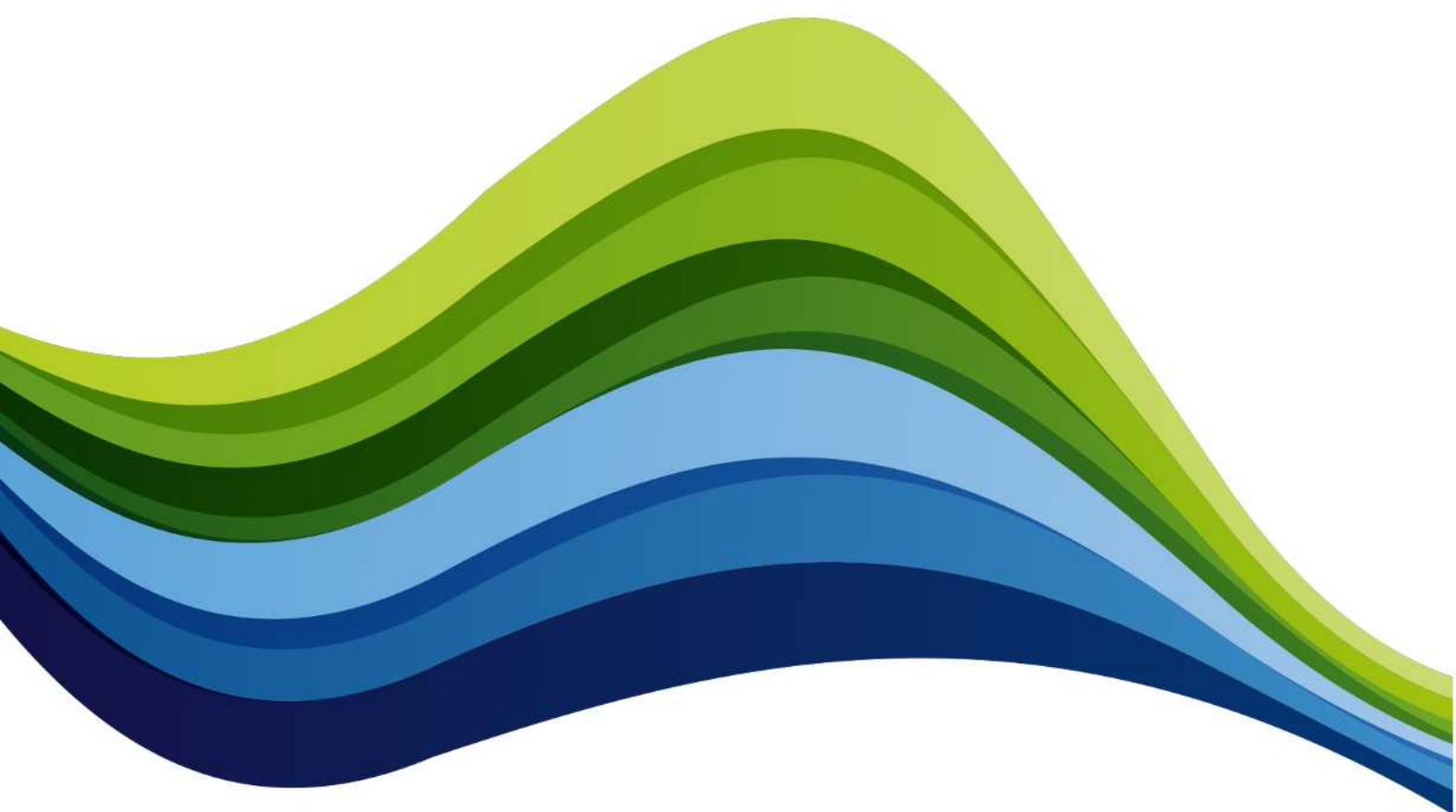


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# Generator Financial Performance reporting

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SEM-19-025



## Introduction

SSE welcomes the opportunity to comment on the SEM Committee's proposals for updated generator reporting, to reflect changes in the market following the establishment of the new SEM. For the avoidance of doubt, this is a non-confidential response.

## General views

We are of the view that in general, the addition of these elements for reporting, appear reasonable. At a high level, the intended reporting also appears feasible and the timelines for provision of submissions and issuing of templates (beyond FY2018), also appears achievable.

