

Single Electricity Market

|  |
| --- |
| Final REcommendation ReportMod\_08\_19 clarification to intraday quantity and payment v227 june 2019 |

COPYRIGHT NOTICE

All rights reserved. This entire publication is subject to the laws of copyright. This publication may not be reproduced or transmitted in any form or by any means, electronic or manual, including photocopying without the prior written permission of EirGrid plc and SONI Limited.

DOCUMENT DISCLAIMER

Every care and precaution is taken to ensure the accuracy of the information provided herein but such information is provided without warranties express, implied or otherwise howsoever arising and EirGrid plc and SONI Limited to the fullest extent permitted by law shall not be liable for any inaccuracies, errors, omissions or misleading information contained herein.

Document History

|  |  |  |  |
| --- | --- | --- | --- |
| **Version** | **Date** | **Author** | **Comment** |
| 1.0 | 15/07/19 | Modifications Committee Secretariat | Issued to Modifications Committee for review and approval |
| 2.0 | 30/07/19 | 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_08_19/Mod_08_19-ClarificationtoIntradayQuantityandPayment.docx) |
| [Modification Proposal Form](https://www.sem-o.com/documents/market-modifications/MOD_08_19/Mod_08_19-ClarificationtoIntradayQuantityandPayment.docx) |
|  |
|  |

Table of Contents

[1. MODIFICATIONS COMMITTEE RECOMMENDATION 3](#_Toc14766310)

[**Recommended for approval– unanimous Vote** 3](#_Toc14766311)

[2. Background 3](#_Toc14766312)

[3. PURPOSE OF PROPOSED MODIFICATION 3](#_Toc14766313)

[**3A.) justification of Modification** 3](#_Toc14766314)

[**3B.) Impact of not Implementing a Solution** 4](#_Toc14766315)

[**3c.) Impact on Code Objectives** 4](#_Toc14766316)

[4. Working Group and/or Consultation 4](#_Toc14766317)

[5. impact on systems and resources 4](#_Toc14766318)

[6. Impact on other Codes/Documents 4](#_Toc14766319)

[7. MODIFICATION COMMITTEE VIEWS 4](#_Toc14766320)

[**Meeting 90 – 11 april 2019** 4](#_Toc14766321)

[**Meeting 91 – 18 april 2019** 4](#_Toc14766322)

[**Meeting 92 – 27 june 2019** 5](#_Toc14766323)

[8. Proposed Legal Drafting 5](#_Toc14766324)

[9. LEGAL REVIEW 5](#_Toc14766325)

[10. IMPLEMENTATION TIMESCALE 5](#_Toc14766326)

[1 Appendix 1: Mod\_08\_19 clarification to intraday quantity and payment 6](#_Toc14766327)

# MODIFICATIONS COMMITTEE RECOMMENDATION

## Recommended for approval– unanimous Vote

|  |
| --- |
| **Recommended for Approval by Unanimous Vote** |
| Rochelle Broderick | Supplier Alternate | Approve |
| Sinead O’Hare | Generator Member | Approve |
| Stephen Lynch | Supplier Alternate | Approve |
| Eamonn O’Donoghue | Interconnector Member | Approve |
| Kevin Hannafin | Generator Member | Approve |
| Paraic Higgins | Generator Member | Approve |
| Mark Phelan | Supplier Alternate | Approve |
| David Gascon | Generator Alternate | Approve |
| William Steele (Chair) | Supplier Member | Approve |

# Background

This Modification Proposal was raised by SEMO and was received by the Secretariat on the 13th June 2019. This proposal was raised and voted on at Meeting 92 on the 27th June 2019.

Changes are proposed to the algebra in F.20.2.3 to align the calculation of Difference Payment to that of Difference Charges in F.18.5.5. The purpose of these changes is to bring this calculation in line with the original intent of the algebra, as described below in the Modification Proposal Justification.

This Modification arose from discussion on Mod\_38\_18 where these changes were first included and it was considered that they should be looked at as a separate Modification.

# PURPOSE OF PROPOSED MODIFICATION

**3A.) justification of Modification**

With the original text for QDIFFPTID, on the trade which causes the magnitude of the volume of trades processed so far to exceed the Ex-ante Quantity, the whole volume would be theoretically eligible to receive a Difference Payment. This does not match the intent, which is that only negative trades up to the Ex-ante Quantity should be eligible for a payment, which mirrors the logic for difference charges where only positive trades up to the Obligated Capacity Quantity would be exposed to Difference Charges. Therefore the Ex-ante Quantity is incorporated into the equation, mirroring their incorporation into the equation in F.18.5.5 for Difference Charges. The Min is

maintained around the piece which checks if it is a positive or negative quantity calculated, as only negative quantities should be eligible for the Difference Payment, but a Max is introduced so that once the sum of the trades processed so far plus the current trade processed exceeds the Ex-ante Quantity, only the difference between the previous tracked point and the Ex-ante Quantity is calculated as eligible to receive the payment.

