

Trading and Settlement Code Modifications Committee
C/O Sherine King
SMO Modifications Committee Secretariat
The Oval,
160 Shelbourne Rd
Dublin 4

4th September 2012

Our Ref: D/12/15216

**SEM Committee Decision for the Regulatory Authorities in relation to Mod_18_12
(Recommendation Report FRR_18_12_V1.0)**

Dear Sherine,

On 28th August 2012, the Modifications Committee submitted its Modification Recommendation Report with regard to a Modification Proposal, Mod_18_12 (Constraint Payments Calculation for Interconnector Residual Capacity Units), in accordance with paragraph 2.213 of the SEM Trading and Settlement Code (the Code).

This Modification Proposal, which was raised by the TSOs, proposes changes to the Code to amend the application of Loss Adjustment Factors to SO Trades reflecting the decision made in Mod_12_11 (Interconnector Unit Loss Adjustment When Exporting). The Modification also proposes changes to the SO Trade Calculation algorithm which the proposers suggest will avoid potential error situations where SO Trades net to a zero quantity (and a non-zero price should apply).

The SEM Committee notes that the Modifications Committee agreed unanimously that the Modification Proposal furthers the Code Objectives “to facilitate the efficient, economic and coordinated operation, administration and development of the Single Electricity Market in a financially secure manner”, to “provide transparency in the operation of the Single Electricity Market”, to “ensure no undue discrimination between persons who are parties to the Code” and 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”.

The Modifications Committee also recommended that the Modification Proposal should be made effective on a Trading Day basis, one Working Day after the Regulatory Authority decision is made.

The SEM Committee agrees with the recommendation of the Modifications Committee that the application of loss adjustment factors to SO trades should be consistent with other Interconnector Units and notes that these changes do not incur any additional costs, the revised calculation not being implemented (through the use of an Interim Provision in the Code) until the CMS changes associated with Mod_12_11 are implemented. The SEM Committee also notes

the comment from the proposer that a new report will be made available on the Auction Management Platform that will provide details of SO Trades at transaction level.

Considering the above, the SEM Committee directs that a Modification, as set out in Appendix 1 of FRR_18_12_V1.0, be made on a Trading Day basis with effect from one Working Day after the date of this letter.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'S. Rooney', is written over a horizontal line.

Sheenagh Rooney
Manager - Wholesale Electricity Market