



Regulatory Authority Annual Report

Market Operator Performance

Period: 1st November 2007 to 30th September 2008

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1 Introduction

Under licence conditions the Single Electricity Market Operator (SEMO) is required to provide an annual report to the Regulatory Authorities on Market Operator Performance. The Regulatory Authorities confirmed that the period covered by this first annual report would be from 1st November 2007 through to 30th September 2008.

This report provides a summary of Market Operator Performance for the first 11 months of operation of the SEM.

The four main categories of performance metric covered are:

- Manage Change
- Service Delivery
- Manage Stakeholders
- Provide Information

***Please note::** In version 1.0 of this report, 44 breaches of the Code for Quarter 1 and 2 were incorrectly attributed to NIE T&D. These should have been attributed to SONI – TSO. Figure 9 has been corrected in version 1.1 of the Annual Report.*

2 Manage Change

2.1 Market System Development Plan

The focus for the current Market System Development Plan (MSDP) is to address Section 7 of Trading and Settlement Code (T&SC). The delivery of the Day 1+ project looks to implement the system changes required by the MSDP.

With regard to Day 1+ the status as at 30th September 2008 is:-

- The Prime Contractor has completed all detailed design activities, code development and site test approach and procedures. Site acceptance testing has commenced (SAT) and is currently on schedule for completion on the 10th October 2008. Following the completion of SAT, site integration testing (SIT) will commence.
- SEMO have completed the SIT approach, test conditions, work plan and TSO-SEMO interface test approach, test conditions, test scripts and work plan in preparation for the start of SIT on the 13th October 2008. The Market test work-stream has commenced and preparation of market test approach, detailed work-plan and scripts are in progress. A Market Test Overview workshop was held on Friday 26th September with Market Participants.
- The Prime Contractor have commenced functional specification development. The complete User Requirements Specification documentation set for the Day 1 and Day 1+ projects has been updated and sent via transmittal to ABB. The Functional Specification Template has been completed and sent to ABB/Navita. Some outstanding issues remain on the template design which are expected to be resolved by 10th October 2008.
- Work has been completed on the development of the necessary modifications to the Code to align it with the approved scope of work of the SEMO Day1+ Project. The necessary modifications have been drafted, submitted and approved by the Modifications Committee.

The Day 1+ project is on track to achieve its milestones.

A two year MSDP plan for the period November 2008 to October 2010 has been drafted and will go through a consultation process in Autumn 2008.

2.2 Modification Management

SMO Modification Committee	
Report Period: 1st November 2007 to 30th September 2008	
Modification Committee Summary	Total
Number of Meetings held	7
• Scheduled meetings	6
• Emergency conference calls	1
Items of interest	
• 155 Modification Proposals processed in total to date (since July 1st 2007)	
• There have been five releases of the T&SC - currently at Version 4.3	
'All' Modification Proposals within Report Period	
Mods Raised	75
Mods deemed 'urgent' by RA	7
Mods deemed 'standard' by RA	68
Mods withdrawn before RA urgency determination	0
Total Mods withdrawn	8
Of 'Deemed Urgent' Mods within Report Period	
Mods recommended for approval by Committee	7
Mods recommended for rejection by Committee	0
Urgent Mods withdrawn	0
Urgent Mods included in version 4.3 of Code	1
RA Final Decision on Mods recommended for Approval/Rejection	
RA Decisions (& notification of non veto) issued	38
RA Decisions: Mods which require further Committee work	4
Mod Status as at 30 Sep 2008	
Deferred Mods as at 30 Sep 2008	4
Mods 'recommended for approval'	31
Mods 'recommended for rejection'	0
Totals to Date (since July 1st 2007)	
Total Raised to Date	155
Total 'Implemented' Modifications to date	75
Total 'Withdrawn' Modifications to date	34
Total 'Rejected' to date	2
Mods awaiting Code Implementation	7
Total 'Deferred' in process	4
Total 'Recommended for Approval' in process	31
Total 'Require further Work' in process	2
New Mods raised for Meeting 17 Dec 1st 2008	0

