



Trading and Settlement Code Modifications Committee  
c/o Esther Touhey  
SEMO Modifications Committee Secretariat  
The Oval  
160 Shelbourne Rd  
Dublin 4

01 May 2019

Our Ref: D/19/8207

**SEM Committee Decision for the Regulatory Authorities in relation to Mod\_09\_19 (Final Recommendation Report FRR\_09\_19 v2)**

Dear Esther,

On 24 April 2019, the Modifications Committee submitted its Final Recommendation Report with regard to Modification Proposal Mod\_09\_19 "Removal of Locational Constraints from Imbalance Pricing Calculation" in accordance with Paragraph B.17.18.1 of Part B of the SEM Trading and Settlement Code (TSC).

The Modification Proposal Mod\_09\_19 was submitted to the Modifications Committee by the Single Electricity Market Operator (SEMO) on 5 April 2019. This modification seeks to remove the application of flagging for locational constraints from imbalance pricing.

The RAs understand that the application of locational constraints in the Imbalance Price calculation where these are not present in the ex-ante markets has been a contributing factor to some market outcomes since go-live of the new market arrangements. The aim of this modification is to remove these specific constraints from the Imbalance Pricing calculation. Such constraints will still be used by the TSOs in their scheduling and dispatch process.

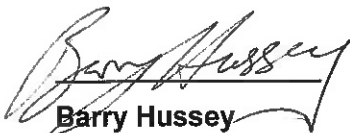
The modification amends the wording of Paragraph N.1 to exclude upper MW limits on the Transmission System (which within the TSC includes transmission systems in Ireland and Northern Ireland and the North-South tie line).

If this modification is not implemented, the imbalance price calculation will still be subject to locational constraints and removal of such constraints will remove potential financial uncertainty in this instance. The RAs understand that this modification should provide a more transparent imbalance price and a reduction of extreme prices, which may also impact on consumers.

The RAs note that some concerns were raised at Meetings 90 and 91 on the availability of supporting analysis (while noting SEMO provided data used for analysis ahead of meeting 91) and the short review period to assess the potential unforeseen implications of the modification. However, the RAs and SEMO have been considering this issue for a number of weeks which has culminated in this modification being developed and progressed through the modification process. The RAs' view is that, on balance, the potential unintended consequences of not implementing this modification on an urgent basis would be significant. The RAs note that this modification was recommended for approval by a majority of six to four Committee Members at Meeting 91.

Considering the above, and in accordance with Paragraph B.17.20 of the Code, the SEM Committee direct that a Modification, as set out in Appendix 1 of FRR\_09\_19, is implemented with effect from one Working Day after the date of this letter, within trading operational hours (between 07:00 and 19:00).

Yours sincerely.



**Barry Hussey**

**Manager**

**Wholesale Electricity Markets**

**cc. Paul Bell, Manager, Utility Regulator**