

Single Electricity Market

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| Final REcommendation Report  Mod 20\_18 Version 2.0 Agreed Procedure Updates  14 September 2018 |

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Document History

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| **Version** | **Date** | **Author** | **Comment** |
| 1.0 | 14 September 2018 | Modifications Committee Secretariat | Issued to Modifications Committee for review and approval |
| 2.0 | 21 September 2018 | Modifications Committee Secretariat | Issued to Regulatory Authorities for final decision |

Reference Documents

|  |
| --- |
| **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_20_18%20Agreed%20Procedure%20Updates.docx) |
| [Modification Proposal Version 2](http://www.sem-o.com/MarketDevelopment/ModificationDocuments/Mod_20_18%20Agreed%20Procedure%20Updates%20Version%202%20(2).docx) |
| [Presentation](http://www.sem-o.com/MarketDevelopment/ModificationDocuments/Mod_20_18%20Agreed%20Procedure%20Updates.pptx) |
| [Presentation 2](http://www.sem-o.com/MarketDevelopment/ModificationDocuments/Mod_20_18%20Agreed%20Procedure%20Updates%20Version%202%20.pptx) |
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Table of Contents

[1. MODIFICATIONS COMMITTEE RECOMMENDATION 3](#_Toc524703443)

[**Recommended for approval subject to legal drafting – UNANIMOUS VOTE** 3](#_Toc524703444)

[2. Background 3](#_Toc524703445)

[3. PURPOSE OF PROPOSED MODIFICATION 5](#_Toc524703446)

[**3A.) justification of Modification** 5](#_Toc524703447)

[**3B.) Impact of not Implementing a Solution** 5](#_Toc524703448)

[**3c.) Impact on Code Objectives** 6](#_Toc524703449)

[4. Assessment of Alternatives 6](#_Toc524703450)

[5. Working Group and/or Consultation 6](#_Toc524703451)

[6. impact on systems and resources 6](#_Toc524703452)

[7. Impact on other Codes/Documents 6](#_Toc524703453)

[8. MODIFICATION COMMITTEE VIEWS 6](#_Toc524703454)

[**Meeting 84 – 21 June 2018** 6](#_Toc524703455)

[**Meeting 85 – 16 August 2018** 6](#_Toc524703456)

[9. Proposed Legal Drafting 7](#_Toc524703457)

[10. LEGAL REVIEW 7](#_Toc524703458)

[11. IMPLEMENTATION TIMESCALE 7](#_Toc524703459)

[1 Appendix 1: Mod\_20\_18 agreed procedures updates version 2 8](#_Toc524703460)

# MODIFICATIONS COMMITTEE RECOMMENDATION

## Recommended for approval subject to legal drafting – UNANIMOUS VOTE

|  |  |  |
| --- | --- | --- |
| **Recommended for Approval by Unanimous Vote** | | |
| Sinead O’Hare | Generator Member | Approved |
| Sean McParland | Generator Alternate | Approved |
| Robert McCarthy | DSU Alternate | Approved |
| David Gascon | Generator Alternate | Approved |
| Paraic Higgins | Generator Member | Approved |
| Mark Phelan | Supplier Alternate | Approved |
| William Steele | Supplier Member | Approved |
| Julie Ann Hannon | Supplier Member | Approved |

# Background

This Modification Proposal was raised by SEMO and was received by the Secretariat on 2 August 2018. The Modification Proposal was discussed at Meeting 84 on 21 June 2018 and voted on at Meeting 85 on 16 August 2018.

Note that version 1 of this proposal originally contained Agreed Procedure Updates; however, version 2 resulted in Code body changes on foot of initial discussions with the Modifications Committee.

