

| MODIFICATION PROPOSAL FORM | | | |
|--|--|--|---|
| Proposer (Company) | Date of receipt (assigned by Secretariat) | Type of Proposal (delete as appropriate) | Modification Proposal ID (assigned by Secretariat) |
| Aughinish Alumina Ltd | 28th January 2021 | Standard | Mod_05_21 |
| Contact Details for Modification Proposal Originator | | | |
| Name | Telephone number | Email address | |
| Thomas O'Sullivan | | Thomas.osullivan@augh.com | |
| Modification Proposal Title | | | |
| Collateral exposure of Autoproducer and DSU | | | |
| Documents affected (delete as appropriate) | Section(s) Affected | Version number of T&SC or AP used in Drafting | |
| T&SC Part B AP09 Glossary | Section G and H Glossary | V23 | |
| Explanation of Proposed Change (mandatory by originator) | | | |
| <p>Autoproducers Units and Demand Side Units would be over-collateralised under the standard calculation in Part B of the TSC. Extensive discussion of this and the treatment of Autoproducers and DSUs has taken place through a number of Committee Meetings and Working Groups.</p> <p>MOD_09_18 is currently providing an interim solution. Approved by the RAs 24 Aug 2018.</p> <p>The enduring solution MOD_03_18 was approved by the Modification Committee on 5 Dec 2019. The subsequent impact assessment indicated its deployment could impact on wider system performance. This was discussed at Meeting 100 and it was agreed that the Modification Proposers would develop an alternative proposal with SEMO. MOD_03_18 was rejected on 10 Dec 2020 with the understanding that an alternative solution is currently being developed with less impact on system performance.</p> <p>This modification is proposed as an enduring solution.</p> | | | |
| Legal Drafting Change (Clearly show proposed code change using tracked changes, if proposer fails to identify changes, please indicate best estimate of potential changes) | | | |
| <p>G.12.4 New Participants and Adjusted Participants</p> <p>G.12.4.1 For the purposes of Credit Cover monitoring and calculations:</p> <p>(a) a Participant is a New Participant from the commencement of their participation; and</p> <p>(b) a Participant ceases to be a New Participant when the length of time between the commencement of their participation and the last Imbalance Settlement Period covered in the most recent Settlement Statement issued for that Participant is greater than the length of time covered by the Historical Assessment Period.</p> <p>G.12.4.2 Where a Participant reasonably expects that, compared with time-weighted average of Metered Demand across all of the four most recent Billing Periods, the forecasted averaged Metered Demand with respect to its Supplier Units in any of the next four Billing Periods will increase or decrease by more in absolute terms than the Credit Cover Adjustment Trigger, or, compared with the average Total Daily Amounts across all</p> | | | |

of the four most recent Billing Periods the forecasted average Total Daily Amounts with respect to its Generator Units in any of the next four Billing Periods will increase or decrease in absolute terms by more than the Credit Cover Adjustment Trigger, then it shall notify the Market Operator as soon as reasonably possible. Such a Participant shall be called an Adjusted Participant. A Participant ceases to be an Adjusted Participant when the length of time between their notification and the last Imbalance Settlement Period covered in the most recent Settlement Statement issued for that Participant is greater than the length of time covered by the Historical Assessment Period. For the avoidance of doubt any Adjusted Participants should submit a revised Forecast value if changes above the Credit Cover Adjustment Trigger occur as per this paragraph G.14.4.2 while they are treated as Adjusted Participants

G.12.4.3 Where a Participant is a New Participant or becomes an Adjusted Participant, it shall notify the Market Operator of its forecast value of its Metered Demand and/or Imbalance for any of its Supplier Units and/or Generator Units respectively, which are not listed in paragraph G.12.4.4 or G12.4.5. The forecast values notified by an Adjusted Participant shall represent the forecast of its average Metered Demand or forecasted Imbalance which will be applied in the calculations for Required Credit Cover. Each Adjusted Participant shall provide such additional information to the Market Operator as provided for pursuant to Agreed Procedure 9 “Management of Credit Cover and Credit Default” to enable the Market Operator to calculate revised values of Required Credit Cover in accordance with this Chapter G (Financial and Settlement).

