MODIFICATION PROPOSAL FORM

Proposer *(Company)*	Date of receipt *(assigned by Secretariat)*	Type of Proposal *(delete as appropriate)*	Modification Proposal ID *(assigned by Secretariat)*
SSE	**24ᵗʰ August 2021**	**Standard**	**Mod_15_21**

Contact Details for Modification Proposal Originator		
Name	**Telephone number**	**Email address**
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Modification Proposal Title
Modification to alter the Calculation of Non-performance Difference Quantities and Charges for Capacity Market Units which are not an Autoproducer Unit

Documents affected *(delete as appropriate)*	Section(s) Affected	Version number of T&SC or AP used in Drafting
T&SC Part B	Section F.18.7.2	**Nov 2020**

Explanation of Proposed Change *(mandatory by originator)*

At the moment, capacity market units are unfairly exposed to non-performance difference charges when not needed to generate, despite being available to meet its capacity obligation.

This modification seeks to alter the Calculation of Non-performance Difference Quantities to therefore affect the Non-performance Difference Charges for Capacity Market Unit which does not represent an Autoproducer Unit (Section F.18.7.2 from the Trading and Settlement Code). This would be achieved through a change in the calculation of the non-performance quantity to include the outturn availability quantity and dispatch quantity of the unit, to ensure that the charge will maintain on the units that present a security issue to the system (units that are not fully available according to their obligation), while maximising incentives on generators to deliver or to be able to deliver during scarcity events without creating unfair penalties on units not needed to generate.

With the proposed change, if the capacity market unit is not available, it would still be exposed to its Obligated Capacity Quantity ($QCOB\Omega\gamma$), regardless of the fact that the unit had a dispatch instruction or not. So even in the case that the unit trips and therefore still have a dispatch instruction lower than $QCOB\Omega\gamma$, it would be exposed to its Obligated Capacity Quantity. In this way, the non-performance difference charge is still serving as an incentive to be available to deliver the contracted volume during stress periods and to deliver BM instructions.

The difference will be when the unit is partially available or fully available. In the case that the unit is partially available, it would be exposed to the difference between its Obligated Capacity Quantity and its Outturn Availability Quantity, regardless of whether it has a dispatch instruction or not, which still provides an incentive to be fully available as per obligation. However, if the unit has an outturn availability greater or equal than its contracted volume, it would be exposed to the value of the dispatch instruction only. If the unit does not have a dispatch instruction it would not face any charges, given that it was fully available but not required to generate.

The proposed change to the quantity ($QDIFFCNP\Omega\gamma$), will then be used in Section F.18.7.3 to calculate the non-performance difference charge ($CDIFFCNP\Omega\gamma$). The non-performance difference charge is then used in sections F.18.7.4 to calculate the Billing Period Cumulative Non-performance Difference Charge ($CDIFFCNPB\Omega\gamma$) and in F.18.8.1 for total difference charges ($CDIFFCTOT\Omega\gamma$). This latter is the sum of day-ahead, within day and non-performance difference charges. Therefore, we consider the impact is very targeted and limited in consequence.

Legal Drafting Change
*(Clearly show proposed code change using **tracked** changes, if proposer fails to identify changes, please indicate best estimate of potential changes)*
F.18.7.2 For all cases not covered by paragraph F.18.7.1, the Market Operator shall calculate the Non-performance Difference Quantity (QDIFFCNPΩγ) for each Capacity Market Unit, Ω, which does not represent an Autoproducer Unit, in each Imbalance Settlement Period, γ, as follows: QDIFFCNPΩγ = Max(~~QCOBΩγ~~ - QDIFFTRACKΩγ,0) QDIFFCNPΩγ =Max(Max(QCOBΩγ-QVAILOΩγ,Min(QDΩγ,QCOBΩγ),0) – QDIFFTRACKΩγ,0) where: (a) QCOBΩγ is the Obligated Capacity Quantity for Capacity Market Unit, Ω, in Imbalance Settlement Period, γ; (c) QAVAILOΩγ is the outturn availability quantity for Capacity Market Unit, Ω, in Imbalance Settlement Period, γ; (d) QDΩγ is the dispatch quantity for Capacity Market Unit, Ω, in Imbalance Settlement Period, γ; (b) QDIFFTRACKΩγ is the final Tracked Difference Quantity for Capacity Market Unit, Ω, in Imbalance Settlement Period, γ.

Modification Proposal Justification
(Clearly state the reason for the Modification)
This change will address unfair exposure faced by units able to deliver their capacity obligation but not needed to generate, whilst maintaining the current exposure on units that are not available to deliver their contracted volume during these periods, and thus providing incentives that better reflect the current central-dispatch approach.

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)
(b) to facilitate the efficient, economic and coordinated operation, administration and development of the Single Electricity Market in a financially secure manner; (c) to facilitate the participation of electricity undertakings engaged in the generation, supply or sale of electricity in the trading arrangements under the Single Electricity Market;

Implication of not implementing the Modification Proposal
(State the possible outcomes should the Modification Proposal not be implemented)
Failure to implement this proposal will perpetuate the unfair burden placed on capacity market units that are fully available to generate and meet their capacity obligation but are not required to do so, due to central dispatch instructions issued by the TSO.

Working Group *(State if Working Group considered necessary to develop proposal)*	Impacts *(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.)*
	This proposal will require a modification on the algebra for the calculation of QDIFFCNPΩγ, but should have limited impact; and it uses only existing variables (QAVAILOΩγ and QDΩγ).
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.