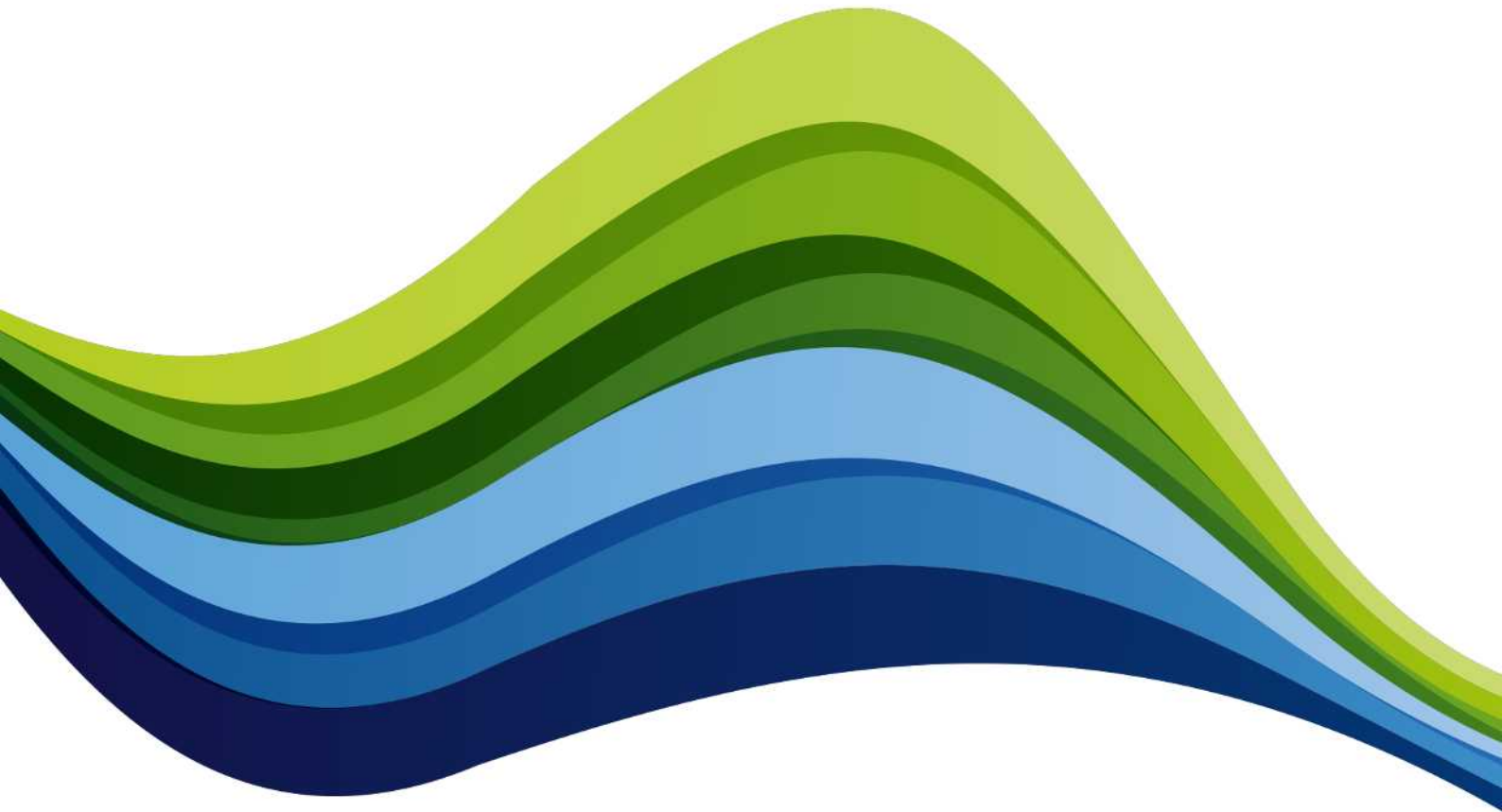

SEMO Key Performance Indicators

SEM-19-11



Introduction

SSE welcomes the opportunity to comment on the “*SEMO Key Performance Indicators*” (KPIs). For the avoidance of doubt, this is a non-confidential response.

KPIs based on smart and measurable activities with suitably challenging targets, provides an incentive to companies with natural monopolies, to ensure they provide a standardised, appropriate and timely service to their customers. As a key service provider underpinning the all-island market, KPIs incentivising SEMO’s performance when completing key activities, is important for the overall market functioning.

We welcome the intention for these KPIs to be applied by Q2 2019, in time for experience to bed down in these KPIs, before the end of the current SEMO price control. To this end, we are realistic in terms of the proposed targets and measurement being timely, but not so frequent as to provide an inadvertent regulatory burden, that could impact the delivery of these KPIs to the targets.

SSE response

We have provided specific comments against the questions identified in the consultation paper.

1. Comments are invited from interested stakeholders on the parameter to be used for assessment of KPIs

Option 1 proposes to measure at the end of the quarter, using an average value of each KPI across that period. This appears to be the most realistic option for the assessment of KPIs. Option 2 adds regulatory burden to the process. It is our view that the rationale for KPIs, is for them to be met consistently, with sufficient time between measurement periods to be able to address poor performance and see change, whilst still within a short enough timeframe to allow for accurate monitoring of performance. Therefore, quarterly appears a sufficiently regular period for assessment.

