|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **MODIFICATION PROPOSAL FORM** | | | | | |
| **Proposer**  *(Company)* | **Date of receipt**  *(assigned by Secretariat)* | | **Type of Proposal**  *(delete as appropriate)* | | **Modification Proposal ID**  *(assigned by Secretariat)* |
| **SEMO** | **9 August 2018** | | **Standard** | | **Mod\_21\_18 v2** |
| **Contact Details for Modification Proposal Originator** | | | | | |
| **Name** | | **Telephone number** | | **Email address** | |
| **Elaine Gallagher** | |  | | **Elaine.Gallagher@EirGrid.com** | |
| **Modification Proposal Title** | | | | | |
| **Application of Settlement Reallocation Agreements to Market Operator Charges** | | | | | |
| **Documents affected**  *(delete as appropriate)* | | **Section(s) Affected** | | **Version number of T&SC or AP used in Drafting** | |
| **Agreed Procedure 10 Part B**  **Appendix 2 of Agreed Procedure 10 Part B**  **TSC Part B (Section G)**  **TSC Part B Glossary** | | **Section 5 of TSC, Part B** | | **Version 20** | |
| **Explanation of Proposed Change**  *(mandatory by originator)* | | | | | |
| The ‘I-SEM’ (Revised SEM) Market Rules Working Groups, the consultative forum at which the revised SEM Market Rules were developed, included an understanding that that Settlement Reallocation Agreements should cover all periodical financial obligations, including Market Operator Charge. This has not been captured in the current drafting of the Settlement Reallocation Agreements, signed by Market Participants and returned to SEMO for execution by EirGrid plc and SONI Ltd. Whereas, every effort has been made to deal with this gap in the Settlement Reallocation Agreements, including amending the definition of ‘Settlement Documents’ within the body of the Trading and Settlement Code; Nonetheless, EirGrid plc and SONI Ltd hold the view that to approve a modification which would potentially impact the understanding of Settlement Documents, a concept which itself was developed in conjunction with the Irish Revenue and HM’s Revenue and Customs, would be imprudent and would pose a risk to the market.  Accordingly, the most robust approach to ensure the existing Settlement Reallocation Agreement is fit for purpose is to re-execute the SRA itself. .  We have included in this Modification some minor clarifications of Agreed Procedure 10, which aim to promote clarity in the reading of Agreed Procedure 10, as it relates to Settlement Reallocation Agreements.  We also propose to add to the definitions of the Settlement Reallocation Agreement Amount for Primary and Secondary Participants in the Code to specify that this is for Trading and Capacity Payments and Charges as distinct from what would be the Settlement Reallocation Amounts defined on the form which we propose to extend to Market Operator Charge.  We also propose a new Code definition of Settlement Reallocation Amounts, as distinct from Settlement Reallocation **Agreement** Amount variable definitions. The proposed additional Settlement Reallocation Amounts definition refers to Trading and Capacity Payments and Charges and also to Market Operator Charge in line with the definition for the same term on the SRA deed.  Note that changes to the form to add signature blocks and correct a reference were applied in the forms which were issued for I-SEM go live. | | | | | |
| **Legal Drafting Change**  *(Clearly show proposed code change using* ***tracked*** *changes, if proposer fails to identify changes, please indicate best estimate of potential changes)* | | | | | |
| **Agreed Procedure 10;**   1. Overview    1. Settlement Reallocation Arrangements   The Settlement Reallocation process allows Participants to reduce Credit Cover requirements in the Single Electricity Market by offsetting debts and credits and reducing circular flows of money.  Settlement Reallocation is a rules supported financial arrangement between the Market Operator and both a Principal Participant and a Secondary Participant (which may be the same or different Parties). Secondary Participants can transfer all payments payable to it by the Market Operator and all charges payable by ~~to~~ it to ~~by~~ the Market Operator to one Principal Participant.  A Principal Participant can have Settlement Reallocation Agreements with more than one Secondary Participant however a Principal Participant cannot also be a Secondary Participant. A Secondary Participant can have a Settlement Reallocation Agreement with only one Principal Participant.  Settlement Reallocation consists of five key elements:   1. Submission of a Settlement Reallocation Agreement by the Principal Participant and Secondary Participant; 2. Assessment of the eligibility of a Settlement Reallocation Agreement for the billing process; 3. Application of the eligible Settlement Reallocation Agreements in the Settlement Document; 4. Application of the Settlement Reallocation Agreements in the Credit Assessment process; and, 5. Termination of a Settlement Reallocation Agreement (when applicable).   