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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 November 2017** | | **Standard** | | **Mod\_15\_17** |
| **Contact Details for Modification Proposal Originator** | | | | | |
| **Name** | | **Telephone number** | | **Email address** | |
| **Christopher Goodman** | |  | | [**Christopher.Goodman@sem-o.com**](mailto:Christopher.Goodman@sem-o.com) | |
| **Modification Proposal Title** | | | | | |
| **Credit Treatment for Adjusted Participants** | | | | | |
| **Documents affected**  *(delete as appropriate)* | | **Section(s) Affected** | | **Version number of T&SC or AP used in Drafting** | |
| **T&SC Part B**  **Glossary Part B**  **Agreed Procedures Part B** | | **T&SC Part B;**  **G.12.4.3, G.14.1.2, G.14.1.3, G.14.3, G.14.3.1, G.14.3.2, G.14.3.3, G.14.4, G.14.4.1, G.14.4.2, G.14.5, G.14.5.1, G.14.5.2, G.14.6, G.14.6.1, G.14.8 and G.14.8.1**  **Glossary Part B;**  **Adjusted Participant, Credit Assessment Adjustment Factor and Variable FCAA**  **Agreed Procedures Part B;**  **2.11.2** | | **Version 20** | |
| **Explanation of Proposed Change**  *(mandatory by originator)* | | | | | |
| The existing Trading and Settlement Code rules determine volumes for the Undefined Exposure Period for New Participants from a submitted forecast volume (Metered Demand for Suppliers and Imbalance for Generators).  For Adjusted Participants the volume is based on a submitted Forecast Adjustment Factor which is applied to a Billing Period Undefined Potential Exposure Quantity which is calculated from actual Metered Demand for Supplier Units and a Billing Period Undefined Potential Exposure which is calculated from actual cash flows for Generator Units.  This proposal seeks to apply the New Participant approach for Adjusted Participants since the I-SEM system design currently treats both New and Adjusted Participants based on forecast volumes of Demand and Imbalance for Supplier and Generator Units respectively as is the current practice under Part A of the Code.  This will require Adjusted Participants to submit a forecast volume rather than an adjustment factor which will then be applied to credit calculations using the same approach as is applied for New Participants. Either approach is expected to deliver similar outcomes but the proposed approach avoids significant system changes. | | | | | |
| **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 Trading and Settlement Code;**   1. * + 1. Where a Participant becomes an Adjusted Participant, it shall notify the Market Operator of its forecast value of its Metered Demand and/or Imbalance for its Supplier Units and/or Generator Units respectively. The forecast values notified by an Adjusted Participant shall represent the forecast of its average Metered Demand or forecasted Imbalance which will be applied in the calculations for Required Credit Cover. Each Adjusted Participant shall provide such additional information to the Market Operator as provided for pursuant to Agreed Procedure 9 “Management of Credit Cover and Credit Default” to enable the Market Operator to calculate revised values of Required Credit Cover in accordance with this Chapter G (Financial and Settlement).        2. The Undefined Potential Exposure for each New or Adjusted Participant in respect of its supplier units shall be based on the product of the Participant’s Credit Assessment Volume and the Combined Credit Assessment Price.        3. The Undefined Potential Exposure for each New or Adjusted Participant in respect of its Generator Units shall be based on the product of the Participant’s Credit Assessment Volume and the Credit Assessment Price.       2. Calculations for the Undefined Exposure Period for a New or Adjusted Participant in respect of its Supplier Units         1. The Credit Assessment Volume for a New or Adjusted Participant p (VCASpγ) shall be a forecast of Metered Demand in respect of a New or Adjusted Participant's Supplier Units based upon information provided by the Participant in accordance with paragraph G.12.4.2 or G.12.4.3 and used in the calculation of the Participant's Required Credit Cover.         2. The Market Operator shall calculate the Exposure for Trading Charges for the Undefined Exposure Period for each New or Adjusted Participant p in respect of its Supplier Units (EUPESpg) as follows:   where:   * + - * 1. CCAPg is the Combined Credit Assessment Price for the Undefined Exposure Period g calculated in accordance with G.14.2.6;         2. VCASpγ is the Credit Assessment Volume for each New or Adjusted Participant for the Imbalance Settlement Period γ; and         3. is a summation over Imbalance Settlement Periods γ in the Undefined Exposure Period g.       1. A New or Adjusted Participant’s Exposure in respect of its Capacity Charges for its Supplier Units (EUPECCpg) shall be calculated by the Market Operator as follows:   where:   * + - * 1. CCPΩγ is the Capacity Payment for Capacity Market Unit Ω in Imbalance Settlement Period γ;         2. VCASpγ is the Credit Assessment Volume for each New or Adjusted Participant in respect of its Supplier Units for the Imbalance Settlement Periods γ;         3. QUPEBpg is the Billing Period Undefined Potential Exposure Quantity for Standard Participant p in respect of all its Supplier Units v in Undefined Exposure Period g calculated in accordance with section G.14.7;         4. is the summation across all Imbalance Settlement Periods γ in Undefined Exposure Period g;         5. is the summation across all Capacity Market Units Ω; and         6. is the summation across all Participants p.     1. **Calculations for the Undefined Exposure Period for a New or Adjusted Participant in respect of its Generator Units or Assetless Units**        1. The Credit Assessment Volume (VCAGpγ) for a New or Adjusted Participant p in Imbalance Settlement Period γ shall be a forecast of Imbalance relating to Daily Amounts in respect of the Participant's Generator Units based upon information provided by the Participant in accordance with paragraph G.12.4.2 or G.12.4.3 and used in the calculation of the Participant's Required Credit Cover.        