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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)* |
| **Energia** | **06 February 2019** | **Standard**  | **MOD\_03\_19** |
| **Contact Details for Modification Proposal Originator** |
| **Name** | **Telephone number** | **Email address** |
| **Sean McParland** |  | **sean.mcparland@energia.ie** |
| **Modification Proposal Title** |
| **Amended application of the Market Back Up Price if an Imbalance Price(s) fails to calculate** |
| **Documents affected***(delete as appropriate)* | **Section(s) Affected** | **Version number of T&SC or AP used in Drafting** |
| **T&SC Part B** | **Section E.2.2.4** | **V 20** |
| **Explanation of Proposed Change***(mandatory by originator)* |
| This Modification Proposal seeks to amend the application of the Market Back Up Price such that it can be used as a replacement for any Imbalance Price that fails to calculate rather than solely the Imbalance Settlement Price. By doing so the Imbalance Settlement Price will incorporate any Imbalance Price(s) that have successfully calculated in an Imbalance Settlement Period into its calculation rather than reverting to the Market Back Up Price for all periods, which is based on Ex Ante market prices and may not be reflective of Balancing Market conditions. In each Imbalance Settlement Period (which is a 30 minute period beginning on each hour or half hour) there are six Imbalance Prices which are scheduled to be calculated (i.e. these prices are calculated every 5 minutes – the Imbalance Pricing Period). Currently the T&SC states that the Market Back Up Price (which is calculated on the basis of the quantity-weighted average price of prices from Day-ahead and Intraday Trade Quantities for an Imbalance Settlement Period) is to be used if an Imbalance Price fails to calculate for an Imbalance Pricing Period during an Imbalance Settlement Period. The result of this is that if any of the scheduled six Imbalance Prices fails to calculate during an Imbalance Settlement Period, the corresponding Imbalance Settlement Price cannot be calculated and the Market Back Up Price will be used instead. However an issue that the above process is creating is that any Imbalance Prices which are calculated during an Imbalance Settlement Period are not being taken into account if an Imbalance Prices fails to calculate e.g. if five Imbalance Prices are successfully calculated in an Imbalance Settlement Period but the last one fails to calculate within the allocated 5 minute timeframe, the five Imbalance Prices that have been calculated will not have any bearing on the Market Back Up Price that is used in this scenario. As the Market Back Up Price is calculated based on prices on from the Day-ahead and Intraday markets, this price may differ greatly from what the Imbalance Settlement Price was likely to have out turned at if the sixth Imbalance Price had have been successfully calculated. In order to address this issue we are proposing that should any of the scheduled six Imbalance Prices that are due to be calculated during an Imbalance Settlement Period be successfully calculated, that these prices are then used in the calculation of the Imbalance Settlement Price. We propose that this is done by amending the application of the Market Back Up Price to be used as a replacement for a missing Imbalance Price rather than as a replacement for the Imbalance Settlement Price. The Imbalance Settlement Price will then be calculated as it currently is by using the weighted average of the Imbalance Prices and Market Back Up Prices in the Imbalance Settlement Period. By applying the Market Back Up Price as a replacement for Imbalance Prices that have failed to calculate, the Imbalance Settlement Price will be able to take into account Imbalance Prices that have been successfully calculated. This will result in out turned Imbalance Settlement Prices which are more reflective of the Balancing Market conditions during the Imbalance Settlement Period than simply reverting to the Market Back Up Price.It should be made clear that we are not proposing any changes to the calculation of Imbalance Prices or Imbalance Settlement Prices. Our proposal is to amend the application of the Market Back Up Price so that it can be used as a replacement for any missing Imbalance Prices and allow the Imbalance Settlement Price to calculate as it currently does. In addition, it should also be clarified that if all six Imbalance Prices fail to calculate during an Imbalance Settlement Period, the Market Back Up Price will continue to be used as it currently is.  |
| **Legal Drafting Change***(Clearly show proposed code change using* ***tracked*** *changes, if proposer fails to identify changes, please indicate best estimate of potential changes)* |
