



Interim Governance Arrangements for All Island Retail Market Harmonisation Project

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1 Introduction

The Single Electricity Market (SEM) came into effect on the 1st November 2007, introducing a single wholesale market for electricity on the island of Ireland. In recognition of the potential benefits of competition, in March 2007 the RAs signed an addendum to the original 2004 MoU. Section 6 of the SEM Memorandum of Understanding states that:

“CER and NIAUR will apply a transparent, consistent and harmonised approach to the regulation of the wholesale and retail markets in a manner which supports effective competition and equal treatment of participants and customers regardless of their location. Such approach will encompass application of the same principles of regulation to:

- a. *ESBPG and PPB, including ring-fencing arrangements:*
- b. *PES in both markets, including:*
 - i. *ring fencing arrangements;*
 - ii. *tariff/revenue regulation;*
 - iii. *economic purchase obligations;*
 - iv. *the operation of PSO arrangements.*
- c. *and for all Suppliers:*
 - i. *Supplier switching arrangements/requirements;*
 - ii. *codes of practice”*

Since then, the Commission for Energy Regulation (CER) and the Northern Ireland Authority for Utility Regulation (UR), together the Regulatory Authorities (RAs) have implemented a number of measures to promote competition within the retail markets across the island. The RAs agree that harmonisation of the retail markets will further the common objectives of encouraging competition in supply markets and improving quality of service to all customers.

In this context the RAs will undertake a project on harmonisation of operational procedures within the electricity retail markets. This project will be known as the Retail Market Harmonisation Project (“Harmonisation Project” (HP)), and in its first stage will define a set of harmonised market messages and associated Supplier facing processes. This document outlines the governance arrangements of the HP and how they might then evolve, both within the project and in the longer term.

Given the scale of work to be undertaken, these governance arrangements may change as the HP evolves. CER and UR are the joint owners of this document. Any changes to this document are to be made on an agreed basis between CER and UR.

2 Background to Retail Market development in RoI and NI

The retail market systems in both jurisdictions pre-date the SEM and there are significant differences in terms of processes, functionality, capacity and the underlying IT systems (Supplier interfaces and back end systems).

2.1 Retail Market in Northern Ireland

In November 2007, new IT systems were implemented by NIE and NIEES to support the first stage of domestic electricity market opening in Northern Ireland. These systems were designed to deliver an interim solution which would enable a limited level of competition, constrained in terms of numbers of customers able to switch Supplier because of linkages to ageing legacy systems. To date, there has been significant competitive entry into the Industrial and Commercial electricity market, and more recent entry into the domestic market.

The retail market in Northern Ireland utilises 34 market messages which are sent as XML messages over the internet. The market messages cover various aspects of the following areas: Registration, Objection and Cancellation, Supplier Unit Registration, Customer Details, Fieldwork Requests and Responses, Meter Reading, Meter Read Withdrawal, Meter Point Characteristics, Unmetered Suppliers and Message Processing. In addition manual messages are used in Billing and Aggregation. NIE have provided software for the messaging solution, EMMA, which sends and receives messages through the market gateway, GEMMA. Certain types of information are provided to Market Participants via a secure server rather than market messages.

During the course of 2008, UR asked NIE to develop costed options to procure an Enduring Solution (ES), primarily to replace legacy moribund systems, but also to remove constraints on retail market activity. Therefore it has been agreed that the Enduring Solution will replace legacy systems nearing the end of their useful life, provide full business separation between NIE and NIEES, introduce more equitable arrangements for Suppliers and enable unconstrained market activity. In agreement with UR, a formal European Journal procurement process was initiated in December 2008, which led to the selection of Wipro as System Integrator (SI) for delivery of the Enduring Solution based on a CC&B platform, in July 2010.

In May 2010, ESB announced their intention to acquire NIE (the distribution business, and the transmission network), the transaction completing in January 2011. This presented an opportunity to reconsider the underlying technologies for delivery of the Enduring Solution, and assess whether further harmonisation could beneficially be achieved through the implementation of ESB's SAP-based solution to support market operations in the north. A short study demonstrated the feasibility of this proposal, and the Enduring Solution project is now delivering a hybrid solution for the NI market: a modified version of ESB's SAP solution for NIE, to support market operations, and a CC&B solution for NIEES.

