

Single Electricity Market

|  |
| --- |
| Final REcommendation Report  *Mod\_18\_10: iNTRA-dAY tRADING*  30 January 2012 |

COPYRIGHT NOTICE

All rights reserved. This entire publication is subject to the laws of copyright. This publication may not be reproduced or transmitted in any form or by any means, electronic or manual, including photocopying without the prior written permission of EirGrid plc and SONI Limited.

DOCUMENT DISCLAIMER

Every care and precaution is taken to ensure the accuracy of the information provided herein but such information is provided without warranties express, implied or otherwise howsoever arising and EirGrid plc and SONI Limited to the fullest extent permitted by law shall not be liable for any inaccuracies, errors, omissions or misleading information contained herein.

Document History

|  |  |  |  |
| --- | --- | --- | --- |
| **Version** | **Date** | **Author** | **Comment** |
| 1.0 | 13 January 2011 | Modifications Committee Secretariat | Issued to Modifications Committee for review and approval |
| 2.0 | 30 January 2012 | Modifications Committee Secretariat | Issued to RAs for final decision |

Reference Documents

|  |
| --- |
| **Document Name** |
| [Trading and Settlement Code](http://semopub/MarketDevelopment/Pages/MarketRules.aspx) |
| [Agreed Procedures](http://semopub/MarketDevelopment/Pages/MarketRules.aspx) |
| [Mod\_18\_10](http://semopub/MarketDevelopment/ModificationDocuments/Mod_18_10%20Intra-Day%20Trading.zip) Intra-Day Trading |
| Terms of Reference Phase I |
| Working Group 1 [Report](http://semopub/MarketDevelopment/ModificationDocuments/WG1_18_10%20Report.zip) |
| Working Group 2 [Report](http://semopub/MarketDevelopment/ModificationDocuments/WG2_18_10%20Report.zip) |
| Working Group 3 [Report](http://semopub/MarketDevelopment/ModificationDocuments/WG3_18_10%20Report.zip) |
| Working Group 4 [Report](http://semopub/MarketDevelopment/ModificationDocuments/Mod_18_10%20Working%20Group%204%20Report.zip) |
| Conference Call 1 [Note](http://semopub/MarketDevelopment/ModificationDocuments/Questionnarie%20Responses%20Conf%20Call%20Notes%20V2.doc) |
| Conference Call 2 [Note](http://semopub/MarketDevelopment/ModificationDocuments/Conference%20Call%202%20Minutes.zip) |
| Working Group 5 [Report](http://semopub/MarketDevelopment/ModificationDocuments/Working%20Group%205%20Report.zip) |
| Conference Call 3 [Note](http://semopub/MarketDevelopment/ModificationDocuments/Conference%20Call%203%20Note.zip) |
| Working Group 6 [Report](http://semopub/MarketDevelopment/ModificationDocuments/Working%20Group%206%20Report.zip) |
| Conference Call 4 [Note](http://semopub/MarketDevelopment/ModificationDocuments/Conference%20Call%204%20Note.zip) |
| Working Group 7 [Report](http://semopub/MarketDevelopment/ModificationDocuments/Working%20Group%207%20Report.zip) |
| Conference Call 5 [Note](http://semopub/MarketDevelopment/ModificationDocuments/Conference%20Call%205%20Note.doc) |
| IDT Project Cost - [approval](http://www.allislandproject.org/en/smo_decision_documents.aspx?article=f58e5c07-d1c5-4903-b157-7cd7eceb82f4&mode=author) |
| SEMO Intra-Day Trading [Project Costs](http://www.allislandproject.org/GetAttachment.aspx?id=73dae714-d2ae-4be8-b469-541ca94f6152) |
| [Terms of Reference](http://semopub/MarketDevelopment/ModificationDocuments/Terms%20of%20Reference%20Phase%20II.doc) Phase II |
| Working Group 8 [Report](http://semopub/MarketDevelopment/ModificationDocuments/Working%20Group%208%20Report.zip) |
| Working Group 9 [Report](http://semopub/MarketDevelopment/ModificationDocuments/WG9%20Report.zip) |
| Extraordinary Conference Call 6 [Note](http://semopub/MarketDevelopment/ModificationDocuments/Extraordinary%20Conference%20Call%20Note.docx) |
| Conference Call 7 [Note](http://semopub/MarketDevelopment/ModificationDocuments/Conf%20Call%207%20Note.docx) |
| Working Group 10 [Report](http://semopub/MarketDevelopment/ModificationDocuments/Working%20Group%2010%20Report.zip) |
| Working Group 11 [Report](http://semopub/MarketDevelopment/ModificationDocuments/Working%20Group%2011%20Report.zip) |
| Conference Call 8 [Note](http://semopub/MarketDevelopment/ModificationDocuments/Conf%20Call%208%20Note.docx) |
| [McCann Fitzgerald Legal Review Report](http://semopub/MarketDevelopment/ModificationDocuments/Legal%20Review%20Report.zip) |
| [Mod\_18\_10\_V2](http://semopub/MarketDevelopment/ModificationDocuments/Mod_18_10_v2.docx) Intra-Day Trading |
| [Mod\_34\_11](http://semopub/MarketDevelopment/ModificationDocuments/Mod_34_11.docx) Transition to SEM Intra-Day Trading |
|  |

Relevant Sections

| **In accordance with Section 2.215 of the Trading & Settlement Code, the sections marked applicable will be included in the FRR** | |
| --- | --- |
| 1. **Modifications Committee Recommendation** | **Applicable** |
| 1. **Development Process** | **Applicable** |
| 1. **3. Purpose of Proposed Modification**   a.) Justification for Modification  b.) Impact of not implementing a solution  c.) Impact on Code Objectives | **Applicable** |
| 1. **Assessment of Alternatives** | **Applicable** |
| 1. **Working Group and/or Consultation** | **Applicable** |
| 1. **Impact on other Codes/Documents** | **N/A** |
| 1. **Impact on Systems and Resources** | **Applicable** |
| 1. **Modifications Committee Views** | **Applicable** |
| 1. **Proposed Legal Drafting** | **Applicable** |
| 1. **Legal Review** | **Applicable** |
| 1. **Implementation Timescale** | **Applicable** |

Table of Contents

[1 MODIFICATIONS COMMITTEE RECOMMENDATION 5](#_Toc315685635)

[**Recommended for approval – Majority Vote** 5](#_Toc315685636)

[2 DEVELOPMENT PROCESS 5](#_Toc315685637)

[3 PURPOSE OF PROPOSED MODIFICATION 6](#_Toc315685638)

[**3A.) Justification for Modification** 6](#_Toc315685639)

[**3B.) Impact of not Implementing a Solution** 6](#_Toc315685640)

[**3c.) Impact on Code Objectives** 6](#_Toc315685641)

[4 Assessment of Alternatives 7](#_Toc315685642)

[5 Working Groups And Conference Calls 7](#_Toc315685643)

[**Phase I – High-Level Design 2010** 7](#_Toc315685644)

[Working Group 1 – 22 April 2010 8](#_Toc315685645)

[Working Group 2 – 11 May 2010 8](#_Toc315685646)

[Working Group 3 - 15 June 2010 9](#_Toc315685647)

[Working Group 4 – 19 August 2010 9](#_Toc315685648)

[Conference Call 1 – 03 September 2010 9](#_Toc315685649)

[Conference Call 2 – 23 September 2010 10](#_Toc315685650)

[Working Group 5 – 05 October 2010 10](#_Toc315685651)

[Conference Call 3 – 26 October 2010 10](#_Toc315685652)

[Working Group 6 – 02 November 2010 10](#_Toc315685653)

[Conference Call 4 – 12 November 2010 11](#_Toc315685654)

[Working Group 7 – 16 November 2010 11](#_Toc315685655)

[Conference Call 5 – 12 November 2010 11](#_Toc315685656)

[**Phase II – Detailed Design 2011** 11](#_Toc315685657)

[Working Group 8 – 10 May 2011 11](#_Toc315685658)

[Working Group 9 – 29 June 2011 12](#_Toc315685659)

[Extraordinary Conference Call – 09 September 2011 12](#_Toc315685660)

[Conference Call 7 – 14 September 2011 12](#_Toc315685661)

[Working Group 10 – 30 September 2011 12](#_Toc315685662)

[Working Group 11 – 10 November 2011 13](#_Toc315685663)

[Conference Call 8 – 29 November 2011 13](#_Toc315685664)

[6 Impact on other Codes/Documents 13](#_Toc315685665)

