

Single Electricity Market

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| Final REcommendation Report*Mod\_33\_11: temporary exclusion of interconnector error unit testing charges from settlement calculations*14 November 2011 |

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Document History

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| **Version** | **Date** | **Author** | **Comment** |
| 0.2 | 07 November | Modifications Committee Secretariat | Issued to Modifications Committee for review and approval |
| 1.0 | 14 November | Modifications Committee Secretariat | Issued to Regulatory Authorities for final decision |

Reference Documents

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| **Document Name** |
| [Trading and Settlement Code](http://semopub/MarketDevelopment/MarketRules/TSC.doc) |
| [Mod 33\_11: Temporary exclusion of Interconnector Error Unit Testing Charges from Settlement Calculations](http://semopub/MarketDevelopment/ModificationDocuments/Mod_33_11%20Temporary%20exclusion%20of%20Interconnector%20Error%20Unit%20Testing%20Charges%20from%20Settlement%20calculations.docx) |

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. **Purpose of Proposed Modification**

a.) Justification for Modificationb.) Impact of not implementing a solutionc.) Impact on Code Objectives | **Applicable** |
| 1. **Assessment of Alternatives**
 | **N/A** |
| 1. **Working Group and/or Consultation**
 | **N/A** |
| 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** |

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# 1 MODIFICATIONS COMMITTEE RECOMMENDATION

## Recommended for approval – Unanimous Vote

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| **Recommended for Approval by unanimous vote**  |
| Generator Alternate | Brian Mongan | AES |
| Generator Alternate | Mary Doorly | IWEA |
| Generator Member | Kevin Hannafin | Viridian Power & Energy |
| Generator Member | Andrew Burke | ESBI |
| Supplier Member | Jill Murray | Bord Gáis Energy Supply |
| Supplier Alternate | Philip Carson | Power NI |
| Supplier Alternate | Emeka Chukwureh | Airtricity |

# 2 DEVELOPMENT PROCESS

The Modification Proposal was raised by SEMO and proposed changes to Section 7 of the T & SC. The proposal is related to Mod\_10\_11 *Interconnector Under Test* which proposed incorporating testing tariffs for EWIC upon commissioning. The proposal was received by the Secretariat on 27 September 2011 and was presented at Meeting 38 on 11 October 2011, where it was voted on.

# 3 PURPOSE OF PROPOSED MODIFICATION

## 3A.) Justification for Modification

The legal drafting changes outlined below in Appendix 1, give effect to the temporary removal of the Testing Charges for Interconnector Error Units from the Billing Period Currency Charge (6.136 & 6.136A), Unsecured Bad Debt Energy Charge (6.153) and the Actual Generator Exposure (6.187) calculations. Including these calculations in a manual workaround would be onerous and prone to error and the materiality of their affect has been assessed to be low.

For the Billing Period Currency Charge (6.136 & 6.136A), the DAYPDd variable is present in the denominator of the calculation and would therefore affect all participant charges for all Billing Periods for which that the manual implementation was in place. Similarly, for the Unsecured Bad Debt Energy Charge (6.153), the DAYPUud variable is present in the denominator of the calculation and would affect all participant charges. The Actual Generator Exposure (6.187) calculation is a daily calculation.

The impact of the IEU Testing Charge on the Billing Period Currency Charges is likely to be low (based on a materiality assessment using a test profile). The Unsecured Bad Energy Charge is unlikely to arise and the additional credit risk associated with Testing Tariffs which feeds into the Actual Generator Exposure calculation (6.187), would be minor, whereas the effort required to implement a workaround to perform these calculations outside the CMS would be considerable. Therefore, it is proposed to insert these temporary provisions in the T&SC to remove the IEU Testing Charges from the Billing Period Currency Charge (6.136 & 6.136A), Unsecured Bad Debt Energy Charge (6.153) and the Actual Generator Exposure (6.187) calculations to facilitate the implementation of a manual application of Testing Charges during EWIC testing as per Mod\_10\_11.

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

If the modification proposal is not implemented it will not be possible for SEMO to implement Mod\_10\_11 by manual workaround, and therefore it will not be possible to implement any form of Mod\_10\_11 *Interconnector Under Test* for EWIC commissioning.

