

Single Electricity Market

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| Modifications Committee Meeting Minutes  Meeting 58  spencer hotel,  4 december 2014  10:30 – 15:00 |

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Document History

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| --- | --- | --- | --- |
| **Version** | **Date** | **Author** | **Comment** |
| 1.0 | 11 December 2014 | Modifications Committee Secretariat | Issued to Modifications Committee for review and approval |
| 2.0 | 22 December 2014 | Modifications Committee Secretariat | Modifications Committee and observer review complete. |
| 3.0 | 16 February 2015 | Modifications Committee Secretariat | Final version published. Clarificatory comments received from the RAs |

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 16.0 |
| [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\_08\_14 Collateral Reserve Accounts](http://semopub/MarketDevelopment/ModificationDocuments/Mod_08_14%20Collateral%20Reserve%20Accounts.docx) |
| [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\_10\_14 Make Whole Payments for Interconnector Units](http://semopub/MarketDevelopment/ModificationDocuments/Mod_10_14%20MWPs%20for%20IC%20Units.docx) |
| [Mod\_11\_14 Pay-As-Bid / Paid-As-Bid for Interconnector Units](http://semopub/MarketDevelopment/ModificationDocuments/Mod_11_14%20-%20Pay-As-Bid%20Paid-as-bid%20for%20Interconnector%20Units.docx) & [Electroroute slides](http://semopub/MarketDevelopment/ModificationDocuments/140905%20ElectroRoute%20Discussion%20Slides%20v1-0.pdf) |
| [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) |
| [Mod\_13\_14 DSUs as Predictable Price Takers](http://semopub/MarketDevelopment/ModificationDocuments/Mod%2013_13%20DSUs.docx) & Activation Energy [Slides](http://semopub/MarketDevelopment/ModificationDocuments/EnerNOC_Proposal_DSU%20as%20Price%20Taker.pptx) |
| [CMS Slides](http://semopub/Publications/General/CMS%20Slides%20Meeting%2058.pptx) |

In Attendance

|  |  |  |
| --- | --- | --- |
| Name | Company | Position |
| **Modifications Committee** | | |
| Adelle Watson | NIE T&D | MDP Member |
| Aine Dorran | ESBI | ESBI Member |
| Brian Mongan | AES | Generator Member |
| Connor Powell | Airtricity | Supplier Member |
| Clive Bowers | CER | RA Member |
| Fiona Hannon | Airtricity | Supplier Alternate |
| Gerry Halligan | ESB Networks | MDP Alternate |
| Julie-Anne Hannon | Bord Gais | Supplier Alternate |
| Katia Compagnoni | MO Alternate | SEMO |
| Kevin Hannafin-Chair | Energia | Generator Member |
| Kris Kennedy | SONI | SO Member |
| Mary Doorly | IWEA | Generator Member |
| Marc Senouci | EirGrid | SO Alternate |
| Natalie Dowey | UR | RA Alternate |
| Niamh Delaney | SEMO | MO Member |
| Patrick Liddy | Activation Energy | DSU Member |
| Warren Deacon | CER | RA Alternate |
| William Carr | Electric Ireland | Supplier Member |
| William Steele | Power NI | Supplier Member |
| **Secretariat** | | |
| Sherine King | SEMO | Secretariat |
| **Observers** | | |
| Alison Wilson | Power NI | Observer |
| Brian Kennedy | Gaelectric | Observer |
| Brian Mulhern | UR | Observer |
| Chloe Kinsella | Energise | Observer |
| David Dunlop | Viridian | Observer |
| Gary McCullough | SONI | Observer |
| Gemma McHale | NIE | Observer |
| Leigh McCarthy | EirGrid | Observer |
| Michael Brennan | ESB | Observer |
| Stan Linehan | Bord Gais | Observer |
| Tom McIlroy | Energia | Observer |

# SEMO Update

The Minutes from Meeting 57 were read and approved. Comments were received from the Chair and those changes have been noted and published online. The final approved version of the Minutes is now published on the SEMO website.

Secretariat presented the Programme of Work.

In relation to Mod\_18\_11 Definition of Availability, RA representative advised that a decision on the proposal that it is expected that a decision paper on the proposal may be issued by the end of January 2015. SO Member provided an update on Mod\_21\_12 Amendment to ATC Definition advising that an alternative version of the proposal may be submitted to address the issue and that the proposal is being considered in terms of the I-SEM design.

