



Single Electricity Market

MODIFICATIONS COMMITTEE MEETING MINUTES

MEETING 72

CONFERENCE CENTRE, THE OVAL, EIRGRID OFFICES, DUBLIN

07 FEBRUARY 2017

10.30 – 12.00

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Document History

Version	Date	Author	Comment
1.0	1 March 2017	Modifications Committee Secretariat	Issued to Modifications Committee for review and approval
2.0	8 March 2017	Modifications Committee Secretariat	Committee and observer review complete

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 and Agreed Procedures: Version 18.0
Mod_02_16 Changes to MEC for DSU
Mod_01_17 Changes to enable I-SEM (Part A)
Mod_02_17 Unsecured Bad Energy Debt & Unsecured Bad Capacity Debt Timelines.
Mod_02_17 Presentation

In Attendance

Name	Company	Position
Modifications Committee		
Adele Watson	NIE Networks	MDP Member
Barry Hussey	CER	RA Member
Brian Mongan	AES	Generator Member
Clive Bowers	ESB	Generator Alternate
Connor Powell	SSE	Supplier Member
Kevin Hannafin (Chair)	Energia	Generator Member
William Steele	Power NI	Supplier Member
Stella Burke	IWEA	Generator Alternate
Siobhan O'Neill	Electroroute	Interconnector Alternate
Gerry Halligan	ESB Networks	MDP Member
Julie-Anne Hannon (Vice Chair)	Bord Gais	Supplier Member
Jonathan Flack	SONI	SO Alternate
Katia Compagnoni	SEMO	MO Member
Mary Doorly	IWEA	Generator Member
Paddy Finn	Electricity Exchange	DSU Member
Marc Senouci	Eirgrid	SO Member
Sheena Byrne	CER	RA Alternate
Secretariat		
Esther Touhey	SEMO	Secretariat
Observers		
Aisling O'Donnell	EirGrid	Observer
Fionnuala Colleran	EirGrid	Observer
Cormac Daly	Tynagh	Observer
Scott Lennox	Power NI	Observer

1. SEMO UPDATE

The Minutes from Meeting 71 were read and approved by the Secretariat. The final version of the Minutes is available [here](#).

Secretariat advised that Generator Member, Mary Doorly had communicated that she would be leaving her role with IWEA and therefore the Modifications Committee. Secretariat thanked Mary for her contribution to the Committee and wished her well in her new post.

Programme of Work

Secretariat presented the Programme of Work and a review of previous meeting actions.

MO and CMS Update

The Deed of Charge implementation is progressing well and nearing completion.

MO Member advised that SEMO IT is reviewing the CMS maintenance programme following the change in I-SEM go live date to assess for any impacts or issues. It is understood that there are a number of risks with respect to keeping a number of obsolete systems on old platforms for longer than anticipated. The final outcome has yet to be determined, however, SEMO IT is confident that the risk mitigation plan already in place will stand.. It was also noted that the support contracts with ABB and Brady are due to expire in November 2019. If an extension of the contracts is required, it will be obtained, although it is expected to be quite costly.

2. REVIEW OF ACTION

<i>ACTIONS RECORDED AT PREVIOUS MEETING</i>	
Mod_01_16 'Proposal to end M+13 obligations under the TSC following the completion of M+4 resettlement period plus dispute window'	<ul style="list-style-type: none"> • Secretariat to draft Final Recommendation Report - Closed
Mod_08_15 Clarification of Outturn Availability	<ul style="list-style-type: none"> • Secretariat to draft Final Recommendation Report - Closed
Mod_04_15 Modification to Relevant Meter Operator Role and Support Requirements for Meter Communication Channels	<ul style="list-style-type: none"> • Secretariat to issue Withdrawn Notice - Closed
Mod_02_16 Changes to MEC for DSU	<ul style="list-style-type: none"> • TSO to communicate next steps to analyse hybrid sites – Open • Proposer to investigate potential V3 of the Modification to remove references to Part A or B – Open

AOB	<ul style="list-style-type: none"> RA Member to clarify the cutover process and date and impact on new Modifications as well as the consultation and designation process - Closed
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3. DEFERRED MODIFICATIONS PROPOSALS

I. MOD_02_16 CHANGES TO MEC FOR DSU

Proposer: Electricity Exchange

The proposer advised that the proposal had been reviewed in light of implications of Part A and Part B of the Trading and Settlement Code and there was no need yet for a 3rd version until the discussions on the TSO working group progress further. This will give a better indication of the timelines for voting the Mod and whether it should address only Part A to begin with or both Part A and Part B.

