

Single Electricity Market

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| Final REcommendation Report  Mod\_07\_19 correction to no load cost “and” vs “or”  18 April 2019 |

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Document History

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| --- | --- | --- | --- |
| **Version** | **Date** | **Author** | **Comment** |
| 1.0 | 18 April 2019 | Modifications Committee Secretariat | Issued to Modifications Committee for review and approval |
| 2.0 | 24 April 2019 | Modifications Committee Secretariat | Issued to Regulatory Authorities for final decision |

Reference Documents

|  |
| --- |
| **Document Name** |
| [Trading and Settlement Code](http://www.sem-o.com/MarketDevelopment/MarketRules/TSC.docx) |
| [Modification Proposal Form](https://www.sem-o.com/documents/market-modifications/MOD_07_19/Mod_07_19_CorrectiontoNoLoadCost-andvsor.docx) |
| [Presentation](https://www.sem-o.com/documents/market-modifications/MOD_07_19/Mod_07_19CorrectiontoNoLoadCost-andvsor.pptx) |
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# MODIFICATIONS COMMITTEE RECOMMENDATION

## Recommended for approval– unanimous vote

|  |  |  |
| --- | --- | --- |
| **Recommended for Approval by Unanimous Vote** | | |
| Julie Anne Hannon | Supplier Member (Chair) | Approve |
| William Steele | Supplier Member | Approve |
| Cormac Daly | Generator Member | Approve |
| Sean McParland | Generator Alternate | Approve |
| Philip McDaid | Supplier Member | Approve |
| Paraic Higgins | Generator Member | Approve |
| Sinead O’Hare | Generator Member | Approve |
| Robert McCarthy | DSU Alternate | Approve |
| Mark Phelan | Supplier Alternate | Approve |
| Siobhan O’Neill | Interconnector Member | Approve |

# Background

This Modification Proposal was raised by SEMO and was received by the Secretariat on the 27th March 2019. This proposal was raised and voted on at Meeting 91 on the 18th April 2019.

An inaccuracy in the T&SC, which led to an incorrect system implementation of criteria feeding into the No Load Costs (CNL) calculation (sub-paragraph F.11.2.3 (a)), has been discovered by SEMO while carrying out testing and assessments for existing defects and other proposed changes related to CNL. In that context, prior to such testing, the impact of the current issue was masked by other overlapping ones, therefore not in evidence via the standard Settlement operational checks.

The error this Modification is trying to address, relates to an incorrect logical connector (“*and*” instead of “*or*”) between the two provisions in F.11.2.3 (a).

The question is whether or not No Load Costs (CNL) should be set to zero based on both criteria listed in provisions F.11.2.3 (a), (i) and (ii). Since the logical connector currently is “*and*” in between them, the implementation is that both provisions must be true at the same time.

However, this was not the original objective of the design where it was intended that if either criterion in provision (i) or (ii) occur, then CNL shall be set to zero, before sub-paragraph (b) can then apply.

For further details, please refer to the following extract from page 90 of the ‘*Imbalance Settlement Plain English Document*’ showing that there are two separate circumstances where No-Load Costs are not considered to be incurred, rather than a single combination of two circumstances as in the current T&SC legal drafting:

“*The following tests will determine if no-load costs should be deemed relevant for the balancing market:*

* + - *No-load costs will not be incurred in any settlement period within the period for fixed cost relevance where the FPN profile is present. If Trade in the Opposite Direction to the TSO were to extend to start and no-load considerations, this part of the test can be extended to also consider the PN at the time the BOA was accepted;*
    - *No-load costs will not be incurred in any settlement period within the period for fixed cost relevance where the metered quantity for that period is zero as the unit generating will be deemed undelivered;*
    - *Otherwise, no-load costs are relevant and will be recovered in the balancing market.*”

The error was made in drafting the legal text, due to the similarities with other paragraphs in the same section and not picked up until the removal of other errors on the CNL calculation, which allowed this particular issue to clearly manifest itself during testing.

SEMO is proposing the change to the T&SC legal drafting and affected systems so that only one of the criterion in F.11.2.3 (a) needs to be met as opposed to the current drafting where both criteria need to be met.

