



Regulatory Authority Quarterly Report

Market Operator Performance Criteria

September 2015

Table of Contents

| | | |
|----------|--|-----------|
| 1 | INTRODUCTION | 3 |
| 2 | MANAGE CHANGE | 4 |
| 2.1 | SOFTWARE DEPLOYMENTS | 4 |
| 2.1.1 | Release SEM R2.7.0 (Deployed: October 2 nd 2015)..... | 4 |
| 2.1.2 | Release SEM R2.8.0 (Proposed Deployment: October 2 nd 2015)..... | 4 |
| 2.1.3 | Modification Management | 5 |
| | THE PROPOSER IS TO PROVIDE A COST/BENEFIT ANALYSIS FOR THIS PROPOSAL TO ALLOW THE COMMITTEE A GREATER UNDERSTANDING OF WHAT THIS ENTAILS. THIS PROPOSAL WILL BE DISCUSSED AT MEETING 64 IN OCTOBER. | 7 |
| 3 | SERVICE DELIVERY | 8 |
| 3.1 | CORE MARKET OPERATIONS FUNCTION PERFORMANCE EXCLUDING AD-HOC RE-PRICING AND RE-SETTLEMENT | 8 |
| 3.2 | PLANNED RESETTLEMENT M+4 AND M+13 | 12 |
| 3.3 | AD HOC PRICING AND AD-HOC RESETTLEMENT RUNS..... | 12 |
| 3.4 | ADMINISTRATION OF CREDIT COVER..... | 12 |
| 3.5 | BREACHES OF THE TRADING AND SETTLEMENT CODE..... | 14 |
| 4 | REGULATORY AFFAIRS | 16 |
| 5 | PROVIDE INFORMATION | 17 |
| 5.1 | CUSTOMER QUERIES IN A TIMELY MANNER | 17 |
| 5.1 | FACILITATE AND EDUCATE PARTICIPANTS TO ACCEDE TO THE CODE..... | 20 |
| 5.2 | FACILITATE INTERACTION WITH CUSTOMERS..... | 20 |
| 6 | REQUIRED CREDIT COVER COVERAGE ANALYSIS | 21 |
| 6.1 | FOREWORD ON REQUIRED CREDIT COVER COVERAGE..... | 21 |
| 6.2 | SUMMARY OF REQUIRED CREDIT COVER COVERAGE ANALYSIS | 21 |
| 6.3 | OCCURRENCES OF UNDER OR OVER ESTIMATION..... | 21 |
| 6.4 | EXTENT OF UNDER AND OVER ESTIMATION..... | 23 |
| 6.5 | MARKET MONETARY EXPOSURE | 24 |
| 6.6 | ALL QUARTERS SUMMARY..... | 24 |
| 7 | APPENDIX A: REQUIRED CREDIT COVER COVERAGE | 25 |

1 Introduction

The Single Electricity Market has been in operation since the 1st November 2007. Under the licence conditions of both EirGrid and SONI to operate the Single Electricity Market (SEM), SEMO has to report to the Regulatory Authorities (RAs) on critical performance metrics. These critical metrics were identified in a letter dated 18th October 2007 from the RAs to SEMO. The letter outlined four main categories of metric:

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

Following the third quarterly meeting with the RAs, some of the metrics were revised under discussion with SEMO. This report has taken these comments on board in its preparation.

Quarters in this report are defined according to the financial year outlined below:

- Q1 = 1st October to 31st December
- Q2 = 1st January to 31st March
- Q3 = 1st April to 30th June
- Q4 = 1st July to 30th September

2 Manage Change

2.1 Software Deployments

2.1.1 Release SEM R2.7.0 (Deployed: October 2nd 2015)

SEM R 2.7.0 Release was deployed successfully on Friday 2nd October. No issues have resulted following this deployment.

The SEM R2.7.0 Release was brought forward from November to October to align with ACER's REMIT legislation going live on the 7th October.

These changes need to be implemented fully by REMIT GO LIVE on October 7th

| CR Reference | System | Description |
|--------------|--------|---------------------|
| SEM_PC_CR349 | MI | REMIT |
| SEM_PC_CR338 | MI/STL | Make Whole Payments |

Table 1: Approved Scope for SEM R2.7.0 – Change Requests

2.1.2 Release SEM R2.8.0 (Proposed Deployment: October 2nd 2015)

The **release cut-off date** for the May 2016 release (SEM R2.8.0) is **Friday, November 6th, 2015**

2.1.3 Modification Management

| SEMO Modifications Committee Report Period: 01 July 2015 to 30 Sept 2015 | |
|---|--------------|
| Modification Committee Summary | Total |
| Number of Meetings held | 1 |
| <ul style="list-style-type: none"> Modifications Committee Meeting 63 – 14th August | 1 |
| Modification Proposal Activity in this period | |
| Standard Modification Proposals raised | 0 |
| Alternative Versions of Proposals raised | 2 |
| Urgent Modification Proposals raised | 0 |
| Modification Proposals 'Withdrawn' | 0 |
| New Modification Proposals 'Deferred' as of end of this period | 0 |
| Existing Modification Proposals 'Deferred' as of end of this period | 1 |
| Existing Modification Proposals 'Further Work Required' as of end of this period | 1 |
| Modification Proposals 'Recommended for Approval' | 2 |
| Modification Proposals 'Recommended for Rejection' | 0 |
| RA Determinations in this period | |
| RA Decision Papers 'Extension Granted' | 0 |
| RA Decision Papers 'Further Work Required' | 0 |
| RA Decision Papers 'Approved' | 1 |
| RA Decision Papers 'Rejected' | 0 |
| Summary of All Modifications to Date (30th September 2015) | |
| Total raised to date | 349 |
| Total 'Withdrawn' to date | 51 |
| Currently 'New or Deferred' in process (includes anything deemed "further work required") | 2 |
| Currently 'Recommended for Rejection' | 3 |
| Currently 'Recommended for Approval' | 3 |
| Currently 'Approved' (awaiting Implementation) | 2 |
| Total 'Implemented' to date | 275 |
| Total 'Rejected' to date | 13 |

Details of all Modifications Proposals can be found at: <http://www.semo.com/MarketDevelopment/Modifications/Pages/Modifications.aspx?Stage=Active>

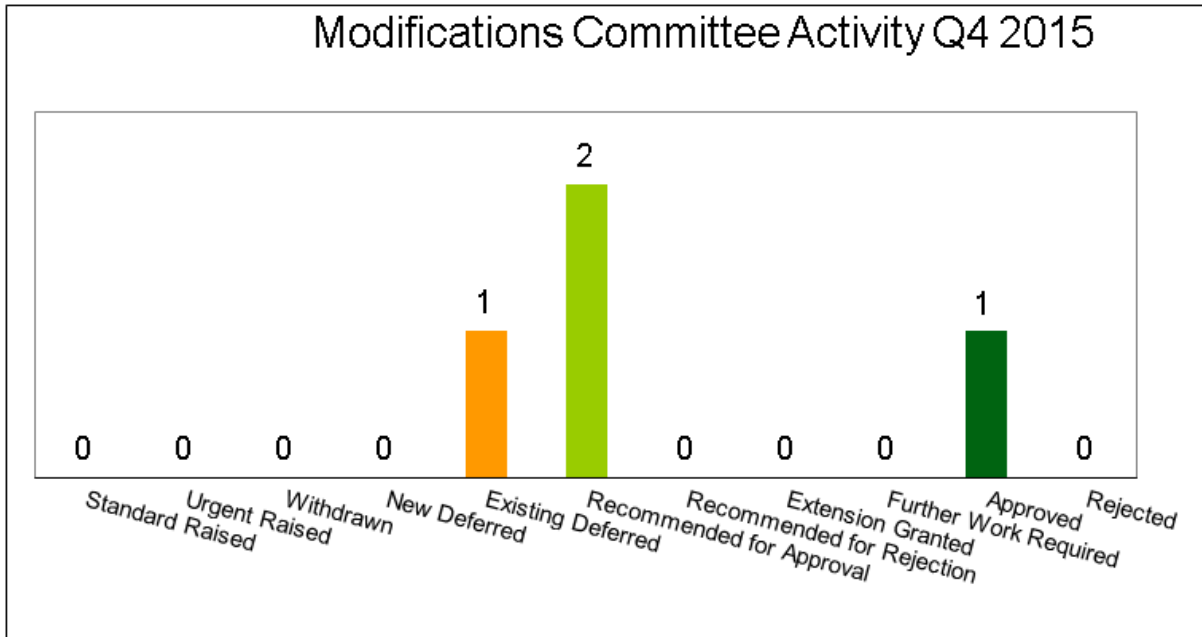


Figure 1: Modifications Summary Quarter 4 2015

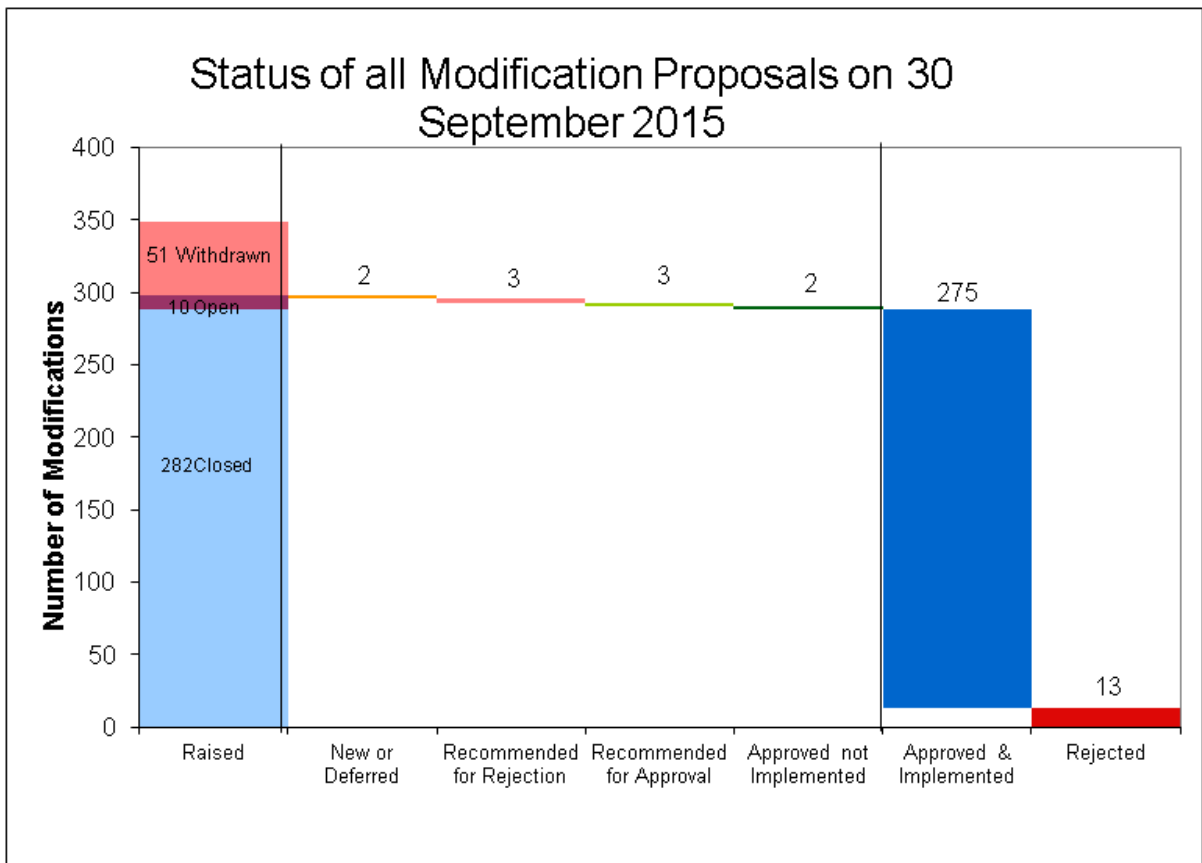


Figure 2: Modifications Status to Date on 30th September 2015

2.2 Modifications Process Development

Modifications in Quarter 4 2015

One Modifications Committee Meetings and one Modifications Conference Call took place in Q4 of 2015. Modifications Committee Meeting 63 took place on Thursday 14th August with a conference call specific to the REMIT modification proposal Mod_06_15 preceding this on Tuesday 12th August.

