

Single Electricity Market

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| Modifications Committee Meeting Minutesextraordinary Meeting 60 spencer hotel,24 march 2015 10:30 – 11:30 |

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Document History

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| **Version** | **Date** | **Author** | **Comment** |
| 1.0 | 31st March 2015 | Modifications Committee Secretariat | Issued to Modifications Committee for review and approval |
| 2.0 | 9th April 2015 | Modifications Committee Secretariat | Modifications Committee and observer review complete. Tracked changes included. |
| 3.0 | 17 April 2015 | Modifications Committee Secretariat | Track changes accepted. Final approved version published. |

Distribution List

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| --- | --- |
| **Name** | **Organisation** |
| Modifications Committee Members | SEM Modifications Committee |
| Modification Committee Observers | Attendees other than Modifications Panel in attendance at Meeting |
| Interested Parties | Modifications & Market Rules registered contacts |

Reference Documents

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| **Document Name** |
| [Trading and Settlement Code](http://semopub/MarketDevelopment/MarketRules/TSC.docx) and Agreed Procedures: Version 16.0 |
| [Mod\_09\_14 Amendment to Make Whole Payments for Interconnector Units](http://semopub/MarketDevelopment/ModificationDocuments/Mod_09_14%20Amendment%20to%20MWPs%20for%20IC%20Units.docx) & [RA Slides](http://semopub/MarketDevelopment/ModificationDocuments/Modifications%20Committee%20Presentation%2004%2012%2014.pptx) |
| [Mod\_12\_14 Amendment to Make Whole Mechanism to remove Settlement Periods of simultaneous import and export flows](http://semopub/MarketDevelopment/ModificationDocuments/Mod_12_14%20Amendment%20to%20Make%20Whole%20Mechanism%20to%20Remove%20Settlement%20Periods%20of%20Simultaneous%20Import%20and%20Export%20Flows.docx) & SEMO MWP Overview [slides](http://semopub/MarketDevelopment/ModificationDocuments/SEMO%20presentation%20on%20MWP_Publish.ppt) |

In Attendance

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| --- | --- | --- |
| Name | Company | Position |
| **Modifications Committee** |
| Aine Dorran | ESBI | ESBI Member |
| Brian Mongan  | AES | Generator Member |
| Chris Goodman (Conf call) | SEMO | MO Alternate |
| Clive Bowers  | CER | RA Member |
| Connor Powell | Airtricity | Supplier Member  |
| Gerry Halligan | ESB Networks | MDP Alternate |
| Julie-Anne Hannon | Bord Gais | Supplier Alternate |
| Katia Compagnoni | MO Member | SEMO |
| Kevin Hannafin-Chair | Energia | Generator Member |
| Kris Kennedy | SONI | SO Member |
| Mary Doorly | IWEA | Generator Member |
| Marc Senouci | EirGrid | SO Alternate |
| Patrick Liddy | Activation Energy | DSU Member |
| William Carr | Electric Ireland | Supplier Member |
| William Deacon | CER | RA Alternate |
| William Steele  | Power NI | Supplier Member |
| **Secretariat** |
| Sherine King | SEMO | Secretariat |
| Esther Touhey | SEMO | Secretariat |
| **Observers** |
| Alison Wilson | Power NI | Observer |
| Brian Mulhern | UR | Observer |
| Chloe Kinsella | Cenergise | Observer |
| David Dunlop | Energia | Observer |
| Derek Lawler | SEMO | Observer |
| Eamonn O’Donoghue | Electroroute | Observer |
| Michael Brennan | ESB | Observer |
| Paul Russell | Energia | Observer |
| Ronan Doherty | Electroroute | Observer |
| Siobhain O’Neill | Electroroute | Observer |
| Simon Street | RA Consultant | Observer |
| Sinead O’Hare | NI PPB | Observer |
| Tony McIlroy | Energia | Observer |

# Review of Actions

Secretariat provided an overview of the remaining actions regarding the Make Whole Payment proposals. It was advised that following the alternative version of Mod\_09\_14 Electric Ireland is now the Proposer. Electroroute did not provide an alternative version to Mod\_12\_14 and an explanatory letter was provided and circulated to the panel. An Impact Assessments has been completed by SEMO on the amended version on Mod \_09\_14. The results are specified below.