**Version 1 Explanation:**

This proposal aims to make four changes to the Part B Agreed Procedures. Two of these changes are to correct errors which have been identified and two are intended to aid clarity by including additional detail on the procedures described. The proposed changes are as follows;

Correction of Errors;

1. Agreed Procedure 1 section 2.2 on Unit Registration refers to ‘*in accordance with* ***Agreed Procedure 2*** *“Communication Channel Qualification”*’ where the referred Agreed Procedure is actually Agreed Procedure 3 as opposed to Agreed Procedure 2.
2. Agreed Procedure 4 section 2.9.2 details the values which are required to be submitted when selecting a Validation Data Set (VDS) for a Trading Day. This currently details submission of three values, Trading Day, VDS number and Gate Closure Identifier. In reality the Gate Closure Identifier is not required and cannot be submitted so this should be removed from the text.

Inclusion of Additional Detail;

1. Trading and Settlement Code clauses G.7.2.2, G.7.3.4 and appendix G paragraph 5 state that Fixed and Variable Market Operator Charge Invoices will be issued by the Market Operator at such frequency as the Market Operator shall decide and that they can be included on a single invoice. Agreed Procedure 15 section 2.4 states that ‘*The Variable Market Operator Charge and the Fixed Market Operator Charge shall be included on one invoice, as required.’*

Since this is fairly vague in terms of the invoicing timelines this proposal seeks to delete this text and add the following text for clarity *'The Market Operator may include Variable Market Operator Charges for a Participant in respect of a Billing Period in the next Market Operator Charge invoice that is issued for Fixed Market Operator Charges.*' since this reflects the intended approach to Market Operator Charge invoicing frequency.

Note that the principle of Fixed and Variable Market Operator Charge (VMOC) being invoiced together on a monthly basis, and for all settlement phases, had support from both SEMO and Participants during design discussions on this topic. This is due to the reduced number of invoices, and therefore payments, which would need to be processed. The efficiency gained is one monthly invoice Vs a minimum of thirteen if invoiced separately for monthly Initial FMOC and weekly Initial/M4/M13/Ad Hoc VMOC.

1. Agreed Procedure 17 doesn’t currently specify the timeline for applying changes to Participant bank account details for payments due. This proposal seeks to clarify this with the following text which describes which bank account will be used for a given Settlement Document.

*‘The bank account that will be used for the payments out to Participants as a result of a Settlement Document will be based on the bank account details that have been approved in the Balancing Market Interface the day before Settlement Document is issued.’*

**Version 2 Explanation Updates:**

Amendments to version 1 legal drafting for items 3 and 4 are required as a result of items identified at committee meeting 84 and for latest information.

**For item 3** on the timing of invoicing for Variable Market Operator Charges version 1 was drafted on the understanding that whatever complete number of billing weeks were available for Variable Market Operator Charge would be included on the subsequent monthly Fixed Market Operator Charge invoice so that it would not necessarily be a calendar month of Settlement Days.

This was queried by a Supplier Member at meeting 84 as it was contrary to their understanding and SEMO advised that the drafting correctly reflected complete billing weeks and it was agreed that legal drafting changes would be made in version 2 to include additional detail on that timing. It has since become clear that the understanding that this was based on a number of complete billing weeks was incorrect and that the invoice will in fact include a calendar month of Settlement Days for both Fixed and Variable Market Operator Charge. That being the case, it is necessary to update and expand on the legal drafting for the agreed procedure and also to make an additional change to the Trading and Settlement Code section on Variable Market Operator Charge to capture this which is reflected in the legal drafting in this version 2.

**For item 4** on the timeline for applying Participant bank account details a Generator Member highlighted at meeting 84 that the proposed legal drafting could be clearer in terms of the fact that long standing previously approved account details (i.e. those approved days or weeks prior to the issue of a Settlement Document rather than on the day prior to issue) would be used if not updated. Amended wording has been agreed with the Generator Member and is reflected in this Version 2.

# PURPOSE OF PROPOSED MODIFICATION

**3A.) justification of Modification**

This proposal aims to correct two known errors in the Part B Agreed Procedures. Firstly the incorrect number is assigned to a reference to AP3 (reads AP2) within AP1. Secondly an incorrect element (Gate Closure Identifier) in Validation Data Set submission is included in AP4 where this element is neither needed nor is it possible to include it in the submission. Both of these errors are believed to have been caused by re-using text from the Part A Agreed Procedures. These are drafting errors which should be corrected.

