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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)* |
| **IWEA** | **10th October 2019** | | **Standard** | | **MOD\_04\_19\_V2** |
| **Contact Details for Modification Proposal Originator** | | | | | |
| **Name** | | **Telephone number** | | **Email address** | |
| **Andrew Burke** | |  | | **andrew.burke@turnkeydev.com** | |
| **Modification Proposal Title** | | | | | |
| **Running credit assessment once on working days following bank holidays** | | | | | |
| **Documents affected**  *(delete as appropriate)* | | **Section(s) Affected** | | **Version number of T&SC or AP used in Drafting** | |
| **Agreed Procedure 9** | | **2.5.1** | | **As published 7th April 2017** | |
| **Explanation of Proposed Change**  *(mandatory by originator)* | | | | | |
| Currently, credit assessments are run three times on all days, this modification aims to reduce this to one, at 15:30, on days following weekends/Banks Holidays to reduce collateral requirements for generators  Version 1 of this modification was raised at Meeting 89, leading to a Working group on the topic being proposed at Meeting 93. This meeting was held on September 19th, 2019 and resulted in the following recommendations:   * There is a risk in the market on ex-ante rogue trading and this is unavoidable without the implementation of Contract Refusal; * Improve situation by improving timelines for meter data noting that metered data quality may be compromised; * Prioritise Indicatives on Working Days after weekends/Banks Holidays and just run the last 5pm report of the day. | | | | | |
| **Legal Drafting Change**  *(Clearly show proposed code change using* ***tracked*** *changes, if proposer fails to identify changes, please indicate best estimate of potential changes)* | | | | | |
| **Agreed Procedure 9**  *2.5.1 Warning Notices and Credit Cover Increase Notices*  The procedural steps in relation to management of Credit Cover requirements are set out at section 3.1 below.  The Market Operator will carry out one Credit Assessment on each Working Day following a bank holiday and or/weekend, which will be carried out at 15:30 and three Credit Assessments on all other ~~each~~ Working Days. These will be carried out at 09:00, 12:00 and 15:30.  Whilst not strictly a legal draft change, should this modification be approved then the published Balancing Market Operator Timetable should be updated as according to B.15.1.3 | | | | | |
| * **Modification Proposal Justification** * *(Clearly state the reason for the Modification)* | | | | | |
| * When indicative settlement is run on a day following a non-business day, metered generation has not yet fed through into the settlement calculations for the non-business day, this means that when power is sold against the output of a generation unit, a traded not delivered exposure arises * This becomes a particular issue when there is a run of non-business days, for example at Easter, and often at Christmas, where there are 4 consecutive non business days * In the 09:00 and 12:00 credit assessments this will potentially give rise to erroneous CCINs due to the missing metered generation data and consequently erroneous traded not delivered exposure * As a result of this generators have to post excessive collateral to cover the traded not delivered exposure which arises from the metered generation data not having fed through * By running the credit assessment once on working days following bank holidays and or weekends, at 15:30, it allows metered generation data to feed in, ensuring that the traded not deliver value is correct and reducing the generators collateral requirement * Following the working group discussion, this is achieved provided that Meter Data from all MDPs is submitted as early as possible on those days (contrary to what normally is requested from them) and that Indicative Settlement is prioritised accordingly. * Analysis has shown that as a result of this issued generators are over collateralised by a factor of 150% on average. * Subject to clause G.12.1.3 a participant shall meet the terms of the Credit Cover Increase Notice by posting the additional necessary Credit Cover, before 17:00 on the second Working Day thereafter of the Credit Cover Increase Notice. Therefore, by maintaining a minimum of one credit report per working day it does not increase the risk of default by a participant. | | | | | |
| **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)* | | | | | |
| **A 2.1.4 c**  To facilitate the participation of electricity undertakings engaged in the generation, supply or sale of electricity in the trading arrangements under the Single Electricity Market  *Reduce collateral requirements makes it less financially onerous, and hence easier, for generators to participate in the ex-ante markets*  **A 2.1.4 d**  To promote competition in the Single Electricity Market  *Making it easier to participate in the market allows for a greater range of organisations to participate and hence encourages competition*  **A 2.1.4 f**  To ensure no undue discrimination between persons who are parties to the code  *Existing requirements require generators to post larger than necessary amounts of collateral thus discriminating against them*  **A 2.1.4 g**  To promote the short term and long-term interest of consumers of electricity on the island of Ireland with respect to price, quality, reliability and security of supply electricity  *Encouraging competition should lead to lower prices and will increase security of supply by reducing the dependency on a smaller number of organisations* | | | | | |
| **Implication of not implementing the Modification Proposal**  *(State the possible outcomes should the Modification Proposal not be implemented)* | | | | | |
| The current situation provides a barrier to new entrant capacity and limits the ability of existing units to participate in the ex-ante markets.  This mutes the ability of the ex-ante markets to provide a market signal and reduces their validity in providing an index price | | | | | |
| **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.)* | | |
| No, this follows from Mod\_04\_19\_V1 which had a working group that led to this Modification | | | **Resources:**  This should not cause extra resource requirements as identified in the working group | | |
| ***Please return this form to Secretariat by email to*** [balancingmodifications@sem-o.com](mailto: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.**