

Single Electricity Market

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| Final REcommendation ReportMod\_14\_18 Change to timing of publication of trading day exchange rate 05 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_14_18%20Change%20to%20timing%20of%20publication%20of%20Trading%20Day%20Exchange%20Rate.docx) |
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# MODIFICATIONS COMMITTEE RECOMMENDATION

## Recommended for approval subject to legal drafting – 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 SEMOpx and was received by the Secretariat on 11 April 2018. As part of its work on regional coupling with the relevant parties in Great Britain, SEMOpx has been discussing the implementation of a common Foreign Exchange (FX) Rate that could be applied to the SEM and GB region to the Day-Ahead and coupled Intraday markets. A number of different FX Rate sources were considered by the parties and ultimately it was decided that the most efficient way to progress was to apply the FX Rate currently in use in GB to the SEMOpx markets. This rate is provided by Nordea, one of the biggest banks in Europe, at 10:00 on the day of the Day-Ahead auction (D-1) to one of the Nominated Electricity Market Operator (NEMO) in GB who will subsequently share this rate with SEMOpx. The same FX Rate will be applied to the Day-Ahead market and all SEMOpx’s Intraday auctions.

It is proposed to align the Fx Rate utilised for the Balancing Market with the FX Rate that is to be used by SEMOpx as outlined above. An amendment to the TSC is required to give effect to this change.

The impact of this change to the TSC is to the time that the FX Rate is made available to Market Participants. The FX Rate will be set at 10:00 D-1 and may be made available under the reporting arrangements set out in AP6 no later than 11:00 D-1.

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

# PURPOSE OF PROPOSED MODIFICATION

**3A.) justification of Modification**

It is considered that it would be both efficient and beneficial to align the FX Rate used for the Balancing Market to the one used for Day-Ahead and Intraday markets. Using the same FX rate across the markets allows EirGrid and SONI to continue to centrally manage the FX Rate in an efficient and coordinated manner from an IT system and financial point of view and provides a more straight forward solution for Market Participants.

In addition, by using an FX Rate that is set closer to Gate Closure the exposure between the FX Rate used for trading and settlement is reduced. This provides a more economic and efficient solution, minimising the cost of FX Rate which is ultimately socialised across all market participants.

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

The implication of not accepting this modification proposal is that a different FX Rate will be used in the SEMOpx markets and the Balancing Market. This is a less efficient approach and will result in Market Participants needing to process two FX Rates for the same market time unit.

The current SEMO FX Rate solution uses an FX Rate which is set at D-2. This may result in a greater cost of FX compared to using the proposed FX Rate which is set closer to Gate Closure.

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

1. to facilitate the efficient, economic and coordinated operation, administration and development of the Single Electricity Market in a financially secure manner;
2. **Assessment of Alternatives**

N/A

# Working Group and/or Consultation

N/A

# impact on systems and resources

MMS will produce the relevant report on FX Rate in accordance with AP6 no later than 11:00 D-1. MMS will need to be configured to reflect this change in time. Market Participants may need to configure their systems to reflect this change in time.

# 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/Mod%2014%20FX%20Rate.pptx) summarising the requirement for this proposal. Proposer advised that the current rate had restrictions and was not acceptable to the regional partners. The regional partners were happy with a proposal to use the Nordea rate as also used in the GB markets and it was felt that this was closer to real time, reducing exposure to foreign exchange risk, and this would allow the same rate that will be applied to SEMOpx’s day-ahead and intraday auctions, to be applied to the balancing market.

Questions were raised relating to SEMOpx issues. RA Member reminded members that the Modifications committee was there to discuss the Trading and Settlement Code proposal. Secretariat advised that any SEMOpx questions would be noted as actions that the proposer would respond to.

Questions were raised in relation to previous suggestions at a BLG regarding earlier publication 15 minutes after the rate is available and whether this rate could be published earlier. Information was requested as to what the fallback mechanism is if the Nordea rate is unavailable on a particular day and if that fallback is the same as what applies in the DAM, IDM markets. Proposer agreed to take these items as actions. Legal drafting was discussed with agreement to a change in the legal drafting from ‘set at 11.00am’ to ‘published by 11.00am’ in the Glossary definition.

Post meeting note – Proposer has reverted to confirm that the contingency for where the rate is not available for a particular day is to use the last rate received (previous day) and agree this with the regional partners to ensure it is aligned across markets. Proposer has also confirmed that it is not possible to change the obligation to publish this rate to an earlier time while noting that it will be published as soon as possible, usually earlier in normal operations, and by 11:00 at the latest. This is because once the rate is available to SEMO (normally at 10:01) there is a check carried out to confirm that all parties have the same rate which is normally completed at 10:20. In some circumstances there may be an issue with the rate so that it is delayed due to some required follow up (e.g. process or system issues, if the rate were unavailable so that the back up process is invoked or there was a discrepancy between parties etc.). The regional procedures provide for final agreement of the rate by 10:50 at the latest in these scenarios so that the balancing market publication deadline cannot be brought forward from 11:00am.

Committee were in agreement to vote on this proposal subject to legal drafting.