Modifications Recommended for Approval

Mod_02_13 Registration of Charges

Following an extensive modification proposal process involving external legal counsel, the committee were happy to vote at Meeting 63. The proposal was recommended for Approval by a majority vote. A final recommendation report has been sent to the Regulatory Authorities for a Final Decision.

Mod_06_15 REMIT Data Reporting by the Organised Market Place to ACER

Following an extended Committee Meeting focusing on the REMIT modification proposal the Committee were happy to vote. The proposal was recommended for approval by a unanimous vote. The final recommendation report was sent to the Regulatory Authorities who have since issued the final decision to approve the proposal. This proposal became effective as of 2nd October.

Deferred Modifications

Mod_04_15: Modification to Relevant Meter Operator Role and Support Requirements for Meter Communication Channels

The purpose of this modification will require the Relevant Meter Operator and Generator where it provided Meter Communication channels, to provide 2 day support arrangements (on a 7 day basis) for Meter Communication Channels and associated power supplies to energy metering systems. This is required for the provision of meter data to the SEM as per T&SC requirements under Appendix L “Meter data Transactions”.

The proposer is to provide a cost/benefit analysis for this proposal to allow the committee a greater understanding of what this entails. This proposal will be discussed at Meeting 64 in October.

3 Service Delivery

This metric is to indicate how timely SEMO was in producing reports to Participants.

3.1 Core Market Operations Function Performance excluding ad-hoc Re-pricing and Re-settlement

SEMO's daily obligations include closing the market gate, issuing Ex-Ante Indicative schedules, running Indicative and Initial pricing runs and issuing Initial and Indicative Settlement runs. The following series of graphs shows the percentage of all reports issued in the Quarter that were on time, late by less than an hour or late by over an hour. In summary, the majority of reports are published on time or within an hour of the required time. Priority is given to the Initial Reports (Ex-Post Initial Pricing Schedule and Initial Settlement Statements).

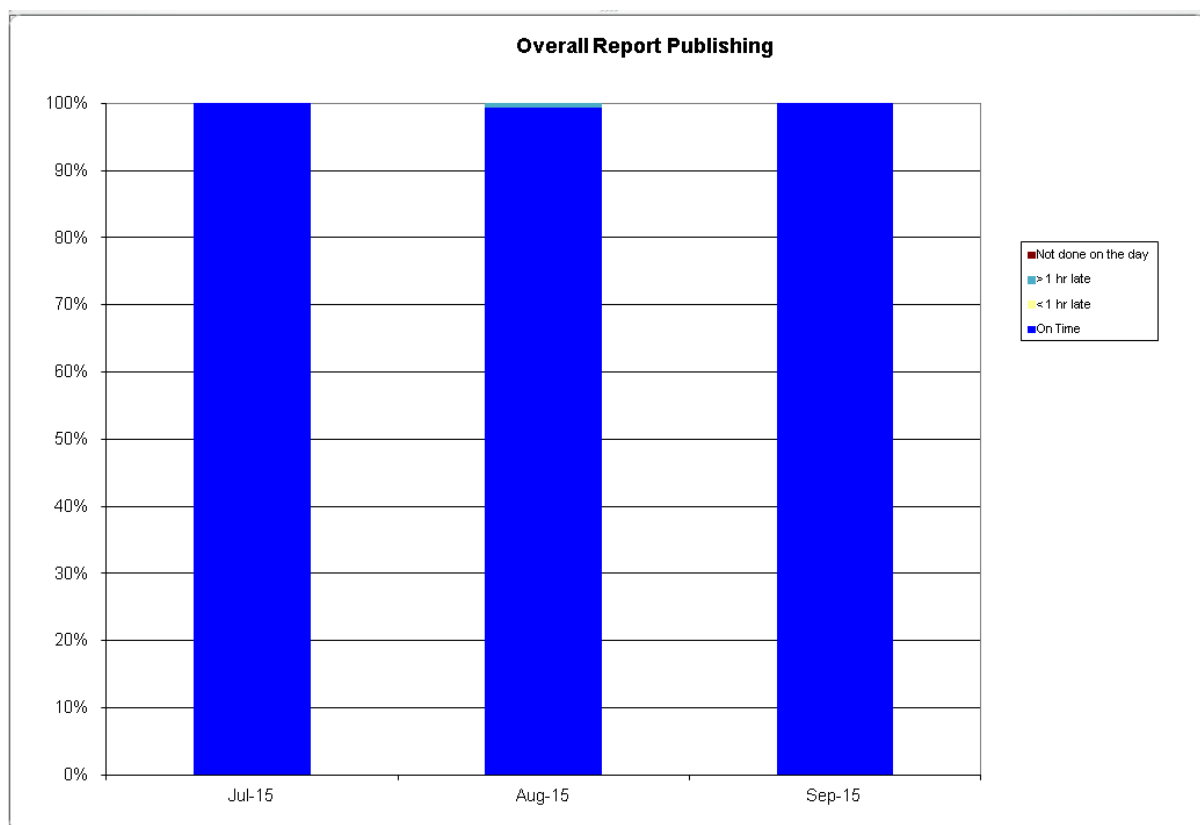


Figure 3 - Overall Daily Report Publication

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

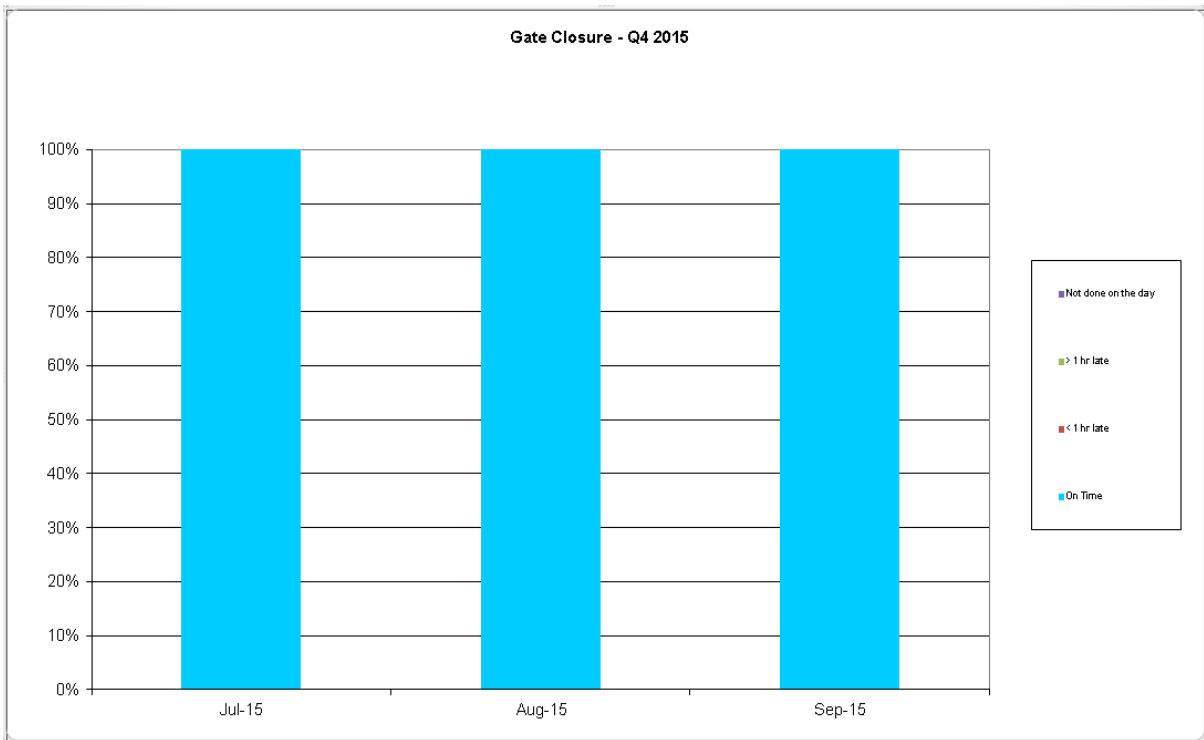


Figure 4 - Gate Closure performance

The Initial Reports (Pricing and Settlement) are published on a calendar and Working Day respectively. It is these reports that are used in the final settlement of the market.

