

Form A – IGG Design Discussion Request

Discussion Request Number	Title	Priority
DR 0163	Risk-based Market Assurance Approach	Low

Name of Requesting Organisation	Gemserv Ltd (Assurance Body)
Contact Name	Peter Varley & Babatunde Sodeke
Date Request sent to RMDS	22 nd October 2008

Date	Version	Reason for Change
22 nd Oct. 2008	0.1	First draft
23 rd Oct. 2008	1.0	Release to the market
22 nd Dec. 2008	2.0	Following IGG discussion on 11 th December

Detail of Discussion Request
<p>The assurance strategy objective is to provide assurance that Market operations will not be disrupted by the legitimate activities of market participants and the introduction of changes to the design of the Market itself. The key principle behind assurance is that it should not place an unnecessary burden on the participant, thus the assurance body has sought to balance the overhead of the assurance process against the risk posed by the participant.</p> <p>In the GB Electricity Market a risk-based approach has recently been introduced and has been applied to several market participants. This allows greater flexibility for the appropriate application of assurance techniques in situations such as:</p> <ul style="list-style-type: none"> • A supplier whose aspirations are for only low numbers of metering points and who are willing to accept a threshold on registrations, above which further Assurance would be obligated; • A new supplier that is utilizing systems, processes and staff that are already operating in the market; and /or • A new brand for an existing supplier <p>The above could be viewed as lowering the risk to the market whereas their corollaries could be seen as indicating higher risk. This flexible approach could allow less onerous entry requirements in commencing operational market activity and a significant reduction in time to market, for example by reducing the number of IPTs where “already-operating” systems are to be used.</p> <p>Further flexibility to the process could be achieved. For example:</p> <ol style="list-style-type: none"> 1. Some assessment phases could be carried out in parallel to market operation e.g. initial assurance for a New Entrant includes Change of Supplier but New Connections deferred to later assurance phase, in parallel with early operations; or 2. Offsetting assurance requirements by agreeing limitations on an organization’s operational activity. <p>It is recommended that to support the above, a new technique, known as Controlled Market Entry (in GB) is introduced. Controlled Market Entry (CME), is an initial period of market operation by Suppliers under agreed conditions (e.g. the number of registrations that can be initiated in a given period) and defined criteria that have to be achieved before CME conditions can be lifted. At appropriate points an audit is carried out after which the conditions may be lifted or modified, on the recommendation of the Assurance Body.</p>

CME is designed to provide the other Market Participants with a degree of assurance that any initial problems experienced will be contained.

Please follow the link below for full details of the CME process used in the GB Electricity Market:
<http://www.mrasco.com/ewcommon/tools/download.ashx?docId=1151>

It is suggested that the risk-based approach together with CME might be applied in Ireland and that this could facilitate a shorter time to market, with less overhead, for new low-risk Suppliers but with an assurance toolkit that can also mitigate operational risk for Suppliers competing in the (large-scale) domestic sector.

A more detailed proposal will be formulated and submitted as part of the MCR.

Reason for Discussion Request

Provide additional flexibility to meet the requirement for pragmatism in the Assurance Strategy. Costs incurred would be limited to updating two approved market documents and one presentation.

Market Design Documents impacted by Request

None.

The following Assurance documents will be affected:

- Retail Market Assurance Strategy
- Irish Retail Electricity Market - Market Entry Assurance
- IPT within the Assurance Process - an introduction for new entrants

Date of IGG where discussed

30th October 2008, 11th December 2008, 22nd January 2009

Change Request xref (if applicable)

PART 2 MARKET ASSURANCE:

Applicability

ESB Networks	Suppliers	TSO	SSA	Generators
	X			

Scope of Test

Connectivity	DTT	MSA	IPT	Other
None	None	None	None	None
			No. Of Scenarios	

Scope of Discussion Request

Correction to Documentation	Business Process	Market & MP Systems	MPCC	Readings Processor	Market Gateway	Schema	Web Forms

x							
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