2.2 Retail Market in the Republic of Ireland

The retail market was fully opened to competition in Ireland in 2005. Following a public consultation CER published its decision to establish the Industry Governance Group (IGG) to manage the market systems. CER also assigned the role of Design Administrator for the retail electricity market to a ringfenced team within ESB Networks, the Retail Market Design Service (RMDS). The RMDS is responsible for all aspects of the retail electricity market design on behalf of CER. The Retail Electricity Market Design has 92

market messages which are sent as XML messages over the internet. The Market Messages cover the following areas: COS, Customer Data, DA & DP, DUoS, Meter Works, New Connections and Unmetered. ESB Networks have provided software for the messaging solution, the Market Participant Communications Component (MPCC) which sends and receives messages. Webforms are used to create Market Participant messages and the readings processor converts readings messages to legacy formats.

The regulatory framework created to support full market opening in 2005 has provided the right environment for competition to develop, increasing since then in both the business and domestic markets. In 2010, CER published its Roadmap to Deregulation, which set out the milestones for the end of price regulation. Having met the criteria for deregulation, all business markets were deregulated on 1st October 2010 and the domestic market on 4th April 2011. With the deregulation of the domestic market, all suppliers are free to set their own tariffs in all market sectors.

The development in competition, which led to deregulation and should continue to deliver real benefits to customers, has been supported by automated central market systems. These systems have successfully accommodated approximately one million customer switches over approximately two years (from early 2009 to early 2011) and are constantly evolving to meet industry needs.

2.3 Genesis of the Harmonisation Project

In considering how to address the differences set out above, initial investigations indicate that harmonisation will be achieved in a number of areas of retail market operations through greater alignment of Supplier facing retail market procedures. At a meeting of the Market Opening Senior Stakeholders Group (MOSSG) in Belfast on 23rd September 2009, to which representatives of Suppliers active in the RoI were invited, it was agreed that the starting point for this alignment should be the schema and processes presently in place in RoI, albeit that relevant key elements of the NI schema and processes would be retained where this was beneficial to the all-island market as a whole.

The HP comprises two stages.

The objective of the (now complete) first stage was to determine what pragmatic changes could be implemented within both jurisdictions to achieve greater harmonisation, and to document these as the Harmonisation Baseline. This baseline comprises two sets of documentation: the schema documentation, and the market message guides (for each of Northern Ireland and RoI), detailing the arrangements and processes for market messages, and how these will be communicated within the market place. This baseline documentation highlights those areas where full alignment is in place between NI and RoI and also notes arrangements and processes which remain unique to each jurisdiction at the point of issue of the baseline. Work to develop the Harmonisation Baseline progressed in a joint working group comprising NIE, Electricity Supply Board (ESB) Networks and the Suppliers. Version 1 of the Harmonisation Baseline (HBL1) was agreed by HSG in January 2010. An updated version of the Harmonisation Baseline (HBL2) is scheduled to be released in June 2011, consolidating the detailed changes to HBL1 which have emerged as part of the Enduring Solution design activities.

Full implementation of the Harmonisation Baseline will also require revised market procedures for both Northern Ireland and the RoI. As part of the second stage of the Project, these are currently in preparation and will be agreed with all Suppliers prior to implementation of the Harmonisation Baseline in each jurisdiction.

As well as considering the alignment of messages and processes and documenting these as a baseline for further work, the first stage of the HP also considered any opportunities for greater alignment of technical solutions. The Enduring Solution project selected a Tibco-based infrastructure to replace EMMA and GEMMA for the network operator, and all Suppliers in the north. ESB has since evaluated this proposal, and announced that it will also be implemented for the network operator and all suppliers in the south, replacing the current MPCC infrastructure. In due course, Suppliers in both jurisdictions will therefore benefit from a common technology and single application for all market communications.

The objective of the ongoing second stage is to implement the Harmonisation Baseline across the retail markets in both Northern Ireland and the Republic within an agreed timeline linked to implementation of the Enduring Solution project. This will require that all market participants (ESB, NIE and all Suppliers) each undertake any required process and systems changes in advance of a defined period of market-wide testing. NIE plan to deliver the Enduring Solution in May 2012. This will require all Suppliers in the north to undergo a full programme of market testing in March / April 2012, leading to recertification in May 2012. In the south, ESB plan to deliver updated systems in September 2012, with inter-participant testing for all suppliers during July and August of the same year.