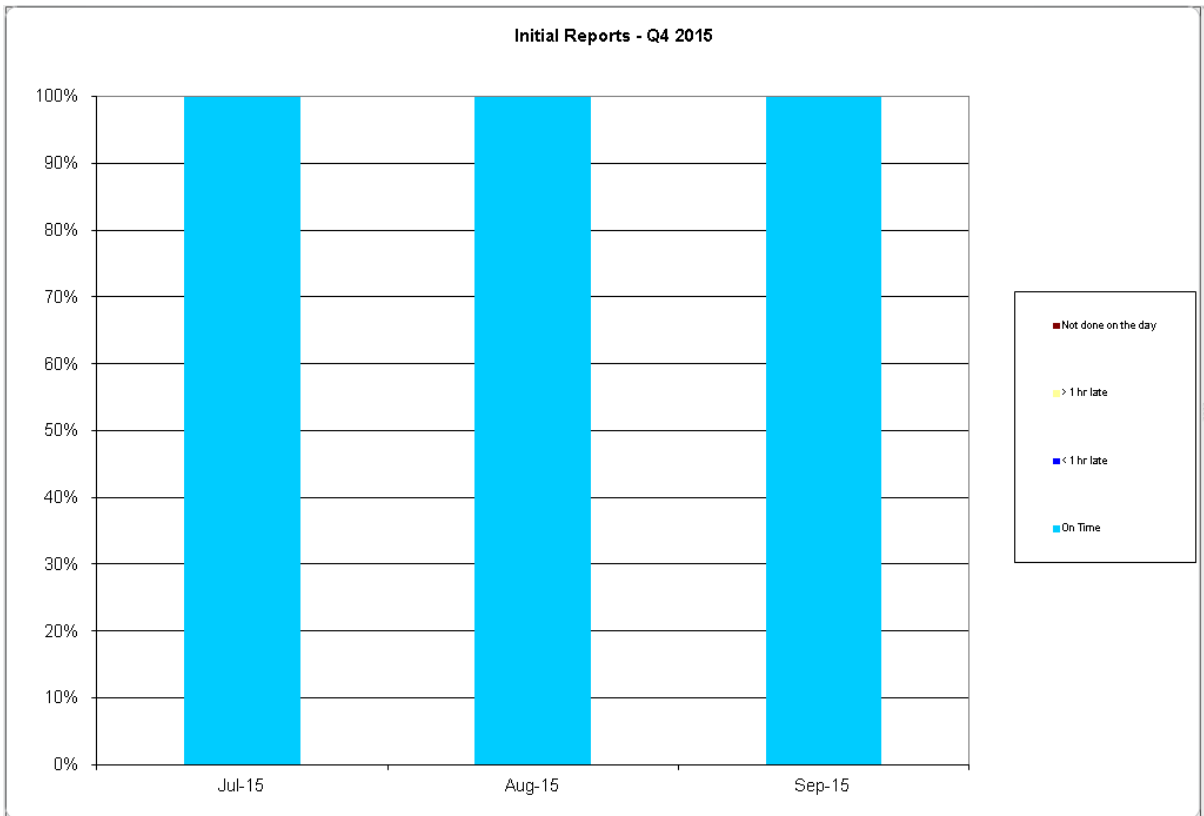


Figure 5 - Initial report performance

All Initial Market Schedules were published within the Trading and Settlement Code time scales.

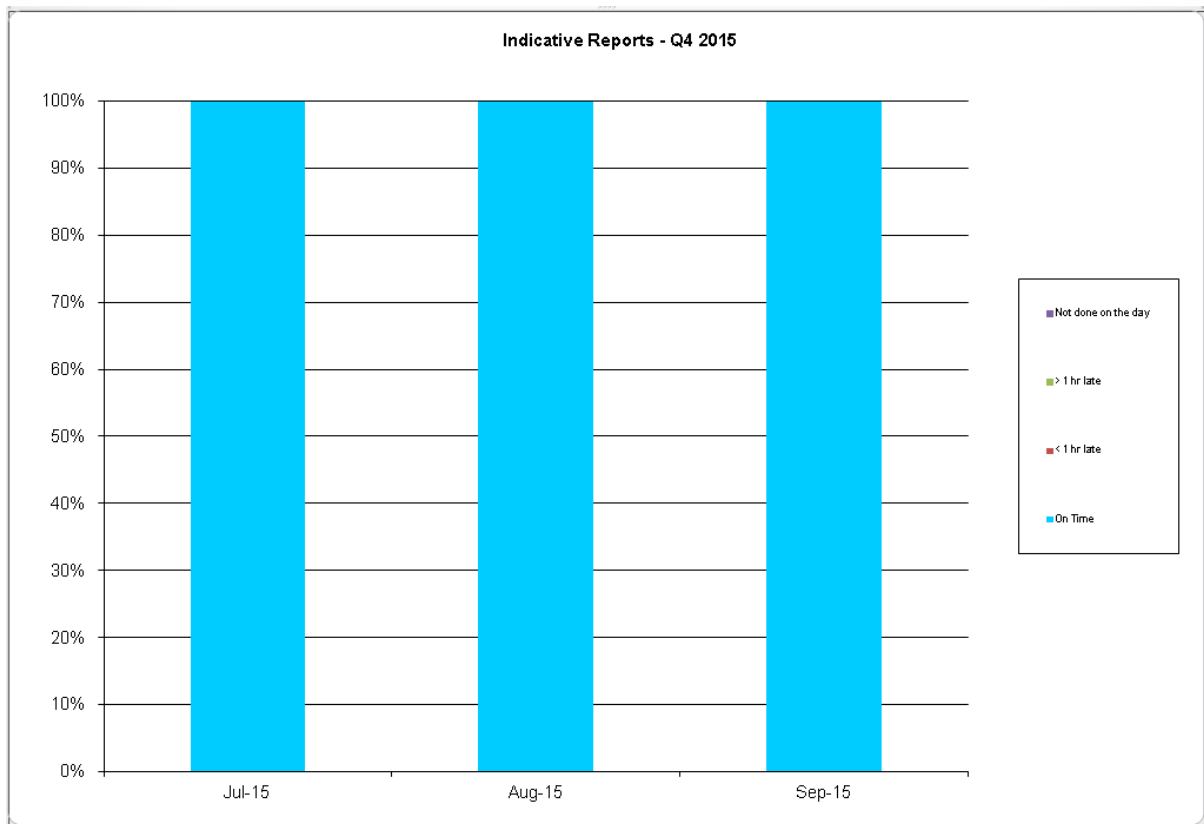
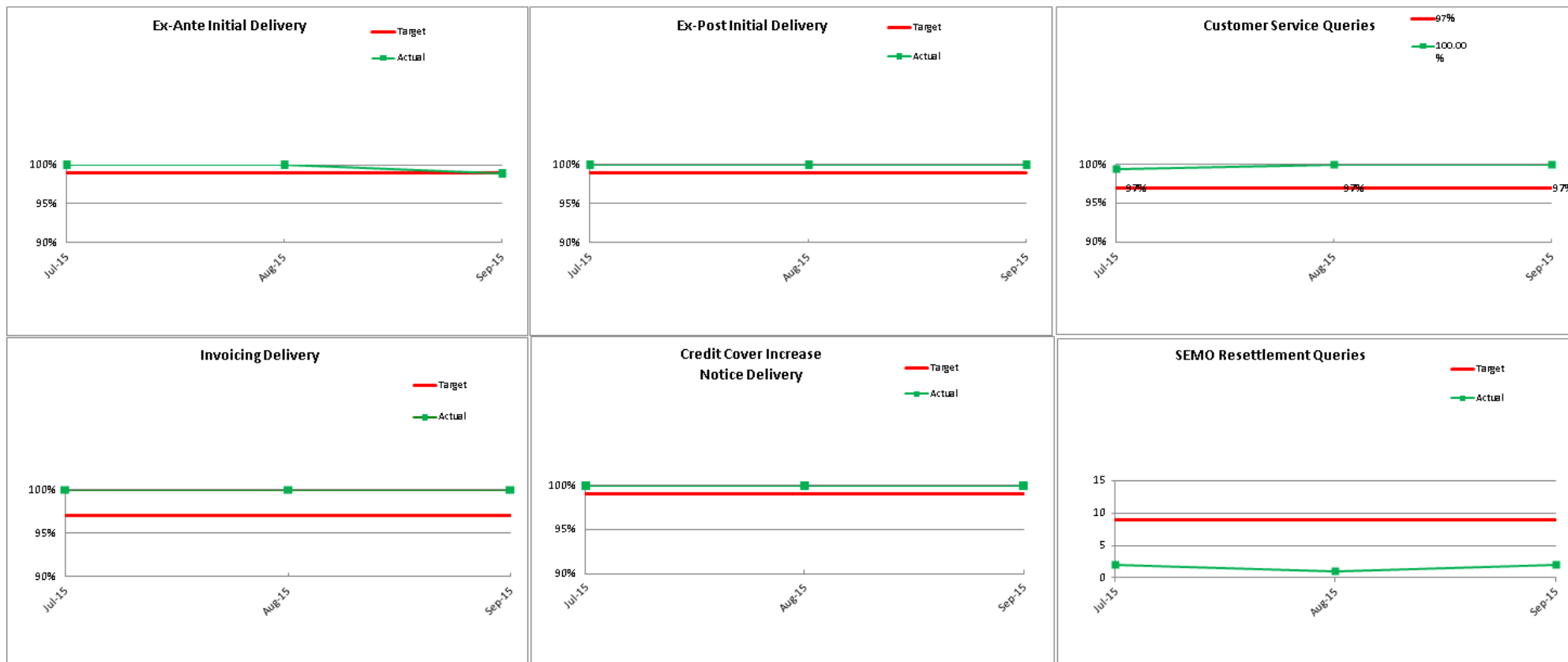


Figure 6 - Indicative report performance

3.2 SEMO Key Performance Indicators

The following graphs display SEMO performance in line with the Key Performance Indicators as set out in the SEM Revenue & Tariffs decision paper.



3.2 *Planned Resettlement M+4 and M+13*

Scheduled Re-Settlement has continued to run on time and on schedule.

3.3 *Ad hoc Pricing and Ad-hoc Resettlement Runs*

Adhoc Reprices

There was no Ad hoc re-prices required for Quarter 4.

Ad hoc Resettlement

There were no late publications for the scheduled Ad hoc resettlement as per the Settlement Calendar

3.4 *Administration of Credit Cover*

The SEM has been fully collateralised according to the Trading and Settlement Code provisions during Q4, Jul 2015 – Sept 2015. However at times Posted Credit Cover may be less than the calculated requirement leading to Participants being issued with Credit Cover Increase Notices (CCINs). All CCINs were fully honoured within Q4. For more information on Credit Cover in the SEM, please refer to [section 6](#).

