

| MODIFICATION PROPOSAL FORM | | | |
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| Proposer (Company) | Date of receipt (Assigned by Secretariat) | Type of Proposal (Delete as appropriate) | Modification Proposal ID (Assigned by Secretariat) |
| SEMO | 5 th 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 (delete as appropriate) | 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 (mandatory by originator) | | | |
| <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> <p>The decision paper states as follows:</p> <p><i>“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).</i></p> <p><i>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.</i></p> <p>The decision paper also states as follows:</p> <p><i>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.”</i></p> <p>The decision paper also notes the following in relation to the timing of implementation:</p> | | | |

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 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;

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.

- 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.

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.

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| Modification Proposal Justification <i>(Clearly state the reason for the Modification)</i> | |
| <p>This proposal has been raised by SEMO at the request of the SEM Committee on foot of SEM-22-009.</p> <p>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.</p> | |
| Code Objectives Furthered <i>(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)</i> | |
| <ul style="list-style-type: none"> to facilitate the efficient, economic and coordinated operation, administration and development of the Single Electricity Market in a financially secure manner <p>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.</p> <ul style="list-style-type: none"> to ensure no undue discrimination between persons who are parties to the Code <p>As noted in SEM-22-009 and copied below:</p> <p><i>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</i></p> | |
| Implication of not implementing the Modification Proposal <i>(State the possible outcomes should the Modification Proposal not be implemented)</i> | |
| <p>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> | |
| 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> |
| 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> |

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:

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| 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.