



Single Electricity Market

FINAL RECOMMENDATION REPORT

**MOD_10_23 MARKET COMPENSATION FOR FIRM CURTAILMENT
LOOK BACK PERIOD
19 OCTOBER 2023**

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Document History

Version	Date	Author	Comment
1.0	9 th Nov 2023	Modifications Committee Secretariat	Issued to Modifications Committee for review and approval
2.0	16 th Nov 2023	Modifications Committee Secretariat	Issued to Regulatory Authorities for final decision

Reference Documents

Document Name
Trading and Settlement Code
Modification Proposal Form
Presentation

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1. MODIFICATIONS COMMITTEE RECOMMENDATION

RECOMMENDED FOR APPROVAL– MAJORITY VOTE

Recommended for Approval by Majority Vote		
Stacy Feldmann (Chair)	Generator Member	Approve
Eoin Murphy	Assetless Member	Approve
Nick Brown	Supplier Alternate	Approve
David Caldwell	Supplier Member	Approve
Sean McParland	Generator Member	Abstain
Robert McCarthy	DSU Member	Approve
Eoghan Cudmore	Supplier Alternate	Approve
Andrew Burke	Renewable Generator Member	Approve
David Hargadon	Flexible Participant Member	Approve
John Paul McFeely	Supplier Member	Approve
Richard Crowley	Generator Alternate	Approve
Bryan Hennessy	Supplier Member	Approve
Paraic Higgins	Generator Member	Approve

2. BACKGROUND

This Modification Proposal was raised by SEMO and received by the Secretariat on 5th October 2023. The Proposal was raised and voted on at Meeting 119 on 19th October 2023.

The Clean Energy for all Europeans package (CEP) is made up a suite of eight legislative acts, both regulations and directives, which were adopted by the European Parliament and European Council in 2018 and 2019. Among these acts is the revised Regulation on the internal market for electricity (EU) 2019/943 which seeks to amend aspects of wholesale electricity markets in Europe.

In 2020 and 2021, the SEM Committee undertook a process of consultation relating to a number of matters related to the CEP including a consultation on Dispatch, Redispatch and Compensation Pursuant to Regulation (EU) 2019/943 (SEM-21-026) and A Proposed Decision on the Treatment of New Renewable Units in the SEM (SEM-21-027).

A decision paper, [SEM-22-009](#), relating to the above, was published in March 2022. This proposal aims to provide for implementation of the elements of that SEM Committee decision in relation to compensation for market revenues for non-market-based re-dispatching in relation to curtailment of firm volumes prior to the implementation of system changes from October 1st 2024.

The decision paper states as follows:

“All units will initially receive compensation in the SEM for non-market based redispatch (in relation to both constraints and curtailment), where firm, at the better of their complex bid/offer price or imbalance settlement price up to the level of their Firm Access Quantity as is the case for constraints today (with wind and solar units essentially retaining their ex-ante revenue, as such volumes are settled at a deemed decremental price of zero).

This will effectively extend the arrangements in place for constraints in the market to curtailment for all units, with the costs associated with curtailment to be recovered in the same way via the Imperfections Charge. This will provide for non-discrimination between different units that may be subject to different support schemes within the market for the purpose of market compensation.

The decision paper also states as follows:

It is expected that following implementation of required changes, compensation through this approach will occur through the same settlement mechanisms as per constraints in the market today.”

The decision paper also notes the following in relation to the timing of implementation:

The Regulatory Authorities will engage with the TSOs to develop a process to accommodate ongoing remuneration associated with constraints and curtailment based on the approach set out in this Paper. Compensation will also be provided on an ex-post basis from January 2020 based on the principles outlined in this Paper.

In the context of the current and expected next two years’ high prices, the SEM Committee has decided to implement and compensate any payments for curtailment associated with this Decision, beginning in tariff year 2024/25.”

The decision paper includes a request for SEMO to raise this Modification proposal to reflect the decision in relation to treatment of curtailment:

“The SEM Committee requests SEMO to raise a Modification to reflect the SEM Committee’s decision regarding the treatment of curtailment set out in this paper.”

Following the approval of Mod_05_23 aiming at implementing the market system element of this decision, SEMO is now looking at the period prior to that between 01st January 2020 and 30th September 2024.