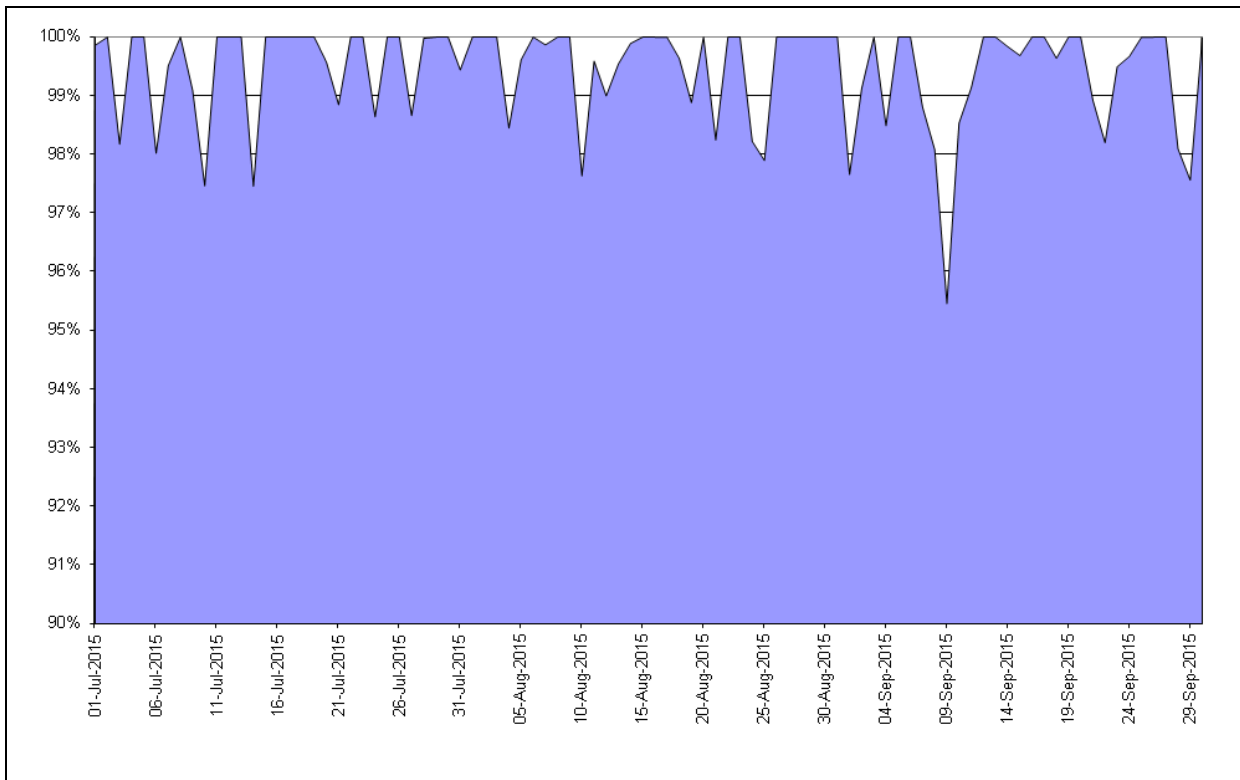


Figure 7 Market Collateralisation in Accordance with Trading and Settlement Code Requirements

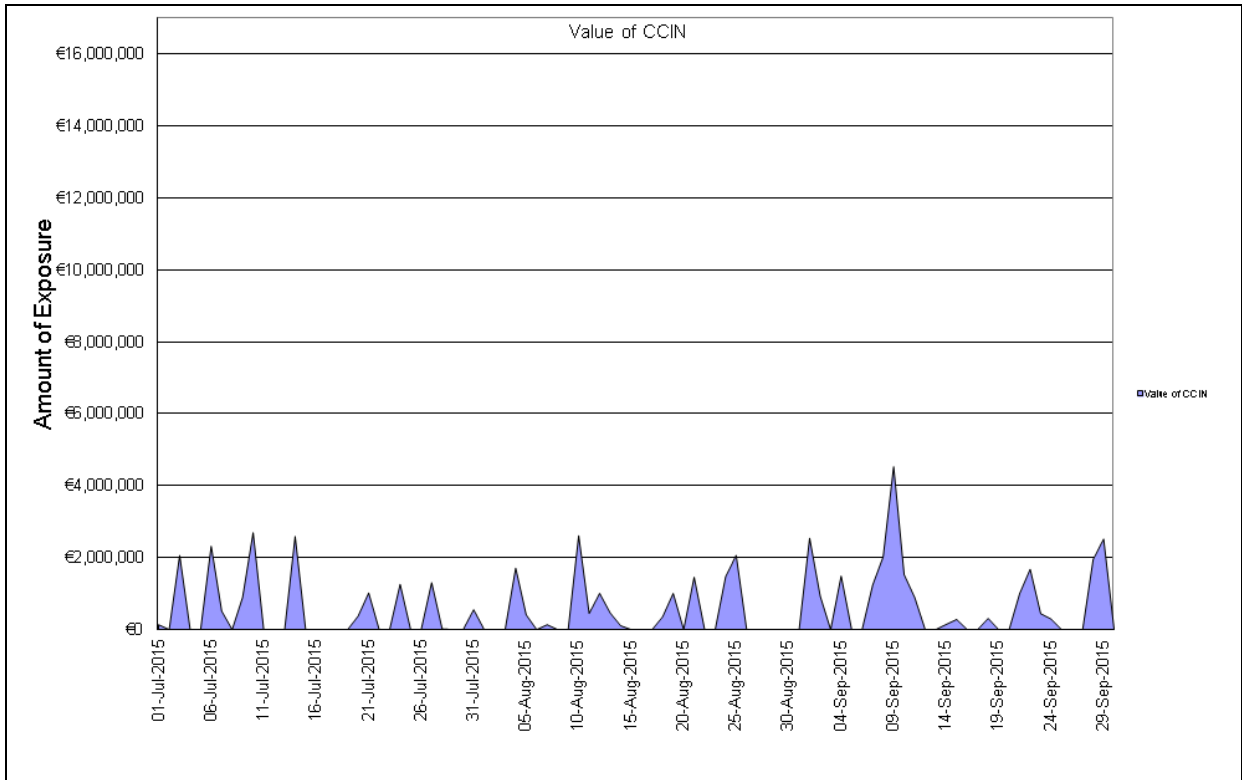


Figure 8 Credit Cover Increase Notice Total Amounts per Day

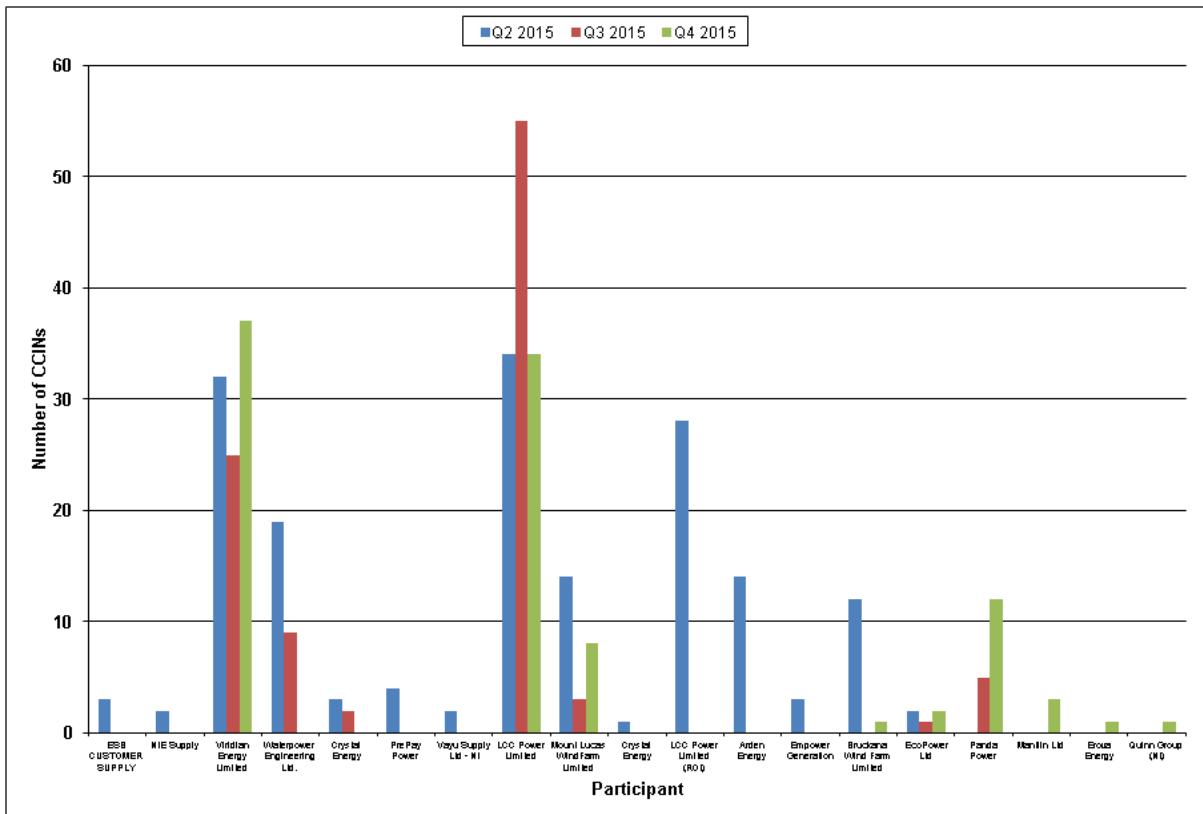


Figure 9 –Number of Credit Cover Increase Notices Issued

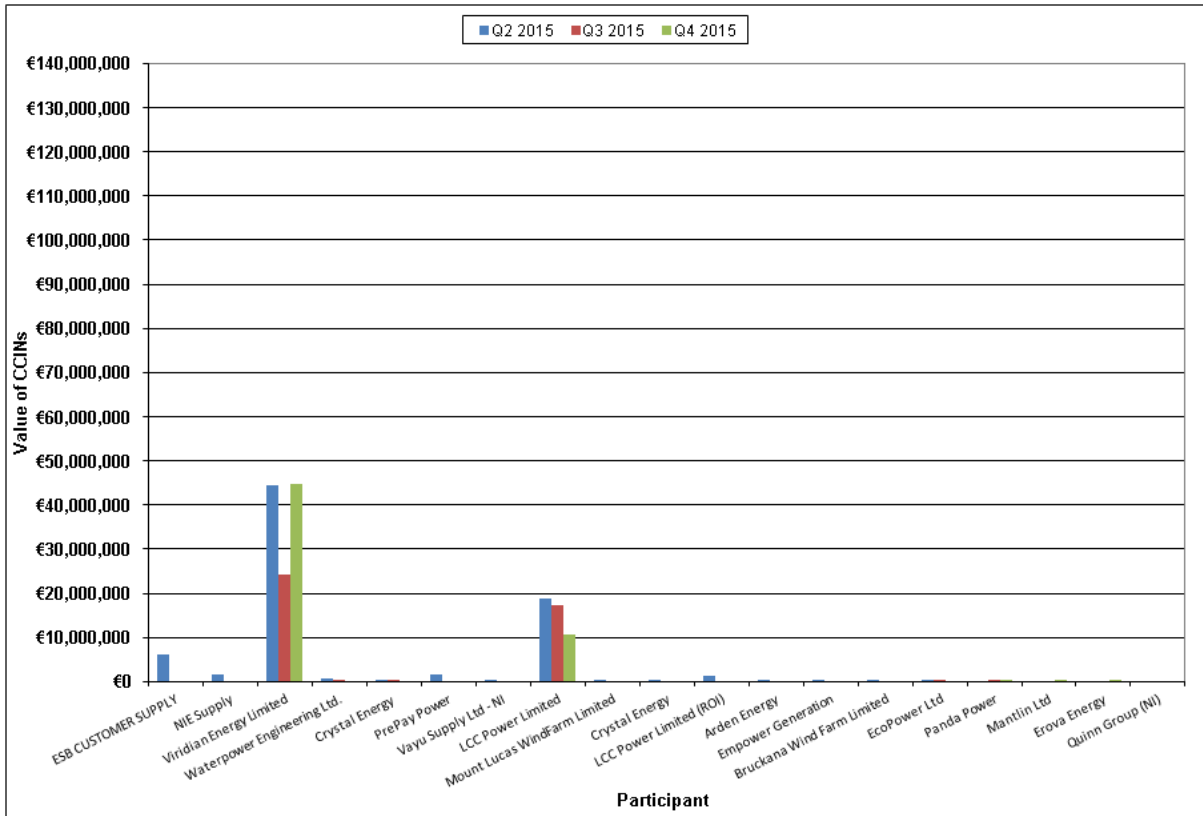


Figure 10 - Value of Credit Cover Increase Notices

The frequency of CCINs decreased in Q4 2015 compared to Q3 2015 (100 compared to 99 last quarter) with the greatest number of CCINs issued in Sept 2015 (43).

