

Trading and Settlement Code Modifications Committee
C/O Esther Touhey
SEMO Modifications Committee Secretariat
The Oval
160 Shelbourne Rd
Dublin 4

18 May 2015

Our Ref: D/15/8728

SEM Committee Decision for the Regulatory Authorities in relation to Mod_09_14V2 (Recommendation Report FRR_09_14)

Dear Esther,

On 1st May 2015, the Modifications Committee submitted its Final Recommendation Report with regard to Modification Proposal, Mod_09_14v2 (Amendments to Make Whole Payments for Interconnector Units) in accordance with paragraph 2.213 of the SEM Trading and Settlement Code (the Code).

Modification Proposal Mod_09_14 was raised by the Regulation Authorities (RAs) and was stated to seek to amend the Code so that Interconnector Users receive Make Whole Payments based on their aggregate position across all gate windows. The Modification Proposal was subsequently amended by the Modifications Committee, based upon a revised version suggested by Electric Ireland. This revised Proposal was stated to amend the approach of the original version to allow for a distinction to be made in the calculation of Make Whole Payments for Interconnector Users based on the direction of the flow. The reason for introducing this distinction is to ensure, considering established market trends, that Interconnector Users who schedule trades in different directions in different Trading Windows for a given Trading Period continue to be protected from unrecovered costs by the Make Whole Payment mechanism. This Modification Proposal was one of four, two of which were raised by the Regulatory Authorities (RAs) and two by Electrорoute, on the topic of Make Whole Payments paid in respect of Interconnector Units (Mods_9,10,11 &12_14).

The SEM Committee notes that all four of the Modification Proposals were subject to extensive debate both within the Modification Committee meetings and outside of them, through written comments and correspondence between Electrорoute and the SEM Committee. In the case of Mod_09_14V2, the Modifications Committee voted unanimously that it should be approved and should be implemented as soon as the necessary changes to the Central Market Systems have been made. The Modifications Committee also stated that the proposal better facilitated the achievement of two Code Objectives: to ensure no undue discrimination between persons who are parties to the Code; and to promote the short term and long term interests of consumers of electricity on the island of Ireland with respect to price, quality, reliability and security of supply of electricity.

The SEM Committee notes that underlying the recommendation to approve was the perception that the proposed approach, though continuing to determine Make Whole Payments on the aggregate position for each Interconnector User, by treating imports and exports differently allowed Interconnector Users to continue to use the intraday market to modify their scheduled positions. It had been suggested that the original version of the modification proposal could erode interconnector user's ability to utilise intra-day trading.

The SEM Committee is aware that the development of the I-SEM will result in major changes to the trading across the Interconnectors to GB. For this reason, it is willing to support changes now which, although potentially leaving some problems for the short term future, they should resolve the immediate problem with the impact on Make Whole Payments and have the support of the Modifications Committee after its substantial debate and consideration.

As recognised by the RAs, and as highlighted by the Modifications Committee, there is a need to ensure that the Modification Proposal Mod_09_14V2 achieves its intended purpose. Therefore, the RAs will, through the Market Monitoring Unit (MMU), continue to monitor the level of Make Whole Payments and these findings will be included in the MMU's quarterly public report on the SEM. The RAs will consider appropriate actions should it be found that the Modification is not serving its intended purpose.

Considering the above, the SEM Committee directs that, in line with the recommendation of the Modifications Committee in FRR_09_14V2, the Modification Proposal Mod_09_14V2 should be made and should be implemented on a Settlement Day basis from the date of release of the Central Market Systems which includes the necessary software changes.

The SEM Committee directs that the Market Operator shall publish the date of the relevant release of the Central Market Systems (together with the details of the Modifications which shall come into effect on that date) on its website no less than one week before that date.

Yours sincerely,



Clive Bowers
Manager, Wholesale Electricity Market