

SEM and the Target Model

Simon Grimes

European Market Integration Manager



The Vision

It is our priority to remove all barriers to the internal energy market so that energy can flow freely everywhere in the EU. The single European energy market must become a reality for all businesses and consumers by 2014.

Günther Oettinger, EC Commissioner for Energy (March 2011)



Primary Goals of the Target Model

- Level playing field for the efficient use of cross-border capacity
- Harmonised EU electricity markets



EU Target Model – 5 Key Attributes

Capacity Calculation

- **Common Grid Model** for cross border **capacity** calculations

Forwards

- **Long term** cross border **capacity rights** allocated via a **single pan-European platform**

Day-ahead

- Cross border **capacity allocated with actual energy trades** (implicit allocation) via a **single price coupling algorithm**

Intraday

- **Implicit allocation** of cross border **capacity** via **continuous trading**

Balancing

- **Common merit order** for the exchange of **balancing services**



EU Target Model – Key Benefits

- Facilitating variable generation like wind
- Downward pressure on electricity prices
- Improved security of supply across the EU
- Robust signals for further interconnection



SEM Integration Project - Status

- High Level Design (HLD) underway – led by RAs
- ‘HLD Review Group’ established
- HLD *Options Paper*: Feb.; *Draft Decision*: June; *Final Decision*: August
- Project Phases:
 - HLD → Detailed Rules Design → Systems Development & Testing → Market Trial → ‘Go Live’
 - TSO, MO, Participant Readiness



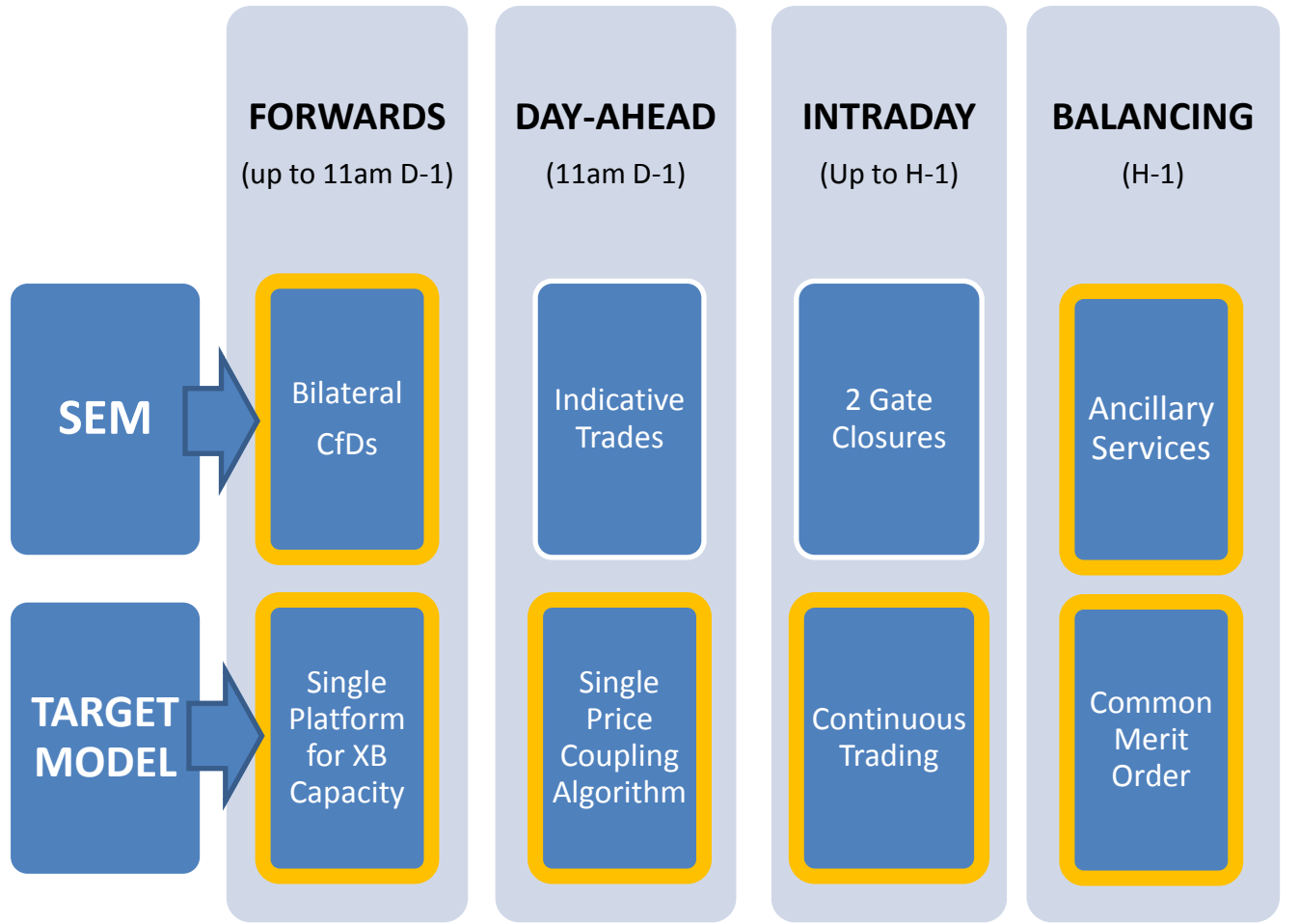
SEM Integration Project – Key Challenges

