

Single Electricity Market

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| Final REcommendation Report  Mod\_11\_19 continuing contiguous operating period over billing period boundary and cnlr clarification  27 june 2019 |

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Document History

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| **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

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| **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_11_19/Mod_11_19-ContinuingContiguousOperatingPeriodOverBillingPeriodBoundaryandCNLRClarification.docx) |
| [Presentation](https://www.sem-o.com/documents/market-modifications/MOD_11_19/Mod_11_19Presentation.pptx) |
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# MODIFICATIONS COMMITTEE RECOMMENDATION

## Recommended for approval– unanimous Vote

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| --- | --- | --- |
| **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.

This Modification combines two items in relation to separate provisions on section F, raised and discussed in both Modification meetings 90 and 91.

It was agreed that, although the items are independent of each other, they could be submitted as a single Modification. This is because they are both minor, only one requires system changes while the other is just a clarification of the drafting.

There was no objection to combining them together as proposed by SEMO at meetings 91.

The first item included in this Modification was raised during the discussion on No Load Cost (CNL) as part of Mod\_07\_19 (Correction to No Load cost – “and” vs “or”). A Generator Member raised an issue on the interpretation of a paragraph with a similar construction, F.11.2.5, related to Recoverable No Load Costs (CNLR) which apply to a Period of Market Operation (PoMO).

The paragraph is silent on what happens for Imbalance Settlement Periods that are not within a Period of Market Operation.

CNLR is not expected to be determined for such periods and set to zero in the system, i.e. the calculation detailed in F.11.2.5 is not carried out for Imbalance Settlement Periods which are not part of a Period of Market Operation.

This is also the correct market design approach and the expected intention of the T&SC since there is no CNL to recover where there is no market operation to indicate that a No Load Cost has been incurred in the first place.

Although each instances of recovery of CNL within a PoMO is explicitly called out in the subparagraphs, the Code being silent on what happen outside PoMO, is not ideal.

The Modification addresses the potential lack of clarity by adding a paragraph to specify the treatment of CNLR outside Period of Market Operation in line with both system specifications and the principles of cost recovery.

This change will not require system deployment.

The second Item refers to paragraph F.11.3.1. At Modification meeting 90, SEMO informed the Panel that an issue had been discovered in the determination of a Contiguous Period of Operation (COP) in particular as specified in paragraph F.11.3.1 (a)(ii).

This sub-paragraph details instances where a non-zero Dispatch Quantity (QD) at the end of the last Imbalance Settlement Period of the previous Billing Period, triggers the continuation of Contiguous Period of Operation from the beginning of the current Billing Period. This is to maintain consistency between Billing Periods where a unit was being kept on across the two periods.

In instances where a unit is dispatched off in the last Imbalance Settlement Period of the previous Billing Period, the COP should be interrupted before a new one is started. However, in the current drafting of the T&SC, the system looks back at the half hourly QD value in the last Imbalance Settlement Period of the previous Billing Period instead of the minute by minute qD which would more accurately reflect the status of the unit and the actual period of contiguous operation between Billing Periods.

The issue is limited to specific instances of units dispatched off in the last Imbalance Settlement Period of a Billing Period which is not a highly frequent occurrence.

So far SEMO has only identified one instance of this occurrence which has carried out a materiality of approximately 158K of underestimated costs for the purpose of Make Whole Payment (MWP) in the Initial run.

Although the frequency of this issue is expected to be low, the impact is dependent on the condition of the unit over the affected Billing Periods and the amount of costs/revenue that will feed into the MWP, which could vary significantly.

The Modification addresses this issue by replacing the half hourly variable DQ with the minute by minute qD.

