

MODIFICATION PROPOSAL FORM			
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	3rd June 2021	Standard	Mod_13_21
Contact Details for Modification Proposal Originator			
Name	Telephone number	Email address	
John Tracey / Lauren Skillen-Baine		John.Tracey@Eirgrid.com	
Modification Proposal Title			
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 Glossary Agreed Procedure 15	G.8.1.3 in T&SC Part B Appendix 1 in Agreed Procedure 15	V23	
Explanation of Proposed Change <i>(mandatory by originator)</i>			
<p>The proposed change is to clarify how interest is calculated for resettlement. In the current version of Agreed Procedure 15 interest is calculated by using one LIBOR + 1% rate, which is the most recent rate available, and applied to the number of days of resettlement annualised. The change we are proposing is to use individual daily LIBOR + 1% rates over the applicable resettlement period. For example:</p> <ol style="list-style-type: none"> As per AP15, currently, M+4 would use the most recent LIBOR + 1% rate for calculating interest and apply that to the number of days in M+4 resettlement annualised As per this modification M+4 would use over 100 (i.e. 4 months * c. 30/31 days LIBOR) daily LIBOR + 1% rates annualised for calculating interest and apply that to the number of days in M+4 resettlement <p>See 1 and 2 below for further details.</p> <ol style="list-style-type: none"> Current AP15 calculation of interest: = Total Adjustment Amount for a Settlement Rerun for Interest * Latest Daily LIBOR + 1% Interest Rate * number of days of interest annualised i.e. divided by 365 days Modification calculation for interest: <ol style="list-style-type: none"> First Daily interest amounts are calculated by (Total Adjustment Amount for a Settlement Rerun per Settlement Document line item * individual Daily LIBOR + 1% Interest Rate / 365) <p>Daily Interest Amounts should then be summed (for all days in the period between Initial Payment due date of the original Settlement Document + 1 day until the date of issue of the latest Settlement Document.)</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)

T&SC Part B changes:

G.8.1.3 Where any Settlement Document must be re-issued due to a Settlement Rerun then interest as set out in Agreed Procedure 15, "Settlement and Billing" shall apply on the difference between the amount received or paid pursuant to the relevant prior Settlement and the amount due or payable pursuant to the Settlement Rerun accruing from the Payment Due Date **+ 1** applicable to the relevant prior Settlement up until the date of the issue of the applicable Settlement Document.

Agreed Procedure 15 Settlement and Billing changes:

APPENDIX 1: INTEREST CALCULATION EXAMPLE

Interest is applied when a Settlement Rerun increases or decreases the total amount payable for a Billing Period and/or a Capacity Period.

For Settlement Reruns, the net adjustment amounts are calculated and shown on the Settlement Document. Interest is calculated by applying a daily interest rate to the adjustment amount on the Settlement Document.

The revised interest calculation includes following steps:

1. **Adjustment Amounts for a Settlement Rerun** are calculated for each Settlement Document line item amount as the difference between the previous amount and the current amount for the relevant line item.
2. **Total Adjustment Amount for a Settlement Rerun** is calculated as sum of all adjustment amounts for each Settlement Document line item
3. **Total Adjustment Amount for a Settlement Rerun** for Interest calculation is determined as the sum of adjustment amounts for each Settlement Document line item excluding those flagged as "No Interest on revised amounts". These line items are flagged as zero interest rate.
4. **Daily Interest Rate** is calculated as the interest rate **on a particular day**, which is charged at LIBOR + 1%, divided by the number of days in the year configured in the system.
5. The days **to be included in the** interest calculation will be determined as the number of days in the period between the **Initial Payment due date** of the original Settlement Document **+ 1 day** and the date of issue of the latest Settlement Document.
6. The interest amount for the Settlement Rerun will be calculated as the **Daily Interest Rates** (found in step 4) multiplied by the **Total Adjustment Amount for a Settlement Rerun for Interest** (found in step 3) **summed for each of the** days (found in step 5) for interest calculation.

Interest Amount

a) First Daily interest amounts are calculated by

(Total Adjustment Amount for a Settlement Rerun per Settlement Document)

line item * individual Daily Interest Rate / 365)

- b) Daily Interest Amounts should then be summed (for all days in the period between Initial Payment due date of the original Settlement Document + 1 day until the date of issue of the latest Settlement Document.)

Glossary Changes

LIBOR	means the rate published in the London Financial Times as the London Interbank Offered Rate (for the previous banking day) on the banking day immediately following the due date for the payment of a sum due under the Code for overnight deposits in the Currency of such sum.
Resettlement LIBOR	means the rate published in the London Financial Times as the London Interbank Offered Rate (for the previous banking day). Resettlement LIBOR is then used for each day in the period between Initial Payment due date of the original Settlement Document + 1 day until the date of issue of the latest Settlement Document.

Modification Proposal Justification

(Clearly state the reason for the Modification)

The modification is to clarify how the settlement system is currently calculating interest payments and charges at present. We feel this is the most accurate way to calculate interest as it removes peaks and troughs from varying interest rates as it uses daily interest rates instead of the most recent interest rates.

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)

The modification furthers the following code objective:

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

This Modification would enable a more accurate reflection of interest payments and charges to all participants in the market. By using daily interest rates it removes the potential for peaks and troughs as interest rates can vary significantly.

Implication of not implementing the Modification Proposal

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

Interest payments or charges could fluctuate significantly in a short period of time if interest rates swing markedly. This modification would ensure that the interest paid or charged would be based on each daily rate which would be a more accurate reflection of the period.

<p>Working Group <i>(State if Working Group considered necessary to develop proposal)</i></p>	<p>Impacts <i>(Indicate the impacts on systems, resources, processes and/or procedures; also indicate impacts on any other Market Code such as Capacity Marker Code, Grid Code, Exchange Rules etc.)</i></p>
n/a	No impact to the settlement system is as it is already calculating interest in this way.
<p><i>Please return this form to Secretariat by email to balancingmodifications@sem-o.com</i></p>	

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.