When Participants have a Settlement Reallocation Agreement in place with the Market Operator, the Principal Participant takes over full financial responsibility of all Secondary Participants with which it has posted Settlement Reallocation Agreements. This will result in a transfer of all amounts in respect of Settlement Documents and / or Market Operator Charge invoices issued to any Secondary Participants to that Principal Participant by the Market Operator. This amount shall also have an effect on the Credit Cover calculation of the affected Participants.  The Settlement Reallocation A~~a~~mounts are monetary value~~s based~~ in the currency of the Principal Participant (either Euro or Pounds Sterling).  Settlement Reallocation Agreements are posted against Settlement Documents and Market Operator Charge invoices relating to all Settlement under the Code.  A Settlement Reallocation Agreement shall have start date (Settlement Day after which the reallocation is to apply) and may have an end date (the Settlement Day after which the reallocation will no longer apply) subject to paragraph G.16.2.2 of the Code.   * 1. Settlement and Billing   A Settlement Reallocation Agreement shall be applied in the billing process administered by the Market Operator unless it has been terminated in accordance with the section G.16.5 of the Code and this Agreed Procedure.  As part of the billing process, the Participant will receive a Settlement Reallocation Agreement report detailing the Settlement Reallocation Agreement(s) that relate to a specific Settlement Document and / or Market Operator Charge invoice. Settlement Documents and Market Operator Charge invoices shall contain details of the amount transferred as part of any ~~that~~ Settlement Reallocation Agreement(s).   1. Settlement Reallocation Agreement   **Date: [insert date]**  **BETWEEN:**  **[Party XX] [insert name, company registration number and address] on behalf of Principal Participant [insert Principal Participant Name, Principal Participant ID] (referred to herein as the “Principal Participant”)**  **[Party YY] [insert name, company registration number and address] on behalf of Secondary Participant [insert Secondary Participant Name, Secondary Participant ID]:; (referred to herein as the “Secondary Participant”) and**  **Market Operator: EIRGRID plc**, an Irish company formed pursuant to Regulation 34 of the European Communities (Internal Market in Electricity) Regulations 2000 with company registration number 338522 (“**EirGrid**”) and **SONI LIMITED**, a body corporate registered in Northern Ireland with company registration number NI038715 (“**SONI**”), in their joint capacity as Market Operator for the purposes of the Code.  **OTHER DETAILS:**  **Initial Settlement Day: [nominate date after which the Settlement Reallocation is intended to have effect]**  **Final Settlement Day**: [**nominate date after which the Settlement Reallocation will no longer apply, if known]**  **IT IS AGREED** as follows:  1. Unless the context otherwise requires and save as mentioned below, words and expressions defined in, or to be construed in accordance with, the Code shall have the same meanings and construction when used in this Agreement:  “**Code**” means the Trading and Settlement Code, including the Appendices and Agreed Procedures, as amended, varied, modified or replaced from time to time; and  **“Settlement Reallocation Amounts”** means all Trading Charges, Trading Payments, Capacity Charges, Capacity Payments and Market Operator Charges ~~amounts~~ which, but for this Settlement Reallocation Agreement, would be (as applicable) paid to the Market Operator by the Secondary Participant or by the Market Operator to the Secondary Participant under Settlement Documents issued under the Code during the period between the SRA Start Date and the SRA End Date as detailed in section G.16 and Agreed Procedure 10. ~~during the Effective Period.~~  2. The Market Operator and the Principal Participant and the Secondary Participant are parties to the Code, and this Agreement is a Settlement Reallocation Agreement under section G.16~~7~~ of the Code.  3. This Agreement covers all Settlement Documents and Market Operator Charge invoices issued under the Code to the Secondary Participant between:  (a) the later of the Initial Settlement Day and the expiration of 20 Working Days after all parties (including the Market Operator) have executed this Agreement; and  (b) the earlier of the Final Settlement Day (if one is specified above) and the date this Agreement is terminated in accordance with the Code (and such termination takes effect),  (such period being the “**Effective Period**”).  