



Response by Energia to SEM Committee

SEMO 2021 – 2024 Price Control Consultation

SEM-21-046

21 July 2021

1 Introduction

Energia welcomes the opportunity to respond to the SEM Committee on the SEMO 2021 – 2024 Price Control. It is vitally important that the Single Electricity Market Operator (SEMO) joint venture between EirGrid and SONI, as the capacity market delivery body and Balancing Market Operator, makes the investment (funding and resourcing) in the systems needed to support both current electricity market requirements, and those associated with the energy transition. In implementing market reforms, they have a duty to ensure that systems are fit for purpose while continuing to support an efficient and compliant market system.

Energia wish to highlight the following in our response:

- Ongoing market systems developments are vital to ensuring the market is flexible and can support the integration of new technologies.
- It is essential that the market is effectively resourced and incentivised to support business as usual as well as future developments.

We have provided our overarching response to the consultation for consideration in Section 2, and Section 3 includes an Appendix to support the response.

2 Overarching Response

2.1 Market Systems Development

It is a necessity that SEMO is adequately resourced to implement the system capability originally envisaged in the market design, as well as supplementary changes brought forward through legislation as well as modifications. This should be proactively undertaken to ensure the continued development of the market, to increase flexibility and promote the integration of new technologies. Given the 24/7 nature of the market, flexibility within market systems and processes are essential, especially if we are to meet the target of 70% RES-E on the power system by 2030.

Energia would be supportive of where system limitations are preventing the immediate integration of existing technologies, that greater use of workarounds and additional resourcing be employed by SEMO to facilitate technology integration, for example the integration of Battery Energy Storage Systems (BESS) units.

2.1.1 Stakeholder Engagement and “Known Unknowns”

Energia would welcome a collaborative stakeholder “Technology Committee” this would complement the existing Balancing Market Committee and Capacity Market Modification Committee, which would provide participants the opportunity to engage on system developments not limited to:

1. Legacy developments envisaged for Go-Live which are still outstanding
2. System changes triggered by Mods
3. Future development (e.g. Mods, “known unknowns”, new technologies in development etc)

A forum such as this could provide efficiencies when the Market Operator (MO) is planning for delivery of the above (e.g., reviewing legacy developments to gauge if the requirement is a priority, consider if there is a new change triggered by a mod or a future development is more pressing to enhance market operation). It would be useful to facilitate engagement with industry and the MO to collaborate on the priority of such changes. Furthermore, where longer development timelines exist a customer focused

and transparent approach like this provides greater understanding to participants of the challenges SEMO encounters. In addition, there could also be an opportunity to include interested market participants in early stage system testing, which would potentially enhance defect detection of new system releases.

The overall benefits of facilitating a meaningful collaborative forum cannot be ignored. To provide some additional context, Energia have provided an example of this in Section 3 Appendix 1, where such a forum would have been beneficial in the past.

2.1.2 Facilitation of BESS

Battery storage is included in the category of “known unknowns”. Energia would encourage that a project to incorporate this “known unknown” be progressed as a matter of urgency to remove the unknowns. Energia endorses Energy Storage Ireland’s (ESI) position which outlines some of the known issues and limitations of the IT and market systems that need to be tackled as a priority. Energia would strongly support an appropriately designed KPI to integrate storage within targeted timelines.

2.2 Expenditure, Efficiencies & KPIs

Energia believes it is difficult to provide a clear position on CAPEX and OPEX requests given the challenge given the market operation and issues since Go-Live. KPIs in this context would be useful in relation to service level agreements and minimum service levels for both BAU elements and future projects.

KPIs provide accountability, encourage best in class performance and should be commercially driven. KPIs could be used to inform underperforming areas in a business and potentially provide indicators to support the need for additional resourcing or investment. Acknowledging that the price control allowances are recovered from all-island electricity customers, it is a necessity for SEMO to ensure that all aspects of their undertakings consider collective efficiencies. Energia would support the RAs assertion that SEMO should endeavour to achieve;

- Productive efficiency
- Allocative efficiency
- Dynamic efficiency.

These collective efficiencies are complementary to one another, especially when seeking to deliver the best-in-class service to the all-island electricity customer. Achieving KPIs should provide a tangible opportunity to the MO to demonstrate this. Moreover, operating efficiently aligns with operating effectively and encourages an approach of delivering continuous improvement to stakeholders and customers.

2.2.1 OPEX

It is important that SEMO has the required resources in place to operate efficiently with business as usual. However, it must also be sufficiently resourced to ensure that the market systems are developed and deployed in a timely manner.

As highlighted in section 2.1, where a manual workaround can be deployed by the MO in advance of a required system change being implemented this should be exercised, while the system change is developed in parallel. While Energia supports productive efficiency, restricting or limiting the required resources may not be the most optimum approach to encouraging allocative efficiency. However, as mentioned in section 2.2, assigning the right KPIs can demonstrate the effectiveness of additional resourcing.