Correcting these errors will clearly ensure the accuracy of the affected clauses.

This proposal also aims to clarify the invoicing arrangement for Market Operator Charges to avoid any misunderstanding in the invoicing arrangements; particularly given that they are different to the current SEM arrangements.

This proposal also aims to specify which banking details are used for payments out for a given settlement document. This is not currently specified which lead to confusion in terms of which account details could apply when revised account details have been submitted.

Adding more explicit detail here will mean that how these mechanisms operate is more precisely reflected within the affected agreed procedures.

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

If this proposal is not implemented two known errors will remain in the Agreed Procedures.

There will also be less clarity in relation to the invoicing timelines for MOC potentially leading to defaults on payments and/or additional queries on the invoices. In addition, Participant accounting systems and payment processes could be mis-aligned with invoicing timelines, again potentially leading to defaults and/or additional work to process MOC invoices for them and for the market operator.

There will also be a lack of clarity with regards the application of bank account details where these are revised which could mean that Participants are unsure what account to expect funds to be paid to or how quickly updated details will take effect.

**3c.) Impact on Code Objectiv****es**

To provide transparency in the operation of the Single Electricity Market;

1. **Assessment of Alternatives**

N/A

# Working Group and/or Consultation

N/A

# impact on systems and resources

No Impacts anticipated for SEMO or Participant processes or systems.

# Impact on other Codes/Documents

N/A

# MODIFICATION COMMITTEE VIEWS

## Meeting **84 – 21 June 2018**

Proposer delivered a [presentation](http://www.sem-o.com/MarketDevelopment/ModificationDocuments/Mod_20_18%20Agreed%20Procedure%20Updates.pptx) summarising the requirement for this proposal. Proposer confirmed there were two error corrections and two pieces of additional detail proposed. Invoicing of Variable Market Operator Charges and the respective timelines and processes were discussed at length. Supplier Member suggested that additional detail on the timings of Variable Market Operator Charge invoicing would add clarity and agreed to provide legal drafting for this. Observer agreed to discuss the timing of this process through the Market Trials Liaison Group to ensure that the wider industry is informed.

Generator Member suggested that an amendment to legal drafting related to the use of banking details to be clear that details that had already been approved previously would apply would add clarity and agreed to provide legal drafting for this.

Proposer advised that the proposal would be redrafted and a second version would be brought to Meeting 85 capturing updated legal drafting as agreed with members who had suggested alternatives.

Post Meeting Note

Where SEMO advised at the meeting that the invoicing of Variable Market Operator Charge would include only full Billing Weeks this was incorrect and was based on the intended approach which subsequently changed. Follow up here has indicated that this will be on a calendar month basis which will be captured in version 2 drafting which will now also require a minor change to the Code body clause on these calculations. These timings have been communicated via the Market Trials Liaison Group as agreed.

## Meeting **85 – 16 August 2018**

Proposer delivered a [presentation](http://www.sem-o.com/MarketDevelopment/ModificationDocuments/Mod_20_18%20Agreed%20Procedure%20Updates%20Version%202%20.pptx%20) summarising the requirement for this proposal. Proposer confirmed that the name of the proposal cannot be changed and must reference version 2 of the original name while noting that version 2 of this proposal contains Code body changes as well as Agreed Procedure Updates. This proposal corrects two known errors. This proposal also aims to add clarity to the details in Agreed Procedure 15 on invoicing of the Variable Market Operator Charge as it is currently not explicit enough that this is invoiced monthly along with the Fixed Market Operator Charge. This proposal also seeks to remove weekly Billing Period summations for Variable Market Operator Charge calculations from the Code as they are incorrect. This proposal also aims to clarify the timeline for amended banking details being used once they are approved.

Legal drafting updates to the Agreed Procedure 17 change regarding when new banking details were agreed and the committee agreed to vote subject to these changes.

# Proposed Legal Drafting

As set out in Appendix 1. With the following minor amendment to wording in Agreed Procedure 17 section 2.

