



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

18 April 2018

Our Ref: D/18/6319

SEM Committee Decision for the Regulatory Authorities in relation to Mod_17_17 (Final Recommendation FRR_17_17)

Dear Esther

On 23 March 2018, the Modifications Committee submitted its Final Recommendation Report (FRR) with regard to Modification Proposal Mod_17_17: "Recovery of Costs due to Invalid Ex-Ante Contracted Quantities in Imbalance Settlement" in accordance with paragraph B.17.18.1 of Part B of the SEM Trading and Settlement Code (the Code).

Modification Proposal Mod_17_17 was submitted to the Modifications Committee by SEMOpX on 28 November 2017. The Modification seeks to provide a workable solution to how specific low probability risks related to invalid Ex-Ante Market Contracted Quantities which lead to imbalances, are mitigated in the I-SEM. The Modification ensures that all avenues for recovery of the costs of invalid contracted quantities from the Relevant Participant are available, thus ensuring the financial stability of all both ex ante and the Balancing Markets.

The Modification provides for a SEM Nominated Electricity Market Operator (NEMO) remaining balance responsible and adhering to the imbalance settlement payment deadlines, even in the case of the invalid Contracted Quantities scenarios. The solution is provided on the basis that a number of additional measures for recovery of the costs of invalid Contracted Quantities will be available under the Trading and Settlement Code and shall form part of this solution.

These additional measures include that the Market Operator will assist a SEM NEMO in recovery of the costs by withholding payments to the Relevant Participant in the Balancing Market, and/or using available Balancing Market Credit Cover to offset the cost needing recovery. In addition, the Market Operator in conjunction with the Modifications Committee will

work toward a solution for Day 2 that takes account of the trading halt due to insufficient balancing market collateral requirement design.

The Regulatory Authorities note that a presentation was made to the Modifications Committee on 12 December 2017 summarising the requirement for this proposal. Following discussion at this meeting, further clarifications were sought and the issue was deferred until 25 January 2018. A further presentation summarising the changes and rationale behind this latest version was delivered. Members were not happy to vote on this until they had reviewed this detailed legal drafting of the latest version of the proposal, which had not yet been provided due to the recent agreement of the changes with the service providers.

Following review, the issue was brought before the Modifications Committee on 7 February 2018. Following a request for clarification, the issue proceeded to a vote. The Regulatory Authorities note that the Members of the Modifications Committee were unanimous in their view that the Modification Proposal would better facilitate the achievement of the 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 provide transparency in the operation of the Single Electricity Market; and
- to promote the short-term and long-term interests of consumers of electricity on the island of Ireland with respect to price, quality, reliability, and security of supply of electricity.

Considering the above, the SEM Committee direct that, in line with the recommendation from the Modifications Committee in FRR_17_17, the Modification Proposal Mod_17_17 should be made and shall become effective on a Trading Day basis two Working Days after the date of this letter.

The Regulatory Authorities note the commitment of the Modifications Commitment to revisit this following the go-live of the revised SEM arrangements as a Day 2 issue.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Barry Hussey', written in a cursive style.

Barry Hussey
Manager
Wholesale Electricity Markets

