

Single Electricity Market

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| Final REcommendation ReportMod\_12\_12: Mandating adherence to the Bidding Code Of practice by all Price Maker Generator Units27 june 2012 |

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Document History

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| **Version** | **Date** | **Author** | **Comment** |
| 0.3 | 19 June 2012 | Modifications Committee Secretariat | Issued to Modifications Committee for review and approval |
| 1.0 | 27 June 2012 | Modifications Committee Secretariat | Issued to Regulatory Authorities for final decision |

Reference Documents

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| **Document Name** |
| [Trading and Settlement Code](http://semopub/MarketDevelopment/MarketRules/TSC.doc)  |
| [Mod\_12\_12: Mandating adherence to the BCOP by all Price Maker Generator Units](http://semopub/MarketDevelopment/ModificationDocuments/Mod_12_12%20Elastricity.docx) |

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# MODIFICATIONS COMMITTEE RECOMMENDATION

## Recommended for rejection – unanimous Vote

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| **Mod\_12\_12: Recommended for Rejection by unanimous vote** |
| Brian Mongan | Generator Alternate  | Reject |
| Derek Scully | Generator Alternate | Reject |
| Emeka Chukwureh | Supplier Alternate | Reject |
| Jill Murray-Chair | Supplier Member | Reject |
| Mary Doorly | Generator Alternate | Reject  |
| Niamh Quinn | Generator Member | Reject |
| Sean Doolin | Supplier Alternate | Reject |
| William Steele | Supplier Member | Reject |

# Background

This Modification Proposal was raised by Elastricity and was received by the Secretariat on 15 May 2012. It proposes to make explicit reference to the Bidding Code of Practice (BCOP) within the Trading & Settlement Code (T&SC) and would mandate adherence to it by all Price Maker Generator Units (PPMG) for which Commercial Offer Data is submitted.

The Modification Proposal makes reference to Mod\_36\_10 *Removal of connection between Supplier Units and DSUs* in its justification. Mod\_36\_10 was raised by Activation Energy to remove what was regarded as a barrier to DSUs in the TSC. The [RA Decision](http://semopub/MarketDevelopment/ModificationDocuments/120403%20SEM%20C%20Decision%20on%20Mod%2036_10.pdf) for Mod\_36\_10 advised that the effective date of the proposal is 04 April 2012. In the decision, the SEM Committee included a provision (2.34B) in the legal drafting section of Mod\_36\_10 which would make registration of a DSU subject to RA approval. This approval would be subject to the RA requirement that DSUs are to be bound by the BCOP through a condition of their Trading Site Supplier Unit’s licence.

The criteria for Regulatory Authority approval under 2.34B in Ireland is the holding of an Electricity Supply Licence by the applicant DSU. The criteria for Northern Ireland are currently under consideration. Hence, Elastricity raised Mod\_12\_12 in an effort to address the current inter-jurisdictional differences for DSU approval by specifically mandating in the T&SC adherence to the BCOP for all PPMG.

The Modification Proposal was presented and discussed at Meeting 42 on 29 May 2012 where it was voted on.

# PURPOSE OF PROPOSED MODIFICATION

## 3A.) justification of Modification

At present Price Maker Generator Units are mandated to adhere to the BCOP through a specific condition of their Generator Licence or other Regulatory Agreement (in the case of Aggregated Generator Units).

However although Demand Side Units are treated in the T&SC as Price Maker Generator Units, they would typically be licenced to operate through a Supply Licence, which heretofore doesn’t have such a condition.

In order to rectify this situation, the RAs, in their decision paper (120403 SEM C Decision on Mod 36\_10), indicated that they would adopt a different solution in each jurisdiction: CER indicated that they would provide an additional section in the Electricity Supply licence in Ireland; whereas UREGNI indicated a need to give longer consideration as to how this could be achieved in Northern Ireland.

This modification would mitigate such inter-jurisdictional differences by specifically mandating in the T&SC adherence to the Bidding Code of Practice for all Price Maker Generator Units.

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

Not implementing this proposal would mean that participants in Northern Ireland would not have parity of opportunity to operate a Demand Side Unit in the SEM.

## 3c.) Impact on Code Objectives

1. Trading & Settlement Code Objective 1.3.3 “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”

2. Trading & Settlement Code Objective 1.3.4 “to promote competition in the single electricity wholesale market on the island of Ireland”

3. Trading & Settlement Code Objective 1.3.6 “to ensure no undue discrimination between persons who are parties to the Code”.

# Assessment of Alternatives

The alternative to implementing the proposal is that the RAs amend the Electricity Supply licence in NI. This may require a change in primary legislation which may take a number of years to implement. A Supplier Member at Meeting 42 highlighted that a change to the Supplier licence in NI can be implemented as soon as twenty days following Consultation.

# Working Group and/or Consultation

N/A

# impact on systems and resources

N/A

# Impact on other Codes/Documents

N/A

# MODIFICATION COMMITTEE VIEWS

## Meeting 42 29 May 2012

Proposer presented background of proposal. Proposer advised that the proposal seeks to mitigate the inter-jurisdictional differences between ROI and NI regarding licensing of DSUs, by specifically mandating in the T&SC adherence to the Bidding Code of Practice (BCOP) for all Price Maker Generator Units. Proposer advised that the three options available are as follows:

* Change primary legislation in NI (which can take 3 years)
* Regulatory agreement
* To incorporate the bidding code of practice into the Code

CER Member stated that currently, the ultimate sanction for a Unit not complying by the Bidding Code of Practice is loss of licence.

SEMO Member advised that the Market Monitoring Unit (MMU), which enforces the BCOP is not referenced in the Code. CER Alternate stated that referencing the BCOP in the Code wouldn’t make any sense as the BCOP is part of the licence and must be considered and read along with the licence.

