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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)* |
| **SEMO** | **14 February 2018** | | **Standard** | | **Mod\_09\_18** |
| **Contact Details for Modification Proposal Originator** | | | | | |
| **Name** | | **Telephone number** | | **Email address** | |
| **Christopher Goodman** | |  | | **Christopher.goodman@sem-o.com** | |
| **Modification Proposal Title** | | | | | |
| **Interim Credit Treatment for Participants with Trading Site Supply Units** | | | | | |
| **Documents affected**  *(delete as appropriate)* | | **Section(s) Affected** | | **Version number of T&SC or AP used in Drafting** | |
| **T&SC Part B**  **Glossary Part B** | | **Section H** | | **Version 20** | |
| **Explanation of Proposed Change**  *(mandatory by originator)* | | | | | |
| Mod\_03\_18 ‘Autoproducer Credit Cover’ was raised By Aughinish Alumina Ltd with the aim of addressing an issue for their Autoproducer whereby their credit requirements in Part B were seen as potentially higher than expected as an unintended consequence of the removal of the Netting Generator Unit which applies under Part A.  The Netting Generator Unit in Part A was used to provide for netting between Generation and Demand, where a Trading Site Supplier Unit is registered for a Trading Site as is the case for Autoproducers, for both settlement and credit requirement calculation purposes.  This is no longer the approach in Part B since the netting is done directly; however, this has had the unintended consequence of resulting in demand and generation being treated gross for credit calculations so that the demand volume is given a higher credit posting obligation than that which is offset by the same volume of generation (due to imperfections, analysis percentile parameter application etc at the Supplier Unit).  This results in an potentially higher representation of credit exposure to the Balancing Market for such Participants for demand and generation volumes which are essentially netted behind the connection point and therefore treated on a net basis so that they result in no exposure in reality.  During discussions on Mod\_03\_18 at meeting 79 a number of points were raised, key among them are the following;   * At this stage in the I-SEM system build it is not possible to apply remedial action in the systems for go live * Other Trading Sites with Trading Site Supplier Units (e.g. DSUs etc.) are also likely to be affected in a similar way * The proposed modification may address issues for Aughinish Alumina Ltds’ Autoproducer but not for all affected Participants   As a result, the Modifications Committees conclusion was that the most appropriate way forward was to defer Mod\_03\_18 with a view to setting up a working group to arrive at a proposal which will address the issue for all Participants which can then be implemented in the systems as early as possible post go live.  In the interim, until a system driven change can be delivered, SEMO were tasked with raising a proposal to address the issue from I-SEM go live by treating affected Participants as Adjusted Participants with the associated forecast volumes treated in such a way as to arrive at the appropriate Required Credit Cover by accounting for the netting of generation and demand. This proposal aims to make such a provision within the interim section of Part B. | | | | | |
| **Legal Drafting Change**  *(Clearly show proposed code change using* ***tracked*** *changes, if proposer fails to identify changes, please indicate best estimate of potential changes)* | | | | | |
| H.10 Until the date that is eighteen months after the Cutover Time any Participant who has registered a Trading Site Supplier Unit may, with prior approval from the Regulatory Authorities, be treated as an Adjusted Participant. The Credit Assessment Volumes for such a Participant, submitted in accordance with G.14.3.1 and G.14.4.1 for Supplier and Generator Units respectively, may be amended by the Market Operator in order to represent within Required Credit Cover calculations the extent to which Generation and Demand are netted for Settlement calculations. | | | | | |
| **Modification Proposal Justification**  *(Clearly state the reason for the Modification)* | | | | | |
| This proposal seeks to make an interim provision to apply an amended treatment to Credit Calculations for affected Participants so that the issue of gross treatment of net generation and demand volumes in credit calculations leading to over collateralization and overly burdensome credit requirements for those affected (discussed in more detail in the ‘explanation of proposed change’ section) does not arise from ISEM go live.  This will ensure that the appropriate level of Required Credit Cover will be calculated for those affected.  While the modification applies only for the first eighteen months after the Cutover Date, this can be revised through further modification when an enduring solution is developed through the separate working group process and the implementation timelines for this solution are finalised with market system vendors. | | | | | |
| **Code Objectives Furthered**  *(State the Code Objectives the Proposal furthers, see Section 1.3 of T&SC for Code Objectives)* | | | | | |
| 1. to facilitate the efficient, economic and coordinated operation, administration and development of the Single Electricity Market in a financially secure manner;   Facilitates efficient and economic operation of the SEM by removing inefficient and uneconomic overcollateralization.   1. 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;   Facilitates Participation by removing unnecessarily and inappropriately burdensome credit requirements.   1. to ensure no undue discrimination between persons who are parties to the Code; and   Ensures no undue discrimination by ensuring that credit requirements are fair and reflective of actual exposures for those Participants affected by the issue. | | | | | |
| **Implication of not implementing the Modification Proposal**  *(State the possible outcomes should the Modification Proposal not be implemented)* | | | | | |
| If this proposal is not implemented the SEM may be over collateralized and affected Participants may be exposed to higher credit requirements than would have originally been intended by the market design.  This could also potentially result in commercial issues for those affected and also have an adverse impact on trading and liquidity (see Mod\_03\_8 for specific implications for Aughinish Alumina Ltd.). | | | | | |
| **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 | | | Minimal impact on credit processes for SEMO and affected Participants since the Adjusted Participant approach proposed requires submission and treatment of forecast volumes (note that since all Participants are treated as New Participants for go live, forecast volumes will have to be submitted either way so that the Participant impact is negligible) | | |
| ***Please return this form to Secretariat by email to*** [***modifications@sem-o.com***](mailto:modifications@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.**