G.12.4.4 Any Participant who has a registered Autoproducer Unit shall notify the Market Operator of the net value of its Credit Assessment Volume calculated as follows –

a) Where the aggregate forecast Metered Generation of the Autoproducer Units on the Trading Site exceeds or is equal to the forecast Metered Demand of the Trading Site Supplier on the Trading Site, then the Credit Assessment Volume will be based on the aggregate forecast Imbalance of the Autoproducer Units on the Trading Site; or

b) Where the aggregate forecast Metered Generation of the Autoproducer Units on the Trading Site is less than the forecast Metered Demand of the Trading Site Supplier on the Trading Site, then the Credit Assessment Volume will be based on the aggregate of the forecast Metered Demand of the Trading Site Supplier and the forecast Metered Generation of all Autoproducer Units on the Trading Site.

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 Trading Site Supplier and the forecast Metered Generation of all Demand Side Units on the Trading Site.

G.14 CALCULATIONS OF REQUIRED CREDIT COVER FOR THE UNDEFINED EXPOSURE PERIOD

G.14.1 General

G.14.1.1 The Market Operator shall undertake the following calculations leading to the determination of Participants’ Undefined Potential Exposure which calculations are dependent on whether a Participant is a New Participant, an Adjusted Participant or a Standard Participant.

G.14.1.2 The Undefined Potential Exposure for each New or Adjusted Participant in respect of its Supplier Units shall be based on the product of the Participant’s Credit Assessment Volume and the Combined Credit Assessment Price.

G.14.1.3 The Undefined Potential Exposure for each New or Adjusted Participant in respect of its Generator Units shall be based on the product of the Participant’s Credit Assessment Volume and the Credit Assessment Price.

G.14.1.4 The Market Operator shall calculate the Credit Assessment Price as set out in section G.14.2.

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 a 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 New Participant or an Adjusted 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.10 ~~CALCULATION OF UNDEFINED EXPOSURE PERIOD~~

~~H.10.1.1~~ Until the date that is the Mod_09_18 Deployment Date, any Participant who has registered an Autoproducer Unit or a Demand Side Unit may apply to the Market Operator to be treated as an Adjusted Participant and the Market Operator shall facilitate this request. The Credit Assessment Volumes for such a Participant, submitted in accordance with G.14.3.1 and G.14.4.1 for Supplier and Generator Units respectively, may be amended by the Market Operator in order to represent within Required Credit Cover calculations the extent to which Generation and Demand are netted for Settlement calculations. Intentionally Blank

AP09

2.11.2 *Adjusted Participant*

An Adjusted Participant is a Participant whose Generation or Demand configuration has changed (i.e. increased or decreased) significantly from historical patterns (defined as the time-weighted average of Metered Demand quantities or Total Daily Amounts for Suppliers and Generators respectively across all of the four most recent Billing Periods). This could be due to, for example, acquisition of new assets, winning significant new customers in the retail market or a significant Generator planned outage. In such cases, statistical analysis of historical exposures may not be a valid indicator of future performance and the process for New Participants described at paragraph 2.11.1 above will be applied.

The Adjusted Participant procedure also applies to any Participant who has registered an Autoproducer Unit or a Demand Side Unit as per G.12.4.4 and G.12.4.5.

Participants who are expecting the time-weighted average with respect to its Supplier and/or Generator Units of Metered Demand quantities and/or Total Daily Amounts across all of the four most recent Billing Periods compared with forecasted averaged Metered Demand quantities and/or Total Daily Amounts with respect to its Supplier and/or Generator Units, in any of the next four Billing Periods, to increase or decrease by more in absolute terms than the Credit Cover Adjustment Trigger, are required to notify the Market Operator. In these cases the Market Operator shall use a Participant's forecast Credit Assessment Volume to calculate the Participant's Undefined Potential Exposure.

The procedural steps in relation to Required Credit Cover for an Adjusted Participant are set out at section 3.5 below.

