**SSER’s View on the Timing of the 2nd Ex-ante Gate Closure (EA2)**

Our view is that the timing of EA2 should be informed by principle. This will of necessity be constrained by practical considerations.

With regard to the placement of EA2, the relevant principles can be derived from the section on “Implication of not implementing the Modification” of Mod\_18\_10 which posit essentially that development of the Modification Proposal is to:

1. Provide for more efficient use of interconnector capacity through Intra Day trading opportunities; and
2. Provide for more trading (arbitrage) opportunities on the interconnector.

We map these two objectives into 2 principles. It must be noted that these are not exact maps.

**Principle 1 – Improvement of Capacity Utilisation**

This principle seeks to achieve an increasing reallocation of interconnector capacity to other participants in subsequent gate closures from capacity holders who for any reason do not use capacity in prior gate closures.

In broad terms it is **timing independent**, in that the only requirement is that once available, unused capacity can be determined from a gate closure, a reallocation process to redistribute that capacity can take place. The goal is to approximate 100% use of the interconnector.

**Principle 2 – Improvement of Cross-Border Trading Opportunities**

This principle takes into consideration interconnected markets to determine when the timing for gate closures should be placed in order to better align trading activity.

In broad terms it is **timing dependent**, in that the critical requirement is that gate closure is placed as close to delivery in interconnected markets are possible to better reflect system conditions. The goal is to approximate alignment of interconnected markets.

These principles are not necessarily mutually exclusive. However due to practical considerations such as time allowances for production of market and operational schedules, contingent trading opportunities available in fuel (e.g. gas) markets and requirement for shorter times to production for improvements in wind forecasting, these principles lead to divergent implications.

**Time Allowances for Production of Market and Operational Schedules** – any improvements from this aspect relate to MO and SO systems and business processes. Hence only those entities can inform on this. However it is not clear how much improvements in this area will achieve.

**Contingent Trading Opportunities Available in Fuel (e.g. Gas) Markets** – this relates to market participants trading in fuels markets to enable them match their actual production to the schedule indicated by the SO. Given the absence of sufficient domestic production, gas, the dominant fuel, has to be procured in GB, where views vary as to the availability of liquid trading avenues to trade out positions beyond 4:00 pm. This may be the most critical practical consideration that will impinge on the timing of EA2.

**Requirement for Shorter Times to Production for Improvements in Wind Forecasting** – as wind capacity increases in SEM, improved forecasting of production from wind farms will be even more crucial to prevent wild swings between Ex-Ante SMP and Ex-Post SMP. One of the key factors in improving the forecasting ability lies in shortening the time to production. This is another practical consideration that needs to be considered in the timing of EA2.

**SSER’s View**

Our preference is that the development of the SEM being progressed through the Intra Day Modification aims to improve trading opportunities as much as possible, without contradicting requirements under the EU Congestion Management Guidelines which seek greater utilisation of interconnector capacity. This would involve amongst other things that any opportunity to re-run the market should capture Trading Periods that fall into the peak periods.

In specific relation to the placement of EA2 however, improvements in trading opportunities imply that gate closures are delayed as much as *practically* possible to enable subsequent bidding activity to reflect changing system conditions. On the contingent trading opportunities available in fuel (e.g. gas) markets, we have consistently said that liquid trading opportunities exist in GB after 4:00 pm and into the evening to facilitate traders wishing to trade out positions. It must be noted that we may be the only participant in the SEM with significant gas requirements in GB, which may explain why our view on this particular issue differs from that of most participants. However these are open market opportunities and are available to any participant, subject to commercial terms.

To underline the view of availability of liquid trades outside ‘core hours’, figures from APX show that 6.5 million therms of gas were traded between 1700 and 0300 on 28th September. This compares favourably with the entire gas demand in Ireland of about 6.7 million therms at present. The quantity to be traded out following EA2 should be a fraction of this.