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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** | **28 Nov 2017** | **Standard** | **Mod\_13\_17** |
| **Contact Details for Modification Proposal Originator** |
| **Name** | **Telephone number** | **Email address** |
| **Christopher Goodman** |  | **Christopher.Goodman@sem-o.com** |
| **Modification Proposal Title** |
| **Deferral of SEM NEMO Credit Reports and Non-acceptance of Contracted Quantities** |
| **Documents affected***(delete as appropriate)* | **Section(s) Affected** | **Version number of T&SC or AP used in Drafting** |
| **T&SC Part B****Agreed Procedures Part B****Glossary Part B** | **Part B clauses G.12.2, G.12.3, F.2.2.3, B.19.2.1, H.9 and H.10****Part B Agreed Procedure 09 sections 2.5.2 and 3.1****New Glossary Definition – Mod\_XX\_17 Deployment Date** | **Version 20** |
| **Explanation of Proposed Change***(mandatory by originator)* |
| The system change required to deliver credit checking functionality involving the determination of SEM NEMO Credit Reports and subsequent Non-acceptance of Contracted Quantities cannot be incorporated into the market systems prior to go live. Discussions with the vendor have determined that to incorporate this functionality into the design would risk impacting the delivery of core functionality for go live. As a result, the system functionality to deliver this process will not be available for go live.The risks associated with this process not being in place at go live are partially mitigated by the following processes and market rules in relation to suspension and the fact that Participation under the Trading and Settlement Code is a requirement for exchange members to participate in the SEMOpx exchange;1. The Trading and Settlement Code requires SEM NEMOs (as informed parties) to be advised of when a suspension begins. This is achieved via the business process for suspensions which includes steps to inform SEMOpx that a suspension is under way.
2. Since participation under the Trading and Settlement Code is a requirement for exchange members participation in SEMOpx (and would be a requirement for any additional SEM NEMO), suspension under the Trading and Settlement Code would result in the relevant exchange member being in breach of the SEMOpx Rules and therefore being subject to suspension in the SEMOpx Ex Ante Markets. Any additional NEMO would be responsible for establishing similar rules and arrangements to allow for this, and would also be informed sufficiently to be able to enact such a process in the same way as with SEMOpx.
3. Once SEMOpx has been notified that suspension from the SEM applies, SEMOpx is obliged under its own rules to ensure that suspension from the SEMOpx Day-Ahead Market and Intra-Day Market is enacted. For SEMOpx, its vendor in relation to NEMO systems (i.e. EPEX) will be notified that suspension is to be enacted; that notification will be via an agreed business process.
4. Any other SEM NEMO would need to put in place similar market rules to ensure that units in their markets are valid under the Trading and Settlement Code.

Given the various rules governing suspensions as described above we note that there is some mitigation for not having the SEM NEMO Credit Report and Contract Refusal functionality in place at go live. |
| **Legal Drafting Change***(Clearly show proposed code change using* ***tracked*** *changes, if proposer fails to identify changes, please indicate best estimate of potential changes)* |
| **Part B Section H**Note that references to Mod\_XX\_17 to be updated with the applicable Modification ID once available.H.9 **SEM NEMO Credit Reports**H.9A Until the date that is the Mod\_XX\_17 Deployment Date, G.12.2 shall be replaced with:  “G.12.2 Intentionally Blank”H.9B Until the date that is the Mod\_XX\_17 Deployment Date, G.12.2.1 shall be replaced with: “G.12.2.1 Intentionally Blank” H.9C Until the date that is the Mod\_XX\_17 Deployment Date, G.12.2.2 shall be replaced with: “G.12.2.2 Intentionally Blank”H.9D Until the date that is the Mod\_XX\_17 Deployment Date, step 4 in Agreed Procedure 09 section 3.1 ‘Management of Credit Cover Requirements’ shall be replaced with; “Intentionally Blank.”H.10 **Non-Acceptance of Contracted Quantities**H.10A Until the date that is the Mod\_XX\_17 Deployment Date, B.19.2.1 shall be replaced with’“B.19.2.1 Where a Dispute concerns:* + - * 1. the application of the provisions of the Code relating to Credit Cover Requirements and action is being taken under section G.2.6 or G.12.1; or
				2. Intentionally Blank,

