

The Retail Electricity Market

New Entrants

Introduction

- ❑ The following presentation briefly outlines the background to the Retail Electricity market and the present day position of ESB Networks
- ❑ An overview of the initial process and a description of the Market Participant requirements is also detailed for New Entrants wishing to enter the Retail Electricity Market
- ❑ A brief description of the communication fora within the Market is also outlined

Agenda

- ❑ Background of the Retail Electricity Market
- ❑ Structure of the Retail Market
- ❑ Role of ESB Networks Teams
- ❑ Role of CER
- ❑ Requirements for New Entrants
- ❑ Process for New Entrants
- ❑ Communication between Market Participants
- ❑ Market Assurance
- ❑ Documentation

Background to Retail Electricity Market

Background to Retail Electricity Market

- ❑ The Electricity Regulation Act 1999 led to the deregulation of the Retail Electricity Market and the overall opening up of this Market to other Electricity Suppliers
- ❑ The Commission for Energy Regulation (CER) was established. This is the independent body responsible for overseeing the liberalisation of Ireland's energy sector
- ❑ The MOIP (Market Opening IT Programme) was set up by ESB Networks to deliver an efficient and timely market opening
- ❑ SAP IS-U was the chosen IT Support System used by MOIP to implement Market opening

Background to Retail Electricity Market

- ❑ A number of Suppliers competed for commercial and industrial customers following initial Market opening in 2000
- ❑ Suppliers were later licensed to compete for residential customers
- ❑ Go Live of the MOIP system was implemented in January 2005
- ❑ The Single Electricity Market (SEM) Establishment Programme commenced in 2005 to establish the single electricity Wholesale Electricity Market for ROI and NI
- ❑ Harmonisation Go Live was implemented in October 2012 resulting in a harmonised Market Message baseline between ROI and NI
- ❑ There is now a common Tibco Hub for ROI and NI Market Messages

Overview – Stages in Opening of Market

Event

- ❑ 1999: Electricity Regulation Act
- ❑ 19th Feb 2000: 1999 Act, Sec 27(2)
- ❑ 19th Feb 2002 S.I. No 3 of 2002
- ❑ 19th Feb 2004 S.I. No 632 of 2003
- ❑ 19th Feb 2005 S.I. No. of 2004

Impact / eligible customers

- ❑ CER established
- ❑ > 4.0 GWh => 400 + Green
- ❑ > 1.0 GWh => +1,200 (40%)
- ❑ > 0.1 GWh => + 12,000 (56%)
- ❑ > 0.1 kWh => 1.7m

Overview – Other Provisions of 1999 Act

- ❑ **Trading & Settlement Code (v1.0) put in place**
- ❑ **Meter Operator services transferred to ESB Networks**
- ❑ **Meter Registration Services Operator set up to:**
 - Manage Change of Supplier process
 - Manage Data Processing and Aggregation services for settlement
 - *Conditons 8 - Meter Point Registration Service,*
 - *9 Metering and Data Services and*
 - *18 Separation of Distribution Business of Distribution System Operator (DSO) Licence*

