

MODIFICATION PROPOSAL FORM			
Proposer (Company)	Date of receipt (assigned by Secretariat)	Type of Proposal (delete as appropriate)	Modification Proposal ID (assigned by Secretariat)
SONI / EirGrid	30th September 2022	Standard	Mod_13_22
Contact Details for Modification Proposal Originator			
Name	Telephone number	Email address	
Stephen McClure		stephen.mcclure@soni.ltd.uk	
Modification Proposal Title			
Imperfections Charge Factor – Modification to allow bidirectional application.			
Documents affected (delete as appropriate)	Section(s) Affected	Version number of T&SC or Agreed Procedure used in Drafting	
T&SC Part B	F.12.1.4	v26.0 - 17 May 2022	
Explanation of Proposed Change (mandatory by originator)			
<p>The SEMC decision paper for the 2022/23 Imperfections Charge has 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, 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.</p> <p>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 current unidirectional Imperfections Charge Factor mechanism protects the interests of the TSOs where a clear under-recovery of anticipated costs is likely.</p> <p>This modification proposes to allow the Imperfections Charge Factor to operate bidirectionally, i.e., enabling a value < 1. This modification will allow the Imperfections Charge to be reduced within-year (via applying a charge factor < 1 to the Imperfections Charge) to reduce the magnitude/impact of a likely TSO over-recovery of anticipated costs.</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)			
<p>F.12.1.4 The Market Operator may, of its own accord or in response to a request from the Regulatory Authorities, make <u>an</u> additional interim reports to the Regulatory Authorities during the Year <u>that reviews the recovery of costs or other matters as the Regulatory Authorities may request, that may result in</u>, proposing revisions to the Imperfections Charge Factor in the event that the values as originally proposed <u>are, in the opinion of the Market Operator or Regulatory Authorities, likely to either:</u></p> <p>(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.</p>			

(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.

Modification Proposal Justification
(Clearly state the reason for the Modification)

Currently the Imperfections Charge Factor applied to Suppliers, can only be increased, in the situation where the revenue brought in via the Imperfections Charge is materially lower than actual Imperfection Costs for Year, y. If applied, this increases the RA approved Imperfections Charge, via the multiplication of the Imperfections Charge Factor, to allow for an increase in revenue recovery from Suppliers, that better accounts for anticipated actual costs.

There is no mechanism to reduce the Imperfections Charge, should impacts outside the control of the TSOs, result in the Imperfections Charge bringing in revenue materially above actual Imperfections Costs. This modification would allow for the Imperfections Charge to be adjusted if required, within-year, to better reflect actual Imperfections Costs (including a revised end-of-year estimate for the remaining portion of the Tariff Year). This has the potential to reduce k-factor volatility, by accounting for within-year impacts outside the control of the TSOs that are driving costs down, as well as up (currently allowed). This can lead to better year-on-year stability of the Imperfections Charge, where Imperfection Costs can better follow actual costs where such deviations occur between actual Imperfections Costs and the TSO revenue brought in via the Imperfections Charge.

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)

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

In the current climate of extremely volatile fuel prices, in particular gas, Imperfections Costs are subject to increases and decreases of a magnitude not seen before. Although fuel is currently the major driver for increasing Imperfections Costs, there are also many other potential cost drivers that are outside the control of the TSOs. In the event where these cost driving assumptions relax or become more favourable, there is currently no mechanism to lower the Imperfections Charge within-year. This can lead to suppliers being liable for elevated costs (which will be passed on to the consumer), subsequent volatile k-factors, with potentially large swings in year-on-year Imperfections Charges that become heavily influenced by costs from preceding years.

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>
No working group required	No material impact to systems, as there is already the charge factor mechanism in place. The proposal will allow for the charge factor to be set to less than 1 (expanding the current methodology of only ≥ 1).

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:

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.