



**Energia response to SEM Committee
Consultation Paper SEM-19-11**

SEMO Key Performance Indicators

19 April 2019

1. Introduction

Energia welcomes the opportunity to respond to SEM Committee Consultation Paper SEM-19-11 titled “SEMO Key Performance Indicators” (the “Consultation Paper”).

We note the context of the Consultation Paper is as a follow on from SEM-18-003 where SEM Committee outlined a number of views in respect of Key Performance Indicators (KPIs) to apply to SEMO under its current price control and how they were intended to ensure a high standard of performance in the new market arrangements for both market participants and the RAs regulatory functions.

This Consultation Paper has been published over 6 months since the start of the new market arrangements. It should be clearly stated that during this period numerous serious and significant system defects and errors, impacting upon a wide range of areas, remain present and unresolved. This is entirely unacceptable. Issues include pricing defects to the extent that since go-live of the market, there have been only four days where upheld pricing disputes or manifest errors have not been identified. To compound this issue no information has been provided to participants on the potential scale of the repricing and therefore market participants have no way of assessing or preparing for the potential impacts. In addition the timeliness and accuracy of settlement since go-live of the market has been concerning. Numerous defects within the settlement system have been identified and addressed however there are many more defects which remain outstanding and are yet to be resolved. This has manifested itself in numerous examples of poor settlement processes experienced in the market to date. Separately, we also note that none of the scheduled resettlement runs in the market have taken place. All of these issues are having a significant detrimental impact on market participants in terms of their participation in the market. Accordingly we seek to make it clear that the provision of fully functioning and reliable systems, primarily in respect of pricing and settlement, should be considered as an absolute priority by the market. It is inappropriate that the cost of such errors is to be borne by market participants (in the form of inefficient trading decisions based on erroneous or missing data) and we call on the SEMC to review SEMO’s accountability structure and also to review the ISEM project as a whole to gain learning experiences for future major projects.

Further to the above, Energia also recognise the importance of having appropriate and measurable KPIs in place, with suitable weightings and target boundaries, that if SEMO provide to a high standard result in improved performance of market conditions and will prove beneficial to market participants and RAs alike.

The remainder of this response contains Energia’s comments in respect of the specific questions in the Consultation Paper on the proposed KPIs to apply to SEMO from the resulting decision paper on this consultation until 30th September 2021.

2. Response to Specific Consultation Questions

Question 1:

Comments are invited from interested stakeholders on the parameter to be used for assessment of KPIs.

Under Option 1, a measure would be taken at the end of each quarter using the average value of each KPI over that period.

Under Option 2, a measure would be taken at the end of each month using the average value of each KPI over that period.

Energia are of the view that the proposed parameters used to assess KPIs should remain in line with that proposed in Decision Paper SEM-18-003 and a measure taken at the end of each quarter rather than at the end of each month.

The rationale here is that if a measure of performance is taken at the end of each month based on the average value of the KPI during that period, this could result in SEMO still receiving at least a portion of the KPI reward even if they fail to meet the target in one or two months of the quarter. This is less likely to happen if the parameter is based on a measurement at the end of each quarter. As a result a quarterly measurement is more likely to incentivise SEMO to meet their KPI targets more consistently and for a longer period of time. This is to the benefit of all market participants and therefore the proposed measurement parameter at the end of each quarter should remain.

Question 2:

Should the timelines for addressing resettlement queries be considered under this indicator or a separate indicator?

The aim of the 'SEMO Resettlement Query' KPI is to reduce the number of SEMO related resettlement issues by having an appropriate target number of upper and lower bound numbers for upheld queries. In respect of whether this KPI should also include a timeline for addressing a resettlement query, or whether this should be considered under a separate indicator, Energia are of the view that it is logical to have the timeline for addressing a resettlement query, as defined within the TSC, referred to within the definition of this KPI. To have it included as a separate KPI is unnecessary and would cause confusion and ambiguity.