This change will require system deployment and an impact assessment from the vendor

# PURPOSE OF PROPOSED MODIFICATION

**3A.) justification of Modification**

This Modification has been raised to address two issues:

1. Clarification of paragraph F.11.2.5 which is silent in some of its possible outcomes. Although the instances in which the paragraph applies are specified in each subparagraph, the lack of completeness might lead to confusing interpretations.
2. An incorrect determination of Contiguous Period of Operation (COP) in paragraph F.11.3.1 meant that units that were dispatched off in the last Imbalance Settlement Period of a Billing Period would still be considered in continuous operation even with an interruption of generation output. This would have impacts on the calculation of Make Whole Payments and is inconsistent with the principle of continuous operation of a Generator.

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

If this modification is not implemented there could be a risk of an incorrect interpretation of the T&SC with respect to the recovery of No load Cost.

It would also leave an incorrect calculation of COP in limited circumstances where units are dispatched at the end of a Billing period. This could have a varied range of materiality impacts as the length of operation of a unit could span multiple Billing Periods and Make Whole Payments will be affected by different levels of costs/payments.

This has already been evident in the case identified by SEMO which accounted for an underestimation of costs on one unit of approximately 158K over two Billing Periods.

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

# Working Group and/or Consultation

N/A

# impact on systems and resources

System impact needs to be requested to the vendor.

# Impact on other Codes/Documents

N/A

# MODIFICATION COMMITTEE VIEWS

## Meeting **92 – 27 june 2019**

The proposer did not deliver a presentation due to technical difficulties, however the content was explained orally and the presentation has been made available. The modification, which was raised on 13th June 2019, combined two items briefly discussed at meeting 90 and 91 with an agreement that they could be raised as a single modification.

The first item was raised following the discussion on modification 07\_19 as the understanding of the text for a related paragraph, was not completely clear to a generator member. This modification will now clarify the current drafting and does not require any Impact Assessment.

The second issue was with regard to the calculation of Contiguous Operating Period (COP) which is used for the calculation of costs feeding into Make Whole Payment. The change to the drafting simply replace the half hour Disptach Quantity with the Minute by Minute Dispatch Quantity. There is a change to the variable from capital D to lower case d and this makes the COP more accurate. SEMO is aware on only one instance of this occurring but the materiality could vary significantly due to the individual circumstances of the generator and to the length of the issue occurring over multiple Billing Periods.

# 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\_11\_19 continuing contiguous operating period over billing period boundary and cnlr clarification

