM will be referenced off the DAM price. Thus steps should be taken to ensure that such a price is determinable at all relevant times. This may require explicit obligations on all NEMOs operating in I-SEM to allow their order books to be used for calculating and publishing the reference price; and to ensure Euphemia reflects all internal and cross border capacity to mitigate any potential constraints on the matching of NEMO order books.

2. Intraday Market

In some of the regional examples provided, the existence of multiple NEMOs and their treatment at the Intraday Market (**IDM**) stage is viewed as less of a concern, compared to DAM arrangements. The examples are mostly relying on the fact that XBID will be rolled out across the EU and will be the main solution in the IDM going forward. Under XBID, the regional examples point out that for pre-coupling the Capacity Management Module (CMM) and Shared Order Book (SOB) function operate regardless of the number of NEMOs and do not face issues such as order book sharing limitations. Possible difficulties might arise in terms of CZC and AC notifications if the CCC is not already established but akin to the DAM in the Nordic example, the TSOs can fulfil this function in the meantime.

The situation is however slightly different for the I-SEM IDM in its initial form as the XBID solution is not expected to be implemented until at least 2020. In I-SEM, (a) a continuous IDM trading solution and (b) cross border IDM auctions, will be the interim IDM solution before XBID comes into effect. It is important that all existing and potential NEMOs have equal access to all relevant information to enable them to trade in the interim IDM solution, and meet their CACM obligations on an equal footing with other NEMOs. All relevant NEMOs should cooperate with each other and other NEMOs to accommodate new NEMO entry

to the IDM and to ensure that IDM outcomes are not at any stage threatened by virtue of the existence of more than one NEMO in I-SEM (including efficient clearing and settlement outcomes). At this early stage, BGE believes that it is also worth noting that as the Irish TSOs and SEMOpx are part of the same Group entity, it would be prudent for the RAs to establish transparent binding guidelines to ensure equality of treatment and non discrimination of all NEMOs in I-SEM by the TSOs.

3. Financial Arrangements

BGE supports the Nordic “general principle” that all parties, NEMOs and TSOs, cover their own costs relating to adapting systems to accommodate multiple NEMO arrangements. Furthermore, any TSO platform costs required to accommodate pre-coupling activities should be shared between all NEMOs (existing and new), and costs should be partially reimbursed on a pro-rated basis to each existing NEMO as new NEMOs join, ensuring all existing and new NEMOs are paying equal fees. Any further costs involved with facilitating multiple-NEMO arrangements should be subject to further market wide consultation.

I hope that you find the above views and suggestions helpful at this early stage of the multiple-NEMO arrangements process and we look forward to continued engagement on the issue in the coming months.

Please do not hesitate to contact me should you wish to discuss any of the above further.

Yours sincerely,

Julie-Anne Hannon
Regulatory Affairs – Commercial
Bord Gáis Energy

{By email}