

<b>MODIFICATION PROPOSAL FORM</b>			
<b>Proposer</b> <i>(Company)</i>	<b>Date of receipt</b> <i>(assigned by Secretariat)</i>	<b>Type of Proposal</b> <i>(delete as appropriate)</i>	<b>Modification Proposal ID</b> <i>(assigned by Secretariat)</i>
<b>UR/CRU</b>	<b>9<sup>th</sup> February 2023</b>	<b>Standard</b>	<b>Mod_02_23</b>
<b>Contact Details for Modification Proposal Originator</b>			
<b>Name</b>	<b>Telephone number</b>	<b>Email address</b>	
<b>Leigh Greer</b>		<b>Leigh.greer@uregni.gov.uk</b>	
<b>Modification Proposal Title</b>			
<b>DSU Energy Payments (Phase 1)</b>			
<b>Documents affected</b> <i>(delete as appropriate)</i>	<b>Section(s) Affected</b>	<b>Version number of T&amp;SC or Agreed Procedure used in Drafting</b>	
<b>T&amp;SC Part B</b> <b>Agreed Procedures Part B</b>	<b>SECTIONS B, F, G, H</b> <b>AP01 SECTION 2.3, APPENDIX 3</b>	<b>V27</b>	
<b>Explanation of Proposed Change</b> <i>(mandatory by originator)</i>			
<p>The RAs are proposing a modification that will enable DSUs access to energy payments at all times and not only at times of scarcity. This modification proposal has been drafted in conjunction with the TSOs/MO and following consultation with relevant industry participants.</p> <p>In July 2019, the SEM Committee (SEMC) published an ‘interim solution’ (<a href="#">SEM-19-029 - DSU Compliance with State Aid Decision Paper</a>) to ensure that Demand Side Units (DSUs) had access to energy payments at times of scarcity in line with State Aid requirements. The 2019 ‘interim solution’ was implemented as per approved <a href="#">Mod_17_19: DSU State Aid Compliance Interim Approach</a> which outlined the changes required to the Trading &amp; Settlement Code and associated systems changes. The Clean Energy Package, published in 2019, also includes a number of obligations designed to fully integrate DSUs into electricity markets. This was further recognised in the <a href="#">SEMC’s Forward Work Plan</a> for October 2021- September 2022, with a key project being the development of a demand side management enduring solution for energy payments.</p> <p>Following <a href="#">Consultation SEM-22-036 in July 2022</a>, SEMC published <a href="#">Decision SEM-22-090 in November 2022</a> to enable a phased approach that would ensure DSU access to energy payments in the balancing market at all times and not just at times of scarcity. The Decision included a proviso that the TSOs/MO would carry out an assessment of the impact of this Decision on the Imperfections Charges, and therefore cost to consumer. The outcome of this will be considered by the RAs in terms of materiality.</p> <p>This modification will essentially reverse some of the changes implemented under Mod_17_19 (which were designed to limit access to energy payments for DSUs to times of scarcity and will therefore involve removal of Part B paragraph F.2.5.6 and section H.14 Interim Rules in the Code to remove the specific treatment of the</p>			

Trading Site Supplier Unit (TSSU). Other minor wording changes throughout Sections B, F, G, and AP01 are necessary to tidy up relevant references to DSUs. Elements of the original framework will remain in place, such as continuing to use dispatched quantity as a proxy for metered quantity and the use of the Imperfections Charges to fund DSU energy payments.

**Legal Drafting Change**

*(Clearly show proposed code change using **tracked** changes, if proposer fails to identify changes, please indicate best estimate of potential changes)*

**Changes to Legal Drafting of main T&SC:**

**B.9.1.7** An Associated Supplier Unit may contain Demand outside of the Trading Site except when a Demand Side Unit is registered on that Trading Site.

