



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

12 December 2022

Our Ref: F/24/821

SEM Committee Decision for the Regulatory Authorities in relation to Mod_02_22 (Final Recommendation FRR_02_22)

Dear Esther,

On 29 September 2022, the Modifications Committee submitted its Final Recommendation Report (FRR) with regard to Modification Proposal Mod_02_22 'Cost Recovery When Under Test' in accordance with Paragraph B.17.18.1 of Part B of the SEM Trading and Settlement Code (TSC). The Modification Proposal Mod_02_22 was submitted to the Modifications Committee by Energia on 27 January 2022 and discussed and voted on at Meeting 112 on 6 September 2022.

This Modification was raised to address a possible risk whereby a Generator Unit (GU), operating 'Under Test' upon returning from outage, only recovers costs in the Balancing Market (BM) at the level of the BM price. Hence, the GU will not recover its costs when 'Under Test' if the BM price is at a level where the BM revenue is lower than the unit's costs.

Mod_02_22 proposes to ensure a GU recovers its costs when 'Under Test', by allowing them to submit zero Physical Notification data, and requiring the SO to endeavour to operate the GU to

reflect the pattern of operation agreed under paragraph D.7.3.3 of the TSC. The proposal would also introduce a new “Generation Under Test Not Entitled to Imbalance Component Payment or Charge”, which is an adjustment to ensure that Generator Units Under Test do not recoup Imbalance Component Payments or Charges in excess of their costs.

The RAs note that this Modification Proposal was recommended for approval on a majority basis by the Modifications Committee. The RAs also note concerns raised by members of the Modifications Committee during the course of the discussions on this proposal in relation to the question of who is best placed to manage the price risk associated with testing. In particular, the RAs have taken into consideration the strong view of the TSOs regarding this proposal, and the concerns expressed by them, as well as their suggested alternative approach.

The RAs acknowledge the level of engagement by the proposer in relation to this Modification Proposal, and the efforts made to address concerns raised by the Modifications Committee, including in particular the adaptation of the proposal to prevent recovery by the GU in excess of its costs. However, the RAs consider that of all impacted parties, it remains the case that the risk in this instance is best managed by the generator themselves and as such, should remain with the generator.

The Modification Proposal is described as being forward looking as the risk concerned is expected to become more pronounced as renewable penetration increases. It is not clear, however, from the analysis provided that the risk is unmanageable at this point, nor when or if it might become unmanageable in future.

In circumstances where a GU has made efforts to return from test early, at the express request of the TSO, and has failed to recover costs in doing so, the RAs consider that it would be appropriate to put in place arrangements to ensure cost recovery by the GU. To this end, the RAs request that the TSOs develop their proposed alternative approach, in collaboration with industry participants.

Considering the above, and in accordance with Paragraph B.17.20 of the Code, the SEM Committee rejects this modification, as set out in Appendix 1 of FRR_02_22.

Yours sincerely,

Gráinne Black
Manager
Wholesale Electricity Markets
Commission for Regulation of Utilities

Leigh Greer
Manager
Wholesale Electricity Markets
Utility Regulator

(Sent by email with no signature)