[7 Impact on Systems and Resources 13](#_Toc315685666)

[8 MODIFICATION COMMITTEE VIEWS 13](#_Toc315685667)

[Meeting 27 – 30 March 2010 13](#_Toc315685668)

[Meeting 28 – 25 May 2010 14](#_Toc315685669)

[Meeting 29 – 29 July 2010 14](#_Toc315685670)

[Meeting 31 – 30 September 2010 15](#_Toc315685671)

[Meeting 32 – 25 November 2010 15](#_Toc315685672)

[Meeting 33 – 01 February 2011 16](#_Toc315685673)

[Meeting 35 – 05 April 2011 16](#_Toc315685674)

[Meeting 36 – 09 June 2011 17](#_Toc315685675)

[Meeting 37 – 09 August 2011 17](#_Toc315685676)

[Meeting 38 – 11 October 2011 18](#_Toc315685677)

[Meeting 39 – 06 December 2011 19](#_Toc315685678)

[9 Proposed legal drafting 19](#_Toc315685679)

[**Additional Drafting Changes post Modifications Committee Meeting 39** 19](#_Toc315685680)

[10 LEGAL REVIEW 21](#_Toc315685681)

[11 IMPLEMENTATION TIMESCALE 21](#_Toc315685682)

[Appendix 1: Modification proposal 22](#_Toc315685683)

[**Mod\_18\_10\_V2 Intra-Day Trading** 22](#_Toc315685684)

[1.1.1 Driver for Change 22](#_Toc315685685)

[1.1.2 History 23](#_Toc315685686)

[1.1.3 Proposed Change 24](#_Toc315685687)

# 1 MODIFICATIONS COMMITTEE RECOMMENDATION

## Recommended for approval – Majority Vote

|  |  |  |
| --- | --- | --- |
| **Recommended for Approval (Mod\_18\_10\_v2)** | | |
| Generator Alternate | Gill Bradley | ESBI |
| Generator Member | Ian Luney | AES |
| Supplier Member | Jill Murray | Bord Gáis |
| Generator Member | Kevin Hannafin | Viridian |
| Supplier Member | Killian Morgan | ESB Electric Ireland |
| Generator Alternate | Mary Doorly | IWEA |
| Supplier Member | William Steele | Power NI |
| **Recommended for Rejection** | | |
| Supplier Member | Iain Wright - Chair | Airtricity |

# 2 DEVELOPMENT PROCESS

This Modification Proposal was first raised by the Regulatory Authorities at Meeting 27 of the Modifications Committee on 30 March 2010. The proposal was raised to initiate discussion to develop options to ensure compliance with the EU’s Congestion Management Guidelines for Cross Border Trade. The rules as currently written do not facilitate participation of Interconnector Units at the Intra-Day timeframe in the SEM.

The Committee recognised the need to address the proposal by means of a wider project. The Modification was deferred at Meeting 27 and the project delivered in two phases over 20 months, Phase I *High-Level Design* and Phase II *Implementation of High-Level Design*.

Phase I *High-Level Design* was progressed over seven working group meetings and four conference calls throughout 2010. The Modifications Committee, at Meeting 32 on 25 November 2010, unanimously agreed that SEMO should proceed with the proposed High-Level Design subject to inclusion of concerns raised during the discussions in the submission to the SEMC. The decision to proceed with the Detailed Design was subsequently approved by the SEMC on 03 March 2011.

Phase II *Implementation of High Level Design* consisted of four working group meetings and three conference calls throughout 2011. Links to all related material are available from the Related Documents section of this report.

Two versions of the proposal are available. The original version was put forward by the RAs with a recommendation that a Working Group be set up to develop specific T&SC drafting and system implications associated with the introduction of Intra-Day Trading and a final Modification Proposal be submitted to the Modifications Committee. Version 2 of the proposal Mod\_18\_10\_V2 *Intra-Day Trading* is the final legal drafting based on the Detailed Design and was Recommended for Approval by majority vote at Meeting 39 of the Modifications Committee on 06 December 2011.

# 3 PURPOSE OF PROPOSED MODIFICATION

*Taken from the alternative version of the proposal – Mod\_18\_10\_v2*

## 3A.) Justification for Modification

As previously discussed and agreed when considering the original Modification Proposal Mod\_18\_10 (March 2010), this Modification is required in order to ensure the SEM’s future compliance with the EU’s Congestion Management Guidelines for Cross Border Trade. It is designed to ensure that the SEM rules comply with the Congestion Management Guidelines set out in Regulation 714/2009 of the European Council and Parliament, which require that:

* Mechanisms for the intra-day congestion management of interconnector capacity shall be established in a coordinated way and under secure operational conditions, in order to maximise opportunities for trade and to provide for cross border balancing;
* Successive intra-day allocations of available transmission capacity for day D shall take place on day D-1 and D, after the issuing of the indicated or actual day-ahead production schedules; and
* The access rights for long and medium-term allocations shall be firm transmission capacity rights, which shall be subjected to the use-it-or-lose-it (UIOLI) or use-it-or-sell-it (UIOSI) principles at the time of nomination.

In addition, this Modification is necessary in order to fulfil:

* The obligations placed on the Regulatory Authorities by the SEM Committee Decision on Intra Day Trading (reference SEM-10-011) to develop a Trading and Settlement Code Modification to facilitate Intra Day Trading; and
* The 4th of March 2011 decision of the SEM Committee to implement an intra-day trading solution for SEM, consistent with that outlined in the High Level Design.

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

The implications of not developing this Modification Proposal would be the following:

1. Non compliance with legal requirements of European Regulation 714/2009 and the Congestion Management Guidelines contained therein.
2. Failure to implement the SEM Committee’s Decision SEM-10-011 and that in its associated Decision Letter of the 4th of March 2011.
3. Failure to address the more efficient use of Interconnector capacity, through provision of Intra-Day Trading opportunities.
4. Failure to increase arbitrage opportunities for Interconnector trades and higher costs for all-island consumers due to failure to utilise unused interconnector capacity.
5. Failure to develop rules on cross border Intra-Day Trading that may serve as a barrier to competition in the SEM.
6. Potential failure to provide a complement to increased intermittent generation through efficient within day interconnector usage – which could lead to increased costs in the SEM.

## 3c.) Impact on Code Objectives

This Modification furthers the following Trading and Settlement Code Objectives:

* Code Objective 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”.

The SEM Intra-Day Trading arrangements developed by the Modifications Committee Working Group provide additional opportunities on both D-1 and D for Participants in the SEM and GB market to access the SEM for the purpose of importing and exporting. As a result, this Modification Proposal facilitates enhanced participation in the SEM, thereby furthering Code Objective 3.

* Code Objective 4: “to promote competition in the single electricity wholesale market on the island of Ireland”.

In furtherance of Code Objective 4, the provision of Intra-Day Trading arrangements in the Code should serve to facilitate increased competition in the SEM, through greater access to prices in neighbouring markets, and also by permitting registered Interconnector Users to respond to changing conditions, such as wind forecasts, plant outages and demand expectations, post Gate Closure.

* Code Objective 7: “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”.

This Modification Proposal aims to ensure that all Interconnectors in the SEM are more efficiently utilised, by allowing unused capacity to be reallocated after each Gate Window Closure. Intra-Day Trading therefore promotes the interests of customers through the creation of a more liquid, competitive market with increasing security of supply and in so doing furthers Code Objective 7.

# 4 Assessment of Alternatives

Two versions of the proposal are available. The original version was put forward by the RAs with a recommendation that a Working Group be set up to develop specific T&SC drafting and system implications associated with the introduction of Intra-Day Trading and a final Modification Proposal be submitted to the Modifications Committee. Version 2 of the proposal Mod\_18\_10\_V2 *Intra-Day Trading* is the final legal drafting based on the Detailed Design and was Recommended for Approval by majority vote at Meeting 39 of the Modifications Committee on 06 December 2011.

# 5 Working Groups And Conference Calls

Eleven working groups and eight conference calls were held throughout the project. A brief summary of the progress of meetings and calls throughout Phase I and II is outlined below; please refer to the links in the Reference Documents section of this report for Working Group reports, conference call notes and Terms of Reference. The final Intra-Day Trading Modification Proposal [Mod\_18\_10\_v2](http://semopub/MarketDevelopment/ModificationDocuments/Mod_18_10_v2.docx) was presented at Modifications Committee Meeting 39 on 06 December 2011 where it was voted on.