This proposed Modification seeks to implement the same arrangements for the retention of ex ante revenue for firm curtailment volumes as approved in Mod_05_2023 for the period prior to the system implementation between January 2020 and September 2024. SEMO has assessed the various options available, and it has concluded that the most optimal way to carry this out will be through a manual process and splitting the affected period in two parts to allow for the dates that have completed M+13 to be addressed promptly without having to wait for the completion of M+13 for the whole period. The intention is to have the revised calculations reviewed by Participants and agreed in order to commence payments from 1st October 2024 in parallel with the commencement of the market system changes going forward.¹

In essence, if implemented, this Modification would result in firm curtailment volumes receiving the same settlement treatment as constraint does today by including those volumes in the discount charge (which is a payment to the Generator Unit) with a deemed decremental price of zero such that any imbalance charge is offset and those volumes would retain their ex ante market revenue. Costs would be

¹ SEMO has an obligation to plan for the implementation of the decision within the specified timelines; however, it is duly noted that SEM-22-009 is currently under Judicial Review.

recovered via the imperfections charge in the same way as those costs are recovered for firm constraint as indicated in the relevant decision and noted above. The cost of the manual compensation covered by this modification will start to be included in the Imperfection budget forecasts of Tariff Year 2024/2025 and subsequent as necessary.

Settlement of non-firm curtailment volumes would remain unchanged i.e. they would remain excluded from discount charges but would continue to receive curtailment charges (which can be a payment or charge) reflecting the relative magnitude of the curtailment price, being the weighted average price of all ex ante trades, and the imbalance price for a given unit in a given period.

In order to facilitate the review of data by Markt Participants, SEMO proposes the following process in summary:

- 1) SEMO to provide a calculation (based on approved algebra from Mod_05_23) per unit and per Settlement Day from 1st Jan 2020 up to the latest completed M+13 at the time of this Mod being approved (likely to be between the end of 2023 or early 2024);
- 2) This updated data is to be published according to the scheduling in the Settlement Calendar and issued to the affected units for verification and potential queries (timelines for raising queries to be confirmed given the large amount of data provided all at once);
- 3) If Formal queries are received, SEMO will trigger the settlement Query process to reply and provide clarifications (timelines for responding to queries also to be confirmed given the large amount of data provided all at once);
- 4) Dispute resolution process can be called upon, should there be an unresolved discrepancy between SEMO and the affected Participant.
- 5) When amounts are confirmed and agreed by all Parties, SEMO will issue the relevant Credit notes to the affected Participants.
- 6) The process is to be repeated from step 1) to 5) above, once all M+13 are completed for the remaining period up to the 30th September 2024 (approx. end of 2025).

To allow for greater flexibility, SEMO proposes to limit changes to the T&SC focussing only on implementing the principles of the SEMC decision while the process, the dates, the timelines and the formatting will be agreed separately with Participants and communicated via Market Messages.

SEMO's intent is to allow repayment of the majority of the period affected as soon as the decision timelines on this Modification allow, while limiting the instances of manual processing for both SEMO and Participants.

3. PURPOSE OF PROPOSED MODIFICATION

3A.) JUSTIFICATION OF MODIFICATION

This proposal has been raised by SEMO at the request of the SEM Committee on foot of [SEM-22-009](#).

This proposed Modification is intended to implement the element of the SEM Committee policy decision in relation to the treatment of non-market based redispatch compensation pursuant to (EU) 2019/943 between June 1st 2020 and September 30th 2024, therefore ensuring that the Trading and Settlement Code both reflects the local policy requirements and the provisions of the clean energy package in this area.

3B.) IMPACT OF NOT IMPLEMENTING A SOLUTION

If this proposal is not implemented then the element of [SEM-22-009](#) to which it pertains will not be implemented or implementation will be delayed, leading to a situation whereby the relevant parts of the Trading and Settlement Code do not reflect an active SEM Committee policy.

3C.) IMPACT ON CODE OBJECTIVES

- *to facilitate the efficient, economic and coordinated operation, administration and development of the Single Electricity Market in a financially secure manner*

Facilitates the development of the SEM with respect to the new SEM Committee policy in relation to the treatment of firm curtailment as set out in [SEM-22-009](#).

