

IWEA response to the SEM Committee consultation on Modifications to the Intermediary Arrangements for the Integrated Single Electricity Market – SEM-17-006

03 March 2017

IWEA welcomes the opportunity to respond to the SEM Committee consultation on Modifications to the Intermediary arrangements for I-SEM. Interim arrangements within the market are essential for renewable generators to ensure there is a route to market for these generators. PSO supported projects are obliged to contract with a supplier to be in receipt of support scheme payments, and these suppliers then act as intermediaries in the market. It is essential that the transition from SEM to I-SEM is as smooth as possible in relation to Intermediaries to minimise the burden on participants in a market where so much is changing.

Aggregation in ex-ante markets

IWEA has previously raised concerns in relation to aggregation of renewables in I-SEM in the ex-ante markets and we have noted the lack of consideration which this has been given in the detailed design of the energy trading arrangements. While there is not a direct issue with trading a portfolio in the ex-ante markets, the difficulty arises in mapping this to the balancing market timeframe to ensure that the trades are associated with actual generator units (this is required to facilitate things like constraint payments etc.). One option which could be considered is allowing aggregated units in the Balancing Market to allow the trades to map through efficiently. If this is to be permitted, there would need to be an aspect of the Form of Authority which will permit aggregation of the unit's trades within the market. Alternatively this could be a separate Form of Authority for aggregation which would correspond to a contract for the provision of aggregated trades.

Consultation Questions

Do you have views on the proposed process for how current intermediary arrangements should be transitioned to I-SEM?

IWEA welcomes the proposed approach for transitioning intermediary arrangements to I-SEM. While we would like to see as simple a process as possible, it does appear that grandfathering of forms of authority is not appropriate given the need to sign up to both the Trading and Settlement Code and the Capacity Market Code. It is essential that generators have a say in relation to participation in the Capacity Market given the additional risk associated with this compared to SEM. Therefore we welcome the approach of having an explicit component relating to participation in the Capacity Auctions under the Capacity Market Code.

Do you agree that the transfer of the RA consent should be time-limited and if so, how long that time should be?

IWEA does not agree that the transfer of RA consent should be time-limited. We believe this introduces additional risk where there is no confirmation that the RA consent will be forthcoming after it has expired. This could introduce an uncertainty in relation to PPAs which will have to be re-negotiated, and may result in further re-negotiation at a later date.

Are the new criteria accurate as possible translations of the core concepts underlying the existing SEM approvals?

Clarity is required as to whether a wind farm which chooses to participate as price making generation unit and forego Priority Dispatch can be represented in the market by a third party intermediary (i.e. not an affiliated undertaking), where it is not under a PSO contract.

Were the RAs to consult at some point in future on new or amended criteria for intermediary approvals, what criteria do you think might be required in I-SEM?

In coming to a decision on the criteria for intermediary approval in I-SEM, the SEM Committee should at all times look to the underlying intent of the requirement for a Form of Authority under the Code. Essentially, the purpose of the Form of Authority is to allow a Party to register a unit in the market that it does not own or legally control. As per the Consultation Paper, the requirement for the Form of Authority stems from RA concern around the following.

- Concentration and market power
- Market monitoring
- Monitoring compliance with various obligations.

Since SEM inception in 2007, there have been requirements for the SEM Committee to consult a number of times and each time the criteria was amended to reflect a certain issue or situation. This of itself is problematic since a project looking to register in a certain way, while not affecting any of the RAs underlying concerns above, has to wait for the SEM Committee to consult on changing the criteria. Issues such as this are to be avoided as they act as a barrier or a slowing of entry.

Therefore, the SEM Committee should ensure that the I-SEM approval criteria are sufficiently broad to allow any project to achieve a form of Authority once it's in line with the RAs underlying objectives. To this end, it is recommended that one additional criteria is added which allows a case for a specific registration not in line with the published criteria to be approved once it meets the SEM Committee's underlying objectives. This gives individual projects that do not fit exactly within the published criteria (but meet the objectives) comfort that they can get their project to market but also gives the SEM Committee comfort that it can consult on an individual application if it feels it departs significantly from applications previously granted by them.

Do you have views on the proposed form for the new, single FoA shown in Annex 1?

IWEA notes that the wording on Restricted authority under the Capacity Market Code is to be finalised in parallel with the Capacity Market Code, however we would request an opportunity to comment on this in advance of the wording being finalised.