



Mod_13_22

Bidirectional Imperfections
Charge Factor

20/10/2022



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Mod 13_22 – RA Requirement

The SEMC decision paper (SEM-22-045) for the 2022/23 Imperfections Charge set out a requirement for the TSOs to work with the RAs to develop an Imperfections biannual review process.

The current charge factor mechanism forms part of this review, however, to meet the requirements of this process, a modification is required to update section F.12.1.4 of the Trading and Settlement Code to allow bidirectional amendments to the Imperfections Charge Factor, FCIMPy, for Imbalance Settlement Period, γ .

Mod 13_22 – Current Methodology

Typically, the Imperfections Charge Factor is set to 1 for the upcoming Tariff Year, with a mechanism available to increase it to a value > 1 , within the tariff year that the current Imperfections Charge, PIMPy, is being applied.

This can be used if the RA Approved Imperfections Charge does not provide for the adequate recovery of anticipated costs where an under recovery is not appropriate to include as an adjustment in subsequent years. This protects the interests of the TSOs where a clear under-recovery of anticipated costs is likely.

Mod 13_22 – Proposal & Benefits

This modification proposes to allow the Imperfections Charge Factor to operate bidirectionally, i.e., enabling a value < 1 , to reduce the magnitude/impact of a likely TSO over-recovery of anticipated costs. Any changes to the charge factor will be determined through the bi-annual review of imperfections costs, which is likely to align with Q2 data availability.

This has the potential to:

- Reduce k-factor volatility
- Account for within-year impacts outside the control of the TSOs that are driving costs down
- Lead to better stability of the Imperfections Charge
- Protect the interests of Suppliers

Mod_13_22 - Legal Drafting

F.12.1.4 The Market Operator may, of its own accord or in response to a request from the Regulatory Authorities, make an additional interim reports to the Regulatory Authorities during the Year that reviews the recovery of costs or other matters as the Regulatory Authorities may request, that may result in, proposing revisions to the Imperfections Charge Factor in the event that the values as originally proposed either:

(a) do not provide for the adequate recovery of anticipated costs and such under recovery is such that it is not appropriate to include as an adjustment in subsequent Years.

(b) over provide for the recovery of anticipated costs and such over recovery is such that it is not appropriate to include as an adjustment in subsequent Years.