

Single Electricity Market

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| Modifications Committee Meeting Minutes  Meeting 54  morgan hotel,  03 april 2014  10:30 – 14:00 |

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Document History

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| **Version** | **Date** | **Author** | **Comment** |
| 1.0 | 10 April 2013 | Modifications Committee Secretariat | Issued to Modifications Committee for review and approval |
| 2.0 |  | Modifications Committee Secretariat | Review of content by Modifications Committee complete, published track changed version on SEMO website and notified Market Participants. |

Distribution List

|  |  |
| --- | --- |
| **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

|  |
| --- |
| **Document Name** |
| [Trading and Settlement Code](http://semopub/MarketDevelopment/MarketRules/TSC.docx) and Agreed Procedures: Version 14.0 |
| [Mod\_11\_12 Proposal to extend the definition of Special Units to include Compressed Air Energy Storage](http://semopub/MarketDevelopment/ModificationDocuments/Mod_11_12%20Gaelectric.docx) |
| [Mod\_02\_13 Registration of Charges\_v2](http://semopub/MarketDevelopment/ModificationDocuments/Mod_02_13_v2%20V1.0.docx) |
| [Mod\_02\_13 Registration of Charges WG report](http://semopub/MarketDevelopment/ModificationDocuments/WG%20Report%20V2.0.doc) & [Meeting 53 Slides](http://semopub/MarketDevelopment/ModificationDocuments/Mod_02_13v2%20summary%20Meeting%2054.ppt) |
| [Mod\_12\_13 Amendment to Special Units Pumped Storage definition to include Energy Storage](http://semopub/MarketDevelopment/ModificationDocuments/Mod%2012_13%20V1.0.docx) |
| [Mod\_04\_14 Change to uplift Paramaters Determination Timeline\_v2](http://semopub/MarketDevelopment/ModificationDocuments/Mod_04_14_v2%20(Change%20to%20%20Uplift%20Parameters%20Determination%20Timeline)_v2.doc) |
| [Mod\_06\_14 Change to AP4 Section 2.4 relating to cancellation of a Unit Under Test for the EA1 run in D-1](http://semopub/MarketDevelopment/ModificationDocuments/Mod_06_14%20Cancellation%20of%20UUT%20V1.0.docx) |
| [CMS Slides](http://semopub/Publications/General/CMS%20Slides%20Meeting%2058.pptx) |
| [Unit Under Test Slides](http://semopub/Publications/General/Unit%20Under%20Test%20Slides%20Meeting%2053.pptx) |

In Attendance

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| --- | --- | --- |
| Name | Company | Position |
| **Modifications Committee** | | |
| Aine Dorran | ESB | Generator Alternate |
| Brian Mongan | AES | Generator Alternate |
| Clive Bowers | CER | RA Member |
| Denis Kelly | NIE T&D | MDP Member |
| Elaine Gallagher | CER | RA Alternate |
| Iain Wright-Chair | SSE | Supplier Member |
| James Long | ESB Networks | MDP Alternate |
| Karen Vickery | EirGrid | SO Alternate |
| Katia Compagnoni | SEMO | MO Alternate |
| Kris Kennedy | SONI | SO Member |
| Mary Doorly | IWEA | Generator Member |
| Natalie McCurry (Dialled In) | UREGNI | RA Alternate |
| Niamh Delaney | SEMO | MO Member |
| Patrick Liddy | Activation Energy | DSU Member |
| Philip Carson | Power NI | Supplier Alternate |
| William Carr | Electric Ireland | Supplier Member |
| **Secretariat** | | |
| Sherine King | SEMO | Secretariat |
| **Observers** | | |
| Andrew Waghorn | Deloitte | Observer |
| David Boyle | Deloitte | Observer |
| Esther Blair | SEMO | Observer |
| Federica Marra | Pinsent Masons | Observer |
| Gary McCullough | SONI | Observer |
| Margeurite Larkin | Deloitte | Observer |
| Sinead O’ Hare | Power NI | Observer |
| Walter Carlton | Deloitte | Observer |

# Market Audit Results

Market Audit Results were presented by Deloitte representatives. The full [Market Audit report](http://semopub/Publications/General/Market%20Audit%20Report%202013.pdf) is available for download from the SEMO website.

# SEMO Update

The Minutes from Meeting 53 were read and approved. The final approved version of the Minutes is now published on the SEMO website.

Secretariat presented the programme of work.

RA Member provided an update in relation to Mod\_18\_11 Definition of Availability advising that further clarifications are currently being sought by UREGNI on the TSO report, prior to a RA final decision being issued on the proposal.

