

All interested parties,
Stakeholders in Northern Ireland and beyond,
and other regulatory bodies

Ref: WM-018-11-534

Date: 17 May 2018

To whom it may concern,

Approval of the amended proposal for Day-ahead and Intraday Arrangements concerning more than one Nominated Electricity Market Operator (NEMO) in the SEM Bidding Zone.

In accordance with Article 45 and Article 57 of Regulation (EC) 2015/1222 establishing a guideline on Capacity Allocation and Congestion Management (CACM), the Utility Regulator (UR) received an amended proposal on 13 March 2018 from SONI regarding cross-zonal capacity allocation and other necessary arrangements in bidding zones where more than one NEMO is designated and/or offers trading services.

This letter sets out the UR decision to approve the amended proposal and outlines the necessary next steps that must be taken.

Background

Under CACM, both SONI and EirGrid were each designated¹ as NEMO for Northern Ireland and Ireland respectively and were tasked, through the contractual joint venture of SEMOpx, to deliver NEMO services across the all-island bidding zone.

¹ <https://www.semcommittee.com/publication/nemo-designation-ireland-and-northern-ireland-decision-papers>

On 17 January 2017, a second NEMO demonstrated its intentions to offer services for single day-ahead and single intraday coupling in the I-SEM.

In accordance with Article 45 and Article 57 of CACM, the TSOs (SONI and EirGrid) submitted a proposal to the UR and CRU regarding cross-zonal capacity allocation and other necessary arrangements in bidding zones where more than one NEMO is designated and/or offers trading services. The submission outlined the different models applied by some Member States across Europe for the implementation of a multi-NEMO approach and went out to consultation on 22 September 2017.²

On 9 January 2018, the UR published a decision letter requesting that the TSOs amend their proposal to include, inter alia, a single recommended MNA model and an implementation timeframe. On 13 March 2018, the TSOs resubmitted the amended proposal.

The solution proposed by SONI and EirGrid shall comply with the objectives of the CACM regulation and be applicable regardless of the number of active NEMOs in Ireland and Northern Ireland.

The main elements of the proposal as understood by the UR are summarised below:

- The proposal covers both arrangements for single day-ahead coupling and single intraday coupling in the SEM bidding zone and SEM border with GB;
- In order to meet the requirements, the solution proposed by the TSOs relies on market coupling procedures that exist or are currently being developed for day-ahead and intraday timeframes;
- With regard to the day-ahead timeframe, the solution proposed by the TSOs is based on the price coupling of regions project (hereinafter referred to as "PCR"). Within the PCR project, an optimisation algorithm Euphemia allows interconnection capacity to be allocated implicitly and the net position as well as the spot price of each bidding zone, to be calculated. To date, PCR does not provide for more than one NEMO active within the same bidding zone, to share each other's order books. This PCR technical constraint will be removed and the price coupling algorithm will be able to deliver multiple NEMOs per bidding zone from December 2018. We note that the proposed solution for the SEM-GB border is to implement the PCR solution with the changes to the functional requirements for single day-ahead coupling as required to deliver multiple NEMOs per bidding zone.
- With regard to the intraday timeframe, the technical solution proposed by EirGrid and SONI is based on the project to create an integrated cross-border intraday market (hereinafter referred to as "XBID"), which is currently being developed at European level and should enable continuous and implicit allocation of interconnection capacities. In the intraday market coupling solution, the sharing of the NEMOs order books is directly provided by the shared order book

² <https://www.semcommittee.com/publication/day-ahead-and-intraday-proposals-arrangements-concerning-more-one-nominated-electricity>

function. Until the SEM-GB border is in XBID, the TSOs shall implement the necessary modifications to the interim intraday design, currently in place, to allow for multi-NEMO arrangements.

- We note that the SEM-GB cross-border clearing and settlement arrangement under Article 77 of CACM and approved on 25 September 2017 will require modification, as it proposes the implementation of an Intra Central Counter Party shipping model with the task of Central Counter Party (CCP) being delegated to European Commodity Clearing (ECC). The implementation of a multi-NEMO arrangement will require this arrangement be amended and UR therefore expect the relevant NEMOs to submit a modified proposal by at least four months before the implementation of the multi-NEMO arrangements.
- With regard to decoupling and fallback, we note the day-ahead fallback methodology as approved by the NRAs in accordance with Article 44 of CACM, is to be followed.
- Details of sharing and recovering of the national costs will be described during the implementation of the multi-NEMO arrangements and are thus not detailed in this document.
- In terms of an implementation timeline, we do not think that the proposal provides us with a reasonable expectation of exactly what will be delivered and when. Whilst we acknowledge the dependencies on other aspects of CACM, we require SONI to provide the UR with a comprehensive go-live plan, specifying all dates and milestones as soon as possible but no later than 1st September 2018.

Decision

The UR notes that the amended proposal seeks to reflect MNA developments taking place in Europe and that it aligns with the European Price Coupling of Regions (PCR) solution whereby European day-ahead market coupling will be re-configured to PCA MNA. This will allow multi-NEMOs to be treated equally and to operate within one Bidding Zone.

The UR has reviewed the proposal in line with the requirements of CACM and its wider statutory duties and obligations and hereby approves the proposal in accordance with Article 45 and 57 of CACM.

In progressing with the implementation of the proposed MNA model, the UR requests that SONI take into consideration the new I-SEM go live date of 1 October 2018. The UR further reminds SONI that the commencement of the NEMO re-designation process is due to begin on 3 October 2018. The UR

stresses the expectation that SONI will take the necessary steps to ensure the implementation of the MNA solution before the re-designation process completes in October 2019.

Next Steps

- The TSOs will submit a plan to the RAs for the implementation of the solution(s) by 1st September 2018. The plan should include a detailed timeline and all appropriate milestones. The TSOs will also develop and test local arrangements with the PCR MNA solution and organise monthly meetings with (or provide updates to) the relevant project parties and RAs to measure progress;
- CACM requires the proposals to be developed in cooperation with NEMOs. The UR asks SONI and the relevant NEMOs to cooperate in order to ensure that the technical solution can be applied within a timeline compatible with the implementation at European level of the coupling procedures provided for by the CACM Regulation.
- Re-designation of NEMO for Northern Ireland which begins in 3th October 2018 and ends on 3th October 2019.

If you have any queries regarding the information contained within this letter please contact JeanPierre.Miura@uregni.gov.uk.

Yours sincerely



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cc: Jean Pierre Miura