Table 1: Summary of Modification Activity

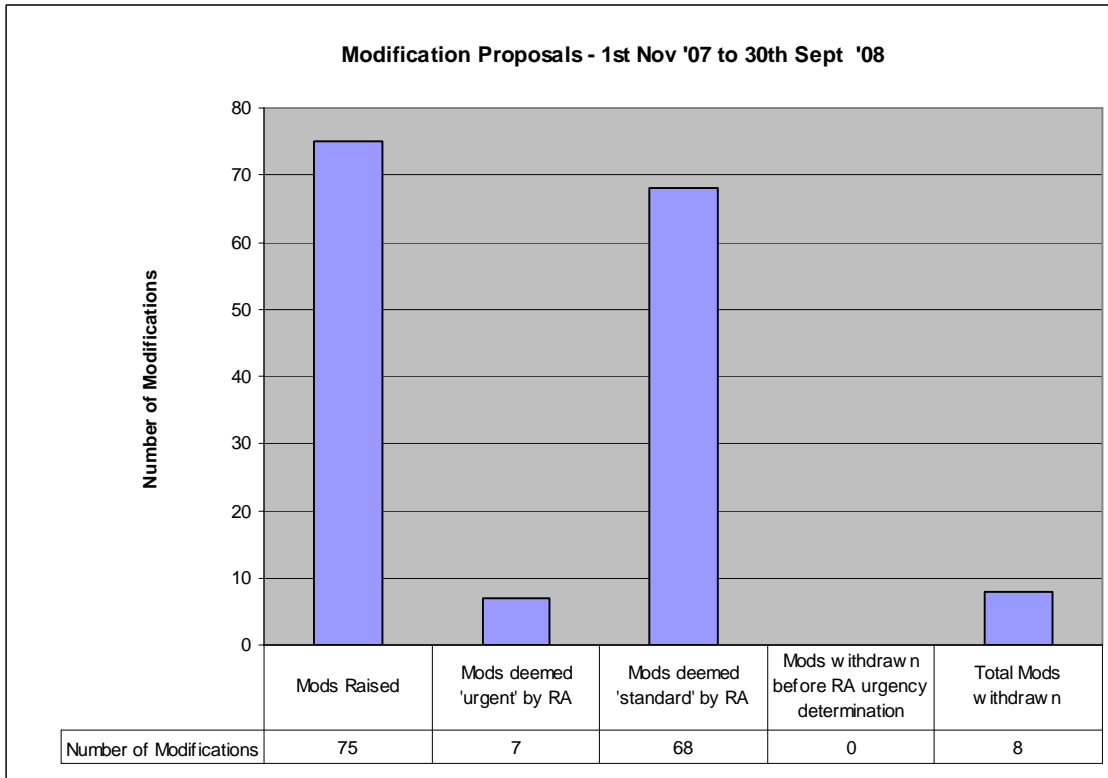


Figure 1: Proposed Modifications Summary

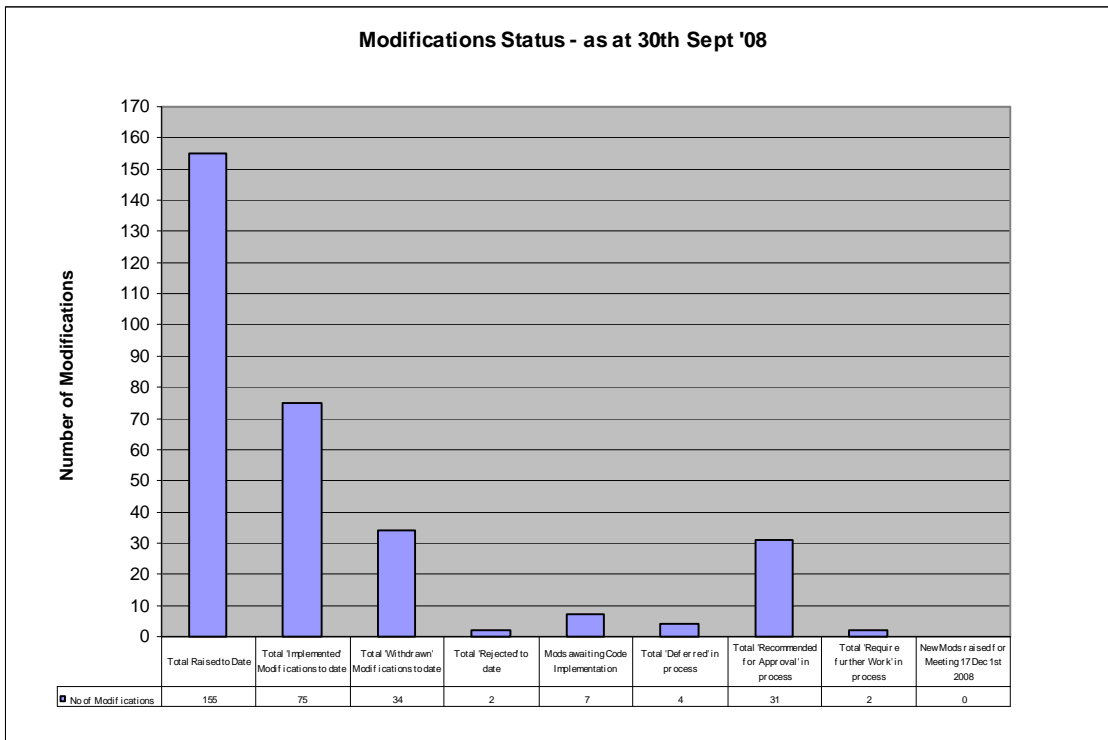


Figure 2: Modifications Status

Working Groups

Working Groups have been held for the following Modifications:

- Mod_01_08: Consumption Adjustments handling long term meter data errors.
Outcome: Modification Withdrawn
- Mod_05_08: Inclusion of Aggregated Generating Units in the SEM as Aggregated Generator Units.
Outcome: Modification referred for Consultation.
- Mod_34_08: Dual Rated Amendment : (Two Working Groups held).
Outcome: Modification referred for Consultation.

Consultations

Consultations were held for the following Modifications:

- Mod_72_07: Correction of Excessive Credit Cover Requirement.
- Mod_05_08: Inclusion of Aggregated Generating Units in the SEM as Aggregated Generator Units
- Mod_34_08: Dual Rated Amendment: (currently in progress).

2.3 Modifications Process Development

2.3.1 Quarter 1 Summary

Elexon Visit

A delegation from Market Development visited Elexon in January 2008, attending a Balancing & Settlement Code meeting and a Modifications Panel meeting.

They were hosted by the Elexon Change Management team.

Among the items discussed were:

- Composition of the B&SC panel
- Change Management
- Regulatory Interactions
- Website – both from a data publication and communication perspective.

Following this meeting, Market Development met with the Modifications Committee Chairperson and Vice-Chairperson and Regulatory Authorities to assess what improvements could be made to the Modifications Process. Additional resourcing of the Secretariat was also discussed.

Regulator/Market Development T&SC Meetings

Three monthly T&SC meetings between the Regulatory Authorities and the T&SC team were held during the first quarter (14th November 2007, 18th December 2007 and 12th February 2008.)

The main items discussed were:

- Provision of market information to the Regulatory Authorities
- Data Publication
- SEMO Website
- Modifications Committee process improvements
- Participant Communication
- Credit Management
- Registration Issues
- MO Monthly Report
- Dispute Resolution Board

2.3.2 Quarter 2 Summary

Regulator/Market Development T&SC Meetings

One meeting was held in this quarter between the Regulatory Authorities and the T&SC team (23rd April 2008). The main items discussed included:

- Proposed revisions to the Modifications Procedure.
- The modus operandi for working groups.
- Resourcing of the Secretariat.
- The treatment of Currency Costs in resettlement.
- Potential market entrants who do not fit in under the existing T&SC Rule categories. (SEMO agreed to be party to discussions organised by the Regulatory Authorities with such entrants.)

- Potential role for SEMO training new participants in the market.
- The appointment of the Market Auditor.
- Timetable of Submission of 2009 parameters and also historical analysis required/timelines for consultation.
- Use of MIP vs. LR in market runs.
- Administered Settlement.
- Enduring website.

2.3.3 Quarter 3 Summary

Mod_21_08 was implemented in Version 4.3 of the T&SC. The modification deals with progression of Modification Proposals through the Committee, the role of the Secretariat in managing the progression of Modification Proposals and the functioning of Working Groups.

