

I-SEM Market Readiness Summary Report

September 2016

Version Control

Revision History

Summary of Changes	Version	Revised By
Release Version	1.0	I-SEM Project

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1. Introduction

This Market Readiness Report provides the latest summary view of progress towards readiness for live I-SEM operations. It is based upon the results of a survey questionnaire issued in August 2016 to parties who will participate in the I-SEM arrangements or undertake other operational roles, as well as to other parties with responsibility for delivering the infrastructure necessary for I-SEM operations, scheduled to Go-Live in October 2017.

These parties notably include Generators, Suppliers, Interconnector Owners, Meter Data Providers (MDPs), Transmission System Operators (TSOs) and the Regulatory Authorities (RAs).

The response rate to the survey was encouraging and in line with expectations at this relatively early stage of the implementation project, with over thirty parties actively participating. Responses were received from all of the larger participants, as well as from the key infrastructure providers. However, care needs to be exercised when viewing the results, as the number of responses received from participants in the “medium” and “small” category was relatively low, but perhaps this is indicative of their current progress towards readiness.

Many projects are relatively young and many of the categories of readiness information surveyed relate to items which either would not yet be expected to have started, or else are quite rightly in their very early days. As such, care needs to be exercised when evaluating the overall assessment of readiness or in drawing conclusions. The results provide a useful snapshot, informing parties on areas of focus, and will result in some actions to address areas of concern. However, those results must be viewed and considered in the context of where we are in the project lifecycle and against the depth of participants providing survey responses.

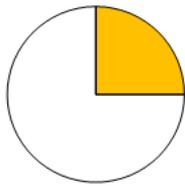
Given the early stage of readiness and quality of data, it was felt inappropriate at this point to report progress against individual readiness metrics, which broadly fall under the following headings:

- Business Strategy & Finance
- Legal & Contracts
- Systems
- Business Processes & Procedures
- People & Organisation
- IT Infrastructure
- Market Trial
- Transitions to Live Operation

However, in future reports, progress at an individual readiness metric level will be included to add the necessary detail to the results, in accordance with the [Market Readiness Plan](#), which was published in July 2016. The report format will also evolve, to become the readiness dashboard which is also detailed in the Market Readiness Plan. Currently, it is felt that such detail would be spurious rather than informative, deflecting from the summary results rather than adding to them.

The readiness survey will be repeated in October and December 2016, with reports issued shortly thereafter. In 2017, surveys will be monthly for a period of time, then twice-monthly for a period leading up to Market Trial. In the period leading up to Go-Live, the readiness reporting will likely be on a weekly basis, using the latest information then available, so as to provide the most complete and up to date snapshot of the progress to readiness. This will allow all parties to identify and address issues in a timely fashion to ensure that project timelines are met.

2. Overall Summary



Reflecting the relatively early stage of the I-SEM Project, most parties are in the initial stages of development against the vast majority of the metrics and criteria surveyed. Hence overall, we are in the first quartile of readiness (0-25% of the work required to get to readiness completed), even if some individual parties or metrics might be further advanced, and others are not yet started.

A lack of definition, certainty and understanding, plus some delivery challenges or concerns regarding the challenging timeline (for example, for market participants to procure, design, build and test systems to be ready for the start of Market Trial) have contributed to the overall assessment of readiness being ‘at risk’ (Amber).

It should be noted that at this stage of an implementation project, the resulting amber risk status is to be expected; indeed, it would be a rare project to have no material issues or risks (i.e. ‘green’), let alone one with as many different components and stakeholders as the I-SEM Project. Understanding these issues and risks provides the situational awareness required to be able to properly assess the current status and take the necessary actions to mitigate the risks or address the issues identified.

1. Readiness by Category

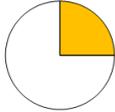
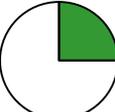
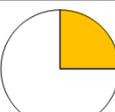
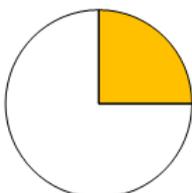
Category	Status	Category	Status
Market Participants		Interconnector Owners	
Meter Data Providers		RAs	
TSOs			

Figure 1: Status by Category



Market Participants

- A common view expressed is that it is not possible for organisations to develop credible business strategies, organisational or resource plans while Market Rules are still being finalised. As such, these activities are delayed or at risk.
- Participant system readiness is a general concern, as vendor contracts cannot be finalised until technical specifications have been finalised.
- Many participants reported concerns regarding the complexity of the market design – regarding their current level of understanding and the overhead to engage with and influence the development of the I-SEM arrangements.