A separate Modification Proposal [Mod\_34\_11](http://semopub/MarketDevelopment/ModificationDocuments/Mod_34_11.docx) *Transition to SEM Intra-Day Trading* detailing the set of transitional arrangements necessary to ensure the smooth transition of the Trading and Settlement Code in its implementation of the enduring SEM Intra-Day Trading provisions was also presented at the Meeting.

## Phase I – High-Level Design 2010

The High-Level Design included seven Working Group meetings and five Conference Calls. [Phase I](http://semopub/MarketDevelopment/IDT/Pages/Intra-DayTradingPhase1.aspx) included the following stages:

* All Options Consideration;
* Candidate Options Development;
* Final Options Development; and
* Approval Process.

The decision to proceed with the High-Level Design was unanimously agreed by the Modifications Committee at [Meeting 32](http://semopub/Meetings/Meeting%2032%20Minutes.doc) on 25 November 2010. The SEM Committee subsequently issued a [Decision Letter](http://semopub/MarketDevelopment/ModificationDocuments/SEMC%20Approval%20Letter.pdf) to the Modifications Committee on 04 March 2010 approving:

* The implementation of an Intra-Day trading solution for SEM as outlined in the High Level Design;
* The Central Market System changes which are required for Intra-Day Trading which will commence in tandem with Modification Committee discussions on the required drafting changes to the TSC. All changes to the TSC will be subject to a final Modifications Committee vote and subsequently approved or otherwise by SEMC, as is the normal process; and
* The timeframe for roll out of the Intra-Day solution for SEM being mid 2012.

Working Group 1 – 22 April 2010

A background explaining the need for Intra-Day Trading was delivered by the RAs. The Terms of Reference as set out by the RAs was presented to the group. A presentation by the RA Chair followed outlining the high level issues for consideration by the group to include:

* Definition of ‘Intra-Day’;
* Timing and number of Gate Closures;
* Explicit or Implicit Auctions (or both);
* UIOLI or UIOSI;
* Auctions for part or full day; and
* Price affecting or Constraints Payments.

Discussion centred on the above points but also included questions related to compliance with Congestion Management Guidelines, SO-SO Trades, trade and price fixing, reallocation of Capacity and Constraints, multiple MIUNs, information for Traders and the impacts on other generators.

A number of actions were allocated to various Working Group members for delivery in advance of the second Working Group meeting.

Working Group 2 – 11 May 2010

The outcomes of the action items from the first meeting were considered. Responses to a questionnaire devised by the RAs was delivered at the meeting and feedback from the TSOs and SEMO in relation to systems and resource implications of moving towards later or multiple Gate Closures and Intra-Day trade were also communicated.

The discussions of the Group noted that a number of issues originally raised at the initial meeting remained unresolved, including:

* The lack of an agreed definition of Intra-Day Trading;
* The inability to develop a Congestion Management Guideline compliant solution with an undefined obligation; and
* The lack of sufficient time to consider options.

Key high level principles that could feed into potential solutions were identified including:

* Timing and number of Gate Closures;
* Whether MIUNs from the first Ex Ante run should be protected;
* Preference for UIOLI or UIOSI and auctioning options; and
* Whether all Generator Units should be able to would re-bid in successive Ex Ante runs, or only Interconnector Users.

Concerns around the timing for delivery of the project and delivery of a Modifications Proposal to the Modifications Committee were also noted at the meeting.

Working Group 3 - 15 June 2010

A number of options were presented by Participants, TSOs and SEMO including:

* Group options A:
  + Option 1A – *Unused I/C Capacity Reassignment*;
  + Option 1B – *I/C updated bids*;
* Group options B
  + Option 2 – *Split SEM Day;* and
  + Option SEMO – *Split SEM Day for Interconnector Trading*.
  + Option TSO1 – *Additional Interconnector Trading Opportunities*; and
  + Option TSO2 – *Additional Interconnector Trading Opportunities allowing System Security Actions*.
* Option 3
  + Alignment with EFAs.

The group defined the set of criteria for consideration for assessment of options as price-effecting, discrimination, costs, SEM design, system security, market benefit and compliance.

The TSOs agreed to seek legal opinion regarding compliance of the options put forward. The TSOs and SEMO agreed to impact assess options that satisfy CMG. Three options were impact assessed, the first two of which received a detailed impact assessment, while the third option received a high-level impact assessment.

Working Group 4 – 19 August 2010

SEMO and the TSOs circulated a summary to Participants detailing the *Options for Impact Assessment* following the third meeting. Participant feedback was incorporated and a final version was published prior to proceeding to high-level Impact Assessment by the TSO and SEMO. Following Modifications Meeting 29, the RAs published a note on *Compliance with the Congestion Management Guidelines and Impact Assessment of Intra-day Options*. This resulted in a discontinuation of assessment of Group Options A. The naming convention of options for impact assessment was changed in advance of the fourth Working Group meeting as follows:

* *Group B options* designated as *Option Group 1*
* *Participant Option 3* designated as *Option Group 2*

The fourth Working Group meeting saw a number of presentations detailing the high-level impact assessment results and future legislative requirements driving the development of the Modification. The group agreed at the meeting to proceed with an agreed preferred *Option Group 1.*

There was widespread recognition amongst Working Group participants that there remains significant work ahead to develop a final proposal for the Modifications Committee by Q4 2010.

Conference Call 1 – 03 September 2010

The first conference call addressed the responses to Participant feedback including:

* Preferred WD1, EA1 and EA2 Gate Closure times;
* Moyle suggestion of making allocations in first part of Trading Day firm from EA1 and only opening up unused capacity for the second half of the Trading Day for EA2; and
* Mitigation issues.

A number of actions were placed on various parties for completion in advance of the fifth Working Group meeting.

Conference Call 2 – 23 September 2010

Updates were provided by both SEMO and the TSO in relation to:

* Construction of PQ Pairs for Interconnector Units; and
* Proposal by the TSOs to include additional Generator technical characteristics in the MSP software as part of Intra-Day Trading.

Working Group 5 – 05 October 2010

An update on the design discussions and the progress arising from the two conference calls was presented by SEMO. A Participant presentation on UIOLI and UIOSI was delivered following circulation of a discussion paper put forward by SSE Renewables in association with Mutual Energy, in advance of the meeting. The TSOs presented the RCUC process and an update on the Impact Assessment carried out to date.

The meeting included a debate on protection of MIUNs and discussion regarding whether protection should be optional and could be facilitated in the context of superposition. Participants questioned the requirement for a 90 minute Market Production Schedule. Agreement was reached among the group to proceed with a working assumption of Option 2 Gate Closure timelines as presented at the meeting.

Conference Call 3 – 26 October 2010

SEMO provided a recap of the outcomes of Working Group 5 and an initial draft of presentation slides for Working Group 6. Participants were asked to consider options outlined in slides and revert with preferred options to progress on a number of items including:

* Superposition versus Protection;
* Data Transaction Contingencies;
* MSP Software Run Contingencies;
* Trading Windows and Optimisation Time Horizons; and
* Credit Management.

Both SEMO and the TSOs provided an update on the timelines associated with the production of the Market and Operational Schedules respectively. Participants requested that SEMO provide clarity on various aspects presented for Working Group 6.

Working Group 6 – 02 November 2010

Unanimous agreement was reached by the group to progress a number of working assumptions as presented by SEMO, including decisions on:

* Superpositioning versus protection;
* MSP Software Run Contingencies;
* WD1 Trading Window Options; and
* Credit Cover for Interconnector Units (with some additional work required).

A number of actions were placed on SEMO and Participants following the discussion and there was agreement to proceed with a number of working assumptions.

Conference Call 4 – 12 November 2010

A brief overview of the progress from the sixth Working Group was communicated. SEMO provided an overview of the draft presentations for discussion at Working Group 7 covering Data Transaction Contingencies: Active Capacity Holdings and Credit Risk Management. The TSO discussed the security issues associated with Intra-Day Trading and outlined the options available to manage the security issues.

Working Group 7 – 16 November 2010

The seventh Working Group meeting saw agreement by the group to progress a working assumption relating to credit cover presented by SEMO, and two actions placed on SEMO and the TSOs, including discussions on:

* Data Transaction Contingencies: Active Capacity Holdings
* Credit Cover for Interconnector Units
* TSO Security Options

It was communicated at Modifications Committee Meeting 32 that it was expected that a recommendation would be made to the SEMC regarding the High-Level Design developed by the Working Group and decision from the SEMC regarding whether further detailed work on design and project planning should be carried out.