Structure of the Retail Market

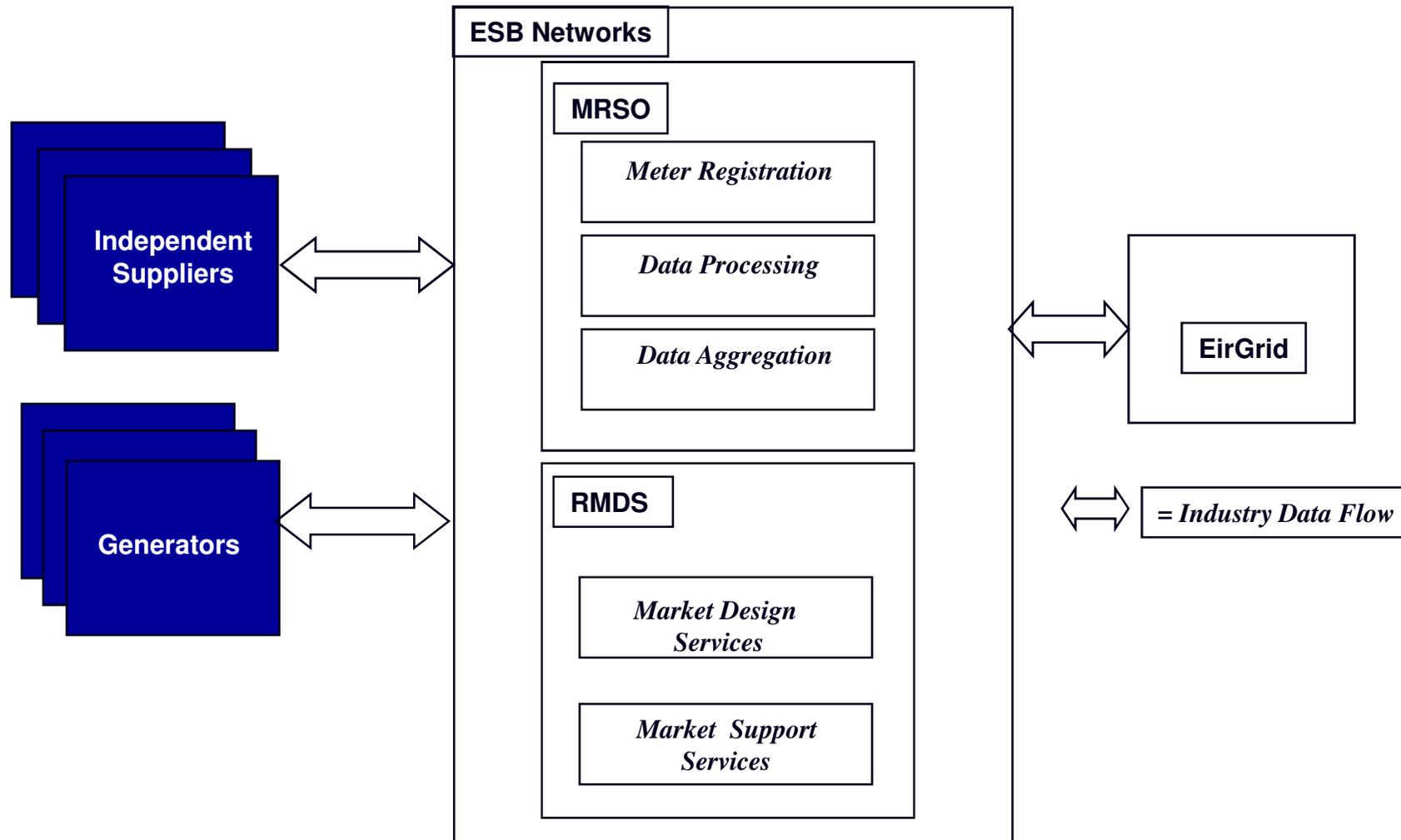
Structure of Market

- ❑ **Data Collector**
- ❑ **Meter Operator**
- ❑ **Distribution System Operator**
- ❑ **Meter Registration System Operator - MR, DP, DA**
- ❑ **Transmission System Operator**
- ❑ **SEMO (Single Electricity Market Operator)**
- ❑ **Suppliers (incl. PES and SoLR)**

Role of ESB

- ❑ ESB fills a number of different market roles
 - **ESB Networks** delivers the Data Collector, Meter Operator and Distribution System Operator roles
DSO Licence June 01
- ❑ **ESB Networks** through its **Metering and Registration System Operator** (MRSO) function, is also responsible for providing Metering Registration, Data Processing and Data Aggregation services: *DSO Licence June 01 – Conditions 8 and 9*
- ❑ From a supply perspective **Electric Ireland**, in exercising its PES and Supplier of Last Resort roles, has a role in the facilitation of the competitive Market.