The impact of this issue is that, since go-live, units are having a No-Load Cost incorrectly identified as recoverable and payable to them, when having either a non-zero Final Physical Notifications (FPN) or no Metered Quantities (QM). This has the effect of increasing what is summed up as operational costs vs what is summed up in revenue for Make-Whole Payments, with the results that the final Make-Whole Payments (MWP) would be overstated.

This will not have an impact where Units had sufficient revenues to cover the Contiguous Operating Period, since MWP is only made where costs exceed revenues over contiguous period of operation in accordance with F.11.4.3.

SEMO has carried out an attempt to calculate the materiality for instances where this error has had an impact. The difficulty have been encountered deriving from the fact that other issues are still unresolved in the system. Therefore, Settlement outputs of CNL are affected by more than the single issue at hand. To have a meaningful representation of the magnitude of the error, SEMO has considered the period starting from the 27th January 2019. This is to tie in with the effective date of MOD\_34\_18, which had a very high impact on the overall Settlement outcome, and the System deployment on the 29th January, which provided a fix for the defect listed in the Known Issues Report as 103722 on Fixed Cost Charges (CFC), also related.

However, other layers of defects/errors are still in place. These are preventing payable and recoverable Start Up Costs and No Load Costs from being calculated correctly and it has proven challenging to work out the exact impact of this individual issue in isolation.

The estimated weekly impact calculated since the 27th Jan 2019, at the time of submitting proposal is as follow:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Total over 7 weeks** | **27 Jan to 02 Feb** | **03 Feb to 09 Feb** | **10 Feb to 16 Feb** | **17 Feb to 23 Feb** | **24 Feb to 02 Mar** | **03 Mar to 09 Mar** | **10 Mar to 16 Mar** |
| **Overstated CNL due to And/Or** | **975,920** | 319,252 | 157,873 | 77,547 | 32,561 | 112,344 | 239,900 | 36,442 |

Note that the figures above have since been revised as follows:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Total over 7 weeks** | **27 Jan to 02 Feb** | **03 Feb to 09 Feb** | **10 Feb to 16 Feb** | **17 Feb to 23 Feb** | **24 Feb to 02 Mar** | **03 Mar to 09 Mar** | **10 Mar to 16 Mar** |
| **Overstated CNL due to And/Or** | **14,000,072** | 1,709,060 | 1,660,014 | 813,294 | 814,643 | 1,569,409 | 1,543,401 | 788,680 |

SEMO is of the opinion that this error can manifest itself with a large impact on Participants, DBC and ultimately consumers and would need to be corrected as a matter of urgency.

# PURPOSE OF PROPOSED MODIFICATION

**3A.) justification of Modification**

This change amends the logic for calculation of No Load Costs (CNL) to align with the original intention of the market design (see reference above to ‘*Imbalance Settlement Plain English Document*’) based on what costs should be appropriately recovered through the Make Whole Payment mechanism.

Currently the conditions in F.11.2.3 (a) provisions (i) and (ii) are additive while they should be exclusive. Since the logical connector is “*and*” in between the conditions, **both** provisions must be true to allow No Load Cost to be set to zero.

However the original market design intention was that if **either** conditions (i) or (ii) are met, then the No Load Cost will be set to zero.

This is because Units are assumed to have recovered No-Load Costs in an Ex-Ante Market trade, and therefore would not see CNL as payable, should they have a non-zero FPN in a period. They are also separately not entitled to recover a No-Load Cost if they did not deliver the required energy in that period, which arises through a zero Metered Quantity value.

This Modification addresses the issue by amending the logic within the relevant requirements in both the T&SC and the Central Market Systems so that the conditions in F.11.2.3 (a) are considered exclusive.

This will result in No Load Costs set to zero for a Generator Unit in each Imbalance Settlement Period, where only one criterion between (i) and (ii) is complied with, as opposed to instances where both criteria are complied with.

This will in turn reduce Make Whole Payments to Generators where No Load Costs are not intended to be a contributing factor according to the principles of market design.

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

By not implementing this Modification, it would result in No-Load Costs continuing to be payable when units are in a situation of having submitted non zero FPNs or having zero QM, against the original design intention and the principles of appropriate cost recovery.

This will keep increasing the amount of costs that are offsets against revenue, therefore increasing total Make Whole Payments for Generators and adding pressure to Participants and consumers.

