

Single Electricity Market

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| Final REcommendation Report  Mod\_13\_18 Calculating obligated capacity quantities for units not yet commissioned  5 June 2018 |

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Document History

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| **Version** | **Date** | **Author** | **Comment** |
| 1.0 | 05 June 2018 | Modifications Committee Secretariat | Issued to Modifications Committee for review and approval |
| 2.0 | 22 June 2018 | 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](http://www.sem-o.com/MarketDevelopment/ModificationDocuments/Mod_13_18%20Calculating%20Obligated%20Capacity%20Quantities%20for%20Units%20Not%20Yet%20Commissioned.docx) |
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# MODIFICATIONS COMMITTEE RECOMMENDATION

## Recommended for approval– Unanimous Vote

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| --- | --- | --- |
| **Recommended for Approval by Unanimous Vote** | | |
| Derek Scully | Generator Alternate | Approved |
| David Gascon | Generator Alternate | Approved |
| Brian Mongan | Generator Member | Approved |
| William Steele | Supplier Member | Approved |
| Jim Wynne | Supplier Member | Approved |
| Julie-Anne Hannon (Chair) | Supplier Member | Approved |
| Eamonn O’Donoghue | Interconnector Member | Approved |
| Paraic Higgins | Generator Alternate | Approved |
| Robert McCarthy | DSU Alternate | Approved |

# Background

This Modification Proposal was raised by Eirgrid and was received by the Secretariat on 11 February 2018. This proposed modification should result in the value of the Obligated Capacity Quantity for any unit which has not yet been commissioned to be equal to zero, whereas at the moment it would be calculated as a non-zero value depending on the quantity for which the unit cleared in Capacity Auctions. This is done in the same way as it is done in the calculation of the Capacity Payment for a Capacity Market Unit, which should also only be non-zero for units which have commissioned.

The Modification Proposal was discussed and voted on at Meeting 83 on 25 April 2018.

# PURPOSE OF PROPOSED MODIFICATION

**3A.) justification of Modification**

The intention from the detailed design is that a unit only gets paid for capacity, and therefore only gets exposed to difference charges, for the periods in time after it has commissioned. The phrasing around commissioning is in the Capacity Payments section of the rules, but it isn’t in the section determining the inputs to calculating the Difference Charges, in particular around determining the Obligated Capacity Quantity (QCOB), the main input to which is the Net Capacity Quantity (QCNET).

For I-SEM go-live there may not be any instances of this, as the final auction results indicate all new units have a substantial completion date of the latest of the 22nd of May 2018: <http://www.sem-o.com/ISEM/General/Capacity%20Market%20-%20Final%20Capacity%20Auction%20Results%20Report.pdf>. However, it would be worth clarifying the intended approach from the design in the Code prior to go-live to cover the possibility of some of those projects commissioning later than stated.

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

There is a possibility that if units which were successful in the Capacity Auction do not commission in time for go-live then they would be exposed to Difference Charges despite not being eligible for Capacity Payments, which is contrary to the intention of the detailed design.

**3c.) Impact on Code Objectives**

* to facilitate the efficient, economic and coordinated operation, administration and development of the Single Electricity Market in a financially secure manner;
* 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;
* to ensure no undue discrimination between persons who are parties to the Code.

This modification proposal if implemented would ensure that only participants who are eligible to receive capacity payments are exposed to difference charges, and that only those units which have commissioned are expected to meet their obligations for physical energy provision, thereby ensuring against discrimination between parties to the Code. It also ensures that new entrants to the market have certainty over their financial expectations in capacity market settlement items over the period of time while they are commissioning after the start of the Capacity Year for which they have a capacity position within the period of time they are allowed while maintaining that capacity position.

1. **Assessment of Alternatives**

N/A

# Working Group and/or Consultation

N/A

# impact on systems and resources

There may be workarounds required in the settlement systems for a period of time until a change can be introduced, to ensure that this intended outcome occurs for units which are not commissioned, as the system equations are based on the current Code version as opposed to the proposed modification version.

# Impact on other Codes/Documents

N/A

# MODIFICATION COMMITTEE VIEWS

## Meeting **83 - 25 April 2018**

Proposer delivered a [presentation](http://www.sem-o.com/MarketDevelopment/ModificationDocuments/April%20Meeting%20Mod_13_18.pptx) summarising the requirement for this proposal. Proposer advised that the intention of this proposal is to replicate the same approach taken for non-payment of capacity payments for units which have not yet commissioned to clarify the level to which the unit is exposed to difference charges.

Discussion took place focusing on the areas of commissioned capacity and new capacity. Clarified that the change in section F.18.2.2 only applies to brand new capacity and not existing capacity that is adding new capacity to the existing, as the latter is already covered off elsewhere in the T&SC. It was confirmed that this proposal does not place any additional obligation on the TSO as this is already in the grid code.

