Single Electricity Market Committee

Market Power Mitigation in the SEM

Directed Contracts

Decision to Suspend the Directed Contract Subscription Windows

SEM-09-045

06 May 2009

On 24th April 2009 the Regulatory Authorities (RAs) published an SEM Committee Decision Paper on the Quantification and Pricing of Directed Contracts (DCs) for the 2009/10 contracting year (SEM-09-043).[1] This paper followed the completion of the SEM Plexos validation project and DC implementation workstream. The results of the SEM Plexos model validation project were presented at an industry workshop on Friday 17th April 2009.

As per the SEM Committee timetable (SEM-09-041), the DC primary subscription window commenced on Tuesday 5th May 2009 and is due to close on 3rd June 2009, and the supplemental subscription window is scheduled to open on 8th June 2009 and close on 19th June 2009.

Through ongoing work with Energy Exemplar, the developers and owners of the Plexos software, and our independent consultants, KEMA, the RAs have been advised that there have been material errors made in the backcast work by our independent consultants. On this basis, KEMA have advised that the errors in their validation work calls into question the accuracy of the forecast prices advised to the RAs and contained in SEM-09-043.

In light of this information, the RAs have also been advised by our consultants, KEMA, that it would be appropriate to review their model validation exercise and suspend the DC subscription process. A note from KEMA on this issue will be published shortly

On this basis, the SEM Committee has decided that it is necessary to suspend the DC subscription process with immediate effect, until remedial action is taken to thoroughly review the validation exercise undertaken on their behalf. The SEM Committee want this suspension to last for as short a period as possible and will issue a revised DC timetable soon. In the meantime, the SEM Committee expect that Non Directed Contracts (NDCs) will be offered by the incumbent generators.

If you have any questions please contact Kevin Hagan (khagan@cer.ie) or James Curtin (jcurtin@cer.ie).

Decision taken at 10.40 am on Wednesday 6th May.

[1] The SEM Committee is established in Ireland and Northern Ireland by virtue of section 8A of the Electricity Regulation Act 1999 as inserted by section 4 of the Electricity (Amendment) Act 2007, and Article 6 (1) of Electricity (Single Wholesale Market) (Northern Ireland) Order 2007 respectively. The SEM Committee is a Committee of both CER and NIAUR (together the Regulatory Authorities) that on behalf of the Regulatory Authorities, takes any decision as to the exercise of a relevant function of CER or NIAUR in relation to an SEM matter.