**3c.) Impact on Code Objectiv****es**

* + - * 1. *to facilitate the efficient discharge by the Market Operator of the obligations imposed upon it by its Market Operator Licences;*

by ensuring that the implemented design follow the original intention of the market rules

* + - * 1. *to facilitate the efficient, economic and coordinated operation, administration and development of the Single Electricity Market in a financially secure manner;*

by ensuring that payments are made to Market Participants as appropriate

* + - * 1. *to promote competition in the Single Electricity Market;*

by ensuring that the correct cost are accounted for

* + - * 1. *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.*

By ensuring that value is delivered to consumers as per the Market design.

# Working Group and/or Consultation

N/A

# impact on systems and resources

Changes to SEMO settlement systems required to apply the amended algebra. An impact assessment needs to be requested from vendor.

SEMO considers the magnitude of this issue to be of similar relevance to MOD\_34\_18 and therefore propose an effective date to be set in line with the decision (taking into consideration the weekly nature on the MWP calculation) rather than the system deployment.

This approach ensures that while in the short term settlement may not accurately reflect this signal, through Resettlement the signal will ultimately be preserved.

For the absence of doubt, it is not intended to request that this modified approach be enacted retroactively for dates prior to the approval of this modification proposal.

# Impact on other Codes/Documents

N/A

# MODIFICATION COMMITTEE VIEWS

## Meeting **90 – 11 April 2019**

The proposer delivered a [presentation](https://www.sem-o.com/documents/market-modifications/MOD_07_19/Mod_07_19CorrectiontoNoLoadCost-andvsor.pptx) on this modification to paragraph F.11.2.3, which stemmed from the analysis on the testing results on a number of issues affecting No Load Costs. SEMO highlighted error in the legal drafting of the text of code which has been reflected in the systems. Between 2 conditions where no load costs should be set to zero the logical connector is ‘and’ instead of ‘or’. The first condition is when final Physical Notification is not zero and the second condition where Metered Quantity is zero.

The proposer explained that one or the other can be true and shouldn’t happen simultaneously for the No Load Cost to be set to zero. The error only affected that one paragraph. SEMO are satisfied that it seems to be an isolated case although they will carry out a review of all similar constructions in the T&SC.

Conditions need to be looked at individually while currently both conditions have to be met. If not a No Load Cost occurs it is being over estimated and over recovered through Make Whole Payments.

The proposer presented the financial impact of this Mod in conjunction with related Mod\_34\_18 for the last 9 weeks showing a steep increase in previously estimated costs. This was due to the effects of a deployment in the system which had fixed issues on this set of calculations amplifying the impact of both Mods. The normal cost started to increase as it wasn’t calculated in all instances.

It was highlighted that a query arose in the last few days, after figures were presented at the MOUG, leading to a belief that the calculations were not correct. The amount that participants will have to pay back is believed to be 38% less than what is being proposed and will differ with each participant based on one week of revised impact assessment. It will still be a very material modification but less than previously announced. Mod\_07\_19 is also of similar materiality of Mod\_34\_18.

SEMO confirmed that the error in the materiality was due to a short cut only looking at increased amounts resulting in some items feeding into the Make Whole Payments not being correctly accounted for. SEMO is going to build on the template prepared for Mod\_34\_18 to incorporate Mod\_07\_19. This should be completed by next week.

SEMO confirmed that there will be no retrospective resettlement as per the code however the question was asked if in these circumstances there was a benefit in looking at retroactive implementation as the Initial Settlement did not calculate No Load Costs in the Majority of cases due to defects. The error was masked by the lack of outputs and the other issues affecting this section of the Code and if sped up it could be in place before M+4 is issued. However there was general consensus from Participants that this is not the conventional approach for Modifications as the Code explicitly precludes modifications from having an effective date prior to the decision. SEMO is of the opinion that this Mod should be effective as soon as possible without having to wait for the System deployment because of the high material impact.

It was asked by a generator if there should be a certification process in such instances to prevent defects occurring with such frequency. SEMO confirmed it is not on their remit to obtain a 3rd party certification on Settlement; however, it could be considered that the external audit is, in fact, an ex post certification. Core audit would cover all settlement data and calculations. The RAs confirmed that the Terms of Reference for the SEM audit will be released shortly.

