

Single Electricity Market

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| Final REcommendation ReportMod\_01\_16 v 2.0: Proposal to reduce dispute window after I-SEM Market go live.  13 January 2017  |

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Document History

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| **Version** | **Date** | **Author** | **Comment** |
| 1.0 | 13 January 2017 | Modifications Committee Secretariat | Issued to Modifications Committee for review and approval |
| 2.0 | 27 January 2017 | Modifications Committee Secretariat | Issued to Regulatory Authorities for final decision |

Reference Documents

|  |
| --- |
| **Document Name** |
| [Trading and Settlement Code](http://semopub/MarketDevelopment/MarketRules/TSC.docx) |
| [Modification Proposal](http://semopub/MarketDevelopment/ModificationDocuments/Modification%20Proposal.docx) |
| [Modification Proposal v2](http://semopub/MarketDevelopment/ModificationDocuments/Modification%20Proposal%20V2.docx) |
| [Volume of Resettlement presentation](http://semopub/MarketDevelopment/ModificationDocuments/Volume%20of%20Resettlement.pptx) |
| E-mail issued by MO Member to Modification Committee on 23rd September 2016 |

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# MODIFICATIONS COMMITTEE RECOMMENDATION

## Recommended for approval – unanimous Vote

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| --- |
| **Recommended for Approval by Unanimous Vote**  |
| Clive Bowers | Generator Alternate | Approved |
| Mary Doorly | Generator Member | Approved |
| Kevin Hannafin-Chair | Generator Member | Approved |
| Brian Mongan | Generator Member | Approved |
| Conor Powell | Supplier Member | Approved |
| Philip Carson | Supplier Alternate | Approved |
| Jim Wynne | Supplier Member | Approved |
| Jill Murray | Supplier Alternate | Approved |

# Background

This Modification Proposal was initially raised with the following title: ‘Proposal to end M+13 obligations under the TSC following the completion of M+4 resettlement period plus dispute window’. It was received by the secretariat on the 26th May 2016 and discussed at Meeting 68 where member voted to amend the proposal to remove reference to reducing M+13 timelines and only refer to reduction of Disputes timelines.

A V2 of the Modification, entitled: ‘Proposal to reduce dispute window after I-SEM Market go live’, was raised by the MO Member and was received by the Secretariat on 25 July 2016. The purpose of this Modification Proposal V2 is to reduce only the dispute timelines after I-SEM Market go live.

The Modification Proposal V2 was discussed at Meeting 69 on 11 August 2016 and at Meeting 70 on 13 October 2016 where it was voted on.

# PURPOSE OF PROPOSED MODIFICATION

**3A.) justification of Modification**

The I-SEM requires a new suite of systems that must be supported, operated and maintained. Significant costs are incurred in supporting these systems from a Market Operator perspective and a Participant perspective, e.g. resource support, hardware, support contracts, licensing etc.

Following a Market Operator Special Topic Meeting in November 2015, a recommendation was made for the Central Market Systems Roadmap to adopt a “Maintenance Mode” which involves limited changes to the CMS and during which core third party software and hardware would not be upgraded. This decision is based on the assumption that I-SEM will go live in Q4 2017, requiring significant capital expenditure to develop the required suite of systems to support the I-SEM market.

Due to the age profile of a number of assets, there are operational risks – associated with End of Life systems - in maintaining the current Dispute timelines and continuing to support Market Systems for this purpose only.

This Modification would reduce the risk and resource efforts associated with this activity for both Market Participants and the Market Operator.

**3B.) Impact of not Implementing a Solution**

Costs would be incurred by Participants and the Market Operator that would otherwise be saved if the timelines for Disputes are less than the current maximum of two years.

There are a number of systems and associated financial risks due the age profile of some of the assets that currently support the Market Systems. Maintaining the Systems availability for that length of time carries a risk of system failure for the SEM Central Market Systems as a result of the age profile of the current assets. In addition, vendor support contracts for SEM systems have a 6 month notice period. Limiting the dispute process to 6 months after the last timetabled Resettlement allows the Market Operator to give adequate notice to our vendor after completion of the last M+13.

