

MODIFICATION PROPOSAL FORM			
Proposer <i>(Company)</i>	Date of receipt <i>(assigned by Secretariat)</i>	Type of Proposal <i>(delete as appropriate)</i>	Modification Proposal ID <i>(assigned by Secretariat)</i>
EP UK investments	20 th November 2024	Standard	Mod_07_24 v2
Contact Details for Modification Proposal Originator			
Name	Telephone number	Email address	
Harry Molloy		h.molloy@tynaghenergy.ie	
Modification Proposal Title			
Introduction of TEG Activation Compensation Payments v2			
Documents affected <i>(delete as appropriate)</i>	Section(s) Affected	Version number of T&SC or Agreed Procedure used in Drafting	
T&SC Part B Glossary Part B	F.23	V28.0	
Explanation of Proposed Change <i>(mandatory by originator)</i>			
<p>This modification proposes to introduce a compensation payment for instances where Temporary Emergency Generation (TEG) is dispatched ahead of market generation. This payment will be based on the imbalance price during the period of TEG dispatch multiplied by the available volume of market based generation which has not been dispatched.</p> <p>This modification has been amended to subtract an approximation of theoretical unit costs from any compensation payment received by a unit. This aims to reduce the risk of units which have not been dispatched receiving a compensation payment and ultimately ending up in a better financial position than units which were dispatched and responded to meet demand.</p>			
Legal Drafting Change <i>(Clearly show proposed code change using tracked changes, if proposer fails to identify changes, please indicate best estimate of potential changes)</i>			
<p>This modification would require the introduction of new terminology to the glossary:</p> <p>Temporary Emergency Generation means generation procured to mitigate an electricity crisis under the Risk Preparedness Regulation EU Regulation 2019/941.</p> <p>Temporary Emergency Generation Activation Period means a period during which Temporary Emergency Generation has been dispatched for non-test purposes as defined in Section F.23.1.</p> <p>TEG Activation Compensation Payment a payment made to a Generator Unit which is available to provide electricity but is not dispatched during periods when Temporary Emergency Generation has been dispatched for non-test purposes.</p> <p>The key change in this modification is the introduction of a new payment to Generators. This payment will be based on the imbalance price and will be received by generators which have not been dispatched during periods where TEG has been dispatched for non-test purposes. This amendment will be included in a new subsection of the Code:</p> <p>F.23 Temporary Emergency Generation Activation Compensation Payments</p> <p>F.23.1 Determination of Temporary Emergency Generation Activation Period</p> <p>F.23.1 The Market Operator shall determine the start of each Temporary Emergency Generation Activation Period as the start of the Imbalance Settlement Period, γ, during which Temporary Emergency Generation is dispatched to a non-zero MW export, and is not Under Test.</p>			

F.23.2 The Market Operator shall determine the end of each Temporary Emergency Generation Activation Period as the end of the Imbalance Settlement Period, γ , during which the value of dispatch for all Temporary Emergency Generation falls to zero.

F.23.2 Calculation of TEG Activation Compensation Payments

F.23.2.1 The Market Operator shall calculate the TEG Activation Compensation Payment or Charge ($CTEGAC_{u\gamma}$) for each Generator Unit, u , during each Temporary Emergency Generation Activation Period, k , as follows:

$$CTEGAC_{u\gamma} = \sum_{\gamma \in k} (\text{Max}(PIMB_{\gamma} - PINC_{u1\gamma}, 0) \times \text{Max}(0, qAA_{u\gamma} - QM_{u\gamma}))$$

Where:

- (a) $PIMB_{\gamma}$ is the Imbalance Settlement Price in Imbalance Settlement Period, γ , calculated in accordance with Chapter E (Imbalance Pricing);
- (b) $qAA_{u\gamma}$ is the Actual Availability Quantity for Generator Unit, u , in Imbalance Settlement Period, γ ; and
- (c) $QM_{u\gamma}$ is the Metred Quantity for Generator Unit, u , in Imbalance Settlement Period, γ .
- (d) $PINC_{u1\gamma}$ is the incremental price for the first price quantity pair for unit, u , in Imbalance Settlement Period, γ .

This calculation has been updated to include a PINC term to remove the incremental price for a unit from the revenue received through the compensation mechanism. This amendment has been made in order to reduce the likelihood of units which were not dispatched ending up in a better financial position than units which were dispatched.

The first PINC has been chosen as an approximation for a unit's theoretical costs. It is difficult to provide a more accurate reflection of costs given that this is associated with theoretical dispatch only and costs for each unit would vary based on incremental costs, start-up costs, and no-load costs.

F.23.3 Payments for TEG Activation

F.23.3.1 The total TEG Activation Compensation Payment ($CTEGAC_{ud}$) made for each Generation Unit, u , for each Settlement Day, d , shall be calculated by the Market Operator as follows:

$$CTEGAC_{ud} = \sum_{\gamma \in d} CTEGAC_{u\gamma}$$

Where:

- (a) $CTEGAC_{u\gamma}$ is the TEG Activation Compensation Payment or Charge in Imbalance Settlement Period, γ , calculated in accordance with Section F.23.2; and
- (b) $\sum \gamma$ in d is the summation over all Imbalance Settlement Periods γ in Settlement Day d .

