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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;
	* + 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’.
		1. 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:

$$CVMO\_{v}=\_{}\_{}\sum\_{}^{}\_{}\_{}$$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. $\sum\_{}^{}$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:

$$CVMO\_{v}=\sum\_{}^{}\left(\sum\_{}^{}\_{}\sum\_{}^{}\_{}\right)\left(\sum\_{}^{}\_{}\sum\_{}^{}\_{}\right)×PVMO\_{y} $$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. $\sum\_{u \in s}^{} $means the value for all Generator Units u in Trading Site s relevant to the Trading Site Supplier Unit;
				5. $\sum\_{v \in s}^{} $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. $\sum\_{}^{}$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:

$$CVMO\_{p}=\sum\_{v in p}^{}CVMO\_{v} $$where:* + - * 1. CVMOvγ is the Variable Market Operator Charge for Supplier Unit v in Imbalance Settlement Period γ; and
				2. $\sum\_{v in p}^{} $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;
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| **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*** |

**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.**