Conference Call 5 – 12 November 2010

The fifth Conference Call was called to enable participants to seek clarification on any issues relating to the Intra-Day Trading High-Level Design Document in advance of Modifications Committee Meeting 32 where a decision was required on the High-Level Design. A number of questions and clarifications were raised by Participants and addressed by both SEMO and the TSOs.

## Phase II – Detailed Design 2011

[Phase II](http://semopub/MarketDevelopment/IDT/Pages/Intra-DayTradingPhase2.aspx) of the project *Detailed Design* was progressed over four Working Group meetings and three Conference Calls and was completed in Q4 of 2011. SEMO developed the drafting of the Intra-Day Trading Detailed Design in line with the principles previously established in the High-Level Design. The Detailed Design was split into three functional group topics and a Plain English Document accompanied each group:

* Functional Group 1: Registration and Participant Submissions;
* Functional Group 2: Other Data Transactions and MSP Software Operation; and
* Functional Group 3: Settlement and Credit Risk Management.

The final drafting of [Mod\_18\_10\_v2](http://semopub/MarketDevelopment/ModificationDocuments/Mod_18_10_v2.docx) Intra-Day Trading was presented to the Modifications Committee at Meeting 39 with a [legal review report](http://semopub/MarketDevelopment/ModificationDocuments/Legal%20Review%20Report.zip) provided by McCann Fitzgerald regarding the drafting changes proposed. [Mod\_34\_11](http://semopub/MarketDevelopment/ModificationDocuments/Mod_34_11.docx) Transition to SEM Intra-Day Trading was also presented to the Committee at the Meeting. It set out the transitional arrangements necessary to ensure the smooth transition of the Trading and Settlement Code in its implementation of the enduring SEM Intra-Day Trading provisions. Both proposals were Recommended for Approval by the Modifications Committee at the Meeting.

Working Group 8 – 10 May 2011

The pack for Functional Group 1 *Registration and Participant Data Submission* was issued to Participants two weeks in advance of the Working Group. SEMO presented both a recap and design slides accompanied by a plain English document with an explanation of the changes. Functional Group 1 detailed T&SC changes to:

* Interconnector Unit Participation Fees;
* Interconnector Unit Initial Credit Cover;
* Participant Data Submissions;
* Introduction to Offer Data;
* Commercial Offer Data;
* Technical Offer Data;
* Default Data / Starting Gate Window Data;
* Registration Data; and
* Application of the Trading Day Exchange Rate to Offer Data.

A number of questions were raised relating to various sections. Participants were given two weeks to respond to SEMO with comments related to the pack.

Working Group 9 – 29 June 2011

Functional Group 3: *Settlement and Credit Management* was circulated to Participants in advance of the meeting along with a worked example of the Appendix P drafting, describing each step of the process for a single Interconnector Unit. A number of T&SC and AP changes were presented covering changes:

* Prior to Gate Window Closure
* Post Gate Window Closure
* Post MSP Software Run or Cancellation

A number of queries in relation to various modified sections of the Code were raised at the meeting. SEMO again provided Participants with a comments spreadsheet to facilitate Participant feedback on the proposed changes.

Extraordinary Conference Call – 09 September 2011

An Extraordinary Conference Call was held to allow the Modifications Committee consider using the legal support with McCann Fitzgerald to assess the drafting changes for Intra-Day Trading. The Modifications Committee approved the appointment of McCann FitzGerald to undertake the legal review.

Conference Call 7 – 14 September 2011

SEMO issued slides and an example of the Appendix P provisions in advance of the call. Responses to Functional Group 3 feedback was also discussed on the call. SEMO identified an issue with the calculation of Interconnector Unit Traded Exposure, advising that the equation needs to be amended to fill the gap around Capacity Traded Exposure. SEMO were auctioned to raise a separate Modification Proposal to address the EEP/ECP calculation.

Working Group 10 – 30 September 2011

The main focus of the meeting was the Functional Group 2 *Other Data Transactions & MSP Software* pack*.* Topics covered during the meeting included:

* MSP Software Runs and Cancellation
* Treatment of Energy Limited Units
* Other Data Transactions
* Publications and Reports
* Required Credit Cover Query

A number of actions were placed on both SEMO and Participants at the meeting. Participants were given a two week submission deadline for comments related to Functional Group 2.

Working Group 11 – 10 November 2011

A full drafting pack was circulated in advance of the meeting inclusive of all three functional group changes. The 11th Working Group meeting focused on addressing open actions, Participant comments on the Functional Group 2 drafting, the Modification Legal Review and the Transitional Provisions associated with Intra-Day Trading. A suggested date of 16 November 2011 was agreed as the submission date for final comments on the full drafting pack to allow sufficient time for the Modification Proposal to be submitted in advance of Meeting 39.

Conference Call 8 – 29 November 2011

A final Conference Call addressed the Participant feedback received regarding the material presented at Working Group 11, specifically comments relating to COD for Interconnector Units in the Ending Overlap Optimisation Period (EOOP) for WD1.

# 6 Impact on other Codes/Documents

N/A

# 7 Impact on Systems and Resources

The proposal has a large impact on the Market Operator systems. The MO impacts and associated resource requirements were previously considered and [approved by the SEM Committee](http://www.allislandproject.org/GetAttachment.aspx?id=73dae714-d2ae-4be8-b469-541ca94f6152). The project costs were published by the RAs on 26 September 2011. The proposal is also expected to incur large changes for participant systems. A [Participant Engagement plan](http://semopub/Publications/General/SEM%20R2.0.0%20(IDT)%20-%20Participant%20Engagement%20Plan-%20v1.0.pdf), giving an overview of some of the effects on Participant systems was communicated to Participants by SEMO IT.

# 8 MODIFICATION COMMITTEE VIEWS

Meeting 27 – 30 March 2010

The proposal was presented by the RAs as one option for addressing Intra-day Trading. The RAs stressed that it was one option but that the intention was to establish a Working Group to assess all options. The RAs outlined a work plan for delivery and a number of Working Group meetings were held to develop the proposal, to facilitate a Modifications Committee decision in quarter 3 of 2010 and a SEMC Decision in quarter 4 of 2010. There was some confusion among the Members regarding the meaning of the wording ‘Intra-day Trading’ in the context of the proposal. There was discussion among Participants in relation to the scope of work required to deliver a result. The RAs indicated there were a number of work streams addressing various related issues, which should not form a major part of the work for this proposal.

A number of Participants at the Meeting stressed the need for a Terms of Reference (ToR) wide enough not only to meet legislation requirement but also facilitate trade and optimise the use of the future Interconnectors and that it was fundamental that the final option would achieve value for money. An observer from Moyle Interconnector Holdings Ltd. commented that the establishment of Intra-Day Trading arrangements alone would not increase Interconnector trading and that other barriers to trade needed to be considered.

An SO observer stressed the importance of developing a ToR that facilitates the development of more efficient Interconnector trading arrangements and that achieving compliance with congestion management guidelines would be an important first step. An observer questioned the current arrangements regarding TSO trading on the Interconnector. They commented on benefits in the past before the SEM where PPB would procure energy on behalf of SONI. With the implementation of the SEM this is no longer possible.

Meeting 28 – 25 May 2010

RA alternate provided the Committee with an update of the first two Working Groups. Participant questionnaires were circulated after the second Working Group to allow Participants to develop options/feedback, with all responses available on the SEMO website. Concern was raised by Participants with regard to the lack of a definition for Intra-Day Trading. Participants believed the absence of a definition is a barrier for them to develop options for the Working Groups. There was discussion around the Working Group agreeing high level options. Committee Members agreed that options need to be progressed at Working Group 3 in order to progress the Modification. RA Alternate advised that this is one of the first significant changes to the market since go-live resulting in a lot of debate at the first two Working Groups.

A suggestion was put forward by an observer from Mutual Energy that an additional Working Group would be necessary between June 15th (WG3) and July 20th (WG4) to pin down options and allow for drafting to begin after the fourth Working Group. Four weeks between Working Groups was considered sufficient time for the TSO and SEMO to progress work. Confusion was voiced by a Generator Member regarding what the actual objective of the Working Group is: compliance and congestion management, or does the scope extend beyond that? Risk of not delivering on time if scope is too wide. Observer from Mutual Energy raised the issue of two directional flows. Questioned if this work stream is dealing with superposition, a work stream that may involve a large amount of work comparable to that involved for Intra-Day Trading itself.

RA Alternate confirmed the issue was raised at one of the Working Groups and will be addressed by the Intra-Day Trading Working Group. Committee agreed that the third Working Group must provide a high level solution or a set of options for SEMO and the TSOs to IA.