MO Alternate presented the CMS update.

MO Alternate advised that all release milestones were met and the SEM R2.5.0 release was successfully deployed overnight on Friday November 14th 2014. MO Alternate advised that one additional defect was introduced and one other identified; all will be addressed in a wash-up release scheduled for the 16th December 2014.

MO Alternate provided an update in relation to REMIT advising that the Implementing Acts have been voted on and will be entered into force shortly. Data reporting will commence in Q4 2015.

Supplier Alternate asked if there was a plan to liaise with Market Participants regarding any cost implications to Participants in relation to the new reports.

MO Member advised that there are a number of bilateral meetings ongoing with ACER to determine how the generic data reporting fields apply to SEM. Once this is finalised, a change request will be sent for assessment to the vendor. MO Alternate advised that the fields are to be agreed with ACER shortly and that the REMIT reporting requirements and a draft template of the report will be issued for Participant review as soon as they are available.

Secretariat provided an update on the Legal advice re-tender advising that responses to the request for proposal (RFP) have been evaluated and the Committee will be updated accordingly.

# Review of Actions

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| Actions Recorded At previous meetings | |
|  | |
| Legal Support | * Re-tender for the provision of independent legal support  to be procured-**Open-in progress** |
| REMIT | * SEMO to circulate the scope for REMIT reporting requirements for Participant review- **Open-in progress** |
| SEMO Update | * SEMO to circulate detail of the scope for Release 2.6.0 (May 2015)-**Open; Scope has been circulated to RAs, will be published once approved** |
| Mod\_11\_12: Definition of Special Units | * TSO to procure Impact Assessment -**In progress** * Secretariat to arrange for discussion of Mod\_11\_12 at the Grid Code Panel – **Open-may be discussed at Feb Grid Code meeting** |
| Mod\_02\_13: Registration of Charges | * 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)-**Closed-circulated for 3 week review period on 24 Sept** |
| * Secretariat to organise conference call to discuss Deed of Charge (for no sooner than 3 weeks from date of circulation of updated draft)-**Closed-held on 1st Dec** |
| * Participants to ensure adequate legal representation from their respective companies, is present for the call-**Closed** |
| * Following circulation of all feedback received, Committee to advise via email whether external counsel should be directed to provide a response to comments-**Closed, Committee directed PM to provide comments** |
| * Committee to encourage internal legal review of the updated Deed of Charge that has been circulated- **Closed** |
| * SEMO to continue to pursue Participants in relation to signing the Deeds of Charge- **Open** |
|  | * SEMO to consider any possible risks around currency cost issue in relation to Clause 10.1 Currency conversion and indemnity- **Open** |
|  | * SEMO to consider potential removal of clause 7.4 Application of proceeds and how the expenses are recovered and whether there are any implications with removal of section - **Open** |
|  |
|  | * SEMO to consider modification of definition from Secured obligations to Payment obligations to avoid confusion re. performance obligations being charges also- **Open** |
| Mod\_08\_14 Collateral Reserve Accounts | * Participants to consider the proposal in terms of both the related modification Mod\_16\_11 Credit Worthiness Test for the SEM Bank and Credit Cover Provider Banks and the updated deed of charge in relation to Mod\_02\_13 Registration of Charges and bring feedback to Meeting 58-**Closed** * Participants to encourage internal legal review of the proposal and to encourage their legal representatives to raise any issues or questions on the conference call to be convened regarding Mod\_02\_13-**Closed** |
| Make Whole Payments Issue (Mods\_09\_14-Mod\_10\_14) | * RAs to submit draft Modification Proposal and further information for 1 week Committee review-**Closed, mods received** * Committee to consider possibility of Extraordinary Meeting/Call following receipt of the above-**Closed, Committee did not feel this was necessary** * SEMO to initiate IA- **Closed** |

# 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

SO Alternate advised that a scope for internal studies is still being agreed upon and the proposal is progressing internally.

Secretariat advised that there is a remaining open action in relation to the proposal being discussed at the Grid Code panel upon completion of the SO RCUC IA. Secretariat advised that it was decided that the proposal would not be discussed at the October Grid Code meeting as it was felt it would be more productive to discuss the proposal at a meeting after procurement of the IA results. Proposer was supportive of this. The proposal will be discussed again at the next Modifications Committee Meeting in 2015.