While the Mod noted a system, workaround may be required to address this, this is no longer the case - in effect this Mod is adding clarity to how new capacity not yet commissioned, is treated.

Committee were in agreement to vote on this proposal.

# Proposed Legal Drafting

As set out in Appendix 1.

# LEGAL REVIEW

N/A

# IMPLEMENTATION TIMESCALE

It is proposed that this Modification is implemented on a Trading Day basis with effect from one Working Day after an RA Decision.

# Appendix 1: Mod\_13\_18 Calculating oblogated capacity for units not yet commissioned

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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)* |
| **EirGrid** | **11 April 2018** | | **Standard** | | **Mod\_13\_18** |
| **Contact Details for Modification Proposal Originator** | | | | | |
| **Name** | | **Telephone number** | | **Email address** | |
| **Martin Kerin** | |  | | **Martin.Kerin@EirGrid.com** | |
| **Modification Proposal Title** | | | | | |
| **Calculating Obligated Capacity Quantities for Units Not Yet Commissioned** | | | | | |
| **Documents affected**  *(delete as appropriate)* | | **Section(s) Affected** | | **Version number of T&SC or AP used in Drafting** | |
| **Trading and Settlement Code Part B** | | **Section F** | | **20** | |
| **Explanation of Proposed Change**  *(mandatory by originator)* | | | | | |
| This proposed modification should result in the value of the Obligated Capacity Quantity for any unit which has not yet been commissioned to be equal to zero, whereas at the moment it would be calculated as a non-zero value depending on the quantity for which the unit cleared in Capacity Auctions. This is done in the same way as it is done in the calculation of the Capacity Payment for a Capacity Market Unit, which should also only be non-zero for units which have commissioned. | | | | | |
| **Legal Drafting Change**  *(Clearly show proposed code change using* ***tracked*** *changes, if proposer fails to identify changes, please indicate best estimate of potential changes)* | | | | | |
| F.18.2.2 The Market Operator shall calculate The Net Capacity Quantity (QCNETΩγ) for each Capacity Market Unit, Ω, in Imbalance Settlement Period, γ, as follows:  where:   * + - * 1. qCLFΩn is the Loss-Adjusted Capacity Quantity for Capacity Market Unit, Ω, for Contract Register Entry, n, determined in accordance with the Capacity Market Code;         2. DISP is the Imbalance Settlement Period Duration; and         3. is a summation across all Contract Register Entries, n, for Capacity Market Unit, Ω, relevant in Imbalance Settlement Period, γ, and which has commissioned in accordance with the Capacity Market Code. | | | | | |
| **Modification Proposal Justification**  *(Clearly state the reason for the Modification)* | | | | | |
| The intention from the detailed design is that a unit only gets paid for capacity, and therefore only gets exposed to difference charges, for the periods in time after it has commissioned. The phrasing around commissioning is in the Capacity Payments section of the rules, but it isn’t in the section determining the inputs to calculating the Difference Charges, in particular around determining the Obligated Capacity Quantity (QCOB), the main input to which is the Net Capacity Quantity (QCNET).  For I-SEM go-live there may not be any instances of this, as the final auction results indicate all new units have a substantial completion date of the latest of the 22nd of May 2018: <http://www.sem-o.com/ISEM/General/Capacity%20Market%20-%20Final%20Capacity%20Auction%20Results%20Report.pdf>. However, it would be worth clarifying the intended approach from the design in the Code prior to go-live to cover the possibility of some of those projects commissioning later than stated. | | | | | |
| **Code Objectives Furthered**  *(State the Code Objectives the Proposal furthers, see Section 1.3 of T&SC for Code Objectives)* | | | | | |
| * to facilitate the efficient, economic and coordinated operation, administration and development of the Single Electricity Market in a financially secure manner; * 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; * to ensure no undue discrimination between persons who are parties to the Code.   This modification proposal if implemented would ensure that only participants who are eligible to receive capacity payments are exposed to difference charges, and that only those units which have commissioned are expected to meet their obligations for physical energy provision, thereby ensuring against discrimination between parties to the Code. It also ensures that new entrants to the market have certainty over their financial expectations in capacity market settlement items over the period of time while they are commissioning after the start of the Capacity Year for which they have a capacity position within the period of time they are allowed while maintaining that capacity position. | | | | | |
| **Implication of not implementing the Modification Proposal**  *(State the possible outcomes should the Modification Proposal not be implemented)* | | | | | |
| There is a possibility that if units which were successful in the Capacity Auction do not commission in time for go-live then they would be exposed to Difference Charges despite not being eligible for Capacity Payments, which is contrary to the intention of the detailed design. | | | | | |
| **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 | | | There may be workarounds required in the settlement systems for a period of time until a change can be introduced, to ensure that this intended outcome occurs for units which are not commissioned, as the system equations are based on the current Code version as opposed to the proposed modification version. | | |
| ***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.**