

MODIFICATION PROPOSAL FORM			
Proposer (Company)	Date of receipt (assigned by Secretariat)	Type of Proposal (delete as appropriate)	Modification Proposal ID (assigned by Secretariat)
EP Kilroot & EP Ballylumford	28 <sup>th</sup> January 2021	Standard	Mod_04_21
Contact Details for Modification Proposal Originator			
Name	Telephone number	Email address	
Paul Hutchinson		Paul.hutchinson@epuki.co.uk	
Modification Proposal Title			
Expansion of the System Service flag to include Cross-Zonal Actions for System Security reasons.			
Documents affected (delete as appropriate)	Section(s) Affected	Version number of T&SC or AP used in Drafting	
Appendices Part B	N.2	V23	
Explanation of Proposed Change (mandatory by originator)			
<p>Currently a number of peaking units are exposed to RO events due to SO-SO trades. These peaking units are offering power at a price considerably below the cost of the SO-SO trade but are not being scheduled due to a combination of reserve requirements or network limitations.</p> <p>The System Service Flag was introduced to meet the requirement introduced in SEM -15-103 where “For any capacity utilised for DS3 System Services such as capacity providing reserve, difference payments will be paid based on the difference between the contracted utilisation payment for that service and the Strike Price.”</p> <p>This detailed Design paper goes further though and states that :  ‘3.3.81 It was commented that the I-SEM is not a self-dispatched market, so a generator cannot be guaranteed to be scheduled in the settlement periods prior to a likely scarcity event, if demand in those periods is lower than the nearby peak during which scarcity is expected to occur. If the plant is not sufficiently flexible, the plant may not be able to ramp up to its full RO volume in time, and hence may be exposed to RO difference payments without the full offsetting energy revenue.</p> 3.3.82 Whilst such as eventuality is possible, we note that: <b>“We would expect peaking plant to be reasonably flexible, and measures to implement DS3 System Services will also place greater incentives on plant to increase their flexibility.</b> <i>It is appropriate that plant which is inflexible, and which cannot be guaranteed to contribute to system security in a stress event should face greater risk, and should price that risk into its bids, appropriately placing it at a legitimate competitive disadvantage in the CRM auctions relative to more flexible plant, and providing an appropriate exit signal for inflexible plant; ‘</i> <p>It was intended that flexible peaking plant would not be exposed to RO events where the unit was available. It was understood by all in the market development that these units would be called by the TSO where there was scarcity. It was not ‘expected’ that these flexible plants would not be called. Rather the issue was with less flexible units may not be able to ramp up in time.</p>			

It is clear from this detailed design that the current System Service flag does not meet either the explicit or implicit requirements of the detailed design.

While a more intense change to the System Service Flag may be appropriate, there is a need for an immediate change due to the recurring nature of the Cross-Zonal-Actions for System security reasons. This can be an interim change pending a detailed review of the System Service Flag.

**Legal Drafting Change**

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

Appendix N

2 For each Imbalance Pricing Period,  $\varphi$ , the System Operators shall:

- i. use information from the most recent Indicative Operations Schedule to identify whether a Generator Unit's scheduled output is bound by the presence of an Operational Constraint relating to the provision of Replacement Reserve, and where they determine that the Generator Unit is so bound, shall set the System Service Flag ( $FSS_{u\varphi}$ ) for that Generator Unit,  $u$ , equal to zero for that Imbalance Pricing Period,  $\varphi$ . Otherwise, the System Operators shall set the System Service Flag ( $FSS_{u\varphi}$ ) for that Generator Unit,  $u$ , equal to one for that Imbalance Pricing Period,  $\varphi$ .
- ii. **where Cross-Zonal Actions have occurred for System security reasons, and where a generator is available and is providing contracted system services, shall set the System Service Flag ( $FSS_{u\varphi}$ ) for that Generator Unit,  $u$ , equal to zero for that Imbalance Pricing Period,  $\varphi$ . Otherwise, the System Operators shall set the System Service Flag ( $FSS_{u\varphi}$ ) for that Generator Unit,  $u$ , equal to one for that Imbalance Pricing Period,  $\varphi$ .**

**Modification Proposal Justification**

*(Clearly state the reason for the Modification)*

We have had three RO events since November. High prices are a sign of a functioning market, but the nature of the Irish network means that the TSO only selects those peaking units from the location of the shortage. But even in those cases the TSO has been holding back energy from peaking units that are more in merit favouring power bought through Cross-Zonal Actions with the peaking assets used as Reserve.

The impact for peaking units is that it is likely to become uneconomic for them to continue to operate as they continue to be subject to this largely uncontrollable dispatch risk, leading to large RO difference payments.

This is contrary to the detailed system design objectives, instead of flexibility being rewarded, it is being discriminated against due to the presence and management of Operational Constraints.

**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)*

Part B

- (b) to facilitate the efficient, economic and coordinated operation, administration and development of the Single Electricity Market in a financially secure manner;
- (c) 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;
- (f) to ensure no undue discrimination between persons who are parties to the Code; and
- (g) 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)*

Failure to implement this modification will continue to see discrimination against peaking assets and undermine their economic viability.

**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.)*

**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.