SO Member advised that the TSOs were identifying the high level needs of not just Demand Site Unit (DSU)/generation hybrid sites but hybrid sites in general and that this was an extensive piece of work. A paper drafted on this subject by the TSOs is going through internal review and will be discussed with industry as soon as finalised. The proposer recognised that although this approach will delay the progress of his own Modification, it will be beneficial for the wider industry in the long run. Generator Alternate referred to section 2.21 of the Trading and Settlement Code specifically relating to registration of generation above 10 megawatts. Proposer advised that the demand reduction element is what then causes the MEC issue as a higher MEC is registered. Generator Alternate suggested deleting the final paragraph of the current V2 proposal however MO Member stated that it was retained for the purpose of de minimis raised previously.

Generator Alternate advised that a previous modification raised in 2011 already discussed the issue of limitations on DSU's. It was clarified that section 2.21 refers to generator units and does not differentiate between the generator unit and the DSU. It also affects dispatching. It was advised that the 2011 working group established that only genuine DSU will try to register a DSU hence the efforts from the TSO to make sure that the de-minimis clause was included.

Decision

The proposal was deferred.

Actions :

- TSOs to clarify the work being undertaken in their internal paper and the workshop planning process – **Open**
- Secretariat to circulate links to material from Mod_04_11– **Open**
- Secretariat to request proposal extension from RA's – **Open**

4. NEW MODIFICATIONS PROPOSALS

II. MOD_01_17 CHANGES TO ENABLE I-SEM (PART A)

Proposer: Regulatory Authorities

This modification refers to updating Part A & B of the Code. The Consultation Paper on Energy Trading Arrangements (SEM-16-075) published on 15 November 2016 states that “Part A of the TSC Amendments will comprise the existing TSC. Some minor consequential changes may be required and these changes will be progressed through the Modifications Committee”. Proposer advised that the effective date of this proposal will be the designation date.

Generator Member asked if the designation date was the same as the publication date. Proposer advised that the designation date will be stipulated with the publication of the decision. It was advised that the CER need to designate under statutory requirements while the UREGNI need to designate under condition 15 of their licence. Decision on Part B will be published on April 5th and will identify the designation date and the two organisations will carry this out according to their specific processes. It was proposed that May 1st could be the designation date.

Chair invited further questions. Committee had no further questions and were happy to vote on the proposal.

Decision

The proposal was Recommended for Approval.

Recommended for Approval

Recommended for Approval by Unanimous Vote		
Clive Bowers	Generator Alternate	Approved
Mary Doorly	Generator Member	Approved
Julie- Anne Hannon	Supplier Member	Approved
Brian Mongan	Generator Member	Approved
William Steele	Supplier Member	Approved
Connor Powell	Supplier Member	Approved
Shiobhan O'Neill	Interconnector Alternate	Approved
Paddy Finn	DSU Member	Approved
Kevin Hannafin	Generator Member (Chair)	Approved

- **Action:** Secretariat to draft Final Recommendation Report - **Open**.

II. MOD_02_17 UNSECURED BAD DEBT

Proposer: SEMO

Proposer delivered a [presentation](#) relating to Unsecured Bad Debt. The presentation highlighted the issues surrounding the current timelines as per Trade & Settlement Code V.18 and the Central Market System constraints in the event of Unsecured Bad Debt. As per section 6.55 of the T&SC, if a shortfall (Energy / Capacity) is not paid in full by 12:00 next Working Day after the Invoice Due Date, the amount of the Shortfall shall become an Unsecured Bad Debt. In the event of Unsecured Bad Debt, the Market Operator shall be subject to the calculation of an adjustment by a reduction in the amount payable to each affected SEM Creditor pro-rated and issue a Debit Note for the reduced amount, pay Self Billing Invoices net any Debit Note by 17:00, 4 Working Days after the date of the Self Billing Invoice.

The modification proposes to adjust the above timelines, only in the event of Unsecured Bad Debt to 17:00, 5 Working Days after the date of the Self Billing Invoice providing the Market Operator sufficient time to complete their internal processes efficiently as a result of Unsecured Bad Debt.

The current timelines and code obligations on the Market Operator are unrealistic due to external timelines and Central Market System constraints. Detailed within the presentation, the proposer highlighted further justification for the modification including the implications of not implementing this modification proposal and two alternative proposals considered.

Chair thanked the proposer for the presentation and invited questions from the committee. Supplier Member enquired how the submissions of Settlement Reallocation Agreements are treated within the calculation of Unsecured Bad Debt. Seeking clarification, if a SEM creditor pre Unsecured Bad Debt with the inclusion of Settlement Reallocation Agreements could ultimately become a SEM Debtor. MO Member suggested that this was a possibility if the calculation was not based on the Invoiced Amount, though was unsure and would confirm this after further internal investigation.