Actions

* N/A

Decision

* The proposal was deferred

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| **Deferred** |

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

*Proposer: EirGrid*

MO Member presented slides outlining the background and history of the proposal and showing the legal costs that have been incurred to date. MO Member sought the Committee’s views in relation to how best to proceed given the extensive legal discussion that has been ongoing since the proposal was raised in January 2012, highlighting that at Meeting 50 the Committee voted to pursue stricter enforcement and additional security around existing and future registration of charges and at Meeting 54 the Committee voted for an updated Deed of Charge reflective of the trust arrangements. However, discussion has continually reverted to two diverging views as to whether a Deed of Charge is necessary and those views are likely to remain divergent, so the Committee needs to decide whether or not to proceed with drafting a new deed. Chair reiterated Viridian’s view that a charge is unnecessary. Supplier Member supported Viridian’s view advising that the Committee have three options in relation to the deed, vote to approve the deed, amend the deed to reflect Participant comments that were put forward, or reject the deed. External counsel representative advised that it is fundamental that the Committee are comfortable with the deed of charge prior to taking a vote. External Counsel representative provided an overview of Participant comments that have been addressed in the formal written response. Discussion ensued in relation to the actions that were recorded at the conference call (set out below). MO Member advised that the concerns that had been raised by Participants at the conference call are currently being addressed by SEMO. Generator Member further advised that any monies that are to be recovered should not be absorbed by MO administration costs. Generator Member drew attention to whether Irish, NI, or English law (which would include Wales) is to be utilised for the deed due to bank accounts in the UK and drew attention to exclusion of Scotland. Generator Member further advised that given the legal costs that have been incurred to date, it is not prudent to continue to re-visit the concept of the deed of charge. All voting members except Viridian and Power NI were in agreement with AES’s above view. Generator Member expressed the view that it is imperative to have adequate security in place over the monies in the CRAs and that the Modifications Committee have received expert legal advice which has advised that a charge is necessary in order to ensure market security.

Generator Member drew attention to a concern that had previously been raised by ESB in relation to Participants using the CRAs for payment of small invoices. Secretariat advised that this comment was addressed in the formal written response (Number (ii), Pg 4) issued by External Counsel. Generator Member expressed the view that this response was not satisfactory and requested further consideration of the issue when external counsel are drafting the updated version.

Eirgrid legal representative advised that in order to progress the proposal, External Counsel must be directed to finalise the deed of charge taking into account Participants comments where possible and then the appropriate modifications to the Code and APs must be drafted.

Generator Member queried as to whether SEMO and Eirgrid will be focusing on getting those Participants who are not compliant to sign the updated deed first, once it is approved. Eirgrid legal representative confirmed that all Participants must sign the updated Deed, not only those Participants who are incompliant.

Energia representatives expressed the view that while they are not in agreement with the principle that a deed is necessary they are willing to accept the consensus view of the Committee and therefore would continue with the ongoing drafting and not revisit the concept of the deed of charge.

Actions

* External Counsel to be directed to update deed of charge taking into account the issues raised by Participants at the conference call, to be circulated for a 2 week review period- **Open**
* Secretariat to convene conference call to discuss updated deed following Committee and WG member review period- **Open**

**Reminder of actions recorded at the conference call on 1st December:**

* SEMO to consider any possible risks around currency cost issue in relation to Clause 10.1 Currency conversion and indemnity-**Open-in progress**
* SEMO to consider potential removal of clause 7.4 Application of proceeds and how the expenses are recovered and whether there are any implications with removal of section - **Open-in progress**
* SEMO to consider modification of definition from Secured obligations to Payment obligations to avoid confusion regarding performance obligations being charged also- **Open-in progress**

Decision

* The proposal was deferred

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| **Deferred** |

## III. Mod\_08\_14 Clarification of location of sem collateral reserve accounts

*Proposer: SEMO*

MO Member provided an overview of the proposal advising that the proposal seeks to reflect the fact that SEM Collateral Reserve Accounts may be held in either Ireland or the UK as opposed to either in Ireland or NI as currently implied by section 6.19.

MO Member advised that this inconsistency was identified by Viridian when undertaking a legal review of Mod\_02\_13 Registration of Charges. MO Member provided a brief background on the issues advising that as Nothern Bank is not independently rated, they were not eligible to be awarded the SEM Bank tender under the new criteria, following implementation of Mod\_16\_11 V3 Banking Eligibility Requirements.