Chair pointed out that the only way the Committee can progress a topic is via a proposal. The Working Groups build on options from scratch to build business objectives for the market. Suggestion that the Committee should be involved at an earlier stage in order to feed into possible developments earlier in the process.

Meeting 29 – 29 July 2010

SEMO advised that Impact Assessments were underway with the vendor, results were not expected to be available one week in advance of the Working Group scheduled for August 12th as requested. Committee Members suggested the Working Group is delayed by one week to allow Participants to review the Impact Assessment results. SEMO proposed that a conference call may take place in advance of the Working Group if considered helpful. Attention drawn to timeline for implementation of a solution, concern that the timeline for delivery of a preferred solution is too tight. Compliance Management Guidelines (CMG) were the main driver behind the timeline.

RAs raised the issue of an infringement letter received from EU requesting rectification of issues within two months. (Two additional gate closures, one extra on D-1 and D). Generator Member requested the RAs publish the letter. Generator Member noted that it is the Modifications Committee that will decide on the preferred proposal.

Meeting 31 – 30 September 2010

Committee was satisfied that the update on Intra-day Trading will be forthcoming at the Working Group meeting scheduled the following week.

Meeting 32 – 25 November 2010

SEMO presented the Intra-Day Trading High Level Design that had been developed with Participants through the seven Working Groups. SEMO thanked Working Group Members for their continued engagement throughout the process. SEMO was commended by the Committee for the work that had been carried out to date. SEMO IT outlined an indicative timeline for delivery of the High Level Design. Generator Member expressed concern about the impact Intra-Day Trading will have on other Modifications requiring CMS changes.

SEMO IT outlined possible options:

* Cancel the October 2011 release as this reduced complexity, risk, cost and the delivery time frame;
* Cancel the October 2011 but incorporate other changes into the Intra day release workstream; and
* Proceed with the October 2011 release.

The first option would be the preferred option from a SEMO IT perspective as the second and third options would have increasing impact on cost, complexity, risk and delivery schedule. SEMO IT emphasised it was for the Modifications Committee, subject to the views of the SEM Committee, to decide which changes should be prioritised. The Chair emphasised the importance of this High Level Design being seen as a first step to greater alignment with neighbouring markets and expressed concerns regarding the constraints that Market Participants had placed on the High Level Design with regard to office hours etc. A Generator Member noted that these constraints were based on gas market liquidity and not necessarily office hours.

The Chair emphasised that a commitment to accommodating future developments would be an important factor in their support of the High Level Design. SEMO Member stated that providing additional Gate Closures in the future would depend both on SEMO and TSOs’ experience operating the proposed High Level Design and that this would be an important initial step. An EirGrid representative agreed that experience of operating with Intra-Day Trading in place will allow for further investigation into the possibility of introducing additional Gate Closures in future.

Compliance with the Congestion Management Guidelines was identified by a Supplier Member as one reason behind implementing Intra-Day Trading. An observer questioned the efficiency of the process considering the High Level Design is not encompassing all the issues such as TSO security concerns.

EirGrid observers commented that it had been agreed to continue to develop the proposed High Level Design and deal with TSO concerns separately. Supplier Alternate requested that Participants continue to be included in the developments of the TSO Security Options. Supplier Member queried the timelines to deliver the detailed design. SEMO IT confirmed they were working towards completing the detailed design by the end of February based on the current High Level Design. The Chair noted that the detailed design will have impacts on Participants’ businesses and highlighted the importance of ensuring Participants continue to be involved throughout the process. Supplier Alternate also emphasised the importance of keeping Participants involved in the design process and committed to providing the necessary resources.

The Chair raised concern around the divergence from the process for delivering Modifications as defined in the Code. RA Member acknowledged the change from normal process and suggested that the Code requirement may need to be re-examined in light of this. Generator Member suggested that lessons could be learned regarding the efficiency of the Working Group process especially in relation to difficulties experienced early on in agreeing on the definition of “Intra-Day”. The importance of coordinating with other policy developments was also highlighted.

Supplier Member sought clarification around the access rules developments. EirGrid observer confirmed that work is being progressed and it is expected that a draft paper will be submitted to the RAs in December and a consultation run thereafter in Q1 2011. A number of the Committee members expressed their satisfaction with the High Level Design as being fit for purpose. Endesa observer expressed their support of the High Level Design as a hugely positive development and that if they had a vote, they would vote to approve it. The Committee unanimously agreed that SEMO should proceed with the proposed High Level Design subject to inclusion of concerns raised during the discussions in the submission to the SEMC.

Meeting 33 – 01 February 2011

The Regulators advised that a paper would be brought to the SEM Committee at the next meeting on the 2nd March, where a decision will be made on whether or not the Modification will be progressed further. SEMO advised that they are finalising the costing (such as system and enduring costs) with the vendors this week. SEMO advised that since the last Mods Meeting, they had developed several iterations of requirements specifications with the vendors.

SEMO presented options on how the Intra-Day Trading Modification could be developed. SEMO recommended that a functional grouping approach be adopted, and advised that a “Plain English” document would be developed to accompany each Proposal. SEMO proposed 4 additional Extraordinary Meetings to be scheduled throughout the year in accordance with AP12.

The Chair questioned why SEMO saw a need for several Modification Proposals. SEMO stated that various options have been looked at, such as one single Modification Proposal, however due to the extensive size of the Modification it was felt that the functional grouping method would be the most efficient approach. A Generator Member noted how there may be inconsistencies present with the functional grouping approach as one proposal may be approved with the others rejected. SEMO advised that the principle of the proposals would already have been discussed and the design approved by the voting stage, thus this problem should not present itself at the voting stage.

Discussion ensued regarding whether Working Groups or Extraordinary Meetings would be more effective for finalising the design. It was decided by majority that Working Groups with one Modification Proposal would be a more coherent approach, as finalising and discussing the design is not typically a voting activity. SEMO suggested a Terms of Reference with a clearly defined scope be developed for each Working Group Meeting.

Meeting 35 – 05 April 2011

SEMO reiterated that, as was decided at a previous meeting, all Intra-Day Trading Working Groups should proceed as quorate meetings in the same fashion as Modifications Committee Meetings. SEMO representative presented a summary of changes the Intra-Day Trading Modification will bring to the market.

SEMO stated that a single Modification Proposal would be presented to the Modifications Committee later in 2011. It was proposed that the Working Groups would be arranged into three functional groups:

* Registration and Submission
* Data Transactions and MSP Software
* Settlement and Credit Management

The Chair queried the costs of the Modification Proposal. RA Alternate stated that the benefits will be published by the week ending 08th April on AIP website, with the publication of costs in thereafter. RAs stated that a Poyry paper on Day Ahead presents options on how to approach future changes and that it is necessary for the RAs to engage with the Market Operator to ascertain whether these options are feasible. Discussion arose regarding publication of Poyry Day-Ahead paper with Generator Member stating this information should be made available well in advance of the impending Working Group and suggested a cut-off of April 26th. The Chair expressed concern regarding the lack of involvement of market participants with decisions regarding the development of the proposal. This concern was echoed by Generator Member.

NIAUR Alternate stated that the RAs are considering their views on various options and have not published any reports as yet as they want to ensure no confusion or disruption occurs in the market. The Chair questioned whether it would be possible to publish the Poyry paper as a discussion paper in an effort to engage participants. NIAUR Alternate stated this idea would be considered further. Generator Member questioned as to who are the central decision makers in this process. RA Alternate stated that is the SEM Committee and an update would be provided at the next Working Group.

Supplier Alternate queried as to how Intra-Day Trading would fit in with Day Ahead and Market Coupling. SEMO emphasised that flexibility and configurability, insofar as is practical, are integral to the Intra-Day design to cater for future market changes. Generator Member stated that Day-Ahead and Within-Day Markets must be linked in order to be effective, and that developing Intra-Day before Day-Ahead is progressing in an incorrect order. SEMO stated that the Day-Ahead target model still has to be defined and that most other markets already meet the Intra-Day criteria, whereas the SEM currently does not. SEMO stated that those markets designed as Day-Ahead markets with Day-Ahead facilities as their structure, whereas SEM has an Ex-Post market design.

Generator Member noted that the first four Intra-Day Trading Working Groups were consumed by endeavouring to define what Intra-Day Trading was when the RAs had a paper on the definition, and reiterated that participants should have more involvement in design. NIAUR Alternate stated that it is ACER who are determining the Framework Guidelines at present and this will have to be finalised through detailed Network Codes (by TSOs) before becoming legally binding. Supplier Alternate stated that regarding policy, Participants should be involved in the discussions rather than simply implementing the changes. Further added that SEMO is an agent of market Participants, therefore there is some discrimination between market Participants and the Market Operator. Supplier Alternate sought clarification that Intra-Day Trading can work with a Day-Ahead market. SEMO verified that this is feasible.