Generator Member asked if the same issue also affected a related algebra for No Load Cost Recovery in F.11.2.5. A brief explanation was attempted at the meeting however the raising party agreed to send further details of their analysis to SEMO to be addressed separately.

The proposer also highlighted another potential issue F.11.3.1 for which a modification will be raised in due course. There is much less of an impact than the others and it only happens in limited circumstances where a unit is dispatched down in last half hour period.

It was agreed that this proposal would be deferred to the Extraordinary Meeting planned for Thursday 18th April, in order to get further clarity on the financial impact and the impact on CNLR. Also Members highlighted the urgency of getting the template for calculating differences.

## Meeting **91 – 18 April 2019**

Proposer provided a summary of the supporting data that was circulated to the committee and observers attending Meeting 90. It was explained that the impacts of the two issues relating to fixed cost were closely linked. The change on one had a knock on impact on the effect of other issue. MOD\_34\_18 impact has reduced over the 10 weeks since it came into effect, and by reducing that amount the materiality of MO\_07\_19 has increased. It was stressed that this was a very material issue that needed to be addressed as a matter of urgency. Chair expressed concerns at the impact on Imperfections from Market Go-live and asked about the timelines for implementation. SEMO confirmed that this Modification was treated with the same urgency as Mod 34\_18 and everything is being done to expedite both modsto be implemented as soon as possible.

Observer asked whether the retroactivity applied to M+4 and M+13 which are still to be run. Observer replied that the code would apply from the Settlement Date.

The RAs explained that this modification highlighted an issue on the plan for resettlement and the complexity of it and impacts for market participants was acknowledged but a wider issue arises around a detailed thinking of resettling the current issues and this is at the fore front of their thinking. SEMO noted that it would have been irresponsible for them not to have raised the fundamental issue of materiality and impact on the consumers but it was a matter for legal interpretation of the T&SC application.

SEMO confirmed that its review with a Generator Member of the application of F.11.2.5 (No Load Cost Recovery) - an action from the last meeting – had raised no issues of concern for the purposes of this Mod, however a further Modification could be raised to help clarify the paragraph further. Members agreed that this could be raised together with proposal on Contiguous Operating Period that was highlighted in meeting 90.

SEMO also confirmed that the template for costs would not initially include MOD\_07\_19 but that this will subsequently be included and has already been initially investigated. SEMO hopes to issue the initial template next week and agreed to take an action to build in MOD\_07\_19 thereafter.

# Proposed Legal Drafting

As set out in Appendix 1.

# LEGAL REVIEW

# IMPLEMENTATION TIMESCALE

It is proposed that this Modification implemented as the Modifications Committee have Recommended it for Approval and on a Settlement Day basis following receipt of the RA Decision.

