

Single Electricity Market

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| Final REcommendation ReportMod\_08\_18 clarification of rules used to determine the value of price average reference tag (tpar) 10 May 2018  |

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Document History

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| **Version** | **Date** | **Author** | **Comment** |
| 1.0 | 10 May 2018 | Modifications Committee Secretariat | Issued to Modifications Committee for review and approval |
| 2.0 | 25 May 2018 | Modifications Committee Secretariat | Issued to Regulatory Authorities for final decision |

Reference Documents

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| **Document Name** |
| [Trading and Settlement Code](http://www.sem-o.com/MarketDevelopment/MarketRules/TSC.docx) |
| [Modification Proposal](http://www.sem-o.com/MarketDevelopment/ModificationDocuments/Mod_08_18%20-%20Imbalance%20Pricing%20%28Determination%20of%20TPAR%29.docx) |
| [Presentation](http://www.sem-o.com/MarketDevelopment/ModificationDocuments/Mod_08_18%20Presentation.pptx) |

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# MODIFICATIONS COMMITTEE RECOMMENDATION

## Recommended for approval subject to legal drafting - Unanimous Vote

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| **Recommended for Approval by Unanimous Vote**  |
| Kevin Hannafin | Generator Member | Approved |
| Cormac Daly | Generator Member | Approved |
| Brian Mongan | Generator Member | Approved |
| William Steele | Supplier Member | Approved |
| Jim Wynne | Supplier Member | Approved |
| Julie-Anne Hannon (Chair) | Supplier Member | Approved |

# Background

This Modification Proposal was raised by SEMO and was received by the Secretariat on 14 February 2018.

Appendix N, clauses 11 to 13, cover the following three cases in respect of the determination of Price Average Reference Tag (TPARukφ):

1. (Clause 11) If -QPAR <= QNIV <= QPAR
2. (Clause 12) If QNIV > QPAR
3. (Clause 13) If QNIV < - QPAR

However, these conditions do not address the fact that, according to a strict interpretation of the current rules, some numbers can satisfy more than one condition i.e. where QPAR is negative and its magnitude is greater than that of a positive QNIV, e.g. QPAR = -6 and QNIV = 5 satisfies both condition b) and condition c). This is incorrect, as there should be only one condition that applies in each Imbalance Pricing Period.

As part of system testing, it has been identified that the I-SEM systems have been implemented to address the issue by applying an additional test of whether the value of QPAR is greater than zero. This is correct, as QPAR (which is determined by the Regulatory Authorities in accordance with clause E.2.1 of the TSC) will not be negative:

1. If -QPAR <= QNIV <= QPAR and QPAR>0
2. If QNIV > QPAR and QPAR>0
3. If QNIV < - QPAR and QPAR>0

The Modification Proposal was discussed and voted on at Meeting 81 on 13th March 2018.

# PURPOSE OF PROPOSED MODIFICATION

**3A.) justification of Modification**

The proposed change amends TSC Appendix N clauses 11 to 13, to clarify that the conditions only apply where QPAR>0. This addresses the incorrect situation where more than one of clauses 11, 12 and 13 could otherwise apply of QPAR were allowed to be <0.

**3B.) Impact of not Implementing a Solution**

If not implemented, the provisions of the TSC will be ambiguous in situations that more than one of Appendix N Clauses 11 to 13 apply in situations where QPAR<0.

**3c.) Impact on Code Objectives**

This Modification furthers Code Objective A.2.1.4(a):

*(a) to facilitate the efficient discharge by the Market Operator of the obligations imposed upon it by its Market Operator Licences;*

In particular, this Modification enables the Market Operator to unambiguously deliver its obligations with respect to determination of Price Average Reference Tags.

1. **Assessment of Alternatives**

N/A

# Working Group and/or Consultation

N/A

# impact on systems and resources

None

# Impact on other Codes/Documents

N/A

# MODIFICATION COMMITTEE VIEWS

## Meeting  **81 – 13 March 2018**

Proposer delivered a [presentation](http://www.sem-o.com/MarketDevelopment/ModificationDocuments/Mod_08_18%20Presentation.pptx) summarising the requirement for this proposal. Proposer advised that the proposal seeks to address ambiguity and provide a clear definition in the code. A change was proposed to the definition of Price Average Reference Quantity stating ‘and the value shall be greater than zero’ at the end of the definition, instead of the change as drafted which addresses this within the tagging rules themselves. Broad agreement was given to this suggestion.

Committee were in agreement to vote on this proposal subject to legal drafting. The proposal was recommended for approval.