Structure of the Retail Market



Role of ESB Networks Teams

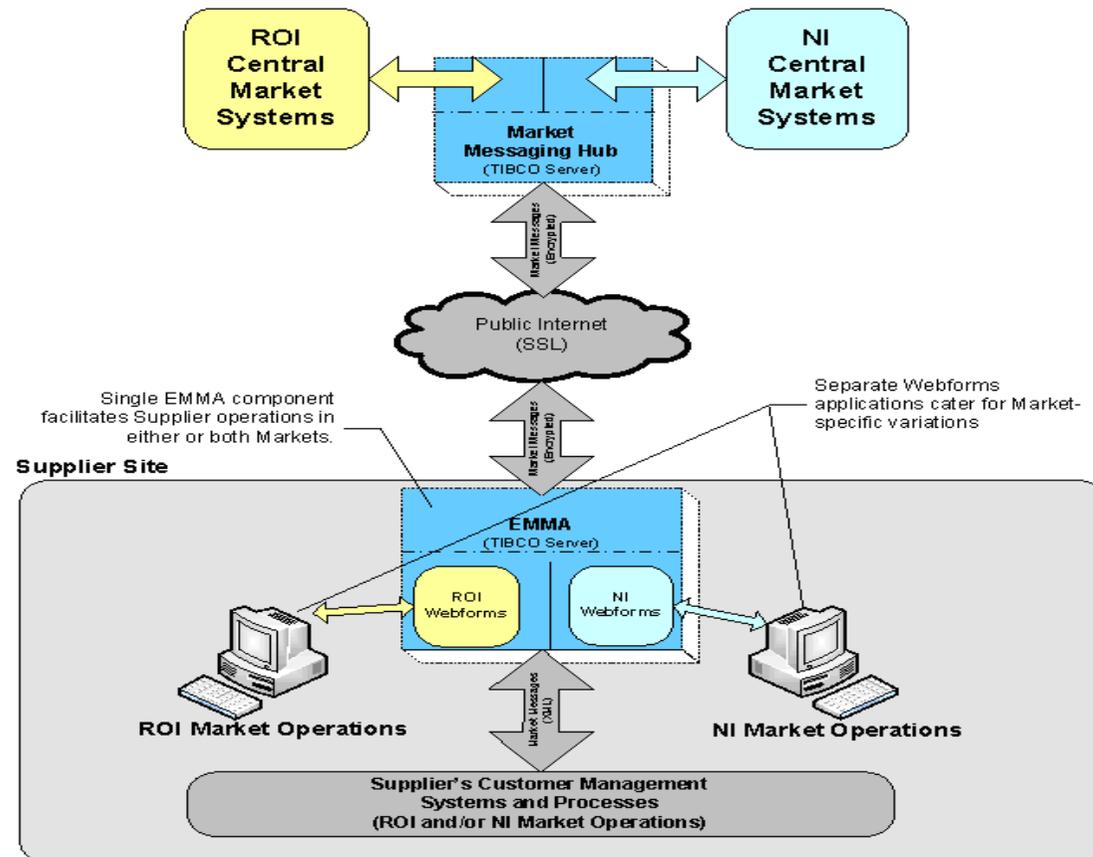
Role of ESB Networks Teams

❑ Market Messaging Architecture

- The Central Market System (CMS) is operated by ESB Networks
- CMS communicates with Market Participants' systems via a message Hub called the Market gateway
- Market Participants have a software component called Electricity Market Messaging Application (EMMA) to facilitate the sending and receiving of Market Messages to and from MRSO/DSO
- ESB Networks provides Emma to Market Participants via a third party service provider called Capita (formerly Northgate Managed Services)
- The Hub and Supplier EMMA components are used in both ROI and NI Retail Market operations.
- The Hub and EMMA are Tibco based solutions and are used for:
 - Wrapping & sending messages to the Market Gateway.
 - Receiving & unwrapping messages from Market Gateway.
 - Manually creating low volume Market Messages.
 - Viewing Messages

Role of ESB Networks Teams

- High Level Applications Architecture for the Irish Retail Electricity Market



Role of ESB Networks Teams

The market facing teams within ESB Networks are:

❑ MRSO

- Meter Registration
- Data Processing
- Data Aggregation

❑ Meter Operator

- New Connections
- Meter Works
- Finance
- Customer Service

❑ Data Collector

- NQH (Non-Interval) Meter Readings

Role of ESB Networks Teams

RMDS (Retail Market Design Services)

- ❑ Primary communicator between ESB Networks & Market Participants
 - Resolves Market Participant Queries and creates and develops discussion requests, defects and change requests raised by MPs
 - Creates and updates Market Design documentation
 - Plans and delivers Market Releases
 - Assists New Entrants to become Market Participants in the ROI Retail Electricity Market
 - Assists existing MPs with requalifications within the ROI market
- ❑ Secretariat to the IGG (Industry Governance Group)
 - Prepares and delivers presentations regarding IGG
 - Monitors actions arising from IGG and communicates information to Market Participants
- ❑ Design Administrator

Role of ESB Networks Teams

□ RMDS – Design Administrator Role

- CER finalised the terms of reference for this role on the 25th January 2006
- The Commission defined the overall role of the Design Administrator as follows:
 - *The role of the Design Administrator shall involve the cost effective support for and delivery of quality systems that will help achieve the Commission's objectives of encouraging competition in supply markets and quality of service to all customers.*

Role of CER

Role of CER

- ❑ CER is responsible for ensuring that the Retail Market is administered in such a fashion that is fair and equal to all Market Participants
- ❑ CER works to ensure that consumers benefit from Regulation and the introduction of competition in the energy sector
- ❑ CER is responsible for granting licences to new Market entrants
- ❑ CER acts as chair and provides a regulatory update to MPS at the IGG forum
- ❑ It is the responsibility of CER to approve or reject requested changes to the Market Design and also to determine the scope of implementation of future system releases