- *to ensure no undue discrimination between persons who are parties to the Code.*

As noted in SEM-22-009 and copied below:

This will effectively extend the arrangements in place for constraints in the market to curtailment for all units, with the costs associated with curtailment to be recovered in the same way via the Imperfections Charge. This will provide for non-discrimination between different units that may be subject to different support schemes within the market for the purpose of market compensation.

4. WORKING GROUP AND/OR CONSULTATION

N/A

5. IMPACT ON SYSTEMS AND RESOURCES

No System changes are required.

Impacts on SEMO and Participant's resources required to manually implement this Modification.

No ongoing resource impact is anticipated once implemented.

No impact to any other market code anticipated.

6. IMPACT ON OTHER CODES/DOCUMENTS

N/A

7. MODIFICATION COMMITTEE VIEWS

MODIFICATIONS MEETING 119 – 19TH OCTOBER 2023

The Proposer gave a [presentation](#) on this Modification Proposal noting that it was linked to the approval of Mod_05_23 in terms of compensating Wind Farms for the period prior to the implementation of system changes. The Proposer went through the slides explaining what the process would be and the timelines for this. It was expected that the first tranche of data would be issued to Participants as soon as the SEMC decision on the Mod was received, with payments issued not earlier than October 2024.

The Proposer advised that once the Modification Proposal was approved, SEMO will publish a document detailing the timelines and process as stated in the presentation. Assurance was also given that SEMO would be open to suggestions to improve the process and would engage continually through market messages and content. It was noted that the proposal was to extend timelines for Settlement Queries to 30 Working Days (WD) in addition to 10WDs to request data by Trading Period for selected dates. When in agreement of all amounts, Settlement would issue a single self-billing document per payment phase.

Generator Member sought confirmation that this would be covered through imperfections and if it would be spread out over a number of years. SEMO confirmed that they were open to either possibility the Imperfection Team would include an analysis of the impact on Imperfection whether paid in one year of spread over multiple years, for the SEMC to decide. It was noted that 2021 and 2022 had the highest prices and once the analysis is finalized, they could see what impact it has on the Imperfection Tariffs.

There was concern among some Members about voting on a proposal that pointed to an external document that had not been seen before this meeting. SEMO reassured that the vote was only with regard to the undisputed objective of the Modification while the external process was flexible and open to comments and adjustments. SEMO could not have put that to the vote but had provided as many details as possible in advance for people to start their consideration and start providing comments. The reliance on existing process of data formatting was trying to simplify as much as possible this ad-hoc process.

8. PROPOSED LEGAL DRAFTING

As per Appendix 1.

9. LEGAL REVIEW

N/A

10. IMPLEMENTATION TIMESCALE

It is recommended that this Modification is implemented on a Settlement Day basis on the second Settlement Day following publication of RAs decision.

1 APPENDIX 1: MOD_10_23 MARKET COMPENSATION FOR FIRM CURTAILMENT

Proposer <i>(Company)</i>	Date of receipt <i>(Assigned by Secretariat)</i>	Type of Proposal <i>(Delete as appropriate)</i>	Modification Proposal ID <i>(Assigned by Secretariat)</i>
SEMO	5th October 2023	Standard	Mod_10_23
Contact Details for Modification Proposal Originator			
Name	Telephone number	Email address	
Katia Compagnoni		Katia.compagnoni@eirgrid.com	
Modification Proposal Title			
Market Compensation for Firm Curtailment – Look Back period as per SEM-22-09			
Documents affected <i>(delete as appropriate)</i>	Section(s) Affected	Version number of T&SC or AP used in Drafting	
T&SC Part B	T&SC Part B Section H	28.0	
Explanation of Proposed Change <i>(mandatory by originator)</i>			
<p>The Clean Energy for all Europeans package (CEP) is made up a suite of eight legislative acts, both regulations and directives, which were adopted by the European Parliament and European Council in 2018 and 2019. Among these acts is the revised Regulation on the internal market for electricity (EU) 2019/943 which seeks to amend aspects of wholesale electricity markets in Europe.</p> <p>In 2020 and 2021, the SEM Committee undertook a process of consultation relating to a number of matters related to the CEP including a consultation on Dispatch, Redispatch and Compensation Pursuant to Regulation (EU) 2019/943 (SEM-21-026) and A Proposed Decision on the Treatment of New Renewable Units in the SEM (SEM-21-027).</p> <p>A decision paper, SEM-22-009, relating to the above, was published in March 2022. This proposal aims to provide for implementation of the elements of that SEM Committee decision in relation to compensation for market revenues for non-market based re-dispatching in relation to curtailment of firm volumes prior to the implementation of system changes from October 1st 2024.</p>			

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To allow for greater flexibility, SEMO proposes to limit changes to the T&SC focussing only on implementing the principles of the SEMC decision while the process, the dates, the timelines and the formatting will be agreed separately with Participants and communicated via Market Messages.