Proposer reiterated that that the intention of the proposal is that DSUs should possess the ability to trade in NI, as DSUs in ROI can.

CER Alternate advised that the decision regarding Mod\_36\_10 *Removal of connection between Supplier Units and DSUs* is still being considered in NI. CER Member advised that a decision was delivered in ROI so as not to delay DSUs from trading, while the issue in NI is still being deliberated.

CER Member stated that licensing is a function of DETI as opposed to NIAUR. Supplier Member advised that a change to the Supplier licence in NI can be implemented as soon as twenty days following Consultation.

Chair stated that the ultimate decision on this lies with the SEM Committee, further advising that the onus is on the RAs to approve something that will be equal to both jurisdictions. CER Member advised that CER and UR work together with UR to ensure anomalies such as these occur as minimally as possible.

Proposer expressed concern as to when the issue in NI will realistically be resolved.

Generator Alternate agreed that the issue in NI needs to be addressed however did not feel the Modification as proposed is the correct way to address it. The Committee noted its support for the proposer wishing to participate in the Market as a DSU and agreed that the only method of supporting the intention of the proposer was to reject the proposal and issue an FRR to the RAs reiterating the Committee support for Demand Side Participation in SEM.

# Proposed Legal Drafting

As set out in Appendix 1.

#  LEGAL REVIEW

Complete

# IMPLEMENTATION TIMESCALE

It is proposed that this Modification is not implemented.

# Appendix 1: Mod\_12\_12

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| **MODIFICATION PROPOSAL FORM** |
| **Proposer** | **Date of receipt** | **Type of Proposal** | **Modification Proposal ID** |
| **Elastricity Ltd** | **15 May 2012** | **Standard** | **Mod\_12\_12** |
| **Contact Details for Modification Proposal Originator** |
| **Name** | **Telephone number** | **Email address** |
| **Philip Hart** | **+44 (0)1249 714 621** | **philip.hart@elastricity.co.uk** |
| **Modification Proposal Title** |
| **Mandating adherence to the Bidding Code of Practice by all Price Maker Generator Units** |
| **Documents affected** | **Section(s) Affected** | **Version number of T&SC or AP used in Drafting** |
| **T&SC****Glossary** | **T&SC Section 4, Glossary** | **T&SC Version 10** |
| **Explanation of Proposed Change***(mandatory by originator)* |
| This modification would make explicit reference to the Bidding Code of Practice within the Trading & Settlement Code, and would mandate adherence to it by all Price Maker Generator Units for which Commercial Offer Data is submitted. |
| **Legal Drafting Change***(Clearly show proposed code change using* ***tracked*** *changes, if proposer fails to identify changes, please indicate best estimate of potential changes)* |
| TRADING & SETTLEMENT CODECommercial Offer Data4.7 The required Data Records which must be included in the Commercial Offer Data are listed in Appendix I “Offer Data”.4.7A A Participant submitting Commercial Offer Data for a Price Maker Generator Unit must adhere to the Bidding Code of Practice.4.8 Where any Participant submits any value for a monetary sum as part of the Commercial Offer Data for a Generator Unit, it shall express such sum in the Currency that is relevant to the Currency Zone in which the Generator Unit is registered, provided that where such value is in pounds sterling, the Market Operator shall, for the purposes of all calculations within Sections 4 or 5 within this Code, convert the value to euro in accordance with paragraph 6.10.GlossaryDefinitions

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| **Bidding Code of Practice** | means ANNEX A: BIDDING CODE OF PRACTICE, as contained in AIP-SEM-07-430 “The Bidding Code of Practice - A Response and Decision Paper”, 30 July 2007 |

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| **Modification Proposal Justification***(Clearly state the reason for the Modification)* |
| At present Price Maker Generator Units are mandated to adhere to the Bidding Code of Practice through a specific condition of their Generator Licence or other Regulatory Agreement (in the case of Aggregated Generator Units).However although Demand Side Units are treated in the T&SC as Price Maker Generator Units, they would typically be licenced to operate through a Supply Licence, which heretofore doesn’t have such a condition.In order to rectify this situation, the RAs, in their decision paper (120403 SEM C Decision on Mod 36\_10), indicated that they would adopt a different solution in each jurisdiction: CER indicated that they would provide an additional section in the Electricity Supply licence in Ireland; whereas UREGNI indicated a need to give longer consideration as to how this could be achieved in Northern Ireland.This modification would mitigate such inter-jurisdictional differences by specifically mandating in the T&SC adherence to the Bidding Code of Practice for all Price Maker Generator Units. |
| **Code Objectives Furthered***(State the Code Objectives the Proposal furthers, see Section 1.3 of T&SC for Code Objectives)* |
| 1.Trading & Settlement Code Objective 1.3.3 “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”2. Trading & Settlement Code Objective 1.3.4 “to promote competition in the single electricity wholesale market on the island of Ireland”3. Trading & Settlement Code Objective 1.3.6 “to ensure no undue discrimination between persons who are parties to the Code”. |
| **Implication of not implementing the Modification Proposal***(State the possible outcomes should the Modification Proposal not be implemented)* |
| Not implementing this modification would mean that participants in Northern Ireland would not have parity of opportunity to operate a Demand Side Unit in the SEM. |
| **Working Group***(State if Working Group considered necessary to develop proposal)* | **Impacts***(Indicate the impacts on systems, resources, processes and/or procedures)* |
| Not considered to be necessary. | It is considered that there will be no such impact. |
| ***Please return this form to Secretariat by email to*** *modifications@sem-o.com* |