Requirements for New Entrants

Requirements for New Entrants

Legislative Framework

Primary Documents

Supplier Licence

DSO Licence

Governing:

Codes

- De-energisation (Supplier)
- Billing and Payment Options
- Vulnerable Customers
- Complaints Handling Procedure
- Marketing/Selling
- Standard contract terms and conditions

Codes

- Disconnection Code of Practice (condition 15)
- Revenue Protection Code of Practice (condition 7)
- Complaints Handling Procedure
- Distribution Code (condition 26)
- Metering Code
- Assess to Land and Premises (condition 14)
- Customer Service Code of Practice

Requirements for New Entrants

Legislative Framework

Primary Documents

MRA Agreement

DUoS Agreement

Governing:

Services

- List of Services
- Charges

Services

- List of Services
- Charges

Requirements for New Entrants

- New Entrant must obtain a licence from CER to gain entry to the Market
- DUoS Agreement must be signed and activated by the New Entrant
- MRA Agreement must be signed and agreed upon
- Trading & Settlement Code must be read and agreed upon
- Wholesale accession process must be completed by the New Entrant

Requirements for New Entrants

- ❑ New Entrant must provide an Escrow Account or letter of credit in order to prove that they are in a financially stable position
- ❑ Market Assurance must be carried out as deemed necessary by Independent Auditors

New Entrant Process



New Entrant Process

- Provided that the New Entrant satisfies the requirements for Market entry, the entry process will proceed as follows:
 - New Entrant is provided with all necessary training documentation and any other relevant Market documentation required
 - The MRSO assigns a new MPID for the New Entrant
 - The Assurance Body, as appointed by CER, is contacted to carry out a review of the New Entrant's business processes and to co-ordinate any testing of systems which they deem necessary

New Entrant Process

- ❑ New entrant meets with ESB Networks to discuss software implementation of the EMMA (Electricity Market Messaging Application). The EMMA is the software used by MPs to send Market Messages. The New Entrant will be provided with all relevant EMMA documentation
- ❑ Connectivity testing will be carried out to establish connectivity between ESB Networks and the New Entrant systems
- ❑ When all the above steps have been completed, the New Entrant will be ready to become an active Market Participant

Communication between Market Participants

Communication between Market Participants

- IGG (Industry Governance Group)
 - Executive communications and decision-making forum to oversee the implementation of changes to *systems and processes* to support competition in the supply of electricity to customers
 - Participants review, comment upon and approve Market Design changes
 - Participants review developments in other Markets to determine impacts
 - Participants appoint and receive reports from sub-groups as required

Communication between Market Participants

□ Supplier Forum

- Chaired by CER
- Established to focus on progressing matters of interest to Suppliers but which do not directly relate to the implementation of systems and processes supporting the Retail Market
 - Revision to Supplier licences
 - Agreement of Codes of Practice
 - Prepayment metering
 - Customer awareness and education programme

□ Ad hoc meetings as required

Communication between Market Participants

□ Market Participant Conference Call

- Takes place every 8 weeks – chaired by RMDS
- Opportunity for Market Participants to discuss any issues they may have in advance of the next IGG meeting
- Opportunity for ESB Networks to
 - update MPs on any new issues which have arisen
 - update MPs on any issues that have been resolved
- Opportunity for RMDS to issue reminders relating to IGG Action Items, Planned Outages etc.

Market Assurance

Market Assurance

- ❑ The focus of the Market Assurance process from a New Entrant perspective is to look at the New Entrant's systems and business processes to assure CER that the New Entrant will be able to operate successfully in the Retail Market without risk to the other MPs
- ❑ The Assurance body is appointed by CER to carry out Market Assurance with the aid of ESB Networks and RMDS where necessary
- ❑ Where significant changes are proposed for a New Entrant's back end system, or for the Retail Market Design, further Assurance may be required

Market Assurance

- Market Assurance may involve a number of key checks:
 - **BSA (Business Solution Assessment)** - The aim of the BSA is to gain an assurance that the NE systems and processes are/have been designed and built appropriately to meet the requirements of the Market Design. The BSA also looks at management procedures (Large Suppliers only)
 - **ITA (Integration Test Assessment)** - ITA is carried out soon after completion of the Participant's internal testing with the prime objective of verifying that the Participant has carried out satisfactory testing of their systems and processes. (Large Suppliers only)
 - **IPT (Inter Participant Testing)** – Full run through of key business processes from end to end

Documentation

- All relevant documentation regarding licencing and Codes of Agreement can be found on the CER website

<http://www.cer.ie/en/electricity-retail-market-licences.aspx>