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The SEM Committee's Roadmap to Clean Energy Package Implementation

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The Single Energy Market ("SEM") Committee published its Roadmap to Clean Energy Package ("CEP") Implementation Information Paper (the "Paper") on 16 December 2019. The Paper can be found [here](#).

The CEP contains eight European legislative acts, including the regulation on the internal market for electricity EU 2019/943 (recast) (the "Regulation"). The Regulation forms a part of the CEP that seeks to establish a modern design for the EU electricity market, one which is "more flexible, more market-oriented and better placed to integrate a greater share of renewables". The Regulation applies from 1 January 2020, with exceptions for certain provisions.

The Paper sets out the SEM Committee's plan to progress changes to the SEM in order to implement the Regulation. The SEM Committee will work within the context of policies set by Ireland's Department of Communication, Climate Action and Environment and Northern Ireland's Department for the Economy in order to give effect to the CEP and the Regulation.

The SEM Committee has identified six key areas of the Regulation that will likely require action by the SEM Committee over 2020 in order to allow for the SEM to conform with the Regulation, including as below:

- **Balance responsibility (Article 5):**

Currently in the SEM, the de minimis threshold for participation in the balancing market is 10MW (ie, there is currently a minimum capacity for balance responsibility in the SEM of 10MW).

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Under the Regulation, all market participants shall be responsible for any imbalances in the market or shall delegate their responsibility to a balance responsible party of their choice. Derogations may be provided to generators that meet the following conditions:

- demonstration projects for innovative technologies, subject to regulatory authority approval;
- power-generating facilities using renewable energy sources with an installed capacity of less than 400KW (200KW from 1 January 2026); or
- installations benefiting from State Aid decisions which were commissioned prior to 4 July 2019.

Where derogations are provided, each Member State shall ensure that financial responsibility for imbalances is fulfilled by another market participant (eg, an aggregator).

- **Priority dispatch (Article 12):**

Under the Regulation, new renewable generators with contracts concluded after 4 July 2019 will no longer be subject to priority dispatch, with the exception of:

- renewable energy generating facilities with an installed capacity of under 400KW (200kW from 2026); and / or
- generators, energy storage facilities and other demand-side response units that demonstrate innovative technologies, subject to approval from the relevant Regulatory Authority.

The Paper notes that existing renewable generators with contracts concluded before 4 July 2019 will continue to be subject to priority dispatch.

The current dispatch order for the SEM will need to be updated, as all renewable generation and peat is currently subject to priority dispatch in the SEM.

- **Redispatch (Article 13):**

The Regulation requires compensation for non-market based redispatching (constraints and curtailment) of firm generation, energy storage and demand response facilities. The SEM Committee is reconsidering their previous decision (SEM-13-101), which removed compensation for curtailment.

- **Market parameters (Articles 7, 8, 10, 11, 23 and 27):**

The Regulation requires that the calculation methodology for certain market parameters be updated, including the Value of Lost Load (VoLL) and resource adequacy for the capacity market. The new VoLL estimate for the SEM is expected to be adopted in advance of the T-4 capacity auctions occurring in September 2020, following approval of the calculation methodology by ACER.

The Regulation also requires the harmonisation of the imbalance settlement period to 15 minutes by 1 January 2021 (currently 30 minutes in the SEM) to enable real time trading, subject to the grant of derogations until 31 December 2024 for systems where this is technically infeasible. It is expected that the SEM transmission system operators will request a derogation.

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The Regulation prohibits capacity payments to generation facilities emitting above a certain level of CO₂, as below:

- from 4 July 2019, any new generation facility which emits more than 550g of CO₂ of fossil fuel origin per kWh of electricity shall not receive capacity payments; and
- from 1 July 2025, all generation facilities, regardless of when they were commissioned, which emits more than 550g of CO₂ of fossil fuel origin per kWh of electricity and more than 350kg CO₂ of fossil fuel origin on average per year per installed kWh shall not receive capacity payments.

There are currently no restrictions in this regard in the Capacity Market Code and this new requirement is expected to have an impact on the T-4 capacity auction.

The Regulation also requires cross-border participation in capacity mechanism, subject to certain conditions, with various methodologies and common rules to be approved by ACER for this purpose.

- **Regional coordination centres (Articles 35 and 36):**

The Regulation requires the development of Regional Coordination Centres, which shall complement the role of transmission system operators in prescribed geographic regions.

In 2020, the SEM Committee plans to issue consultations in respect of balance responsibility for newly balance responsible parties, priority dispatch and compensation for non-market redispatch. Modifications to the Trading and Settlement Code are expected in respect of each of these matters. Other actions include the release of an information note and modifications to the Capacity Market Code in respect of the capacity remuneration mechanism requirements.

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