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**Electricity Regulation Act 1999
(Market Arrangements for Electricity) Regulations 2003**

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**Electricity Regulation Act 1999 (Market Arrangements for Electricity)
Regulations 2003**

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Electricity Regulation Act 1999 (Market Arrangements for Electricity) Regulations 2003

The Commission for Energy Regulation, in exercise of the powers conferred on it under Section 9(1)(d) of the Electricity Regulation Act 1999 (No. 23 of 1999) (hereinafter referred to as “the 1999 Act”), acting in accordance with the policy direction issued to it by the Minister on 26 July 1999 under Section 9(1)(a) of the 1999 Act and having taken into account the matters raised in the public consultation process carried out by the Commission under Section 9(1)(b) of the 1999 Act, hereby makes the following Regulations for the purpose of establishing a new system of trading in electricity.

- Citation. 1. These Regulations may be cited as the Electricity Regulation Act 1999 (Market Arrangements for Electricity) Regulations 2003.
- Interpretation. 2. (1) A word or expression that is used in these Regulations and is also used in the Act has, unless the contrary intention appears, the same meaning in these Regulations as in the Act.
- (2) In these Regulations, except where the context otherwise requires:
- “Commission” means the Commission for Energy Regulation established under the Electricity Regulation Act 1999 as amended by the Gas (Interim) (Regulation) Act 2002;
- “Counterparties” means suppliers and generators;
- “Financial Transmission Right (FTR)” means a financial tradable instrument that allows the holder to hedge the difference between LMPs at different nodes or between LMPs and the uniform wholesale spot market price as set out in Regulation 3(14);
- “Gate Closure” means the point in time prior to physical delivery when offers made by a generator with respect to a generating station or individual generating unit or by a supplier become final and changes to offers may no longer be accepted except in exceptional circumstances to be defined by the Commission under the Market Arrangements for Electricity Rules to be developed under Regulation 5;
- “Generator” means a holder of a licence to generate electricity granted under Section 14 of the 1999 Act and the Board acting in its capacity as ESB Power Generation;
- “Individual Generating Unit” means such a unit of a generating station;

“Locational Marginal Price (‘LMP’)” means the price per megawatt hour (MWh) of electricity at a given node;

“Market Operation Date” means the date on which the new system of trading in electricity established by Regulation 3 comes into operation, which date shall be determined by the Commission following public consultation, but shall, in any event, be no later than 19 February 2006. That date shall be published by the Commission by a notice in a daily newspaper published and circulating in the State at least one month beforehand;

“Minister” means the Minister for Communications, Marine and Natural Resources;

“Node” means a location on the transmission and/or the distribution system where electricity is injected or withdrawn for which an LMP is calculated;

“Offer” means an offer by a generator with respect to a generating station or individual generating unit or by a supplier to the System and Market Operator to sell, to purchase or not to purchase a stated quantity of electricity at a stated price in one or more trading periods under the Market Arrangements for Electricity Rules to be developed under Regulation 5;

“Spot Market” means the mandatory centralised pool market in which the SMO purchases and sells electricity offered by generators and suppliers;

“Supplier” means a holder of a licence to supply electricity granted under Section 14 of the 1999 Act and the Board acting in its capacity as Public Electricity Supplier;

“System and Market Operator (‘SMO’)” means the National Grid Business Unit of the Board until such date as the Commission determines for the purposes of these Regulations that EirGrid plc is operating as Transmission System Operator and thereafter EirGrid plc;

“Trading and Settlement Code” means the code of that name designated under the Electricity Regulation Act 1999 (Trading Arrangements in Electricity) Regulations 2000 (S.I. No. 49 of 2000);

“Value of Lost Load (‘VoLL’)” means the price consumers are deemed to be willing to pay to prevent the failure to supply a megawatt hour (MWh) of electricity as determined from time to time by the Commission using a methodology which shall be made publicly available.

(3) References in these Regulations to an enactment shall include primary and subordinate legislation and in both cases any amendment or re-enactment thereof.