Question 3:

The RAs have identified two options for the definition of the 'Timely Publication of Key Market Information' KPI and have added a requirement around the accuracy of publications. Feedback is requested from interested stakeholders on whether this should be measured against all required publications or against a specific list of key market information. Feedback is also requested on the RAs' proposed list of key market information.

Energia is of the view that the 'Timely Publication of Key Market Information' should relate to all data reports in relation to the balancing and capacity markets that SEMO are required to publish rather than a subset of selected publications i.e. Option 1 as outlined in the Consultation Paper. Each of these data reports have a relevant timeline for publication in related documents e.g. the Trading and Settlement Code etc. and it is appropriate that this KPI is measured against these timelines.

The second option proposed in the Consultation Paper is for this KPI to apply to a subset of data reports only which are deemed to be the most important and a proposed list of reports to include within this have been outlined in the Consultation Paper. However this is not an appropriate approach to take for this KPI. Market participants will have different views and opinions as to what constitutes the most important data reports to be published by SEMO depending on their particular role(s) in the market. Accordingly to deem certain data reports as more important than others and to only apply this KPI to that selected subset would not treat all market participants in an equitable and fair manner and therefore Option 2 should not be considered.

Question 4:

The RAs are minded to revise the KPI on 'Timely and accurate data provision for use in public user systems' to 'Timely Information Provision to the RAs and SEMC'. This would be measured based on provision of market information requested by the RAs within a set timeframe. Feedback is invited on this proposal.

Energia are opposed to the proposed change to this KPI to be solely aimed at the provision of data to the RAs and specifically to the Market Monitoring Unit (MMU). The KPI was originally intended to relate to the provision of accurate information on the website which was then accessible by market participants and RAs / MMU. To amend the KPI such that it focuses solely on the provision of information to the RAs in respect of quarterly reports and ad hoc requirements is not appropriate, treats market participants in an unfair manner and fails to recognise that it is often market participants who bear the cost of failure to provide timely and accurate information.

Energia recommend that the KPI either remains in line with the original definition and that the RAs and MMU should draw from the same dataset and interfaces as provided to the wider market or that the KPI is widened to also include the additional requirement to provide information to the RAs.

Question 5:

Feedback is invited from stakeholders on each of the KPIs and definitions of KPIs proposed to apply to SEMO from Q2 2019. The RAs request feedback from interested stakeholders on any additional KPIs to apply to SEMO or any revision to the proposed definitions which are summarised in Table 3.

As per our response to question 3, Energia are of the view that Option 1 should apply to the KPI 'Timely publication of Key Market Information'. Namely that that the KPI

should relate to the publication of all data reports in relation to the balancing and capacity markets that SEMO are required to publish under the TSC and ISEM Data Publication Guide rather than a subset of selected publications. As the publication of the Imbalance Price (both 30 minute and 5 minute price) is included under these data reports and that these reports are subject to ongoing errors, our interpretation of this is that this KPI will not be met due to the inaccuracy of the reports. Please can the SEM confirm this?

Also, as outlined in response to question 4, Energia are opposed to the proposed change to the KPI regarding the provision of information to the RAs and SEMC and recommend that this KPI retains its original title and definition in relation to the provision of information to a public user system from which both market participants and RAs can draw from or that the KPI is widened to also include the additional requirement to provide information to the RAs.

Question 6:

Feedback is requested on the proposed weightings for each indicator as set out in Table 4.

