



EirGrid Group **Customer Conference 2012**

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Delivering the Power System of tomorrow



Regulatory Oversight

EirGrid Customer Conference 25 October 2012

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Overview

- ▶ EU has prepared an energy roadmap towards significant decarbonisation on the economy by 2050
- ▶ European Initiatives to deliver decarbonisation
- ▶ Regional Market Development / Reform
- ▶ SEM Market Integration Project

European Vision

- EU published its low carbon roadmap in March 2011
- Target to reduce greenhouse gas emissions by more than 80% below 1990 levels by 2050
- EU considered four main decarbonisation options
 - Energy efficiency
 - Renewable energy
 - Nuclear energy
 - Carbon capture and storage
- Main findings suggest:
 - Decarbonisation is possible
 - Energy efficiency and renewables are critical
 - Investment to modernise infrastructure must start now to avoid more costly changes in the future
 - **A common energy market is vital to keep costs down and ensure a secure supply**

European Medium Term Plan

- ▶ EU creates the legislative framework that ensures member states are moving towards the 2050 target
- ▶ EU enforcement of existing legislation
- ▶ EU funding for strategic infrastructure projects

Main challenges:

- Energy efficiency
- GHG emissions
- Renewable energy
- Energy infrastructure
- Internal energy market
- Technology innovation and R&D

Current European Initiatives

▶ **Third Energy Package:**

- Creates EU wide energy regulator
- Requires operators of the transmission system to be independent of generators and suppliers of energy
- **Triggers reform of energy wholesale markets**

▶ **Renewable Energy Directive:**

- Sets mandatory targets for share of energy from renewables sources in each member state by 2020
- Requires member states to develop action plan to reach these targets
- Places obligations on member states to prioritise renewable generation connecting to the grid

Current European Initiatives – Market Reform

- ▶ Larger market means volume benefits
- ▶ EU aim is market coupling so that national borders are not barriers to trade in electricity
- ▶ Significant challenge for all involved
- ▶ Essential for decarbonisation of the electricity supply across Europe

European Policy Objectives – Market Reform

- ▶ Open Integrated and Competitive European Market in Electricity
 - Market Access
 - Common rules for market
 - Network Access
 - Network Codes
 - Cross-border exchanges
 - Unbundling

- ▶ Independent Regulation (establishing ACER and NRAs)

SEM and Island of Ireland Context

- ▶ Security of Supply
- ▶ Renewable targets
- ▶ Intermittency
- ▶ Granularity
- ▶ Economic dispatch
- ▶ Demand Side Vision
- ▶ Market Power and Liquidity
- ▶ Capacity Payment Review

Market Integration Project

- ▶ EU internal market in energy by 2014
- ▶ Challenge of present SEM design
- ▶ Two year derogation for the island of Ireland
- ▶ **Phase 1** – investigation on SEM rules, evolution / radical approach
- ▶ Inclusive project – workshops and bilateral meetings 2011/2012
- ▶ BETTA / EMR impacts

SEM Committee

January 2012 Consultation Paper

- ▶ Description of Target Model
- ▶ Identification of disparities between SEM / CACM
- ▶ Identification drivers SEM market design
- ▶ Proposed evaluation criteria / high level objectives
- ▶ 4 options SEM evolution
- ▶ Other market designs (BETTA, MIBEL, Nordpool)
- ▶ Costs, legal considerations and initial evaluation

SEM Consultation

- ▶ 22 Responses
- ▶ Acknowledgement SEM effectiveness
- ▶ Join BETTA and/or adopting a BETTA style bilateral market
- ▶ Pool is more efficient than physical bilateral market
 - for small island system
 - high penetration of renewables
- ▶ Other key issues covered by the responses were:
 - Central v Self dispatch
 - Treatment of renewables / priority dispatch
 - Investment certainty
 - capacity payments
 - EMR

Central and Self Dispatch Further Developments

- ▶ TSOs report – Central and Self Dispatch for island
- ▶ Key issues are:
 - Does Target Model require self dispatch?
 - Are both models feasible technically?
 - Which model is the most efficient for island of Ireland?
- ▶ TSO report reviewed
- ▶ Both reports to be published.

Recent Developments –Europe

- ▶ Engagement ACER / Ofgem / Departments
- ▶ CACM –2 year derogation
- ▶ ACER roadmap required being developed
- ▶ Balancing Framework Guidelines – central dispatch markets
- ▶ European Commission
 - investments signals
 - CPM

Next Steps

- Next Steps Paper to be published
- Continued Stakeholder Engagement
- Finalise high level roadmap for ACER on milestones to 2016
- Effective resourcing
- Formal stakeholder forum
- Further Consultation