The MO has analysed the figures for Formal Queries and Disputes from the past years. The number of Formal Queries received and upheld has been constantly decreasing, aside from minor surges in conjunction with major Market Changes, as per the following graph:



Dispute numbers have remained low over the past years and the expectation is that this will be the case for the remainder lifespan of the SEM; therefore the proposal to reduce the timelines should not adversely affect Participants rights to revise and correct their Settlement; notwithstanding this, the trend for I-SEM might be different for at least the initial period after go-live which will be covered by the processes in Part B of the Code and therefore not affected by this Modification.

The Disputes received to date are as follows:

|  |  |  |
| --- | --- | --- |
| **Year** | **Total Disputes** |  |
| 2012 | 10 | although 7 were individual instances of the same issue |
| 2013 | 21 | although 16 were individual instances of the same issue |
| 2014 | 4 |  |  |  |  |  |
| 2015 | 3 |  |  |  |  |  |
| 2016 | 2 |  |  |  |  |  |

**3c.) Impact on Code Objectives**

This modification aims to further the following code objectives:

Section 1.3:

to facilitate the efficient, economic and coordinated operation, administration and development of the Single Electricity Market in a financially secure manner;

1. **Assessment of Alternatives**

N/A

# Working Group and/or Consultation

N/A

# impact on systems and resources

System Impacts:

* There are no Central Market Systems impacts with this modification.
* Stakeholders should provide impact assessments through separate submissions
* Settlement, Funds Transfer, Credit Risk Management systems all required for the wind down of the SEM Market.
* The length of time which each system will be required for will depend on the timelines for Dispute resolution which will require the Systems to be maintained for longer
* Each of these systems will require IT support and maintenance
* Prolonged use of these systems carries a risk of system failure due to the age of the asset.

Resource Impacts:

* The current Market Operations team will be required to operate the I-SEM market and ensure the wind down obligations of the SEM market are met
* Ending Dispute timelines earlier would enable quicker transition for the personnel supporting the SEM wind down to operation of the I-SEM market
* Resource impacts become more significant should a system failure occur

Process & Procedure Impacts:

All processes and procedures relating to Disputes will be required to support SEM wind down. These processes would continue to be operational until all obligations are complete – impacting resource and system requirements as outlined above.

# Impact on other Codes/Documents

N/A

# MODIFICATION COMMITTEE VIEWS

## Meeting  **68 – 9 june 2016**

A presentation showing the resettlement trends was given by the MO, the proposal would be that the M+13 resettlement period would be reduced post I\_SEM. The benefits of this being a possible reduction in resources required and Systems maintenance. MO showed that comparing reading for M+4 and M+13 over the period analysed, the volumes of Resettlement reduced each year. MDP (ROI) confirmed that this is due to improvements in their processes. Observer raised the question of Market imbalance, the MO confirmed that the Market always balances, however, the residual amount re-distributed would be adjusted each time the readings are updated.

Observer stated that they would not be supportive of this proposal as the risk of a 9 month period not being resettled is too great and although resettlement requirements is on a downward trend it can still be of material impact. Supplier Member stated that Suppliers incur all the risks with this proposal making it unfair.

The MDP Alternate (ROI) Member stated their position on this was neutral. He also explained that some sites can only be read once a year which is why M+13 is the current timeline and confirmed that to close the resettlement window at M+4 would mean that some readings would not be captured. A supplier member raised the point that it is difficult to see what benefits would make taking the risk worthwhile although did state support for shortening the Dispute timelines which was met with approval from other members.

Another Supplier Member stated there were good points raised; however they could be supportive of the Modification after the appropriate clarifications from the MDPs. SO Members and MDP (NI) both commented that, although not opposed, an Impact Assessment would be required for TUOS charging and NI Processes. After some discussion on which forum it would be appropriate to bring this subject to, it was decided to ask all members to confirm if they were in favour of this Modification in its current format or of a variation limited to changing the Dispute process only. In alternative this MOD could be maintained while a second MOD raised for the Dispute process. The RAs and MO confirmed they were neutral on this issue. Overall the vote concluded that no-one was strongly in favour of the Modification, the majority being neutral; and 2 members were decidedly opposed; however, all members would be supportive of a shortening of the Dispute timelines to possibly 6 months. It was therefore decided that this Modification will be redrafted by the MO by removing all references to shortening Resettlement from M+13 to M+4 and would be limited to a reduction of the Dispute timelines to 6 months. This new version will eliminate requirements for any additional Impact Assessment and will be discussed again at the next Committee Meeting in August.

