

Single Electricity Market

|  |
| --- |
| Final REcommendation Report  *Mod\_34\_11: transition to sem 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 the RAs for decision |

Reference Documents

|  |
| --- |
| **Document Name** |
| [Trading and Settlement Code](http://semopub/MarketDevelopment/MarketRules/TSC.doc) |
| [Mod\_34\_11](http://semopub/MarketDevelopment/ModificationDocuments/Mod_34_11.docx): Transition to SEM Intra-Day Trading |
| [Mod\_18­\_10\_V2](http://semopub/MarketDevelopment/ModificationDocuments/Mod_18_10_v2.docx): Intra-Day Trading |
| McCann Fitzgerald Legal Review [Report](http://semopub/MarketDevelopment/ModificationDocuments/Legal%20Review%20Report.zip) |
|  |

Relevant Sections

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

Table of Contents

[1 MODIFICATIONS COMMITTEE RECOMMENDATION 4](#_Toc315685852)

[**Recommended for approval – Unanimous Vote** 4](#_Toc315685853)

[2 Background 4](#_Toc315685854)

[3 PURPOSE OF PROPOSED MODIFICATION 4](#_Toc315685855)

[**3A.) Justification for Modification** 4](#_Toc315685856)

[**3B.) Impact of not Implementing a Solution** 4](#_Toc315685857)

[**3c.) Impact on Code Objectives** 4](#_Toc315685858)

[4 assessment of alternatives 5](#_Toc315685859)

[5 working group and/or consultation 5](#_Toc315685860)

[6 Impact on Other Codes/Documents 5](#_Toc315685861)

[7 impact on systems and resources 5](#_Toc315685862)

[8 MODIFICATION COMMITTEE VIEWS 5](#_Toc315685863)

[9 proposed legal drafting 6](#_Toc315685864)

[**9A) Application of ECPI for Participants in Northern Ireland** 6](#_Toc315685865)

[10 LEGAL REVIEW 7](#_Toc315685866)

[11 IMPLEMENTATION TIMESCALE 7](#_Toc315685867)

[Appendix 1: original proposal 8](#_Toc315685868)

# 1 MODIFICATIONS COMMITTEE RECOMMENDATION

## Recommended for approval – Unanimous Vote

|  |  |  |
| --- | --- | --- |
| **Recommended for Approval (Unanimous Vote)** | | |
| Gill Bradley | Generator Alternate | Approve |
| Iain Wright | Supplier Member | Approve |
| Ian Luney | Generator Member | Approve |
| Jill Murray | Supplier Member | Approve |
| Kevin Hannafin | Generator Member | Approve |
| Killian Morgan | Supplier Member | Approve |
| Mary Doorly | Generator Alternate | Approve |
| William Steele | Supplier Member | Approve |

# 2 Background

This Modification Proposal was raised by the Regulatory Authorities. It proposes changes to Section 2.8 of the Code and introduces a new Section 9. It was received by the Secretariat on 22 November 2011 and presented at Meeting 39 on 6 December 2011, where it was voted on.

# 3 PURPOSE OF PROPOSED MODIFICATION

## 3A.) Justification for Modification

The transitional provisions included in this Modification Proposal enable a smooth transition to the enduring SEM Intra-Day Trading provisions in the Trading and Settlement Code. The transitional provisions comprise activities required by the Market Operator which will be performed prior to and at the start of the IDT Start Date.

Without these transitional provisions, various enduring provisions will have no starting point and compliance with the enduring Intra-Day Trading provisions will not be possible. They are therefore essential.

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

If the transitional arrangements detailed in this Modification Proposal were not to be implemented, the smooth implementation of SEM Intra-Day Trading would be compromised, such that:

1. New variables required for SEM Intra-Day Trading would not be correctly initialised.
2. It would prove necessary to introduce onerous registration processes to enable continued trading by current Interconnector Users on or after the IDT Start Date.
3. For an initial period, there would be insufficient credit cover in place for all Interconnector Users who were trading in the SEM prior to the IDT Start Date.

## 3c.) Impact on Code Objectives

This Modification facilitates the smooth implementation of Intra-Day Trading in the SEM, as detailed in Intra-Day Trading Modification Mod\_18\_10\_v2.

As such, as detailed in Mod\_18\_10\_v2, it will further 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”.*
* **Code Objective 4:** “*to promote competition in the single electricity wholesale market on the island of Ireland”.*
* **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”.*

# 4 assessment of alternatives

N/A

# 5 working group and/or consultation

The Intra-Day Trading (IDT) Working Group has met on eleven separate occasions to first develop the High Level Design, and subsequently the resulting legal drafting of the main IDT provisions and the associated transitional arrangements as specified in this Modification.

