

Single Electricity Market

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| Modifications Committee Meeting Minutes  Meeting 73  conference cENTRE, castlereagh house, soni,belfast  06 april 2017  10.30 – 12.30 |

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Document History

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| **Version** | 1. **Date** | **Author** | **Comment** |
| 1.0 | 28 April 2017 | Modifications Committee Secretariat | Issued to Modifications Committee for review and approval |
| 2.0 |  | 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**](http://semopub/MarketDevelopment/Pages/MarketRules.aspx) |
| [Mod\_02\_16 Changes to MEC for DSU](http://semopub/MarketDevelopment/ModificationDocuments/Mod_02_16%20Changes%20to%20MEC%20for%20DSU.docx) |
| [Mod\_02\_17 Unsecured Bad Energy Debt & Unsecured Bad Capacity Debt Timelines.](http://semopub/MarketDevelopment/Modifications/Pages/Modifications.aspx) |
| [Mod\_02\_17 Presentation](http://semopub/MarketDevelopment/ModificationDocuments/Mod_02_17%20Unsecured%20Bad%20Debt.pdf) |
| [Market Audit Presentation](http://semopub/Publications/General/SEM%20Market%20Audit%202016%20Mods%20Committee%20Presentation.pdf) |
| [Mod\_02\_17 Unsecured Bad Debt Update document](http://semopub/MarketDevelopment/ModificationDocuments/Summary%20of%20Actions%20from%20MO%20on%20Unsecured%20Bad%20Debt%20Mod_02_17.pdf) |
| [Mod\_02\_17 Meeting 73 Presentation](http://semopub/MarketDevelopment/ModificationDocuments/Mod_02_17%20Unsecured%20Bad%20Debt_meeting%2073.pdf) |

In Attendance

|  |  |  |
| --- | --- | --- |
| Name | Company | Position |
| **Modifications Committee** | | |
| Adele Watson | NIE Networks | MDP Member |
| Brian Mongan | AES | Generator Member |
| Clive Bowers | ESB | Generator Alternate |
| William Steele | Power NI | Supplier Member |
| Siobhan O’Neill | Electroroute | Interconnector Alternate |
| Julie-Anne Hannon (Vice Chair) | Bord Gais | Supplier Member |
| Katia Compagnoni | SEMO | MO Member |
| Marc Senouci | Eirgrid | SO Member |
| Sheena Byrne | CER | RA Alternate |
| Kris Kennedy | SONI | SO Member |
| Jim Wynne | Electric Ireland | Supplier Member |
| Kenny Dane | UREGNI | RA Member |
| Chris Goodman | SEMO | MO Alternate |
| **Secretariat** | | |
| Esther Touhey | SEMO | Secretariat |
| **Observers** | | |
| Aisling O’Donnell | EirGrid | Observer |
| Laura Johnston | NIE Networks | Observer |
| Kerri Web | NIE Networks | Observer |
| Sinead O’Hare | Power NI | Observer |
| Ihmran Haider | Deloitte | Observer |
| Andrew Waghorn | Deloitte | Observer |
| Walter Carlton | Deloitte | Observer |
| Tim Steele | SEMO | Observer |
| Ian McCleland | SONI | Observer |

# market audit

The Market Audit presentation was delivered by Deloitte and is available [here.](http://semopub/Publications/General/SEM%20Market%20Audit%202016%20Mods%20Committee%20Presentation.pdf)

A number of Clarifications were requested and these were responded and explained by either Deloitte or the Market Operator’s Member and Alternate.

# semo update

The Minutes from Meeting 72 were read and approved by the Secretariat. The final version of the Minutes is available [here](http://semopub/Meetings/Minutes%20Meeting%2072%20version%202.0.pdf).

**Programme of Work**

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

# Review of Actions

|  |  |
| --- | --- |
| Actions recorded at previous meeting | |
| Mod\_01\_16 ‘Proposal to end M+13 obligations under the TSC following the completion of M+4 resettlement period plus dispute window’ | * Secretariat to draft Final Recommendation Report - **Closed** |
| Mod\_01\_17 Changes to enable I-SEM (Part A) | * Secretariat to draft Final Recommendation Report - **Closed** |
| Mod\_02\_16 Changes to MEC for DSU | * 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– **Closed** * Secretariat to request proposal extension from RA’s – **Open** |
| Mod\_02\_16 Unsecured Bad debt | * 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 – **Closed** |

# defered modifications proposals

## Mod\_02\_16 changes to mec for dsu

*Proposer: Electricity Exchange*

Secretariat passed on apologies on behalf of the proposer who was unable to attend. Secretariat explained that discussions had taken place between the proposer, the Secretariat and SO Member in relation to this proposal. Secretariat explained that the extension would be requested from the RA’s but clarified that a proposal could not be repeatedly deferred without any progression.

SO Member advised that a paper will be presented by the TSOs at the Joint Grid Code Review Panel on the 25th of April 2017, that discusses areas relating to all hybrid sites including those containing DSUs similar to that raised in this proposal. Following this presentation the terms of reference for a working group on hybrid sites will be established. The proposer will provide an update at Meeting 74 following the presentation at the Joint Grid Code Review Panel and establishment of a working group and if the proposer is satisfied to do so then this proposal may be withdrawn and progressed through the TSO working group under the Joint Grid Code Review Panel.

