

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>
Bord Gáis Energy	17th November 2022	Provisional	Mod_18_22
Contact Details for Modification Proposal Originator			
Name	Telephone number	Email address	
Eoghan Cudmore		ECudmore@bordgais.ie	
Modification Proposal Title			
Mitigating risks of settlement of units running on secondary fuel in security of supply scenarios			
Documents affected <i>(delete as appropriate)</i>	Section(s) Affected	Version number of T&SC or Agreed Procedure used in Drafting	
T&SC Part A/Part B/Part C Appendices Part A/Part B Glossary Part A/Part B/Part C Agreed Procedures Part A/Part B		V 26.0 (17th May 2022)	
Explanation of Proposed Change <i>(mandatory by originator)</i>			
<p>The enduring pressure on natural gas supplies as a result of the conflict in the Ukraine has increased the risk that dual-fuel electricity generation units whose Primary Fuel Type is natural gas could be instructed by the System Operator to switch over to their Secondary Fuel Type if natural gas availability is reduced or curtailed. This will see affected generators for a period re-basing their generation costs away from natural gas and on to the cost of their Secondary Fuel Type (generally oil based). Clarity is needed in the Settlement procedures under the Trading and Settlement Code (T&SC) how this switch in fuel type cost profile will be applied to affected generators at those times so that their settlements remain appropriate and timely.</p> <p>The T&SC currently allows one set of active Complex Commercial Offer Data (CCOD) for each generation unit. In the event of an instruction to run on Secondary Fuel Type in the scenario where an electricity generator has secured an ex-ante position, the proper sequence of events should in our view be:</p> <ul style="list-style-type: none"> • A unit is Dec'd on the existing CCOD for the Primary Fuel Type, • The unit is then subsequently Inc'd on a separate CCOD for the Secondary Fuel Type. <p>This approach ensures a unit is made whole on their costs and not exposed to the price differential between the costs of the primary and secondary fuel types. Currently the processes and systems in SEMO do not have the capability to hold more than one active CCOD dataset – it is not possible to have a CCOD based off Primary Fuel Type costs and a second CCOD based on Secondary Fuel Type costs to co-exist. The main purpose of this modification proposal is to ensure units running on Secondary Fuel Type that have an ex-ante position based on their Primary Fuel Type are made whole on their re-based generation costs and don't incur potentially significant losses by running on Secondary Fuel Type.</p> <p>BGE proposes that that an ad-hoc settlement process outside the current SEMO processes and systems is implemented rather than making wholesale changes to the code or SEMO systems. The proposal is that when a unit is under Secondary Fuel Flag, it is Dec'd on its active Primary Fuel Type CCOD. The unit will then submit a BCOP Compliant Secondary Fuel Type CCOD. This will be then used by SEMO for the ad-hoc settlement process to compensate the unit for its running costs on Secondary Fuel Type. The calculations and inputs used for the Secondary Fuel Type CCOD will be provided by the unit operator and can be audited by the MMU if required.</p>			

There are other issues related to the matter of running on secondary fuel that also need to be considered in terms of their treatment in the T&SC and under the Grid Code including:

- i. Whether a unit that may be running on secondary fuel should reasonably be exposed to reliability option paybacks. The settlement section of the T&SC should be adjusted to reflect that as long as a unit is available, if running on secondary fuel on foot of a TSO instruction for security of supply reasons, then it should be exempt from RO paybacks.
- ii. Whether the requirement to hold 5 days of secondary fuel should continue to apply in the scenario where a unit is being run on secondary fuel to help mitigate security of supply concerns.
- iii. Whether a unit's "availability" status changing under the switchover from primary to secondary fuel undermines its compliance with Grid Code requirements.
- iv. Whether a unit being run on secondary fuel to help mitigate security of supply is exempted from EPA emission limits in particular scenarios.

The above matters i-iv also merit further consideration but in the interim we believe that the matter (i) above (protection from RO paybacks when running on secondary fuel) and the matter of how units with ex ante positions can be settled, if switched to secondary fuel by TSO instruction after being ex ante scheduled based on primary fuel, should both be progressed imminently given their direct relevance to T&SC provisions.

Legal Drafting Change

*(Clearly show proposed code change using **tracked** changes, if proposer fails to identify changes, please indicate best estimate of potential changes)*

This proposal is a Provisional modification proposal and as such does not required detailed legal drafting proposals.

Modification Proposal Justification

(Clearly state the reason for the Modification)

If the System Operators instruct a generating unit that has an ex-ante position to switch to their Secondary Fuel Type from their Primary Fuel Type, then there is the risk that units cannot be settled in an appropriate and timely manner by the SEMO systems. The SEMO system cannot simultaneously handle two CCOD data sets (one being the Primary Fuel Type and the other being the Secondary Fuel Type). This will unduly impact the unit by delaying settlement at a time that their running costs have increased. As the Secondary Fuel Obligation does not apply to all generation units and only generation units using natural gas as their Primary Fuel Type will be affected by this SO instruction, there is a discriminatory impact to these units that is contrary to the T&SC objects. Operating under these instructions can also affect the continued viability of affected units, threatening security of supply in the SEM potentially leading to increased costs for the consumer.

Similarly, if a unit is running on secondary fuel to help mitigate security of supply issues (on foot of a TSO instruction to run on secondary fuel) it should be exempt from RO payback exposure. Otherwise, it adds another unforeseen layer of risk to RO contracts for affected units.

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)

We believe this modification further the aims of the T&SC under the following objectives:

- (a) to facilitate the efficient discharge by the Market Operator of the obligations imposed upon it by its Market Operator Licences;
- (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;
- (e) to provide transparency in the operation of the Single Electricity Market;
- (f) to ensure no undue discrimination between persons who are parties to the Code; and

(g) to promote the short-term and long-term interests of consumers of electricity on the island of Ireland with respect to price, quality, reliability, and security of supply of electricity.

Implication of not implementing the Modification Proposal

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

Where units whose Primary Fuel Type is natural gas and have an ex-ante position are instructed to run on their Secondary Fuel Type, the approach to their settlement by SEMO on their secondary fuel type is currently unknown. This can impact the economic viability of the unit(s), which can threaten security of supply to the SEM and result in unpredictable cost increases for the consumer.

Where a unit is running on secondary fuel to help mitigate security of supply issues (on foot of TSO instruction to run on secondary fuel), if it is not exempt from RO paybacks as long as it is still available, then it adds an unforeseen risk to RO contracts for affected units creating an uneven playing field in terms of RO risk management for different technologies with possible consequences for security of supply.

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.)

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.