Meeting 36 – 09 June 2011

SEMO Member provided an update on the progress of the modification drafting and detailed design. SEMO advised that FG1 comments received from Participants would be addressed in parallel to developing FG3, “Credit Risk and Settlement” and Functional Group 3 documentation would be circulated to Participants on 14th June prior to the next Working Group on June 29th. RA advised that the Poyry Paper would be published in the near future.

Suppler Alternate questioned if it would be useful to have a standing agenda item for Meetings specifically to cover various forums, consultations and industry meeting updates. RAs advised that a group was being established to address this area as it is outside the remit of the Mods Committee as agreed at the second Working Group on Mod\_05\_11.

Chair questioned if there was a possibility of designating an area on the SEMO website for Intra-Day Trading. Secretariat advised that a project page was being developed on the Market Development section of the SEMO website where various large projects such as Intra-Day Trading will be assigned a page. Similar comment was made with regard to the AIP website and storage of documentation on various projects.

Meeting 37 – 09 August 2011

SEMO Member advised that 130 comments were received from Regulatory Authorities and Participants regarding FG3 (Functional Group 3) “Settlement and Credit Risk Management”, and that these comments would be listed on the spreadsheet when circulated to Participants. SEMO Member stated that Working Group (WG) 10 which would cover FG2: *Other Data Transactions & MSP Software* had been rescheduled to Tuesday September 27th 2011.

SEMO Member queried as to whether Participants would be in favour of holding a conference call before the next WG to discuss FG3 feedback. Participants agreed that a conference call in advance of WG 10 would be beneficial, with September 14th being agreed as the date. Supplier Alternate voiced discontent at Intra-Day trading process expressing the view that Participants currently have minimal input into the design and that receiving responses from SEMO regarding their comments is insufficient. Supplier Alternate further stated that it was not satisfactory to only have participation during the WGs and suggested an idea of utilising weekly conference calls to further involve Participants in the process.

SEMO explained that it is not feasible to discuss every issue with Participants due to time constraints and further stated that SEMO are doing everything within their remit to ensure that Participants are as involved in the process as possible. Supplier Alternate queried as to whether Participants can trust that the Detailed Design aligns with the previously agreed High-level Design. Supplier Alternate further stated that what is seen as the best solution for the system from SEMO’s point of view may not be conducive to Participant’s point of view. SEMO explained that the design is not done from SEMO’s point of view but that the CMS (Central Market Systems) implementation is governed by the technical architecture of the CMS and that SEMO seeks the best technical and most cost-effective solution in conjunction with the CMS vendor. Supplier Alternate queried as to whether it would be possible to have an additional single interface in an effort to aid further Participant involvement? Generator Member stated that a conference call every week could result in bureaucratic disorder and felt that the process is progressing well, thus saw no need to change the process. Generator Member queried as to whether the comments received are taken into account by SEMO. SEMO Member confirmed that where appropriate, the comments are included in the design and where not, an explanation is given in the response spreadsheet. Generator Member commented that any issues arising now with regard the Intra-Day Trading design process may provide lessons to be learned for impending future projects. The Chair suggested to defer the issue and further discuss it at the conference call on September 14th. Supplier Member stated that the Modifications Committee is the governing body of the WGs on Intra-Day Trading, thus if Participants are unhappy with the process, it should be discussed at the Modifications Committee Meeting. Supplier Member expressed the view that the WGs are very specific, and questioned as to whether there is a possibility for more direct involvement of Participants.

Generator Member put forth a suggestion of having the vendors present their ideas directly to the Modifications Committee. Generator Alternate suggested holding more Participant workshops with both Participants and vendors to ensure compatibility with Participant systems. Supplier Alternate stated that Participant training when the design has already been decided would be too late. SEMO Member advised that SEMO IT held a successful workshop on August 3rd, and that the planned future workshops will be an additional communication forum in which Participants can engage. RA Member advised that the current process is extremely inclusive of Participants and that more Participant engagement would not be conducive to allowing SEMO successfully continue delivering the project. RA Member also expressed concern regarding the lack of engagement by some Participants regarding the process and re-iterated that it is absolutely essential that this project is completed. Observer questioned whether it was possible to have a parallel workstream for additional Participant suggestions. SEMO advised that SEMO is always open to suggestions, however reiterated that they are constrained by vendor capacity in what can be done within the project timeline.

Meeting 38 – 11 October 2011

SEMO Member updated Participants on what was presented in Working Group 10 and reminded them of the closing date for submission of comments on FG2: *Data Transaction & MSP Software* and for the Working Group 10 report, which was COB 11 October 2011. SEMO Member stated that the legal review report from McCann Fitzgerald would be presented to the Modifications Committee on the 22 November 2011. Working Group 11, the final Working Group of IDT Phase II was provisionally scheduled for 10 November 2011. SEMO would advise of the date when confirmed.

Meeting 39 – 06 December 2011

MO Member presented a history of the development of the project and a high level recap of the changes proposed in the alternative version of the proposal.

The Chair drew attention to the Minutes of Meeting 32 where the High Level Design was approved by the Committee, noting that the Committee were asked to vote without any indication of the costs associated with implementation of the project. The Chair further added that the nature of the design developed has resulted in a significant increase in implementation costs for SSE.

The Chair called for views from around the table with regard to the effectiveness of the process noting that the Modifications process was not followed from the outset of the project. RA Member advised that the process at that time did not accommodate raising a detailed proposal for discussion at a Working Group. RA Member felt this issue has since been remedied with the introduction of a new proposal form that allows for the absence of legal drafting changes, allowing a Working Group to be established to develop the detail.

The Chair voiced concern that the High Level Design was agreed as a working assumption, with Participants requesting to be involved in the detailed design process. In this context, the Chair questioned whether Participant concerns were adequately addressed in the detailed design and asked how lessons from this process would be learned for future projects.

Supplier Member stated that Participants were mindful of the requirements of the Congestion Management Guidelines but found the deadline a constraint, having the design finalised before working groups was not ideal. Endesa Ireland observer felt that the benefits to Participants and customers may not be reflected in the cost, however acknowledged that infringement issues had to be addressed. RA Member added that the design that emerged from the Working Group process came from Participants. RA Member agreed that it is not an ideal situation to have the systems changes happen in parallel with drafting of the proposal.

The RA Member drew attention to the fact that Participants voted to approve the High Level Design and it was never the intention to revisit the High Level Design in phase 2 (implementation) of the project. RA Member added that if anything fundamental had arisen, it would have been remiss of the RAs to not elevate that, but nothing fundamental did arise. RA Member concluded by saying hard work needs to be commended, the process has been inclusive and Participants did involve themselves in it, there are lessons to be learned and the Modifications Committee views included in the FRR will be considered by the SEMC.

Chair added a final comment regarding the cost, stated that the estimated cost of €20m was a substantial amount to spend on the project and it would have been of benefit if the option to revisit the high-level principles existed in an effort to attain a cheaper solution.

# 9 Proposed legal drafting

## Additional Drafting Changes post Modifications Committee Meeting 39

As part of a review of the two SEM Intra-Day Trading Modifications (Mod\_18\_10\_v2 and Mod\_34\_11) required for the development of the Final Recommendation Reports (FRR), SEMO has identified some additional legal drafting changes.

These changes are non material, enhance the clarity of the drafting and are consistent with the approved High Level Design. The proposed changes have been legally reviewed by McCann Fitzgerald. It is proposed to include them within this FRR if the Modifications Committee agree with this approach. Alternatively SEMO would be happy to raise a separate modification.

