



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

12 August 2013

Our Ref: D/13/16869

**SEM Committee Decision for the Regulatory Authorities in relation to Mod\_21\_12  
(Recommendation Report FRR\_21\_12)**

Dear Sherine,

On 21<sup>st</sup> November 2012, the Modifications Committee submitted its Modification Recommendation Report with regard to Modification Proposal, Mod\_21\_12 (Amendments to Available Transfer Capacity (ATC) Definition) in accordance with paragraph 2.213 of the SEM Trading and Settlement Code (the Code).

Modification Proposal Mod\_21\_12 was raised by the Transmission System Operators (TSO) and is stated to seek to allow the TSO to curtail the flow on the Interconnector should an unforeseen Interconnector or transmission system event occur. Version 2 of the proposal, as set out in Appendix 1 of FRR\_21\_12, does not permit changes to the ATC for Transmission System reasons after the closure of the EA1 Gate Window for the relevant Trading Day.

The SEM Committee notes that the Modifications Committee voted, with one detailed dissenting view, that the Modification Proposal would fulfill the Code Objectives to “facilitate the efficient, economic and coordinated operation, administration and development of the Single Electricity Market in a financially secure manner”, to “provide transparency in the operation of the Single Electricity Market” and “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”. The Modifications Committee further recommended that the Modification should be implemented on a Trading Day basis with effect from one Working Day after the SEM Committee decision.

The SEM Committee is required to consider the Modifications Committee’s recommendation on any Modification Proposal not just within the context of the effect upon the Code Objectives but also in relation to its wider Statutory Duties. In its consideration of FRR\_21\_12, the SEM Committee has a number of serious concerns which result in it not being in a position to approve the proposal.

The first of the SEM Committee concerns is that the detailed underlying rationale for the Proposal is unclear. In particular, the FRR does not give any concise summary of why exactly the modification is being raised and what issue will be addressed by implementing this proposal and how it will be addressed. For example, the proposal states that not implementing the

modification reduces system security but does not make clear the basis upon which the risk has been identified and how therefore it seeks to address it. This should be explained further in the FRR.

Related to this, the FRR states that the proposal seeks to allow the TSO to curtail the flow on the Interconnector should an unforeseen Interconnector or transmission system event occur. However, based on the FRR it would appear that the TSO already has the powers to physically reduce the transfer capacity should it need to do so. It would therefore appear that reducing the ATC in the TSC is a commercial issue rather than a transmission security issue and this should be addressed in the FRR.

The SEM Committee is also concerned that the Proposal as recommended does not set out the alternative approaches to the identified problem that had been considered by the TSO and why such approaches were rejected. Related to this, the FRR does not fully explain the implications of not implementing this proposal.

The Modifications Committee should consider further the reason(s) giving rise to a code modification and the Code Objectives which would be furthered by the implementation of this Proposal. For example, the objective "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" is stated to be better facilitated but how this is achieved by the Proposal is not explained. The same point applies to the Code Objective "to provide transparency in the operation of the Single Electricity Market". In addition, the report does not address the commercial effects of any curtailment of interconnector flows. This should be further considered in the FRR.

The Modification Proposal appears to introduce new areas of discrimination in relation to a class of Parties (Interconnector Users and Interconnector Owners). The FRR does not go into detail on this point and the FRR does not explain why such discrimination would comply with the Code Objective "to ensure no undue discrimination between persons who are parties to the Code".

Considering the above, the SEM Committee directs the Modifications Committee, in accordance with paragraph 2.218 of the Code, that further work is required in respect of the issues outlined above. This further work is required in order that the SEM Committee can be in a position to make a decision on this Modification Proposal.

Yours sincerely,

  
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Clive Bowers  
Manger  
Wholesale Electricity Market