

SEM OPERATIONAL PARAMETERS 2021



INTRODUCTION

SSE welcomes the opportunity to comment on proposals for the SEM Operational Parameters 2021. 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. We previously wrote to the SEMC regarding our concerns regarding the price materiality threshold (August 2019) and we have engaged with the derogation consultation that was published in 2019, (SEM-19-042).

We have provided a response primarily focused on our concerns relating to the operation of the market for 2021, particularly relating to repricing.

SSE RESPONSE

SSE are supportive of the proposals for all the operational parameters outlined in the paper, i.e. the values proposed under Required Credit Cover, Imbalance Settlement and Repricing Materiality Threshold. We welcome the continued setting of a 5% materiality threshold specifically, but also are supportive of the continuation of current values for the items outlined in this consultation.

However, we have significant concerns regarding the continued operation of the market given continuing delays and the potential lack of delivery of the price materiality threshold by January 2021. We have recently been notified by SEMO that the 5% materiality threshold will not be available until at least June 2021—despite the fact that this was a requirement from go-live of the market, has not been delivered and has been granted a time-limited derogation to allow for belated delivery. We note in the SEMC consultation, that the 5% materiality is still the volume threshold for repricing for 2021, which we welcome. We consider it necessary to highlight thought, that the delays experienced will result in actual functionality being delivered by Q3 or Q4 of 2021, i.e. still not technically available to the market for as long as potentially another financial cycle for some businesses. It will also bring with it, a subsequent backlog of repricing for any more recent periods.

Under SEM-19-042¹, the SEMC consulted on the potential for a time-limited derogation being granted to the TSO (acting as Market Operator), to provide the time to provide the 5% materiality threshold functionality. The derogation also reassessed the previously ad hoc resettlements regarding repricing. The derogation confirmed that repricing prior to 11 June 2019 had “timed out”, in favour of a focus on the delivery of the 5% materiality threshold. It is important to reiterate that the 5% materiality threshold was a requirement for the market design prior to go-live and it is still unacceptable to industry that this was not therefore delivered by the system vendor prior to go-live of the SEM. However, SSE accepted the required time and space to deliver this functionality and supported the action the SEMC took to provide this time-limited derogation until January 2021.

However, as reported at Meter Operator User Groups (MOUG) from May 2020 onwards, it has become clear that the vendor has been unable to deliver the functionality in the manner intended, by January 2021. Their explanation was that their project and system are a relatively small account for ABB, and therefore does not appear to be priority. The TSO presented an alternative solution which they considered would meet the January 2021 requirement, in June 2020. This involves the repricing of prices first (due to

¹ <https://www.semcommittee.com/publications/sem-19-042-repricing-and-price-materiality-threshold-parameter-consultation>

commence in August 2020) and in April 2021, repricing both the prices and flagging and tagging. This was deemed by the Market Operator, to be an acceptable work-around to deliver functionality by April 2021.

We have had no assurance that this was an acceptable work-around in terms of the derogation that SEMO was granted following a decision by the SEMC. We would argue that this approach does not deliver the derogation and furthermore the new delayed approach as shared with the industry at the MOUG in October, breaches the deadline set on the derogation of January 2021. The derogation is very straightforward in requiring the delivery of the 5% materiality threshold, no other alternative thereof. Furthermore, the TSO, would have provided certainty that they could deliver 5% materiality by January 2021. It was clear from discussions at the Modifications Committee, that these details formed the basis for the timeframe of the derogation itself. Therefore, we can only point to the lack of accountability on SEMO and the vendor as being a reason for these delays as we had confirmation in good faith that January 2021 was otherwise achievable.

Timeline

- In the May and June MOUGs, the industry was advised of the alternative repricing approach.
- Over summer 2020, this approach was still indicated for delivery and up until August 2020, SEMO was confident that repricing would commence by the end of that month. However, Release F was not delivered under November 2020, which would have contributed to repricing not having commenced as expected in August 2020.
- In the 8th October 2020, SEMO advised the MOUG attendees that the previous deadline of April 2021 (for full repricing following Release G) has extended to June 2021. It was also confirmed June 2019 repricing will not be delivered until June 2021 at the earliest, following the necessary Code Release. We understand that the delay to June 2021 means there will be only be one instance of repricing reconciliations not two (as per the above decoupled scenario), which will reduce some burden created by the 2-step approach. However, it also means that SEMO will have again missed the M+13 reconciliation run for prices.

The details outlined in the above timeline of events spanning six months, serves to demonstrate that there is a chronic lack of accountability on the vendor and SEMO, and there is furthermore no clarity as to the effect of the binding derogation with a deadline of January 2021 on this process. It also points to a full two-year lag for repricing of periods from June 2019.

Settlement and reconciliations completed ahead of statutory accounts, are affected by lack of full resolution of repricing periods. There is no cognisance of this fact. Rather, there is a clear misunderstanding from the TSO of the impact of failing to deliver this requirement. We are concerned that this has arisen due to the lack of accountability and the vendor relationship, meaning that the industry is effectively beholden to what the vendor deems possible or not, regardless of the repercussions. It also cannot be overstated that this situation has had an impact in market confidence in the TSO, as well as its accountability for delivery of this necessary market function.