SO Alternate provided an update on Mod\_21\_12 Amendment to the ATC definition advising that internal discussions are ongoing in relation to the issue of compensation for Participants and that no further update could be provided on the issue.

MO Alternate presented slides in relation to the May 2014 CMS release. MO Alternate further advised that the cut-off date for October 2014 has passed that once RA approval for the scope has been received, it will be published to the industry.

# Review of Actions

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| Actions Recorded At previous meetings | | |
| Legal Support Discussion | * **Re-tender for the provision of independent legal support  to be procured –** In progress * **Secretariat to circulate proposal to re-tender to Committee when finalised –** In progress |
| REMIT | * **RAs to facilitate Working Group to progress REMIT outside of the Mods Committee forum-** Open: RA Alternate advised that a workshop is being organized for 30th April and Participants will be notified once details have been finalised. Following the meeting an updated date of **8th May** for the workshop was communicated via the <http://www.allislandproject.org/> website. |
| Mod\_11\_12: Definition of Special Units | * **TSO to procure IA-**In progress-See deferred section for greater detail. |
| Mod\_02\_13: Registration of Charges | * **Secretariat to schedule Working Group for further discussion of proposal as soon as possible –** Closed; WG held on 13 March; report published |
| * **Participants to submit slides to be presented to Secretariat in advance of WG to allow for circulation prior to the WG taking place –** Closed; Viridian presentation received |
| * **SEMO to continue to pursue Participants in relation to signing the Deeds of Charge**-Open |
| Mod\_12\_13 Amendment to Special units Pumped Storage Definition to include Energy Storage | * **SEMO to initiate  IA –** Open: In progress- IA to be procured by SEMO IT upon completion of May CMS release |
|  | * **TSO to procure a RCUC IA-** Open |
|  | * **Participants to identify/address any necessary requirements for facilitation of a vote on the proposal-** Closed; no feedback received |
| Mod\_04\_14 Change to Uplift Parameters Determination Timeline | * **Participants to send through comments and suggestions in relation to the proposal to the Secretariat by Thursday 20th February** - Closed; comments received and issued to RAs |
| * **RAs to draft alternative version of the proposal** – Closed; proposal submitted for Meeting 54 |

# Deferred Modification Proposals

## [Mod\_11\_12](http://semopub/MarketDevelopment/ModificationDocuments/Mod_08_12%20MIUNs.docx) proposal to extend the definition of special units to include caes

Proposer: Gaelectric

Secretariat queried as to whether there was any progress on development of the scope for the IA. SO Alternate advised that the scope is still being agreed upon internally. Secretariat advised that the RAs have granted an extension of the Modification Proposal until October 31st 2014. Secretariat advised in GES representative’s absence, that GES fully support the SO position on the proposal. A further update is expected at the June Modifications Committee Meeting.

Actions

* N/A

Decision

* The proposal was deferred

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| **Deferred** |

## II. Mod\_12\_13 Amendment to special units pumped storage definition to include energy storage

*Proposer: AES*

MO Member advised of discussions between the MO and the vendor in relation to testing for the addition of a pumped storage unit to the system. The vendor submitted an initial cost which was found by the MO to be excessive with a delivery timescale after Meeting 54, therefore a number of its elements were questioned. MO Member further advised that ABB & Brady reduced the costs to €48,000 with no reduction in timescales.

MO Member advised of the alternative of utilisation of SEMO IT resources to carry out the testing. Currently SEMO IT test resources are fully allocated to the System Integration Testing for the May release, however it would be possible for them to allocate resources to the testing of pumped storage in the May (once the CMS release has been deployed). MO Member advised that it is the intention for the testing to be completed before the June Modifications Committee Meeting. MO Member clarified that this would not include RCUC testing. SO Alternate advised that RCUC testing of an additional pumped storage unit will be carried out by EirGrid following completion of the SEMO IT market testing.

Proposer expressed agreement with the option of SEMO IT carrying out the IA so as to avoid incurring significant cost by utilising the vendor. Proposer further advised of the view that theoretically the system should be able to cope with the addition of an extra pumped storage unit however this assumption must be verified by the appropriate testing.

DSU Member queried as to whether there is some form of warranty or redress available to facilitate other pumped storage units given the fact that the vendor built the systems originally.

MO Member clarified that while the system should in theory be able to accommodate more than one pumped storage unit, it was originally tested with only one.

