

**IU TSOs proposal for fallback procedures in accordance with
Article 44 of the Commission Regulation (EU) 2015/1222 of 24
July 2015 establishing a Guideline on Capacity Allocation and
Congestion Management**

Explanatory Document

14th December 2016

Table of Contents

Executive Summary3

1. Purpose of the document3

2. IU TSO assessment of IU NRAs Shadow Opinion3

3. Transitional Arrangements3

4. Interim Implicit Intraday Auctions4

5. Conclusion.....5

Executive Summary

The TSOs of the Ireland-UK (IU) Capacity Calculation Region submitted a draft proposal of the day-ahead fallback procedures to apply to the bidding zone border between Great Britain and Single Electricity Market in Ireland and Northern Ireland to the relevant NRAs on 16 September 2016. A public consultation on the IU TSOs proposal for fallback procedures commenced on 14 October and closed on 15 November 2016, using the ENTSO-E Consultation Hub¹. The TSOs of the Ireland-UK (IU) Capacity Calculation Region have taken a proactive approach to the fallback procedures and IU is one of a limited number of CCR's that is sticking with the original timelines prescribed by the CACM Regulation. On 9 December 2016 NRAs provided their Shadow Opinion on day-ahead fallback procedures for the IU capacity calculation region, incorporating the feedback from the relevant Regulatory Authorities (CER, UR and Ofgem). The TSOs of the Ireland-UK (IU) Capacity Calculation Region have taken this Shadow Opinion into account in submitting the proposal and this supporting explanatory note to NRAs by 14 December 2016.

1. Purpose of the document

This document is provided in tandem with the IU TSOs proposal for fallback procedures in order to support the proposal and provide additional clarification on the approach taken by the TSOs of the Ireland-UK (IU) Capacity Calculation Region, where it is deemed more appropriate to include this clarification in an explanatory document than providing it in the proposal itself.

2. IU TSO assessment of IU NRAs Shadow Opinion

On 9 December 2016 NRAs provided their Shadow Opinion on day-ahead fallback procedures for the IU capacity calculation region, incorporating the feedback from the relevant Regulatory Authorities (CER, UR and Ofgem). The TSOs of the Ireland-UK (IU) Capacity Calculation Region have taken this Shadow Opinion into account and included a number of changes to the proposal to reflect:

- the ACER decision on the CCR proposal on 17 November 2016.
- provision for how the proposal adheres to requirements in the CACM Regulation.
- improved clarity in a number of areas: that the fallback procedure will be the first interim implicit intraday auction when the Single Electricity Market introduces market coupling at go-live of the new market arrangements;
- on the distinction between SEM and I-SEM.
- some of the detail on the precise day-ahead fallback arrangements with regard to confirming the timings of the interim implicit intraday auctions, the applicable rules, are still not final and possibly subject to change.