² SEMO has an obligation to plan for the implementation of the decision within the specified timelines; however, it is duly noted that SEM-22-009 is currently under Judicial Review.

SEMO's intent is to allow repayment of the majority of the period affected as soon as the decision timelines on this Modification allow, while limiting the instances of manual processing for both SEMO and Participants.

Legal Drafting Change

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

Part B T&SC new Section H19

H.19 TREATMENT FOR CURTAILMENT OF FIRM UNITS BETWEEN 01ST JANUARY 2020 AND 30TH SEPTEMBER 2024

H.19.1 In accordance with SEMC decision SEM-22-009, SEMO will apply compensation for Generator Units with Firm Access Quantity that have received Curtailment Dispatch Instructions (Instruction Combination Codes CURL/ CRLO) starting from Settlement Day January 1st, 2020.

Following approval of Mod 05 23 'Market Compensation for Firm Curtailment', such compensation will be part of the Market System's calculations with a change effective from Settlement Day October 1st, 2024.

For the affected period between Settlement Day January 1st, 2020 and up to and including Settlement Day September 30th, 2024, SEMO will manually re-calculate the published Settlement Documents using the algebra in approved Mod 05 2023 and will provide updated Settlement Statements data; payments in relations to the updated Settlement Statement's data will commence no earlier than Financial Year 2024/2025 in accordance with the provisions of the SEMC decision above. The updated Settlement publications will be scheduled in accordance with the Settlement Calendar and will be subject to the standard Settlement Queries and Dispute Process.

SEMO will provide a detailed process on how it plans to carry out the implementation of the SEMC decision and will seek comments from the affected Participants in advance of the implementation. Such process will include proposed timelines and formatting of the publications as well as seeking approval for potential extension on the standard Settlement Query and Disputes timelines due to the large volume of data being reviewed.

Modification Proposal Justification

(Clearly state the reason for the Modification)

This proposal has been raised by SEMO at the request of the SEM Committee on foot of [SEM-22-009](#).

This proposed Modification is intended to implement the element of the SEM Committee policy decision in relation to the treatment of non-market based redispatch compensation pursuant to (EU) 2019/943 between June 1st 2020 and September 30th 2024, therefore ensuring that the Trading and Settlement Code both reflects the local policy requirements and the provisions of the clean energy package in this area.

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)

- *to facilitate the efficient, economic and coordinated operation, administration and development of the Single Electricity Market in a financially secure manner*

Facilitates the development of the SEM with respect to the new SEM Committee policy in relation to the treatment of firm curtailment as set out in [SEM-22-009](#).

- *to ensure no undue discrimination between persons who are parties to the Code*

As noted in SEM-22-009 and copied below:

This will effectively extend the arrangements in place for constraints in the market to curtailment for all units, with the costs associated with curtailment to be recovered in the same way via the Imperfections Charge. This will provide for non-discrimination between different units that may be subject to different support schemes within the market for the purpose of market compensation

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 element of [SEM-22-009](#) to which it pertains will not be implemented or implementation will be delayed, leading to a situation whereby the relevant parts of the Trading and Settlement Code do not reflect an active SEM Committee policy.

<p style="text-align: center;">Working Group</p> <p style="text-align: center;"><i>(State if Working Group considered necessary to develop proposal)</i></p>	<p style="text-align: center;">Impacts</p> <p style="text-align: center;"><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></p>
N/A	<p>No System changes are required.</p> <p>Impacts on SEMO and Participant's resources required to manually implement this Modification.</p> <p>No ongoing resource impact is anticipated once implemented.</p> <p>No impact to any other market code anticipated.</p>
<p>Please return this form to Secretariat by email to balancingmodifications@sem-o.com</p>	