# Proposed Legal DraftinG

Proposed legal drafting replaced by the following agreed legal drafting :

Change to Glossary definition as below;

|  |  |
| --- | --- |
| **Price Average Reference/** **Price Average Reference Quantity (QPAR)** | means the parameter of that name determined by the Regulatory Authorities under section E.2.1 and is a reference quantity of Accepted Bids and/or Accepted Offers over which Accepted Bid Prices and /or Accepted Offer Prices are averaged as part of the Imbalance Price calculation in accordance with Appendix N and the value shall be greater than zero. |

# LEGAL REVIEW

N/A

# IMPLEMENTATION TIMESCALE

It is proposed that this Modification is implemented on a Trading Day basis with effect from one Working Day after an RA Decision.

# Appendix 1: Mod\_08\_18 clarification of rules used to determine the value of price average reference tag (tpar)

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| **MODIFICATION PROPOSAL FORM** |
| **Proposer***(Company)* | **Date of receipt***(assigned by Secretariat)* | **Type of Proposal***(delete as appropriate)* | **Modification Proposal ID***(assigned by Secretariat)* |
| **SEMO** | **14 February 2018** | **Standard** | **Mod\_08\_18** |
| **Contact Details for Modification Proposal Originator** |
| **Name** | **Telephone number** | **Email address** |
| **Martin Kerin** |  | **Martin.kerin@eirgrid.com** |
| **Modification Proposal Title** |
| **Clarification of rules used to determine the value of Price Average Reference Tag (TPAR)** |
| **Documents affected***(delete as appropriate)* | **Section(s) Affected** | **Version number of T&SC or AP used in Drafting** |
| **Appendices Part B** | **Appendix N clauses 11,12 and 13** | **Version 20** |
| **Explanation of Proposed Change***(mandatory by originator)* |
| Appendix N, clauses 11 to 13, cover the following three cases in respect of the determination of Price Average Reference Tag (TPARukφ):1. (Clause 11) If -QPAR <= QNIV <= QPAR
2. (Clause 12) If QNIV > QPAR
3. (Clause 13) If QNIV < - QPAR

However, these conditions do not address the fact that, according to a strict interpretation of the current rules, some numbers can satisfy more than one condition i.e. where QPAR is negative and its magnitude is greater than that of a positive QNIV, e.g. QPAR = -6 and QNIV = 5 satisfies both condition b) and condition c). This is incorrect, as there should be only one condition that applies in each Imbalance Pricing Period.As part of system testing, it has been identified that the I-SEM systems have been implemented to address the issue by applying an additional test of whether the value of QPAR is greater than zero. This is correct, as QPAR (which is determined by the Regulatory Authorities in accordance with clause E.2.1 of the TSC) will not be negative:1. If -QPAR <= QNIV <= QPAR and QPAR>0
2. If QNIV > QPAR and QPAR>0
3. If QNIV < - QPAR and QPAR>0
 |
| **Legal Drafting Change***(Clearly show proposed code change using* ***tracked*** *changes, if proposer fails to identify changes, please indicate best estimate of potential changes)* |
| * 1. Price Average Reference Tagging

Setting the Price Average Reference Tag if –QPAR ≤ QNIVφ ≤ QPAR11. For each Imbalance Pricing Period φ where the Net Imbalance Volume Quantity (QNIVφ) is greater than or equal to the negative of the Price Average Reference Quantity (-QPAR) and less than or equal to the Price Average Reference Quantity (QPAR), and the value of the Price Average Reference Quantity (QPAR) is greater than zero, the Market Operator shall set the value of the Price Average Reference Tag (TPARukφ) equal to one for all k.Setting the Price Average Reference Tag if QNIVφ > QPAR* + - 1. For each Imbalance Pricing Period φ where the Net Imbalance Volume Quantity (QNIVφ) is greater than the Price Average Reference Quantity (QPAR) and the value of the Price Average Reference Quantity (QPAR) is greater than zero, the Market Operator shall:
				1. Determine the value of b and β to satisfy the following equation:

where: b is a positive integer and β is a positive real number between zero and one; QAOukφ is the Accepted Offer Quantity for Generator Unit u and rank k; andTNIVukφ is the Net Imbalance Volume Tag for Generator Unit u and rank k.* + - * 1. Set the value of the Price Average Reference Tag (TPARukφ) equal to zero for all k = M+1 to b-1, to a value of β for k = b, and equal to one for k = 1 to M and k = b+1 to N.

