

I-SEM Licence Changes Supply & Generation Licenses

March 2017

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Licence Changes for I-SEM

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

Summary of developments in the SEM

- 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 in three areas:**
 - Generation Licences;
 - Generators under 10MW licenced by Order, S.I 383/2008 & S.I. 384/2008;
 - Supply Licences.
- Changes required to implement ISEM;
- Changes not-related to ISEM will not be conducted at this time;
- **Planned timeline for formal notification June 2017;**
- Utility Regulator (NI) will conduct a similar process in parallel.

Generation Licence modifications for I-SEM

New Generation 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 or (if operating through an Intermediary) to require the Intermediary to be such a Party.

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

Changes to Generation Licences granted under Order (S.I. 383/2008 and S.I. 384/2008)

Amended Conditions:

Currently considering the appropriate legislative framework for changes to licences granted under Order.

- **Trading and Settlement Code**

- Amendments to ensure that, where the licensee chooses to be Party to the TSC Code, it also have to be Party to the Capacity Market Code;

- **Cost Reflective Bidding**

- Amendment under consultation but required as a minimum to operate with respect to the Balancing Market (and not for NEMO bidding) rather than the Pool as is the case currently.

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 (Sections 20 and 22, the Electricity Regulation Act, 1999);
- Before modifying the Generation and Supply licences, the CER must issue a notice;
- Min 28 days within which responses may be submitted;
- Notice planed to be issued in June 2017.

Disclaimer

- Slides 10 and 11 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 through 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 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;
- CER and UR 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;
- CER and UR 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?