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RE: SEMO Key Performance Indicators (KPIs) consultation – SEM-19-011

Dear Gina and Karen,

Bord Gais Energy (**BGE**) welcomes the opportunity to respond to this Consultation on the Key Performance Indicators (**KPIs**) to apply to SEMO within the 2018-2021 price control period. KPIs are an important factor in encouraging entities to strive to achieve best performance that will have beneficial consequences for market participants and the market as a whole.

BGE's primary concern with SEMO performance to date relates to the new SEM systems- their completeness, operational performance and efficiency. As the Regulators will be aware, there are significant shortcomings in terms of for example defects and other known issues as well as, in BGE's view, the high probability of further issues/ defects as yet undiscovered coming to light (given for example the breadth of queries and upheld re-pricing/ settlement decisions to date). The unsatisfactory delivery of systems on the SEMO side to date is having a knock-on impact on market participants especially with regard to system delivery, often with considerable burdensome workarounds to issues having to be adopted. While SEMO does issue weekly Known Issues Reports, BGE believes that there is a need for heightened transparency on the detail of all defects and issues with SEMO market systems together with (importantly), clear and binding timelines as to when these defects or issues will be resolved over the next 12+ months. BGE opines that a report covering such details and binding timelines is by necessity required to be issued as early as possible by SEMO such that market participants can adequately plan for full systemisation on their side, given our dependency on SEMO system completion first. In this context, BGE believes that given the importance of this concern to market participants, the delivery of such a report should be incorporated into the SEMO KPI process. One way of doing so could for example be under the "Timely Publication of Key Market Information" KPI (for which BGE suggests a weighting of 50%). We elaborate on how the Regulators might do so under answer 3 below, but in summary we believe that no part of the 50% weighting of the KPIs pot should be considered for payment to SEMO until a transparent report on system defects/ issues as described above, is published by SEMO. The publication of such a report should occur in the first half of the assessment period in question (i.e. for 2019 the report should be published by June; then for 2020 and 2021 the report should be published at least once by March). Please refer to our answer to question 3 below for further detail.

With regard to the KPI itself and application dates, we believe that, in line with the SEM Committee's (**SEMC's**) opinion, given that we are now beyond 6 months into the operation of the new SEM, it is appropriate to apply these KPIs as early as possible. In this regard we note the SEMC's intention that the KPIs would come into effect from Q2 2019 – we would welcome clarification as to whether this means the decision will apply from 1 April 2019 (which would be our preference) or at some point between April-June 2019?

Our responses below address each question raised in the Consultation in sequence.

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.

BGE's preference for the parameter to be used for assessing KPIs is Option 1 whereby a measure is taken at the end of each quarter using the average value of each KPI over that period.

While we are 6 months into the new SEM, there are still a wide number of performance issues that need improvement and resolve which are reflected to some extent in the KPIs discussed in this Consultation. Measuring SEMO performance over a quarter would not preclude SEMO from earning a reward if they failed to meet a target within 1-2 months. The quarterly assessment would instead allow SEMO additional time to address and fix issues within the 3 months. On the contrary, while the monthly assessment would arguably place more pressure on SEMO to find solutions quicker to avoid missing out on their KPI reward, we are of the view that this may lead to quick fixes that in the longer term may not be the optimum solution to issues whereas an extra month or two could better allow for alternative fixes to be fully assessed, before adopting an optimum enduring solution.

In short, we believe that assessment should be on a quarterly basis. BGE does however believe that as experience is gained by SEMO and as targets become more easily achievable, a move to monthly assessment could be considered for application from either the second (October 2019-September 2020) or third (October 2020- September 2021) period of this price control in order to maintain reasonable pressure on SEMO to continuously strive to improve its performance.

Question 2: Should the timelines for addressing resettlement queries be considered under this indicator (the SEMO resettlement queries KPI) or a separate indicator?