**B.9.5.4** For each Demand Side Unit, a Party (or Applicant as applicable) shall register as part of a single Trading Site in accordance with this section B.9:

- (a) the Demand Side Unit;
- (b) a single Supplier Unit which is a an Associated Supplier Unit with only the single Demand Side Unit registered to it Trading Site Supplier Unit; and
- (c) no other Unit.

**F.2.5.6** INTENTIONALLY BLANK~~If the value for any Day-ahead Trade Price (PTDA<sub>xuh</sub>), Intraday Trade price (PTID<sub>xuh</sub>) or Balancing Trade Price (PTBuy<sub>k</sub>) associated with a trade, x, or position, k, in the ranked set, for Generator Unit, u, which is a Demand Side Unit, is greater than the value of the Strike Price (PSTR<sub>m</sub>), then the value of the Metered Quantity (QM<sub>v</sub>) for each Trading Site Supplier Unit, v, which is on a Trading Site, s, associated with that Generator Unit, in each Imbalance Settlement Period, y, associated with the relevant Balancing Trade Price or partially or wholly within the relevant Day-ahead Trading Period or Intraday Trading Period, shall be the value as submitted by the Meter Data Providers in accordance with Section C.6. Otherwise, the value of the Metered Quantity (QM<sub>v</sub>) for each Trading Site Supplier Unit, v, which is on a Trading Site, s, associated with a Generator Unit, u, which is a Demand Side Unit, shall be deemed to be equal to the negative of the Dispatch Quantity (QD<sub>uy</sub>) of that Demand Side Unit.~~

**G.12.4.5** Any Participant who has a registered Demand Side Unit shall notify the Market Operator of the net value of its Credit Assessment Volume calculated as follows – the aggregate of the forecast Metered Demand

of the [relevant Associated Supplier Unit](#)~~Trading Site Supplier~~ and the forecast Metered Generation of all Demand Side Units on the Trading Site.

**G.14.1.5** Participant p in respect of any of its Supplier Units, v, that is a Trading Site Supplier Unit which is registered as part of an Autoproducer Site in accordance with B.9.4 and B.9.1.2; or an [Associated Supplier Unit](#) ~~Trading Site Supplier Unit~~ which is registered as part of a Trading Site which contains a Demand Side Unit in accordance with B.9.5.4 shall be treated as a New Participant or an Adjustment Participant. For the avoidance of doubt, once these Participants cease to be New they will be treated as Adjusted and will never be treated as Standard.

**H.14** [INTENTIONALLY BLANK](#)~~INTERIM RULES TO APPLY FOR A FIXED PERIOD OF TIME FOR DEMAND SIDE UNIT SETTLEMENT~~

*(all sub-paragraph from H.14.1 to H.14.1.4 to be fully removed)*

## **Changes to Legal Drafting of Agreed Procedure 01 – Registration**

### **2.3. Units as Part of Trading Sites**

Each Generator Unit (excluding Pumped Storage Units, Battery Storage Units, Interconnector Residual Capacity Units, Interconnector Error Units, Assetless Units), including Trading Units and Demand Side Units shall be registered as part of a Trading Site. The following rules apply to registering Units as part of Trading Sites:

- (a) Each Trading Site shall contain at least one Generator Unit (except where the Generator Unit is registered as a Trading Unit).
- (b) Where the Generator Unit registered on a Trading Site is a Demand Side Unit, no other Generator Unit can be registered on that site.
- (c) All Trading Sites must record to it an Associated Supplier Unit or a Trading Site Supplier Unit.
- (d) Any Party registering an Autoproducer Site must register a Trading Site Supplier Unit as part of the relevant Trading Site.
- (e) A Trading Unit can only be registered on a Trading Site that is an Autoproducer Site. Each Unit registered as part of a Trading Site shall be registered to the same Participant except where the Party does not intend to register a Trading Site Supplier Unit.
- (f) A Trading Site containing an Aggregated Generator Unit must record to it an Associated Supplier Unit.