The following table describes each of the proposed changes and the associated changes to the legal drafting (with amendments or additions shown as tracked changes).

| **Explanation** | **Proposed Legal Drafting** |
| --- | --- |
| The legal drafting needs to define the Trading Window for EP1/EP2 runs, to be the entire Trading Day. This is achieved via the inclusion of two additional rows in Table 4.2 (paragraph 4.3B). | |  |  |  | | --- | --- | --- | | EP1 (Ex-Post Indicative) | Trading Period commencing at 06:00 on the Trading Day | Trading Period commencing at 05:30 on the day on which the Trading Day ends | | EP2 (Ex-Post Initial) | Trading Period commencing at 06:00 on the Trading Day | Trading Period commencing at 05:30 on the day on which the Trading Day ends | |
| The definition of SOOP needs to be amended to allow for the fact that the SOOP for WD1 MSP Software Runs begins at the Trading Period labelled 18:00. | *“means, for any given Optimisation Time Horizon and the associated run of the MSP Software, that part of the Optimisation Time Horizon that occurs prior to the corresponding Trading Window”* |
| The current drafting does not specify that for Interconnector Units registered in Northern Ireland, ECPI must be converted to a Sterling value before being used in the calculation of offered exposure and traded exposure. | *6.200F For each Interconnector Unit that is registered in a Currency Zone for which euro is not the Currency, the value of Estimated Capacity Price for Interconnectors as determined in accordance with paragraph 6.200E shall be converted by the Market Operator in accordance with paragraph 6.10 to a value in the Currency that is relevant to the Currency Zone in which the Interconnector Unit is registered.*  *9.13A For each Interconnector Unit that is registered in a Currency Zone for which euro is not the Currency, the value of Estimated Capacity Price for Interconnectors as determined in accordance with paragraph 9.13 shall be converted by the Market Operator in accordance with paragraph 6.10 to a value in the Currency that is relevant to the Currency Zone in which the Interconnector Unit is registered.*  Paragraphs P.12, P.31 and P.32, where clause 3:   1. *ECPIh is the Estimated Capacity Price for Interconnectors in Trading Period h, as determined in accordance with paragraphs 6.200E and 6.200F.*   Paragraphs 9.24 and 9.25, where clause 3:   1. *ECPIh is the Estimated Capacity Price for Interconnectors in Trading Period h, as determined in accordance with paragraphs 9.13 and 9.13A.*   Glossary Definitions and variables table (Section 9 and Main Glossary):   |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | | *Estimated Capacity Price for Interconnectors* | | *means the price, determined by the Market Operator in accordance with paragraphs 6.200A to 6.200F, for use in the calculation of Interconnector Unit Capacity Offered Exposure and Interconnector Unit Capacity Traded Exposure for Interconnector Units.* | | | | | *Estimated Capacity Price for Interconnectors* | *ECPI* | | *h* | *€/MWh or £/MWh* | *Estimated Capacity Price for Interconnectors.* | | |
| The legal review proposed terminology in respect of Commercial Offer Data and Technical Offer Data being submitted “during a Gate Window”. This change aligns with the recommended terminology. | *4.20 Each Participant shall ensure that the Technical Offer Data submitted during any Gate Window in respect of each of its Generator Units shall include a Hot Cooling Boundary and a Warm Cooling Boundary, each of which is applicable to each Trading Period in the Trading Day and such that the Warm Cooling Boundary shall be greater than or equal to the Hot Cooling Boundary.”* |
| As part of the development of the design for SEM Intra-Day Trading, Participants and the Regulatory Authorities advised that various items should not be published until after the corresponding Trading Day. These items included Interconnector Unit Nominations (IUNs) and Modified Interconnector Unit Nominations (MIUNs).  Following Participant comments, it was agreed to revert to the original publication timelines; however, this is not reflected in the current drafting for the provision of reports containing IUNs following each MSP Software Run.  As a result, the drafting needs to be amended such that these reports are “Member Private” (i.e. to a Participant only in respect of their Interconnector Units).  In addition, the current drafting does not include the provision of MIUNs following each MSP Software Run, to Participants in respect of their Interconnector Units (i.e. Member Private). | |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | *Publication / Data Report Name* | *Class* | *Timing* | *Subscript* | *Available via MPI* | *Confidentiality* | *Validity* | | *Interconnector Unit Nominations* | *E* | *By 11:00 on the day prior to the Trading Day* | *uh* | *Y* | *Member Private* |  | | *Interconnector Unit Nominations* | *F* | *Daily, by 13:00 on the day prior to the Trading Day* | *uh* | *Y* | *Member Private* |  | | *Interconnector Unit Nominations* | *G* | *Daily, by 09:30 on the Trading Day* | *uh* | *Y* | *Member Private* |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | *Publication / Data Report Name* | *Class* | *Timing* | *Subscript* | *Available via MPI* | *Confidentiality* | *Validity* | | *Modified Interconnector Unit Nominations* | *E* | *By 11:00 on the day prior to the Trading Day* | *uh* | *Y* | *Member Private* |  | | *Modified Interconnector Unit Nominations* | *F* | *Daily, by 13:00 on the day prior to the Trading Day* | *uh* | *Y* | *Member Private* |  | | *Modified Interconnector Unit Nominations* | *G* | *Daily, by 09:30 on the Trading Day* | *uh* | *Y* | *Member Private* |  | |
| Two defined terms that were included in the submitted drafting but are not in the Code need to be removed. | |  |  | | --- | --- | | *MIUN Calculator* | *means the software used by the Market Operator to determine the Modified Interconnector Unit Nominations and Interconnector Dispatch Schedule.* | |

# 10 LEGAL REVIEW

A legal review of the alternative version of the proposal was conducted by McCann Fitzgerald prior to submission. A report was delivered to the Modifications Committee following completion of the review. See reference documents of this report for a link to the report. The legal review by McCann Fitzgerald also incorporates the additional legal drafting identified by SEMO post Meeting 39.

# 11 IMPLEMENTATION TIMESCALE

It is proposed that the Modification be implemented on a Trading Day basis with an effective date in line with the 11th Scheduled Release.