# 6 Impact on Other Codes/Documents

N/A

# 7 impact on systems and resources

The transitional arrangements comprise the activities required by the Market Operator prior to or at the start of the IDT Start Date, as part of the transition to the new arrangements. As such, there are no additional resources required to implement this Modification.

# 8 MODIFICATION COMMITTEE VIEWS

At Meeting 39, the proposal was discussed alongside [Mod\_18\_10\_v2\_*Intra-Day Trading*](http://semopub/MarketDevelopment/ModificationDocuments/Mod_18_10_v2.docx). The MO Member presented the proposal with the aid of a PowerPoint presentation noting that the Modification can only be implemented if Mod\_18\_11\_v2 *Intra-Day Trading* is approved. The proposal sets out the changes necessary to implement the transitional arrangements to allow a seamless transition to Intra-Day Trading. A legal review report by McCann Fitzgerald was noted and its conclusion that the Modification Proposal drafting is legally robust. The Chair questioned the timing allocated for Participants to amend required credit cover and asked if steps could be taken to mitigate the impact on Participants. SEMO agreed to consider the impact if this could be amended and the following action was placed.

* SEMO to consider impact on Participants of the credit cover timings

SEMO response to the action recorded at Meeting 39:

SEMO is aware that Participants would like to have an updated Credit Cover position prior to the start of the new arrangements on the IDT Start Date.  It should be noted that transitional provisions in the Credit Cover calculations only apply to Participants that are Interconnector Users prior to the IDT Start Date (this currently affects 9 Participants). SEMO is planning to deliver an updated Credit Cover position well in advance of the deadline (9pm) as set out in Section 9.  However, this assumes that there are no issues with the calculation of the Credit Cover position and the issue of reports in accordance with the pre-IDT provisions.

In order to perform the additional calculations as set out in the transitional provisions, SEMO is planning to complete its current obligations in respect of Credit Cover at an earlier stage on the day prior to the IDT Start Date.  This will include calculation of the Credit Cover, preparation of the Credit Cover report (as per the pre-IDT provisions) and issue of relevant notices.  Currently, the obligation is that this is completed by 5pm; however SEMO hopes to complete this activity earlier in the afternoon of the day prior to the IDT Start Date.  Once this is completed, SEMO will need to manually prepare adjusted Credit Cover reports for all Participants with Interconnector Units.  This additional process will perform the credit cover calculations as set out in the Section 9 provisions, in order to provide initial values for the IDT Start Date and to inform Participants of the impacts of the new calculations on their credit cover position.

SEMO intends to have concluded this process by 6pm, assuming that there are no issues with the running of the pre-IDT Credit Cover reports.  This is highly desirable, as the Central Market Systems will be unavailable from 6pm to allow the cutover to SEM Intra-Day Trading to occur.  It is therefore hoped that an updated Credit Cover position for all affected Participants will be provided prior to the 9pm deadline.

# 9 proposed legal drafting

In addition, 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. All of the changes have been legally reviewed by McCann Fitzgerald, which has confirmed that none of the changes impacts on the legal opinion previously provided to the Modifications Committee.

## 9A) Application of ECPI for Participants in Northern Ireland

Currently, paragraphs 6.200A to 6.200E describe the calculation of Estimated Capacity Price for Interconnectors (ECPI). This calculation is performed in Euros. ECPI is used to calculate offered exposure (following each Gate Window Closure) and traded exposure (following each MSP Software Run) for Interconnector Units.

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. The drafting below amends this.

*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.*

*9.24 If the most recently completed MSP Software Run in respect of a Trading Period is an Ex-Ante Indicative MSP Software Run or Ex-Post Indicative MSP Software Run, the Market Operator shall calculate the Interconnector Unit Capacity Traded Exposure (IUCTEuhm) for each Interconnector Unit u and for each Trading Period h in the relevant Trading Day as follows:*

**

*Where:*

1. *TPD is the Trading Period Duration.*
2. *MIUNuhm is the Modified Interconnector Unit Nomination for Interconnector Unit u in Trading Period h of MSP Software Run m.*
3. *ECPIh is the Estimated Capacity Price for Interconnectors in Trading Period h, as determined in accordance with paragraphs 9.13 and 9.13A.*
4. *VATuh is the VAT Rate for Interconnector Unit u in Trading Period h.*