| **T&SC Part B****E.2.2.4**   If the Market Operator is unable to calculate an Imbalance Price for an Imbalance Pricing Period during an Imbalance Settlement Period~~, or an Imbalance Settlement Price for an Imbalance Settlement Period,~~ in accordance with sections E.3.1 to E.3.7 of the Code by the time it is required to publish that price under paragraphs E.2.2.1 to E.2.2.3, then the Market Operator shall set the Imbalance Price equal to the Market Back Up Price as determined in accordance with section E.5. ~~and publish the Imbalance Settlement Price for that Imbalance Settlement Period equal to the Market Back Up Price as determined in accordance with section E.5.~~ **E.2.2.5**   If the Market Operator is unable to calculate an Imbalance Settlement Price for an Imbalance Settlement Period, in accordance with sections E.3.1 to E.3.7 of the Code by the time it is required to publish that price under paragraphs E.2.2.1 to E.2.2.3, then the Market Operator shall set and publish the Imbalance Settlement Price for that Imbalance Settlement Period equal to the Market Back Up Price as determined in accordance with section E.5. |
| **Modification Proposal Justification***(Clearly state the reason for the Modification)* |
| The use of the Market Back Up Price was initially envisaged to be used on an infrequent basis and that Market Operator systems would successfully calculate Imbalance Prices and Imbalance Settlement Prices within the respective Imbalance Pricing and Imbalance Settlement Periods. However, following the first 3 months of I-SEM, the Market Back Up Price has been used 135 times as the Imbalance Settlement Price and the Imbalance Price has failed to calculate 381 times. Furthermore there are numerous examples where the use of the Market Back Up Price is having a material impact on Imbalance Settlement Prices in scenarios where four or five of the Imbalance Prices have calculated in an Imbalance Settlement Period but are effectively disregarded by use of the Market Back Up Price. In these scenarios the Market Back Up Price can be significantly different to what the expected Imbalance Settlement Price would have been based on those calculated Imbalance Prices. As a result the current process of applying the Market Back Up Price is undermining confidence in the Balancing Market and causing uncertainty for market participants. The effect of this will consequently be to reduce participation in the Balancing Market. By amending the application of the Market Back Up Price to be used for Imbalance Prices that have failed to calculate and therefore allow the Imbalance Settlement Price to use all calculated prices, this will result in Imbalance Settlement Prices which are more reflective of Balancing Market conditions. This will result in a fairer representation of the market price for energy for the period(s) that are impacted. |
| **Code Objectives Furthered***(State the Code Objectives the Proposal furthers, see Section 1.3 of Part A and/or Section A.2.1.4 of Part B of the T&SC for Code Objectives)* |
| (b) to facilitate the efficient, economic and coordinated operation, administration and development of the Single Electricity Market in a financially secure manner; (d) to provide competition in the Single Electricity Market;1. to provide transparency in the operation of the Single Electricity Market;
2. to ensure no undue discrimination between persons who are parties to the Code; and
3. to promote the short-term and long-term interests of consumers of electricity on the island of Ireland with respect to price, quality, reliability, and security of supply of electricity.
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| **Implication of not implementing the Modification Proposal***(State the possible outcomes should the Modification Proposal not be implemented)* |
| If the Modification Proposal is not implemented the Market Back Up Price will continue to be used in place of the Imbalance Settlement Price whenever an Imbalance Price has failed to calculate within that Imbalance Settlement Period. As previously outlined, the Market Back Up Price will be used even if some of the Imbalance Prices for that corresponding period have calculated. The Market Back Up Price does not take any of these Imbalance Prices into consideration and is based on Day-ahead and Intraday prices only. As a result the Market Back Up Price is not reflective of the Imbalance Prices that have calculated within that Imbalance Settlement Period. Also if the Market Back Up Price is used in a single Imbalance Settlement Period i.e. the periods before and after have used the Imbalance Settlement Price, the prices can vary quite a lot from period to period.The net result of this process as it is currently applied is to contribute to a lack of uncertainty around Imbalance Settlement Prices which in turn creates a lack of confidence for Market Participants to participate in the Balancing Market. |
| **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.)* |
|  | The Modification may have an impact on systems in respect of the Market Back Up price (i.e. the weighted average of the Day Ahead and Intra Day market prices) being required to be used as a replacement for any missing Imbalance Prices that have failed to calculate in an Imbalance Pricing Period.   |
| ***Please return this form to Secretariat by email to*** balancingmodifications@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.**