In terms of the changes proposed to the SEMO Resettlement Queries KPI, BGE agrees with the changes proposed but would like to clarify that the upheld formal queries will include, but will *not be limited to*, defects and pricing issues? Furthermore, in line with our view below on the “general queries” KPI we believe that the timeline for “addressing” resettlement queries should be measured in terms of an actual resolution of queries as compared to, for example, simple acknowledgment of the receipt of a query being counted towards “addressing” it.

With regard to the timelines themselves for addressing resettlement queries, we believe that for ease of reference and monitoring of performance they could be dealt with in a separate (or “sub”) KPI. We believe that the (sub) KPI should be all encompassing and address timing from the perspective of how long it takes to resolve an issue as well as how quickly that resolution is implemented (where re-settlement is part of the resolution). For example, the KPI could be rewarded if the query was both: a) resolved within 20 Business Days (**BDs**), and; b) where re-settlement was required as a result of the resolution, that for material issues¹ the resettlement would be done ad hoc falling into the next timetabled settlement run (rather than wait for M+4), whereas non-material issues would be resettled in the M+4 settlement run). This would encourage speedy resolution of these queries together with speedy implementation of solutions. Re-settlements that take longer than 4 months post settlement day to implement/ re-settle cause considerable issues for market participants and anything beyond M+4, we would expect, should be to address unexpected and outlier issues. For the avoidance of doubt, we believe that zero reward should apply for any resettlement queries not resolved within 20 BDs and (where resettlement forms part of the solution) implemented in re-runs either on an ad hoc or M+4 basis, depending on the materiality of the issue. This should in our view best incentivise SEMO to resolve and implement fixes to address major errors as early as possible, while boding well for market participants who can have better confidence in the reliability of settlement outcomes.

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.

As outlined in our introductory paragraph above, BGE has significant concerns regarding the delay in fully efficient operational systems in the new SEM. As the Regulators will be aware, there are significant ongoing shortcomings in terms of defects and related system improvements/ implementation delays which are hindering the efficient running of the market. The lag in full systemisation on the SEMO side, is having a knock on impact in systemisation on the market participant side requiring burdensome workarounds to be adopted by market participants. We note that SEMO, through for example the weekly Known Issues Report outlines at a high level what items are “queued” for fixing and implementation in the systems. We believe however that more steps could be taken to enhance transparency of what defects or issues: a) are known to SEMO; b) will need to be fixed in systems or otherwise, and; c) when they will be fixed. This would greatly assist the

¹ ‘Material’ in this context could be determined with reference to the level of the ‘materiality threshold’ parameter in effect at the time of the query

transparency in the issues and timelines for fixes such that market participants can plan for full systemisation at their end, given we are dependent on SEMO systems being in order in the first instance. Such transparency (via reports) should for example include detail on the issue in question as well as explicit timelines as to their delivery (including timing for implementation of approved balancing market modifications to date). In this context, BGE requests that a detailed plan/ report of all issues, defects etc are published together with detailed dates as to when the item will be implemented/ resolved within systems or otherwise. This plan, in our view, should be the gateway (i.e. 'pass' threshold) to SEMO being able to go on and try to earn an incentive payment under this KPI. We believe that assessment/ measurement of this KPI should only be considered once publication of this plan occurs on time. The plan should be published in the first half of the assessment period in question (i.e. by June for 2019, and by March for 2020 and 2021 related KPI periods). If the plan is not issued in these timelines, the 50% total of the KPI pot should be forfeited in our view such is the importance of transparency on when we will have full confidence in the systems behind the new SEM.

With regard to the updated KPI description in the Consultation, BGE welcomes the addition that publication should be completed in an "accurate," (as well as the existing "timely" requirement), manner. We do however strongly believe and request that the RAs include that not only must the information be published in a timely and accurate manner, but critically that the information must be "complete" at the time of publication (in light of the gaps currently seen in certain information being published in the market).