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| Actions Recorded At previous meetings |
| **Make Whole Payments Issue:** Mod\_09\_14\_V2 Amendment to MWPs for IC Units Mod\_12\_14 Amendment to Make Whole Mechanism to remove Settlement Periods of simultaneous import and export flows | * SEMO IT to obtain clarification from the vendor in relation to the deadline around  possible implementation of the changes in May (given approval of any modifications will not take place until January earliest)-**Closed: Neither could be implemented with the May release and an Emergency Release will be required**
* Electric Ireland and ElectroRoute to submit alternative versions of Mod\_09\_14 and Mod\_12\_14 for Committee review within 2 weeks- **Closed:** **Mod\_09\_14\_V2 submitted, Electroroute submitted explanatory note**
* Secretariat to schedule Extraordinary Meeting in advance of April Meeting- **Closed: scheduled for 24th March**
* SEMO to initiate IA for alternative versions- **Closed: IA results received- Mod\_09\_14\_v2 total vendor cost: €112,100, Mod\_12\_14 total vendor cost: €23,120**
* SEMO to publish slides presented at Meeting 59-**Closed: published**
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# Deferred Modification Proposals

## make whole payments discussion (On remaining two Modification proposals)

Secretariat confirmed that Mod\_10\_14 and Mod\_11\_14 were Recommended for Rejection at Meeting 59 leaving the two remaining proposals to be considered at the Meeting with a view to bringing these proposals to a vote.

MO Member delivered a presentation detailing the algebra and wording clarification required for the final legal drafting of both Mods. Impact Assessments have been completed with costings estimated at €112,100 for Mod\_09\_14 version 2 and €23,120 for Mod\_12\_14. It was communicated that a summer timescale could be achievable for implementation of any required systems changes, pending approval from SEM Committee.

Electroroute representative also delivered a presentation summarising the Make Whole Payments discussion process to date and the variances between the remaining proposals. Electroroute representative stated that Mod\_12\_14 was still their preferred proposal however advised that both proposals represent an improvement to the current situation

Supplier member provided a brief overview of the alternative version to Mod\_09\_14.

The Chair invited comments for discussion.

Observer opened the discussion by conveying their sense that this modification process is as a result of the flaws in the existing market design and that Interconnector bidding methods should be changed rather than attempting to change the rules, as it is not clear why are they bidding this way for Imports. Observer further advised that there is no perfect solution.

Electroroute representative agreed that bidding behaviour in general needed to be addressed in the market and that this was a wider and deeper issue. It was felt that vision was lacking in relation to the operation of interconnectors in the market.

Observer advised that it is not the time to look at restructuring the market with I-SEM being developed and that there is no perfect solution to this current issue. There are higher level European directives that also affect future outcomes and issues regarding derogation.

Generator Member was keen to explore the financial implications in implementing the remaining proposals in respect of reducing the volume of make whole payments.

MO Member was unable to provide specific figures but could confidently state that both proposals would allow for substantial reductions in the current volumes of make whole payments at the current level of trade. MO Member clarified that the highest payment at the current trade level is approximately €100,000.00. MO Member further clarified that under Mod\_12\_14, MWPs would also not be paid if any type of repositioning is attempted.

DSU Member enquired as to whether it is possible to only export and still receive make whole payments. MO Member clarified that this is correct however your net position would be export so there would be flow in that direction. Supplier Member advised that there would be an opportunity cost associated with that type of trading.

Supplier Alternate noted that while it appears that Mod\_09\_14\_V2, may not impact the value of the interconnector capacity that has already been bought, any affect on the value of interconnector capacity already purchased by the time the chosen make whole payment Mod comes into force, should be avoided. The Supplier Alternate further advised that the adoption of a make whole payment Mod will likely influence the value of the capacity, and thus it might be prudent to postpone the summer 2015 annual interconnector capacity auctions to allow for the modification to be implemented.

DSU Member advised that interconnector auctions are outside the remit of the Modifications (and ultimately the SEM) Committee.

RA Member was in agreement that the auctions are outside of the Committee scope and that the implementation of the remaining Mods should not affect the interconnector Capacity Auctions.

Observer expressed the view that if an IC User takes an export position only, this would reduce the value of import capacity.