Discussion ensued in relation to Participant concerns over the sterling bank accounts being located in London and whether the accounts could be moved back to NI. Generator Member sought clarification as to whether the definition in question states that the accounts should be in NI. MO Member advised that the Currency Zone Glossary definition refers to Jurisdiction and as the sterling SEM accounts are now held in London, the reference to Currency Zone in Section 6.19 is now inconsistent with the rest of the Code. MO Member advised that the SEM Collateral Reserve bank accounts are held in London in order to meet the Code criteria requirements of acting as the SEM bank based on the outcome of the SEM Bank tender process. Generator Member expressed the view of being in favour of the accounts moving back to NI. MO Member advised that following Mod\_16\_11v3, which became effective in April 2013, Northern Bank no longer met the requirements to be the SEM Bank, as it is a subsidiary of Danske Bank but the obligations of the subsidiary are not covered by the parent bank and they are not independently rated. The SEM bank contract is with Danske Bank and not with Northern Bank so, even apart from the criteria, Northern Bank was not appointed as part of the SEM bank tender. Therefore SEMO could not move the accounts to Northern Bank based on the current SEM bank contract.

Supplier Member drew attention to the Deed of charge in relation to Mod\_02\_13 Registration of Charges advising that it would be necessary to execute the deed in English Law for the sterling accounts.

MO Member advised that a formal written response will be issued to Participants in answer to the comments submitted by Viridian.

Actions

* SEMO Finance to revert to Committee with written response to questions regarding the SEM Bank and location of SEM Collateral Reserve Accounts- **Open**

Decision

* The proposal was deferred

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| **Deferred** |

# NEW Modification Proposals

## I. Mod\_13\_14 DSUs as Price Takers

*Proposer: Activation Energy (Enernoc)*

Proposer presented slides on the modification advising that activation Energy recently joined Enernoc, a global demand response and software provider. Proposer provided background to the modification advising that Demand Side Units are currently prohibited from being registered as predictable price takers. Proposer advised that the business is built on the provision of capacity and capacity payments; DSUs, which are scheduled by the market, do not rely on the energy market payments. Proposer advised that autonomous generators run their CHPs 24/7 as they see fit, and don’t enter the market for 2 reasons, firstly it is not efficient for a unit that size to take part in the market, secondly the current provisions within the Code, do not allow for the units to register within the market as high efficiency CHPs, even though the units provide greater flexibility to the TSO.

Some existing embedded generators, which can be classified under priority dispatch, would enter the market if they could be aggregated as a Demand Side Unit. DSU Member drew reference to the T&SC clause 5.154 which states that “Each Demand Side Unit shall be classified as a Predictable Price Maker Generator Unit”. Proposer advised that this clause prevents classification of small units being registered as Predictable Price Takers and that Enernoc do not see any reason for this limitation within the T&SC. Proposer advised Enernoc would like to see the units considered as high efficiency CHP however are prevented from doing so as the Code stipulates the units must be a Predictable Price Maker.

Supplier Member queried as to whether DSUs and AGUs have different metering arrangements. Proposer advised that generators in an AGU on customer sites have their own retail meter as they are their own electrical unit and that they must pay wires charges even though they are only generating electricity for consumption within their own site.

Supplier Alternate queried as to whether the units would be included in the current market in the day ahead market schedule in D-1, if they are aggregated as predictable price takers, or would it be envisaged for pure real time use by the TSO. Proposer advised that the DSU bids in PQ Pairs the same as GUs, high efficiency CHPs would likely run quite frequently and be available to the TSO to curtail. Proposer clarified that the units are already in existence and are would run continuously unless curtailed.

Discussion ensued around how the units would be purely high efficiency CHPs. Proposer advised that high efficiency CHP are subjected to a rigorous testing and they can be individually distinguished by other demand type sites. Proposer expressed the view that they could be either pure aggregated high-efficiency CHPs or a combination of CHPs with other sites. All this is included into the license approved by RAs. MO Member questioned how a unit that was not purely an aggregation of high-efficiency CHPs could be awarded priority dispatch.

Observer queried as to what consideration to curtailments implications for scheduled demand, have been given. Proposer advised that this has not been considered as an issue.