As regards the measurement of this KPI, in addition to our comments above on the transparency in when SEMO system issues will be resolved, BGE's preference is that the measurement is against "all" required publications as opposed to a specific list of publications. Our belief is that if the measurement is against only a specific list of information there is a risk that: i) SEMO will place a lower focus on delivering the information that is not part of the KPI, which information could prove to be as equally important as other items on the list of focused information ; ii) should new reports become required in the market, those reports may not be immediately included if it is a specified list that applies to this KPI, whereas there is better scope for them to be included in the KPI immediately from when their need for publication arises, if the KPI applies to "all" publications. As SEMO's performance in publications of "all" data improves over time, consideration could at that point be given to focusing on more timely, accurate and complete publication of a more narrow set of information. The latter approach may prove to be most beneficial for example as SEMO's performance in publishing all information points to persisting gaps in certain information areas on which the KPI could eventually be more targeted.

With regard to the specific list outlined in the Consultation itself, we note that for example rolling demand forecasts are not on the list which is an important data item not to be overlooked. Narrowing the KPI to the list actually raises the risk of overlooking important information at this point in time and we caution against deciding at this stage in the market, what information is more important than others.

Finally, we expand on this further under our answer to question 5 below but with regard to the appropriateness of continuing with the "website availability" KPI, BGE opines that the website availability requirement could perhaps form part of the measurement of performance under this KPI on "timely publication of key market information". Please see our answer to question 5 below for the rationale on this view.

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.

Subject to the KPI discussed above (i.e. 'Timely Publication of Key Market Information') being measured against the publication of "all" publications, given the importance of the work of the RAs and MMU in the area of market monitoring, BGE agrees with this proposed change. If the decision is made to apply the "timely publication of key market information" to "all" reports, then that should suffice from a market participant information perspective. If the KPI above is not adopted for "all" publications, we cannot support the narrowing of this KPI to 'Timely Information Provision to the RAs and SEMC'.

The suggested timelines for provision of information by SEMO for the RAs'/ MMU purposes seem reasonable and we would add that a requirement again that the information be "accurate" in addition to being timely and complete, is added to the performance description.

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.

BGE's view on the KPIs related to "SEMO re-settlement", "Timely Publication of Key Market Information" and "Timely and accurate data provision for use in public user systems" have been described above.

With regard to the other KPIs, BGE has the following views thereon:

- ❖ System Availability KPI: we support the suggested refinement to the description to better reflect the actual timing of the relevant systems' availability. We take this opportunity however to ask when the SEMOpx KPIs might be decided upon and introduced given that those systems are of importance to efficient trading operations also?
- ❖ Website availability KPI: as mentioned in our answer to question 3 above, we believe that given the Timely Publication of Key Market Information KPI, a separate "website availability" KPI may not be as relevant. It does however retain relevance for entities that do not for example have an API plug-in (i.e. public users whose only access to data is via the website itself) and in this regard we believe that if the stand alone status of this KPI is removed, it should at least form part of the measurement of performance assessment under the Timely Publication of Key Market Information KPI;
- ❖ General queries KPI: we note the description here speaks about the "addressing" of general queries within 20 BDs. Firstly we support the reduction from 30 BDs to 20 BDs for dealing with the query but in terms of what actual action should be taken within that timeline, we believe that the KPI would be more effective (and more beneficial to market participants) if the obligation was to "resolve" or offer a "resolution" to the query within 20 BDs (as opposed to just "address" it). Furthermore, as experience of the new SEM beds in further we believe that general (or at least certain) queries could fall for consideration for a resolution within a timeline tighter than the 20 BDs (e.g. 10 or 15 BDs). Finally, there appears to be a wording conflict between the description for assessment purposes ("percentage of occurrences where a General Query is not addressed within 20BDs...") compared to the proposed weightings and targets table (which references the percentage "answered within 20 BDs") and would welcome clarification on this;
- ❖ Invoicing KPI: Akin to above comments, BGE believes that information related KPIs should have the requirement of "accurate" and "complete" added such that the information is provided in a timely, *accurate and complete* manner. Achievement of such an objective should also assist in reduced requirements for resettlement runs and queries which are currently weighing heavily on market participants and SEMO alike;
- ❖ Credit Cover Increase Notices KPI: again for consistency with the description in performance for other KPIs and to ensure meaningful notices, we request that the notices are provided in a timely, *accurate and complete* manner.