then: * + - * 1. the Disputing Party and the Market Operator shall negotiate in good faith and use reasonable endeavours to resolve the Dispute within 1 Working Day or otherwise as soon as is practicable; and
				2. unless the Disputing Party and the Market Operator agree a resolution to the Dispute:

within five Working Days of receipt of the Notice of Dispute; orwithin 10 Working Days, if the Disputing Parties agree to extend this time, the Disputing Party may refer the Dispute to a Dispute Resolution Board by issuing a Referral Notice as soon as practicable, and in any case within 5 Working Days of the expiry of the negotiating timelines set out in this paragraph B.19.2.1, otherwise the Dispute will be deemed to be withdrawn.H.10B Until the date that is the Mod\_XX\_17 Deployment Date, F.2.2.3 shall be replaced with:  “F.2.2.3 Intentionally Blank”H.10C Until the date that is the Mod\_XX\_17 Deployment Date, G.12.3 shall be replaced with:  “G.12.3 Intentionally Blank” H.10C Until the date that is the Mod\_XX\_17 Deployment Date, G.12.3.1 shall be replaced with:  “G.12.3.1 Intentionally Blank”H.10D Until the date that is the Mod\_XX\_17 Deployment Date, G.12.3.2 shall be replaced with:  “G.12.3.2 Intentionally Blank”H.10E Until the date that is the Mod\_XX\_17 Deployment Date, G.12.3.3 shall be replaced with:  “G.12.3.3 Intentionally Blank”H.10F Until the date that is the Mod\_XX\_17 Deployment Date, G.12.3.4 shall be replaced with:  “G.12.3.4 Intentionally Blank”H.10G Until the date that is the Mod\_XX\_17 Deployment Date, Agreed Procedure 09 section 2.5.2 ‘Non-acceptance of Contracted Quantities’ shall be replaced with: “Each Scheduling Agent for a Participant shall submit to the Market Operator details of the Contracted Quantities in accordance with paragraph F.2.2.1 of the Code. ”.H.10H Until the date that is the Mod\_XX\_17 Deployment Date, the Procedural Step details of Step 2 in Agreed Procedure 09 section 3.1 ‘Management of Credit Cover Requirements’ shall be replaced with;“In respect of any Participant the Market Operator shall accept Contracted Quantities for any Units submitted by the relevant Scheduling Agent under paragraph F.2.2.1 of the Code and update the Credit Assessment for that Participant as appropriate.”**Part B Glossary**

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| **Mod\_XX\_17 Deployment Date** | means the date proposed by the Market Operator following discussion with the Modifications Committee, and approved by the Regulatory Authorities for the purpose of H.9 and H.10, such date to be published on the Market Operator web site at least three Working Days in advance of the date concerned. |

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| **Modification Proposal Justification***(Clearly state the reason for the Modification)* |
| The system functionality to deliver SEM NEMO Credit Reports and the Contract Refusal process cannot be developed in time to manage the refusal of Contracted Quantities from go live and although the potential for a manual workaround has been explored this is also not possible operationally. This is militated by the SEMOpx suspension and rules as detailed in the ‘Explanation of Proposed Change’ section.The change to defer these processes is time limited and SEMO will seek to introduce them as part of the Day 2 Deployment to reduce the potential exposure of Participants to Bad Debt events. The vendor has indicated that seeking to deliver this functionality for go live would risk jeopardising the delivery of core market systems functionality for go live. As this is one of the more material deferrals required SEMO will treat this item as high priority for delivery as early as possible post go live. |
| **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 discharge by the Market Operator of the obligations imposed upon it by its Market Operator Licences;
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| **Implication of not implementing the Modification Proposal***(State the possible outcomes should the Modification Proposal not be implemented)* |
| Not implementing this proposal would mean that the delivery of core market systems functionality for go live would be put at risk due to the requirement to deliver this less critical functionality. |
| **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 | Without contract refusal in the Balancing Market, any ex-ante market operator may be indifferent to whether it notifies contracts that lead to imbalance liabilities that a failing Participant cannot pay for. If this occurs it may lead to the smearing of Bad Debt across Participants and without SEM NEMO Credit Reports, any SEM NEMO may not know whether the Ex-Ante contracts it is arranging will lead to this situation. Note that, as detailed in the ‘Explanation of Proposed Change’ section, this scenario is well mitigated by the use of Suspensions in the Ex-Ante markets. |
| ***Please return this form to Secretariat by email to*** ***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.**