Proposer advised that as it stands currently, if the unit is a DSU, it cannot be RA certified as a CHP, even if it is composed solely of CHP units. Proposer advised that a variable PMG is not being proposed.

Proposer queried as to why DSUs are treated differently to all other price takers CHP.

Observer drew attention to the dispatch element of the discussion. Observer identified a possible unintended consequence being introduced to the market schedule if the proposal was to be implemented. In addition further analysis would be required to verify that rules for DSUs registered as PPTGs remain consistent with the intention of the Code.

MO Member queried as to what size the units are. Proposer advised that they range in size from 1MW to 3MW units. Generator Member queried: if the units are registered as PPT, would they always be dispatched as price takers and would that be efficient for DSUs.

Generator Member queried as to whether the units could register now as Predictable Price Makers. Proposer advised that this is to date the only option, but expressed the preference to register as PPTG like conventional CHP. Proposer advised that the units will be dispatched fully on the majority of the time and on the occasions that the SOs must curtail, they could curtail these units as opposed to curtailing a wind farm for example.

SO Alternate advised that the SOs do not have a strong view on the proposal and that it would be an RA Decision to grant priority dispatch.

Proposer queried as to whether SEMO requests certification at registration. MO Alternate advised that this would be confirmed with the RAs through the licensing and registration obligations.

Proposer queried as to whether the Committee would be happy to vote on the proposal on the grounds that any fundamental concerns regarding the proposal would be addressed by the IA. The Committee were not agreeable to this as complete information on any modification proposal is necessary prior to taking a vote and must be included in the FRR.

***Actions***

* Participants to submit any feedback and/or specific items for clarification in relation to the proposal to Secretariat within 2 weeks (by 19th December)**-Open**
* Proposer to provide responses to Participant feedback and a worked example of what is proposed in the modification- **Open**
* SEMO to initiate IA- **Open**

Decision

* The proposal was deferred

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| --- |
| **Deferred** |

## II. 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: RAs*

RA Member presented slides on the two Modification Proposals advising that there has been a significant increase in the level of Make Whole Payments in the SEM recently and this increase has been predominantly attributable to IC Unit exporting and importing in different gates. RA Member advised that the purpose of Mod\_09\_14 Amendment to MWPs for IC Units, is to amend the Code so that Interconnector Users receive Make Whole Payments based on their aggregate position across all gate windows (EA1, EA2 & WD1) in which they have traded. In the current Code wording each gate window is considered separately for the calculation of Make Whole Payments. The purpose of Mod\_10\_14 Make Whole Payments for IC Units is to amend the Code so that Interconnector Units no longer receive Make Whole Payments in the market. Chair queried as to the RAs preferred proposal of the two that had been submitted. RA Member advised that the RAs are keen for the Committee to discuss the proposals and reach a decision on a preferred proposal.

***Actions***

* Participants to submit any feedback and/or specific items for clarification in relation to the RA MWP proposals to Secretariat within 2 weeks (by 19th December)-**Open**
* RAs to provide further clarification on proposals and responses to feedback submitted by Participants –**Open**

Decision

* The proposal was deferred

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| --- |
| **Deferred** |

## III. Mod\_10\_14 make whole payments for interconnector units

*Proposer: RAs*

Same as above.

***Actions***

* Same as above

Decision

* The proposal was deferred

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| --- |
| **Deferred** |

## IV. Mod\_11\_14 pay-as-bid/paid-as-bid for Interconnector units

*Proposer:Electroroute*

Proposer presented slides on both proposals outlining the below options. Proposer advised that the purpose of Mod\_11\_14 Pay-As-Bid / Paid-As-Bid for Interconnector Units is to amend the code to remove disjointed price signals by introducing a Pay-As-Bid/Paid-As-Bid settlement process for all Interconnector Units. Interconnectors currently ‘bid to flow’. Proposer advised that this will eliminate the disjointed price signal and ensure that there is only one dominant trade direction in each half hour period. A “pay as bid / paid as bid” mechanism will remove the significant ex-post price risk interconnector units face and will effectively remove them from the Make Whole mechanism entirely. Proposer provided an overview of Mod\_12\_14 Amendment to Make Whole Mechanism to remove Settlement Periods of simultaneous import and export flows advising that the purpose of this modification is to amend the code so that Interconnector Units no longer receive Make Whole Payments for half hour trading periods where both import and export trades have been nominated. This allows interconnector unit to simply arrange trades by deciding what periods of the day they wish to import and export. The Make Whole Payment mechanism would no longer be exposed to payments where import and export volumes are scheduled simultaneously in the same period. The proposer believes that this represents the most practical fix to the issue. (Please refer to Modification Proposal justifications and explanations for more detailed information on the proposals).