With the original text for QDIFFTRACK, if the unit had multiple negative trades (e.g. in day-ahead and then multiple intraday), then after correctly calculating the Difference Payment for the first intraday trade the QDIFFTRACK would be adjusted to the Ex-ante Quantity, rather than the sum of the day-ahead and intraday trades processed so far. This would mean that none of the subsequent intraday trades after that initially processed first intraday trade would receive a Difference Payment, as the quantity in QDIFFPTID would be the sum of the trades processed so far minus the QDIFFTRACK (i.e. a negative number smaller in magnitude minus a negative number larger in magnitude, resulting in a positive quantity, meaning that the QDIFFPTID which is the volume eligible for a Difference Payment would become zero). Changing the Min to only consider the previous tracked quantity and the sum of the trades processed so far, then having a Max function of the result of that versus the Ex-ante Quantity, would mean that until the magnitude of the sum of the negative trades processed so far equals or exceeds the Ex-ante Quantity, then the tracker follows the sum of the trades processed till then, meaning all negative trades up until that point will be eligible for the Difference Payment. This mirrors the equation in F.18.5.5 for Difference Charges.

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

If this Modification is not implemented the calculation of Difference Payment will continue to be incorrect and inconsistent with Difference Charges. Although the financial impact to PTs is not expected to be substantial, this is still a correction of an error in the algebra that should be rectified.

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

# Working Group and/or Consultation

N/A

# impact on systems and resources

Impact on Settlement Systems to be assessed by the vendor. Impact to PTs revenue considered low.

# Impact on other Codes/Documents

N/A

# MODIFICATION COMMITTEE VIEWS

## Meeting **90 – 11 april 2019**

Due to time constraints, this modification was deferred.

## Meeting **91 – 18 april 2019**

SEMO provided an update summarising that this modification is a split out part from the original proposal for 38\_18. It was submitted to fix an error related to the application of maximum and minimum functions within the formulation of Intraday Difference Quantities and Payments. The proposed correction ensures that the volume hedged for suppliers via difference payments is accurate. The proposer noted that since the Impact Assessment is not yet completed it is appropriate

to defer this proposal until meeting 92; however, they requested members to raise any concerns they have so that these can be followed up in the interim.

A member raised a concern with related proposal MOD\_38\_18, stating that the cap on Metered Quantity it aims to introduce will penalise forecasting error. They indicated that they were happy to discuss this concern further at meeting 92. They also noted that MOD\_08\_19 included the cap to Metered Quantity for the paragraphs for which it corrects the maximum/minimum issue.

SEMO confirmed this modification contains both changes and advised that this is because the same paragraph is impacted by both issues. They confirmed that this could be removed from MOD\_08\_19 if MOD\_38\_18 was not progressed and agreed to submit version 2 proposals for both modifications to remove the Metered Quantity item from Mod\_08\_19 and capture it only in Mod\_38\_18.

## Meeting **92 – 27 june 2019**

The proposer raised this proposal following the discussion in relation to Mod\_38\_18 highlighting an error with tracked difference quantities. It was agreed that this should be treated as a separate modification as the justifications for the two proposals are very different and they should be discussed as separate items.

A discussion ensued around this modification and how much of a priority it was. A generator member noted that this issue has not manifested yet and will only occur if one trades Ex Ante and subsequently unwinds some of that Trade in the Intraday markets in a period which also results in a reliability option event.

SEMO confirmed that version 2 of Mod\_38\_18 had the provision related to limitation of Difference Payments QMLF removed. The impact assessment was already carried out showing this modification was low impact and low cost.

A concern was raised that this was something in the Code that is very unlikely to happen and maybe resources were better spent on changes which are higher priority. SEMO confirmed it is not as rare as the QMLF ‘black swan’ piece that is the subject of Mod\_38\_18 V3. DSU representative confirmed that over-hedging and over-payments can occur if this is not fixed. SEMO reassured all that it would go down in the list of priority if there were more urgent Modifications to be implemented.

