

# MARKET MONITORING IN THE SEM – MARKET PARTICIPANTS QUESTIONNAIRE

## Introduction

Cambridge Economic Policy Associates (CEPA) has been engaged by the Commission for Energy Regulation (CER) and Northern Ireland Authority for Utility Regulation (NIAUR) to review the operations and effectiveness of the Single Electricity Market (SEM) Market Monitoring Unit (MMU). CEPA is an economic and financial policy advisory business (for further information see [www.cepa.co.uk](http://www.cepa.co.uk)).

The focus of our study is to critically evaluate the operations of the MMU, including its interaction with market participants, to consider the extent to which its actions facilitate the efficient and effective operation of the SEM and the achievement of the objectives of wholesale market monitoring. The study will provide a series of recommendations to the Regulatory Authorities (RAs) which may, in due course, lead to changes in the working practices of the MMU.

We are seeking to gather views from a range of market participants on their experience and perceptions of the RAs approach to market monitoring and the work of the MMU. For the avoidance of doubt, this questionnaire is solely concerned with the processes and activities of the MMU, and in particular the MMU's engagement with stakeholders. We would therefore be grateful if market participants could limit their responses to these issues and, to the extent practicable, avoid commenting on aspects of SEM design or current policy issues, which can be raised separately with the RAs.

The questionnaire requests views on the following:

1. The objectives and rationale for market monitoring;
2. Parties' understanding of the MMU's policies and processes;
3. Parties' experiences of engaging with the MMU;
4. Parties' perceptions of the MMU; and
5. The way in which the MMU communicates with stakeholders.

The questionnaire also provides parties with an opportunity to raise additional comments of a more qualitative nature. All responses will be treated as confidential — they will not be attributed to a specific organisation if used in our final report and copies of the responses to individual questions in the survey will not be made available to the steering committee for this study (which includes the RAs), unless otherwise indicated. We may follow up some questionnaire responses through phone calls to clarify or discuss further the issues raised in responses.

We would be grateful for your reply by **30th October 2009**. Please send your completed questionnaire to Patrick Taylor – Patrick.Taylor@cepa.co.uk or Cambridge Economic Policy Associates Ltd, Queens House, 55-56 Lincoln's Inn Fields, London, WC2A 3LJ, United Kingdom.

We would be pleased to discuss the questionnaire or parties' views. Feel free to get in touch (Tel: 0044(0)207-269-0210) with us if you would prefer the survey in an alternative format (electronic instead of hard copy or vice versa).

### **Background to the Market Monitoring Unit**

The MMU forms part of the Market Power Mitigation strategy developed by the RAs following substantive consultation during 2006. Full details are contained in the Decision paper Market Monitoring in the SEM (AIP/SEM/217/06) published in December 2006 and the initial Consultation paper (AIP/SEM/143/06). These papers defined the role of the MMU as:

- Market Monitoring including publishing market assessments.
- Investigations into the exercise of market power – including but not limited to the violations of bidding principles or other market rules.
- The point of contact within the RAs for well documented complaints that upon investigation appear to have a sound basis.
- Making recommendations as to modifications to the Trading and Settlement Code which the RAs should initiate.

For further information on market monitoring in the SEM, please see “Market Monitoring in the SEM: Scope of the MMU and interaction with Market Participants and other Interested Parties” (SEM/07/511) and the 2009 MMU Public Report (SEM/09/039) both of which are available from the All Island Project website.

### **1. Objectives and approach to market monitoring**

Please insert your answers into the table below based on the extent to which you agree or disagree with the statement. Please briefly justify your view.

<b>Question</b>	<b>Answer</b>	<b>Justification</b>
<b>Do you consider that there is a need for market monitoring in the SEM ?</b>	<b>Yes/ No/ Don't know</b>	
<b>Do you consider that market monitoring should be carried out by the Regulatory Authorities ?</b>	<b>Yes/ No/ Don't know</b>	

Do you consider that market monitoring should be focussed on the spot market (if not, please indicate which other areas of the market you consider market monitoring should cover) ?	Yes/ No	
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### Types of potentially anti-competitive behaviour

We would also be particularly interested in your view on the types of potentially anti-competitive behaviour which the MMU's work should be focussed on identifying. Please provide your response in the text box below:

**Please provide your response below:**

### 2. Understanding of the MMU's policies and processes

Please insert your answers into the table below based on the extent to which you agree or disagree with the statement. Please briefly justify your view.