The bank account that will be used for the payments to Participants will be based on the latest bank account details that have been approved in the Balancing Market Interface prior to close of business on the day before the issue of the relevant Settlement Document or Invoice.

# LEGAL REVIEW

N/A

# IMPLEMENTATION TIMESCALE

It is proposed that this Modification is implemented as the Modifications Committee have recommended it for approval and on a Trading Day basis following receipt of the Regulatory Authorities decision.

# Appendix 1: Mod\_20\_18 agreed procedures updates version 2

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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** | **V2 02/08/18** | | **Standard** | | **MOD\_20\_18** |
| **Contact Details for Modification Proposal Originator** | | | | | |
| **Name** | | **Telephone number** | | **Email address** | |
| **Christopher Goodman** | |  | |  | |
| **Modification Proposal Title** | | | | | |
| **Agreed Procedure Updates Version 2** | | | | | |
| **Documents affected**  *(delete as appropriate)* | | **Section(s) Affected** | | **Version number of T&SC or AP used in Drafting** | |
| **Part B Agreed Procedures 1, 4, 15 and 17** | | **Agreed Procedure 1 Section 2**  **Agreed Procedure 4 Section 2**  **Agreed Procedure 15 Section 2**  **Agreed Procedure 17 Section 2** | | **Version 20** | |
| **Explanation of Proposed Change**  *(mandatory by originator)* | | | | | |
| **Version 1 Explanation:**  This proposal aims to make four changes to the Part B Agreed Procedures. Two of these changes are to correct errors which have been identified and two are intended to aid clarity by including additional detail on the procedures described. The proposed changes are as follows;  Correction of Errors;   1. Agreed Procedure 1 section 2.2 on Unit Registration refers to ‘*in accordance with* ***Agreed Procedure 2*** *“Communication Channel Qualification”*’ where the referred Agreed Procedure is actually Agreed Procedure 3 as opposed to Agreed Procedure 2. 2. Agreed Procedure 4 section 2.9.2 details the values which are required to be submitted when selecting a Validation Data Set (VDS) for a Trading Day. This currently details submission of three values, Trading Day, VDS number and Gate Closure Identifier. In reality the Gate Closure Identifier is not required and cannot be submitted so this should be removed from the text.   Inclusion of Additional Detail;   1. Trading and Settlement Code clauses G.7.2.2, G.7.3.4 and appendix G paragraph 5 state that Fixed and Variable Market Operator Charge Invoices will be issued by the Market Operator at such frequency as the Market Operator shall decide and that they can be included on a single invoice. Agreed Procedure 15 section 2.4 states that ‘*The Variable Market Operator Charge and the Fixed Market Operator Charge shall be included on one invoice, as required.’*   Since this is fairly vague in terms of the invoicing timelines this proposal seeks to delete this text and add the following text for clarity *'The Market Operator may include Variable Market Operator Charges for a Participant in respect of a Billing Period in the next Market Operator Charge invoice that is issued for Fixed Market Operator Charges.*' since this reflects the intended approach to Market Operator Charge invoicing frequency.  Note that the principle of Fixed and Variable Market Operator Charge (VMOC) being invoiced together on a monthly basis, and for all settlement phases, had support from both SEMO and Participants during design discussions on this topic. This is due to the reduced number of invoices, and therefore payments, which would need to be processed. The efficiency gained is one monthly invoice Vs a minimum of thirteen if invoiced separately for monthly Initial FMOC and weekly Initial/M4/M13/Ad Hoc VMOC.   1. Agreed Procedure 17 doesn’t currently specify the timeline for applying changes to Participant bank account details for payments due. This proposal seeks to clarify this with the following text which describes which bank account will be used for a given Settlement Document.   *‘The bank account that will be used for the payments out to Participants as a result of a Settlement Document will be based on the bank account details that have been approved in the Balancing Market Interface the day before Settlement Document is issued.’*  **Version 2 Explanation Updates:**  Amendments to version 1 legal drafting for items 3 and 4 are required as a result of items identified at committee meeting 84 and for latest information.  **For item 3** on the timing of invoicing for Variable Market Operator Charges version 1 was drafted on the understanding that whatever complete number of billing weeks were available for Variable Market Operator Charge would be included on the subsequent monthly Fixed Market Operator Charge invoice so that it would not necessarily be a calendar month of Settlement Days.  This was queried by a Supplier Member at meeting 84 as it was contrary to their understanding and SEMO advised that the drafting correctly reflected complete billing weeks and it was agreed that legal drafting changes would be made in version 2 to include additional detail on that timing. It has since become clear that the understanding that this was based on a number of complete billing weeks was incorrect and that the invoice will in fact include a calendar month of Settlement Days for both Fixed and Variable Market Operator Charge. That being the case, it is necessary to update and expand on the legal drafting for the agreed procedure and also to make an additional change to the Trading and Settlement Code section on Variable Market Operator Charge to capture this which is reflected in the legal drafting in this version 2.  **For item 4** on the timeline for applying Participant bank account details a Generator Member highlighted at meeting 84 that the proposed legal drafting could be clearer in terms of the fact that long standing previously approved account details (i.e. those approved days or weeks prior to the issue of a Settlement Document rather than on the day prior to issue) would be used if not updated. Amended wording has been agreed with the Generator Member and is reflected in this Version 2. | | | | | |
| **Legal Drafting Change**  *(Clearly show proposed code change using* ***tracked*** *changes, if proposer fails to identify changes, please indicate best estimate of potential changes)* | | | | | |
| 1. Agreed Procedure 1 Section 2;   A unique Digital Certificate will be assigned to persons that have been nominated by the Party as Users (in accordance with Agreed Procedure 3 “Communication Channel Qualification”). The Digital Certificate permits access to the Balancing Market Interface on behalf of the registered Participant and Unit, subject to the relevant system access permissions outlined in Appendix 2 “Access Roles and Rights of Users”.   1. Agreed Procedure 4 Section 2;   In submitting a VDS selection to a particular Trading Day, Participants may submit two values: (i) a Trading Day; and (ii) VDS number designating the VDS selected for that respective Trading Day.. This data shall be submitted via the VDSs web page or via Type 3 Channel.   1. Agreed Procedure 15 Section 2;    1. **Market Operator Charges**   The procedure in relation to Settlement Documents for Market Operator Charges is set out at section 3.3 below.  Market Operator Charges include charges to recover Market Operator operating costs.  The Variable Market Operator Charge and the Fixed Market Operator Charge for each calendar Month shall be included on one invoice. The Variable Market Operator Charges on the invoice will be calculated in accordance with section G.7.3 of Part B of the Trading and Settlement Code and will be invoiced to Participants in respect of their Supplier Units for each calendar Month.  The Fixed Market Operator Charges on the invoice will be a monthly pro rata charge to all Participants based on the annual charge set out for each Generator Unit and Supplier Unit in section G.7.2 of Part B of the Trading and Settlement Code.   1. Trading and Settlement Code section G.7;      8. 7. 2. 1. The Market Operator shall issue the applicable Fixed Market Operator Charge invoice to each Participant as set out in Agreed Procedure 15 ‘Settlement and Billing’.       3. Variable Market Operator Charge          1. The Market Operator shall calculate the Variable Market Operator Charge (CVMOvγ) for Supplier Unit, v, which is not a Trading Site Supplier Unit, in Imbalance SettlementPeriod, γ, as follows:   where:   * + - * 1. PVMOy is the Variable Market Operator Price for Year y;         2. QMLFvγ is the Loss-Adjusted Metered Quantity from Supplier Unit v in Imbalance Settlement Period γ; and       1. The Market Operator shall calculate the Variable Market Operator Charge (CVMOvγ) for Supplier Unit, v, which is a Trading Site Supplier Unit, in Imbalance Settlement Period, γ, as follows:   where:   * + - * 1. PVMOy is the Variable Market Operator Price for Year y;         2. QMLFvγ is the Loss-Adjusted Metered Quantity for Supplier Unit v in Imbalance Settlement Period γ;         3. QMLFuγ is the Loss-Adjusted Metered Quantity for Generator Unit u in Imbalance Settlement Period γ;         4. means the value for all Generator Units u in Trading Site s relevant to the Trading Site Supplier