Regulator/Market Development T&SC Meetings

Two meetings were held between the Regulatory Authorities and the T&SC team during this quarter (17th June 2008, 16th July 2008). The main items discussed included:

- Administered Settlement
- Treatment of Currency Costs
- Dispute Resolution Board Contractual Issues
- Dual Rating Modification
- Treatment of non-firm access/wind connections
- Timetable of Submission of 2009 T&SC Parameters
- *Mod_72_07* - Correction of Excessive Credit Cover Requirement
- Error Supplier Unit (TSC 4.91/7.12)
- *Mod_03_08* (Supplier Suspension Delay Period)
- Use of MIP vs. LR

2.3.4 Quarter 4 Summary

There were no formal scheduled T&SC meetings during Quarter 4 as the T&SC team and RAs interacted on a number of occasions at scheduled Working Groups, MOSTs and MOUGs. Regarding previously raised issues, their updated status is as follows:

- **Dispute Resolution Board Contractual Issues**
Mod_39_08 Dispute Resolution Panel & Chairperson was proposed at Meeting 16 of the Modifications Committee and recommended for approval.
- **Dual Rating Modification**
Two Working Groups were held to discuss the Dual Rating Modification in Quarter 4. The modification was further discussed at Meeting 16 of the Modifications Committee. A consultation on the modification is in the process of being issued.
- **Timetable of Submission of 2009 T&SC Parameters**
A report analysing the performance to date of the T&SC Parameters and proposing their values for 2009 was sent to the Regulatory Authorities on the 26th August 2008 for their review prior to consultation.
- **Error Supplier Unit (TSC 4.91/7.12)**
SEMO drafted *Mod_50_08* Moving interim Error Supplier Unit calculation to the enduring Code to ensure it remained compliant with the T&SC. The modification was

recommended for approval at Meeting 16 of the Modifications Committee ,subject to the amendment that the original Section 7 clause would be extended rather than moved into the enduring Section 4 of the T&SC.

- **Use of MIP vs. LR**

SEMO hosted a MOST on the 26th of August to discuss this issue and plans to conduct a study when one year's worth of data is available.

3 Service Delivery

These metrics indicate how timely SEMO were in producing reports to Market Participants.

3.1 Core Market Operations Function Performance¹

SEMO is obligated on every day to close the market gate, issue ex-ante indicative schedules, run indicative and initial pricing runs. Every working day SEMO is obliged to issue initial and indicative settlement runs.

The following series of graphs shows the percentage of all reports issued in the last year by quarter that were on time, late by less than an hour or late by over an hour. In summary most reports go out on time or within an hour of the required time. Where reports go out over an hour late (infrequent) these still are delivered on the day (less than 3 hours late). Some reports such as indicative settlement have not been published on the day scheduled. These were published late due to either technical issues, operational error or delay in information from the data providers. The full details of the reasons for the delays is provided in the Monthly Market Operator Reports.

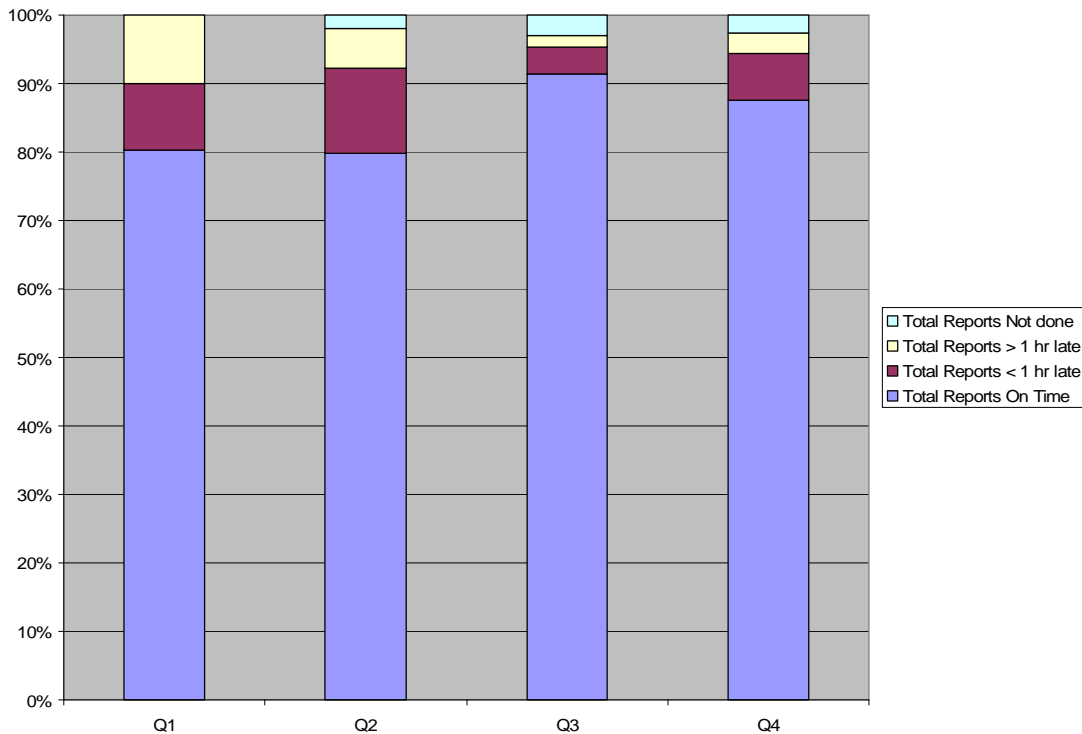


Figure 2: Overall Daily report publication

¹ This section excludes ad-hoc re-pricing and re-settlement

Gate closure is a significant market event as all bids and offers are required to be captured at that point.

