

Single Electricity Market

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| Final REcommendation ReportMod\_05\_17 Amendment to the part b form of authority for the purpose of removing the restricted authority provision 25 August 2017 |

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Document History

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| **Version** | **Date** | **Author** | **Comment** |
| 1.0 | 15/08/2017 | Modifications Committee Secretariat | Issued to Modifications Committee for review and approval |
| 2.0 | 25/08/2017 | Modifications Committee Secretariat | Issued to RA’s for Final Decision |

Reference Documents

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| **Document Name** |
| [Trading and Settlement Code Part B](http://www.sem-o.com/Publications/General/TSC%20Part%20B.docx) |
| [Modification Proposal](http://www.sem-o.com/MarketDevelopment/ModificationDocuments/MOD_05_17%20-%20Amendment%20to%20the%20intermediary%20Form%20of%20Authority%20to%20align%20with%20the%20CMC%20Decision%20-%20SEM-17033.docx) |
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# MODIFICATIONS COMMITTEE RECOMMENDATION

## Recommended for approval

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| **Recommended for Approval by Unanimous Vote**  |
| Brian Mongan | Generator Member | Approved |
| Clive Bowers | Generator Alternate | Approved |
| William Steele | Supplier Member | Approved |
| Eamonn O’Donoghue | Interconnector Member | Approved |
| Julie-Anne Hannon | Supplier Member | Approved |
| Jim Wynne | Supplier Member | Approved |
| Kevin Hannafin - Chair | Generator Member | Approved |
| Connor Powell | Supplier Member | Approved |
| David Connolly | Generator Member | Approved |

# Background

This Modification Proposal was received by the secretariat on the 2nd June 2017.

It was presented at Meeting 74 on 9th June 2017. It was voted on at this meeting with a recommendation to approve the proposal resulting.

In SEM-17-033 (Capacity Market Code Decision Paper), the SEM Committee stated the following: The SEM Committee notes that the obligation for intermittent units (called Variable Generator Units in the CMC) above the de minimis threshold to Qualify for a Capacity Auction arose from CRM Decision 1 (SEM-15-103).

This was to ensure that the RAs had sufficient data about uncontracted capacity to make suitable adjustments to the Demand Curve for the Capacity Auction.

Following feedback from industry, and further consideration of whether the data was available from other sources, the SEM Committee decided that as the data needed to adjust the Demand Curve is available from other sources, there is no need to require Variable Generator Units to Qualify at zero MW.

Further, the SEM Committee has decided to amend CRM Decision 1 (paragraph 4.3.30) so that Variable Generator Units that intend to Qualify at zero MW in a Capacity Auction do not have to Qualify under the Capacity Market Code. This would mean that these units do not have to be registered and may remove the need for the participant to accede to the CMC (assuming it has no other units which are required to register).

In SEM-17-025 (intermediary Transitions to I-SEM Decision Paper), the SEM Committee decided upon the approach to the treatment of intermediaries in the I-SEM. This decision reflected upon the working assumption at that time that all units registered in the TSC would be required to be registered under the Capacity Market Code also. In light of this, additional text was added to the CMC to account for the option that the parties to an intermediary arrangement would have the option to agree to participate in the capacity auction itself (i.e. offer a value greater than zero MW).

The Part B Form of Authority currently provides for

* Authorisation under the Trading and Settlement Code;
* Full Authorisation under the Capacity Market Code; and,
* Restricted Authorisation under the Capacity Market Code.

As the Restricted Authority concept has been rendered redundant, to avoid any uncertainty and to address an obvious material inconsistency between the TSC and another Market Code, the RAs request the following amendment to Appendix C: Form of Authority.

**3A.) justification of Modification**

As the Restricted Authority concept has been rendered redundant, to avoid any uncertainty and to address an obvious material inconsistency between the TSC and another Market Code, the RAs request the following amendment.

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

Possible impact of not making this change is that participant time and resources could be spent trying to align the content of the CMC Decision (SEM-17-033), with the redundant text that would remain the Form of Authority. The impact of this issue would be particularly felt during the challenging registration timelines for the first T-1 Capacity Auction.