These CCINs were distributed across 9 Participants this quarter. The total value of the CCINs issued was just over €55 million compared to €42 million in the previous quarter.

3.5 Breaches of the Trading and Settlement Code

There were 47 breaches of the Trading & Settlement Code in Q4 2015 that SEMO is aware of. This is up from 23 in Q3 2015.

SEMO was responsible for a total of 4 breaches in this quarter, down from 17 in Q3 2015.

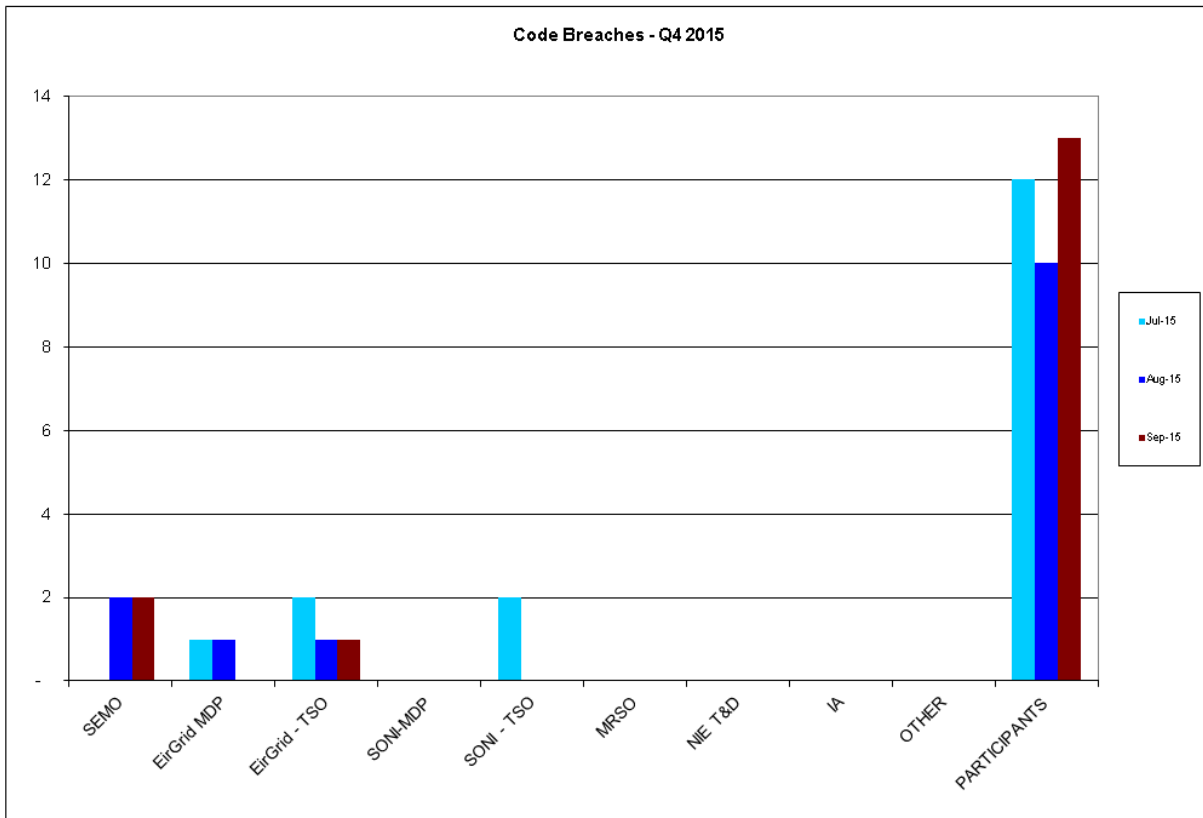


Figure 11 - Number of Trading and Settlement Code Breaches

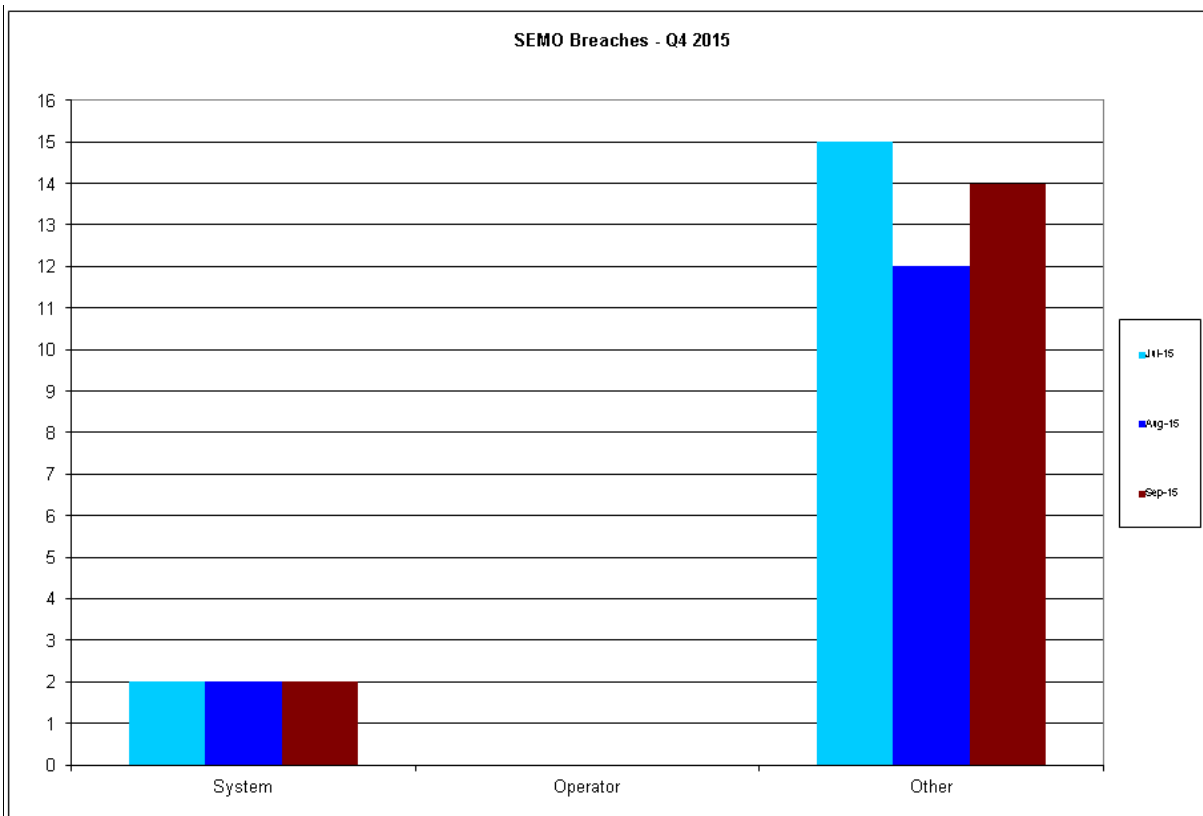


Figure 12 - Source of SEMO Trading and Settlement Code Breaches

4 Regulatory Affairs

SEMO has completed the annual analysis of MSP software parameters and yearly Credit Cover Parameters review. The relevant reports have been issued to the Regulatory Authority by the August deadline for approval.

5 Provide Information

The Trading and Settlement Code obligates SEMO to answer Data Queries and Settlement Queries within a given time line. Since 1st November 2007, with the exception of two Settlement Queries, all such queries have been answered within the timelines prescribed. This is still the case for this quarter. General queries have no prescribed timeline for response; however, SEMO aims to answer these within 15 working days. We aim to answer Urgent General Queries within 3 working days; the number of queries answered within SEMO guideline timeframes continues to be a focus for SEMO.

There was one Dispute raised in this quarter.

5.1 Customer Queries in a Timely Manner

Details of Data, Settlement and General Queries can be found in the below table and graphs for the Quarter ending 30/09/2015.

| Query Type | Resolved within the period | Resolved in the period | Resolution Time |
|------------|----------------------------|------------------------|-----------------|
| Settlement | 15 | 20 | 9.82 |
| Data | 5 | 6 | 2.93 |
| Dispute | 0 | 2 | 47.43 |
| Urgent | 0 | 1 | 1.84 |
| General | 470 | 520 | 2.75 |