Actions

* N/A

Decision

* The proposal was deferred

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| **Deferred** |

## III. Mod\_02\_13\_registration of charges

*Proposer: EirGrid*

Secretariat presented slides providing a background to the proposal and an overview from the Working Group (WG), which was held on 13th March. Secretariat advised that the WG report is published on the SEMO website. Generator Member noted that the Pinsent Masons presentation was not circulated in advance of the WG, as per the action previously placed at Meeting 52 stating that all presentations should be circulated prior to the WG. This was noted by the Secretariat and Pinsent Masons representative. Secretariat advised of the below recommendation agreed by WG members:

* *The WG recommend that following review of the submissions of Participants and PM comments in relation to the presentations at the WG, the Modifications Committee ought to decide whether it is appropriate to direct PM to proceed with an updated Deed of Charge, or, whether the WG should convene again*

Secretariat advised that the Modifications Committee has a yearly budget of €25,000 designated for legal advices. Secretariat further advised that an invoice for approximately €16,000 euro has been received for the work carried out by PM until December 2013 and that work completed since the start of 2014 has not yet been invoiced. PPB representative expressed Viridian group view that the fundamental question is whether a charge is necessary. PM representative provided a brief overview of the PM view presented at the WG advising that an updated deed of charge reflective of the existing T&SC trust arrangements, is the most effective way of securing the market and that a charge is necessary. (For further detail refer to the WG report published on the SEMO website). PM representative advised that the trust arrangement as proposed by Viridian (remove the T&SC charge and rely fully upon the CRA trust) does not protect the market in the event of insolvency as it would be open to challenge by a liquidator or administrator if no charge is registered. PM representative expressed the view that Viridian is the only Participant who has put forward a dissenting view to what is proposed by PM. PPB representative clarified that Viridian Group represents 3 different Participants operating in the market. PPB representative expressed the view that what is proposed by PM only affects the NI Participants and introduces discriminatory measures into the Code. PPB representative reiterated Viridian’s concern in relation to whether the charge is necessary at all. PM representative reiterated that the charge is necessary to ensure full security of the market.

Generator Member expressed the view that the arrangements that are currently in place have been effective since the beginning of the market. MO Member clarified that there are currently more collateral reserve accounts without a charge registered against them within the SEM than previously due to the accounts moving to Danske Bank London.

Secretariat drew attention to the Participant comments received subsequent to the WG stating that the BGE feedback advised of the opinion that a re-Drafted Deed of Charge should be prepared by Pinsent Masons taking into account, as they suggested, the trust provisions in the T&SC. Secretariat further advised that BGE expressed concern with regard to the timing around possible Participant suspension for not signing the deed of charge. Supplier Alternate expressed the view that the WG recommendation does not categorically state that a new deed of charge should be drafted; it recommends that the Committee should decide whether to re-draft or whether a further WG is necessary. Discussion ensued in relation to whether a second WG should be convened. Supplier Alternate and PPB representative expressed discontent that there was not enough time to review PM’s proposed material as it was not circulated prior to the WG. RA Alternate advised that although PM’s presentation was not submitted in advance of the WG, there has been time since the WG to review the material. PM representative explained that the PM view that was provided at the WG, is not going to change. There was consensus that a second WG was not necessary as the same principles that were discussed at length at the first WG would be revisited and put forward again.

Chair queried as to whether Viridian is opposed to the principle of a charge, or that the bank is in England.

PPB representative expressed discontent in relation to the extra costs associated and voiced concern in relation to the title of CRAs. PM representative advised that the issue of title was discussed at length during the WG, which is why the charge needs to be re-drafted as it needs to address that the Participant should still grant the charge over their beneficial interest in the accounts. PM representative advised that as discussed at the WG, the new deed of charge would be consistent with the trust arrangements currently within the T&SC.

RA Member advised that approximately 6% of credit cover is held in cash collateral, with the majority held in letters of credit. RA Member summarised that there are currently 2 options facing the Committee with the Modifications Committee External Counsel advising that one is more robust and secure than the other.

Generator Alternate advised that it should be the proposer who should draft the updated Deed of charge, not external Counsel. MO Member advised that it will be necessary to have the re-drafting carried out by External Counsel as EirGrid Legal do not have the specialist legal expertise to carry out the re-drafting and that Pinsent Masons are acting on behalf of the Modifications Committee, as the original proposal submitted by Eirgrid Legal proposed removing the charge, which was quite different to the proposal now under discussion. PPB representative expressed the view that the Modifications Committee has been invoiced on a deed of charge that is not fit for purpose (i.e what is proposed in Mod\_02\_13\_v2 Registration of Charges). PM representative advised that the initial instructions were not to look at the trust provisions within the T&SC.

PPB representative raised a general query in relation to customers not paying and whether the same provisions would need to apply. PM representative advised that not every type of security needs to be registered however if the security is cash collateral sitting in a bank account, it is imperative that it is registered.

