Note on action relating to Mod_12_14

At the previous Mod Meeting ElectroRoute agreed that it would attempt to develop a version 2 of Mod_12_14. ElectroRoute has been considering this task in the intervening period and has further discussed the topic with SEMO. The principal objective of Mod 12_14 is to explicitly prohibit a scenario whereby an interconnector user can be in receipt of Make Whole Payments (MWP) for interconnector positions that are super-positioned or netted. This scenario is one that the RAs identified as a perceived flaw in the current SEM trading arrangements in their own modification submissions. As the removal of MWP for netted interconnector flows is the stated aim of Mod_12_14, and it achieves this aim in quite a precise and targeted way. Mod_12_14 will retain the existing features of cross-border trade whilst eliminating the MWP netted flow market flaw.

One participant has expressed concerns that Mod_12_14 removes some of the flexibility available to interconnector users to neatly reverse out of positions that they subsequently judge to be unprofitable by scheduling opposing flows at a later gate. Features which, in theory, were part of the intra-day trading initiative. Concerns were also raised regarding the calculation of infra-marginal rent (IMR) across all trading periods. ElectroRoute acknowledge that Mod_12_14 does in theory limit interconnector user optionality but this is simply because it was designed to do so. We also acknowledge that the IMR calculation will not consider certain trading periods for the purpose of calculating MWP. In the context in which Mod_12_14 was proposed we consider these concerns as secondary or peripheral and as an active interconnector trader are willing to forgo the additional Intraday market flexibility that Mod_12_14 will partially remove.

Concern with maintaining Make Whole Payments for netted flows is incompatible with the philosophy behind Mod_12_14. ElectroRoute have come to the conclusion that the twin goals of total flow reversal flexibility for interconnector users and removing those Make Whole Payments for flat positions are not reconcilable in an "improved" version 2 of Mod_12_14. Accordingly we have not submitted such a further Mod proposal, but we would ask the Committee to consider whether the rigidity of Mod_12_14 for interconnector users is truly an issue given that ElectroRoute as an interconnector user are not very concerned with this.

In short Mod_12_14 has a specific objective which it fulfils adequately as drafted. Mod_09_14 Version 2 has a different objective. We are sure the committee will assess the merits of the objectives of the mods and well as the effects of the both mods. We look forward to continuing to engage with the process to bring the issue to an adequate conclusion.