Table 2: Query Statistics for Quarter

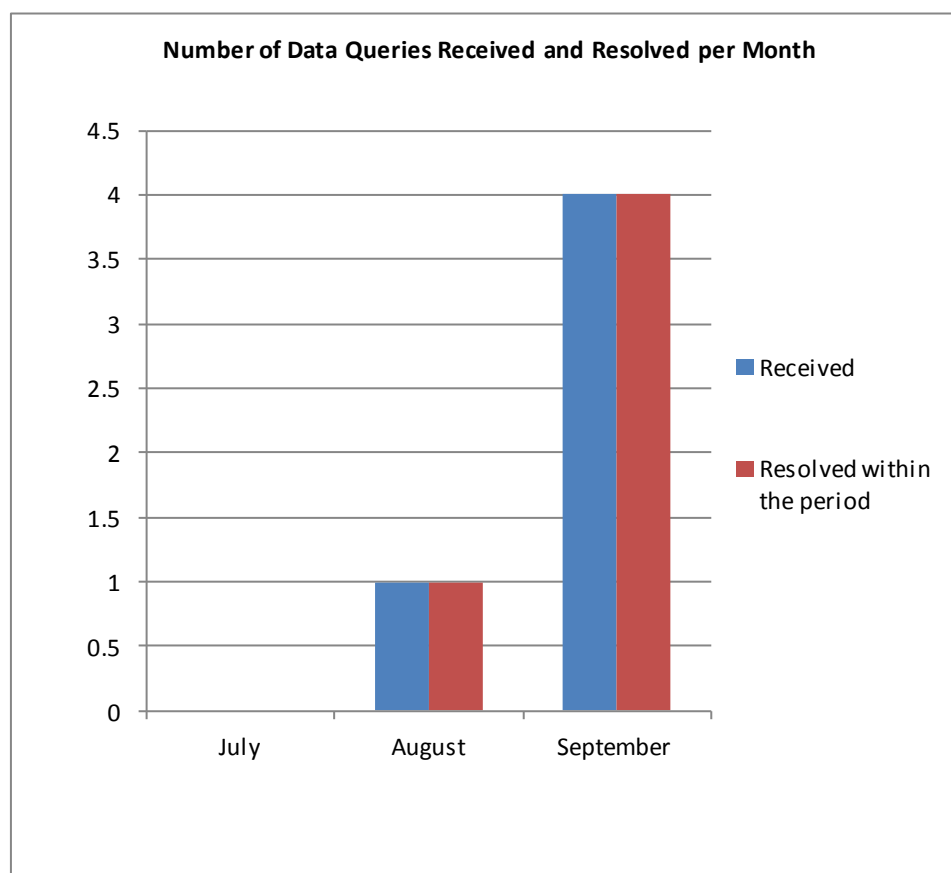


Figure 13 - Number of Data Queries submitted and Resolved per month

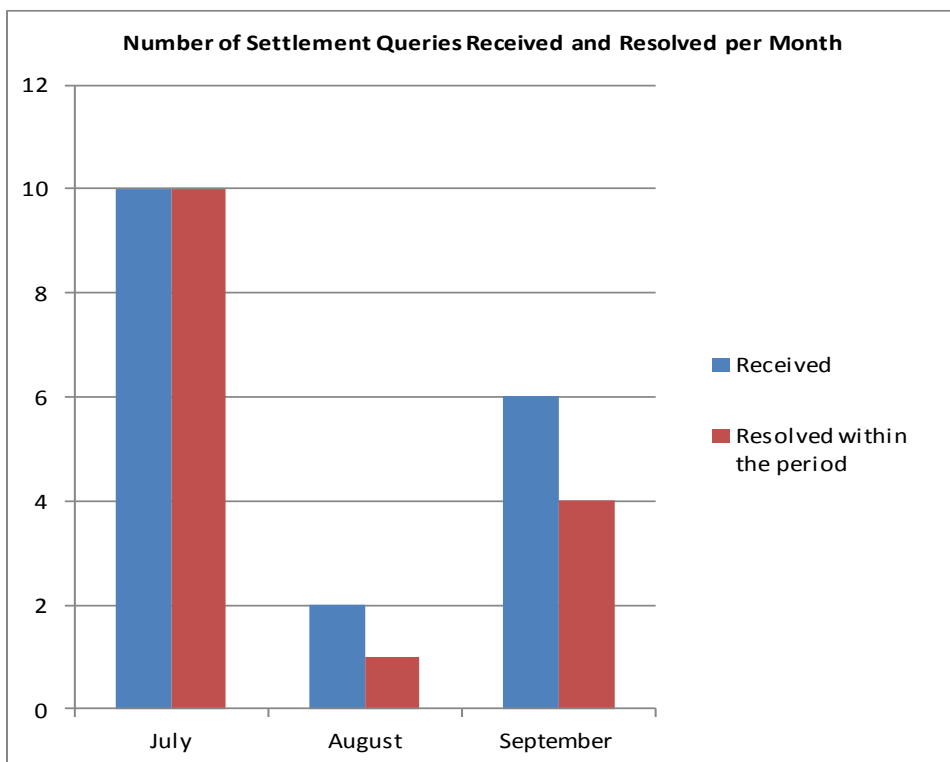


Figure 14 - Number of Settlement Queries submitted and resolved per month

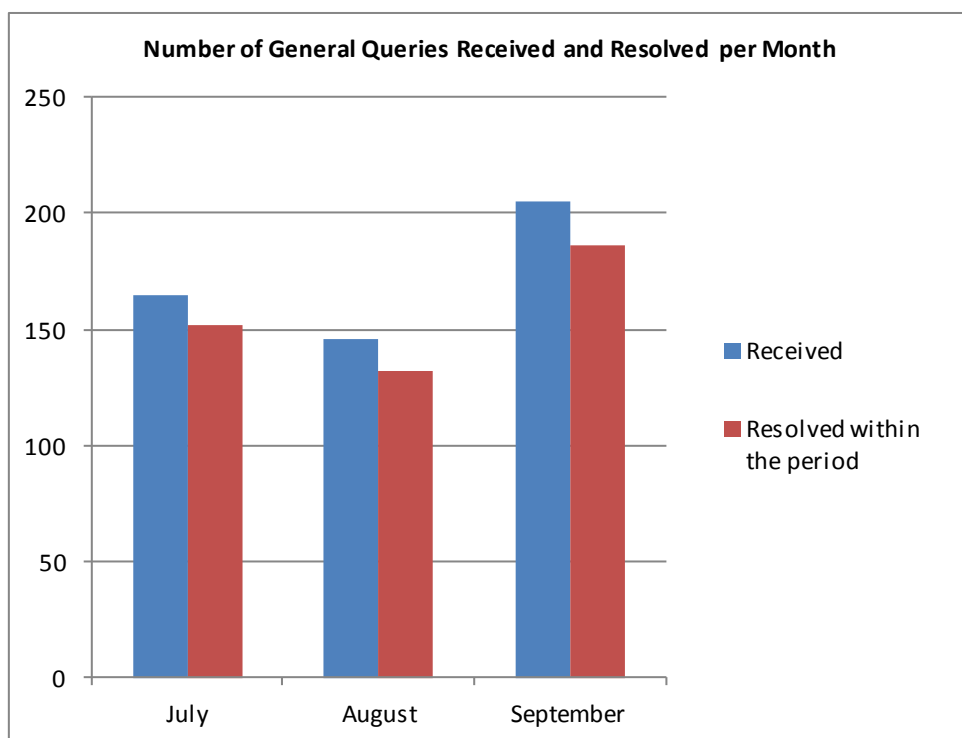


Figure 15 - Number of General Queries submitted and resolved per month

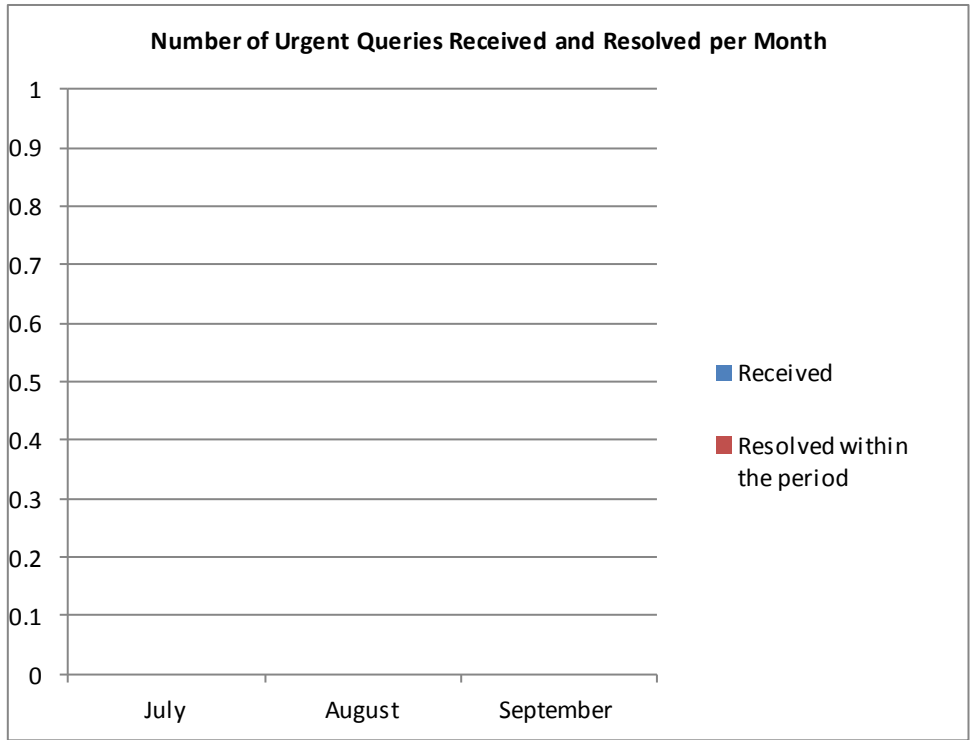


Figure 16 - Number of Urgent Queries submitted and resolved per month

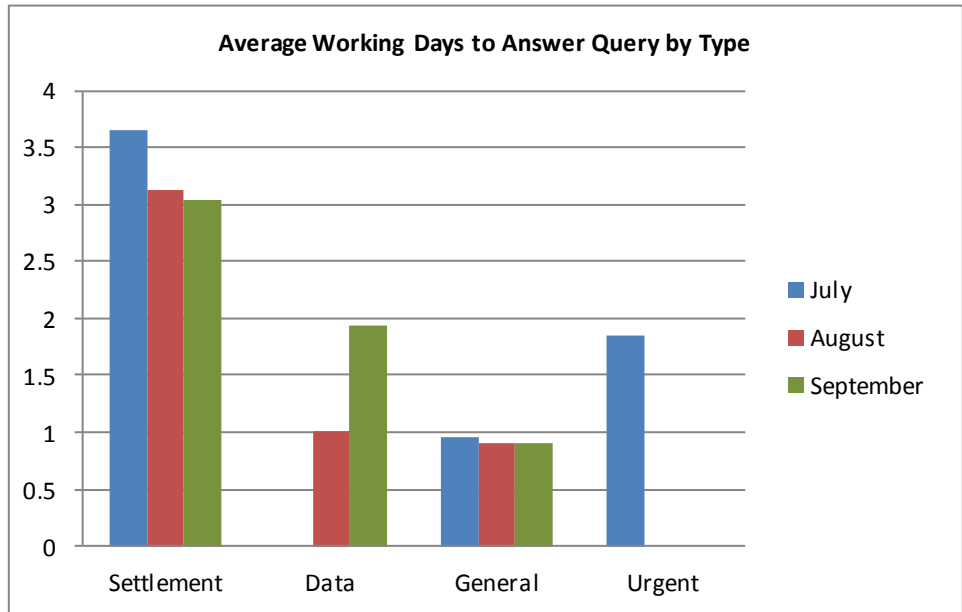


Figure 17 - Average Working Days to answer query type per month

5.1 Facilitate and Educate Participants to accede to the Code

Five new Parties have acceded to the Code in this period:

- PY_000142 DWL Energy Supply Limited
- PY_000143 Lightsource SPV 10 Limited
- PY_000144 Gaelectric Green Energy Limited
- PY_000145 Shell Energy Europe Limited
- PY_000146 Captured Carbon Limited

5.2 Facilitate Interaction with Customers

Stakeholder Events

SEMO organised one Market Operator User Group Conference Call (23/09/2015).

