



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

19th September 2011

Our Ref: D/11/14485

**SEM Committee Decision for the Regulatory Authorities in relation to Mod_38_10
(Recommendation Report FRR_38_10)**

Dear Sherine,

On 26th May 2011, the Modifications Committee submitted its Modification Recommendation Report with regard to Modification Proposal, Mod_38_10 (Treatment of Errors Under the Code) in accordance with paragraph 2.213 of the SEM Trading and Settlement Code (the Code).

Modification Proposal Mod_38_10 was raised by the Regulatory Authorities as a result of a number of incidents which had raised regulatory concerns regarding the sufficiency of the Code provisions to address errors in inputting data made by market Participants which may have consequences on others. In some cases it appears that no practical solution is found in the Code rules to address the impact on the market of such errors.

The SEM Committee notes that the Modifications Committee voted, with the Chairman's use of his casting vote, that Mod_38_10 would better facilitate the Code objective "to provide transparency in the operation of the Single Electricity Market", and recommended that it should be approved. The SEM Committee also notes the significant discussion that has taken place on this Modification Proposal through Modifications Committee meetings and working groups.

The Modification Proposal was raised to try to address a number of issues which were also raised through the Dispute Resolution Process. Specifically, there is no provision in the SEM to correct errors in Commercial Offer Data after Gate Closure and it was felt that there may be an unacceptable exposure to customers.

The SEM Committee notes that, in its extensive consideration of the Modification, the Modifications Committee reviewed the current query process under the Code and specifically, the comments from SEMO that the current query process can be improved with training. In addition, the SEM Committee notes that the introduction of Intra-day Trading in 2012 would see two additional Gate Closures introduced. These new Gate Closures should mitigate the effects of erroneous data submission as Participants will have another Gate Closure to submit data if an error is made.


Further to this, the SEM Committee is mindful of the wider impacts of the introduction of this Modification Proposal. It is felt that the introduction of a new window where re-pricing can occur could have a detrimental effect on the market. For example trades may be less likely to occur on interconnectors if the Ex Post SMP is subject to additional change after the Trading Day.

Finally, the SEM Committee has given consideration to the proportionality of the proposed Modification Proposal. In the development of the Modification Proposal it was difficult to limit scope of the Proposal to significant errors and as drafted all identified errors outside of the TSC Settlement Recalculation Threshold (currently 3%) could result in SEMO drafting a report for submission to the SEM Committee for approval to re-run the market.

Since the introduction of the SEM in 2007 the SEM Committee has had no power to effect any changes to prices in the market. During that time, the market turnover has been worth over €10 billion. The number of serious data submission errors has been low and the impact of them is thought to be less than €1m (this ignores data submission errors which might have reduced consumer prices). This would imply the overall impact of significant errors has been in the region of 0.01% which the SEM Committee believes does not warrant an intervention in the form of this Modification Proposal at this time. However, should evidence emerge in the future than suggests an intervention is required, the SEM Committee will re-examine the issue.

Considering the above, and in accordance with paragraph 2.218 of the Code, the SEM Committee decides that a Modification should not be made in accordance with the Final Recommendation Report of the Modifications Committee (FRR_38_10). However the SEM Committee reiterates that all generators are required by licence to submit cost reflective Commercial Offer Data and should ensure that their internal processes for data submission to SEMO are to the highest standards possible so as to avoid any erroneous data submissions.

Yours sincerely,



Sheenagh Rooney
Manager, Wholesale Electricity Market