Generator Alternate advised that the Committee must get sight of the updated deed of charge prior to voting on it. PM representative expressed agreement with the importance of having sight of the revised draft deed of charge to allow for the Committee to cast a fully informed vote. PM representative advised that Viridian Group was the only Participant to submit dissenting comments in relation to what is proposed by PM. Generator Member expressed the view that a lack of Participant comment on the issue should not be construed as agreement.

Generator Alternate queried as to whether EirGrid legal is satisfied with the proposed deed of charge solution as suggested by PM. MO Member confirmed that EirGrid legal is satisfied with the proposed solution and wants to ensure security of accounts and sought specialist legal advice as to the best way to ensure that security is in place.

Generator Alternate reiterated that the re-drafting of the deed of charge should be carried out by the proposer i.e EirGrid legal, not External Counsel. Chair expressed agreement that the proposer should re-draft the proposal.

Supplier Member thanked Viridian legal representative for the feedback received to date.

Chair stated that it is the intention to vote on this proposal at the next Modifications Committee Meeting.

The Committee voted and unanimously agreed on the actions as specified below.

Actions

* Proposer to draft updated Deed of Charge reflective of the trust arrangements, to be circulated to the Committee & WG Members as soon as possible (for a review period of 3 weeks)
* Secretariat to organise conference call to discuss Deed of Charge (for no sooner than 3 weeks from date of circulation of updated draft)
* Participants to ensure adequate legal representation from their respective companies, is present for the call

Decision

* The proposal was deferred

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| **Deferred** |

## IV. Mod\_04\_14\_V2 change to uplift parameters determination timeline

*Proposer: RAs*

RA Alternate advised that a consultation paper has been published by the SEM Committee in relation to changing the uplift parameters in the interest of protecting consumers, and is open for consultation until the end of April. The consultation paper states that if possible, the SEM Committee would be in favour of changing the parameters before the end of 2014.

RA Alternate provided an overview of the proposal advising that the alternative version of the proposal submitted for consideration at Meeting 54 has incorporated Participant comments received in relation to notice and security and that it is proposed to change the parameters no more than once in a calendar year, as opposed to “twelve consecutive months” which is currently specified in the proposal (excluding this year as the parameters have already been determined).

Chair queried as to whether the primary objective of the proposal is to make SMP lower. RA Alternate advised that the RAs have a statutory obligation to protect consumers, reiterating that it is possible to do so without having a negative effect on the SMP profiler, which is why the proposal has been raised.

Generator Alternate sought clarification around the proposed timeframes for changing determination of uplift parameters in the consultation. RA Alternate advised that currently in the Code the timeframe states that the uplift parameters must be determined by the RAs 4 months before the start of the year which normally would be in August, before a change in January. RA Alternate advised that the modification is proposing to change the parameters from time to time, with a stipulation that the parameters would not be changed more than once a year to ensure a level of certainty for Participants. The stipulation is in both the proposal and the consultation that is out for review until the end of April. RA Member advised that if the proposal is approved, the changes could take effect from 1st October 2014. Discussion on timelines for implementation of the proposal ensued.

PPB representative expressed concern that the determination of the parameters could be left until a later timeframe than current practice. PPB representative advised of the importance of being aware of the parameters, prior to entering into a CFD. PPB representative expressed the view that if the parameters are going to change, it should be aligned with the tariff year so that Suppliers are aware of what is going to happen.

Chair queried as to the benefit to the consumer of the ability in increasing the flexibility involved (i.e. a one-off change of a number of months in the implementation date) when determining the parameters. Further queried that if the RAs are proposing only one parameter change per year, why not make the change at the next scheduled date. Chair expressed the view that the proposal introduces a level of relative uncertainty for Participants. RA Member advised that the value of the proposal is the ability to bring the determination of parameters back a number of months if necessary, therefore not having to wait until the end of the year. RA Member advised that the intent of the alternative version is not to introduce uncertainty and is not to change the parameters more often than once in a year but that if possible, parameters could be changed before 1st January of next year. Supplier Alternate expressed the view that what is proposed will not be hugely different to what is currently in practice. RA Member reiterated RA intention in relation to changing the legal drafting wording from “twelve consecutive months” as is currently specified in the proposal, to calendar year. Discussion ensued around appropriate legal drafting. RA Member advised that the RAs preference is for a vote on the proposal subject to updated legal drafting reflective of Committee’s concerns voiced at Meeting 54. Committee deferred a vote on the proposal pending circulation of alternative legal drafting by the RAs.

The Committee voted and unanimously agreed on the actions as specified below.