## Meeting  **69 - 11 August 2016**

MO Member explained the changes to the original version of the Mod which were circulated to the Panel on the 26th July 2016 as agreed at Meeting 68. Observer asked if it would be possible to have an account of how many of the listed disputes from previous years would fall within the proposed timelines and a number of other Members and observers agreed that this would be useful information to have before taking a vote on the Mod. No further observation was raised on the current drafting. MO member took an action to include details of the timelines of disputes in the past 5 years, which were circulated before Meeting 70 on Friday 23rd September 2016 as follows:

* Details of timelines of Disputes received by the Market Operator between 2012 and 2016 (to date) showing that all disputes have been resolved well within the timelines proposed by MOD\_01\_16 except in the case of the VTPG defect detailed below:

|  |  |  |
| --- | --- | --- |
| **Year** | **Tot** | **Dispute raised:** |
| 2012 | 10 | between 1 and 6 months from affected Settlement Day |
| 2013 | 21 | between 1week and 11 months from affected Settlement Day |
| 2014 | 4 | between 2 weeks and 1 month from affected Settlement Day excluding  the Dispute on VPTG Defect\* |
| 2015 | 3 | between 2 weeks and 11 month from affected Settlement Day  |
| 2016 | 2 | between 1 and 12 months from affected Settlement Day |

*\* A defect caused by a modification which became effective on 21st July 2012 as part of Intra Day Trading (IDT), which changed the calculation of Energy Payments to Variable Price Taker Generator (VPTG) units when curtailed.*

*The defect was only identified in December 2013, Market Analysts began a materiality assessment in February 2014 and concluded in May 2014 and a fix was deployed to correct this defect as part of the 2.40 release on 17th May 2014.*

*The Dispute was raised to cover the period post M+13 where Settlement Queries timelines had expired therefore covered the full 24 months.*

## Meeting **70 - 13 October 2016**

MO Member was thanked for providing historic dispute data in relation to this proposal. The Committee were happy to vote on this proposal. The proposal was voted and recommended for approval.

# Proposed Legal Drafting

As set out in Appendix 1below.

#  LEGAL REVIEW

Complete

# IMPLEMENTATION TIMESCALE

It is proposed that this Modification implemented on a Settlement Day basis with effect from one Working Day after an RA Decision is made.

# Appendix 1: Mod\_01\_16 v 2.0: Proposal to end M+13 obligations under the TSC following the completion of M+4 resettlement period plus dispute window

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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)* |
| **SEMO** | **25 July 2016** | **Standard**  | **Mod\_01\_16\_v2** |
| **Contact Details for Modification Proposal Originator** |
| **Name** | **Telephone number** | **Email address** |
| **Katia Compagnoni** |  | **katia.compagnoni@sem-o.com** |
| **Modification Proposal Title** |
| Proposal to reduce dispute window after I-SEM Market go live. |
| **Documents affected***(delete as appropriate)* | **Section(s) Affected** | **Version number of T&SC or AP used in Drafting** |
| **T&SC****APs and Glossary** | **T&SC –Section 2.278** **AP14 – Disputes Section 2.1 (1a)****Glossary** | **18.0** |
| **Explanation of Proposed Change***(mandatory by originator)* |
| The I-SEM Market go-Live is scheduled for Q4 2017. From the go-Live date, the new I-SEM market will be operational and the current SEM market will enter a winding down phase. The SEM market will be required to complete all obligations under the Code. Current obligations require M+4 and M+13 resettlement and allows for Disputes for a maximum of two years after the Settlement Day.The original version of this proposal sought to end the M+13 resettlement obligations, post I-SEM go-Live, under the T&SC and Agreed Procedures and stop resettlement obligations by M+4.This approach was discussed at Meeting 68, June 9th 2016, and the Panel agreed that there was to be no change to the current M+4 and M+13 obligations post I-SEM Market go live but to limit the time by which Disputes can be raised after the last timetabled Resettlement.The driver for this change is to reduce the period for which the new market and legacy market must operate in parallel. The costs and risks involved for SEMO and Participants could be significant from both a resourcing and a systems perspective.The SEMC Information Note on the I-SEM Regulatory Framework, 23 February 2016 (SEM-16-007), stated:“It is envisaged that the amended TSC will be comprised of two substantive parts: * Part A: this will contain all of the provisions of the existing Trading and Settlement Code (including glossary and appendices) and will be retained for a run off period of at least 13 months; and
* Part B: this will contain all of the enduring provisions relating to I-SEM arrangements.

