



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

26th October 2011

Our Ref: D/11/15411

SEM Committee Decision for the Regulatory Authorities in relation to Mod_65_08 (Recommendation Report FRR_65_08 V1.0)

Dear Sherine,

On 21st January 2011, the Modifications Committee submitted its Modification Recommendation Report with regard to Modification Proposal, Mod_65_08 (Generator Unit Short Term Test Status) in accordance with paragraph 2.213 of the SEM Trading and Settlement Code (the Code).

Modification Proposal Mod_65_08 was raised by the Transmission System Operators on 12th November 2008 with the intention to introduce into the Code the concept of a Short Term Test status, which would be distinct from the current Under Test status which enables Generator Units to be given such a status for a whole Trading Day or several Trading Days but not for less than, or a part of, a Trading Day.

The SEM Committee notes that the development of the Modifications Proposal was an extremely extended process which necessitated the Modifications Committee requesting extensions, to the initial eight months provided for the development for Modification Proposals under the Code, on six separate occasions. In addition the final version of the Proposal incorporates changes to the Code based upon version 6.1 (which was published in December 2009) and such changes would need to be incorporated in the then relevant version of the Code which would be substantially modified as a result of all the changes directed since version 6.1 (the current published version of the Code is 9.0).

The SEM Committee notes that the Modifications Committee recommended the Modification Proposal "for Approval (subject to the RAs reviewing the comments and concerns raised by Participants)" by Majority Vote. In addition, the implementation costs (excluding testing) were estimated at €467,000 and the TSOs costs were estimated at a further €60,000.

The concerns of Participants which were brought to the attention of the SEM Committee were extensive. Comments from ten Parties are included in the Report. Seven of those Parties are commenting on an issue of whether, when a Generator Unit undertakes a Start in order to undertake the Short Term Test, the cost of such a Start should be recovered, if the Generator Unit is kept on after the end of the Short Term Test period. The Modification as proposed does not give effect to the recovery of Start costs under such circumstances and the SEM Committee notes that neither legal drafting for such a provision nor details of the costs of the development

of such an alternative is provided. The SEM Committee therefore is unable, on the basis of the information provided, to direct a change which would effect the recovery of Start costs.

Further issues which are brought to the attention of the SEM Committee include concerns about the basis for the determination of Capacity Payments for Generator Units while on Short Term Test status; concerns about whether the modification should be implemented without delay (some pro, some con) and a view about the way in which Generator Units should be excluded from the Uplift Calculation in the Code.

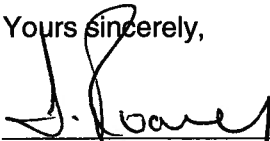
The SEM Committee further notes that, although the Transmission System Operators (TSOs) believe that within-day testing is vital to ensure efficient and secure system operation¹, within-day testing is already operational under the Grid Code and the TSOs have developed a business process that allows of such testing outside of the provisions of the Trading & Settlement Code, while limiting the impact of such activities on constraint costs.²

The Code provides for three alternative actions for the RAs when in receipt of a Recommendation Report from the Modifications Committee. They may approve the proposal (if necessary with changes); they may direct the Modifications Committee that further work is required; or they may reject the proposal. The SEM Committee takes the view that they cannot approve the proposal either as it stands, because a significant proportion (in effect a majority of the voting Committee) believe it should be changed to give effect to the Start-Up Costs issue; or with changes to deal with the Start-Up Costs issue because the Modifications Committee has not provided either legal drafting to support such an option nor identified the impact of that approach.

It is clearly open to the SEM Committee to direct the Modifications Committee that further work is required. However, the Market Operator, the System Operators and the Modifications Committee have already been working on this problem for over two years. Further, given that a business process has been in place since SEM start that deals with Short Term Testing it can be argued that introducing this change appears expensive for a relatively small benefit. Also, the impact identified for implementation does not include the work that generators would have to undertake in amending their own systems. This is expected to be significant. In addition, given the number of Modifications already approved for implementation in the systems changes release in October 2012, it is unlikely that there would be sufficient vendor hours available to accommodate this Modification Proposal. This would mean that the earliest possible release would be in 2013 by which time the market integration work will have to be substantially under way.

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_65_08V1.0).

Yours sincerely,



Sheenagh Rooney,
Manager, Wholesale Electricity Market

¹ See section 2a of FRR

² See section 2b of FRR