AP09 table 3.5 step 2

See snip below with addition reference to G.12.4.4 in red text

3.5 New Participant and Adjusted Participant Credit Cover

| Step | Procedural Step | Timing | Method | By/From | To |
|------|---|---|----------------------------|--|--|
| 1 | Either: (a) on receipt of Application form for Unit Participation (in respect of Unit that is not an Interconnector Unit), in accordance with Agreed Procedure 1 "Registration"; or (b) in the event that a Participant becomes an Adjusted Participant. | As required | - | New Participant / Adjusted Participant / Market Operator | - |
| 2 | Submit forecast data with respect to the Units registered to the Participant in accordance with the requirements of the Registration Pack for New Participants or in accordance with paragraph G.12.4.3 and 12.4.4 of Code for Adjusted Participants. | Within 1 WD of becoming a New Participant or Adjusted Participant as applicable | Email / Facsimile | New Participant / Adjusted Participant | Market Operator |
| 3 | Calculate and notify the Required Credit Cover, utilising the forecast data supplied. If an Adjusted Participant, continue to step 4, otherwise end process . | Within 1 WD of receipt of forecast data | Email / Facsimile | Market Operator | New Participant / Adjusted Participant |
| 4 | Calculate and notify the current Posted Credit Cover, as part of the Required Credit Cover Report. | Within 1 WD of receipt of forecast data | Balancing Market Interface | Market Operator | New Participant / Adjusted Participant |

Housekeeping Part B Glossary

If this modification is approved and implemented a housekeeping modification will be required to update or remove the deployment date in the Glossary. This can only happen after SEMC decision to approve and the effective date has passed.

| | | |
|----------------------------------|--|---|
| Minimum Storage Quantity | is part of the Technical Offer Data for a Pumped Storage Unit and means the minimum quantity of energy that can be generated by the reservoir for a Trading Day submitted in accordance with paragraph D.5.1.4. | |
| Mod_10_17 Deployment Date | means the date proposed by the Market Operator following discussion with the Modifications Committee, and approved by the Regulatory Authorities for the purpose of H.8, such date to be published on the Market Operator web site at least three Working Days in advance of the date concerned. | Thomas O'Sullivan Deleted: Mod_09_18 Deployment Date |
| Mod_11_17 | means the date proposed by the Market Operator following discussion with the | Thomas O'Sullivan Deleted: means the date proposed by the Market Operator following discussion with the Modifications Committee, and approved by the Regulatory Authorities for the purpose of H.8, such date to be published on the Market Operator web site at least three Working Days in advance of the date concerned. |

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

The unique imbalance position of Trading Sites was recognised in the SEM Committee decision I-SEM ETA Markets (SEM-15-065) back in 2015
 “The principle of the existing treatment of trading sites will be retained in I-SEM. This will be progressed further through the implementation phase.”

The current drafting of the Trading & Settlement Code Part B results in unnecessarily high credit cover requirements for Participants with units registered under an Autoproducer. This proposed modification corrects the determination of required credit cover, thereby reducing the required credit cover requirements for Participants in respect of their Autoproducer. The change proposed is in line with the intended design of this mechanism.

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)

- 2. to facilitate the efficient, economic and coordinated operation, administration and development of the Single Electricity Market in a financially secure manner;
Facilitates efficient and economic operation of the SEM by removing inefficient and uneconomic overcollateralization.
- 3. 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;
Facilitates Participation by removing unnecessarily and inappropriately burdensome credit requirements.
- 6. to ensure no undue discrimination between persons who are parties to the Code; and
Ensures no undue discrimination by ensuring that credit requirements are fair and reflective of actual exposures for those Participants affected by the issue.

Implication of not implementing the Modification Proposal
(State the possible outcomes should the Modification Proposal not be implemented)

If this proposal is not implemented the SEM may be over collateralized and affected Participants may be exposed to higher credit requirements than would have originally been intended by the market design.

This could also potentially result in commercial issues for those affected and also have an adverse impact on trading and liquidity (see Mod_03_8 for specific implications for Aughinish Alumina Ltd.).

| Working Group <i>(State if Working Group considered necessary to develop proposal)</i> | Impacts <i>(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.)</i> |
|--|---|
| | |
| Please return this form to Secretariat by email to 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.