# 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 following receipt of the RA Decision.

# Appendix 1: Mod\_08\_19 clarification to intraday quantity and payment

|  |
| --- |
| **MODIFICATION PROPOSAL FORM** |
| **Proposer***(Company)* | **Date of receipt***(assigned by Secretariat)* | **Type of Proposal***(delete as appropriate)* | **Modification Proposal ID***(assigned by Secretariat)* |
| **SEMO** | **13 June 2019** | **Standard** | **MOD\_08\_19 v2** |
| **Contact Details for Modification Proposal Originator** |
| **Name** | **Telephone number** | **Email address** |
| **Aodhagan Downey** |  | **aodhagan.downey@eirgrid.com** |
| **Modification Proposal Title** |
| **Clarification to Intraday Difference Quantity and Payment** |
| **Documents affected***(delete as appropriate)* | **Section(s) Affected** | **Version number of T&SC or AP used in Drafting** |
| **T&SC Part B** | **F.20.2.3** | **v20** |
| **Explanation of Proposed Change***(mandatory by originator)* |
| Changes are proposed to the algebra in F.20.2.3 to align the calculation of Difference Payment to that of Difference Charges in F.18.5.5. The purpose of these changes is to bring this calculation in line with the original intent of the algebra, as described below in the Modification Proposal Justification.This Modification arose from discussion on Mod\_38\_18 where these changes were first included and it was considered that they should be looked at as a separate Modification. |
| **Legal Drafting Change***(Clearly show proposed code change using* ***tracked*** *changes, if proposer fails to identify changes, please indicate best estimate of potential changes)* |
| F.20.2.3 The Market Operator shall calculate the Intraday Trade Difference Quantity (QDIFFPTIDvγk), the Intraday Trade Difference Payment (CDIFFPTIDvγk), and the Tracked Difference Quantity (QDIFFTRACKvγk) for each Supplier Unit, v, which is not a Trading Site Supplier Unit, in ascending order of each position, k, in the ranked set derived in accordance with paragraph F.20.2.2, in Imbalance Settlement Period, γ, as follows:where:* + - * 1. is a summation over values across all positions in the ranked set prior to and including the current position, k, in the ranked set. Calculations for the first position, (k = 1), will not have a previous position, k’, and the result for this sum shall be the value in the current position, k, in the ranked set;
				2. is a summation over values across all positions in the ranked set prior to the current position, k, in the ranked set. Calculations for the first position, (k = 1), will not have a previous position, k’, and the result for this sum shall be zero;
				3. QEXvγ is the Ex-Ante Quantity for Supplier Unit, v, in Imbalance Settlement Period, γ;
				4. QDIFFDAvγ is the Day-ahead Difference Quantity for Supplier Unit, v, in Imbalance Settlement Period, γ;
				5. QTIDvγk is the Intraday Trade Quantity for Trade, x, for Supplier Unit, v, in the position, k, in the ranked set, in Imbalance Settlement Period, γ;
				6. PTIDvγk is the Intraday Trade Price associated with the Intraday Trade Quantity (QTIDvγk) for Trade, x, for Supplier Unit, v, in the position, k, in the ranked set, in Imbalance Settlement Period, γ;
				7. PSTRm is the Strike Price for Month, m, which contains Imbalance Settlement Period, γ;
				8. (k – 1) is for the previous position in the ranked set; and
				9. (k = 0) is for the 0th position in the ranked set, i.e. where a calculation is being performed on the first position in the ranked set, (k = 1), for which there is no previous position.
 |
| **Modification Proposal Justification***(Clearly state the reason for the Modification)* |
| With the original text for QDIFFPTID, on the trade which causes the magnitude of the volume of trades processed so far to exceed the Ex-ante Quantity, the whole volume would be theoretically eligible to receive a Difference Payment. This does not match the intent, which is that only negative trades up to the Ex-ante Quantity should be eligible for a payment, which mirrors the logic for difference charges where only positive trades up to the Obligated Capacity Quantity would be exposed to Difference Charges. Therefore the Ex-ante Quantity is incorporated into the equation, mirroring their incorporation into the equation in F.18.5.5 for Difference Charges. The Min is maintained around the piece which checks if it is a positive or negative quantity calculated, as only negative quantities should be eligible for the Difference Payment, but a Max is introduced so that once the sum of the trades processed so far plus the current trade processed exceeds the Ex-ante Quantity, only the difference between the previous tracked point and the Ex-ante Quantity is calculated as eligible to receive the payment.With the original text for QDIFFTRACK, if the unit had multiple negative trades (e.g. in day-ahead and then multiple intraday), then after correctly calculating the Difference Payment for the first intraday trade the QDIFFTRACK would be adjusted to the Ex-ante Quantity, rather than the sum of the day-ahead and intraday trades processed so far. This would mean that none of the subsequent intraday trades after that initially processed first intraday trade would receive a Difference Payment, as the quantity in QDIFFPTID would be the sum of the trades processed so far minus the QDIFFTRACK (i.e. a negative number smaller in magnitude minus a negative number larger in magnitude, resulting in a positive quantity, meaning that the QDIFFPTID which is the volume eligible for a Difference Payment would become zero). Changing the Min to only consider the previous tracked quantity and the sum of the trades processed so far, then having a Max function of the result of that versus the Ex-ante Quantity, would mean that until the magnitude of the sum of the negative trades processed so far equals or exceeds the Ex-ante Quantity, then the tracker follows the sum of the trades processed till then, meaning all negative trades up until that point will be eligible for the Difference Payment. This mirrors the equation in F.18.5.5 for Difference Charges. |
| **Code Objectives Furthered***(State the Code Objectives the Proposal furthers, see Section 1.3 of T&SC for Code Objectives)* |
| A.2.1.4 (b) to facilitate the efficient, economic and coordinated operation, administration and development of the Single Electricity Market in a financially secure manner; |
| **Implication of not implementing the Modification Proposal***(State the possible outcomes should the Modification Proposal not be implemented)* |
| If this Modification is not implemented the calculation of Difference Payment will continue to be incorrect and inconsistent with Difference Charges. Although the financial impact to PTs is not expected to be substantial, this is still a correction of an error in the algebra that should be rectified.  |
| **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 | Impact on Settlement Systems to be assessed by the vendor. Impact to PTs revenue considered low. |
| ***Please return this form to Secretariat by email to*** *modifications@sem-o.com* |