

2020 MARKET AUDIT
TOR
CONSULTATION
SSE RESPONSE



Introduction

SSE welcomes the opportunity to comment on *SEM-20-041 Terms of Reference for Market Audit 2020*. For the avoidance of doubt, this is a non-confidential response.

SSE is a large generator and supplier operating circa 2,000MW of generation in the all-island centrally dispatched SEM. Ensuring the mechanism for market operation under the Trading and Settlement Code, is being followed and examination of the outturn of the market, is important for market participants and market confidence. Equally, during this period where we are still in the early years of the new market, it is critical that sufficient examination is paid to the stabilisation of the new market.

SSE Response

The last market audit considered a significant period in the history of the market, in reviewing the operations and conduct of the Market Operator during the transition period from old market to new, as well as the first year of the new market. We consider that the discrepancies identified by the auditors should be made public; and that equally, the RAs should be forthcoming about what they intend to do, following the outcome of this audit. We consider that the results confirm and validate the concerns that have been repeatedly raised by market participants since the start of the new market. We would in the first instance welcome an indication of what will be done by the SEMC, where a market audit raises important results that we would expect to be acted upon.

With regard to the market audit examining the next year of the new market (2020), an important consideration influencing the RAs proposed Terms of Reference for this audit is that the market is now stabilised. The market should be stabilised by this time, we agree. However, it patently isn't. As long as critical market design elements such as repricing have still not been delivered and full settlements cycles have still not been achieved, (we have recently been notified by SEMO that normal M+4 and M+13 will not be in place until 2022), it cannot be said that the market is stabilised. Our response below, is reflective of this context.

Proposed Audit Scope & Preferred Approach

As above, we have indicated that it is questionable whether the market is in fact past the stabilisation phase. Therefore, we would welcome further justification as to whether the change back to ISA 3000 is prudent at this stage. More critically, we consider that there should be clarity as to how the results of the previous market audit will be used by the SEMC.

One aspect of the scope that we would consider needs to be examined is the repricing materiality issue. We have been provided with an alternative approach by the Market Operator, where only part of the repricing solution is completed now, with the flags and tags element of repricing not being considered until Release G is achieved early next year (2021). This effectively will create double the work for repricing of the same pricing periods, both for the Market Operator and market participants. This does not appear rational or in line with market design or requirements regarding repricing. This has been recommended as a suitable approach given that meeting the full requirement for 5% materiality, cannot now be delivered

until April 2021 (where the SEMC derogation granted time for delivery to January 2021). We would consider that part of the process towards the derogation—could be examined as well as the settlement compliance surrounding repricing during the period covered by this market audit.

A final area of scope that should be examined more closely is in relation to system and operation. Firstly in terms of the freedom and accuracy of operation where this is contingent on the relationship with the IT vendor for the market systems, and also with regard to sufficient resourcing to comply with the requirements for system and operation compliance.