

Re: Intra-day Trading Modification Process - Mod_18_10

Endesa Ireland recognizes that Ireland is obliged to comply with the intraday trading requirements as set out in EU Regulation 714/2009. All Modifications Committee members have worked together in an attempt to quickly implement the changes required to be compliant with these regulations, understanding that there is a short window within which changes to the SEMO systems can be developed for implementation by October 2012.

The need for expediency seems to have resulted in a change to the procedures that are generally required for TSC modifications. While this is understandable, the Modifications Committee should work to ensure that consistent procedures are followed at all times, particularly for such significant changes to the market design, to ensure the robustness of the decision-making process.

Target Model, further change and costs

Endesa Ireland notes that the Cost-Benefit Analysis was inconclusive, particularly on the benefits side. It is submitted that a cost of €13million plus an annual cost of €1.5-2million (not including participant costs) may not be recovered by the implementation of this modification, when it is not likely to be in place for more than 2-3 years due to requirements of ACER's *Framework Guidelines on Capacity Allocation and Congestion Management for Electricity (CACM FG)*. Endesa Ireland considers that there is a strong argument for pursuing a simpler, less expensive interim option pending the introduction of continuous intra-day trading in order to spare customers this cost. Endesa Ireland notes that the Modifications Committee has not had the opportunity to revisit the high level design in light of the Cost-Benefit Analysis, as it was published after the RAs' decision of 2/2/11.

Endesa Ireland highlights the fact that the Cost-Benefit Analysis relied on by the RAs assumes full East West Interconnector capacity, which will not happen until 2013, one year before the CACM FG changes will be introduced according to the FUI Workplan. The benefits suggested also assume that traders have perfect foresight at gate closure of the ex-post SMP. Endesa Ireland therefore submits that the benefits suggested will not be realised and when added to the probability of further market design changes, will not outweigh the costs of the project.

From the outset of the intra-day process Endesa Ireland has argued that the least cost option to meet EU requirements be pursued. Endesa Ireland is strengthened in this view since the release of the FUI Workplan, which shows that the region intends to implement the ACER CACM FG by Q3 2013 and implement market coupling by 2014. The FUI plan also shows that the region intends to implement intra-day trading on SEM-GB interconnectors by Q3 2012 and will develop options for extending the NWE intra-day solution to SEM by Q4 2012; this again highlights that the current intra-day modification will be short lived. Endesa Ireland considers that the SEM should ensure compliance with the EU requirements in two phases, the first by adopting an interim least-cost option as described above to meet current requirements, with the second phase ensuring full compliance with Regional Markets and readiness for full European market integration. Endesa Ireland argues that it is better to wait until the full requirements are known before spending unnecessary money on changes when further significant changes will be required in the near future. This approach would ensure that customers' money is not wasted. While Endesa Ireland supported the adoption of the HLD, this was prior to the publication of the CBA. Given the costs and the recent publication of the FGs, we no longer consider that this is an appropriate way forward.

Process

Generally a Modification is not sent to the SEM Committee until it has been approved by the Modifications Committee. The approval of a High Level Design for a modification proposal by the SEM Committee is an unusual step. Endesa Ireland recognises that the development of a detailed design requires a budget to be

approved by the SEMC. However, this resulted in a significant change to the modification process, limiting the ability of the Panel to make changes or explore other options prior to the finalisation of the modification.

As regards the process for Phase II of developing the Modification Endesa Ireland notes that in the current Working Groups options seem to have been closed out at an early stage, without participants having an opportunity to comment and without sufficient time for market participants to explore alternatives. This approach does not best harness the resource of the Modifications Committee, nor does it facilitate the functions of the SEM Committee, which include 'co-ordinating the resources of Parties to facilitate the development and processing of a Modification Proposal'.

SEMO stated at Modifications Committee meeting 37 that it had discovered through discussion with the vendor that certain implementation options are not possible; Endesa Ireland submits that this information should be communicated to market participants at an early stage so that they are fully informed so as to understand the reasons behind proposals.

Endesa Ireland notes that the High Level Design Summary presented to the SEM Committee at Meeting 32 provided 'a summary of the High Level Design working assumptions that were agreed at these working groups' and would argue that it is implicit that a 'working assumption' is not a High-Level Design and that a final High-Level Design was not approved by the Modifications Committee. We believe that there is room for improvement and amendment should ideas arise during the finalisation of the Modification and that all parties should be open to this. Endesa Ireland would also request that the final working assumptions that were approved by the SEMC are distributed to Market Participants; Endesa Ireland has been unable to source the documents which were approved by the RAs.

Conclusion

Endesa Ireland accepts that this Modification is being developed against a demanding schedule and appreciates SEMO's efforts. Endesa Ireland hopes that the Modifications Committee learns from this and begins work on future change requirements for regional integration at an earlier stage.

As Endesa Ireland is not a member of the Modifications Committee it will not be directly involved in the approval of the Intra-Day Modification. However, as Endesa Ireland has stated from the outset, our preferred option is that the least cost option be taken at this stage, with a more fundamental review to be undertaken to align with the regional interconnector trading requirements, which the regulators have agreed will be in place by 3Q2013.