The second stage of the HP is subject to appropriate governance to ensure that the degree of harmonisation achieved is not diluted. Rather, it considers on an ongoing basis whether there are further opportunities to extend harmonisation, to the extent possible. These may include, for example, consideration of the potential for the development, documentation and implementation of common market procedures across the two jurisdictions in due course.

3 Scope of Governance Arrangements

Work on the HP will be progressed through the Harmonisation Steering Group (HSG) and the Harmonisation Working Group (HWG) whose scope and determination are outlined below. Once the HP is complete, the HSG will determine an appropriate future role for it and any enduring HWGs, to ensure the momentum of harmonisation is maintained.

Long term governance arrangements, for example, arrangements for a single schema release, may be put in place to manage the outcomes of the HP. However, such governance arrangements are outside the immediate scope of this document and will be addressed by HSG prior to Enduring Solution Go Live in May 2012. The remainder of this paper will discuss the current governance arrangements for the HP.

3.1 In the Scope of the Initial Harmonisation Project

- Market Messaging and Associated Supplier Facing Processes
- Global Aggregation
- DUoS Billing
- Alignment of IT messaging applications including hub arrangements
- Other issues as identified by any recognised market stakeholder, raised through the RAs and agreed by HSG

3.2 Out of Scope for Harmonisation Project

- Licensing Arrangements
- Jurisdictional Requirements, including the MRC in NI and MRA in RoI
- Other issues as identified by any recognised market stakeholder, and reviewed / agreed as out of scope by the RAs

3.3 Potential areas for further consideration by HSG

As the project has progressed to Stage 2 (see Section 7), further areas for consideration by HSG have been identified, beyond those envisaged in the initial drafting of these ToR. These include:

- the adoption of Global Aggregation in both jurisdictions. Global aggregation will be introduced in the RoI market in June 2011. For the NI market, HSG has agreed that the Enduring Solution should be bedded fully into normal operations prior to the introduction of Global Aggregation. Beyond that date, both the potential for any further harmonisation of Global Aggregation, and the associated governance arrangements, remain to be confirmed, but it is likely HSG would play a significant role in this.
- HSG will also give further consideration, in due course, to the market assurance arrangements post Go-Live, and whether there should be an alignment in the processes in both jurisdictions.

3.4 High Level Principles for Governance Arrangements

The objective of the HP is to define what needs to be done to obtain a pragmatic alignment of schema and market facing processes in RoI and NI. The governance arrangements have been developed to reflect the following high level principles for retail market governance:

- Industry Representation and Input

- Practical solutions
- Efficiency and Cost Control
- Transparency and Accountability
- External Involvement and Consultation
- Consistency and future direction
- Impartiality
- Evolution of the design

These principles apply throughout the first and second stages of the HP, and will also be reflected in any enduring governance arrangements put in place beyond that point.

4 Parties subject to the Governance Arrangements

The parties subject to these Governance Arrangements are:

- The Regulatory Authorities (CER and UR)
- The Network Operators (ESBN and NIE)
- Licensed Suppliers in NI and/or RoI
- TSO and SEM-O

Note: For the purposes of this document, ESBN shall refer to both ESB Networks and RMDS.

5 Roles and Responsibilities of the Parties

5.1 The Regulatory Authorities (RAs)

The RAs have the responsibility to ensure that any changes made to the market under the auspices of the Harmonisation Project are prudent, economically sound, pragmatic given the competing drivers of timeline and the time to develop ideal solutions, and in the best interests of all stakeholders from both jurisdictions. Therefore the setting of objectives and any final decisions related to the project must be agreed to by both RAs.

The RAs are responsible for the administration and facilitation of both the HSG and HWG. These responsibilities are to be shared on a 50:50 basis in so far as is reasonably possible. Therefore CER and UR aim to alternate the chairing and hosting of meetings, minute taking and all other duties related to the above. The standing duties of HSG include the following:

- The RAs chair and host the HSG and appoint the chair or chairs of the HWGs.
- The RAs are jointly responsible for the setting of project objectives. The HSG and HWG are kept informed of progress in this regard.
- The RAs work closely with the NOs and Suppliers in order to achieve project objectives in a timely and effective manner.
- The RAs authorised the critical Harmonisation Baseline position in January 2010.
- The RAs may attend HWG meetings, and if so, will do so in an observatory role.

5.2 The Network Operators (NOs)

The NOs are the owners of the systems that allow the retail market to operate. Therefore, they are responsible for changing and upgrading these systems in accordance with the requirements of the project.