4. Subject to the terms and on the conditions set out in the Code, during the Effective Period:  (a) each of the Market Operator and the Secondary Participant shall be released from further obligations towards one another in respect of each Settlement Reallocation Amount falling due for payment and their respective rights against one another in respect of each Settlement Reallocation Amount shall be cancelled (being the "**Discharged Rights and Obligations**"); and  (b) each of the Market Operator and the Principal Participant shall assume obligations towards one another and acquire rights against one another which differ from the Discharged Rights and Obligations only insofar as the Market Operator and the Principal Participant have assumed and acquired the same in place of the Market Operator and the Secondary Participant.  5. This Agreement reflects a commercial agreement between the Principal Participant and the Secondary Participant, and each of the Principal Participant and the Secondary Participant hereby (a) agree that the Market Operator is not liable for any loss or damage suffered by either the Principal Participant or the Secondary Participant as a result of, or in connection with, this Agreement and any Settlement Reallocations under it (together, the “**SRA Losses**”) and (b) hold the Market Operator harmless and indemnify the Market Operator from any and all SRA Losses which may arise.  6. This Agreement:  (a) may be terminated by the Principal Participant, the Secondary Participant or the Market Operator in accordance with the Code; and  (b) be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.  7. This Agreement and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with the laws of Northern Ireland. The parties hereto hereby agree that the courts of Northern Ireland shall have jurisdiction to hear and determine any suit, action or proceedings that may arise out of or in connection with this Agreement and for such purpose irrevocably submits to the jurisdiction of such courts.  8. It is intended that this Agreement takes effect as a deed notwithstanding the fact that a party hereto may only execute this Agreement under hand.  9. The Principal Participant and the Secondary Participant hereby authorise the Market Operator to date this Agreement at any time following the date that they have each executed this Agreement.  **IN WITNESS** whereof the parties hereto have executed this Agreement as a deed in the manner hereinafter provided on the date shown above.  ***[Signature page follows]***   |  |  | | --- | --- | | **ON BEHALF OF THE PRINCIPAL PARTICIPANT:** | | | **\*GIVEN** under the common seal of  **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**  and delivered as a deed  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  (Witness’ Signature)  (Witness’ Address)  (Witness’ Occupation) | *{Common Seal}*  *\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_*  *(Director)*  *\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_*  *(Director/Secretary)* | | **\*SIGNED AND DELIVERED** as a deedfor and on behalf of  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  by  in the presence of:-  (Witness’ Signature)  (Witness’ Address)  (Witness’ Occupation) | *\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_*  *Role:* | | **\* Delete / Amend as appropriate \*** | |  |  |  | | --- | --- | | **ON BEHALF OF THE SECONDARY PARTICIPANT:** | | | **\*GIVEN** under the common seal of  **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**  and delivered as a deed  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  (Witness’ Signature)  (Witness’ Address)  (Witness’ Occupation) | *{Common Seal}*  *\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_*  *(Director)*  *\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_*  *(Director/Secretary)* | | **\*SIGNED AND DELIVERED** as a deedfor and on behalf of  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  by  in the presence of:-  (Witness’ Signature)  (Witness’ Address)  (Witness’ Occupation) | *\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_*  *Role:* | | **\* Delete / Amend as appropriate \*** | |  |  |  | | --- | --- | | **EXECUTED** and **DELIVERED** as a deed by  **SONI LIMITED** acting by a Director  In the presence of    (Witness’ Signature)    (Witness’ Address) | *\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_*  *(Director)* |  |  |  | | --- | --- | | **GIVEN** under the common seal  of **EIRGRID PLC**  and delivered as a deed in the presence of:    (Witness’ Signature)    (Witness’ Address)    (Witness’ Occupation) | *{Common Seal}*  *\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_*  *(Director)*  *\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_*  *(Director/Secretary)* |   **Trading and Settlement Code Part B**  G.16.1.1 In this section G.16:  a Settlement Reallocation Agreement is an agreement between two Participants and the Market Operator, under which the parties agree that the Market Operator shall allocate to one Participant (the “**Principal Participant**”) all amounts owed by or to the other Participant (the “**Secondary Participant**”) under Settlement Documents for Trading Payments, Trading Charges, Capacity Payments and Capacity Charges, together with Market Operator Charge invoices issued under this Code;   * + - * 1. a Settlement Reallocation Agreement does not apply to invoices for Accession or Participation Fees         2. a Participant may be the Principal Participant in respect of more than one Settlement Reallocation Agreement with other Secondary Participants;         3. a Principal Participant cannot also be the Secondary Participant in respect of any Settlement Reallocation Agreements; and         4. a Participant may be the Secondary Participant in respect of only one Settlement Reallocation Agreement with one Principal Participant   **Part B Glossary**   |  |  | | --- | --- | | **Central Market System or CMS** | means the IT systems within the control of the Market Operator used to perform its functions under the Code which relate specifically to the:   * receipt, processing and provision of data in accordance with the Code; * calculation of Imbalance Prices or Imbalance Settlement Prices; * calculations required for Settlement or Credit Assessment or management of Credit Cover; and * format, content or issuance of Market Operator Charge invoices and/or Settlement Documents |  |  |  |  |  |  | | --- | --- | --- | --- | --- | | Variable | SRAPapbc | Settlement Reallocation Agreement Amount for Trading Payments, Trading Charges, Capacity Payments and Capacity Charges in respect of Principle Participant | The Settlement Reallocation Agreement Amount in respect of a Principle Participant, p, for a Settlement Reallocation Agreement, a, in a Billing Period, b, for Trading Payments and Trading Charges and a Capacity Period, c for Capacity Payments and Capacity Charges. | € | | Variable | SRASapbc | Settlement Reallocation Agreement Amount for Trading Payments, Trading Charges, Capacity Payments and Capacity Charges in respective of, Secondary Participant | The Settlement Reallocation Agreement Amount in respect of a Secondary Participant, p, for a Settlement Reallocation Agreement, a, in a Billing Period, b, for Trading Payments and Trading Charges and a Capacity Period, c for Capacity Payments and Capacity Charges. | € | | | | | | |
|  | | | | | |
| **Modification Proposal Justification**  *(Clearly state the reason for the Modification)* | | | | | |
| The rules do not currently provide for Settlement Reallocation Agreements to apply to transfer of amounts owing related to Market Operator Charges. Since the decision during the rules working groups was that Market Operator Charge should be included, this proposal aims to reflect that decision.  This Modification will ensure that the Settlement Reallocation Agreements as proposed to be amended in Agreed Procedure 1 would now cover Market Operator Charges in addition to Settlement Documents and thus covering all periodical financial obligations, as was anticipated in the revised SEM Rules Working Group decision. | | | | | |
| **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, economic and coordinated operation, administration and development of the Single Electricity Market in a financially secure manner; 2. to facilitate the efficient discharge by the Market Operator of the obligations imposed upon it by the MO Licences; 3. to provide transparency in the operation of the Single Electricity Market; 4. 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. | | | | | |
| **Implication of not implementing the Modification Proposal**  *(State the possible outcomes should the Modification Proposal not be implemented)* | | | | | |
| If this proposal is not implemented then the Trading and Settlement Code would not adequately reflect the rules working group decision to apply Settlement Reallocation Agreements to all financial obligations which includes Market Operator Charges.  The market systems would also need to be amended to remove the functionality to apply the Settlement Reallocations to Market Operator Invoices. | | | | | |
| **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 processes or systems. Potential impact on Participant systems if there is a dependency on SRAs not applying to Market Operator Charge. To be confirmed during committee discussions. | | |
| ***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.**