We have the following general comments on the proposals:

1. We note that for FY2018 templates will be issued in August, rather than May. This could prove challenging, particularly if there is a need for additional correspondence with the RAs for clarification, during the course of preparing our first submission under the new template. We would welcome an information note accompanying the template, to aid completion. This should include definitions for all of the new reporting elements. Furthermore, issuing of the revised template as early in August as possible, would also be appreciated.
2. Given our financial year is March to April, there will be a lag in terms of Revenues from Support Mechanisms. There isn't a great deal of clarity in the consultation as to the treatment of new elements of reporting, insofar as when there is a lag in being able to report final figures. Greater clarity on this and how this can be managed given competing cycles for PSO, supporting revenue mechanisms etc—needs to be explicitly covered in this consultation.
3. Additionally, we would welcome confirmation that the same thresholds for reporting will apply under the new reporting framework, i.e. confirmation that the MW threshold for reporting under this requirement will remain unchanged.
4. Finally, we would recommend that a second version of the template be provided to market participants, before the decision is published. This template should adequately illustrate the specific additional elements (such as breakdown of revenues and associated MWhs per market), as envisaged by the SEMC, for market participants to be clear as to the likely system impacts of being able to provide this information.

## Response to consultation questions

**Q 2.1. Do stakeholders see benefit in the inclusion of the additional breakdown into DA, ID, and BM revenues, noting that this would need to be accompanied by the associated MWhs? When responding, stakeholders are requested to indicate as to whether this is feasible for “FY2019” considering that generation companies may not have already put systems in place to track this information.**

There would intuitively be a benefit to break down revenues by the various markets. However, without an example of how this might look in the template, it is unclear the level of commitment this may involve in terms of reporting or systems tracking. We would welcome some detail ahead of the decision, as to how this breakdown might look in the template, in order to determine whether this is feasible by FY2019.

For example, in the BM there is a full list of potential charges, e.g. CFCs. It would be important to understand which charges should be included for revenue submissions. Furthermore, in order to express the MWhs accurately, it would be important to clarify how this should be quantified, e.g. only accepted bids and offers, or all bids and offers.

**Q 3.1. Are any of the required breakdown elements in this section unclear? Please identify any which you believe are unclear and the reason why. Please also provide your proposed clarification.**

We are supportive of current interim breakdown elements being retained as enduring aspects of the new template. We are supportive of the proposed additional elements in principle, in anticipation of supporting clarity as to the definitions and intent of this additional reporting.

We find that the discussion on revenues from supporting mechanisms, is relatively simplistic and doesn't provide immediate clarity as to the intent for this additional information—which would provide an idea of how this information should be expressed.

Furthermore, the simplified example of PPA revenue in the Appendix, does not immediately translate into a realistic scenario, where constraints are a perennial feature (constraints have been set to zero in the example). We would expect an example that is based on likely scenarios that a market participant will have to face, in order to make the example more relatable. Otherwise, the current example risks suggesting that constraints are not considered a feature of revenues from supporting mechanisms.

Finally, it is unclear as to the intent of this information: i.e. to get a picture of supplier benefits, the uptake of RESS and REFIT, or the size of the shortfall of location constraints discounted against the PSO levy. Clarity would be welcome, in this regard.

**Q 3.2. Do you agree with the proposed categories and breakdowns of costs and revenues in Table 3.1 and as detailed above? If not, please explain why.**

We are in agreement with the overall proposed template for reporting with additional costs and revenues elements included.

**Q 3.3. Would you welcome the further breakdown of the market revenue into Day Ahead, Intra Day and Balancing Market revenues as well as the associated MWh data? If so, please explain why.**

We would likely be supportive of a further breakdown. However, clarity as to which market revenue should be reported for any given reporting item, is needed in the first instance, (see our response to Q2.1). Furthermore, as mentioned above, it is not clear from this consultation as to how this would be expressed in the reporting and therefore, it is not clear the level of commitment that would be required on the part of the market participant in preparing these submissions.

**Q 3.4. Is there any aspect or variation of the reported profitability ratios (e.g. gross margin, net margin, etc.) which may need to be amended or added to?**

We have no comment in this regard.