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| **MODIFICATION PROPOSAL FORM** |
| **Proposer***(Company)* | **Date of receipt***(assigned by Secretariat)* | **Type of Proposal***(delete as appropriate)* | **Modification Proposal ID***(assigned by Secretariat)* |
| **EirGrid TSO** | **10 October 2019** | **Standard** | **Mod\_19\_19** |
| **Contact Details for Modification Proposal Originator** |
| **Name** | **Telephone number** | **Email address** |
| **Anne Trotter** |  | **Anne.trotter@eirgrid.com** |
| **Modification Proposal Title** |
| **Determining use of Complex Commercial Offer Data in Settlement when Required Information is not Available** |
| **Documents affected***(delete as appropriate)* | **Section(s) Affected** | **Version number of T&SC or AP used in Drafting** |
| **T&SC Part B** | **Section F.3.3.2** | **V1.0** |
| **Explanation of Proposed Change***(mandatory by originator)* |
| During post Go-Live operations, there have been numerous instances where System Operator flags and/or NIV tags have not been determined or were otherwise not available, and affected units have been assumed to be not flagged or tagged, including:* during planned system outages;
* where RTD is not running due to failure (e.g. data conflicts); or
* when Imbalance Pricing fails (either due to failure or performance implications on the 5 min calculation cycle).

The value of System Operator Flags and NIV Tags in pricing is critically important for use in settlement, as it determines the Commercial Offer Data used in imbalance settlement calculations and can also have significant impact on Imperfections Costs. The logic to determine the prices for use in imbalance settlement is summarised as follows:* If the Issue Time of the Dispatch Instruction associated with the Bid Offer Acceptance is before the Gate Closure 2 time (i.e. the rolling half hourly gate closure) for the period containing the Effective Time of the instruction, then the unit is settled using Complex Commercial Offer Data (which is subject to restrictions via the binding “Balancing Market Principles Code of Practice”);
* If SO flagged or NIV tagged in any Imbalance Pricing Period in an Imbalance Settlement Period, then the associated unit is settled using Complex Commercial Offer Data (which is subject to restrictions via the binding “Balancing Market Principles Code of Practice”); or
* Otherwise, the associated unit is settled using Simple Commercial Offer Data (which is not subject to any restrictions and can often be significantly higher than the corresponding Complex Commercial Offer Data).

