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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** | **13 June 2019** | **Standard** | **MOD\_10\_19** |
| **Contact Details for Modification Proposal Originator** |
| **Name** | **Telephone number** | **Email address** |
| **Chris Goodman** |  | **Christopher.Goodman@sem-o.com** |
| **Modification Proposal Title** |
| **Removal of negative QBOAs related to dispatchable priority dispatch units from the imbalance price** |
| **Documents affected***(delete as appropriate)* | **Section(s) Affected** | **Version number of T&SC or AP used in Drafting** |
| **T&SC Part B** | **Part B Section D New Paragraph D.4.4.12** | **Version 21** |
| **Explanation of Proposed Change***(mandatory by originator)* |
| The SEM Committee decision paper “Principles of Dispatch and the Design of the Market Schedule in the Trading and Settlement Code” (SEM-11-062) defines the priority dispatch hierarchy which the TSOs must follow when dispatching down units. This hierarchy is as follows, with action (1.) taken first and action (2.f.) only taken last:1. re dispatch price making generation and SO counter trading on the interconnector after Gate Closure; 2. re dispatch price taking generation:

a. Peat b. Hybrid Plant c. High Efficiency CHP/Biomass/Hydro d. Windfarms, and within windfarms i. windfarms which should be controllable but do not comply with this requirement/are not derogated from same; ii. windfarms which are controllable; iii. windfarms which are not required to be controllable/are derogated from this requirement/those in commissioning phase. e. Interconnector re-dispatch; f. Generation the dispatch down of which results in a safety issue to people arising from the operation of hydro generation stations in flooding situations.The decremental bid prices submitted by dispatchable units with priority dispatch are not taken into consideration by the TSOs when they are dispatching the system, as they must follow the hierarchy above. Therefore the decremental bid prices submitted by dispatchable units with priority dispatch should not set the imbalance price.This proposed change to the SEM Trading and Settlement Code ensures that the decremental bid prices submitted by dispatchable units with priority dispatch and non-zero marginal costs do not set the imbalance price and are used for settlement purposes only. This is achieved by using zero in place of the bid of such units for Imbalance Pricing purposes. |
| **Legal Drafting Change***(Clearly show proposed code change using* ***tracked*** *changes, if proposer fails to identify changes, please indicate best estimate of potential changes)* |
| Trading and Settlement Code Part BD.4.4.12 Where a Generator Unit is Dispatchable, has Priority Dispatch and has non-zero marginal costs, each Price corresponding to a Quantity in a set of Decremental Price Quantity Pairs in respect of this Generator Unit shall be set to zero by the Market Operator for the purposes of the Imbalance Pricing calculations detailed in Section E. For the avoidance of doubt, the submitted values will be used for the calculation of Commercial Offer Data for Bid Offer Acceptances in section F.3 for the determination of Settlement Payments, Settlement Charges, Capacity Payments, Capacity Charges as detailed in Section F from Section F.5 onwards and these Price values shall be deemed to be zero for the calculation of Commercial Offer Data for Bid Offer Acceptances in section F.3 for use in Imbalance Pricing Calculations in Section E.1. * + 1. The Market Operator shall, for each Generator Unit, u, and for each Period, h, derive, from the individual sets of Incremental and Decremental Price Quantity Pairs submitted by each Participant through its Commercial Offer Data in accordance with Chapter D and adjusted by the Market Operator in accordance with paragraphsD.4.4.6, D.4.4.7 and D.4.4.12 a set of Price Quantity Pairs for each set of Complex Bid Offer Data or Simple Bid Offer Data (as applicable), comprising a single set of Quantities each having two prices applicable (an Incremental Price and a Decremental Price), as follows:
				1. The Quantities (quih) for the single set of Price Quantity Pairs shall be the Quantities in each set of Incremental and Decremental Price Quantity Pairs submitted by the Participant and processed by the Market Operator, ranked in order of increasing Quantity value, and assigned in this order a Band, i. For positive Quantity values, the Band, i, shall increase from zero with every Quantity increasing from zero. For negative Quantity values, the Band, i, shall decrease from zero with every Quantity decreasing from zero. For Quantities equal to zero, the Band, i, shall be zero; and
				2. The Incremental Price (PINCuih) for the Quantity (quih) in the single set of Price Quantity Pairs shall be the Price from the set of Incremental Price Quantity Pairs applicable at that Quantity. The Decremental Price (PDECuih) for the Quantity (quih) in the single set of Price Quantity Pairs shall be the Price from the set of Decremental Price Quantity Pairs applicable at that Quantity.
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| **Modification Proposal Justification***(Clearly state the reason for the Modification)* |
| The decremental bid prices submitted by dispatchable units with priority dispatch and non-zero marginal costs are not taken into consideration by the TSOs when they are dispatching the system, as they must follow the hierarchy outlined in SEM-11-062. Therefore the decremental bid prices submitted by dispatchable units with priority dispatch should not set the imbalance price.This proposed change to the SEM Trading and Settlement Code ensures that the decremental bid prices submitted by dispatchable units with priority dispatch do not set the imbalance price and are used for settlement purposes only. The proposal applies zeros in place of the Decremental Price Quantity Pairs of such units since it is appropriate that where Priority Dispatch Generation is being dispatched down that the pricing signal is one which does not incentivise additional Generation. |
| **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)* |
| This Modification furthers the following Code Objectives:* to facilitate the efficient, economic and coordinated operation, administration and development of the Single Electricity Market in a financially secure manner;
* to promote competition in the Single Electricity Market;
* to ensure no undue discrimination between persons who are parties to the Code; and
* 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.
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| **Implication of not implementing the Modification Proposal***(State the possible outcomes should the Modification Proposal not be implemented)* |
| If this Modification Proposal were not to be implemented then the decremental bid prices submitted by dispatchable units with priority dispatch would continue to be able to set the imbalance price, despite the fact that the TSOs do not take these prices into consideration when dispatching the system, as they must follow the hierarchy outlined in SEM-11-062. |
| **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 Imbalance Pricing Systems to be Assessed |
| ***Please return this form to Secretariat by email to*** 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.**