Question	Answer	Justification
Are you aware of the RA's market power mitigation strategy and the role of the MMU within it ?	Yes/ No/ Not Fully	
Are you aware of the powers/ potential remedies which the RAs could use to address any market power concerns ?	Yes/ No/ Not Fully	
Are you aware of the processes that would need to be followed to instigate a formal enquiry?	Yes/ No/ Not Fully	

### 3. Personal experience of engagement with the MMU

If your organisation has raised an issue or concern, either formally or informally, with the MMU or if your organisation has had other interactions with the MMU, we would be keen to understand your experiences.

Questions	Views (if applicable)
<p>If you have ever made a formal submission to the MMU<sup>1</sup>, do you feel :</p> <ul style="list-style-type: none"> <li>• It was investigated fully ? ;</li> <li>• It was resolved in a timely manner ?;</li> <li>• You were kept sufficiently aware of progress ? ;</li> <li>• It was resolved to your satisfaction ?</li> </ul>	
<p>If you have ever made an informal enquiry to the MMU, do you feel :</p> <ul style="list-style-type: none"> <li>• It was investigated fully ;</li> <li>• It was resolved in a timely manner ;</li> <li>• You were kept sufficiently aware of progress ;</li> <li>• It was resolved to your satisfaction ?</li> </ul>	
<p>If you've ever been the subject of or involved in an enquiry by the MMU, do you feel :</p> <ul style="list-style-type: none"> <li>• The enquiry was investigated in a prudent manner ;</li> <li>• It was resolved in a timely manner ;</li> <li>• You were kept sufficiently aware of process and progress ?</li> </ul>	

We would particularly encourage organisations that have dealt directly with the MMU to set out their experiences in more detail at the end of the questionnaire.

#### 4. Perceptions of the MMU

An important determinant of the effectiveness of the MMU is the way in which it is perceived by industry stakeholders. This section requests views about your perception of the MMU. For each question please indicate the extent to which you agree or disagree with the statement by placing a number between zero and five in the second column. Where you strongly agree with the statement please indicate this with a five and where you strongly disagree please place a zero in the second column. Where practicable please briefly justify your answer.

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<sup>1</sup> If you have never raised a formal complaint but have a view on how the process would operate were you to do so, please feel free to indicate your views here.

Questions	Extent to which you agree with the statement: (0 – strong disagreement ; 5 – strong agreement)	Please justify / comment on responses in 1-2 sentences
Do you have confidence that any potential abuse of market power <sup>2</sup> would be identified?		
Do you have confidence that appropriate steps will be put in place to address any identified abuse ?		
Do you feel confident that, were you to make a formal complaint or to raise an issue informally, it would be investigated in a proper and timely manner ?		
Do you consider that any deficiencies in market rules will be identified in a timely manner ?		

If there is any other information that you believe would be relevant for us to understand, please provide this information as a separate response at the end of the survey.

## 5. MMU communication procedures and interactions

This section requests views on the MMU’s engagement with market participants. Please indicate your answers to the questions in the table below based on the extent to which you agree or disagree with the statement and, if possible, provide a brief justification. Where you wish to provide additional information, please do so at the end of the questionnaire.

Question	Answer	Please justify responses in 1-2 sentences
Do you consider there is value in the MMU producing public reports (noting that information is made available by the SEMO)?	Yes/ No	
Are you aware of the MMU’s annual report?	Yes/ No	
If the answer to the above question is yes, did you find that document useful ?	Yes/ No	

<sup>2</sup> For example, a violation of bidding principles, capacity withholding, price suppression?

Do you consider that sufficient information about the performance of the market is made available to participants ?	Yes/ No	
Do you consider that sufficient information about past and ongoing investigations has/is made available to the market ?	Yes/ No	

We would welcome any further views about any other forms or methods of communication which you consider would be valuable. Please provide this information as a separate response at the end of the survey.

**6. Comments or suggestions for improving the effectiveness of the MMU**

This questionnaire is seeking to develop both a quantitative assessment of market participants' views on particular issues and provide parties with an opportunity to raise additional qualitative comments. As we are at a relatively early stage of the project, we have not begun to consider possible recommendations. However, we would welcome any views that market participants have about how the operation and performance of the MMU could be improved. It would be helpful if any suggestions were accompanied by reasons why they would be expected to improve the performance of the MMU.

**7. Further information**

**Please set out any further information below:**