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

This modification aims to further the following code objectives:

A.2.1.4 The aim of this Code is to facilitate the achievement of the following objectives:

1. to facilitate the efficient discharge by the Market Operator of the obligations imposed upon it by its Market Operator Licences;
2. to facilitate the efficient, economic and coordinated operation, administration and development of the Single Electricity Market in a financially secure manner;

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;

1. **Assessment of Alternatives**

N/A

# Working Group and/or Consultation

N/A

# impact on systems and resources

N/A

# Impact on other Codes/Documents

N/A

# MODIFICATION COMMITTEE VIEWS

## Meeting  **74 – 9 june 2017**

RA Alternate presented a set of slides detailing the effect of and motivation for the proposed Modification. RA alternate stated that the intent of the modification was to remove reference to Restricted Authority on the form as this has since been rendered redundant due to an amended SEM Committee decision.

Supplier Member highlighted the administrative burden of the current approach for Participants with intermediary arrangements and inquired as to whether the Form of Authority requirement could be removed for the Capacity Market Code in its entirety. RA Member stated that they were happy to consider the more general requirements too but, given the tight timelines for Capacity Market Registration, they would like to proceed with the current proposal and look at the more general item separately. RA Member agreed to revert on the general requirement in due course.

Supplier Member asked whether current Forms of Authority which had been signed and returned would still be valid. RA Member advised that forms already returned using the existing template would still be valid and legally robust. RA Member further indicated that they had been in touch with ISEM registration who had confirmed that they are happy to accept existing forms which had already been returned.

Supplier Member expressed the view that they felt that director sign off during Capacity Market qualification should be sufficient. RA Member advised that sign off for qualification is an arrangement with the Transmission System Operator and that SEMO sign off via Form of Authority is separate.

MO Member indicated that there may be a need to follow up with Participants to clarify the removal of Restricted Authority. Supplier Member highlighted the administrative burden for Participants who had already contacted customers for sign off. MO Member clarified that the following would not entail new forms or sign off but that there would potentially be a need for the Capacity Market registration to confirm updated provisions in the context of the amended SEM Committee decision.

MO Member agreed to follow up with the Capacity Market registration team to ensure that details of the change are communicated as soon as practicable and that the administrative burden on Participants would be minimised.

Generator Alternate suggested that the change be made with an implementation date after the 25th July 2017 when the first round of forms will have been processed. RA Member indicated that they felt that this was a sensible approach.

Chairperson asked whether the Committee were happy to move to a vote on the proposed Modification. The Committee agreed to proceed to a vote.

# Proposed Legal Drafting

As set out in Appendix 1 below.

#  LEGAL REVIEW

N/A

# IMPLEMENTATION TIMESCALE

N/A

# Appendix 1: Mod\_05\_17:

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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)* |
| **Regulatory Authorities** | **2 June 2017** | **Urgent** | **Mod\_05\_17** |
| **Contact Details for Modification Proposal Originator** |
| **Name** | **Telephone number** | **Email address** |
| **Sheena Byrne** | **01-4000800** | **shbyrne@cer.ie** |
| **Modification Proposal Title** |
| **Amendment to the Part B Form of Authority for the purpose of removing the Restricted Authority provision** |
| **Documents affected***(delete as appropriate)* | **Section(s) Affected** | **Version number of T&SC or AP used in Drafting** |
| **Appendix C – Form of Authority** |  | **Version 20** |
| **Explanation of Proposed Change***(mandatory by originator)* |
| In SEM-17-033 (Capacity Market Code Decision Paper), the SEM Committee stated the following: The SEM Committee notes that the obligation for intermittent units (called Variable Generator Units in the CMC) above the de minimis threshold to Qualify for a Capacity Auction arose from CRM Decision 1 (SEM-15-103). This was to ensure that the RAs had sufficient data about uncontracted capacity to make suitable adjustments to the Demand Curve for the Capacity Auction.Following feedback from industry, and further consideration of whether the data was available from other sources, the SEM Committee decided that as the data needed to adjust the Demand Curve is available from other sources, there is no need to require Variable Generator Units to Qualify at zero MW. Further, the SEM Committee has decided to amend CRM Decision 1 (paragraph 4.3.30) so that Variable Generator Units that intend to Qualify at zero MW in a Capacity Auction do not have to Qualify under the Capacity Market Code. This would mean that these units do not have to be registered and may remove the need for the participant to accede to the CMC (assuming it has no other units which are required to register).In SEM-17-025 (intermediary Transitions to I-SEM Decision Paper), the SEM Committee decided upon the approach to the treatment of intermediaries in the I-SEM. This decision reflected upon the working assumption at that time that all units registered in the TSC would be required to be registered under the Capacity Market Code also. In light of this, additional text was added to the CMC to account for the option that the parties to an intermediary arrangement would have the option to agree to participate in the capacity auction itself (i.e. offer a value greater than zero MW).The Part B Form of Authority currently provides for * Authorisation under the Trading and Settlement Code;
* Full Authorisation under the Capacity Market Code; and,
* Restricted Authorisation under the Capacity Market Code.