*9.25 If the most recently completed MSP Software Run in respect of a Trading Period is an Ex-Post Initial MSP Software Run, the Market Operator shall calculate the Interconnector Unit Capacity Traded Exposure (IUCTEuhm) for each Interconnector Unit u and for each Trading Period h in the relevant Trading Day as follows:*

**

*Where:*

1. *TPD is the Trading Period Duration.*
2. *MSQuhm is the Market Schedule Quantity for Interconnector Unit u in Trading Period h of MSP Software Run m.*
3. *ECPIh is the Estimated Capacity Price for Interconnectors in Trading Period h, as determined in accordance with paragraphs 9.13 and 9.13A.*
4. *VATuh is the VAT Rate for Interconnector Unit u in Trading Period h.*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| *Estimated Capacity Price for Interconnectors* | *ECPI* | *h* | *€/MWh or £/MWh* | *Estimated Capacity Price for Interconnectors.* |

# 10 LEGAL REVIEW

The transitional provisions for SEM Intra-Day Trading have been considered and reviewed as part of the Intra-Day Trading Working Group’s development of the main Intra-Day Trading Modification. The transitional provisions and additional legal drafting as set out above have also been reviewed by McCann Fitzgerald as part of its legal [review](http://semopub/MarketDevelopment/ModificationDocuments/Legal%20Review%20Report.zip).

# 11 IMPLEMENTATION TIMESCALE

The proposed implementation date is one week prior to IDT Go-Live. t is proposed that this Modification is made on a Trading Day basis.

