



Trading and Settlement Code Modifications Committee  
C/O Esther Touhey  
SEMO Modifications Committee Secretariat  
The Oval  
160 Shelbourne Rd  
Dublin 4

24 August 2018

Our Ref: D/18/14046

**SEM Committee Decision for the Regulatory Authorities in relation to Mod\_13\_17 (Final Recommendation Report FRR\_13\_17)**

Dear Esther,

On 22 June 2018, the Modifications Committee submitted its Modification Recommendation Report with regard to Modification Proposal Mod\_13\_17 Deferral of SEM NEMO Credit Reports and Non-Acceptance of Contracted Quantities in accordance with Paragraph B.17.18.1 of Part B of the SEM Trading and Settlement Code (TSC).

The initial Modification Proposal Mod\_13\_17 was submitted to the Modifications Committee by the Single Electricity Market Operator (SEMO) on 28 November 2017, and discussed at the Modification Committee on 12 December 2017 and 25 January 2018.

A revised version of the Modification Proposal was discussed at the Modifications Committee on 13 March 2018.

The modification seeks defer the Non-acceptance of Contracted Quantities obligations under section G.12.3 of the TSC.

The final modification also adds a mitigation measure for the deferral obliging SEM NEMOs not to notify Contracts to the Balancing Market Operator where a Suspension Order is in effect.

The Regulatory Authorities note that the Modification Proposal was discussed at Meeting 78, 79 and 81. The Regulatory Authorities note that the Members of the Modifications Committee voted unanimously to recommend the proposal at Meeting 81 on 13 March 2018 subject to legal drafting ensuring that F.2.2.1.B is not adopted or implemented as proposed in the Final Recommendation Report. The Modifications Committee also took the view that the Proposal would better facilitate the Code Objective requiring the efficient discharge by the Market Operator of the obligations imposed upon it by its Market Operator Licences.

The Regulatory Authorities note that without Non-acceptance of Contracted Quantities 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. However, the Regulatory Authorities are of the view that the outcomes of such a scenario are mitigated by the use of Suspensions in the Ex-Ante markets.

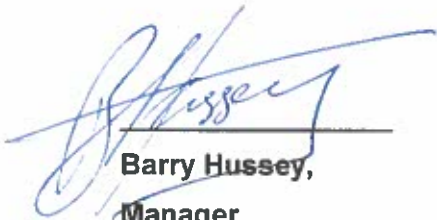
The Regulatory Authorities note that SEMO is committed to prioritising the introduction of the deferred Contract Refusal functionality, at the earliest possible date post I-SEM go live.

The Regulatory Authorities note that the effect of this proposal is that a Suspension Order coming into effect for any Unit of a Participant under Part B of the TSC will result in the suspension of that Participant in the Day-Ahead and Intraday Markets. This should be made clearer in the legal drafting which should be amended as below:

"F.2.2.1A Each Scheduling Agent for a Participant shall not submit to the Market Operator details of any Contracted Quantities, as contemplated by clause F.2.2.1, for any Participant registered under a Party for whom suspension is in effect under a Suspension Order for any of its Units."

Considering the above, and in accordance with Paragraph B.17.20 of the Code, the SEM Committee direct that, for clarity, a Modification, as set out in Annex 1 of this letter (containing the amendment to the clause F.2.2.1A set out above) is implemented on a Trading Day basis with effect from one Working Day after the date of this letter.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Barry Hussey', is written over a horizontal line. The signature is stylized and cursive.

**Barry Hussey,**  
**Manager**

**Wholesale Electricity Markets**

## Annex 1

### Part B Section F

F.2.2.1 Each Scheduling Agent for a Participant shall, in accordance with the Settlement Calendar, submit to the Market Operator details of the Contracted Quantities (the Day-ahead Trade Quantities and Intraday Trade Quantities,  $qTDA_{xuh}$ ,  $qTID_{xuh}$ ,  $qTDA_{xvh}$  and  $qTID_{xvh}$ ), the durations relevant to the trades (Day-ahead Trade Duration and Intraday Trade Duration,  $DTDA_x$  and  $DTID_x$ ), and the prices relevant to those quantities (the Day-ahead Trade Price and Intraday Trade Price,  $PTDA_{xuh}$ ,  $PTID_{xuh}$ ,  $PTDA_{xvh}$  and  $PTID_{xvh}$ ), for each Generator Unit,  $u$ , and each Supplier Unit,  $v$ , registered in respect of that Participant, for each Trade,  $x$ , in each Period,  $h$ , in this context meaning each Day-ahead Trading Period and each Intraday Trading Period (save where either paragraph F.2.2.1A or F.2.2.1B applies).

F.2.2.1A Each Scheduling Agent for a Participant shall not submit to the Market Operator details of any Contracted Quantities, as contemplated by clause F.2.2.1, for any Participant registered under a Party for whom suspension is in effect under a Suspension Order for any of its Units.

~~F.2.2.1B Each Scheduling Agent for a Participant shall not submit to the Market Operator details of any Contracted Quantities, as contemplated by clause F.2.2.1, for any Participant whose Credit Cover Ratio has been equal to or exceeded the Breach Limit in every SEM NEMO Credit Report in a given Response Period.~~

### Part B Section H

#### H.9 Non-Acceptance of Contracted Quantities

H.9A Until the date that is the Mod 13 17 Deployment Date, B.19.2.1 shall be replaced with'

"B.19.2.1 Where a Dispute concerns:

(a) the application of the provisions of the Code relating to Credit Cover Requirements and action is being taken under section Error! Reference source not found. or Error! Reference source not found.; or

(b) Intentionally Blank,

then:

(c) 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

(d) unless the Disputing Party and the Market Operator agree a resolution to the Dispute:

- (i) within five Working Days of receipt of the Notice of Dispute; or
- (ii) within 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 0, otherwise the Dispute will be deemed to be withdrawn.

H.9B Until the date that is the Mod 13 17 Deployment Date, F.2.2.3 shall be replaced with:

"F.2.2.3 Intentionally Blank"

H.9C Until the date that is the Mod 13 17 Deployment Date, G.12.3 shall be replaced with:

"G.12.3 Intentionally Blank"

H.9D Until the date that is the Mod 13 17 Deployment Date, G.12.3.1 shall be replaced with:

"G.12.3.1 Intentionally Blank"

H.9E Until the date that is the Mod 13 17 Deployment Date, G.12.3.2 shall be replaced with:

"G.12.3.2 Intentionally Blank"

H.9F Until the date that is the Mod 13 17 Deployment Date, G.12.3.3 shall be replaced with:

"G.12.3.3 Intentionally Blank"

H.9G Until the date that is the Mod 13 17 Deployment Date, G.12.3.4 shall be replaced with:

"G.12.3.4 Intentionally Blank"

H.9H Until the date that is the Mod 13 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.9I Until the date that is the Mod 13 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

### Mod 13 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, such date to be published on the Market Operator web site at least three Working Days in advance of the date concerned.