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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\_11\_19** |
| **Contact Details for Modification Proposal Originator** | | | | | |
| **Name** | | **Telephone number** | | **Email address** | |
| **Katia Compagnoni** | |  | |  | |
| **Modification Proposal Title** | | | | | |
| **Correction to the determination of COP and clarification of CNLR** | | | | | |
| **Documents affected**  *(delete as appropriate)* | | **Section(s) Affected** | | **Version number of T&SC or AP used in Drafting** | |
| **T&SC Part B** | | **F.11.2.5 and F.11.3.1** | | **V21** | |
| **Explanation of Proposed Change**  *(mandatory by originator)* | | | | | |
| This Modification combines two items in relations to separate provisions on section F, raised and discussed in both Modification meetings 90 and 91.  It was agreed that, although the items are independent of each other, they could be submitted as a single Modification. This is because they are both minor, only one requires system changes while the other is just a clarification of the drafting.  There was no objection to combining them together as proposed by SEMO at meetings 91.  The first item included in this Modification was raised during the discussion on No Load Cost (CNL) as part of Mod\_07\_19 (Correction to No Load cost – “and” vs “or”). A Generator Member raised an issue on the interpretation of a paragraph with a similar construction, F.11.2.5, related to Recoverable No Load Costs (CNLR) which apply to a Period of Market Operation (PoMO).  The paragraph is silent on what happens for Imbalance Settlement Periods that are not within a Period of Market Operation.  CNLR is not expected to be determined for such periods and set to zero in the system, i.e. the calculation detailed in F.11.2.5 is not carried out for Imbalance Settlement Periods which are not part of a Period of Market Operation.  This is also the correct market design approach and the expected intention of the T&SC since there is no CNL to recover where there is no market operation to indicate that a No Load Cost has been incurred in the first place.  Although each instances of recovery of CNL within a PoMO is explicitly called out in the subparagraphs, the Code being silent on what happen outside PoMO, is not ideal.  The Modification addresses the potential lack of clarity by adding a paragraph to specify the treatment of CNLR outside Period of Market Operation in line with both system specifications and the principles of cost recovery.  This change will not require system deployment.  The second Item refers to paragraph F.11.3.1. At Modification meeting 90, SEMO informed the Panel that an issue had been discovered in the determination of a Contiguous Period of Operation (COP) in particular as specified in paragraph F.11.3.1 (a)(ii).  This sub-paragraph details instances where a non-zero Dispatch Quantity (QD) at the end of the last Imbalance Settlement Period of the previous Billing Period, triggers the continuation of Contiguous Period of Operation from the beginning of the current Billing Period. This is to maintain consistency between Billing Periods where a unit was being kept on across the two periods.  In instances where a unit is dispatched off in the last Imbalance Settlement Period of the previous Billing Period, the COP should be interrupted before a new one is started. However, in the current drafting of the T&SC, the system looks back at the half hourly QD value in the last Imbalance Settlement Period of the previous Billing Period instead of the minute by minute qD which would more accurately reflect the status of the unit and the actual period of contiguous operation between Billing Periods.  The issue is limited to specific instances of units dispatched off in the last Imbalance Settlement Period of a Billing Period which is not a highly frequent occurrence.  So far SEMO has only identified one instance of this occurrence which has carried out a materiality of approximately 158K of underestimated costs for the purpose of Make Whole Payment (MWP) in the Initial run.  Although the frequency of this issue is expected to be low, the impact is dependent on the condition of the unit over the affected Billing Periods and the amount of costs/revenue that will feed into the MWP, which could vary significantly.  The Modification addresses this issue by replacing the half hourly variable DQ with the minute by minute qD.  This change will require system deployment and an impact assessment from the vendor | | | | | |
| **Legal Drafting Change**  *(Clearly show proposed code change using* ***tracked*** *changes, if proposer fails to identify changes, please indicate best estimate of potential changes)* | | | | | |