2.2.2 CAPEX

Energia would support the flexible approach to capital expenditure, both to ensure that SEMO is in a position to develop and implement the necessary system changes and requirements to facilitate the integration of technologies such as storage, which will be vital to delivering on the Island's net-zero ambitions.

The flexible approach to the "known unknowns" is welcomed. With several significant projects identified in relation to Brexit, the Clean Energy Package and the Electricity Balancing Guideline, it is likely that significant work will be required to deliver the requirements of these projects. Early project initiation on these projects is a necessity and not a rush to the finish line when implementation deadlines are looming. Ensuring that solutions adopted are fit for purpose and do not put market participants at undue risk is essential. KPIs should be developed and linked to the delivery of these projects.

2.2.3 KPIs – Incentivisation

Achieving KPIs should provide an opportunity for SEMO to demonstrate operational excellence and excellent customer service. Energia has some views and suggestions in relation to the proposed KPIs proposed by SEMO in the price control and would support a more extensive list rather than the four propped by the RAs.

SEMO proposed KPIs:

- Invoicing
 - 10-15% weighting is more appropriate than that proposed.
- Credit Cover Increase Notices
 - 10% weighting is too high, 5% would be more appropriate.
- SEMO Re-Settlement Queries
 - 35% - 20% weighting is too high taking into consideration the fact that the settlement process has improved since Go-Live, many of the re-settlements are no longer material amounts.
 - 10% - 20% weighting would be more appropriate here.
- General Queries (20 business days resolution)
 - This KPI should take into consideration queries which are urgent, complex or simple in nature, depending on the categorisation timelines to meet them, they may require shorter or longer timelines for resolution.
 - 20 business days for the resolution of a query is excessive and is the equivalent to almost a month. An enhanced service level should be considered here e.g. 2 - 10 days depending on the nature and complexity of queries.
 - 5% weighting for this category is appropriate, a higher weighting could be supported here with enhanced services level targets in place.
- System availability
 - Supportive of proposed weighting.
- Timely publication of specific key market information

- Supportive of this KPI as it is a necessity that market participants receive market information in a timely manner to mitigate commercial risks when the market information is delayed (e.g. imbalance pricing versus back up pricing).
- Energia note from the 2019-2020 KPI outturn that SEMO did not earn any incentive for this KPI, an appropriate action plan should be put in place to address how this can be achieved in future.

Suggested additional KPIs:

- An appropriately designed KPI to integrate storage into the market should be incorporated into the price control.
- Consideration should be given to additional query categories. For example, the Capacity Market support function which responds to queries relating to the capacity market, auctions and secondary trading. The nature of some of these queries require a quicker turnaround, given the timelines associated with the activities, therefore achieving this should be incentivised and rewarded.
- “Known Unknown” projects should have appropriately designed KPIs once they commence.

3 Appendices

3.1 Appendix 1

3.1.1 Secondary Trading

Section H of the Capacity Market Code covers Secondary Trading, this element of the market system was not developed in advance of Go-Live. In absence of this being progressed CMC_09_19 was brought forward as a modification, during the consultation phase of SEM-20-2040 elements of the proposed mod were descoped. A manual workaround was put in place to facilitate market participants being in a position to commence exercising some aspects of the secondary trading. Section 2.3.15 of SEM-20-064 stated that, “The CRM Team will continue to engage with the SOs to develop the systems necessary to extending the scope of the Alternative Secondary Trading Arrangements to allow trading above de-rated capacity.”, i.e. the elements that had been descoped would be progressed so that the manual workaround would not be the permanent solution.

The descoped elements were raised again by Energia in the consultation response to the “Roadmap for Market Development 2020-2025”. In responding to the consultation submission, EirGrid and SONI advised that that there were several elements required to implement this change and it would need to be supported by a modification to the Capacity Market Code. Therefore, in order to formally trigger the necessary system changes to facilitate this, Energia subsequently brought forward CMC_11_21 to provide the impetus for the system changes to facilitate the more flexible Secondary Trading.

The system changes to facilitate the descoped elements of the CMC_09_19 should have been progressed without the need to for an additional mod via CMC_11_21 to progress some of the descoped elements as per SEM-20-064. To avoid this in the future a collaborative stakeholder technology forum, as suggested in section 2.1.1 of this consultation response, would provide an engagement forum complementary to the

existing Balancing Market Committee and Capacity Market Modification Committee. Establishing this forum would facilitate dialogue between participants and the MO to engage on system developments. It would also create allocative and dynamic efficiencies in the approach taken to market system developments (e.g. in the above scenario the system change would have been progressed following the consultation on SEM-20-064 rather than requiring a new mod. There may also have been an opportunity to consider the legacy element of secondary trading system releases in the MO's release pipeline).