2. Should timelines for addressing resettlement queries be considered under this indicator or a separate indicator

We are in support of the revised description of this KPI, as it references defects and pricing issues. We would welcome greater clarity from SEMO, to accompany this, regarding how multiple upheld queries are determined to be one upheld query.

Whilst reference to defects is important, the current definition lacks clarity as to how highly material settlement queries should be dealt with, that may have been the result of mentioned defects. We would request consideration of a materiality threshold under which such significant queries should be monitored attached to specific targets for delivery, as a separate indicator.

3. Feedback is requested from interested stakeholders on whether the KPI “Timely Publication of Key Market Information” should be measured against all publications, or against a specific list of identified key market information

Option 2 is the realistic option—i.e. where the KPI lists the specific reports that need to be met under the KPI. This ensures that the specific reports identified, are the ones that need to be published in a timely manner, in order to meet the KPI target. However, we do appreciate that this method means that the list is not completely exhaustive and may suffer where additional reports may need to be added in the future.

We do consider that additional documentation should already be included in the list, namely a disputes log/report, for publication as key market information. See greater detail below.

4. The SEMC is minded to revise the current KPI “Timely and accurate data provision for use in public user systems”, to “Timely information provision to RAs and SEMC”. This would be measured based on provision of market information requested by RAs within a set timeframe. Feedback is requested on this proposal.

To our minds, this change does not cover off the gap that the current KPI provides, in terms of information in the public domain and that would support the publication guide. Therefore, we would not wish for this KPI to be removed.

Furthermore, KPIs are of most benefit where activities are regular or habitual. The ad hoc nature of RA, MMU or SEMC requests for information, would not lend itself well to such an incentive framework.

However, we agree that it is important to ensure that timely information is provided to RAs, SEMC and the MMU, particularly given the need for there to be early notification of market issues e.g. in relation to REMIT. However, we note that there is likely a licence condition relating to the provision of information to RAs whenever requested and within a timely manner. This could be interpreted as including provision of market information to SEMC & MMU as requested. The provision of key information to these bodies, would appear to be a matter for licence compliance, rather than something that should be incentivised.

Additionally, given current levels of volatility and bedding down of the new market, an updated licence condition would ensure that important information is provided in all cases, rather than as per a KPI, to a particular weighting for financial reward. In the future, once the market is more experienced, it may make sense for a KPI to accompany the licence condition, in order to incentivise improvement or development of reporting to RAs, SEMC and MMU.

5. Feedback is invited on each of the KPIs and their definitions, proposed to apply from Q2 2019

We are in the support of the KPIs as drafted. We have provided some specific comments above in relation to other consultation questions, regarding specific drafting of definitions. We welcome that these KPIs are proposed to apply from Q2 2019. We are also supportive of removing the KPI relating to website availability, but on the basis that there was still a KPI relating to timely information being provided to facilitate public user systems.

5a. Feedback is invited indicating any additional KPIs to be included, or any revision to proposed definitions

We would welcome a KPI relating to pricing queries, rather than only for settlement and general queries. Particularly in light of tight timescales associated with SEMO engaging and responding to these queries.

In addition, we consider that greater detail on disputes should be included in the list of key market information, to be published in accordance with the specific KPI. We believe this is a requirement which is not completely discharged by the very high-level email circulars that are periodically circulated to market participants, regarding the count of disputes currently being handled by SEMO.

The relevant section of the Code relating to the requirement to provide detail on disputes, is as follows:

"A Notice of Dispute may be served on any number of Parties. Where the Market Operator reasonably determines that the resolution of a Disputed Event will impact a third Party who has not been served a Notice of Dispute, the market Operator will inform that third Party of the existence, nature and progress of the Dispute, while maintaining the confidentiality of the Disputing Parties."

We would consider that all market participants, in the vast majority of cases, would be impacted by any market disputes raised with SEMO—as it may later relate to these other participants. Therefore, we would welcome greater disclosure than the current high-level detail provided in SEMO email notifications, relating to disputes.

The current low level of detail on disputes, reinforces the current information asymmetry in this process. Without this clarity, this can contribute to SEMO reviewing the same disputes from different market participants (which can be a resource burden). It also puts market participants at a disadvantage, in being unable to determine the grounds on which their dispute may be upheld and being unaware of the decision-making process that may have led to specific position by SEMO.

Greater reporting detail on disputes provides market participants, RAs and MMU with critical transparency relating to this process and highlights trends. Furthermore, over time, it can provide transparency in the decision-making process and consistency of policy and may result in better defined and constructed disputes. Precedent can be taken from other bodies who publish the details of disputes and the decision (albeit heavily redacted as needed), which provides important information to market participants.

6. Feedback is invited regarding the proposed weighting set out in Table 4

We are supportive of the proposed weighting, insofar as it is proposed for setting the targets being the same from period 1-3, with only a review at the end of the current price control.

7. Feedback is invited as to whether targets applied to each KPI should remain the same from period 1-3, under the current SEMO price control. Or should targets be increased in each period to account for improved performance and market development

We consider that targets should remain the same from period 1-3 under the current price control. Whilst it is attractive to consider that targets should become more challenging over time, and that should indeed be an objective (i.e. for iterative changes each year), there needs to be sufficient time in between to ensure the targets are being consistently met. Given that these KPIs will become effective midway during a price control cycle, we would not consider it is the right time for this level of iteration. We would be supportive of this approach, i.e. annual iteration of targets, ahead of the next SEMO price control cycle.

8. Feedback is invited on the proposed targets applied under each scenario

We are supportive of the proposed targets, insofar as the table proposing targets to be applied across periods 1-3.