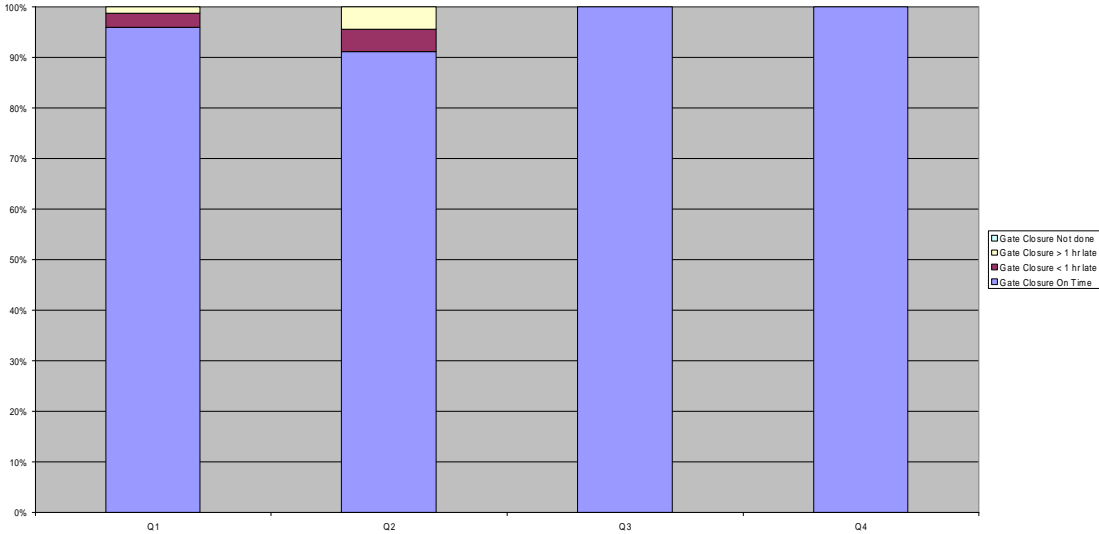


Figure 3: Gate Closure performance

The initial pricing and settlement reports go out on a calendar and working day respectively. It is these reports that are used in the final settlement of the market.

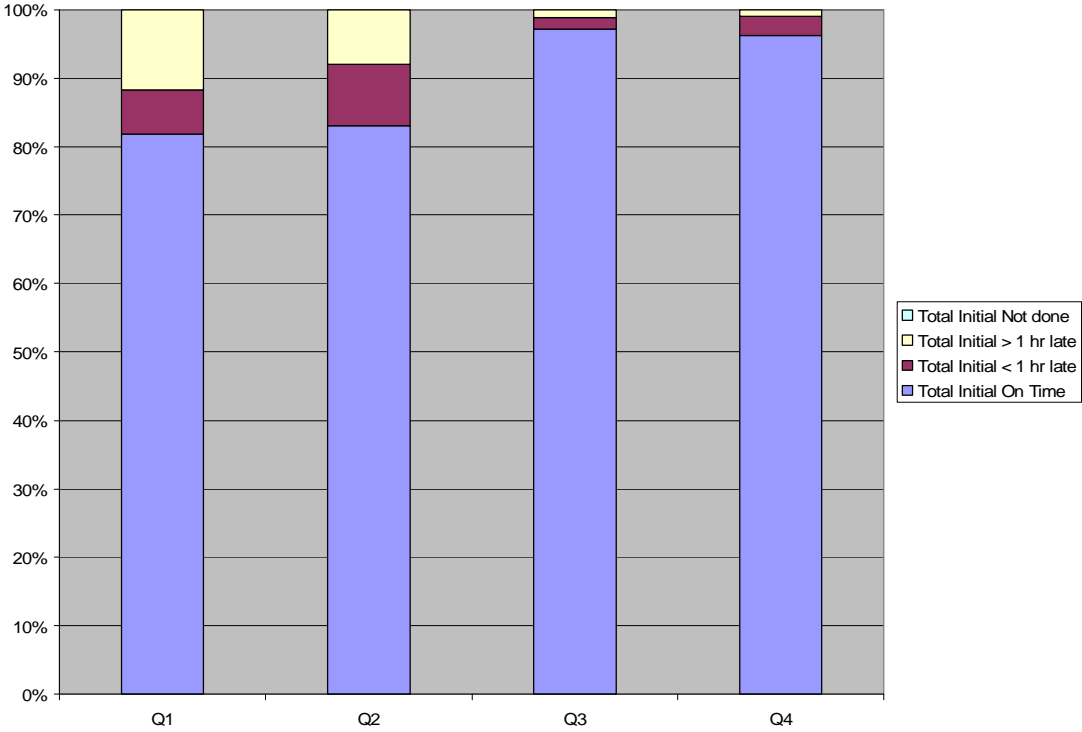


Figure 4: Initial Report Performance

Delays in publishing the indicative reports are due to delays in receiving inputs from data providers, system performance issues, or operational errors.

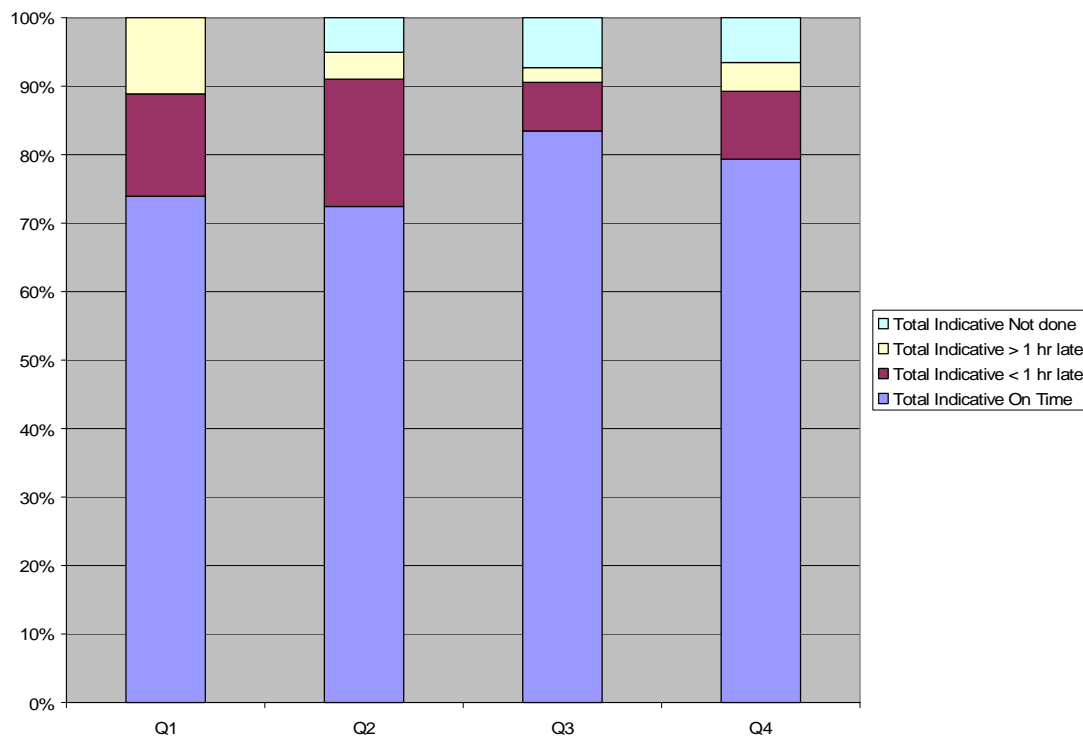


Figure 5: Performance of Indicative Reports

3.2 Planned Re-Settlement M+4

Scheduled Re-Settlement began in March of this year and has continued to be completed within T&SC obligations, with the exception of the May Capacity Resettlement. This was published 3 days later than the M+4 obligation.