# Appendix 1: Modification proposal

## Mod\_18\_10\_V2 Intra-Day Trading

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **MODIFICATION PROPOSAL FORM** | | | | | |
| **Proposer**  *(Company)* | **Date of receipt** | | **Type of Proposal** | | **Modification Proposal ID** |
| Regulatory Authorities | 22 November 2011 | | Standard | | Mod\_18\_10\_v2 |
| **Contact Details for Modification Proposal Originator** | | | | | |
| **Name** | | **Telephone number** | | **Email address** | |
| Regulatory Authorities | | 01 4000800 | | srooney@cer.ie | |
| **Modification Proposal Title** | | | | | |
| SEM Intra-Day Trading | | | | | |
| **Documents affected**  *(delete as appropriate)* | | **Section(s) Affected** | | **Version number of T&SC or AP used in Drafting** | |
| T&SC  AP | | Sections 2, 3, 4, 5, 6  Appendices D, E, H, I, J, K, N, P  AP 1, 2, 4, 6, 9, 10, 11, 13, 17 | | 10.0 | |
| **Explanation of Proposed Change**  *(mandatory by originator)* | | | | | |
| Driver for Change Regulation 714/2009 of the European Parliament and Council sets out the general principles of congestion management (Article 16), together with guidelines on the management and allocation of available transfer capacity of interconnectors (Annex 1).  In order to ensure that the SEM rules comply with these guidelines, it will be necessary for the SEM to include:   * mechanisms for Intra-Day congestion management of Interconnector capacity, in order to maximise trade opportunities and cross border balancing; * allocation of available transmission capacity on D-1 and D after the issuing of the indicated or actual day-ahead production schedules for day D; and * implementation of firm transmission capacity rights for medium and long-term allocations subject to use-it-or-lose-it or use-it-or-sell-it principles at the time of nomination.  History SEM Committee Decision SEM-10-011 ‘SEM Regional Market Integration’ placed an obligation on the Regulatory Authorities to develop a Trading and Settlement Code Modification to facilitate SEM Intra-Day Trading, so as to maximise the use of existing and future Interconnectors’ within-day capacity and comply with the requirements of the Congestion Management Guidelines detailed in Regulation 714/2009.  In response, The Regulatory Authorities presented their ‘Intra-Day Trading’ Modification (Mod\_18\_10) to Meeting 29 of the Modifications Committee on 30 March 2010. This did not seek to be prescriptive in the rule changes to the TSC, but to provide a basis on which the Modifications Committee could develop robust trading rules for the intra-day use of cross border capacity.  As a result, a Modifications Committee Working Group on Intra Day Trading was established to develop the SEM Intra-Day Trading design and associated legal drafting. Its work consisted of two distinct phases:  **Phase I, Development of a High Level Design:** This was presented to Meeting 32 of the Modifications Committee on 25 November 2010. Subject to the SEM Committee’s views, the Modifications Committee determined to ask SEMO to proceed with developing the detailed design based on the High Level Design Summary.  The SEM Committee subsequently issued a Decision Letter on the 4th of March 2011, approving:   * The implementation of an intraday trading solution for SEM, as outlined in the High Level Design. * The Central Market System changes, which are required for Intra-Day Trading and which will commence in tandem with Modification Committee discussions on the required drafting changes to the TSC. * The timeframe for roll out of the intraday solution for SEM being mid 2012.   In its Decision Letter, the SEM Committee also noted that all changes to the TSC will be subject to a final Modifications Committee vote and subsequently approved or otherwise by SEMC, as is the normal process.   |  |  | | --- | --- | | **High Level Design** |  |   **Phase II, Development of legal drafting consistent with the High Level Design.** Following development by SEMO of the legal drafting on behalf of the Working Group and review/discussion at four Working Group meetings (WG8 to WG11), this final modification proposal is being presented at Meeting 39 of the Modifications Committee for its approval.  In order to facilitate the Working Group’s consideration of the proposed changes to the Code, the legal drafting was developed for each of three key functional groups, listed below. For each group, an accompanying “Plain English Document” was developed to provide a guide to the legal drafting.  The functional groupings in respect of SEM Intra-Day Trading are:   * **Functional Group 1** – Registration and Participant Submissions. * **Functional Group 2** – Other Data Transactions and MSP Software. * **Functional Group 3** – Settlement and Credit Risk Management.   The drafting relating to each Functional Group was developed and considered incrementally. Each set of legal drafting has been reviewed by Participants and the Regulatory Authorities. Following a well defined process, all comments received have been addressed by SEMO, which has published responses and discussed matters arising at subsequent Working Group meetings.  In addition, McCann Fitzgerald, as the Modifications Committee’s appointed legal advisors, has undertaken a full legal review of the legal drafting of the Intra-Day Trading Modification, which has resulted in a number of non-material changes to the legal drafting. A report summarising the legal review and the resulting opinion of McCann Fitzgerald is attached below.   |  |  | | --- | --- | | **Legal Review Report** |  | | **Legal Review Schedule 2** |  | | **Legal Review Schedule 3** |  |  Proposed Change The changes to the Code documents associated with SEM Intra-Day Trading are substantial, comprising changes to more than 500 paragraphs/sections in the main body of the Code, Appendices, Glossary and Agreed Procedures.  The legal drafting changes include:   * Bidding to multiple Gate Windows (EA1, EA2 and WD1) for the relevant Trading Day. * Restriction of Interconnector Unit bidding in the EA1 Gate Window to Capacity Holders. * Reallocation of unused Interconnector Capacity to any Interconnector Unit (with no requirement to be a Capacity Holder) in EA2 and WD1 MSP Software Runs. * Different lengths of Trading Window for each Ex-Ante MSP Software Run:   + EA1: entire Trading Day   + EA2: entire Trading Day   + WD1: second portion of the Trading Day * Fixing of Interconnector Unit capacity allocations from EA1 MSP Software Run (MIUNs) in the EA2 and WD1 MSP Software Runs. * Fixing of Interconnector Unit capacity allocations from EA1 MSP Software Run (MIUNs) in the EA2 and WD1 MSP Software Runs. * Changes to Credit Cover arrangements to ensure that the SEM remains as collateralised as possible. * Inclusion of Contingency Data provisions. | | | | | |
| **Legal Drafting Change**  *(Clearly show proposed code change using* ***tracked*** *changes, if proposer fails to identify changes, please indicate best estimate of potential changes)* | | | | | |
| The Modification comprises legal drafting changes to the following documents:   1. TSC Main Body 2. TSC Appendices 3. TSC Glossary 4. Agreed Procedure 1 5. Agreed Procedure 2 6. Agreed Procedure 4 7. Agreed Procedure 6 8. Agreed Procedure 9 9. Agreed Procedure 10 10. Agreed Procedure 11 11. Agreed Procedure 13 12. Agreed Procedure 17   The resulting individual change-marked legal documents are as detailed in the embedded Zip file, below:    All changes to v10 of the Code and associated Agreed Procedures are shown in the above documents, marked as Tracked Changes. Coloured highlighting of the changes indicates to which Functional Group the particular change belongs (FG1: yellow; FG2: no highlighting; and FG3: cyan). This highlighting has been included to assist with review of the legal drafting when using the accompanying Plain English Documents (PEDs). These reference documents summarise all of the changes relating to a particular Functional Group and are included to assist the Modifications Committee in understanding and reviewing the legal drafting.  *Note: The coloured highlighting is not part of the Modification and will be removed. It has only been included to assist with review of the legal drafting using the associated PED.*  The PEDs are attached below:   |  |  |  | | --- | --- | --- | | **Functional Group 1: Registration and Participant Submissions** | **Functional Group 2: Other Data Transactions and MSP Software Operation** | **Functional Group 3: Settlement and Credit Risk Management** | |  |  |  | | | | | | |
| **Modification Proposal Justification**  *(Clearly state the reason for the Modification)* | | | | | |
| As previously discussed and agreed when considering the original Modification Proposal MOD\_18\_10 (March 2010), this Modification is required in order to ensure the SEM’s future compliance with the EU’s Congestion Management Guidelines for Cross Border Trade. It is designed to ensure that the SEM rules comply with the Congestion Management Guidelines set out in Regulation 714/2009 of the European Council and Parliament, which require that:   * Mechanisms for the intra-day congestion management of interconnector capacity shall be established in a coordinated way and under secure operational conditions, in order to maximise opportunities for trade and to provide for cross border balancing (section 1.9); * Successive intra-day allocations of available transmission capacity for day D shall take place on day D-1 and D, after the issuing of the indicated or actual day-ahead production schedules; and * The access rights for long and medium-term allocations shall be firm transmission capacity rights, which shall be subjected the use-it-or-lose-it or use-it-or-sell-it principles at the time of nomination.   In addition, this Modification is necessary in order to fulfil:   * the obligations placed on the Regulatory Authorities by the SEM Committee Decision on Intra Day Trading (reference SEM-10-011) to develop a Trading and Settlement Code Modification to facilitate Intra Day Trading; and * the 4th of March 2011 decision of the SEM Committee to implement an intraday trading solution for SEM, consistent with that outlined in the High Level Design. | | | | | |
| **Code Objectives Furthered**  *(State the Code Objectives the Proposal furthers, see Section 1.3 of T&SC for Code Objectives)* | | | | | |
| This Modification meets the following Trading and Settlement Code Objectives:   * **Code Objective 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”.*   The SEM Intra-Day Trading arrangements developed by the Modifications Committee Working Group provide additional opportunities on both D-1 and D for Participants in the SEM and GB market to access the SEM for the purpose of importing and exporting. As a result, this Modification Proposal facilitates enhanced participation in the SEM, thereby furthering Code Objective 3.   * **Code Objective 4:** *“to promote competition in the single electricity wholesale market on the island of Ireland”.*   In furtherance of Code Objective 4, the provision of Intra-Day Trading arrangements in the Code should serve to facilitate increased competition in the SEM, through greater access to prices in neighbouring markets, and also by permitting registered Interconnector Users to respond to changing conditions, such as wind forecasts, plant outages and demand expectations, post Gate Closure.   * **Code Objective 7:** *“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”*.   This Modification Proposal aims to ensure that all Interconnectors in the SEM are more efficiently utilised, by allowing unused capacity to be reallocated after each Gate Window Closure. Intra-Day Trading therefore promotes the interests of customers through the creation of a more liquid, competitive market with increasing security of supply and in so doing furthers Code Objective 7. | | | | | |
| **Implication of not implementing the Modification Proposal**  *(State the possible outcomes should the Modification Proposal not be implemented)* | | | | | |
| The implications of not developing this Modification Proposal would be the following:   1. Non compliance with legal requirements of European Regulation 714/2009 and the Congestion Management Guidelines contained therein. 2. Failure to implement the SEM Committee’s Decision SEM-10-011 and that in its associated Decision Letter of the 4th of March 2011. 3. Failure to address the more efficient use of Interconnector capacity, through provision of Intra-Day Trading opportunities. 4. Failure to increase arbitrage opportunities for Interconnector trades and higher costs for all-island consumers due to failure to utilise unused interconnector capacity. 5. Failure to develop rules on cross border Intra-Day Trading that may serve as a barrier to competition in the SEM. 6. Potential failure to provide a complement to increased intermittent generation through efficient within day interconnector usage – which could lead to increased costs 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)* | | |
| The Intra-Day Trading Working Group has met on eleven occasions and has conducted eight additional conference calls to develop the High Level Design and the resulting legal drafting. | | | The impacts and associated resource requirements have been previously considered and approved by the SEM Committee. | | |
| ***Please return this form to Secretariat by email to*** [*modifications@sem-o.com*](mailto:modifications@sem-o.com) | | | | | |