| 6. 11. 2. 1. The Market Operator shall determine all Recoverable No Load Costs (CNLRuγ) for each Generator Unit, u, in each Imbalance Settlement Period, γ, as follows:              1. CNLRuγ shall have a value of zero for each Imbalance Settlement Period, γ, falling wholly within the Period of Market Operation or in which the Period of Market Operation starts or ends, where the Dispatch Quantity (qDuoγ(t)) for the final Bid Offer Acceptance, o, in Imbalance Settlement Period, γ, for the Generator Unit, u, has a non-zero value for any time within that Imbalance Settlement Period.              2. In all circumstances not listed in paragraph F.11.2.5(a):   CNLRuγ 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 most recently submitted valid Complex Bid Offer Data as at the Bid Offer Acceptance Time in respect of the first Bid Offer Acceptance, o, in an Imbalance Settlement Period, γ, falling wholly within the Period of Market Operation, or in which the Period of Market Operation starts or ends, multiplied by the Imbalance Settlement Period Duration (DISP); or  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 Market Operation, or in which the Period of Market Operation starts or ends, CNLRuγ shall have a value of zero.  In any Imbalance Settlement Period, γ, which is not falling wholly within the Period of Market Operation, or which is not an Imbalance Settlement Period, γ, where the Period of Market Operation starts or ends, CNLRuγ shall be set to zero.   * + - 1. For the purposes of calculations under this Code the Market Operator shall calculate each value of Start Up Costs (CSUuγ) for each Demand Side Unit, u, from the relevant value of Shut Down Cost (CSDuγ) for the relevant Imbalance Settlement Period, γ, for that Demand Side Unit. The Market Operator shall set all values of No Load Costs (CNLuγ) for Demand Side Units u to be zero for all Imbalance Settlement Periods, γ.     1. **Determination of Contiguous Operating Periods**        1. The Market Operator shall determine the start and end of each Contiguous Operating Period, k, for each Generator Unit, u, in each Billing Period, b, as follows:           1. Subject to paragraph F.11.3.1(c), the start of a Contiguous Operating Period, k, shall be:   The start of the Imbalance Settlement Period, γ, during which the value for the Dispatch Quantity (qDuoγ(t)) for the final Bid Offer Acceptance, o, in Imbalance Settlement Period, γ, of the Generator Unit, u, rises from zero; or  The start of the first Imbalance Settlement Period, γ, within a Billing Period, if the value for the Dispatch Quantity (qDuoγ(t)) for the final Bid Offer Acceptance, o, in Imbalance Settlement Period, γ,of the Generator Unit, u, was greater than zero at the end of the last Imbalance Settlement Period in the preceding Billing Period.   * + - * 1. Subject to paragraph F.11.3.1(c), the end of a Contiguous Operating Period, k, shall be the earlier of:   The end of the Imbalance Settlement Period, γ, during which the value for the Dispatch Quantity (qDuoγ(t)) for the final Bid Offer Acceptance, o, in Imbalance Settlement Period, γ, of the Generator Unit, u, falls to zero; and  The end of the last Imbalance Settlement Period, γ, within a Billing Period.   * + - * 1. A Contiguous Operating Period, k, shall not end where the value for the Dispatch Quantity (qDuoγ(t)) for the final Bid Offer Acceptance, o, in Imbalance Settlement Period, γ, of the Generator Unit, u, falls to zero but then rises from zero within the same Imbalance Settlement Period, but shall be treated as continuing during the period in which the value is zero. | | | | | |
| **Modification Proposal Justification**  *(Clearly state the reason for the Modification)* | | | | | |
| This Modification has been raised to address two issues:   1. Clarification of paragraph F.11.2.5 which is silent in some of its possible outcomes. Although the instances in which the paragraph applies are specified in each subparagraph, the lack of completeness might lead to confusing interpretations. 2. An incorrect determination of Contiguous Period of Operation (COP) in paragraph F.11.3.1 meant that units that were dispatched off in the last Imbalance Settlement Period of a Billing Period would still be considered in continuous operation even with an interruption of generation output. This would have impacts on the calculation of Make Whole Payments and is inconsistent with the principle of continuous operation of a Generator. | | | | | |
| **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)* | | | | | |
| (e) to provide transparency in the operation of the Single Electricity Market;   * This Modification would further clarify the current text and reflect correctly the intent of the market design by adding the outcome of scenarios where the T&SC is silent and by correcting an error in the determination of a parameter used for Make Whole Payments.   (f) to ensure no undue discrimination between persons who are parties to the Code;   * by correcting the error in the current drafting of COP, all units will be treated in a consistent way irrespective of when they receive their Dispatch Instructions and will be settled according to the intention of the market design. | | | | | |
| **Implication of not implementing the Modification Proposal**  *(State the possible outcomes should the Modification Proposal not be implemented)* | | | | | |
| If this modification is not implemented there could be a risk of an incorrect interpretation of the T&SC with respect to the recovery of No load Cost.  It would also leave an incorrect calculation of COP in limited circumstances where units are dispatched at the end of a Billing period. This could have a varied range of materiality impacts as the length of operation of a unit could span multiple Billing Periods and Make Whole Payments will be affected by different levels of costs/payments.  This has already been evident in the case identified by SEMO which accounted for an underestimation of costs on one unit of approximately 158K over two Billing Periods. | | | | | |
| **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.)* | | |
| n/a | | | System impact needs to be requested to the vendor | | |
| ***Please return this form to Secretariat by email to*** [balancingmodifications@sem-o.com](mailto:balancingmodifications@sem-o.com) | | | | | |