



Commission for Energy Regulation
An Coimisiún um Rialáil Fuinnimh

**Review of the Irish Electricity Trading
Arrangements**

**Notification of Industry Forum on the 21st
November 2002**

12th November 2002

CER/02/200

Introduction

The market for electricity was opened to 28% of the market in February 2000 and to 40% of the market in February 2002. The market will be fully opened to competition in February 2005 and there is the possibility of an intermediate opening to Commercial and Industrial customers in 2004. To facilitate market opening in February 2000 interim trading and settlement systems were put in place. The Ministers Policy Direction – Trading in Electricity of 1999 provided for the Commission to review the trading arrangements in 2004 for full market opening in 2005. The Commission decided to bring forward this review in order to provide more certainty for potential entrants.

The Commission will, through this review, develop electricity trading arrangements that will shape the Irish electricity industry. PA Consulting has been appointed by the Commission to assist in the review of the trading arrangements and the design of a trading system, which identifies and addresses the specific demands of the Irish electricity market. The review will be wide-ranging and will consider methods of securing capacity, promotion of competition, effects of market integration and fostering of renewables. The finalised terms of reference for the review are in Appendix 1.

The Commission has agreed the work programme with PA Consulting. A brief overview of the programme, which illustrates the interaction proposed with industry participants and interested parties, is in Appendix 2. The programme allows for wide consultation with industry players.

The Commission is organising a public forum regarding the Review of the Irish Electricity Trading Arrangements, on 21st November 2002 in the Sheldon Park Hotel, Kylemore Road, Dublin 12, from 09.00 to 12.00 (Registration will take place at 8.30am).

At this forum a paper containing five broad options will be presented and produced for consultation.

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When responses have been assimilated a further public meeting will be hosted indicating the approach the Commission is considering. The final proposals will be decided in April 2003 and these will be announced at a further public forum.

The Commission welcomes input on an individual basis at any time during the consultations and interested parties may make an appointment by contacting Cliona McNally. Written submissions are also welcome and may be sent to Cliona McNally, preferably in electronic format.

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Appendix 2 Review of Electricity Trading Arrangements

Terms of Reference

In developing any future arrangements to replace the transitional trading arrangements, it will be appropriate to focus on the wholesale market comprising trading between generators and suppliers. It is envisaged that in doing so the review will cover a wide range of issues including (but not exclusively):

- Alternative trading structures;
- How many markets there should be;
- Whether contracts should be physical, financial or both;
- How prices are set;
- Demand participation;
- The form and firmness of bids;
- Treatment of losses;
- Access rights to the distribution and transmission networks;
- How transmission constraints will be managed and their costs recovered;
- How generators will be dispatched;
- What IT and governance structures should be put in place.

Any recommendation made to the Commission should include an estimation of the benefits to consumers, the costs and the likely timetable of delivery. It will also be important in considering these design issues to have regard to a number of factors, including:

- The ending of ESB's supply franchise on 19 February 2005;
- The development, capacity, use and impact (if any) of interconnectors between the Ireland, Northern Ireland and England & Wales markets;
- The trading arrangements in Northern Ireland and proposals, as they develop, for complementary all Island markets in electricity and gas;
- The increasing interactions between electricity and gas;
- EU developments (e.g. proposed approximation of transmission tariffs and arrangements relating to cross border energy flows)
- The present and prospective extent of competition in generation and supply;
- The possibility of customers buying directly from generators;
- The governance arrangements, to allow the arrangements to respond flexibly to changing circumstances in the future;
- The impact of market power held by different parties in the generation and supply markets;

- The impact of any proposed arrangements on renewable, sustainable or alternate and combined heat and power (CHP) sectors;
- The effect of emissions trading and associated allocation of allowances;
- Accumulated experience of designing and running markets in electricity in a number of countries round the world.

It is envisaged that the project will be made up of two distinct phases. Phase I is the development of high-level principles for the liberalised Irish electricity market. Phase II of the Market Review is the implementation phase. The Commission will require advice and guidance during both phases however, system specification and implementation does not include part of this project.

Appendix 2 Review of Electricity Trading Arrangements

Activity Schedule

▲ (Project Milestone)

Task	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL
Review Framework							
Develop Trading Arrangement options							
Finalise Trading Arrangement options							
Launch of issue paper to industry participants							
Industry comment period							
Consolidated response paper							
High level decision							
Industry Workshop							
Industry consultation period							
Decision by CER							
Detailed design							
Detailed design							
Detailed design paper							
Implementation							
Implementation planning							
Finalised implementation plan							

Christmas period



Paper

Workshop industry participants Feb 2003

Paper March 2003

Paper