2. The Market Operator shall calculate the Exposure for Trading Payments and Trading Charges for the Undefined Exposure Period g for each New or Adjusted Participant p in respect of its Generator Units and Assetless Units (EUPEGpg) as follows:   where:   * + - * 1. PCAg is the Credit Assessment Price for the Undefined Exposure Period g as calculated in accordance with section ;         2. VCAGpγ is the Credit Assessment Volume for each New or Adjusted Participant for the Imbalance Settlement Period γ; and         3. is a summation over Imbalance Settlement Periods γ in the Undefined Exposure Period g.     1. **Intentionally Blank**        * + 1. **Intentionally Blank**      * + 2. Calculations in respect of Capacity Charges        1. A Standard Participant’s Exposure in respect of its Capacity Charges for its Supplier Units (EUPECCpg) for Undefined Exposure Period g shall be calculated by the Market Operator as follows:   where:   * + - * 1. CCPΩγ is the Capacity Payment for Capacity Market Unit Ω in Imbalance Settlement Period γ calculated in accordance with section F.17;         2. QUPEBpg is the Billing Period Undefined Potential Exposure Quantity for Participant p in respect of all its Supplier Units v in Undefined Exposure Period g calculated in accordance with paragraph G.14.7.6;         3. VCASpγ is the Credit Assessment Volume for each New or Adjusted Participant in respect of its Supplier Units for the Imbalance Settlement Periods γ;         4. is the summation across all Imbalance Settlement Periods γ in Undefined Exposure Period g;         5. is the summation across all Capacity Market Units Ω; and         6. is the summation across all Participants p.   **Part B Trading and Settlement Code Glossary;**   |  |  | | --- | --- | | **Adjusted Participant** | means, in relation to the calculation of Required Credit Cover, a Participant as described in paragraph G.12.4.2. |  |  |  | | --- | --- | |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | |  |  |  |  |  |   **Part B Agreed Procedure 9;**   1. 1. New Participants and Adjusted Participants       1. New Participants   New Participants do not have any historical Settlement data which can be used as the basis for a statistical analysis of historical exposures in order to calculate Undefined Potential Exposure. Each New Participant shall provide forecast quantity data (i.e. Generation and/or Demand) to the Market Operator as part of the registration process set out in the Code and Agreed Procedure 1 “Registration”. This forecast data will be used in conjunction with the Credit Assessment Price to determine the Undefined Potential Exposure, as part of the Required Credit Cover.  The forecast quantities provided by New Participants will be evaluated against the Meter Data received from the relevant Meter Data Provider. If there is a significant difference between the Meter Data and the forecast quantities provided (i.e. the difference exceeding the Credit Cover Adjustment Trigger), the Market Operator shall calculate the Undefined Potential Exposure based on the Analysis Percentile Parameter of the known Meter Data against the Credit Assessment Price extrapolated across the future risk period. This assessment methodology will be used until there is sufficient historical data for the statistical analysis.  The procedural steps in relation to Required Credit Cover for a New Participant are set out at section 3.5 below.   * + 1. Adjusted Participant   An Adjusted Participant is a Participant whose Generation or Demand configuration has changed (i.e. increased or decreased) significantly from historical patterns (defined as the time-weighted average of Metered Demand quantities or Daily Amounts for Suppliers and Generators respectively across all of the four most recent Billing Periods). This could be due to, for example, acquisition of new assets, winning significant new customers in the retail market or a significant Generator planned outage. In such cases, statistical analysis of historical exposures may not be a valid indicator of future performance and the process for New Participants described at paragraph 2.11.1 above will be applied.  Participants who are expecting the time-weighted average with respect to its Supplier and/or Generator Units of metered quantities and/or Daily Amounts across all of the four most recent Billing Periods compared with forecasted averaged metered quantities and/or Daily Amounts with respect to its Supplier and/or Generator Units, in any of the next four Billing Periods, to increase or decrease by more in absolute terms than the Credit Cover Adjustment Trigger, are required to notify the Market Operator. In these cases the Market Operator shall use a Participant’s forecast Credit Assessment Volume to calculate the Participant’s Undefined Potential Exposure.  The procedural steps in relation to Required Credit Cover for an Adjusted Participant are set out at section 3.5 below. | | | | | |
| **Modification Proposal Justification**  *(Clearly state the reason for the Modification)* | | | | | |
| The approach detailed in this proposal would result in the same approach to Adjusted Participants as that applied under Part A and would avoid the need for system changes or complex manual workarounds to apply the new approach currently detailed in Part B.  The expectation is that either approach will result in similar outcomes with Participants still able to adjust their undefined exposure when becoming an Adjusted Participant to avoid step changes in credit requirements under the approach detailed in this proposal. | | | | | |
| **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;   This Modification enables the Market Operator to focus on delivering material obligations for I-SEM go-live (i.e. those which result in material settlement outcomes for Participants). | | | | | |
| **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.)* | | |
| No | | | There is a small impact on Participants who would be required to submit forecast volumes rather than a forecast adjustment factor when they become and Adjusted Participant. | | |
| ***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.**