- RAs recognise that timely decision making of SEM Committee is critical
- Programme under review to safeguard 2016 delivery
- Accommodating particulars of all island system & market structure



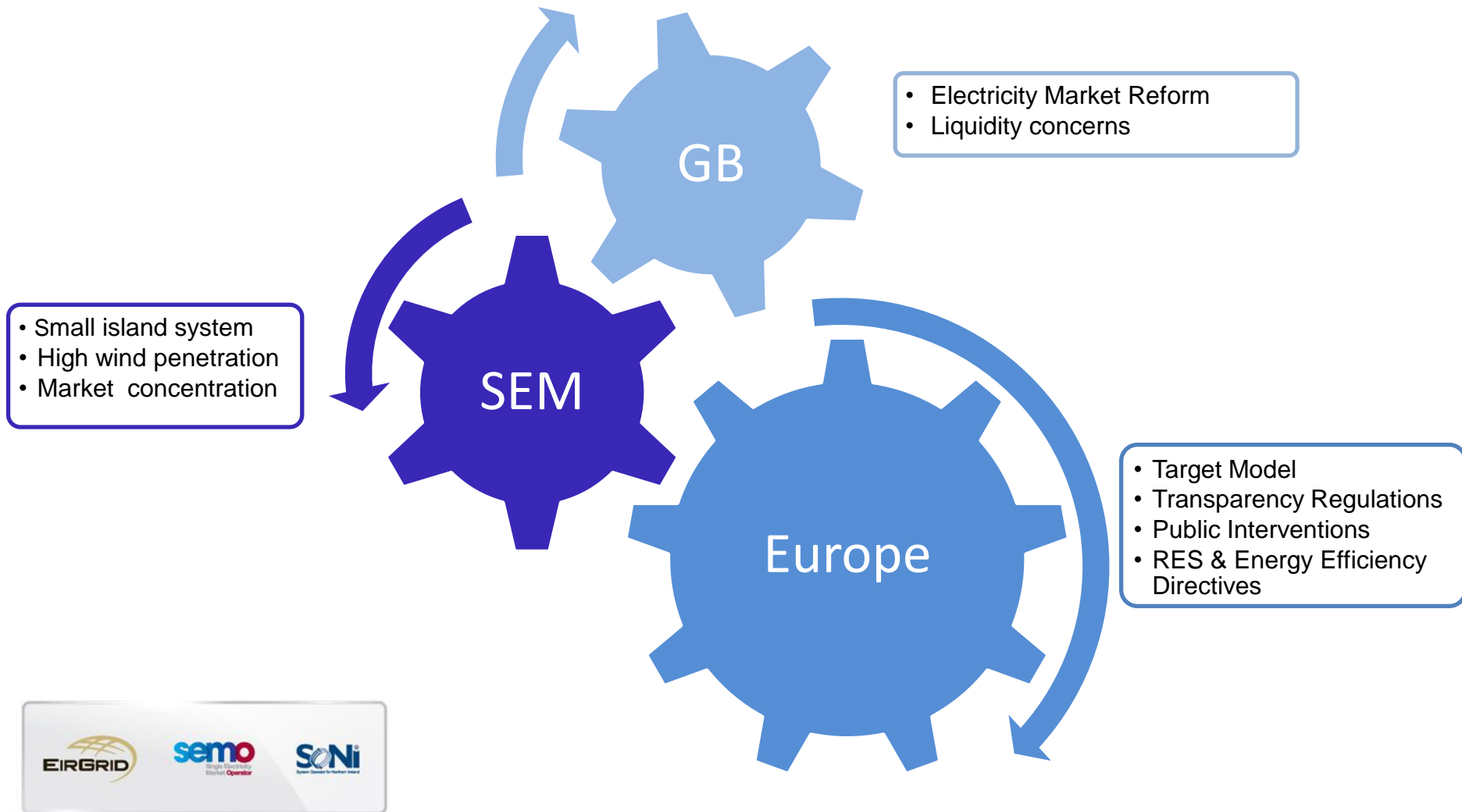
Comparison of SEM and the Target Model

Real Time



 : denotes firm quantities & prices

The wider Policy Landscape



Our role on the *SEM Integration Project*

- As TSOs & MO we have a central role
- We will participate fully on the HLD Review Group
- Committed to delivering on our responsibilities



Summary

- New Market = Target Model + Local Arrangements
- *High Level Design* will effectively determine the new market arrangements
- 2016 deadline challenging but achievable



Thank you