## 3c.) Impact on Code Objectives

This modification would further objectives 1.3.2, 1.3.5 and 1.3.6 of the Trading and Settlement Code:

* 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
* to ensure no undue discrimination between persons who are parties to the Code

# 4 Assessment of Alternatives

N/A

# 5 Working Group And/Or Consultation

N/A

# 6 Impact on other Codes/Documents

N/A

# 7 impact on systems and resources

At Meeting 38, SEMO advised that the cost associated with implementation of the manual work around is solely SEMO resource costs and there is no system costs incurred by Mod\_33\_11.

# 8 MODIFICATION COMMITTEE VIEWS

SEMO Member presented the proposal with the aid of PowerPoint presentation slides. The proposal relates to Mod 10\_11 Interconnector Under Test which proposed incorporating testing tariffs for EWIC upon commissioning. The Committee approved Mod\_10\_11, however the vendor advised that the change cannot be incorporated into the IDT release and further added that currency smear was not taken into account in the original assessment. Therefore, implementation of Mod\_10\_11 will result in an increase in the cost of implementation from €59,200 to €76,960 (excluding testing).

SEMO undertook to assess the viability of a temporary manual workaround to apply testing tariffs during EWIC commissioning. However, a possible manual workaround is complicated by the fact that Testing Charges are included in the Total Payments made for a Generator unit in a Settlement Day i.e. DAYPUud, which in turn feeds through into a number of other calculations including Invoice Energy Payments (6.124), Billing Period Currency Charge (6.136 & 6.136A), Balancing Cost (6.141), Unsecured Bad Debt Energy Charge (6.153) and Actual Generator Exposure (6.187). In order to facilitate a temporary manual workaround of Mod\_10\_11, SEMO proposed to temporarily exclude the Testing Charges applied to EWIC from the Currency Cost smear. The materiality of doing so was assessed based on the testing profile applied to Britned as the EWIC testing profile is not yet available.

The proposal introduces temporary Section 7 provisions to temporarily exclude the Testing Charges applied to EWIC from the Currency Cost smear and also The Unsecured Bad Debt Energy Charge and The Actual Generator Exposure. SEMO Market Operations have not yet confirmed how the manual workaround will be achieved but it is thought that it may be included as a line item on the energy payments invoice.

Generator Member asked what the consequence of not implementing the Modification would be? SEMO confirmed that if the manual workaround as proposed in this Modification is not approved, SEMO will not be able to apply testing tariffs to EWIC during its commissioning phase.

TSO Alternate noted that consultation responses received from Participants favoured EWIC being subject to testing tariffs while commissioning. Discussion ensued regarding the analysis presented by SEMO estimates were based on data from a BritNed profile, as an EWIC profile is not yet available. SEMO Member explained that in the absence of an EWIC profile and information regarding what the actual energy flow will be and its associated cost, it is very difficult to give a clear estimate.

Supplier Alternate sought confirmation that if EWIC is not subject to testing tariffs, the costs will be picked up in the imperfections charge; SEMO Member confirmed same. SEMO advised that the cost associated with implementation of the manual work around is solely SEMO resource costs. The enduring solution assessed by the vendor at €76,960 plus testing will include the currency cost smear.

# 9 proposed legal drafting

As set out below in Appendix 1.

# 10 LEGAL REVIEW

Complete

# 11 IMPLEMENTATION TIMESCALE

The proposed implementation date is the first day of EWIC commissioning where power flows on the Interconnector. It is proposed that this Modification is made on a Settlement Day basis. This modification is linked to Mod\_10\_11 Interconnector Under Test and the proposed temporary manual workaround to implement that modification. It is proposed that both Mod\_10\_11 and Mod\_33\_11 should come into effect on the same Settlement Day.