Actions

* RAs to circulate updated legal drafting reflective of Participant comments provided at Meeting 54, as soon as possible (for a review period of 2 weeks)
* Extraordinary conference call to be convened to facilitate a discussion and vote on the updated legal drafting

Decision

* The proposal was deferred

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| **Deferred** |

# New Modification Proposals

## I. Mod\_06\_14 Change to AP04 Section 2.4 relating to cancellation of a Unit Under Test (UUT) for the EA1 run in D-1

*Proposer: SEMO*

Secretariat advised that proposer had presented slides on the proposal at the previous Modifications Committee Meeting. Proposer advised that a Conventional Generator Commissioning and Testing Workshop took place on 8th October 2012 which saw the SO agree to review the timeframe for cancellation of a UUT. SO Alternate advised that feedback was received indicating that the current timeframe of 2 days is too long. SO Alternate advised the revised timeline as for cancellation of a UUT is D-1 before EA1 run. Generators submit cancellation request by email and complete the data entry cancellation submission in the MPI by **07:30 D-1.** This will be processed by **8:00 D-1** and the Participant will be e-mailed to confirm that the cancellation has been accepted or rejected. The Generator has until **09:30 D-1** to submit updated Commercial Offer Data (COD). MO will inform SO that the test has been cancelled. Proposer confirmed that the new process would also be available on weekend.

Generator Member queried as to whether there is any flexibility with regard to the timelines as proposed in the modification. Proposer clarified that there is no room to change the proposed timelines as they must comply with the tight MO timelines for the EA1 run and the timing had been previously agreed internally.

Actions

* N/A

Decision

* The proposal was Recommended for Approval

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| --- | --- | --- |
| **Recommended for Approval (by Unanimous Vote)** | | |
| Aine Doran | Generator Alternate | Approved |
| Brian Mongan | Generator Alternate | Approved |
| Denis Kelly | MDP Member | Approved |
| Iain Wright | Supplier Member | Approved |
| James Long | MPD Alternate | Approved |
| Karen Vickery | SO Member | Approved |
| Kris Kennedy | SO Member | Approved |
| Mary Doorly | Generator Alternate | Approved |
| Niamh Delaney | MO Member | Approved |
| Patrick Liddy | DSU Member | Approved |
| Philip Carson | Supplier Alternate | Approved |
| William Carr | Electric Ireland | Approved |

# AOB/upcoming events

Calendar updates

* Meeting 54 is scheduled for 17 June 2014 (Dublin)
* Modification Proposal submission deadline is 3rd June 2014

# Appendices

## Appendix 1 - Secretariat Programme of Work

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Status as at 03 April 2014** | | | | |
| **FRRs ‘Recommended for Approval’ without systems impacts awaiting RA Decision** | | | | |
| **Title** | **Sections Modified** | | **Sent** | |
| Mod\_18\_11 Definition of ‘Availability’ | T&SC Glossary | | 08 September 2011 | |
| **RA Decision ‘Further Work Required’** | | | | |
| Mod\_21\_12 Amendment to Available Transfer Capacity (ATC) definition | | T&SC Section 5; T&SC Appendix K | | 21 November 2012 |
| **RA Decision Approved Modifications with System Impacts** | | | | |
| **Title** | **Sections Modified** | | **Effective Date** | |
| N/A | N/A | | N/A | |
| **RA Decision Approved Modifications without System Impacts** | | | | |
| Mod\_01\_14 Removal of obligation to publish ex-ante margin | T&SC Appendix E, Agreed Procedure 6 | | 03 April 2014 | |
| Mod\_02\_14 Housekeeping 7 | T&SC Section 4 | | 03 April 2014 | |
| Mod\_03\_14 Change in Timeline for Submission of MO Report on Annual Capacity Exchange Rate | T&SC Section 4 | | 03 April 2014 | |
| Mod\_05\_14 Update of AGU and DSU registration provisions | T&SC Section 2, T&SC Section 5 | | 03 April 2014 | |
| **AP Notifications** | | | | |
| Mod\_11\_13 Amendment of AP5 to Update the Encryption Key Standard from 1024 Bit to 2048 Bit | AP5 | | 10 January 2014 | |
| Mod\_13\_13 Update to AP14 Disputes | AP 14 | | 10 January 2014 | |
| Mod\_14\_13 Update of reference to the SEM Bank in AP17 | AP 17 | | 10 January 2014 | |
| **Modification Proposal Extensions** | | | | |
| Mod\_11\_12 Proposal to extend definition of Special Units to include Compressed Air Energy Storage | Extension Granted | | 31 October 2014 | |
| **CMS Release 2.4.0 scheduled for deployment on 16th May** | | | | |