Energia have reviewed the proposed weightings as outlined in the Consultation Paper

KPI	Previous Weighting	Proposed Weighting	Energia Comments and Proposed Weighting
Invoicing	20%	15%	Energia note that the publication of Invoicing documentation since go-live of the new market has repeatedly not been in line with the stated publication times. However given the importance of some of the other KPIs to the performance of the market Energia are satisfied with the proposed weighting in the Consultation Paper. Energia Proposed - 15%
Credit Cover Increase Notices	10%	5%	Energia are satisfied with the proposed reduction in weighting for this KPI. Energia Proposed - 5%
SEMO Resettlement Queries	20%	20%	Given the issues with settlement to date and indeed that no scheduled resettlement runs have yet taken place it is appropriate that this KPI has a high weighting. Energia recommend that this is weighting is increased to reflect the importance of this issue for the wider market. Energia Proposed – 25%
General Queries	10%	10%	General queries by nature will tend to be

			ad hoc and have less of an impact on the performance of the market. Accordingly we recommend a reduction in the weighting of this KPI. Energia Proposed– 5%
System Availability	10%	10%	Due to dynamic nature of the new market in comparison to the previous market it is not appropriate for this weighting to remain the same. Energia recommend an increased weighting to reflect the additional importance of access to systems as required at all times. Energia Proposed - 15%
Timely publication of key market information	N/A	35%	Although it is hugely important that the publication of data reports are accurate and published, Energia recommend that this weighting is reduced solely to allow for an increased weighting to apply to the System Availability KPI. Energia Proposed -30%
Timely information provision to the RAs and SEMC	N/A	5%	As previously outlined we do not support the proposed change to this KPI and recommend that the original title and definition remain in place or that it is widened to account for reporting requirements to RAs. Energia Proposed -5%

Question 7:

Feedback is requested on whether targets applied to each KPI should be the same from period 1-3 under the current SEMO price control or if targets should be increased in each period to account for improved performance and market development.

Energia are of the view that the target boundaries for each of the KPIs should be set at the same level for all three periods (i.e. from the date of decision paper – 30th September 2021) rather than to change them incrementally as we move from one year to the next. The new market arrangements have been live for over six months currently and will be approximately eight months whenever the decision paper for this consultation is published and the proposed KPIs take effect. It is therefore reasonable to expect that any bedding in period to account for the changes of the new market should be complete and that targets applied to KPIs should be reflective of a highly functioning and performing market. Accordingly we recommend that the targets are reflective of this position from the date of the decision paper.

Question 8:

Feedback is requested on the proposed targets applied under each scenario.

Energia have reviewed the proposed targets to be applied both when applying them to all three periods together and when applying them separately to the three periods. We note that the proposed targets for a number of the KPIs are higher in the final year (period 3) if applying them to three separate periods than if applying them to all three periods together. Energia are of the view that this is not appropriate and that this higher level of performance should be desirable after approximately 8 months of market operation and therefore that the targets should be reflective of this from the date of the decision paper on this consultation. Our comments are summarised in the table below:

KPI	Proposed target bounds (for all three periods)	Energia Comments and proposed target bounds
Invoicing	97 - 100%	Energia recommend that the target should be reflective of the highest standards proposed for the full timeframe. Energia proposed target bounds: 98 - 100%
Credit Cover Increase Notices	97 - 100%	Energia recommend that the target should be reflective of the highest standards proposed for the full timeframe. Energia proposed target bounds: 99 - 100%
SEMO Resettlement Queries	<15 – 5 per qtr	Energia recommend that the target should be reflective of the highest standards proposed for the full timeframe. Energia proposed target bounds: <10 – 8 per qtr
General Queries	97 – 99% answered within 20 business days	Energia recommend that the target should be reflective of the highest standards proposed for the full timeframe. Energia proposed target bounds: 98 – 99% answered with 20 business days
System Availability	99.5 – 99.9%	Energia support the high target recommended being effective immediately given the importance of this KPI. Energia proposed target bounds: 99.5 – 99.9%
Timely publication of key market	95 – 100%	Energia recommend that the target should be reflective of the highest standards proposed for

information		the full timeframe. Energia proposed target bounds: 99 – 100%
Timely information provision to the RAs and SEMC	95 – 100%	Subject to our previous comments in relation to not supporting the proposed change to the KPI, we have no further comment on the proposed target. Energia proposed target bounds: 95 – 100%