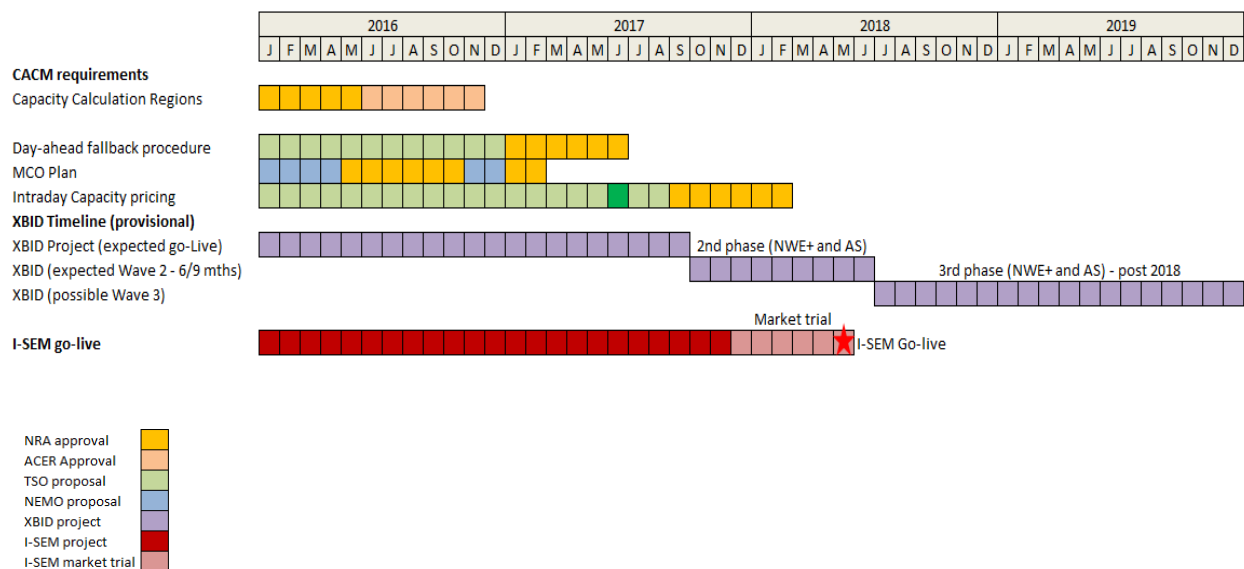
3. Transitional Arrangements

The Integrated-Single Electricity Market (I-SEM) is currently working to deliver a new market design to meet the requirements of the CACM Regulation. The expected go-live date for this new SEM is 23 May 2018, which is the earliest date when market coupling on the bidding zone border between Great Britain and Single Electricity Market in Ireland and Northern Ireland will be in place. Uncertainty still exists around the actual go-live of the enduring pan-European intraday (XBID) solution and it is proposed to have an initial go-live with Local Implementation Projects (LIPs) that are ready to join and then a number of successive go-live dates when additional LIPs could join. It should be noted that XBID is still considered as a regional intraday project until such time as the Market Coupling Operator plan is approved by all NRAs. This is expected on 14 February 2017. It is expected that XBID will go-live in Q3 2017 and that those that are not ready to join at this point could join at a later date in 2018 or beyond. In order to ensure the bidding zone border between Great Britain and Single Electricity Market in Ireland and

¹ ENTSO-E Consultation Hub - <https://consultations.entsoe.eu/markets/channel-and-iu-da-proposals/>

Northern Ireland is able to provide for cross-border intraday trading at I-SEM go-live, an interim implicit intraday auction solution is being implemented.

Timelines required under the CACM Regulation as they relate to XBID and I-SEM go-live



The IU TSOs proposal for fallback procedures is based on our current understanding of the I-SEM design, where in the event that the single day-ahead coupling process is unable to produce results, the fallback procedure is to use the first interim implicit intraday auction on the bidding zone border between Great Britain and the Single Electricity Market in Ireland and Northern Ireland. As is the case with the single day-ahead coupling process, the first interim implicit intraday auction will use Euphemia for the full contract day and will utilise the full available interconnector capacity in the event of a fallback scenario.

The IU TSOs proposal for fallback procedures will be updated in line with the enduring single intraday coupling solution provided for in the CACM Regulation [i.e. continuous trading and intraday capacity pricing] becoming operational on the bidding zone border between Great Britain and Single Electricity Market in Ireland and Northern Ireland. The current intraday capacity pricing proposal provides for a hybrid solution with continuous trading and implicit auction(s)². It is intended that when the enduring pan-European intraday solution supports implicit auctions, it will be necessary to review and amend the fallback solution for the Single Electricity Market. If it is determined that the enduring pan-European intraday solution will only provide for continuous trading, then an alternate fallback solution that delivers a reference price spread (and congestion income) would be needed for the Single Electricity Market.

4. Interim Implicit Intraday Auctions

The current interim implicit intraday auction solution proposed by the EirGrid and SONI NEMOs is to establish three implicit intraday auctions. The proposed timings of these auctions are as follows:

- The first auction (IDM Auction 1) should be held at 15.30 D-1. IDM Auction 1 will cover the delivery hours 23:00 to 23:00.

² ENTSO-E is currently working on a proposal on intraday capacity pricing that needs to be submitted to all NRAs by August 2017. ENTSO-E has already presented its initial proposal for a hybrid with continuous trading and one or a number of implicit auctions at the Market European Stakeholder Committee.

- The second auction (IDM Auction 2) should be held at 08:00. IDM Auction 2 will cover the delivery hours 11:00 to 23:00.
- The third auction (IDM Auction 3) should be held at 15:00. IDM Auction 3 will cover the delivery hours 17:00 to 23:00.

As the trading day is from 23:00 to 23:00 it is considered appropriate to use as fallback the D-1 intraday auction covering the full trading day, similar to the day-ahead process. If the timing of IDM Auction 1 were to change, this would still be considered the appropriate fallback as long as it considers the full trading day.

5. Conclusion

The current I-SEM project is still in development with go-live of the new market expected on 23 May 2018. The IU TSOs proposal for fallback procedures is based on our current understanding of the I-SEM design based on the “Interim Intraday Market Solution for I-SEM Go-Live” document³ published in May 2016 and subsequent change request on 18 August⁴. It is expected that an update on this interim implicit intraday market solution will be provided in Q1 2017. Therefore, this proposal for fallback procedures has been developed and submitted in accordance with the timelines required by the CACM Regulation but acknowledging that the proposal may need to be updated if the current assumptions used to develop the proposal for fallback procedures change.

As it is not possible to use shadow auctions as a possible fallback procedure in the new Single Electricity Market, it is proposed to use the first interim implicit intraday auction as an appropriate and robust fallback solution for the IU capacity calculation region for the bidding zone border between Great Britain and Single Electricity Market in Ireland and Northern Ireland.

³ <http://www.sem-o.com/ISEM/General/EG%20SONI%20NEMO%20Interim%20IDM%20Final.pdf>

⁴ As noted on 18 August [Change Request CR108](#).