Each Part A and B will have the capability of existing in isolation from and without reference to the other. An additional subsection may be required to deal with the transition between the SEM arrangements and I-SEM arrangements.” If approved, this Modification will reduce the need for ‘Part A’ being effective for the whole 2 years after I-SEM Market go-Live. |
| **Legal Drafting Change***(Clearly show proposed code change using* ***tracked*** *changes, if proposer fails to identify changes, please indicate best estimate of potential changes)* |
| **Disp****ute Resolution****Preliminaries*** 1. A “Dispute” means any claim, dispute or difference of whatever nature between any of the Parties howsoever arising under, out of or in relation to the Code or the Framework Agreement (including the existence or validity of the same) in respect of which (i) one Party has served a Notice of Dispute, or (ii) a Notice of Dispute is deemed to have been served under paragraph 2.282. A Dispute includes any Settlement Dispute.
	2. A Notice of Dispute may be served on any number of Parties. Where the Market Operator reasonably determines that the resolution of a Disputed Event will impact a third Party who has not been served a Notice of Dispute, the Market Operator will inform that third Party of the existence, nature and progress of the Dispute, while maintaining the confidentiality of the Disputing Parties.
	3. Subject to the rules concerning the commencement of certain Settlement Disputes set out in paragraph 2.282, a Dispute is deemed to exist when one Party notifies another Party or Parties in writing of the Dispute by way of a Notice of Dispute within 28 days of that Party having become aware of the Disputed Event and in any event within 2 years of the Disputed Event having occurred. **Existing provisions in this clause 2.278 shall continue to apply with full force and effect up to and including Balancing Market Go-Live. Thereafter, as and from Balancing Market Go-Live the existing provisions under this clause 2.278 shall be replaced with :**

**“Subject to the rules concerning the commencement of certain Settlement Disputes set out in paragraph 2.282, a Dispute is deemed to exist when one Party notifies another Party or Parties in writing of the Dispute by way of a Notice of Dispute within 28 days of that Party having become aware of the Disputed Event and in any event within 6 months of the latest timetabled Resettlement including any Ad-hoc Resettlment post M+13.”****Agreed Procedure 14Disputes*** 1. **Raising A Dispute**

| **#** | **Procedural Step** | **Timing** | **Method** | **From/By** | **To** |
| --- | --- | --- | --- | --- | --- |
| 1a | **Dispute not arising from a Settlement Query or Data Query**Notify Dispute Counterparty or Dispute Counterparties of the Dispute by sending a Notice of Dispute (Appendix 2). The Notice of Dispute shall include the nature of the Dispute and the issues involved. | Within 28 days of Disputing Party being aware of the Disputed Event and within 2 years of the Disputed Event. **Notwithstanding this, as per paragraph 2.278 of the T&SC, the following timing to submit Notice of Dispute will apply after Balancing Market Go-Live: within 28 days of Disputing Party being aware of the Disputed Event and within 6 months of the latest timetabled Resettlement including any Ad-hoc Resettlment post M+13.**  | Fax/post | Raising Dispute Party | Dispute Counterparties |

