

I-SEM related modifications to Generation and Supply Licences in NI

**Engagement with licence holders - March
2017**



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Licence Changes for I-SEM

- Introduction;
- Summary of developments in the SEM;
 - Essentials of the current SEM
 - Essentials of I-SEM
- Proposed licence modifications;
- Statutory process for licence modifications;
- Appendices;
- Questions on process for licence modifications.

Introduction

- We intend to do the following:
 - Summarise the changes which will be taking place in the SEM
 - Explain why this means modifying Generation and Supply licences
 - Explain the Statutory processes and timescales in NI
 - Provide draft versions of the two major new licence Conditions
- We provide a Appendix containing other helpful information
- We cannot answer detailed questions on I-SEM but we can on the license changes

Essentials of the current SEM

For Energy Trading:

- Compulsory Pool arrangement for all trading both day ahead and intraday
- Single Pool Price (SMP) paid to all generation and by all supply for each Trading Period

For Capacity:

- Annual Capacity Payments Sum and Capacity Period Payment Sum for each month determined by the UR and CER
- Paid to Generator Units on the basis of availability
- Paid by Supplier Units on the basis of net demand

Essentials of I-SEM

For Energy Trading:

- Possible futures arrangements – consultation published in June 2016 “Measures to Promote Liquidity in the I-SEM Forward Market” (SEM-16-030)
- Day Ahead and Intraday (Ex-Ante Markets) trading across Europe through Designated Nominated Electricity Market Operators (NEMOs)
- Balancing Market trading in the SEM in parallel with Intraday

For Capacity Trading:

- Offers into the Capacity Auctions under the Capacity Market Code (CMC)
- Gaining agreements for the year which pay monthly for availability but which apply penalties for failure to deliver availability particularly at times of system stress

Essentials of I-SEM

- The rules for the operation of NEMO trading will be set out in the SEMOpx rules, to be approved by the RAs
- The rules for the registration of Units and the operation of the Balancing Market are set out in Part B of the Trading and Settlement Code (TSC)
- The rules for the operation of the Capacity Market are set out in the Capacity Market Code (CMC)
- Capacity Payments and Charges are settled through the TSC
- All Units registered under the TSC are deemed to be registered under the CMC
- All Variable Units are permitted to have zero availability under the CMC and thus not participate in the Capacity Auction(s)

- SEMC Decision - High Level Design (SEM-14-085a) September 2014 - sets out the framework for the new SEM;
- SEMC Consultation - Energy Trading Arrangements Trading and Settlement Code (SEM-16-075) November 2016 - sets out the proposed detail for Parts B and C of the new Trading and Settlement Code;
- SEMC Consultation - I-SEM Capacity Market Code (SEM-17-004) January 2017 - sets out the proposed detail for the operation of the Capacity Market;
- EU Regulation 2015/1222 “CACM Regulation” - establishes a guidelines on capacity allocation and congestion management.

Proposed licence modifications

- **Changes to licenses required to implement I-SEM:**
 - Generation Licences;
 - Supply Licences.
- Changes not-related to I-SEM will not be made at this time;
- **Planned timeline for formal statutory consultation process: commence June 2017;**
- Commission for Energy Regulation (CER) will conduct a similar process in parallel for licence holders in ROI.

New Generation Licence Conditions:

- **Nominated Electricity Market Operator (NEMO)**
 - To obligate the licensee when trading in the ex-ante markets to do so through a designated NEMO that is a Party to the Trading and Settlement Code;
- **Capacity Market Code (CMC)**
 - To obligate the licensee to become a Party to the CMC or (if operating through an Intermediary) to require the Intermediary to be such a Party.

Pending SEM Committee decisions on “Forwards and Liquidity” and “Balancing Market Operating Principles” conditions, further changes may be required.

Supply Licence modifications for I-SEM

New Supply Licence Conditions:

- **Nominated Electricity Market Operator**
 - To obligate the licensee when trading in the ex-ante markets to do so through a designated NEMO that is a Party to the Trading and Settlement Code;
- **Capacity Market Code**
 - To obligate the licensee to become a Party to the CMC.

Pending decisions on “Forwards and Liquidity” and “Balancing Market Operating Principles” conditions, further changes may be required.

Statutory Process for Licence modifications

- Set out in legislation (Article 14, The Electricity (Northern Ireland) Order 1992);
- Before modifying the Generation and Supply licences, the UR must issue a statutory notice of consultation, noting the reasons for and effects of the modifications;
- Minimum 28 days within which responses may be submitted to the UR;
- A decision is then published after consideration of responses;
- The modifications take effect 56 days after publication of the decision.

Disclaimer

- The next two slides contain drafts of proposed new licence conditions. These are for discussion only and intended to provide readers with a high level overview of future proposed changes;
- The CER has not made any decision on these conditions. The statutory process for licence modifications is planned to commence in June 2017;
- The final proposed modifications may differ from those included in this presentation.

Appendix 1 (a) Draft NEMO Condition

To the extent that the Licensee wishes to trade energy in the Ex-Ante Markets, it shall undertake such trades only through a designated Nominated Electricity Market Operator (or NEMO) which is a party to the Single Electricity Market Trading and Settlement Code.

The Licensee shall not trade any electricity other than i) through a NEMO; and / or ii) through the Balancing Market, unless and to the extent permitted or required under the terms of the Single Electricity Market Trading and Settlement Code .

If the Licensee decides to trade electricity through the NEMO via an agent (including the Agent of Last Resort) it shall ensure that such an agent complies fully with this condition.

Appendix 1 (b) Draft Capacity Market Condition

The Licensee shall be party to, and shall comply with the Capacity Market Code insofar as applicable to it.

For Generation Licences only:

Where the Commission/Authority has consented to the registration of any of the Licensee's generation units by an Intermediary, the Licensee shall not be obliged to be a party to the Capacity Market Code in respect of such generation units but shall ensure that the Intermediary shall be party to and shall comply with the Capacity Market Code insofar as applicable to the Intermediary in respect of such generation units.

Appendix 2 (a) I-SEM Code Process: TSC

Trading and Settlement Code (new Parts A, B & C)

- Consultation on Parts B & C published Nov. 2016 (SEM-16-075);
- Closing Date 10 January (extended to 24 January 2017);
- SEMC decision expected in March 2017;
- SEMC will determine the Amendment Date to be in May 2017;
- UR and CER expected to direct the change to take place on the Amendment Date;
- Parties required to accede to new Framework Agreement;
- SEMC expected to make the change to Part A based on Modification Proposal approved by the Modifications Committee on 7 February 2017, to come into effect on the Amendment Date;
- Thus the new (3 Part) TSC will come into effect in May 2017, New Trading Arrangements expected to go live in May 2018.

Appendix 2 (b) I-SEM Code Process: CMC

- New Capacity Market Code Consultation published 12 January 2017 (SEM-17-004);
- Closing Date 24 February 2017;
- SEMC is expected to approve the new CMC in June 2017;
- SEMC expected to determine the start date to be in June 2017;
- UR and CER expected to direct the CMC to start in June 2017;
- Parties will need to accede to the CMC Framework Agreement;
- First Capacity Market Auction is planned to take place in December 2017;
- For further information visit www.semcommittee.com and www.sem-o.com;
- If you are a member of a relevant representative body, you may wish to contact them for further information.

Questions on the licence modifications process?