# Appendix 1: Modification Proposal – Mod\_33\_11

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| **MODIFICATION PROPOSAL FORM** |
| **Proposer***(Company)* | **Date of receipt***(assigned by Secretariat)* | **Type of Proposal***(delete as appropriate)* | **Modification Proposal ID***(assigned by Secretariat)* |
| **SEMO** | **27 September 2011** | **Standard** | **Mod\_33\_11** |
| **Contact Details for Modification Proposal Originator** |
| **Name** | **Telephone number** | **Email address** |
| **Niamh Delaney** | **+353 1 2370321** | **niamh.delaney@sem-o.com** |
| **Modification Proposal Title** |
| **Temporary exclusion of Interconnector Error Unit Testing Charges from Settlement calculations** |
| **Documents affected***(delete as appropriate)* | **Section(s) Affected** | **Version number of T&SC or AP used in Drafting** |
| **T&SC** | **Section 7** | **Version 9.0** |
| **Explanation of Proposed Change***(mandatory by originator)* |
| Mod\_10\_11 Interconnector Under Test was approved by the Regulatory Authorities on July 21st 2011. It requires changes to the Central Market System. As the scope for 11th Scheduled Release SEM R2.0.0 (Deployment Date July 2012) is full, the earliest that this change could be incorporated in the CMS is October 2012, after the commissioning phase of EWIC which is scheduled for June/July 2012. The MO undertook the investigation of a time-limited manual workaround to implement Mod\_10\_11 so that Testing Tariffs could be applied to EWIC during its commissioning phase. However, a possible manual workaround is complicated by the fact that Testing Charges are included in the Total Payments made for a Generator unit in a Settlement Day i.e. DAYPUud, which in turn feeds through into a number of other calculations including Invoice Energy Payments (6.124), Billing Period Currency Charge (6.136 & 6.136A), Balancing Cost (6.141), Unsecured Bad Debt Energy Charge (6.153) and Actual Generator Exposure (6.187). While it is feasible to implement the inclusion of the testing charges manually in the Invoice Energy Payments (6.124) and the Balancing Cost (6.141) for a limited period, it is not feasible to implement a manual workaround adjusting the calculations in relation to Billing Period Currency Charge, Unsecured Bad Debt Energy Charge and Actual Generator Exposure. The proposed change temporarily removes the Testing Charges associated with Interconnector Error Units from the Total Payments to Generator Unit calculation (DAYPUud). The Testing Charges are then added back in to the Invoice Energy Payments (6.124) and the Balancing Cost (6.141) calculations. This is to ensure that the obligation remains for the Interconnector Administrator to pay Testing Charges for the Interconnector Under Test. The Testing Charges are excluded from the Billing Period Currency Charge (6.136 & 6.136A), Unsecured Bad Debt Energy Charge (6.153) and the Actual Generator Exposure (6.187) calculations. The temporary provisions extend until the date of the 12th Scheduled Release Deployment Date i.e. the Oct 2012 release when Mod\_10\_11 is scheduled to be implemented. |
| **Legal Drafting Change***(Clearly show proposed code change using* ***tracked*** *changes, if proposer fails to identify changes, please indicate best estimate of potential changes)* |
| 7.67 Until the date that is the 12th Scheduled Release Deployment Date, paragraph 6.122 shall be replaced with:***Payments for Generator Units on a Daily Basis**** 1. The Total Payments (DAYPUud) made for Generator Unit u for Settlement Day d shall be calculated as follows:

 Where1. ENPUud is the Total Energy Payment made for Generator Unit u for Settlement Day d;
2. CONPUud is the Constraint Payment made for Generator Unit u for Settlement Day d;
3. UNIMPUud is the Total Uninstructed Imbalance Payment made for Generator Unit u for Settlement Day d;
4. TCHARGEUud is the Testing Charge for each Generator Unit u excluding Interconnector Error Units for Settlement Day d.
	1. Until the date that is the 12th Scheduled Release Deployment Date, paragraph 6.124 shall be replaced with:

**Invoice payments for energy in respect of Generator Units*** 1. The Invoice Energy Payments (IEPpb) to Participant p for its registered Generator Units except any Interconnector Residual Capacity Units for Billing Period b shall be calculated as follows:

Where1. DAYPUud is the Total Payments excluding Capacity Payments made for Generator Unit u for Settlement Day d;
2. TCHARGEUu’’d is the Testing Charge for each Interconnector Error Unit u’’ for Settlement Day d.
3. SSREAaph is the Settlement Reallocation Energy Amount for Participant p for its registered Generator Units for Trading Period h defined in Settlement Reallocation Agreement a;
4. MWPub is the Make Whole Payment for Generator Unit u in Billing Period b;
5. is a summation over all Generator Units u excluding any Interconnector Residual Capacity Units registered to Participant p;
6. is a summation over all Interconnector Error Units u’’ registered to Participant p;
7. is a summation over all Settlement Reallocation Agreements a registered to Participant p in respect of its registered Generator Units;
8. is a summation over Settlement Days d in Billing Period b;
9. is a summation over Trading Periods h in Settlement Day d.
	1. Until the date that is the 12th Scheduled Release Deployment Date, paragraph 6.141 shall be replaced with:
	2. The Balancing Cost (BCb) for each Billing Period b (which can be either positive or negative and if negative becomes a payment to the Market Operator) shall be calculated as follows:

Where 1. MWPub is the Make Whole Payment for Generator Unit u in Billing Period b;
2. DAYPDd is the Total Payment made to all Generator Units in respect of Settlement Day d excluding Interconnector Residual Capacity Units;
3. TCHARGEUu’’d is the Testing Charge for each Interconnector Error Unit u’’ for Settlement Day d.
4. DAYCDd is the Total Charge on all Supplier Units in respect of Settlement Day d;
5. is a summation over Settlement Days d in Billing Period b;
6. is a summation over all Interconnector Error Units u’’;
7. is a summation over all Generator Units u;
8. VATpayments is the VAT included in all Self Billing Invoices (less Debit Notes) in respect of the relevant Billing Period paid by the Market Operator.
9. VATreceipts is the VAT included in all Invoices in respect of the relevant Billing Period issued by the Market Operator.
 |
| **Modification Proposal Justification***(Clearly state the reason for the Modification)* |
| The above changes give effect to the temporary removal of the Testing Charges for Interconnector Error Units from the Billing Period Currency Charge (6.136 & 6.136A), Unsecured Bad Debt Energy Charge (6.153) and the Actual Generator Exposure (6.187) calculations. Including these calculations in a manual workaround would be onerous and prone to error and the materiality of their affect has been assessed to be low. For the Billing Period Currency Charge (6.136 & 6.136A), the DAYPDd variable is present in the denominator of the calculation and would therefore affect all participant charges for all Billing Periods for which that the manual implementation was in place. Similarly, for the Unsecured Bad Debt Energy Charge (6.153), the DAYPUud variable is present in the denominator of the calculation and would affect all participant charges. The Actual Generator Exposure (6.187) calculation is a daily calculation. The impact of the IEU Testing Charge on the Billing Period Currency Charges is likely to be low (based on a materiality assessment using a test profile). The Unsecured Bad Energy Charge is unlikely to arise and the additional credit risk associated with Testing Tariffs which feeds into the Actual Generator Exposure calculation (6.187), would be minor, whereas the effort required to implement a workaround to perform these calculations outside the CMS would be considerable. Therefore, it is proposed to insert these temporary provisions in the T&SC to remove the IEU Testing Charges from the Billing Period Currency Charge (6.136 & 6.136A), Unsecured Bad Debt Energy Charge (6.153) and the Actual Generator Exposure (6.187) calculations to facilitate the implementation of a manual application of Testing Charges during EWIC testing as per Mod\_10\_11. |
| **Code Objectives Furthered***(State the Code Objectives the Proposal furthers, see Section 1.3 of T&SC for Code Objectives)* |
| This modification would further objectives 1.3.2, 1.3.5 and 1.3.6 of the Trading and Settlement Code:* 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
* to ensure no undue discrimination between persons who are parties to the Code
 |
| **Implication of not implementing the Modification Proposal***(State the possible outcomes should the Modification Proposal not be implemented)* |
| If the modification proposal is not implemented it will not be possible for SEMO to implement Mod\_10\_11 by manual workaround and therefore it will not be possible to implement any form of Mod\_10\_11 for EWIC commissioning.  |
| **Working Group***(State if Working Group considered necessary to develop proposal)* | **Impacts***(Indicate the impacts on systems, resources, processes and/or procedures)* |
| Not required | Temporary Market Operator resource and process impacts due to manual implementation of Mod\_10\_11. |
|  |
| ***Please return this form to Secretariat by email to*** ***modifications@sem-o.com*** |