SO Member also advised that the TSOs met with the proposer following meeting 72 to discuss the specific arrangement being proposed in this modification and are awaiting further information from the proposer.

Decision

The proposal was deferred.

**Actions :**

* TSOs to forward working group invite to Secretariat – **Open**
* Secretariat to issue working group invite to Modifications & Market Rules registered contacts – **Open**
* Secretariat to request proposal extension from RA’s – **Open**
* Proposer to forward requested information to SO Member **– Open**

## II. **Mod\_02\_17 Unsecured Bad debt**

*Proposer: SEMO*

MO Member apologised for the delay in the provision of the paper issued the day before. MO Member also provided a [summary presentation](http://semopub/MarketDevelopment/ModificationDocuments/Mod_02_17%20Unsecured%20Bad%20Debt_meeting%2073.pdf). MO Member advised that there were no identifiable actions that could be taken to improve the process timelines. It was explained that a number of changes took place after the intra day trading project to improve the manual processes.

MO Member addressed each area proposed by the Panel in Meeting 72 for reviewing the timing deadlines within this process, but advised that there was no scope for further efficiencies or improvements as outlined in the document circulate prior to the meeting.

The banking deadline is a stringent timeline that could not be moved while internal processing could not be completed before that to allow for same day payment in the event of Unsecured Bad Debt. This is in particular relevant for Sterling Payments.

The issue of SEMO having an overdraft facility to cope in such circumstances was addressed again. MO Member advised that an overdraft facility was not viable for SEMO. Such an arrangement was not provided for in the current terms and there is no mechanism for this function.

MO Member explained that version 1 of the Modification had been developed quickly because raised as urgent modification. In this haste there was a lack of clarity in terms of provisions of the Coded referenced in the Mod. MO Member advised that legal interpretation was sought and that determined that the code already has appropriate rules in place though they may not be explicit. Sections 6.57 and 6.58 of Trading and Settlement Code (T&SC) in particular are the key provisions at this regard.

MO Member reiterated that SEMO has no funding mechanism and that the market is based on the system of getting the money in before paying the money out. Two documents referenced in the above provisions were the Debit Note and the Debit Note Excess. Question was raised by supplier member at previous meeting 72: could a generator find himself as a debtor. MO Member responded that the calculation was not done on the invoice totals, as initially advised in meeting 72, but on the settlement payments/charges therefore prior to inclusion of SRAs. This means that there could be scenario where a Generator with SRA could now find itself in a situation of owning money to the Market. As the two documents referred to in 6.57 and 6.58 are produced as part of the same process the same market principle of money in before money out should apply.

MO Member advised that this would result in payments to be delayed by at least 2 days after the Debit Note is issued in the event of Debit Note Excess. MO Member reiterated that otherwise the market had no mechanism to pay for the shortfall.

Observer advised that they disagreed with the interpretation of sections 6.57 and 6.58. Observer queried if a supplier doesn’t pay by 12pm Wednesday then the credit cover should be drawn down – shouldn’t the credit cover be enough? MO Clarified that this is the case, however where credit cover is insufficient, they still have until 12 pm the next working day to rectify. After that time and only in those circumstances it becomes a bad debt.

Observer noted that some generators have Settlement Reallocation Agreements (SRA’s) and the scenario of Debit Note Excess will only occur if a generator has submitted SRAs to a level greater than their Self Billing Invoice minus the bad debt reduction. Observer continued that Unsecured Bad Debt and Debit Note Excess should both be smeared via an iterative loop which runs until there is are no longer any Excess Participants and the programming code should be able to reverse the out the Unsecured Bad Debt in case a payment is then received. Observer referenced section 6.58 of T&SC claiming that with SEMO interpretation, SEMO is withholding moneys that people are entitled to. Observer believes that what is happening in practice is contrary to the T&SC and that it does not explicitly state anywhere that no payments should be made until funds in relation to Debit Note Excess have been received.

Supplier Member advised that they agreed with the logical approach advocated by the Observer. The likelihood of this issue in I-SEM was raised. MO Member advised that under the new proposals the reallocation agreement is different. Generator Member advised that they agreed with the comments raised by the Observer and claimed it fundamentally unacceptable for SEMO to defer all payments in this scenario as section 6.57 doesn’t restrict timelines. MO Member commented that the original issue still remains, the fact that there is not sufficient time to process the payments if the shortfall has not been addressed by Suppliers within the allowed timelines.

Supplier Member commented in every previous bad debt circumstance, payment came in overnight or first thing the next morning and has been avoided due to the time to remedy being 12.00pm. If the timelines were reduced to 17:00 same day in this scenario it is the supplier that carries the risks of a shorter window for time to remedy and an Unsecured Bad Debt would be called more often affecting Generators in turn. Generator member queried if this timing was a banking issue where by suppliers were not making payments in good time for them not to be paid by 12.00 deadline on the third working day. Supplier member advised that this only occurred in exceptional circumstances. MO Member was asked off frequency of bad debt situations occurring. It was responded that there were limited cases of near missed events but the triggers could be of various nature for example in one of the latest cases, a change in personnel resulted in member of staff missing payment deadlines and nearly causing bad debt. Generator Member proposed reducing the time suppliers were given to make payments, however Supplier Member advised that in so doing it would increase the likelihood of Unsecured Bad Debt occurring.