We also hosted four individual stakeholder information meetings.

6 Required Credit Cover Coverage Analysis

6.1 Foreword on Required Credit Cover Coverage

On a quarterly basis the Market Operator (MO) is obliged under decision paper SEM/07/10 to "compare the extent to which calculated RCC was sufficient to meet the actual liabilities realised in respect of each Participant". This report compares how well the calculated Required Credit Cover (RCC) matches the actual (or realised) RCC in the SEM.

Given the complex nature and volumes of data involved in performing an exact comparison of calculated to realised RCC, the modelling performed was based on a number of assumptions which simplified the analysis. Full details of the assumptions used in the RCC Coverage modelling are provided in Appendix A.

In the results below the term 'under-estimation' refers to situations where the calculated RCC was less than the realised RCC meaning the RCC at the time of calculation was less, in hindsight, than it should have been. The reverse is true for 'over-estimation' where the calculated RCC was more than what was actually required.

Occurrences of under-estimation identified in the analysis do not necessarily mean that the market itself was under-collateralised as this is dependent on the level of Posted Credit Cover. The majority of Participants tend to have sufficient levels of Posted Credit Cover to meet fluctuations in RCC. The under-estimation merely identifies where the calculation of RCC was less than ideal relative to the realised RCC.

6.2 Summary of Required Credit Cover Coverage Analysis

The key conclusions on the RCC Coverage are:

- RCC Coverage was under-estimated 27% of the time in Q4 2015. This showed an increase of 16% compared against Q3 2015. This figure is higher than the long term average of 20% under-estimation since market start. It is, lower than the values seen in the same quarter last year 3%.
- The value of each occurrences of under-estimation has increased from the previous quarter from 0.04% to 0.29%, lower than the long term average of 0.79%.
- In Q4 2015, where the RCC Coverage is not sufficient, the market is under-estimated by an average of approximately €539,000 on a total market exposure of just over €195million. The long term average equates to an under-estimation of €1.9 million on a total average market exposure of €265 million from the beginning of the market.

6.3 Occurrences of Under or Over Estimation

Figure 17 below illustrates the trend in the number of RCC calculations under or over-estimated. For the SEM as a whole, Q4 2015 period has seen the RCC under-estimated on 27% of credit cover calculations. This is an increase of 3% from the same period last year and an increase of 16% from previous quarter reported. The average SMP price and the demand both decreased only slightly compared to the previous quarter.

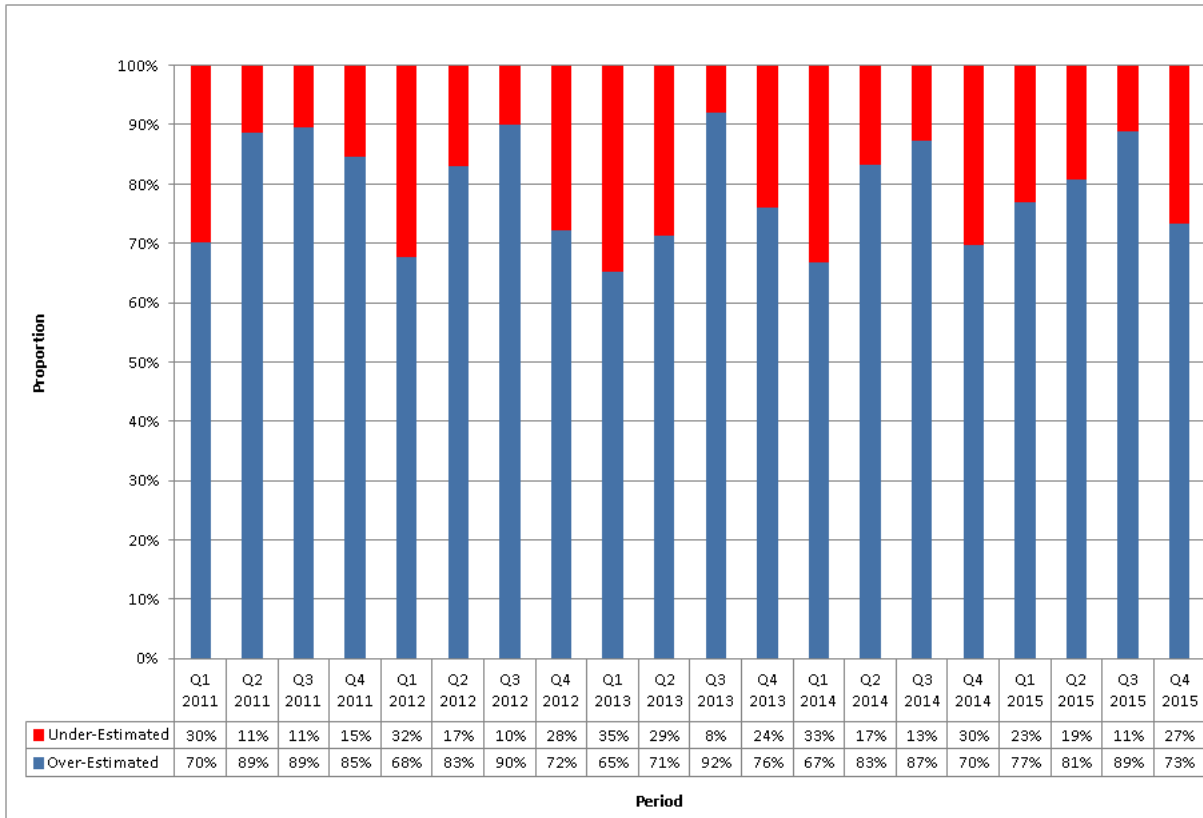


Figure 17- Occurrences of Under or Over Estimation

As discussed in previous reports on RCC Coverage the key factor in the proportion of under or over estimation is the historical SMP relative to the current period SMP.

Figure 18 below illustrates the trend in average daily SMP for Q4 2015, the daily time weighted average was €50, which is lower than in Q3 2015 (€51). The SMP has historically been higher and more volatile in the first years of the market. It had then stabilised at lower values from around Oct 12 until Sept 2015. From this time on, we have seen SMP only slightly increasing in average value; however, there has been less deviation with higher peak prices being seen a few times in Q4 2015.

Another factor impacting on the proportion of under or over estimation is the variation in the System Demand which, in this quarter, has decreased by 10% from previous quarter.

These small variations have limited the amount of under estimation in the current quarter, particularly as demand shows an increasing trend across the Q4 2015.

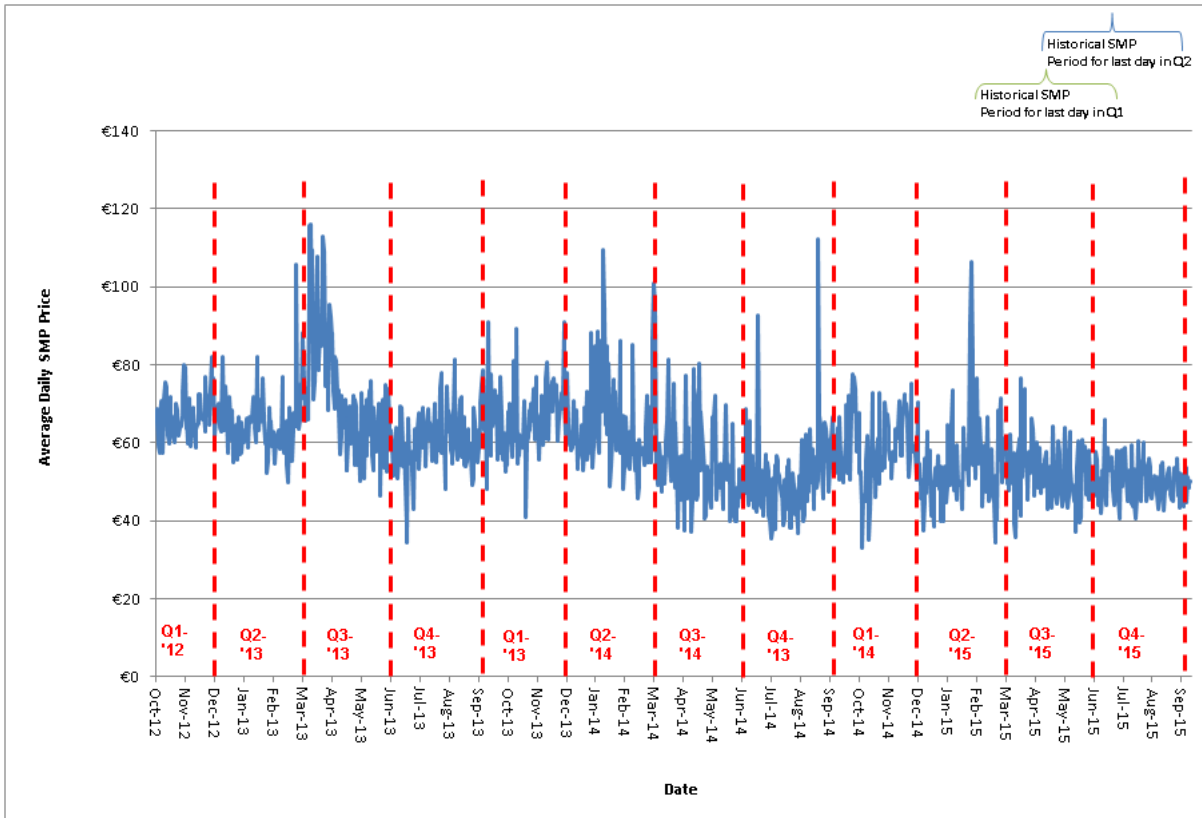


Figure 18- Trend in Average Daily SMP

6.4 Extent of Under and Over Estimation

Figure 19 below illustrates the trend in the extent to which RCC is under or over-estimated, when it occurs.