Setting the Price Average Reference Tag if QNIVφ < -QPAR* + - 1. For each Imbalance Pricing Period φ where the Net Imbalance Volume Quantity (QNIVφ) is less than the negative of the Price Average Reference Quantity (QPAR) and the value of the Price Average Reference Quantity (QPAR) is greater than zero, the Market Operator shall:
				1. Determine the value of b and β to satisfy the following equation:

where: b is a positive integer and β is a positive real number between zero and one;QABukφ is the Accepted Bid Quantity for Generator Unit u and rank k; andTNIVukφ is the Net Imbalance Volume Tag for Generator Unit u and rank k.* + - * 1. Set the value of the Price Average Reference Tag (TPARukφ) equal to zero for all k = b+1 to M, to a value of β for k = b, and equal to one for k = 1 to b-1 and k = M+1 to N.
 |
| **Modification Proposal Justification***(Clearly state the reason for the Modification)* |
| The proposed change amends TSC Appendix N clauses 11 to 13, to clarify that the conditions only apply where QPAR>0. This addresses the incorrect situation where more than one of clauses 11, 12 and 13 could otherwise apply of QPAR were allowed to be <0. |
| **Code Objectives Furthered***(State the Code Objectives the Proposal furthers, see Section 1.3 of T&SC for Code Objectives)* |
| This Modification furthers Code Objective A.2.1.4(a):*(a) to facilitate the efficient discharge by the Market Operator of the obligations imposed upon it by its Market Operator Licences;*In particular, this Modification enables the Market Operator to unambiguously deliver its obligations with respect to determination of Price Average Reference Tags. |
| **Implication of not implementing the Modification Proposal***(State the possible outcomes should the Modification Proposal not be implemented)* |
| If not implemented, the provisions of the TSC will be ambiguous in situations that more than one of Appendix N Clauses 11 to 13 apply in situations where QPAR<0. |
| **Working Group***(State if Working Group considered necessary to develop proposal)* | **Impacts***(Indicate the impacts on systems, resources, processes and/or procedures; also indicate impacts on any other Market Code such as Capacity Marker Code, Grid Code, Exchange Rules etc.)* |
| Not required | none |
| ***Please return this form to Secretariat by email to*** *modifications@sem-o.com* |

**Notes on completing Modification Proposal Form:**

1. **If a person submits a Modification Proposal on behalf of another person, that person who proposes the material of the change should be identified on the Modification Proposal Form as the Modification Proposal Originator.**
2. **Any person raising a Modification Proposal shall ensure that their proposal is clear and substantiated with the appropriate detail including the way in which it furthers the Code Objectives to enable it to be fully considered by the Modifications Committee.**
3. **Each Modification Proposal will include a draft text of the proposed Modification to the Code unless, if raising a Provisional Modification Proposal whereby legal drafting text is not imperative.**
4. **For the purposes of this Modification Proposal Form, the following terms shall have the following meanings:**

**Agreed Procedure(s): means the detailed procedures to be followed by Parties in performing their obligations and functions under the Code as listed in either Part A or Part B Appendix D “List of Agreed Procedures”. The Proposer will need to specify whether the Agreed Procedure to modify refers to Part A, Part B or both.**

**T&SC / Code: means the Trading and Settlement Code for the Single Electricity Market. The Proposer will also need to specify whether all Part A, Part B, Part C of the Code or a subset of these, are affected by the proposed Modification;**

**Modification Proposal: means the proposal to modify the Code as set out in the attached form**

**Derivative Work: means any text or work which incorporates or contains all or part of the Modification Proposal or any adaptation, abridgement, expansion or other modification of the Modification Proposal**

**The terms “Market Operator”, “Modifications Committee” and “Regulatory Authorities” shall have the meanings assigned to those terms in the Code.**

**In consideration for the right to submit, and have the Modification Proposal assessed in accordance with the terms of Section 2 of Part A or Chapter B of Part B of the Code (and Part A Agreed Procedure 12 or Part B Agreed Procedure 12) , which I have read and understand, I agree as follows:**

**1. I hereby grant a worldwide, perpetual, royalty-free, non-exclusive licence:**

* 1. **to the Market Operator and the Regulatory Authorities to publish and/or distribute the Modification Proposal for free and unrestricted access;**
	2. **to the Regulatory Authorities, the Modifications Committee and each member of the Modifications Committee to amend, adapt, combine, abridge, expand or otherwise modify the Modification Proposal at their sole discretion for the purpose of developing the Modification Proposal in accordance with the Code;**
	3. **to the Market Operator and the Regulatory Authorities to incorporate the Modification Proposal into the Code;**

**1.4 to all Parties to the Code and the Regulatory Authorities to use, reproduce and distribute the Modification Proposal, whether as part of the Code or otherwise, for any purpose arising out of or in connection with the Code.**

**2. The licences set out in clause 1 shall equally apply to any Derivative Works.**

**3. I hereby waive in favour of the Parties to the Code and the Regulatory Authorities any and all moral rights I may have arising out of or in connection with the Modification Proposal or any Derivative Works.**

**4. I hereby warrant that, except where expressly indicated otherwise, I am the owner of the copyright and any other intellectual property and proprietary rights in the Modification Proposal and, where not the owner, I have the requisite permissions to grant the rights set out in this form.**

**5. I hereby acknowledge that the Modification Proposal may be rejected by the Modifications Committee and/or the Regulatory Authorities and that there is no guarantee that my Modification Proposal will be incorporated into the Code.**