3.3 Ad-hoc Pricing and Ad-hoc Re-Settlement Runs

The following events requiring ad-hoc re-pricing were identified between 1st November 2008 and 30th September 2008.

Affected Dates	Re-Price	Re-Settle	Reason	Status
Nov 2007	Yes	Yes	SEMO defect, Metering Errors, Dispatch Instructions Errors.	In Progress ²
March (3 days)	Yes	No	Metering Errors	Complete
4th June	Yes	Yes	Resolution to Dispute	Not Started
30th June	Yes	Yes	Metering Errors	Completed

² This ad-hoc event was significantly delayed due to issues with the imbalances noted during the re-run. A resolution was provided by the Vendor and SEMO are now satisfied with the preliminary outcomes. A timetable for publishing Re-Pricing and Resettlement will be issued in the near future.

In addition, there were approximately twenty events requiring resettlement.. The main reasons for these resettlement events were errors in: dispatch instructions, metering, and SEMO system calculations. The majority of these resettlements have been included in the next scheduled resettlement run for M+4 or M+13. Full details of the resettlement events are maintained in the Monthly Market Operator Report.

3.4 Administration of Credit Cover

The SEM has been collateralised according to the T&SC provisions since 1st November. At times the collateralisation may be slightly less than the calculated requirement due to the time allowed by the T&SC for Participants to comply with a Credit Cover Increase Notice (CCIN). All CCINs have been fully honoured by Participants within the two days allowed for in the T&SC