# Appendix 1: Mod\_07\_19 Correction to no load cost “and” vs “or”

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **MODIFICATION PROPOSAL FORM** | | | | | |
| **Proposer**  *(Company)* | **Date of receipt**  *(assigned by Secretariat)* | | **Type of Proposal**  *(delete as appropriate)* | | **Modification Proposal ID**  *(assigned by Secretariat)* |
| **SEMO** | **27 March 2019** | | **Standard** | | **MOD\_07\_19** |
| **Contact Details for Modification Proposal Originator** | | | | | |
| **Name** | | **Telephone number** | | **Email address** | |
| **SEMO – Katia Compagnoni** | |  | |  | |
| **Modification Proposal Title** | | | | | |
| **Correction to No Load Cost - ‘and’ vs ‘or’** | | | | | |
| **Documents affected**  *(delete as appropriate)* | | **Section(s) Affected** | | **Version number of T&SC or AP used in Drafting** | |
| **T&SC Part B** | | **F.11.2.3** | | **Version 20** | |
| **Explanation of Proposed Change**  *(mandatory by originator)* | | | | | |
| An inaccuracy in the T&SC, which led to an incorrect system implementation of criteria feeding into the No Load Costs (CNL) calculation (sub-paragraph F.11.2.3 (a)), has been discovered by SEMO while carrying out testing and assessments for existing defects and other proposed changes related to CNL. In that context, prior to such testing, the impact of the current issue was masked by other overlapping ones, therefore not in evidence via the standard Settlement operational checks.  The error this Modification is trying to address, relates to an incorrect logical connector (“*and*” instead of “*or*”) between the two provisions in F.11.2.3 (a).  The question is whether or not No Load Costs (CNL) should be set to zero based on both criteria listed in provisions F.11.2.3 (a), (i) and (ii). Since the logical connector currently is “*and*” in between them, the implementation is that both provisions must be true at the same time.  However, this was not the original objective of the design where it was intended that if either criterion in provision (i) or (ii) occur, then CNL shall be set to zero, before sub-paragraph (b) can then apply.  For further details, please refer to the following extract from page 90 of the ‘*Imbalance Settlement Plain English Document*’ showing that there are two separate circumstances where No-Load Costs are not considered to be incurred, rather than a single combination of two circumstances as in the current T&SC legal drafting:  “*The following tests will determine if no-load costs should be deemed relevant for the balancing market:*   * + - *No-load costs will not be incurred in any settlement period within the period for fixed cost relevance where the FPN profile is present. If Trade in the Opposite Direction to the TSO were to extend to start and no-load considerations, this part of the test can be extended to also consider the PN at the time the BOA was accepted;*     - *No-load costs will not be incurred in any settlement period within the period for fixed cost relevance where the metered quantity for that period is zero as the unit generating will be deemed undelivered;*     - *Otherwise, no-load costs are relevant and will be recovered in the balancing market.*”   The error was made in drafting the legal text, due to the similarities with other paragraphs in the same section and not picked up until the removal of other errors on the CNL calculation, which allowed this particular issue to clearly manifest itself during testing.  SEMO is proposing the change to the T&SC legal drafting and affected systems so that only one of the criterion in F.11.2.3 (a) needs to be met as opposed to the current drafting where both criteria need to be met.  The impact of this issue is that, since go-live, units are having a No-Load Cost incorrectly identified as recoverable and payable to them, when having either a non-zero Final Physical Notifications (FPN) or no Metered Quantities (QM). This has the effect of increasing what is summed up as operational costs vs what is summed up in revenue for Make-Whole Payments, with the results that the final Make-Whole Payments (MWP) would be overstated.  This will not have an impact where Units had sufficient revenues to cover the Contiguous Operating Period, since MWP is only made where costs exceed revenues over contiguous period of operation in accordance with F.11.4.3.  SEMO has carried out an attempt to calculate the materiality for instances where this error has had an impact. The difficulty have been encountered deriving from the fact that other issues are still unresolved in the system. Therefore, Settlement outputs of CNL are affected by more than the single issue at hand. To have a meaningful representation of the magnitude of the error, SEMO has considered the period starting from the 27th January 2019. This is to tie in with the effective date of MOD\_34\_18, which had a very high impact on the overall Settlement outcome, and the System deployment on the 29th January, which provided a fix for the defect listed in the Known Issues Report as 103722 on Fixed Cost Charges (CFC), also related.  However, other layers of defects/errors are still in place. These are preventing payable and recoverable Start Up Costs and No Load Costs from being calculated correctly and it has proven challenging to work out the exact impact of this individual issue in isolation.  The estimated weekly impact calculated since the 27th Jan 2019, is as follow:   |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | |  | **Total over 7 weeks** | **27 Jan to 02 Feb** | **03 Feb to 09 Feb** | **10 Feb to 16 Feb** | **17 Feb to 23 Feb** | **24 Feb to 02 Mar** | **03 Mar to 09 Mar** | **10 Mar to 16 Mar** | | **Overstated CNL due to And/Or** | **975,920** | 319,252 | 157,873 | 77,547 | 32,561 | 112,344 | 239,900 | 36,442 |   SEMO is of the opinion that this error can manifest itself with a large impact on Participants, DBC and ultimately consumers and would need to be corrected as a matter of urgency. | | | | | |
