



**Viridian response to I-SEM consultation on
Multiple NEMO Arrangements**

Consultation SEM-17-073

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Responses due 2nd Nov 2017

1. Introduction

This response submitted by Viridian Group (Viridian) is an amalgamation of the individual business responses from Energia, PPB and Power NI. Viridian welcomes the opportunity to respond to the SEM Committee and Regulatory Authorities (RAs) consultation paper (SEM-17-073) on Day Ahead and Intraday Proposals for arrangements concerning more than one Nominated Electricity Market Operator (NEMO) in the SEM bidding zone. Viridian, and its individual business units has actively and constructively engaged in all aspects of the I-SEM project and related consultation processes as it is essential to ensure the new and complex I-SEM market is fit for purpose for all market participants in the years ahead.

While there is a substantial amount of information provided in the TSOs' paper titled "Multiple NEMO Arrangements" upon which comment is sought, the paper does not appear to fulfil the requirement under CACM that the TSOs must "*propose arrangements that in normal coupled operation will allow the matching of market participants' orders between the relevant NEMOs within that bidding zone, and also to enable interconnector capacity to be accessible to both NEMOs in the bidding zone*".

The detail provided in the TSOs paper merely provides some analysis of the arrangements adopted or being proposed by other TSOs across Europe and makes no proposal for the ISEM bidding zone. However, it is even difficult to provide comment on the TSOs summary of the different models or the relative merits of each in the context of the ISEM, for reasons including:

- (i) while details have been provided on four different models, the details provided for each market are not the same in each case, making comparisons not possible in all instances;
- (ii) no detail has been provided as to how each model would likely be implemented in ISEM, making it very difficult to get a clear picture of how the model might work in ISEM and potential issues or complications therein; and
- (iii) no view has been expressed by the TSOs on any of the details of any of the models, or indeed on the pros and cons of any of the models over another. Such feedback could inform participants on issues, risks, costs, barriers or other complications any aspect of any of the models might have if it were considered for ISEM. For instance if Participants select a particular model or part of a model, and it transpires this is for example ten times more costly to implement, or take ten times longer to implement, than their second favourite option, this would be useful information to enable informed comment by participants.

2. General Comments

Viridian makes the following high level comments in response to the consultation that seeks comment on the TSOs' paper.

- The structure of this consultation made it very difficult to respond to, with varying degrees of information on each multi-NEMO model, but not the same information for each market. Further with no specific questions being asked it is difficult to interpret what is being asked/consulted upon specifically;
- Nothing in the way the NEMO / Multiple NEMOs are set up or operate should in any way, now or in the future, hinder, limit or discourage liquidity in the day-ahead or intraday markets;
- Transparency is a key requirement in ISEM given the complexity and timeframes involved;
- Following on from the two previous bullet points, it is essential that there is a shared order book operated across all NEMOs in ISEM such that participants have full transparency across the market, and no one is unduly incentivised to operate through one NEMO over another on the basis of transparency, or access to potential trading counter-parties;
- Viridian would strongly favour the least complex, but most effective regime for ISEM, which has a low cost reflecting the relative size of the ISEM market compared to other European energy markets;
- In relation to Intraday, the longer term XBID solution, as a pan-European intraday trading platform, will we assume be capable of facilitating Multiple NEMOs in each bidding zone. If this is the case then the key issue in the period prior to XBID being implemented for ISEM is to ensure co-operation between the NEMOs. Given the primary interface for the ISEM is the GB market, it would seem logical as a starting point to identify if/how ISEM could piggy-back on the GB arrangements; and
- The consultation paper makes no mention of the potential collateral arrangements required across a multi-NEMO arrangement. Having to post collateral with two or more NEMOs for the same potential volume would be very costly for participants, and this may prove to be a real barrier to entry for some participants, and in particular smaller participants. In light of this, arrangements should be put in place in ISEM to ensure there is no requirement for multi-collateral arrangements. This may require an arrangement between the NEMOs or some other form of central collateral arrangement to be established.