## make whole payments discussion (On all four Modification proposals)

RA Member advised that more than 90% of Exports did not happen further advising that an IC unit can bid whatever they choose as this is not enshrined anywhere within the Code. Electroroute representative expressed the view that in terms of bidding to flow, IC activity has evolved that way over the duration of the market. Proposer further advised that Electroroute are not comfortable effectively hampering “free movement of goods between borders” as specified in Directive [2006/123/EC](http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32006L0123:EN:NOT) of the European Parliament and of the Council of 12 December 2006 on services in the internal market. The proposer mentioned that they had started an internal legal review which supported this view. MO Member asked if this legal analysis could be shared with the Committee. The proposer replied that they are not ready to disclose this at this point.

MO Alternate reiterated RA view that Interconnector Users are not prohibited from representing costs within their bids and that it is Electroroute’s commercial decision to bid that way and ICs are not bound by the BCOP as traditional GUs are.

Observer questioned whether Interconnector bids, which currently seem not to reflect price differential between adjacent regions, would have a detrimental impact on the price coupling and efficient export flows. Observer expressed concern around the introduction of a market imbalance and of the impact on constraints if pay/paid as bid were introduced. Electroroute representative advised that constraints could happen but that it should not be viewed as a significant risk.

DSU Member stated that as over 90% of exports traded did not actually happen, were the dispatchers incorrect to have sold the power in the first instance. Electroroute representative expressed the view that they were not illegitimate trades and that this type of trading is frequently seen on the continent.

DSU member also asked if this indicated a flaw within the scheduling software. Observer advised that the market solver optimises Schedule Production Costs based on the bids submitted, and that MWPs are not visible to and are therefore not considered by the Pricing and Scheduling software. Generator Member expressed the view that there appears to be a discrepancy between export bids and SMP.In order for flows in both directions to be scheduled, the import bid would have to be less than Shadow Price and the export bid would have to be greater than Shadow Price..

Observer elaborated that trading with an import bid which is less than an export bid in a given period appeared counter-intuitive. This appears to indicate an intention to sell/import to the SEM at a lower price and buy/export from the SEM at a relatively higher price. This bidding approach appeared to be loss making when considered in isolation from the Make Whole Payment mechanism. Generator Member drew reference to Mod\_ 09\_14 Amendment to MWPs for IC Units stating that the user would be made whole and that the proposed aggregation of IC Users across all gate windows is not discriminatory if it brings IC Users in line with other GUs. Electroroute representative advised that in their view, ICs would not be aligned with GUs because they bid to flow and their import trading is overstated in the Make Whole Payment aggregation.

Observer reiterated previous point that the bid is at the ICs discretion whereas GUs must bid based on the requirement of the BCOP. Electroroute representative drew reference again to the potential hampering of cross border trading. Observer said that where the link between costs of adjacent markets and bidding behaviours is lost, then the price coupling effect may also be diminished.

Observer stated that opportunity for exports based on price spread between the two markets, are expected to be concentrated at night time, which limits the exposure to Uplift. This is because Uplift is higher during evening peak time. Currently exports are observed across the entire day, which appears contrary to the concept of efficient cross border flow and the social welfare gains it is intended to bring. Observer expressed the view that in their own analysis Exports without Make Whole Payments are possible. For a specific period, ElectroRoute accounted for only 40% of the Exports but 100% of the MWPs and emphasised that other exporters were not relying on the MWPs to recover costs. Observer expressed the view that it should be possible for Electroroute to continue to export without relying on MWPs. Electroroute representative expressed concern that there is a fundamental disjoint in the market and that there is a lack of clarity from the original design. Observer sought clarifications from Electroroute in relation to whether the problem is regarding different price signals resulting in netted import and export settling at different rates or Interconnector Users receiving make whole payments whenever already whole or better in aggregate across gate windows.