Payments associated with TEG Activation will then be passed through to the Total Daily Amounts Calculation for Generator Units.

G.4.11.1 The Total Daily Amounts ($CDAY_{ud}$) made for each Generator Unit u for each Settlement Day d shall be calculated by the Market Operator as follows:

$$CDAY_{ud} = CIMB_{ud} + CPREMIUM_{ud} + CDISCOUNT_{ud} + CAOPO_{ud} + CABBPO_{ud} + CCURL_{ud} + CUNIMB_{ud} + CII_{ud} + CTEST_{ud} + CTGAC_{ud}$$

where:

- (a) $CIMB_{ud}$ is the total Imbalance Component Payment or Charge for Generator Unit u for Settlement Day d calculated in accordance with section G.4.2;
- (b) $CPREMIUM_{ud}$ is the total Premium Component Payment for Generator Unit u for Settlement Day d calculated in accordance with section G.4.3;
- (c) $CDISCOUNT_{ud}$ is the total Discount Component Payment for Generator Unit u for Settlement Day d calculated in accordance with section G.4.4;
- (d) $CAOPO_{ud}$ is the total Offer Price Only Accepted Offer Payment or Charge for Generator Unit u for Settlement Day d calculated in accordance with section G.4.5;
- (e) $CABBPO_{ud}$ is the total Bid Price Only Accepted Bid Payment or Charge for Generator Unit u for Settlement Day d calculated in accordance with section G.4.6;
- (f) $CCURL_{ud}$ is the total Curtailment Payment or Charge for Generator Unit u for Settlement Day d calculated in accordance with section G.4.7;
- (g) $CUNIMB_{ud}$ is the total Uninstructed Imbalance Charge for Generator Unit u for Settlement Day d calculated in accordance with section G.4.8;
- (h) CII_{ud} is the total Information Imbalance Charge for Generator Unit u for Settlement Day d calculated in accordance with section G.4.9; and
- (i) $CTEST_{ud}$ is the total Testing Charge for Generator Unit u for Settlement Day d calculated in accordance with section G.4.10.
- (j) **$CTEGAC_{ud}$ is the total TEG Activation Compensation Payment or Charge for Generator Unit u for Settlement Day d calculated in accordance with section F.23.3.**

Modification Proposal Justification

(Clearly state the reason for the Modification)

Since 2021, the CRU has instructed EirGrid to procure 653MW of Temporary Emergency Generation (**TEG**) in the Republic of Ireland (**ROI**). In addition to this new generation, the CRU has approved the extension of 820MW of existing generation which was scheduled to close in 2024 through out-of-market arrangements. This generation was not procured through existing market mechanisms, designed to promote competition in the provision of generation adequacy.

The Transmission System Operators (**TSOs**) Balancing Market Principles Statement (**BMPS**) outlines how TEG will be operated in the market. Specifically, the BMPS notes that TEG *“will only be made available for dispatch when security of supply risk has been identified and where is evident that market-based measures alone are not sufficient to prevent a further deterioration of the electricity supply situation”* [emphasis added]. This modification refers specifically to ensuring that all ‘market-based measures’ have been exhausted prior to the dispatch of TEG units, as per relevant EU legislation. This modification proposes that where TEG is dispatched ahead of market-based generation, which is declared available, the market-based generation will be compensated.

The procurement and potential dispatch of TEG prior to available market-measure being exhausted represents a risk to the business case for generation in the Single Electricity Market (**SEM**). This risk applies to both existing generation and new generation which may have developed a business case based on scarcity on the Irish system. The procurement of TEG represents a risk to this business case whereby scarcity events may be addressed through generation which has not been procured through established SEM market mechanisms.

Failure to account for this risk in the Trading and Settlement Code undermines the business case for generation in the SEM, as well as the regulatory stability associated with the SEM. The possibility for the TSO to dispatch TEG procured outside the SEM represents a disadvantage to SEM generation which would otherwise be required to respond to scarcity events. Generation in Northern Ireland is disadvantaged in particular, as TEG procurement was exclusive to ROI. This modification intends to ensure that there is minimum distortion of the energy market, and that there exists a level-playing field between generation on the island of Ireland to avoid discrimination between regulatory jurisdictions.

EPUKI believes that this modification is consistent with the objectives and principles of the SEM and the Trading and Settlement Code (**TSC**). It is noted that the section A.2.1.1 of the TSC states that *“this Code*

governs the trading and settlement arrangements for the Balancing Market". While TEG is intended to be reserved for emergency applications only, any dispatch of TEG in place of TSC recognised generation would be external to and contradictory to this clause.

This modification is also aligned with EU Regulation 2019/943 Article 12 (1) which requires the dispatch of generation to be market-based, with the exception of the application of Priority Dispatch. 2019/943 Article 13 sets out the rules around re-dispatching of generation and notes that redispatch should only be sourced using market-based mechanisms except where *"no market-based alternative is available"* and *"all available market-based resources have been used"*. This is clearly aligned with the principle of this modification proposal in that all available SEM generation would need to be exhausted before TEG could be activated.