Unit;         5. means the value for the single Trading Site Supplier Unit v in Trading Site s in accordance with paragraph B.9.1.2; and       1. The Market Operator shall calculate the Variable Market Operator Charge (CVMOpb) for Participant p in respect of its Supplier Units in Imbalance Settlement Period b as follows:   where:   * + - * 1. CVMOvγ is the Variable Market Operator Charge for Supplier Unit v in Imbalance Settlement Period γ; and         2. is a summation over all Supplier Units v registered to Participant p.       1. The Market Operator shall issue the applicable Variable Market Operator Charge invoice to each Participant as set out in Agreed Procedure 15 ‘Settlement and Billing’.  1. Agreed Procedure 17 Section 2;    1. **Payments to Participants**   All payments made to Participants will be made by same day payments in order to comply with the payment timelines set out in section G.2.8 of the Code. The Market Operator will use the 4 lines of text on each payment as described in paragraph 2.5.3 to provide information to the Participant. The information provided will include the name of the Market Operator, the name of the Participant, the Settlement Document number being paid and the payment type to which the payment relates (Trading / Capacity or Market Operator).  In accordance with the Code, payments due to Participants will be made by 17:00 on the Settlement Document Payment Due Date.  The Market Operator will assume that the accounts specified by Participants for the receipt of payments will be opened in the same currency as their Currency Zone.  The bank account that will be used for the payments out to Participants as a result of a Settlement Document will be based on the latest bank account details that have been approved in the Balancing Market Interface prior to close of business on the day before the issue of the Settlement Document. | | | | | |
| **Modification Proposal Justification**  *(Clearly state the reason for the Modification)* | | | | | |
| This proposal aims to correct two known errors in the Part B Agreed Procedures. Firstly the incorrect number is assigned to a reference to AP3 (reads AP2) within AP1. Secondly an incorrect element (Gate Closure Identifier) in Validation Data Set submission is included in AP4 where this element is neither needed nor is it possible to include it in the submission. Both of these errors are believed to have been caused by re-using text from the Part A Agreed Procedures. These are drafting errors which should be corrected.  Correcting these errors will clearly ensure the accuracy of the affected clauses.  This proposal also aims to clarify the invoicing arrangement for Market Operator Charges to avoid any misunderstanding in the invoicing arrangements; particularly given that they are different to the current SEM arrangements.  This proposal also aims to specify which banking details are used for payments out for a given settlement document. This is not currently specified which could lead to confusion in terms of which account details apply when revised account details have been submitted.  Adding more explicit detail here will mean that how these mechanisms operate is more precisely reflected within the affected agreed procedures. | | | | | |
| **Code Objectives Furthered**  *(State the Code Objectives the Proposal furthers, see Section 1.3 of T&SC for Code Objectives)* | | | | | |
| 1. to provide transparency in the operation of the Single Electricity Market; | | | | | |
| **Implication of not implementing the Modification Proposal**  *(State the possible outcomes should the Modification Proposal not be implemented)* | | | | | |
| If this proposal is not implemented two known errors will remain in the Agreed Procedures.  There will also be less clarity in relation to the invoicing timelines for MOC potentially leading to defaults on payments and/or additional queries on the invoices. In addition, Participant accounting systems and payment processes could be mis-aligned with invoicing timelines, again potentially leading to defaults and/or additional work to process MOC invoices for them and for the market operator.  There will also be a lack of clarity with regards the application of bank account details where these are revised which could mean that Participants are unsure what account to expect funds to be paid to or how quickly updated details will take effect. | | | | | |
| **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 required | | | No Impacts anticipated for SEMO or Participant processes or systems. | | |
| ***Please return this form to Secretariat by email to*** [***modifications@sem-o.com***](mailto:modifications@sem-o.com) | | | | | |