- The NOs attend and participate at the HSG and, if appointed by the RAs, act as joint chairs of the HWGs
- The NOs develop and bring forward proposals for alignment of market messages and associated Supplier facing processes, building on the present approach in Rol
- The NOs are responsible for the detailed implementation of project objectives, within budgets and timescales approved by the relevant RA. The HSG and HWG are kept informed of progress in this regard.
- The NOs work closely with the RAs and Suppliers in order to achieve project objectives in a timely and effective manner.
- The NOs complete the actions they are assigned.
- ESNB and NIE report the deliberations of the HWG to the HSG – albeit that the RAs also attend the HWG meetings.

5.3 Suppliers

As the end users of any upgraded systems, Suppliers have a key role in the implementation of the project. Suppliers are in the best position to identify the risks associated with identified project objectives. Active participation by Suppliers helps avert any such risks and ensure the project runs smoothly.

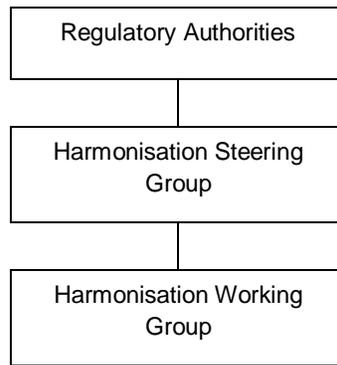
- Suppliers have the right to attend and are encouraged to participate at the HWG.
- Suppliers work closely with the RAs and NOs in order to achieve project objectives in a timely and effective manner.

5.4 TSO and SEM-O

The TSOs and SEM-O have defined responsibilities in relation to the wholesale electricity market and the transmission system. To the extent that these responsibilities impact on the retail market, for example in relation to Global Aggregation, the RAs expect these bodies to participate in the HWG to ensure that any proposed changes are consistent with wholesale market and transmission system requirements.

6 High Level Governance Arrangements

The diagram below illustrates the chain of responsibility for the Retail Market Harmonisation Project:



6.1 The Harmonisation Steering Group

The HSG provides guidance on overall strategic direction of the Harmonisation Project. In this regard, the HSG identifies new actions and objectives to be undertaken by stakeholders. The HSG seeks to ensure that actions and objectives are completed in an effective and timely manner.

The HSG will endure throughout the life of the HP. The RAs are jointly responsible for the administration and facilitation of the HSG. The members of the HSG comprise CER, UR, ESB Networks and NIE.

The HSG plays a key role in authorising the Harmonisation Baseline (including any changes), developed on its behalf by the HWG. Where the HWG cannot reach agreement on an issue pertaining to harmonisation, the Chair(s) of the HWG will summarise the available options and present these to the HSG for resolution.

Suppliers' views are represented on the HSG by NIE and ESB Networks. However, the RAs also attend HWG meetings to ensure they have a full appreciation of Suppliers' views, and Suppliers may also write to the appropriate RA if they believe a proposal or concern has not been properly addressed through HWG / correctly recorded in its minutes. A Supplier representative may be invited to the HSG to represent Suppliers' views if the RAs deem this necessary. A summary of the key points of discussion at each HSG meeting is presented to all Suppliers at the following HWG meeting.

It is essential that the stability of the Harmonisation Baseline is maintained through a formal and active change control process. Existing change control procedures in both jurisdictions have been extended to handle changes to the Harmonisation Baseline. These are administered on behalf of HSG by HRDS (in conjunction with SIG and IGG), and are set out more fully in a separate document¹.

¹ Harmonised Retail Market Design Change Control Process, available at http://www.rmdservice.com/portfolio_services/change_control_process.htm

The HSG meets approximately every six weeks in so far as is reasonably possible, and more often if required. The location of HSG meetings alternates between CER offices and UR offices in so far as is reasonably possible.

During the second stage of the HP (January 2010 for approximately two years), and the implementation of the Harmonisation Baseline, the HSG plays a key role in:

- Maintaining the stability of the Harmonisation Baseline through the strict application of change control to any matters which fall within the overall remit of harmonisation;
- Adopting additional areas of harmonisation where these can be shown (through such change control) to be in the overall interest of the market, and capable of accommodation within the workplans (including timescales and budgets) of all market participants; and
- Overseeing market assurance arrangements, to ensure all market participants are capable of moving to a harmonised market environment in a co-ordinated manner.