| **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. * + 1. The Market Operator shall determine all No Load Costs (CNLuγ) payable for each Generator Unit, u, in each Imbalance Settlement Period, γ, as follows:           1. CNLuγ shall have a value of zero for each Imbalance Settlement Period, γ, falling wholly within the Period of Physical Operation or in which the Period of Physical Operation starts or ends, where:   The Final Physical Notification Quantity (qFPNuγ(t)) for the Generator Unit, u, has a non-zero value for any time within that Imbalance Settlement Period; or  The Metered Quantity (QMuγ) for the Generator Unit, u, has a value of zero for that Imbalance Settlement Period, γ.   * + - * 1. In all circumstances not listed in paragraph F.11.2.3(a):   Where, in accordance with section F.3.3, Complex Bid Offer Data is to be used in respect of the first Bid Offer Acceptance, o, in an Imbalance Settlement Period, γ, falling wholly within the Period of Physical Operation, or in which the Period of Physical Operation starts or ends, CNLuγ shall have a value equal to the No Load Cost submitted in accordance with Chapter D (Balancing Market Data Submission) for the Generator Unit as part of the applicable Complex Bid Offer Data, multiplied by the Imbalance Settlement Period Duration (DISP); and  Where, in accordance with section F.3.3, Simple Bid Offer Data is to be used in respect of the first Bid Offer Acceptance, o, in an Imbalance Settlement Period, γ, falling wholly within the Period of Physical Operation, or in which the Period of Physical Operation starts or ends, CNLuγ shall have a value of zero. | | | | | |
| **Modification Proposal Justification**  *(Clearly state the reason for the Modification)* | | | | | |
| This change amends the logic for calculation of No Load Costs (CNL) to align with the original intention of the market design (see reference above to ‘*Imbalance Settlement Plain English Document*’) based on what costs should be appropriately recovered through the Make Whole Payment mechanism.  Currently the conditions in F.11.2.3 (a) provisions (i) and (ii) are additive while they should be exclusive. Since the logical connector is “*and*” in between the conditions, **both** provisions must be true to allow No Load Cost to be set to zero.  However the original market design intention was that if **either** conditions (i) or (ii) are met, then the No Load Cost will be set to zero.  This is because Units are assumed to have recovered No-Load Costs in an Ex-Ante Market trade, and therefore would not see CNL as payable, should they have a non-zero FPN in a period. They are also separately not entitled to recover a No-Load Cost if they did not deliver the required energy in that period, which arises through a zero Metered Quantity value.  This Modification addresses the issue by amending the logic within the relevant requirements in both the T&SC and the Central Market Systems so that the conditions in F.11.2.3 (a) are considered exclusive.  This will result in No Load Costs set to zero for a Generator Unit in each Imbalance Settlement Period, where only one criterion between (i) and (ii) is complied with, as opposed to instances where both criteria are complied with.  This will in turn reduce Make Whole Payments to Generators where No Load Costs are not intended to be a contributing factor according to the principles of market design. | | | | | |
| **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)* | | | | | |
| * + - * 1. *to facilitate the efficient discharge by the Market Operator of the obligations imposed upon it by its Market Operator Licences;*   by ensuring that the implemented design follow the original intention of the market rules   * + - * 1. *to facilitate the efficient, economic and coordinated operation, administration and development of the Single Electricity Market in a financially secure manner;*   by ensuring that payments are made to Market Participants as appropriate   * + - * 1. *to promote competition in the Single Electricity Market;*   by ensuring that the correct cost are accounted for   * + - * 1. *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.*   By ensuring that value is delivered to consumers as per the Market design. | | | | | |
| **Implication of not implementing the Modification Proposal**  *(State the possible outcomes should the Modification Proposal not be implemented)* | | | | | |
| By not implementing this Modification, it would result in No-Load Costs continuing to be payable when units are in a situation of having submitted non zero FPNs or having zero QM, against the original design intention and the principles of appropriate cost recovery.  This will keep increasing the amount of costs that are offsets against revenue, therefore increasing total Make Whole Payments for Generators and adding pressure to Participants and consumers. | | | | | |
| **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 | | | Changes to SEMO settlement systems required to apply the amended algebra. An impact assessment needs to be requested from vendor.  SEMO considers the magnitude of this issue to be of similar relevance to MOD\_34\_18 and therefore propose an effective date to be set in line with the decision (taking into consideration the weekly nature on the MWP calculation) rather than the system deployment.  This approach ensures that while in the short term settlement may not accurately reflect this signal, through Resettlement the signal will ultimately be preserved.  For the absence of doubt, it is not intended to request that this modified approach be enacted retroactively for dates prior to the approval of this modification proposal. | | |
| ***Please return this form to Secretariat by email to*** [balancingmodifications@sem-o.com](mailto:balancingmodifications@sem-o.com) | | | | | |