



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

10 May 2019

Our Ref: D/19/786

SEM Committee Decision for the Regulatory Authorities in relation to Mod_02_19 (Final Recommendation Report FRR_02_19)

Dear Esther,

On 27 March 2019, the Modifications Committee submitted its Final Recommendation Report with regard to Modification Proposal Mod_02_19 "Removal of difference charges for generators during RO event periods" in accordance with Paragraph B.17.18.1 of Part B of the SEM Trading and Settlement Code (TSC).

The Modification Proposal Mod_02_19 was submitted to the Modifications Committee by Power NI PPB on 06 February 2019.

The Modification Proposal seeks to set the appropriate within day difference charge component to zero when the Balancing Market Reference Price is below the Strike Price. In Power NI PPB's view the current implementation of the difference charging algebra in Section F 18.5.5 of the TSC is not in agreement with the SEM Committee decision as detailed in CRM Decision 1 (SEM-15-103). This proposed change is designed to correct this deviation in Power NI PPBs view. The RAs do not agree with this interpretation that the implementation in the TSC is not in line with CRM detailed design.

The Regulatory Authorities note that the proposer explained the rationale for this Modification at meeting on 20 February 2019, explaining how the current implementation of this decision in the

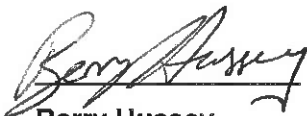
TSC exposes holders of Reliability Options (ROs) to difference charges at all times regardless of whether or not a RO event has occurred. The RAs note some alternative views were raised that such outcomes were as intended under the current rules and properly reflected the policy decisions, and that market design and policy implications could not be ignored, and that this proposal would be a fundamental change to the current rules.

Some Members expressed concern at proceeding to a vote on something so fundamental to the CRM design without any wider industry involvement and without an analysis available on which to make a decision, in particular considering the number of issues noted as being implicated depending on the way the problem in question could be addressed. The RAs note that after much deliberation it was agreed that a vote would be taken, with four members approving, three approving subject to an impact assessment, one abstaining and one rejecting the proposal.

The RAs have concerns around this modification being voted on and advanced without having a Systems Impact Assessment and a materiality analysis completed by SEMO, in addition without further analysis on possible, wider market effects it is difficult to fully weigh up this proposed change. The RAs are concerned that this modification was put through without detailed discussion and analysis, including facilitating wider industry involvement.

Considering the above, and in accordance with Paragraph B.17.20 of the Code, the SEM Committee direct that a Modification, as set out in Appendix 1 of FRR_37_18, is not implemented at this time.

Yours sincerely.



Barry Hussey
Manager
Wholesale Electricity Markets

cc. Paul Bell, Manager, Utility Regulator