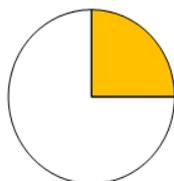
- Participants also expressed concerns regarding the compressed project schedule not providing sufficient time for their own projects (notably system developments), as they appear to take insufficient account of participants' dependencies on designs, rules, licences and specifications necessary to progress their own projects. This in turn creates risks associated with the procurement of systems, such as proceeding on the basis of incomplete or non-baselined requirements, or compressing the development timeline.
- There is a widespread need for more information about registration requirements, collateral arrangements, etc. in order for participants to be able to determine their corporate structures.
- Several medium and smaller independent participants highlighted the challenges of understanding and managing the impact of the I-SEM on their current business operations.

Response: The RAs and TSOs recognise the complexity of the arrangements and the challenging timelines. The Level 2 Milestone Plan and progress against its milestones are now published weekly, with monthly discussion at the Project Managers' Group to understand and help to address issues and manage risks. It is hoped that ongoing engagement through the various liaison groups will keep the industry sufficiently informed of developments and ensure that the TSOs and RAs are kept informed of participant requirements and concerns.

The development of the Trading & Settlement Code and the Capacity Market Code, via the Rules Working Group process, helps to socialise emerging thinking at the earliest opportunity, to allow participants to influence the detail and to ensure that there should be no surprises in the final rules issued for consultation in Q4 2016. The NEMO rules, being based largely on the existing EPEX/ECC rulebooks, are also being shared during their development via the Business Liaison Group, which hopefully should mitigate much of the risk which participants understandably highlight.

A release schedule for the I-SEM Technical Specification has been published and included in the Level 2 Milestone Plan; the current status of those releases is tracked and reported in the weekly status report and updated Level 2 Milestone Plan. The release schedule aims to publish emerging detail at the earliest opportunity, based upon the design and build programmes of the vendors of the central systems. The release schedule was also shared with participants via the Technical Liaison Group and Project Managers' Group, and issued for Impact Assessment, prior to it being included in the Level 2 Milestone Plan. As a result, changes were made where possible to address the requirements of participants.

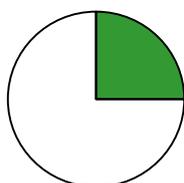
The RAs and TSOs are also acutely aware of the need to improve understanding of the new markets. To that effect the TSOs are developing a series of market guides for publication in Q4 2016. Furthermore, the TSOs will provide additional updates on various aspects of the market before they are finalised - for example, a BLG meeting on Registration will take place on 19th October, 2016.



Interconnector Owners

- The enduring Coordinated Capacity Calculator (CCC) solution being developed by Coreso will be delayed and an interim solution needs to be developed.
- Greater visibility of key system development work impacting on scheduling is required.
- There is a need for greater clarity on some of the cross-zonal work being done.

Response: The TSOs are currently finalising an assessment of the impact of the delayed CCC and developing proposals for an interim solution. A new group has been set up to improve communications with the Interconnector Owners.



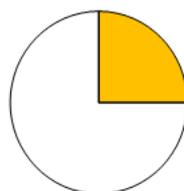
Meter Data Providers

- The MDPs are generally on schedule with their activities.
- Any potential changes arising from I-SEM registration processes may be of concern in terms of systems impact for some MDPs.

Response: The RAs and TSOs are actively supporting the MDPs through the Meter Data Providers Working Group.



RAs



TSOs

RAs/TSOs

- Good progress has been made and the overall project target remains October 2017 for Go-Live. Not unlike other major market change programmes, there are a number of issues and risks requiring active management.
- The market design is largely complete and good progress has been made on the development of Market Rules and Agreed Procedures.
- The RAs and TSOs are currently assessing the current plans to have the first CRM auction in June 2017. Further detail on this will be issued in due course.
- Primary legislation has been passed in both jurisdictions while the second tranche of licensing consultations will commence shortly.
- Central systems/services implementation activities are well underway with vendors and service partners.
- A number of challenges exist on agreeing cross-zonal and regional coupling arrangements with key external parties such as Ofgem, the GB NEMOs, National Grid and JAO (Joint Allocation Office) and these are a current key focus.

3. Actions and Forthcoming Market Readiness Assessments

In addition to the normal project activities to manage the risks and issues which were outlined in section 2, all queries from the readiness questionnaire will be managed through the TSOs' Query Management System. The relevant parties will be contacted in due course as part of the resolution process.

The next readiness questionnaire will be issued in an on-line format during October.

4. Explanation of Harvey Balls & RAG Status

Harvey Balls are used to provide a visual summary to rapidly communicate status. The current status of progress towards the achievement of each criterion/milestone is assessed as being at one of the following stages summarised below:

-  Work not started
-  0-25% of work complete
-  26-50% of work complete
-  51-75% of work complete
-  76-99% of work complete
-  Criterion/milestone achieved – no further work is needed

Further, the Harvey Ball is coloured Green, Amber, or Red to summarise the severity of any issues, either current or foreseen relating to the criterion: such issues might include, for example, concerns about the delivery schedule, or concerns about delivering the required functionality:

-  No issues/risks
-  The criterion/milestone is at risk (for example, work is behind schedule)
-  The criterion/milestone will not be met without remedial action