



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/24/952

**SEM Committee Decision for the Regulatory Authorities in relation to Mod\_09\_22 (Final Recommendation FRR\_09\_22)**

Dear Esther,

On 6 December 2022, the Modifications Committee submitted its Final Recommendation Report (FRR) with regard to Modification Proposal Mod\_09\_22 '*Exclusion of difference charges for generators during Non-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\_09\_22 was submitted to the Modifications Committee by Tynagh Energy on 2 June 2022 and discussed and voted on at Meeting 113 on 20 October 2022.

This modification proposal aims to amend how Within-Day Difference Charges are applied to market participants. The same changes were previously proposed in Mod\_02\_19, which was approved by the Modifications Committee, but rejected by the RAs on the basis that further analysis was required, with the RAs also stating that they did not agree with the proposer's position that the existing implementation in the TSC is not in line with the CRM detailed design.

The RAs understand that this current proposal, Mod\_09\_22, has been prompted by increased gas prices, and increased gas price volatility, over the past year, which have increased the likelihood that the fuel costs of some gas-fired generators may exceed the level of the Strike Price from time to time. Mod\_09\_22 proposes, therefore, to amend the manner in which a component

of the Within-day Difference Charge is calculated, such that it will only apply where the Imbalance Price equals or exceeds the Strike Price. The RAs understand that the intent of this proposal would be the removal of Within-day Difference Charges where a unit has been settled at its Complex Offer price, where that price exceeds the Strike Price, but where the Imbalance Price is lower than the Strike Price.

The RAs note that this Modification was recommended for approval on a majority basis by the Modifications Committee.

The RAs consider it important to bear in mind in this context the other areas of development related to the operation of the Reliability Option (RO). Mod\_12\_22 was recently approved by the RAs and exempts in-merit units from Non-Performance Difference Charges where they are listed in the TSOs' Operational Constraints update as providers of replacement reserve. SEM-22-030 considers this aspect of the functioning of the RO from a broader perspective. The Modification Proposal Mod\_10\_22, contemplates, as a short-term measure, introducing a modifier to reflect commodity price volatility in the calculation of the RO Strike Price. Another Modification Proposal, Mod\_08\_22, which would increase the frequency of the Strike Price calculation from monthly to weekly, is currently awaiting impact assessment following approval by the Modifications Committee.

While the RO Strike Price is a dynamic Strike Price that is intended to allow generators to be able to recover their costs under most circumstances, and high gas price volatility could create a situation where the fuel costs of a gas plant exceed the level of the Strike Price from time to time, the RAs consider that the most appropriate means of addressing this is to increase the frequency of the Strike Price calculation, as proposed in Mod\_08\_22.

The "split market price" option for the Capacity Remuneration Mechanism is intended to ensure that the difference payments to which RO holders are exposed correspond exactly with the revenues that the RO holder has received, whether at the Day-ahead Trade Price, the Intraday Trade Price, or the Balancing Trade Price for any specific action in the Balancing Market. This principle was adopted to minimise the exposure of RO holders to basis risk between the various prices at which trades take place, and applies regardless of whether, in the case of a Balancing Market trade, the Balancing Market action is for system or energy reasons. The CRM design addresses the ability of RO holders to recover their costs through the appropriate choice of Strike Price. Thus, in the RAs' view, Mod\_09\_22 does not address the fundamental issue that has prompted it.

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\_09\_22.

Yours sincerely,

**Gráinne Black**  
**Manager**  
**Wholesale Electricity Markets**  
**Commission for Regulation of Utilities**

**Leigh Greer**  
**Manager**  
**Wholesale Electricity Markets**  
**Utility Regulator**

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