- (g) This Associated Supplier Unit may be registered by a different Participant to the Participant registering the Generator Unit.
- (h) A Supplier Unit can be registered as an Associated Supplier Unit for multiple Trading Sites except when a Demand Side Unit is registered on that Trading Site.
- (i) A Trading Site Supplier Unit can only contain Demand related to the Trading Site to which it is registered.
- (j) The Firm Access Quantity of a Trading Site shall be recorded within the Participation Notice, where a Generator Unit operates under a Connection Agreement which provides for a Firm Access Quantity which is less than the Maximum Export Capacity of the relevant site.

**AP01 – Registration - Appendix 3**

<b>Trading Site Supplier Unit Flag</b>	This will be indicated if a Supplier Unit is a Trading Site Supplier Unit. Indicated as ‘Y’ ‘N’. <i>Note: Each Demand Side Unit registered must also register a Trading Site Supplier Unit.</i>
--	--

**Modification Proposal Justification**  
*(Clearly state the reason for the Modification)*

The SEMC recognises that replacing the current interim solution to give DSUs full access to the market provides a more level playing field with other market participants. The purpose of the phased approach, as outlined in the Decision Paper SEM-22-090, is that before the enduring Phase 2 is implemented, Phase 1 would allow DSUs full market access in the near term. This would enable assessment of the effectiveness of Phase 1 and act as an incentive to DSUs to participate fully in the market, potentially adding additional flexibility as early as possible. This modification will help to ensure that the SEM is in line with requirements of the Clean Energy Package and associated obligations (Article 17 of the Electricity Directive and Article 6 of the Electricity Regulation) designed to fully integrate DSUs into the market. In ensuring access to energy payments at all times, DSUs will have equal access to the market and will be appropriately compensated for their contribution to the system.

For Phase 1 of the SEMC Decision to deliver access to energy payments to DSUs, the removal of specific treatment of the TSSU will be required. This removal will result in concerns relating to ‘double counting’ as the energy payments are effectively a double counting of energy (against the DSU and the reduced consumption at the Supplier Unit(s)). This consequence will remain until the enduring solution is implemented in Phase 2, but it remains the only way to ensure DSUs have access to energy payments at all times to move forward with Phase 1.

This proposal will be implemented through configuration changes rather than requiring extensive systems changes and can therefore be readily reconfigured if there are unintended consequences arising from the modification. The RAs will consider the extent of the impact assessment, including the impact on Imperfections

Charges. As referenced in the SEMC Decision, other performance metrics, such as a GPI, may be introduced at any time.

**Code Objectives Furthered**

*(State the Code Objectives the Proposal furthers, see Section 1.3 of Part A and/or Section A.2.1.4 of Part B of the T&SC for Code Objectives)*

(b) to facilitate the efficient, economic and coordinated operation, administration and development of the Single Electricity Market in a financially secure manner;

(f) to ensure no undue discrimination between persons who are parties to the Code.

**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 SEM may become non-compliant with the requirements of the Clean Energy Package and associated obligations. There may also be implications on the behaviour and performance of DSUs in the market, leading to a detrimental impact on security of supply.

**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 Market Code, Grid Code, Exchange Rules etc.)*

Not required for this modification to enable implementation Phase 1 of the Decision. Extensive engagement was undertaken pre- and post-consultation, and in the drafting of this modification. A working group will likely be necessary when developing proposals for the enduring Phase 2 solution.

Impacts on Market Operator, DSU and Supplier Settlement systems and Settlement processes. SEMO will provide a high-level impact assessment on resources, systems and the impact on Imperfections Charges. The RAs will consider the outcome of the impact assessment in considering approval of this modification. As this modification requires configuration changes rather than extensive systems changes, it can therefore be readily reconfigured if there are unintended consequences arising from the modification.

**Please return this form to Secretariat by email to [balancingmodifications@sem-o.com](mailto:balancingmodifications@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:
  - 1.1 to the Market Operator and the Regulatory Authorities to publish and/or distribute the Modification Proposal for free and unrestricted access;
  - 1.2 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;
  - 1.3 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.