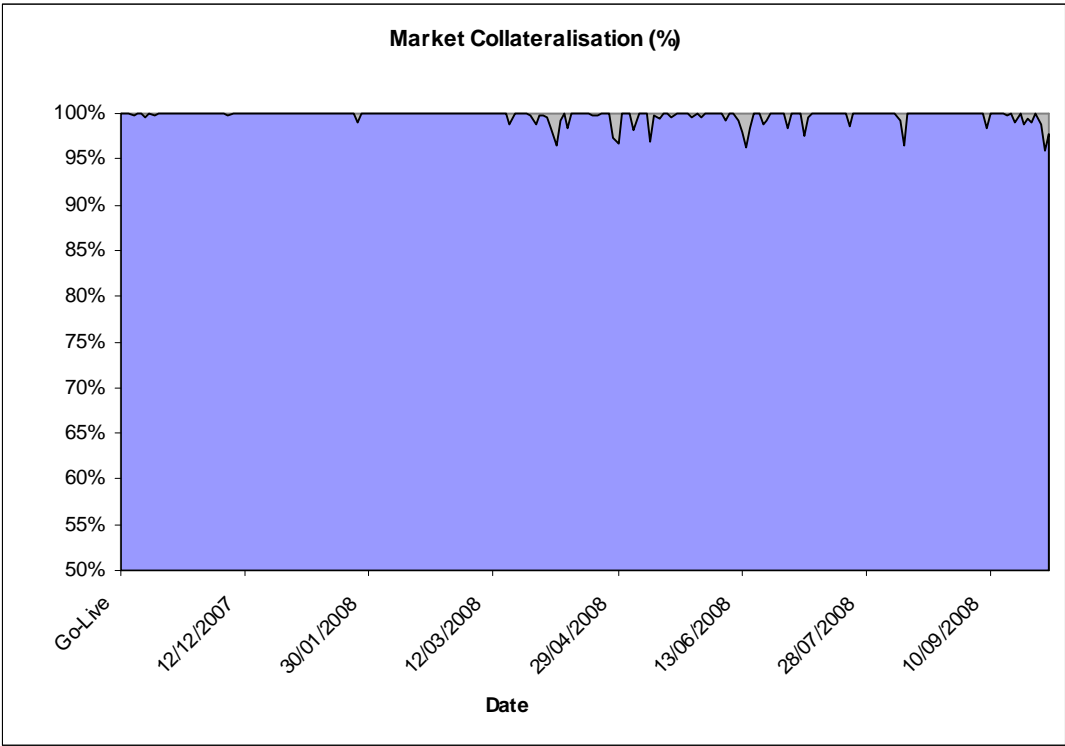


Figure 6: Market Collateralisation

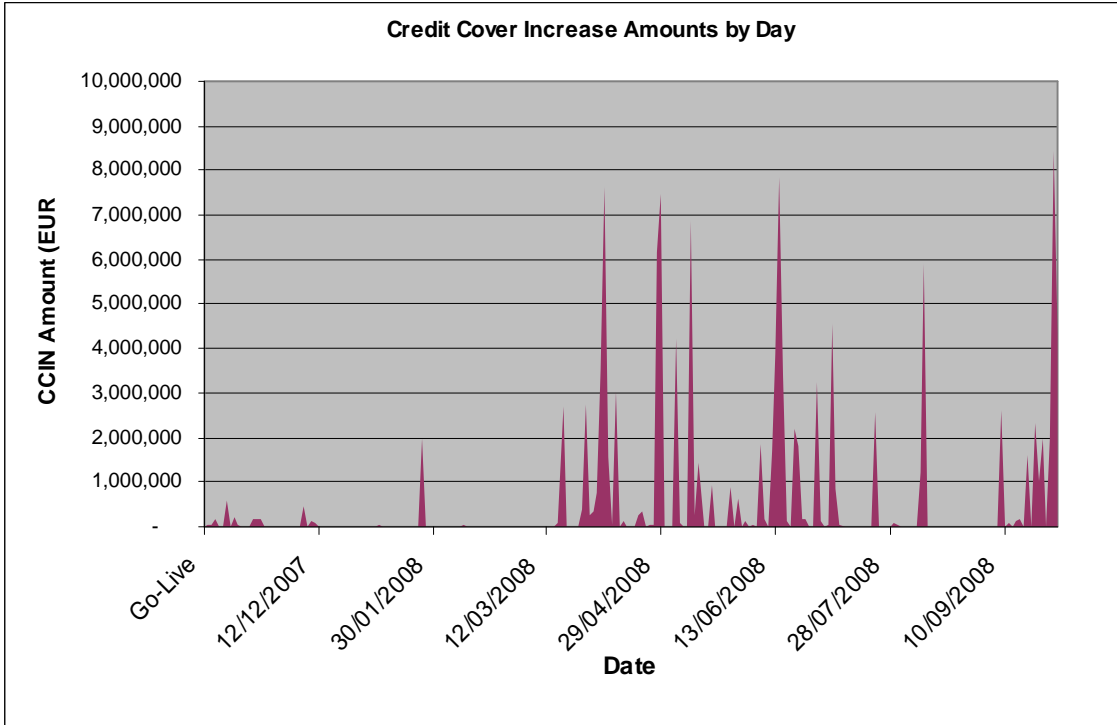


Figure 7: Credit Cover Increase Notice Amounts per Day

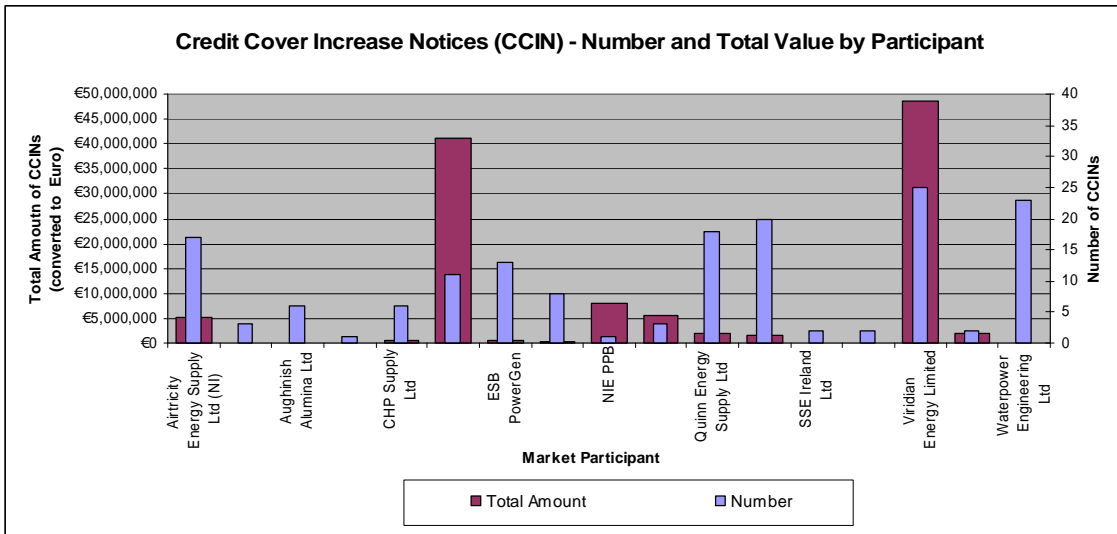


Figure 8: Number and Total Value of Credit Cover Increases by Participants

3.5 Breaches of the Trading and Settlement Code

SEMO are aware of 495 breaches of the T&SC in the period from 1st November 2007 to 30th September 2008.

Please note: Given the requirements of this annual report, the last quarter (Q4) only covers 2 rather than the normal 3 month period. Therefore, Q4 values are not directly comparable with the other quarters for Figures 9 and 10.

Correction: In version 1.0 of this report, 44 breaches of the Code for Quarter 1 and 2 were incorrectly attributed to NIE T&D. These should have been attributed to SONI – TSO. Figure 9 below has been corrected in version 1.1 of the Annual Report.