Question 6: Feedback is requested on the proposed weightings for each indicator as set out in Table 4.

In the table below, BGE puts forward alternative suggestions for the weightings of the various KPIs discussed in this Consultation. In our view the "timely publication of key market information" is worthy of the highest rating of 50% (instead of 35%) given that in our view, if that information is given in a timely, accurate and complete manner it should incidentally improve SEMO performance in the area of resettlement queries, invoicing and general queries in particular. The higher rating of 50% we suggest for this KPI reflects this viewpoint as well as the point that "website availability" (if removed as a stand-alone KPI) should be reflected for performance assessment purposes in this KPI also (see further detail in answers 3 and 5 above). Please also see our answer to question 3 above with regard to the 'pass' criterion (i.e. the SEMO report on system issues and resolution timelines) that should in our view be met, before consideration of any payment of the 50% is made. Finally, an increase from 10% to 15% in the "system availability" KPI is proposed by us given the importance of this KPI simply from an efficient running of the market perspective.

In summary, our proposed re-defined weightings for the 7 KPIs are as follows:

KPI	RAs' Previous weighting	RAs' Proposed new weighting	BGE's proposed weightings
Timely publication of key market information	N/A	35%	50%
SEMO resettlement queries	20%	20%	15%
System availability	10%	10%	15%
Invoicing	20%	15%	10%
General queries	10%	10%	10%
Credit Cover Increase Notices	10%	5%	5%
Timely information provision to the RAs and SEMC	N/A	5%	5%

Question 7: Feedback is requested on whether targets applied to each KPI should be the same for periods 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.

BGE believes that targets applied to each KPI should be increased in each period to account for improved performance and market developments year on year. This seems most balanced in terms of accounting for potentially voluminous early market adjustments while financially incentivising SEMO to strive for improvement year on year, with stricter end goal targets in mind.

Question 8: Feedback is requested in the proposed targets applied under each scenario.

BGE believes the proposed target levels, each applying to each of the 3 periods separately, are appropriate and become reasonably more demanding especially as KPI performance assessment moves into the 2020-21 period of this price control in question.

In conclusion, BGE believes that it is appropriate that SEMO KPIs are implemented as early as possible in Q2 2019 (from 1st April 2019). In terms of the KPIs, we have addressed each separately above and in particular wish to call out our view on the importance of the 'Timely Publication of Key Market Information' KPI. This KPI, if delivered upon, should have positive impacts for delivery of other noted KPIs (please see answer 6) and on that basis we suggest a 50% weighting for it. We urge the Regulators however to take on board our concerns around the performance and ongoing issues and defects in SEMO systems to date which are having negative knock on impacts on market participants as explained in our introduction and in answer to question 3. In short, we believe that none of the 50% pot attributable to the 'Timely Publication of Key Market Information' KPI, should be considered for payment unless, in the first instance, a report on the issues and binding timelines for their resolution is published in the first half of the assessment period (i.e. June 2019, March 2020, March 2021 respectively) in question. This is in our view required to heighten transparency on when market participants can expect to have full confidence in market systems and plan for full systemisation at the market participant end. Regarding the publication of any type of data used for assessing any of the KPIs, not only must that data be published on a timely basis, but we emphasise the need for assessments to consider if the data is also both complete and accurate. Finally, we believe the KPI targets are appropriate

and should increase year on year within the price control to maintain pressure on SEMO to consistently strive for better performance.

Finally, BGE, acknowledging that it is in the TSO space rather than SEMO space, hereby requests early information from the RAs as to the plan for re-applying a Dispatch Balancing Cost (**DBC**) incentive in the new SEM. These costs impose heavy burdens on suppliers and consumers alike and it is unclear when the prospect of revisiting the issue will arise again. Akin to the SEMO KPIs, we are now over 6 months in to the new market and we believe that a DBC type incentive for the TSO should begin to apply from Q2 2019 also.

I hope you find the above suggestions and views helpful. In the meantime if you have any queries please do not hesitate to contact me.

Yours sincerely,

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Bord Gáis Energy

{By email}