This modification changes the logic for selecting Commercial Offer Data for Settlement. This means that where System Operator flags and NIV tags are not available for all Imbalance Pricing Periods in an Imbalance Settlement Period (e.g. during planned or unplanned outages), the default logic will be that units are settled on Complex Commercial Offer Data in that Imbalance Settlement Period. |
| **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.3.3.2 For the purposes of calculating settlement quantities in an Imbalance Settlement Period, γ, in calculating Accepted Bid Quantity and Accepted Offer Quantity, and determining the relevant Bid Offer Price, in respect of a Bid Offer Acceptance, the Market Operator shall use the following Commercial Offer Data: (a) If the Bid Offer Acceptance Time is before the Gate Closure 2 in respect of the Imbalance Settlement Period containing the Bid Offer Opening Time, the most recently submitted valid Complex Bid Offer Data for the relevant Trading Day as at the Bid Offer Acceptance Time; (b) If any Bid Offer Acceptance for Generator Unit, u, at rank, k, has, after applying the Flagging and Tagging process in accordance with Chapter E (Imbalance Pricing), a Net Imbalance Volume Tag (TNIVukφ) with a value less than one, or a System Operator Flag (FSOukφ) with a value less than one, for any Imbalance Pricing Period, φ, within the Imbalance Settlement Period, γ, the most recently submitted valid Complex Bid Offer Data for the relevant Trading Day as at the Bid Offer Acceptance Time, where: (i) FSOukφ is the System Operator Flag for Generator Unit, u, and rank, k, in Imbalance Pricing Period, φ, determined in accordance with Chapter E (Imbalance Pricing) and where in the absence of a value for the period resulting from the process outlined in Chapter E (Imbalance Pricing) a value of one shall be used; and (ii) TNIVukφ is the value of the Net Imbalance Volume Tag for Generator Unit, u, and rank, k, in Imbalance Pricing Period, φ, determined in accordance with Chapter E (Imbalance Pricing) and where in the absence of a value for the period resulting from the process outlined in Chapter E (Imbalance Pricing) a value of one shall be used; (iii) If there is insufficient data to carry out the steps described in paragraph F.3.3.2(b) for all Generator Units, u, and all Imbalance Pricing Periods, φ, within the Imbalance Settlement Period, γ, then the most recently submitted valid Complex Bid Offer Data for the relevant Trading Day as at the Bid Offer Acceptance Time shall be used for all Generator Units in that Imbalance Settlement Period. (c) Otherwise, the most recently submitted valid Simple Bid Offer Data for the Imbalance Settlement Period as at the Bid Offer Acceptance Time. |
| **Modification Proposal Justification***(Clearly state the reason for the Modification)* |
| There have been numerous occasions when System Operator flag and NIV tag information has not been available for whole Imbalance Settlement Periods since the new SEM arrangements went live. The reasons for which vary from market system outages (both planned and unplanned) as well the occurrences of pricing failing to run for prolonged periods of time. The knock on effect of this in settlement is that units which are inc’d or dec’d during these Imbalance Settlement Periods are settled on their Simple offers, regardless of whether or not the action is for energy or non-energy reasons. Simple offers are not governed under the Balancing Market Principles Code of Practice (BMPCOP) and some of these offers can be very expensive compared with the Complex offers which are intended to be used for non-energy actions, which are governed under the BMPCOP. This has resulted in significant increases to Imperfections costs over the first year of the new SEM arrangements. Given the general increase to imperfections costs over the last year and the subsequent increase in Imperfections charge for tariff year 2019/20 it is important to try to reduce imperfections costs where possible. This modification will prevent the knock on increase to Imperfections costs when there is insufficient information to apply the Complex COD logic based on System Operator flags and NIV tags for non-energy actions.The logic in in the legal drafting applies for situations where Imbalance Pricing has failed for all 5-minute periods within the half hour and therefore the normal basis of using flags and tags for the logic of applying Complex COD cannot be used. If there is data available for any 5 minute period within the half hour, the normal logic will apply. |
| **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)* |
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| (a) to facilitate the efficient, economic and coordinated operation, administration and development of the Single Electricity Market in a financially secure manner; (e) 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. | This modification seeks to address the issue whereby generators are paid on their Simple commercial offer data at times when they should be paid on their complex commercial offer data only because there is insufficient data to apply the Complex COD logic based on System Operator flags and NIV tags for the purposes of settlement calculations. This puts further financial pressure on Imperfections costs management and Supplier charges;This modification seeks to address the issue whereby generators are paid on their Simple commercial offer data at times when they should be paid on their complex commercial offer data only because there is insufficient data to apply the Complex COD logic based on System Operator flags and NIV tags for the purposes of settlement calculations. This would reduce what is ultimately paid by the All Island consumer through supply charges – otherwise these charges would be larger due to settling on Simple COD when Complex COD should be used.  |

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| **Implication of not implementing the Modification Proposal***(State the possible outcomes should the Modification Proposal not be implemented)* |
| If this modification is not implemented there will continue to be a significant increase to Imperfections costs whenever there is insufficient information to apply the Complex COD logic based on System Operator flags and NIV tags for non-energy actions. This will result in higher imperfections charges for Suppliers and ultimately higher electricity charges for the All Island consumer. |
| **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.)* |
| N/A | There will be an impact on the settlement systems where additional logic will need to be added for determining when Complex COD is to be used in the QBOA calculations. |
| ***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. **to the Market Operator and the Regulatory Authorities to publish and/or distribute the Modification Proposal for free and unrestricted access;**
	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;**
	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.**