New System of
Trading in
Electricity

3. (1) The system of trading in electricity and settling electricity imbalances established by the Electricity Regulation Act 1999 (Trading Arrangements in Electricity) Regulations 2000 (S.I. No. 49 of 2000) shall be replaced with effect from the Market Operation Date by the new system of trading in electricity established by this Regulation.

(2) The new system of trading in wholesale electricity will be a mandatory centralised pool (“the spot market”) requiring all electricity exported to or imported from the transmission system or distribution system to be sold to and bought from the SMO.

(3) The spot market will apply to all generators and suppliers, except with respect to those classes of generating stations or individual generating units determined by reference to installed capacity or amount of electricity exported or likely to be exported to the transmission system or distribution system, in any calendar year or the primary source of energy used for the production of electricity so exported or any combination of these as determined by the Commission from time to time as exempt in whole or in part from such application and defined under the Market Arrangements for Electricity Rules to be developed under Regulation 5.

(4) The spot market will be an electricity only market and there will be no separate capacity payments.

(5) Generators whose generating stations or individual generating units are not called on to generate because of constraints on the transmission and/or the distribution systems, or because their offered price is too high will not receive any payments from the spot market in accordance with the Market Arrangements for Electricity Rules to be developed under Regulation 5.

(6) Generators, with respect to each individual generating unit, unless exempted under paragraph 3 of this Regulation by the Commission, shall provide offers to the SMO for each trading period and may change these offers up to gate closure.

(7) A supplier may elect for some or all of its demand to be certified by the SMO as dispatchable. The balance of a supplier’s demand will be treated as non-dispatchable. For its dispatchable demand a supplier will provide offers for each trading period and may change these offers up to gate closure.

(8) The SMO shall produce and make public week-ahead and day-ahead pre-dispatch runs which will indicate the projected spot market prices and generating station and individual generating unit dispatch schedules prior to actual dispatch.

(9) The spot market shall be cleared and corresponding dispatch schedules determined simultaneously for each trading period, which trading period shall be thirty minutes or such other period of time as determined by the Commission from time to time and detailed in the Market Arrangements for Electricity Rules to be developed under Regulation 5.

(10) The SMO shall simultaneously resolve system feasibility and market dispatch including losses, transmission constraints, reserve requirements and other relevant system security requirements when determining the dispatch schedule and when setting the LMPs in accordance with the Market Arrangements for Electricity Rules to be developed under Regulation 5.

(11) The SMO shall procure and manage ancillary services, including reserves for system support, and shall manage contingencies which may occur during a trading period in coordination with the electricity market in accordance with the Market Arrangements for Electricity Rules to be developed under Regulation 5.

(12) Prices offered by generators with respect to generating stations or individual generating units and by suppliers must be no less than the negative Value of Lost Load (VoLL), and no greater than the positive Value of Lost Load (VoLL).

(13) A generator whose offer is accepted by the SMO will be paid the locational marginal price (LMP) pertaining to the node at which it is located for actual volumes traded in the spot market subject to the rules governing same as set out in the Market Arrangements for Electricity Rules to be developed under Regulation 5.

(14) Suppliers trading in the spot market will pay a uniform wholesale spot market price for electricity irrespective of location. Suppliers of dispatchable demand, as certified under Regulation 3(8) will pay the LMP at the node at which they are located.

(15) The method of calculation of the uniform wholesale spot market price and of the LMPs shall be determined by the Commission and set out in the Market Arrangements for Electricity Rules to be developed under Regulation 5.

(16) LMPs will be set by the SMO immediately prior to the beginning of each trading period.

(17) The Commission shall reserve the right to set electricity prices in the spot market and/or to introduce price controls in exceptional circumstances, such circumstances to be defined under the Market Arrangements for Electricity Rules to be developed under Regulation 5.

Financial
Instruments.

4. (1) The Commission shall establish a system for the making available by the SMO of FTRs to generators and suppliers, and shall determine the form and content of such FTRs and the procedures for amending such instruments.