Observer voiced the point that Generators must be paid on Thursday. It was asked that something be put in place to accommodate the required payments, K factors or licensing, etc. It was also stressed the need to look at what else can be achieved to deliver the code objectives. Also it was pointed out how important cashflow was and that all generators have to manage their cashflow and may be in a position of not knowing what they are going to get until late Thursday. Observer asked for SEMO/EirGrid to review how they could provide finance for limited shortfall events even by means of the parent company funding such shortfalls. MO Member dismissed this as a possibility, however all other potential options would be considered and the Panel was invited to submit views and further options to this regard.

Supplier Member asked what happens with the 95% of funds that are available and if it would be possible to assign them manually. MO Member advised that these would remain unused and that there was no capability to complete a manual calculation within the expected payment deadline and that the process must be system driven as much as possible to be fully accurate. Supplier asked if there was clear evidence early on in the process of what was the amount of bad debt at a macro level calculation. Proposal was voiced to make a calculation at the macro level and then make a payment based on that. MO Member advised there was no mechanism to do this.

Generator Member asked if there were to be more occurrences of this in the market then what are the penalties to defaulting participants. It was advised that Suppliers would receive default notices which could eventually see them out of the Market and also interest payments are issued. Generator Member asked if the process could be triggered on close of business Wednesday with credit draw downs on Thursday minus the shortfall. MO Member advised that the process cannot be stopped once it is started and therefore cannot be started until Unsecured Bad Debt is confirmed at 12:00 on Thursday, unless the time of remedy is shortened. This still means that the 95% of the money received could be paid on Friday with the remainder adjusted on the following week if the shortfall has been resolved.

Observer asked if MO could look at historic events to say what the implications would be for Generators. They also asked for an approximate range of the previous Unsecured Bad Debt amounts events that were narrowly missed. MO Member advised they had concerns with the disclosure of detailed data but that it would release as much possible within the confidentiality constraints. Observer suggested that the smearing be done earlier in the day in anticipation of bad debt to guarantee some payments. The issue is completing the calculation before the SRA’s. MO Member advised they would take on board the suggestions.

* The proposal was deferred

Actions :

* All Members to submit comments to the Secretariat by close of business Thursday 20th April – **Open**

# AOB/upcoming events

Upcoming Modifications

MO Member advised of a possible proposal in relation to Solar Generators. They are not included in the Code and are not catered for from a systems point of view – the system does not recognise this unit’s fuel type.

The proposal will be progressed and may necessitate an emergency meeting as the units have a quicker transition through the operational Certificate process after Registration. A letter has been issued by the RA’s confirming that the units can be registered by SEMO and are to be treated as wind as an interim measure.

Action :

* Secretariat to circulate RAs letter re treatment of Solar - Open

Committee Membership & Housekeeping

Secretariat advised that elections will be taking place after the next meeting for expiring members and later for the role of Chair and Vice Chair. Secretariat stressed that going forward the Committee workload will be increasing as we move towards I-SEM. It was advised that as agendas increase the meetings may increase in frequency to monthly and they may start earlier and finish later. Secretariat felt it was important that members were aware of the requirements of membership. Secretariat thanked all for their continued support but stressed that the committee will be getting busier and there will be greater commitment and requirements in the future.

Secretariat also advised that the audio recording of the committee meetings would be re-introduced to support the minute taking process.

Secretariat advised that this would be Katia Compagnoni’s last meeting as MO Member. Secretariat thanked Katia for all her help and support and wished her well for her maternity break. Vice Chair also thanked Katia on behalf of the Committee and wished her well. Chris Goodman will become the MO Member with Laura Plunkett as Alternate.

Calendar updates

* Mods Meeting 74 : 9th June 2017 in Dublin.
* Deadline for new proposals : 26th May 2017

# Appendices

## Appendix 1 - Secretariat Programme of Work as discussed at meeting 73

|  |  |  |
| --- | --- | --- |
| **Status as at 6th April 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](http://semopub/MarketDevelopment/ModificationDocuments/Modification%20Proposal%20V2.docx) | 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](http://semopub/MarketDevelopment/ModificationDocuments/Modification%20Proposal%20V2.docx) Clarification of Outturn Availablity | Glossary | 31 January 2017 |
| Mod\_01\_17 Changes to enable I-SEM (Part A) | Sections 1 and  names only of all Appendices,  Glossary and all APs;  also additional changes to all AP names listed within Appendix D | 16 March 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 Appendix O; T&SC Glossary | 12 November 2015 |
| 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** | | |
| Mod\_02\_16 MEC for DSU | **N/A** | **N/A** |
| * **Meeting 74 – 9th June 2017 : Dublin** * **Submission deadline for new proposals – 26th May 2017** | | |