Supplier member enquired as to whether the 2.30pm cut off period was an internal or external timeline. RA Alternate asked if this timeline could be moved. MO Member advised that this was an external timeline and the likelihood of this being changed would be very slim, including that SEMO finance have an agreed mandate with the SEM bank which he could not comment on. The SEM bank requires payments to be approved by this cut off period to process the settlement and banking obligations as per Trade & Settlement Code timelines. The MO Member advised that given the current timelines for calling Unsecured Bad Debt and the Central Market System processing times, the Market Operator would not be able to meet the 2.30pm approval cut off period. In the event where Unsecured Bad Debt over 3 settlement run (Initial, M+4 & M+13), Parallel processing would take place and increase the Central Market System processing times in the calculation of Debit Notes..

Generator Member asked what time will a generator member be informed of Unsecured Bad Debt event under this proposal. Proposer advised that it would be 12.00pm 4 Working Days, after the Date of the Self Billing Invoice as soon as the Unsecured Bad Debt was being called upon. . MO Member

advised that in the event of Unsecured Bad Debt, the Market Operator would communicate via market message as soon as possible after 12:00.

As per presentation, the proposer detailed that once the Unsecured Bad Debt has been called and implemented within the Central Market System, the process cannot be interrupted or cancelled via system or manual intervention. Therefore the settlement of the affected Billing Week cannot be rolled back to original settlement status.

Generator Member advised that they already carry the risk of Unsecured Bad Debt and raised concerns that not only this, with the introduction of the modification they would then have to carry a 2nd risk of not knowing what funds they would be receiving in the event of Unsecured Bad Debt including any reductions until 17:00, 5 Working Days after the date of the Self Billing Invoice negatively affecting their cash flow. MO Member advised that those risks were currently being carried.

Generator Member posed the reality that if 80% of Generator's Invoices is in SRA's to Suppliers, then does that mean that only two or three generators are carrying this risk. Another Generator Member felt that this could be discriminatory. Observer suggested the indicative amounts could be assessed.

Discussion ensued in relation to the process of self billing invoice and waiting to go to the bank. Generator Member advised that a debit note must be completed as per the current Trading and Settlement Code. MO Member advised that in the case of the Unsecured Bad Debt smearing process the Self Billing Invoice has to be adjusted therefore cannot be paid as originally issued. Supplier Member stated that the issue is who manages the shortfall. MO Member advised that due to the current Central Market System constraints and external Banking Constraints, the current timelines within the Trade & Settlement Code are not manageable thus triggering the urgency for the modification.

Supplier Member suggested could the calculation and net payment of Debit Notes to be flagged in the SBI affected and be deferred and smeared into following week Settlement. MO Member advised that SEMO cannot manage capital risk. All funds are to be received by the Market Operator before Self Billing Invoices can be paid. Supplier Member suggested an Option, in the event of Unsecured Bad Debt SEMO could be able to put in place an overdraft facility to ensure that all funds would be received by the 12:00, 4 Working Days after the Date of the Self Billing Invoice. RA Member advised that this may not be something that SEMO can drawdown on as previously investigated.

Supplier Member stated that this is different from previously open ended long term overdraft facility because it would be limited to a week only and expected to be only for extreme circumstances and limited amount. MO advised that this could not be guaranteed, however the question would be presented to the Finance Department again to see if this represented a possibility. The option of moving the 2.30pm deadline needs investigated. Other Generator Members voiced agreement with the concern regarding delay in payments and asked if there were other options. MO Member advised at this time, the likelihood was that there were no other options, other than the alternative options detailed within the proposers presentation, i.e. moving the deadline for payments out to Self Billing Invoices or reducing the timelines currently available to Suppliers to remedy on their default.

MO Member advised that if the timelines were changed for when the Market Operator would call Unsecured Bad Debt this moves the risk to suppliers and potentially increases the risk of Unsecured Bad Debt actually happening. To date the process has never been called yet, but was very close to being called a number of times, and this was prevented by the time of remedy. Supplier Members expressed concern. Supplier Member advised they would take this discussion back to their organisation and review the implications.

Generator Member asked how much of the required process time is system driven. Proposer advised that it took 2 hours to run a settlement batch. This time has potentially increased due to the number of units in the market, however no exact details exists of the original tests done at SEM go live. Generator asked when in the process it has been realised that there is a problem. MO Member confirmed this was when MO was very close to having to calculate a debit note.

