



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

17<sup>th</sup> November 2011

Our Ref: D/11/8646

**SEM Committee Decision for the Regulatory Authorities in relation to Mod\_21\_11  
(Recommendation Report FRR\_21\_10\_V1.0)**

Dear Sherine,

On 2<sup>nd</sup> November 2011, the Modifications Committee submitted its Modification Recommendation Report with regard to a Modification Proposal, Mod\_21\_11 (UI Payments for Generator units constrained on) in accordance with paragraph 2.213 of the SEM Trading and Settlement Code (the Code).

This Modification Proposal, proposed by ESB Power Generation, seeks to set the Dispatch Offer Price (DOP) equal to System Marginal Price (SMP) within the Tolerance for Over Generation range for the purpose of calculating Uninstructed Imbalances for Energy Limited Units.

The SEM Committee notes that the Modifications Committee agreed unanimously that the Modification Proposal furthers the Code Objectives “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” and “to ensure no undue discrimination between persons who are parties to the Code”. The Modifications Committee also recommended that that the Modification should be implemented on a Settlement Day basis with the proposed implementation date in line with the next available Central Market Systems scheduled release.

In considering this Modification Proposal the SEM Committee has noted the discussions that have taken place at the Modifications Committee. In particular, within the FRR it is stated that Energy Limited Units must have a DOP=€0; however there is no provision in the Code which requires that DOP for Energy Limited Units must be set equal to zero.

The SEM Committee believes that there is merit in the implementation of this Modification Proposal while recognising that it does treat Energy Limited Units differently from most other Generator Units under the Code. Energy Limited Units are categorised in the Code as Special Units and by their nature are not standard. This difference arises because the majority of generators get paid their relevant bid price for Uninstructed Imbalances within the tolerance range while this proposal would see Energy Limited Units paid SMP for such Uninstructed Imbalances. The SEM Committee notes that the Modifications Committee did consider whether it is appropriate to pay the units SMP and in their deliberations did not conclude on an alternative to this price.

The SEM Committee believes that it is reasonable for Energy Limited Units to be reimbursed for Uninstructed Imbalances within the tolerance range. Related to this, the SEM Committee believes that the proposed wording removes any incentive for over-generation by the Energy Limited units, as outside of the tolerance band, Uninstructed Imbalances will be paid at the units DOP which for Energy limited Units has historically been zero.

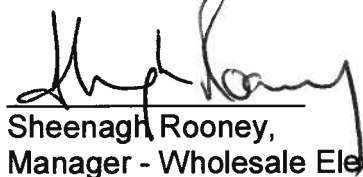
The SEM Committee notes the concerns expressed by representatives of both the Market Operator and of the System Operator at the Modifications Committee meeting about this proposal. The concerns relate to these units being treated differently from other units in terms of what they are paid for Uninstructed Imbalances. The Market Operator representative stated that they disagreed with the proposal on the basis of the principle that Constraint Payments and Uninstructed Imbalances are calculated on the basis of the unit's offer.

In relation to these concerns, the SEM Committee notes that a similar provision is already in place for Pumped Storage Units in paragraph 5.128 of the Code which sets DOP to SMP for Pumped Storage Units. Also, the same principle applies to Price Taker Generator Units (including those which are required to submit prices in their Commercial Offer Data). Given this, the SEM Committee believes that the implementation of this Modification Proposal is proportional and consistent with the treatment of other Special Units within the Code

Considering the above, and in accordance with paragraph 2.218 of the Code, the SEM Committee directs that a Modification be made in accordance with the Final Recommendation Report of the Modifications Committee (FRR\_21\_11\_V1.0).

The SEM Committee therefore direct that a Modification as set out in FRR\_21\_11\_V1.0 (for the avoidance of doubt as set out in Section 7 of the Report), be made on a Trading Day basis with effect from the date of the scheduled release of the Central Market Systems which includes the required software changes. The SEM Committee direct that the Market Operator shall publish the date of the relevant release of the Central Market Systems (together with details of all the Modifications which shall come into effect on that date) on its website no less than one week in advance of that date.

Yours sincerely

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

Sheenagh Rooney,  
Manager - Wholesale Electricity Market