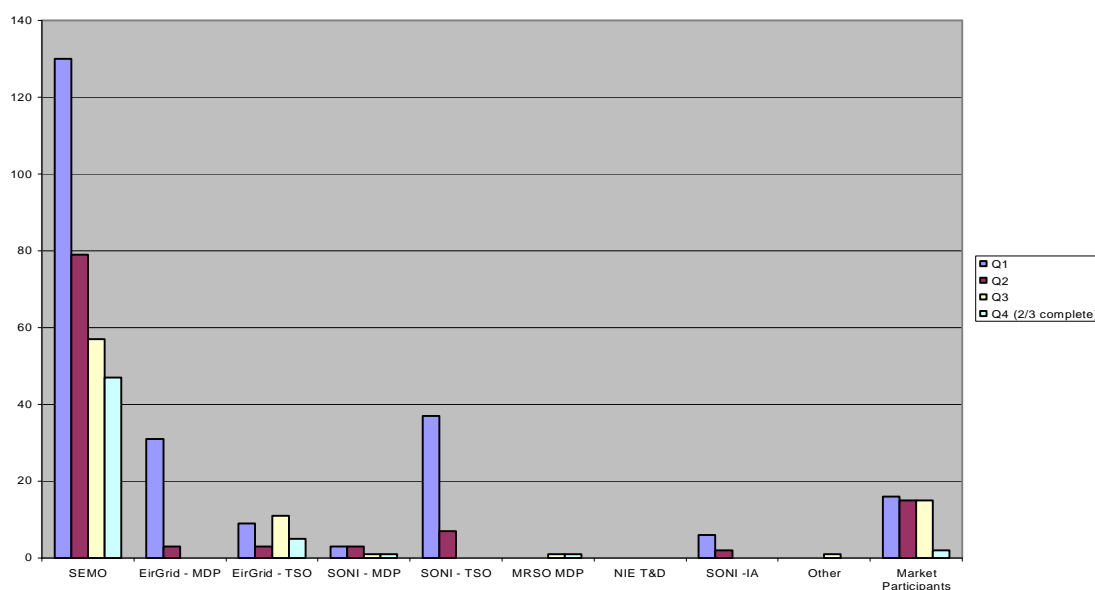


Figure 9: Number of Trading and Settlement Code Breaches

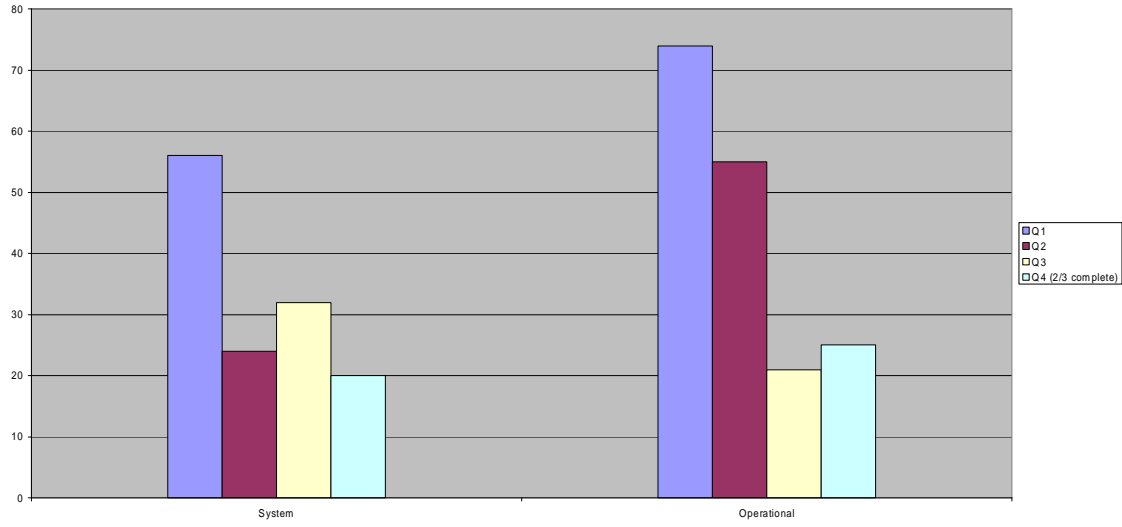


Figure 10: Source of SEMO Trading and Settlement Code Breaches

4 Manage Stakeholders

4.1 Structured Approach to Regulatory interface

SEMO and the RA's have developed a good working relationship around a number of formal interactions. These are summarised below.

Meetings

A yearly timetable of meetings for 2008 has been established for monthly meetings. These meetings alternate in location between Dublin and Belfast. Also scheduled are the quarterly meetings again alternating from Dublin to Belfast.

The monthly meetings were instigated in November 2007 and address all ongoing regulatory issues surrounding Market Operator licences and agreements.

The quarterly meeting in addition to the operational information provided on a monthly basis reports on financials for the previous quarter of operation of SEMO. Three quarterly-meetings held in 2008. These were;

- Feb2008
- May 2008
- August2008.

To date the key issues addressed have been;

- SEMO Revenue & Tariff Submission and TSO Dispatch balancing Costs for Oct 2008 - Sept 2009 - Discussion on timetable and content conducted through out 2008 and concluded in the RA's issuing a decision paper on 1st September 2008
- Reporting obligations - Monthly and Quarterly reporting on SEMO operations and financials tracked in reports and through meetings.
- Annual reports on MOA for EirGrid & SONI submitted 30th September 2008
- TSC performance criteria for 2007 - 2008 completed for submission mid October.
- Compliance plan. - Market Operator obligations on compliance re SONI licence. A draft plan was submitted in November 2007 and is pending following discussions and divestment of SONI to Eirgrid.
- Establishment of costs for projects within SEMO e.g. data publication. Projects on a single issue to RA's established and contained within SEMO Revenue submission decision paper.
- Market System Development Plan (MSDP) - MSDP 1 October 2007 - November 2008 issued and approved April 2008. Essentially this plan addressed Section 7 of TSC
- Market System Development Plan (MSDP)- MSDP 2 October 2008 - November 2010. Drafting and consideration of plan developed in year for consultation to take place in autumn 2008
- Price Control of SEMO - Discussion on timetable and content of Revenue Submission for year 2008/09.

4.2 Single Interface between Market Operator and Industry Participants

A customer helpdesk service has been provided.
The performance of this help desk is dealt with in section 5.

5 Provide Information

The T&SC obligates SEMO to answer formal data and settlement queries within a given timeframes. There has been one occurrence where a formal query was not answered in the required timeframe. The remaining ~600 formal queries have been answered within the timelines prescribed under the T&SC. SEMO has however had to request additional time, as allowed for under the TS&C, in approximately one third of these cases.

General queries have no prescribed timeline for response however SEMO aims to answer these with 15 working days. There are many queries that are answered outside of this timeframe.