DSU Member enquired as to what systems are being used and could the avenue be explored regarding the improvements to the Central Market System to reduce processing times. MO Member and Proposer advised that they would review the database for any potential efficiency to be achieved by indexing, archiving or other processes not requiring vendor intervention or system changes. Chair asked if such an event has ever happened. MO Member advised that such an event was very recently close to happening bringing this issue to light. Generator Member voiced the suggestion that this was a resource issue, whether that be people or systems.

Another Generator Member said that Generators are still exposed today to this unknown if the MO can't clearly operate within the deadlines imposed by the T&SC. Any System changes will likely carry at least 9 months lead up to implementation where this risk would be still in place and that it would be preferable to have certainty about being paid a day late that not knowing when this would happen at all. The question was raised as to whether it would be possible to give an indication of the revised amount to be paid to Generator as early as possible prior to the 17:00 deadline proposed by the modification.

Alternative suggestions made by the committee were as below;

- Improved System functionality to reduce processing timelines
- Change of external Banking approval cut off deadlines of 14:30
- Investigating SEMO Overdraft facility
- SU to investigate and comment back on potentially reducing the available time to remedy
- It was also requested if possible to investigate Debit Note being issued in advance of the 17:00 payment to give timely information to GU about the amount due to them.

MO Member proposed reviewing the process internally and to take away the various points raised and query. This information will then be communicated to the members for them to review. A conference call with then be facilitated.

- *Decision*

- The proposal was deferred

Action : MO to investigate other options in relation to the timelines, review the process in relation to warning about bad debt occurring & to investigate system efficiencies and current internal and external timelines – **Open**

I. AOB/UPCOMING EVENTS

Potential Modifications

MO Member advised of a possible proposal in relation to Solar Panel Generators. They are not included in the Code and are not suitable from a systems point of view – the system does not accept this unit type.

Options are currently being explored in relation to how to rectify this. One option is to register the solar units as wind type units due to their similarity and to allow them to be a generator (like wind) for the duration of the market.

Calendar updates

- Mods Meeting 73: 6th April 2017 in Belfast. The Market Audit will be discussed in this session.
- Deadline for new proposals : 23rd March

APPENDICES

APPENDIX 1 - SECRETARIAT PROGRAMME OF WORK AS DISCUSSED AT MEETING 72

Status as at 7th February 2017		
Modification Proposals 'Recommended for Approval' without System impacts		
Title	Sections Modified	Sent
Mod_01_16 Proposal to Reduce Dispute Window after I-SEM Market Go-Live	T&SC –Section 2.278 6.47, 6.69- 6.71 Appendix E – Table E.9 Appendix J – Tables J.7 & J.8 AP06 – Appendix 2 AP13 – 2.1.3, 2.2.4 AP14 – Disputes Section 2.1 (1a) AP15 – 2.1.2, 3.2 AP16- Section 2.1, 2.2, 3 (Table & Provision of Meter Data Graph) Glossary	27 January 2017
Mod_08_15 Clarification of Outturn Availability	Glossary	31 January 2017
Modification Proposals 'Recommended for Approval' with System impacts		
N/A	N/A	N/A
Modification Proposals 'Recommended for Rejection'		
Mod_10_14 Make Whole Payments to Interconnector Units	N/A	27 March 2015
Mod_11_14 Pay-as-bid/Paid-as-bid Interconnector Units	N/A	27 March 2015
Mod_12_14 Amendment to Make Whole Mechanism to remove Settlement Periods of simultaneous import and export flows.	N/A	08 May 2015
RA Decision 'Further Work Required'		
N/A	N/A	N/A
RA Decision Approved Modifications with no System Impacts		
Title	Sections Modified	Effective Date
Mod_12_13 Amendment to Special Units Pumped Storage definition to include Energy Storage	T&SC Section 2; T&SC Section 4; T&SC Section 5; T&SC Appendix H; T&SC Appendix I; T&SC Appendix M; T&SC Appendix N; T&SC	12 November 2015

	Appendix O; T&SC Glossary	
Mod_08_14 Clarification of SEM Collateral Reserve Accounts	T&SC 6.19	09 September 2016
Mod_02_13 Registration of Charges	T&SC Section 2 and Section 6, AP 1, AP 9 AP 17 , Glossary	09 September 2016
RA Decision Rejected		
N/A	N/A	N/A
AP Notifications		
Mod_09_15 Amendment to Update Process re Submission Failure	AP07	5 February 2016
Withdrawal Notifications		
Mod_04_15 Modification to Relevant Meter Operator Role and support requirements for Meter Communication Channels	N/A	27 January 2017
Modification Proposal Extensions		
N/A	N/A	N/A
<ul style="list-style-type: none"> • Meeting 73 – 6th April : Belfast • Submission deadline for new proposals – 23rd March 2017 		