(2) The Commission shall impose a suite of financial hedge contracts on or between ESB Power Generation generating stations or individual generating units, the terms and conditions, including price and duration, of such contracts to be determined by the Commission from time to time. The Commission shall determine from time to time the methodology for making these contracts available to Counterparties.

Market
Arrangements for
Electricity Rules.

5. (1) Detailed rules and procedures necessary to give effect to the new system of trading in electricity established by Regulation 3 shall be developed by the Commission. These detailed rules shall be known as the Market Arrangements for Electricity Rules (“The MAE Rules”) and shall take effect as and from the Market Operation Date.

(2) All generators, subject to Regulation 3(3), and suppliers shall comply with the MAE Rules.

(3) The MAE Rules shall be in such form and contain such detail as the Commission shall decide.

(4) The Commission shall supervise and review the MAE Rules in such manner and at such times as the Commission shall decide.

(5) The Commission may from time to time modify, revise, amend, suspend (in whole or in part), supplement, extend or replace the MAE Rules to such extent and in such manner as the Commission shall decide.

Commission’s
Directions
to the SMO.

6. (1) Subject to the approval of the Commission, the SMO shall develop, operate and maintain the spot market in accordance with the MAE Rules.

(2) The SMO shall comply with any directions given from time to time by the Commission in respect of any performance of its duties, functions and obligations under the MAE Rules.

Commission's
Directions to the
Board or EirGrid
Plc.

7. (1) The Commission may, in advance of the Market Operation Date, issue directions to ESB National Grid Business Unit or, after the date as the Commission determines for the purposes of these Regulations that EirGrid plc is operating as Transmission System Operator, to EirGrid plc in its capacity as prospective SMO with a view to ensuring that the necessary arrangements are put in place to facilitate the taking effect of the new system of trading established under Regulation 3 from the Market Operation Date and ESB National Grid Business Unit or EirGrid plc as the case may be shall comply with such directions.

(2) The Commission, with a view to ensuring that the necessary arrangements are put in place to facilitate the taking effect of the new system of trading established under Regulation 3, may issue directions to the Board or EirGrid plc or both as the case may be, as the Commission deems appropriate and the Board or EirGrid plc or both as the case may be, shall comply with such directions.

(3) Without prejudice to Section 22 of the Interpretation Act 1937 the Board or EirGrid plc or both as the case may be, shall comply with such arrangements and such procedures as the Commission may direct for the settlement of any liabilities accrued before the Market Operation Date and outstanding after that date under the Trading and Settlement Code.

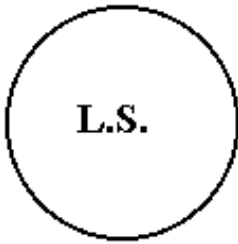
Revocation.

8. The Electricity Regulation Act 1999 (Trading Arrangements in Electricity) Regulations 2000 (S.I. No. 49 of 2000) are revoked with effect from the Market Operation Date.

Commencement.

9. These Regulations shall come into force on 21 July 2003.

Sealed with the common seal of the Commission for Energy Regulation
on 16 July 2003.

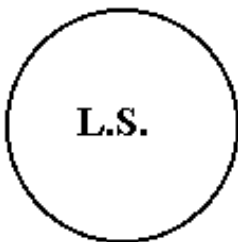


Tom Reeves
Member of Commission

Cathy Mannion
Member of Staff of Commission

The Minister for Communications, Marine and Natural Resources
consents to the making of the foregoing Regulations

Given under the Official Seal
of the Minister for Communications, Marine and Natural Resources
17 July 2003



Dermot Ahern
Minister for Communications, Marine and Natural Resources

EXPLANATORY NOTE.

(This note is not part of the Instrument and does not purport to be a legal interpretation.)

These regulations establish a new system of trading in electricity replacing the existing system of trading in electricity. The new system of trading will be a mandatory centralised pool. All generators and suppliers unless exempted will be required to buy and sell electricity through the pool. The regulations make further provision for supplemental rules to be developed by the Commission to give effect to the new system of trading in electricity.