RA Member advised that this approach suggests that IC Users are placing an additional value on the ability to net MWPs. RA Member advised that the proposals do not eliminate MWPs for IC Users however it can be raised as a separate issue afterwards if deemed necessary.

Observer advised of the possibility of some traders who are currently active in both the import and export markets, deciding to export only to avoid any potential impact on their MWPs.

Observer clarified that the decision for only importing or exporting is taken for each trading period.

Chair suggested any such concerns regarding the interconnector capacity auctions could be reflected in the Final Recommendation Report along with any other views.

Supplier Member advised that neither proposal closed off all the outstanding issues and asked that the overall situation is monitored going forward to assess future patterns in payment mechanisms.

Generator Member sought clarification as to whether Mod\_09\_12 version 1 needed to be voted on.

Secretariat advised that should the Committee want to do so a vote could be taken, however, normal practice is that the alternative version of the modification was only voted on and the original version becomes redundant upon submission of an alternative version.

Generator Member also asked that the RAs continue to monitor the situation on an ongoing basis to assess escalating cost implications as whichever proposal was approved was not a perfect fix to this issue.

Electroroute representative expressed the preference for , a possible working group to be set up to look at the whole area of cross border trades, as this is an area of the market that is currently lacking any depth, if the issue was to be discussed again in the future.

Chair advised that this area should have been visited as part of the Intra Day Trading design process.

Generator Member asked that analysis be undertaken to establish changes in the market affected by any implemented modification. Also stated that a further modification proposal process may be needed to address further issues.

Supplier Alternate expressed the view that a decision on the MWP issue should be made as soon as possible as the values of interconnector capacity are likely to be affected.

Observer also wanted it noted that there was a clear need for direction and definition of how the market should work and questioned if this could be addressed.

RA member questioned how such direction could be implemented as Interconnectors are not licenced.

Observer suggested that Mod\_11\_14 Pay as Bid may provide a base for such a solution.

Chair asked for any further comments or discussion. No more discussion was required and the vote took place on both modifications (subject to legal drafting as proposed by SEMO).

Chair suggested that in the event that both modifications were approved a preference could be stated at the time of voting.

## I. Mod\_09\_14  [Amendment to Make Whole Payments for Interconnector Units](http://semopub/MarketDevelopment/ModificationDocuments/Mod_09_14%20Amendment%20to%20MWPs%20for%20IC%20Units.docx)

*Proposer: Electric Ireland*

Discussion documented above.

Committee were unanimously in agreement to approve the proposal.

***Actions***

* Secretariat to draft Final Recommendation Report

Decision

* The proposal was Recommended for Approval by unanimous vote

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| **Recommended for Approval by Unanimous Vote**  |
| Áine Dorran | Generator Member | Approved |
| Brian Mongan | Generator Member | Approved |
| Connor Powell | Supplier Member | Approved |
| Julie-Anne Hannon | Supplier Alternate | Approved |
| Kevin Hannafin-Chair | Generator Member | Approved |
| Mary Doorly | Generator Member | Approved  |
| Patrick Liddy | DSU Member | Approved |
| William Carr | Supplier Member | Approved |
| William Steele | Supplier Member | Approved |

## II. Mod\_12\_14 Amendment to Make Whole Mechanism to remove Settlement Periods of simultaneous import and export flows

*Proposer: Electroroute*

Discussion documented above.

Committee rejected the proposal by majority vote.

***Actions***

* Secretariat to draft Final Recommendation Report

Decision

* The proposal was Recommended for Rejection by majority vote

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| **Recommended for Rejection by Majority Vote**  |
| Áine Dorran | Generator Member | Rejected |
| Brian Mongan | Generator Member | Rejected |
| Connor Powell | Supplier Member | Rejected |
| Julie-Anne Hannon | Supplier Alternate | Rejected |
| Kevin Hannafin-Chair | Generator Member | Rejected |
| Mary Doorly | Generator Member | Approved (however expressed preference for Mod\_09\_14) |
| Patrick Liddy | DSU Member | Approved |
| William Carr | Supplier Member | Rejected |
| William Steele | Supplier Member | Rejected |

# AOB/upcoming events

Calendar updates

* New Modification proposal submission deadline – 1st April
* Modifications Committee Meeting 61 will be held on Wednesday 15th April in The Spencer Hotel, Dublin.