As the Restricted Authority concept has been rendered redundant, to avoid any uncertainty and to address an obvious material inconsistency between the TSC and another Market Code, the RAs request the following amendment to Appendix C: Form of Authority.  |
| **Legal Drafting Change***(Clearly show proposed code change using* ***tracked*** *changes, if proposer fails to identify changes, please indicate best estimate of potential changes)* |
| 2. Authorisation under the Trading and Settlement Code 2.1 The Licensed Generator hereby appoints and authorises the Intermediary to register the Units as Generator Units for the purposes of participation in the Balancing Market, and to participate in the Balancing Market in respect of the Units, under the Trading and Settlement Code, and the Intermediary accepts such appointment. 2.2 The Licensed Generator authorises the Intermediary, subject to the Intermediary becoming a Party to the Trading and Settlement Code and successfully registering the Units under the TSC, to undertake all of the obligations, covenants, undertakings, duties and liabilities of a Participant in respect of the Units under the TSC [for the duration of the Contract] [insert alternative period], and the Intermediary agrees to such. 2.3 The Licensed Generator authorises the Intermediary, subject to the Intermediary becoming a Party to the Trading and Settlement Code and successfully registering the Units under the TSC, to benefit from all of the rights of a Participant under the TSC, including the right to receive payments in respect of the Units under the TSC [for the duration of the Contract] [insert alternative period], and the Intermediary agrees to such. AND WHERE APPLICABLE: 3. [Authorisation under the Capacity Market Code 3.1 The Licensed Generator hereby appoints and authorises the Intermediary to register or provisionally register the Units for the purposes of participation in the Capacity Market, and to participate in respect of the Units in the Capacity Market, under the Capacity Market Code, and the Intermediary accepts such appointment. 3.2 The Licensed Generator authorises the Intermediary, subject to (1) the Intermediary becoming a Party to the Capacity Market Code and (2)(i) successfully registering the Units under the TSC, or (2)(ii) registering or provisionally registering the Units under the CMC, to undertake all of the obligations, covenants, undertakings, duties and liabilities of a Participant in respect of the Units under the CMC [for the duration of the Contract] [insert alternative period], and the Intermediary agrees to such. 3.3 The Licensed Generator authorises the Intermediary, subject to (1) the Intermediary becoming a Party to the Capacity Market Code and (2)(i) successfully registering the Units under the TSC, or (2)(ii) registering or provisionally registering the Units under the CMC, to benefit from all of the rights of a Participant in respect of the Units under the CMC (including the right to participate in Capacity Auctions) [for the duration of the Contract] [insert alternative period], and the Intermediary agrees to such.]  |
| **Modification Proposal Justification***(Clearly state the reason for the Modification)* |
| As the Restricted Authority concept has been rendered redundant, to avoid any uncertainty and to address an obvious material inconsistency between the TSC and another Market Code, the RAs request the following amendment. |
| **Code Objectives Furthered***(State the Code Objectives the Proposal furthers, see Section 1.3 of T&SC for Code Objectives)* |
| A.2.1.4 The aim of this Code is to facilitate the achievement of the following objectives: 1. to facilitate the efficient discharge by the Market Operator of the obligations imposed upon it by its Market Operator Licences;
2. to facilitate the efficient, economic and coordinated operation, administration and development of the Single Electricity Market in a financially secure manner;
3. 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;
 |
| **Implication of not implementing the Modification Proposal***(State the possible outcomes should the Modification Proposal not be implemented)* |
| Possible impact of not making this change is that participant time and resources could be spent trying to align the content of the CMC Decision (SEM-17-033), with the redundant text that would remain the Form of Authority. The impact of this issue would be particularly felt during the challenging registration timelines for the first T-1 Capacity Auction.  |
| **Working Group***(State if Working Group considered necessary to develop proposal)* | **Impacts***(Indicate the impacts on systems, resources, processes and/or procedures)* |
| N\A | N\A |
| ***Please return this form to Secretariat by email to*** ***modifications@sem-o.com*** |