**Glossary****New definition:****Balancing Market Go-Live**  relates to the Trading Period NN:00hr on [dd/mm/YY] at which the new Balancing Market arrangements contemplated, but not limited, by the following decisions take effect: ‘I-SEM SEMC Decision on High Level Design’ (SEM-14-085a); ‘I-SEM ETA Markets Building Blocks Decision Papers’ (SEM-15-064); ‘I-SEM ETA Markets Decision Paper’ (SEM-15-065); ‘I-SEM Roles and Responsibilities Decision Paper’ (SEM-15-077) and ‘Information Note on I-SEM Regulatory Framework’ (SEM-16-007) |
| **Modification Proposal Justification***(Clearly state the reason for the Modification)* |
| The I-SEM requires a new suite of systems that must be supported, operated and maintained. Significant costs are incurred in supporting these systems from a Market Operator perspective and a Participant perspective, e.g. resource support, hardware, support contracts, licensing etc. Following a Market Operator Special Topic Meeting in November 2015, a recommendation was made for the Central Market Systems Roadmap to adopt a “Maintenance Mode” which involves limited changes to the CMS and during which core third party software and hardware would not be upgraded. This decision is based on the assumption that I-SEM will go live in Q4 2017, requiring significant capital expenditure to develop the required suite of systems to support the I-SEM market.Due to the age profile of a number of assets, there are operational risks – associated with End Of Life systems - in maintaining the current Dispute timelines and continuing to support Market Systems for this purpose only.This Modification would reduce the risk and resource efforts associated with this activity for both Market Participants and the Market Operator. |
| **Code Objectives Furthered***(State the Code Objectives the Proposal furthers, see Section 1.3 of T&SC for Code Objectives)* |
| Section 1.3:to facilitate the efficient, economic and coordinated operation, administration and development of the Single Electricity Market in a financially secure manner; |
| **Implication of not implementing the Modification Proposal***(State the possible outcomes should the Modification Proposal not be implemented)* |
| Costs would be incurred by Participants and the Market Operator that would otherwise be saved if the timelines for Disputes are less than the current maximum of two years.There are a number of systems and associated financial risks due the age profile of some of the assets that currently support the Market Systems. Maintaining the Systems availability for that length of time carries a risk of system failure for the SEM Central Market Systems as a result of the age profile of the current assets. In addition, vendor support contracts for SEM systems have a 6 month notice period. Limiting the dispute process to 6 months after the last timetabled Resettlement allows the Market Operator to give adequate notice to our vendor after completion of the last M+13.The MO has analysed the figures for Formal Queries and Disputes from the past years. The number of Formal Queries received and upheld has been constantly decreasing , aside from minor surges in conjunction with major Market Changes, as per the following graph:Dispute numbers have remained low over the past years and the expectation is that this will be the case for the remainder lifespan of the SEM; therefore the proposal to reduce the timelines should not adversely affect Participants rights to revise and correct their Settlement; notwithstanding this, the trend for I-SEM might be different for at least the initial period after go-live which will be covered by the processes in Part B of the Code and therefore not affected by this Modification.The Disputes received to date are as follows:

|  |  |  |
| --- | --- | --- |
| **Year** | **Total Disputes** |  |
| 2012 | 10 | although 7 were individual instances of the same issue |
| 2013 | 21 | although 16 were individual instances of the same issue |
| 2014 | 4 |  |  |  |  |  |
| 2015 | 3 |  |  |  |  |  |
| 2016 | 2 |  |  |  |  |  |

 |
| **Working Group***(State if Working Group considered necessary to develop proposal)* | **Impacts***(Indicate the impacts on systems, resources, processes and/or procedures)* |
| No | System Impacts:* There are no Central Market Systems impacts with this modification.
* Stakeholders should provide impact assessments through separate submissions
* Settlement, Funds Transfer, Credit Risk Management systems all required for the wind down of the SEM Market.
* The length of time which each system will be required for will depend on the timelines for Dispute resolution which will require the Systems to be maintained for longer
* Each of these systems will require IT support and maintenance
* Prolonged use of these systems carries a risk of system failure due to the age of the asset.

Resource Impacts:* The current Market Operations team will be required to operate the I-SEM market and ensure the wind down obligations of the SEM market are met
* Ending Dispute timelines earlier would enable quicker transition for the personnel supporting the SEM wind down to operation of the I-SEM market
* Resource impacts become more significant should a system failure occur

Process & Procedure Impacts:* All processes and procedures relating to Disputes will be required to support SEM wind down. These processes would continue to be operational until all obligations are complete – impacting resource and system requirements as outlined above.
 |
| ***Please return this form to Secretariat by email to*** ***modifications@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 Appendix D “List of Agreed Procedures”.**

**T&SC / Code: means the Trading and Settlement Code for the Single Electricity Market**

**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 the Code (and 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.**