5.1 Customer Queries in a timely Manner

5.1.1 Data Queries

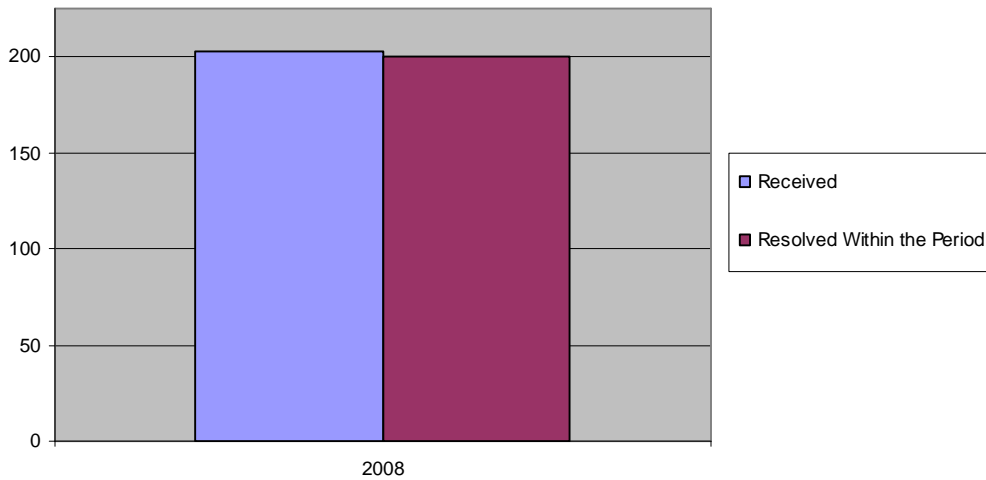


Figure 11: Number of Data Queries Submitted and Resolved to 30th September

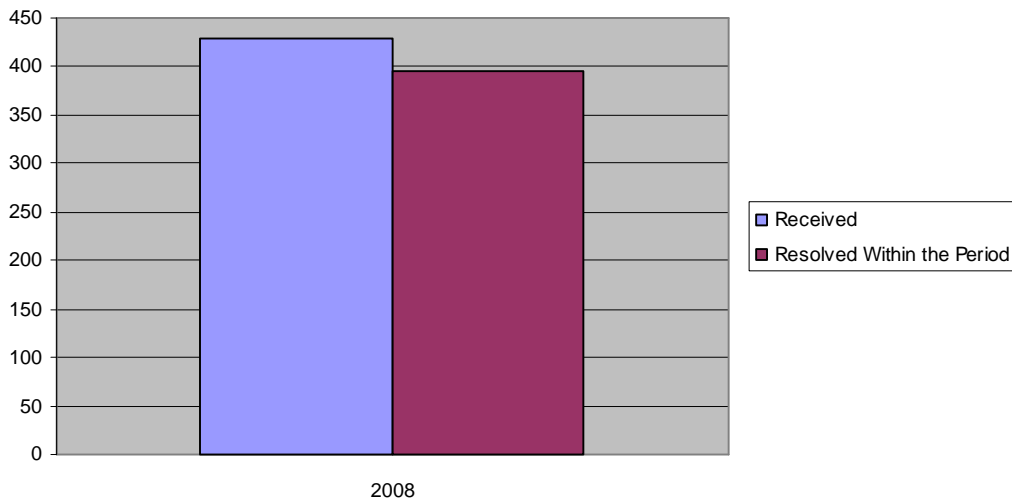


Figure 12: Number of Settlement Queries Submitted and Resolved to 30th September

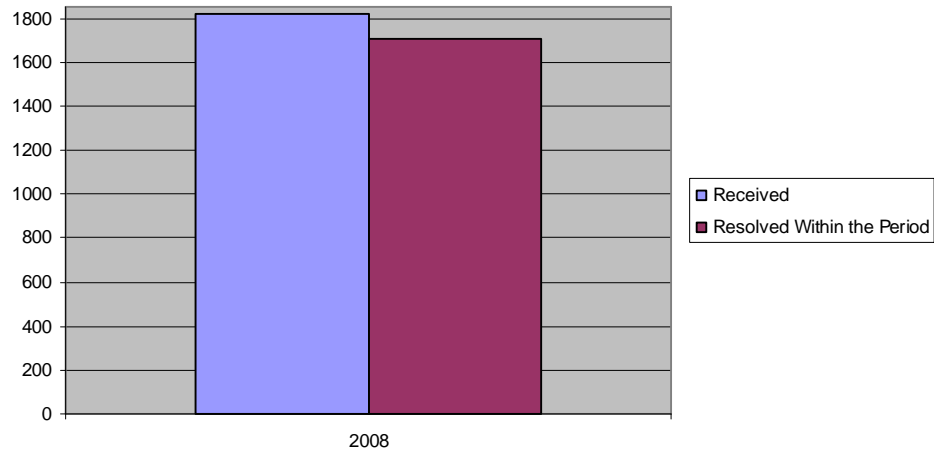


Figure 13: Number of General Queries Submitted and Resolved to 30th September

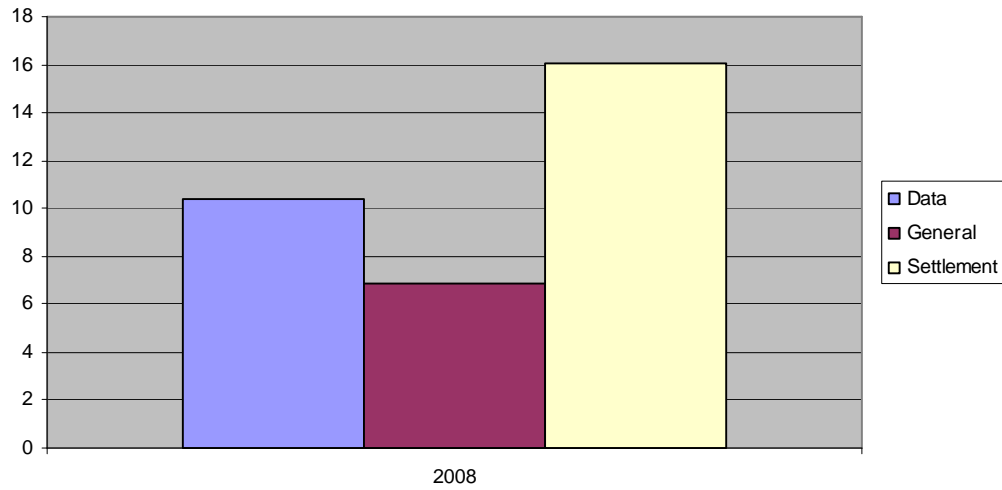


Figure 14: Average Working Days to Answer Queries to 30th September

5.2 Facilitate and Educate participants to accede to the Code

Since 1st November 2007 the following participants have registered in the market.

Mantlin Ltd
Vayu Ltd
Premier Power Ltd
Mountain Lodge Ltd
Muingnaminane Windfarms Ltd
First Electric Ltd
Slieveveagh Power Ltd
Slieveveagh Power CS Ltd

Since 1st November 2007 the following additional generation or supply units have been added to the following participants.

Viridian - Airoshin
Quinn Energy Supply Ltd
Airtricity Coomacheo
ESBI Knockawarriga
EBBPG Tawnaghmore 3
Viridian - Ballybane
Viridian - Pallas
Airtricity - Tournafulla

There have also been a number of discussions and meetings about the workings of the market and the registration process with the following:

Quinn Group - 400 MW combined cycle gas plant in Louth
Erry Mill - 120kw hydro unit in Co Offaly
Market Wheeler & Co - special project
AIB Capital Markets
GE Capital Consulting
Vayu Ltd
Indaver Ireland
Endesa Ireland
IWEC - market presentation delivered
Scottish Power
SSE
Gazprom Marketing & Trading
First Electric
Slieveveagh Power Ltd
Bear Energy Ltd
Imera
J Power/Pumped Hydro Electric Company
Fortissimo Holdings

5.3 Facilitate Interaction with Customers

5.3.1 Stakeholder Events

SEMO has been proactive in managing stakeholder. In the past 11 months SEMO have:

Organised, facilitated and presented in:

- 8 general Market Operator User Groups (MOUGs)
- 12 Market Operator Single Topic Sessions (MOSTs)
- 15 bi-lateral participant conference calls

Facilitated regular Participant conference calls. The frequency of these has been:

- Daily - 1st November to 29th November
- Weekly - 30th November to 10th January
- Fortnightly - 11th January to July
- Monthly - August onward

In addition SEMO provided each Participant with daily individual controller contact for the first 2 weeks of the SEM, in order to ensure smooth transition from market trial to go-live.