6.2 The Harmonisation Working Group

The HWG co-ordinates work on identified actions and objectives so as to ensure their effective and timely implementation. Three workstreams are being progressed through the HWG, including Market Messaging and associated Suppliers facing processes; Global Aggregation; and DUoS Billing. However, these identified workstreams may change in the future.

The RAs are jointly responsible for the administration and facilitation of the HWG. The RAs may delegate responsibilities in this regard to other members of the group if they see this to be appropriate. The RAs appoint the chair or chairs of the HWG, who are responsible for the progressing of matters to the agreed timetable and the reporting of HWG deliberations to the HSG. The members of the HWG comprise ESB Networks, NIE, all Suppliers who are active, or who plan to be active, in RoI and/or NI who wish to attend, the TSOs and SEM-O.

The primary objective of the HWG is to develop the Harmonisation Baseline for submission to the HSG for approval, including any revisions and updated versions. To complete this work, the HWG meets approximately every six weeks in so far as is reasonably possible. The location of HWG meetings alternates between CER offices and UR offices in so far as is reasonably possible.

6.3 Relationships with other bodies

Established groups in both Northern Ireland and the RoI already play a key role in the overall management of market procedures and activities. Principal of these are the Supplier Interface Group (SIG), and the CDA Board in the north, and the Industry Governance Group (IGG) in the south.

The HSG (and, acting under its overall direction, the HWG) in no way replaces the SIG/CDA Board and / or IGG. Rather, it supplements them in providing a joint forum in which proposals and other matters relating to harmonisation can be identified, discussed and an action plan agreed. Issues pertaining wholly to (non-harmonised) market activities in either jurisdiction remain the responsibility of SIG/CDA Board or IGG as appropriate. For example, change control procedures already in place in the south and north have been modified to include consideration of harmonisation-related changes by the HSG, whilst directing jurisdictional specific changes to SIG/CDA Board or IGG as appropriate.

In acting in this manner, it will be essential to avoid any potential disjoint between the different groups, and to co-ordinate the resolution of issues relating to harmonisation across all bodies. In part, this is achieved by the overlapping membership of SIG/CDA Board, IGG and the HSG. In addition, whilst recognising that IGG and SIG co-exist with HSG / HWG as parallel but independent bodies, during Stage 2 of the project, HSG will work with both groups to ensure their ToR are updated to reflect any changes in their roles, particularly as both jurisdictions move into their post go-live operations.

7 Work Programme

7.1 HP Stage 1

Common Market Message schema and aligned Supplier facing market procedures, to the extent practical, were agreed in January 2010, and were formalised as Harmonisation Baseline 1 (HBL1).

The completion of Stage 1 of the Harmonisation Programme was marked by the following activities:

- The Harmonisation Baseline was signed off by HSG;
- An Issues Log was compiled of outstanding issues and actions, all of which have been subsequently resolved;
- Modifications to change control procedures to govern evolution of the Baseline going forwards were agreed;
- The Terms of Reference for the HSG (and HWG as appropriate) put in place for Stage 1 proved effective and were continued into Stage 2; and
- Recommendations on the alignment of IT messaging applications including hub arrangements were agreed.

7.2 HP Stage 2

The detailed work programme for HP Stage 2 is agreed and monitored through ongoing HSG meetings. In summary, the programme includes:

- Ongoing delivery of the Enduring Solution programme for NIE and NIEES (including replacement Tibco-based market message infrastructure), through to a scheduled Go Live in May 2012. All Suppliers in the north will be required to recertify as part of ES delivery, through a programme of Ability Testing and Market Testing to run from January to April 2012.
- An ESB schema release for all Suppliers in the south in June 2011, to enable the introduction of revised procedures for global aggregation in that jurisdiction.
- Also in June 2011, issue of Harmonisation Baseline 2 (HBL2) to incorporate MCRs agreed during the ES design process.
- An ESB schema release for all Suppliers in the south in September 2012, to enable the introduction of HBL2, and the revised (Tibco-based) market message infrastructure, preceded by a period of Inter Participant Testing (IPT) in July and August 2012.

Stage 2 of the Harmonisation Programme will be considered complete when the Enduring Solution has been delivered for NIE and NIEES, the ESB schema release is complete for the RoI, a common market message infrastructure is in place, and the Harmonisation Baseline is successfully implemented across all market participants in both jurisdictions.