Electroroute representative advised that the issue is around the prices applied by the dispatcher. Observer reiterated concern that both the pay/paid as bid and removal of netted trading periods approaches could keep the Uplift exposure with the consumer as opposed to the trader who chose to make the trade and has control over the bids that govern it..

MO Alternate expressed the view that aggregating across the 3 gates may be a more appropriate course of action as Interconnector Units for individual Gates were only designed as a mechanism to implement IDT requirements. They also noted that prior to IDT it was not possible isolate trading periods with a positive contribution to MWP from those with a negative contribution to MWP. MO alternate added that there wasn’t an intention to introduce this scenario, but rather that this was a practicality of implementing IDT.

MO alternate stated their belief that the equivalent of a generator unit is an Interconnector User, not the Interconnector Unit. Electroroute representative expressed the view that in that case the trader would be liable to significant uncompensated risks. Observer reiterated that these would not be uncompensated, but they would be compensated only when necessary, due to not being whole in aggregate in relation to their bids, in line with all other Generator Units.

Electroroute representative advised that before IDT there was no export trading as there was only 1 trading window.

MO Alternate advised that removing periods of simultaneous Import/Export is against the principle of superpositioning which was introduced into the IDT detailed design at the request of IC traders.

Removing those periods from the Make Whole Payment aggregation will create scenarios where trading periods with large import and minimal Export would be excluded and vice versa. This means that periods where MWP should apply are excluded from the recovery and the trader is exposed to Uplift. Vice versa, periods where the Interconnector Unit has already been made whole would not be considered in the MWP calculation, therefore resulting in an overecovery. This is different from other generator units and seems at odds with the proposer intention for the mod.

MO Alternate provided the IA results that had been procured by SEMO IT at the request of the Committee at the previous Modifications Committee Meeting:

* Mod\_09\_14 Amendment to MWPs for ICUs: Cost for the first proposal in isolation: **€61,030**
* Mod\_10\_14: Assessment for the change against the current Production system **€20,060 hours**
* Assessment for the change against the amended functionality (i.e. should the calculation amendment option be considered first and the removal after). **€20,910 – (this would be in addition to the above estimate of €61,030 for Mod\_09\_14**)

Discussion ensued in relation to whether a vote taking place in January would delay implementation of whichever proposal was approved. The Committee did not feel comfortable to vote on any of the four MWP proposals at the Meeting and requested further information on the proposals from the RAs and Electroroute.

Generator Member expressed the view to see the impact of the proposals in relation to whether exports could continue, impact of curtailment of wind generation and further explanation of social welfare analysis presented by Electroroute. Generator Member expressed the need to see further RA analysis as to whether all of the MWPs are associated with exporting. Chair concluded the discussion advising that the issue must be urgently addressed and that more information on all of the proposals is necessary, prior to scheduling an extraordinary meeting/call with Participants in mid-January.

***Actions***

* Participants to submit any feedback and/or specific items for clarification in relation to the Electroroute MWP proposals to Secretariat within 2 weeks (by 19th December)**-Open**
* Electroroute to provide further clarification on proposals and responses to feedback submitted by Participants **–Open**
* Secretariat to schedule Extraordinary meeting/call for mid January, following receipt of further clarification from proposers- **Open**
* SEMO to initiate IA (for Electroroute mod proposals) -**Open**
* 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)-**Open**

Decision

* The proposal was deferred

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| **Deferred** |

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

Proposer: Electroroute

Same as above.

***Actions***

* Same as above

Decision

* The proposal was deferred

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| **Deferred** |

# AOB/upcoming events

Calendar updates

* Meetings for 2015 will be provisionally scheduled by end of December and will be circulated to the Committee for review

# Appendices

## Appendix 1 - Secretariat Programme of Work

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Status as at 4 December 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** | | | | |
| N/A | N/A | | N/A | |
| **AP Notifications** | | | | |
| N/A | N/A | | N/A | |
| **Modification Proposal Extensions** | | | | |
| Mod\_11\_12 Proposal to extend definition of Special Units to include Compressed Air Energy Storage | Extension Granted | | 30 April 2015 | |
| Mod\_02\_13 Registration of Charges | Extension Granted | | 30 January 2015 | |
| Mod\_12\_13 Mod 12\_13 Amendment to Special Units Pumped Storage definition to include energy storage | Extension Granted | | 30 January 2015 | |
| * **Cut-off date for October 2015 release is 6th March 2015** | | | | |