



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

18 August 2011

Our Ref: D/11/9560

**SEM Committee Decision for the Regulatory Authorities in relation to Mod\_37\_10  
(Recommendation Report FRR\_37\_10)**

Dear Sherine,

On 20<sup>th</sup> April 2011, the Modifications Committee submitted its Modification Recommendation Report with regard to Modification Proposal, Mod\_37\_10 (Constraint Payment for Energy Limited Units) in accordance with paragraph 2.213 of the SEM Trading and Settlement Code (the Code).

Modification Proposal Mod\_37\_10 was raised by ESB PG and seeks to modify Constraint Payments for Energy Limited Generator Units which are not scheduled to run but are dispatched by the relevant System Operator. The SEM Committee notes that the Modifications Committee voted, with the Chairman's use of his casting vote, that Mod\_37\_10 would not better facilitate Code objective to 'facilitate the participation of electricity undertakings engaged in the generation, supply or sale of electricity in the trading arrangements under the SEM', and recommended that it should be rejected.

The SEM Committee further notes that the Modifications Committee discussed the proposal at four Modification Committee meetings and additional bilateral meetings took place between the Market Operator (SEMO) and ESBPG. Emerging from those discussions, the Modifications Committee were made aware of two alternative options to this Modification Proposal. The first was to make changes to the Lagrangian Relaxation (LR) solver used in the MSP Software, which SEMO, on the basis of advice from its vendor, suggested would improve the scheduling of the Energy Limited Units in the MSP Software. The second option was for the registrant of the Generator Units concerned (which have Priority Dispatch) to change their registration to Price Taker Generator Units which should eliminate this issue. Neither of these options would require a Code Modification.

The SEM Committee notes the majority view of the Modifications Committee and reasons for this contained in the FRR. If Mod\_37\_10 were to be implemented as per the Modification Proposal then the additional income earned by the Energy Limited Generator Units would be recovered through Supplier Units by means of the Imperfections Charges. This would be an additional customer funded revenue stream. Were the Energy Limited Generator Units to be more optimally scheduled by the MSP Software, the increased Market Schedule Quantity (MSQ) for these Generator Units would result in reduced MSQ for other Generator Units.

The SEM Committee has given further consideration to the option of making changes to the Lagrangian Relaxation (LR) solver in line with presentation made by SEMO to the Modifications Committee on 8<sup>th</sup> March 2011. The SEM Committee does not believe it would be right to pursue this option for two main reasons. Firstly, there is not sufficient certainty about the overall impact on the MSP Software (including the impact on the determined System Marginal Price) of any such change in the LR solver. Secondly, SEMO is in the process of developing its report and recommendations to the RAs following an extensive analysis (and consultation) of the differences between the behavior of the MIP and LR solvers in the MSP Software. Changes to the LR solver would be related to this work and a SEM Committee decision on solver choice is expected in late 2011.

The SEM Committee notes that it is open to the registrant of the Energy Limited Generator Units to change their registration to Price Taker Generator Units and by so doing to increase the volume of energy for which they will be paid at System Marginal Price. However the SEM Committee is also mindful of ESB PG and TSO comments which reiterated the value of Energy Limited Units to the system and the potential impact on constraints costs were they to be registered as Price Taker Generator Units. On balance, the SEM Committee believes that this may be a more suitable way forward at this time as it should significantly reduce the impact of the underlying issue that ESB PG has raised in its Modification Proposal. In addition the SEM Committee notes that this might be considered to be an interim step pending a future decision on the primary solver to be used in the MSP Software.

Considering the above, and in accordance with paragraph 2.218 of the Code, the SEM Committee decides that a Modification should not be made in accordance with the Final Recommendation Report of the Modifications Committee (FRR\_37\_10). However the SEM Committee reiterates that it is open for ESB PG to register their hydro units as Predictable Price Taker Generator Units which should significantly reduce the impact of the issue they raised in the Modification Proposal.

Yours sincerely,

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

Sheenagh Rooney  
Manager, Wholesale Electricity Market