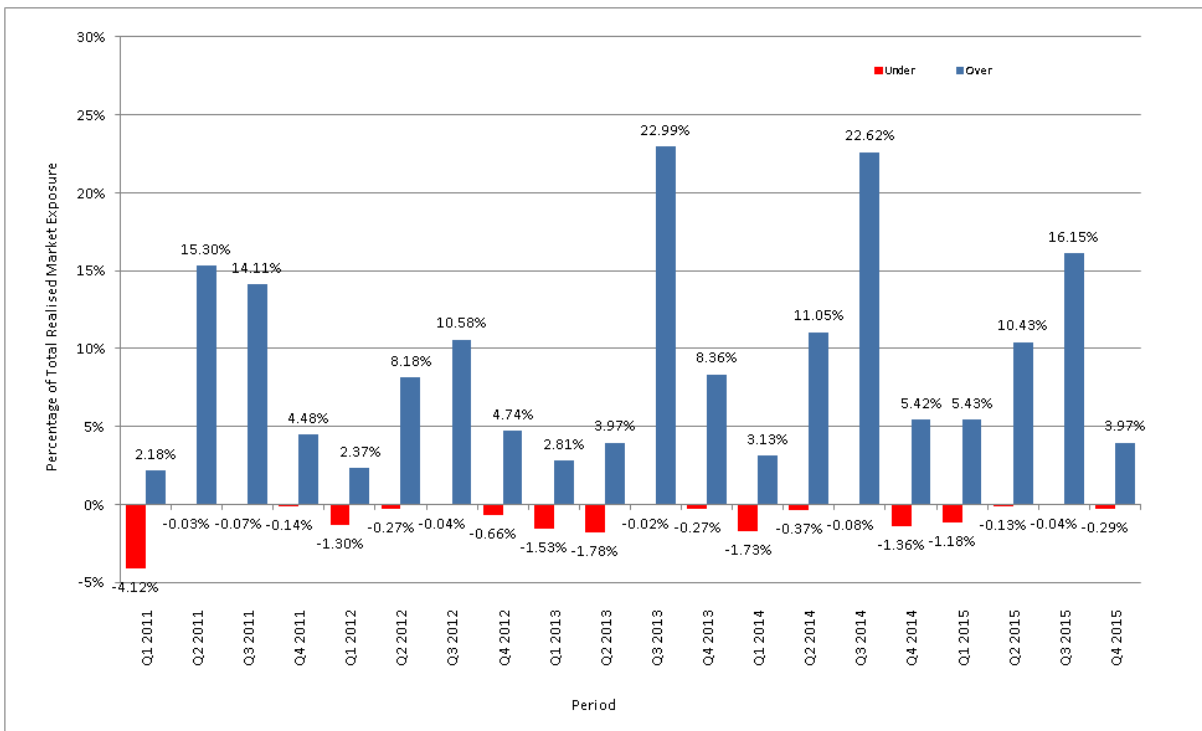


Figure 19 – Extent of Under or Over Estimation when Under or Over Estimation Occurs

The majority of under-estimation, since the start of the market, is below 1%. Q4 2015 is lower with a figure of 0.29%.

Where over-estimation occurs, this has been on average between approximately 1.54% and 27% since the start of the market. In the quarter under analysis, the extent of over-estimation decreased to 3.97% compares to 16.15% in the previous quarter. This is lower than the long term average of 8.73%.

6.5 Market Monetary Exposure

Figure 20 below shows the actual monetary exposure of the SEM (excluding VAT) to these under or over estimations.

In Q4 2015, from an average exposure of the market of just over €265 million, the market has had an average RCC under-estimation of just over €1.9million and an average RCC over-estimation of € 7 million on any given day.

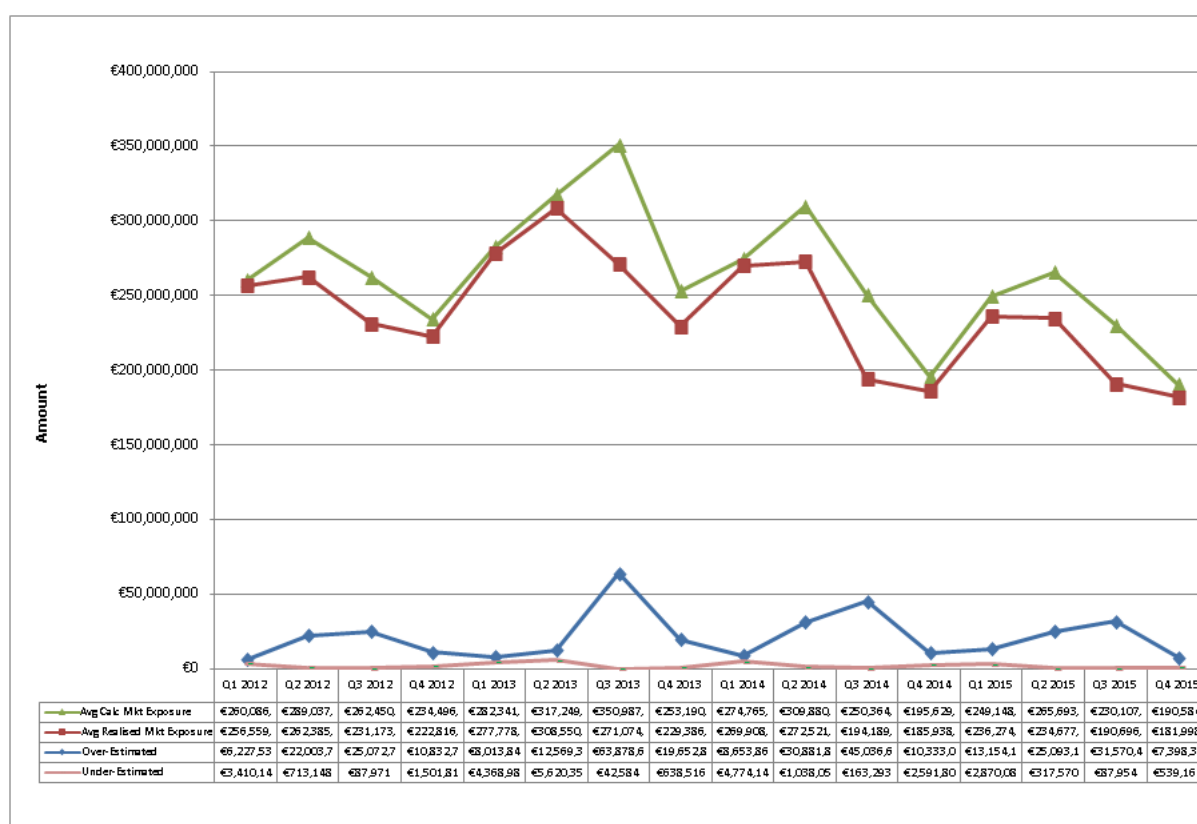


Figure 20 – Monetary Exposure due to Accuracy of Credit Cover Calculations

6.6 All Quarters Summary

For the SEM as a whole, from market start to the end of Sept 2015, RCC has been under-estimated 20% of the time. Of these occurrences the under-estimation as a percentage of the total realised market exposure is on average less than 1%, or €1.9million out of a total average realised market exposure of € 255 million.

With regard to over-estimation, the SEM as a whole has been over-estimated 80% of the time with the over-estimation as a percentage of the total realised market exposure being on average 9.04%, or €23million out of a total average realised market exposure of €255million.

7 Appendix A: Required Credit Cover Coverage

a) *Required Credit Cover Coverage Modeling Assumptions*

Given the complex nature and volumes of data involved in performing an exact comparison of calculated to realised RCC, the modelling performed was based on a number of assumptions which simplified the analysis.

- Only Participants with Supply Units were considered in the RCC analysis as they are the only Participants that have a positive RCC liability as a result of initial settlement. Generators are considered to have a negative RCC liability (i.e. no liability) as a result of initial settlement. Generators may have a liability due to resettlement but this is covered in credit cover calculations by the fixed credit cover requirement.
- Analysis was performed on a Participant Account basis for supply accounts only.
- All values were converted into Euros for ease of comparison. The exchange rate used was for trade date 13th October 2015. The value was 0.7480 for Euro to Pounds sterling.
- Settlement values used in the analysis are Initial Settlement values, with the exception of some Indicative Settlement values which were used for the last few days of analysis as initial values were not available. This is also the reason for small adjustments to figures published last quarter.
- When compiling the current report, data was available for the retrieval of the realised versus calculated UDE for the whole period up to the end of Sept 2015
- Results for previous reporting periods may have changed slightly due to adjustments made to the model. This was to exclude units prior to enough historical data being available for the correct comparison of calculated and actual values. The change in values is not material to the results.
- VAT was not included in calculated or realised figures for Actual, Undefined or total market exposure. Proportions and percentages were determined without the application of VAT. This assumption was deemed to have little bearing on the final results as it is a percentage based tax which would apply to both calculated and realised amounts in the same proportions.
- A methodology was employed that simplified the analysis required in determining Actual Exposure and both calculated and realised Undefined Exposure (UDE). The volumes of processing required would otherwise involve repeating calculations for each day of the market for each Participant for both Energy and Capacity, using the snapshot of inputs for that particular day. This functionality is not available in the Credit Risk Management system implemented for the market and is not practical to perform external to the market systems at this point in time.
 - The Energy UDE and Actual Exposure were determined using settlement amounts for each day of the period being analysed (Nov 2007 to Sept 2015).
 - The UDE period for Energy was kept constant at 16 days when comparing calculated and realised RCC. The modelling does not allow for holidays or delays receiving settlement data for weekends, however, the comparison basis is the same for both calculated and realised RCC. Therefore, this assumption should have minimal effect on the results.

The Actual Exposure for Energy was kept constant at 14 days. This is based on the average Actual Exposure being 7 days invoiced and 7 days un-invoiced.

- Part of the analysis required the comparison of the under or over estimation to the total market exposure. In order to determine the total market exposure the following methodology was used.
 1. Determine Energy UDE
 2. Determine Energy Actual Exposure
 3. Determine Proportion of Total Exposure made up by Energy and Capacity individually
 4. Determine the Capacity contribution to total exposure using the proportions of Energy and Capacity, and the Energy UDE and Energy Actual Exposure.
- The total market exposure proportion was determined using the following assumptions:
 - Energy has a significantly greater effect on the total exposure in the market relative to Capacity. Energy, based on 2014 financial year, is typically 78% of total market exposure, while Capacity is 22% of total market exposure. This is based on the figures for the period Oct 2014 to Sep 2015, of operation of the market, in which the Energy market was approximately €2billion and a Capacity market of approximately €573 million.
 - VAT was not included in Total Market Exposure figures.
 - Fixed Credit Cover used to provide collateral for resettlement was not considered as it forms a small proportion of the total exposure and should not affect the calculated versus realised comparisons.
- The first quarter of 2007 only consists of two months, November and December 2007. This is as a result of the market starting on 1st November 2007. All subsequent quarters are three months, and align with the standard reporting year for the market.
- There are only 14 days of analysis included in Q4 2007 as 45 days worth of historical data (HAP) are needed before the calculation of UDE can be determined.
- Please note that as of October 2010 report, reporting graphs now reflect the Financial Year not the Calendar Year as previously presented i.e. Quarter 1 (October – December 2010), Quarter 2 (January – March 2013) and Quarter 3 (April – June 2013).