A Sustainable Future Powered by Electricity

EAI Viewpoints

Senior Stakeholder Meeting

21st June 2016

Industry High Level Concerns

1. Quality assurance
2. Timeframe for delivery
3. Costs
4. Europe
5. Conclusion

Quality Assurance of Product

- **EAI concerns**: Will final design lead to closer market integration and realise the welfare gains/benefits identified in HLD?
  - Project management basic processes: design, management and assurance
    - No definitive critical pathway with checkpoints
    - Market rules trailing system design
  - System readiness focus – Do not see Commercial readiness on agenda
  - Market cannot be suspended after go-live (cannot unwind EUPHEMIA contracts)
- **Examples**
  - Change control – changes made without industry input/agreement
  - Market design – remains untested despite concerns raised by independent consultants
  - Development of central market systems prior to finalisation of market rules
  - DS3 HLD not implementable - revised decision
  - Lack of formal consultation on interim IDM solution (Governance) – concerns regarding efficacy
- **EAI Requests to RAs**
  - Independent QA of ISEM project (across all 3 workstreams)
  - Reflection period to prepare updated implementation plan: key remaining elements; development programme for each; sequencing plan
  - Definitive critical path with key checkpoints (defined go/no go decision points based on objective criteria)
  - Robust governance including formalised roles for WGs and processes
  - If element of market not functioning then need to modify/remove downstream obligations

Quality of solution should not be subordinated to timeline

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Timeframe for delivery

- **EAI concerns:** Building a market – not just a system
  - XBID delivery and SEM-15-065 (p. 38):
    - *The XBID project is expected to be operational in 2017. However, this places a risk for I-SEM as any delay to XBID would likely result in a delay to I-SEM Go Live*
  - Over-optimistic expectation by RAs re participant system readiness timeframes
  - Time allocation for Test regime will address systems functioning only
    - What commercial outcome will code deliver under real market conditions?
- **Examples**
  - Timelines for ETA rules development inadequate
    - Developing of ETA rules in absence of NEMO rules
  - Development of CRM settlement rules being completed prior to key policy decisions
  - Minimal timeline for development of Capacity Market Code
- **EAI Requests to RAs**
  - Implement recommended Quality Assurance process, as per previous slide:
    - Commercial trials in addition to system trials on key areas of the market design
    - Trials should be developed in conjunction with industry, similar to EUPHEMIA Trialling process
    - Describe consequences where failures identified (Plan Bs)
  - Must properly consider commercial robustness of arrangements and participant readiness
    - RAs and participants need to put in place risk management structures

Timeline should flow from quality process

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Costs

- **EAI concerns**
  - Cost of central systems redesign given current approach
  - Participants now commencing own system development under same conditions
  - Accountability for design has moved to TSOs – market players have limited influence
- **Examples**
  - Initial participant cost estimates in I-SEM Impact Assessment not credible
  - Risk of substantial change control costs for central systems and market participants
  - Complexity of market arrangements significantly increases systems implementation costs
- **EAI Requests to RAs**
  - Currently tail wagging the dog: Take design decisions first, write rules, then develop software
  - EUPHEMIA testing imperfect but invaluable: need similar approach for IDM, BM and dispatch and scheduling processes prior to market trials

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Europe

- **EAI concerns**
  - The future of electricity - decarbonised, decentralised, digitised
    - Risk that current market arrangements do not support this
  - Recognition at EU level that Target Model itself needs to change
    - Winter package: RES (50%+) integration to market
    - "*radical change to market design needed*" (Canete) and Brussels de facto recognition it is not fit for purpose
  - XBID non-delivery: implications for pan-European CACM compliance – can any Member State be fully compliant by end 2017?
  - CRM State Aid approval not assured

- **EAI Requests to RAs**
  - Developments in wider EU context require careful consideration
  - Impact of delayed state aid approval of CRM – contingency measures need consideration
  - Determine legal implications of XBID non-delivery

EAI is committed to a competitive, integrated market

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Conclusions

- Robust quality assurance required in line with best practice
- Need commercial testing regime
- Compressed timeframe is increasing risk of added delivery costs
  - Risk of increase costs for consumers and to security of supply
- Need to be mindful of ongoing changes to the wider European context

Risk of non-compliance needs to be carefully balanced against the long term costs to I-SEM consumers of flaws in market design

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