EPUKI does not expect this modification to have a financial impact on consumers, as proper application of the rules as per the BMPS and relevant EU legislation governing TEG should mean that all available market generation has been dispatched before TEG is activated, thus resulting in no compensation payment.

Code Objectives Furthered

(State the Code Objectives the Proposal furthers, see Section 1.3 of Part A and/or Section A.2.1.4 of Part B of the T&SC for Code Objectives)

This proposal furthers the following objectives, as set out under Section A.2.1.4 of the Trading and Settlement Code:

- (b) to facilitate the efficient, economic and coordinated operation, administration and development of the Single Electricity Market in a financially secure manner;
- (c) to facilitate the participation of electricity undertakings engaged in the generation, supply or sale of electricity in the trading arrangements under the Single Electricity Market;
- (d) to promote competition in the Single Electricity Market;
- (e) to provide transparency in the operation of the Single Electricity Market;
- (f) to ensure no undue discrimination between persons who are parties to the Code; and
- (g) 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.

Implication of not implementing the Modification Proposal

(State the possible outcomes should the Modification Proposal not be implemented)

Failure to implement this modification would represent a failure to protect SEM participants from loss of revenue as a result of externally procured generation with external subsidisation. This undermines the business case for both existing and new generation.

Additionally, the risk of TEG units being dispatched in place of available market generation would be contradictory to market rules around discrimination and fairness.

Working Group

(State if Working Group considered necessary to develop proposal)

Impacts

(Indicate the impacts on systems, resources, processes and/or procedures; also indicate impacts on any other Market Code such as Capacity Market Code, Grid Code, Exchange Rules etc.)

Please return this form to Secretariat by email to balancingmodifications@sem-o.com

Notes on completing Modification Proposal Form:

1. If a person submits a Modification Proposal on behalf of another person, that person who proposes the material of the change should be identified on the Modification Proposal Form as the Modification Proposal Originator.
2. Any person raising a Modification Proposal shall ensure that their proposal is clear and substantiated with the appropriate detail including the way in which it furthers the Code Objectives to enable it to be fully considered by the Modifications Committee.
3. Each Modification Proposal will include a draft text of the proposed Modification to the Code unless, if raising a Provisional Modification Proposal whereby legal drafting text is not imperative.
4. For the purposes of this Modification Proposal Form, the following terms shall have the following meanings:

Agreed Procedure(s):	means the detailed procedures to be followed by Parties in performing their obligations and functions under the Code as listed in either Part A or Part B Appendix D "List of Agreed Procedures". The Proposer will need to specify whether the Agreed Procedure to modify refers to Part A, Part B or both.
T&SC / Code:	means the Trading and Settlement Code for the Single Electricity Market. The Proposer will also need to specify whether all Part A, Part B, Part C of the Code or a subset of these, are affected by the proposed Modification;
Modification Proposal:	means the proposal to modify the Code as set out in the attached form
Derivative Work:	means any text or work which incorporates or contains all or part of the Modification Proposal or any adaptation, abridgement, expansion or other modification of the Modification Proposal

The terms "Market Operator", "Modifications Committee" and "Regulatory Authorities" shall have the meanings assigned to those terms in the Code.

In consideration for the right to submit, and have the Modification Proposal assessed in accordance with the terms of Section 2 of Part A or Chapter B of Part B of the Code (and Part A Agreed Procedure 12 or Part B Agreed Procedure 12) , which I have read and understand, I agree as follows:

1. I hereby grant a worldwide, perpetual, royalty-free, non-exclusive licence:
 - 1.1 to the Market Operator and the Regulatory Authorities to publish and/or distribute the Modification Proposal for free and unrestricted access;
 - 1.2 to the Regulatory Authorities, the Modifications Committee and each member of the Modifications Committee to amend, adapt, combine, abridge, expand or otherwise modify the Modification Proposal at their sole discretion for the purpose of developing the Modification Proposal in accordance with the Code;
 - 1.3 to the Market Operator and the Regulatory Authorities to incorporate the Modification Proposal into the Code;
 - 1.4 to all Parties to the Code and the Regulatory Authorities to use, reproduce and distribute the Modification Proposal, whether as part of the Code or otherwise, for any purpose arising out of or in connection with the Code.
2. The licences set out in clause 1 shall equally apply to any Derivative Works.
3. I hereby waive in favour of the Parties to the Code and the Regulatory Authorities any and all moral rights I may have arising out of or in connection with the Modification Proposal or any Derivative Works.
4. I hereby warrant that, except where expressly indicated otherwise, I am the owner of the copyright and any other intellectual property and proprietary rights in the Modification Proposal and, where not the owner, I have the requisite permissions to grant the rights set out in this form.
5. I hereby acknowledge that the Modification Proposal may be rejected by the Modifications Committee and/or the Regulatory Authorities and that there is no guarantee that my Modification Proposal will be incorporated into the Code.