# Appendix 1: original proposal

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **MODIFICATION PROPOSAL FORM** | | | | | |
| **Proposer**  *(Company)* | **Date of receipt** | | **Type of Proposal** | | **Modification Proposal ID** |
| Regulatory Authorities | 22 November 2011 | | Standard | | Mod\_34\_11 |
| **Contact Details for Modification Proposal Originator** | | | | | |
| **Name** | | **Telephone number** | | **Email address** | |
| Regulatory Authorities | | 01 4000800 | | srooney@cer.ie | |
| **Modification Proposal Title** | | | | | |
| Transition to SEM Intra-Day Trading | | | | | |
| **Documents affected**  *(delete as appropriate)* | | **Section(s) Affected** | | **Version number of T&SC or AP used in Drafting** | |
| T&SC | | 2.8, new Section 9 | | 10.0 | |
| **Explanation of Proposed Change**  *(mandatory by originator)* | | | | | |
| In order to ensure the smooth transition of the Trading and Settlement Code in its implementation of the enduring SEM Intra-Day Trading provisions detailed in Mod\_18\_10\_v2, it will be necessary to also implement a set of transitional arrangements. These will comprise those activities which must be performed by the Market Operator prior to and at the start of the IDT Start Date.  Without these transitional provisions, various enduring provisions will have no starting point, a number of variables will not be correctly initiated, and compliance with the enduring Intra-Day Trading provisions will not be possible. These transitional arrangements are, therefore, essential to the successful implementation of the enduring SEM Intra-Day Trading provisions in Mod\_18\_10\_v2, upon which they are contingent.  The transitional arrangements will apply only for a short period of time. They are detailed in a new Section 9 of the Code, which covers the transitional arrangements and associated definitions. In addition, this Modification includes a proposed change to Clause 2.8 to include Section 9 within the existing prioritised list of sections for resolving any inconsistency or conflict.  The transitional arrangements will come into effect prior to the IDT Start Date and their approval must be contingent upon approval being given to MOD\_18-10\_v2, in that the transitional provisions will only be required if SEM Intra-Day Trading is implemented.  The transitional arrangements are summarised as follows:   1. **Transitional Provisions: Prior to the IDT Start Date**      * For existing Interconnector Users, an additional two Interconnector Units will be deemed to be registered on the IDT Start Date for each existing Interconnector Unit. * These additional two Interconnector Units will enable bidding within EA2 and WD1 Gate Windows from the IDT Start Date, and avoid the need to execute the formal Interconnector Unit registration process. * For Interconnector Units, Offered Modified Price Quantity Pairs for Trading Days that are on or prior to the IDT Start Date shall be the same as those that are Accepted. * Estimated Capacity Price for Interconnectors (ECPI) is required prior to the IDT Start Date, enabling calculation of Interconnector Unit Capacity Traded Exposure (IUCTE) and Capacity Traded Exposure (CTE) for Participants with registered Interconnector Units. * Following the issue of Required Credit Cover reports on the day prior to the IDT Start Date, the Required Credit Cover for each Participant will be calculated using the equation that will apply from the IDT Start Date. Once calculated, the Required Credit Cover reports will be re-issued to Participants by 21:00 on the day prior to the IDT Start Date. This will include calculation of the following components:   + Calculation of Traded Modified Price Quantity Pairs, which are temporarily generated to allow traded exposures to be calculated.   + Calculation of Interconnector Unit Energy Traded Exposure (IUETE) and Energy Traded Exposure (ETE) for Participants with Interconnector Units will be calculated for all Trading Periods on or prior to the IDT Start Date and where Initial Capacity Settlement has not occurred.   + Calculation of Interconnector Unit Capacity Traded Exposure (IUCTE) and Capacity Traded Exposure (CTE) for Participants with Interconnector Units will be calculated for all Trading Periods on or prior to the IDT Start Date and where Initial Capacity Settlement has not occurred.   + Calculation of Interconnector Unit Traded Exposure for each Participant with registered Interconnector Units.   + Calculation of Available Credit Cover.  1. **Transitional Provisions: On the IDT Start Date**      * Any COD or TOD that is Accepted within the existing Gate Window at the point at which SEM Intra-Day Trading is implemented shall be deemed to be Accepted within the EA1 Gate Window. * No COD or TOD will be Accepted for the IDT Start Date in respect of the WD1 Gate Window. * MSP Software Run Cancellation shall apply on the IDT Start Date for the WD1 MSP Software Run. * For each run of the MSP Software that occurs for a Trading Day on or prior to the IDT Start Date, the Trading Window shall comprise the entire Trading Day. | | | | | |
| **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 transitional provisions for SEM Intra-Day Trading have been considered and reviewed as part of the Intra-Day Trading Working Group’s development of the main Intra-Day Trading Modification. They have also been reviewed by McCann Fitzgerald as part of its legal review.  The resulting legal drafting is contained within the document attached below:   |  | | --- | | **Transitional Provisions: Legal Drafting** | |  |   In addition, a Plain English Document (PED) has been developed, which summarises the proposed changes. The PED is attached below:   |  | | --- | | **Transitional Provisions: PED** | |  | | | | | | |
| **Modification Proposal Justification**  *(Clearly state the reason for the Modification)* | | | | | |
| The transitional provisions included in this Modification Proposal enable the smooth transition of the Trading and Settlement Code to implement the enduring SEM Intra-Day Trading provisions, comprising activities required by the Market Operator which will be performed prior to and at the start of the IDT Start Date.  Without these transitional provisions, various enduring provisions will have no starting point and compliance with the enduring Intra-Day Trading provisions will not be possible. They are, therefore, essential. | | | | | |
| **Code Objectives Furthered**  *(State the Code Objectives the Proposal furthers, see Section 1.3 of T&SC for Code Objectives)* | | | | | |
| This Modification facilitates the smooth implementation of Intra-Day Trading in the SEM, as detailed in Intra-Day Trading Modification MOD\_18-10\_v2.  As such, as detailed in MOD\_18-10\_v2, it will further 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”.* * **Code Objective 4:** *“to promote competition in the single electricity wholesale market on the island of Ireland”.* * **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”*. | | | | | |
| **Implication of not implementing the Modification Proposal**  *(State the possible outcomes should the Modification Proposal not be implemented)* | | | | | |
| If the transitional arrangements detailed in this Modification Proposal were not to be implemented, the smooth implementation of SEM Intra-Day Trading would be compromised, such that:   1. New variables required for SEM Intra-Day Trading would not be correctly initialised. 2. It would prove necessary to introduce onerous registration processes to enable continued trading by current Interconnector Users on or after the IDT Start Date. 3. For an initial period, there would be insufficient credit cover in place for all Interconnector Users who were trading in the SEM prior to the IDT Start Date. | | | | | |
| **Working Group**  *(State if Working Group considered necessary to develop proposal)* | | | **Impacts**  *(Indicate the impacts on systems, resources, processes and/or procedures)* | | |
| The IDT Working Group has met on numerous occasions to first develop the High Level Design, and subsequently the resulting legal drafting of the main IDT provisions and the associated transitional arrangements specified in this Modification. | | | The transitional arrangements comprise activities required by the Market Operator prior to the IDT Start Date, as part of the transition to the new arrangements. As such, there are no additional resources required to implement this Modification. | | |
|  | | | | | |
| ***Please return this form to Secretariat by email to*** [*modifications@sem-o.com*](mailto:modifications@sem-o.com) | | | | | |