# Proposed Legal Drafting

As set out in Appendix 1 with a minor amendment to the definition of Trading Day Exchange Rate as below.

|  |  |
| --- | --- |
| Trading Day Exchange Rate | means the exchange rate between pounds sterling and euro for the next Trading Day published by 11:00 on the day of the Gate Closure 1 published under paragraph G.1.3.3.  |

# 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\_14\_18 Change to timing of publication of trading day exchange rate

|  |
| --- |
| **MODIFICATION PROPOSAL FORM** |
| **Proposer***(Company)* | **Date of receipt***(assigned by Secretariat)* | **Type of Proposal***(delete as appropriate)* | **Modification Proposal ID***(assigned by Secretariat)* |
| **SEMOpx** | **11 April 2018** | **Urgent** | **Mod\_14\_18** |
| **Contact Details for Modification Proposal Originator** |
| **Name** | **Telephone number** | **Email address** |
| **Anne-Marie McCague** |  | **anne-marie.mccague@eirgird.com** |
| **Modification Proposal Title** |
| **Change to timing of publication of Trading Day Exchange Rate** |
| **Documents affected***(delete as appropriate)* | **Section(s) Affected** | **Version number of T&SC or AP used in Drafting** |
| **T&SC Part B****Part B Appendix E****Agreed Procedures Part B****Glossary Part B** | **AP6****Part B – G.1.3.3** | **AP6 V20.0****Part B V20.0** |
| **Explanation of Proposed Change***(mandatory by originator)* |
| As part of its work on regional coupling with the relevant parties in Great Britain, SEMOpx has been discussing the implementation of a common Foreign Exchange (FX) Rate that could be applied to the SEM and GB region to the Day-Ahead and coupled Intraday markets. A number of different FX Rate sources were considered by the parties and ultimately it was decided that the most efficient way to progress was to apply the FX Rate currently in use in GB to the SEMOpx markets. This rate is provided by Nordea, one of the biggest banks in Europe, at 10:00 on the day of the Day-Ahead auction (D-1) to one of the Nominated Electricity Market Operator (NEMO) in GB who will subsequently share this rate with SEMOpx. The same FX Rate will be applied to the Day-Ahead market and all SEMOpx’s Intraday auctions.It is proposed to align the Fx Rate utilised for the Balancing Market with the FX Rate that is to be used by SEMOpx as outlined above. An amendment to the TSC is required to give effect to this change.The impact of this change to the TSC is to the time that the FX Rate is made available to Market Participants. The FX Rate will be set at 10:00 D-1 and may be made available under the reporting arrangements set out in AP6 no later than 11:00 D-1. |
| **Legal Drafting Change***(Clearly show proposed code change using* ***tracked*** *changes, if proposer fails to identify changes, please indicate best estimate of potential changes)* |
| **TSC Part B:**G.1.3.3. The Market Operator shall, in relation to each Trading Day, publish a Trading Day Exchange Rate between euro (€) and pounds sterling (£) by 11:00on the day of the corresponding Gate Closure 1.**Part B Glossary:**

|  |  |
| --- | --- |
| Trading Day Exchange Rate | means the exchange rate between pounds sterling and euro for the next Trading Day set at 11:00 on the day of the Gate Closure 1 published under paragraph G.1.3.3.  |

**Part B: Appendix E, Table 4 – Data publication list part 4: updated daily in advance of the Trading Day**

|  |  |  |  |
| --- | --- | --- | --- |
| **Time** | **Item / Data Record** | **Term** | **Subscript** |
| By 11:00 on the day of the Gate Closure 1 in respect of the Trading Day | Trading Day Exchange Rate between euro (€) and pounds sterling (£)  | - | - |

**Part B Agreed Procedure 6: Data Publication and Data Reporting, Appendix 2, Data Reports:**

| **Publication / Data Report Name** | **Class** | **Timing** | **Subscript** | **Available via BMI** | **Confidentiality** | **Validity** |
| --- | --- | --- | --- | --- | --- | --- |
| Daily Trading Exchange Rate | D | One day prior to the Trading Day | - | Y | Member Public |  |

 |
| **Modification Proposal Justification***(Clearly state the reason for the Modification)* |
| It is considered that it would be both efficient and beneficial to align the FX Rate used for the Balancing Market to the one used for Day-Ahead and Intraday markets. Using the same FX rate across the markets allows EirGrid and SONI to continue to centrally manage the FX Rate in an efficient and coordinated manner from an IT system and financial point of view and provides a more straight forward solution for Market Participants. In addition, by using an FX Rate that is set closer to Gate Closure the exposure between the FX Rate used for trading and settlement is reduced. This provides a more economic and efficient solution, minimising the cost of FX Rate which is ultimately socialised across all market participants. |
| **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; |
| **Implication of not implementing the Modification Proposal***(State the possible outcomes should the Modification Proposal not be implemented)* |
| The implication of not accepting this modification proposal is that a different FX Rate will be used in the SEMOpx markets and the Balancing Market. This is a less efficient approach and will result in Market Participants needing to process two FX Rates for the same market time unit. The current SEMO FX Rate solution uses an FX Rate which is set at D-2. This may result in a greater cost of FX compared to using the proposed FX Rate which is set closer to Gate Closure. |
| **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 applicable. | MMS will produce the relevant report on FX Rate in accordance with AP6 no later than 11:00 D-1. MMS will need to be configured to reflect this change in time. Market Participants may need to configure their systems to reflect this change in time. |
| ***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.**