

Single Electricity Market

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| Final REcommendation ReportMod\_07\_ Credit assessment volume for generator units 7 november 2017  |

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Document History

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| **Version** | **Date** | **Author** | **Comment** |
| 1.0 | 7 November 2017 | Modifications Committee Secretariat | Issued to Modifications Committee for review and approval |
| 2.0 | 28 November 2017 | Modifications Committee Secretariat | Issued to Regulatory Authorities for final decision |

Reference Documents

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| **Document Name** |
| [Trading and Settlement Code](http://www.sem-o.com/MarketDevelopment/MarketRules/TSC.docx) |
| [Modification Proposal](http://www.sem-o.com/MarketDevelopment/ModificationDocuments/Mod_07_17%20Credit%20Assessment%20Volume%20for%20Generator%20Units%20%28VCAG%29.docx) |
| [Presentation](http://www.sem-o.com/MarketDevelopment/ModificationDocuments/Mod_07_17%20Presentation.pdf) |
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# MODIFICATIONS COMMITTEE RECOMMENDATION

## Recommended for approval – unanimous Vote

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| **Recommended for Approval by Unanimous Vote**  |
| Conor Powell | Supplier Member | Approved |
| Derek Scully | Generator Alternate | Approved |
| Clive Bowers | Generator Alternate | Approved |
| Jim Wynne | Supplier Member | Approved |
| David Gascon | Generator Alternate | Approved |
| Brian Mongan | Generator Member | Approved |
| Philip Carson | Supplier Alernate | Approved |
| Julie-Anne Hannon | Supplier Member (Chair) | Approved |

# Background

This Modification Proposal was raised by SEMO and was received by the Secretariat on 5 October 2017. The purpose of this Modification Proposal is to correct the definition of the Credit Assessment Volume for Generators. This volume is intended as a measure of Imbalance, based on the decision taken during the development of the market rules, but based on the current drafting is stated as a measure of Metered Generation.

The Modification Proposal was discussed and voted at Meeting 76 on 19 October where it was voted on.

# PURPOSE OF PROPOSED MODIFICATION

**3A.) justification of Modification**

The current drafting of the Trading & Settlement Code Part B results in unnecessarily high credit cover requirements for New Participants in respect of their Generator Units. This proposed modification corrects the determination of required credit cover, thereby reducing the required credit cover requirements for New Participants in respect of their Generator Units. The change is in line with the intended design of this mechanism.

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

Not implementing this modification will result in overly onerous collateral requirements for New Participants in respect of their Generator Units.

**3c.) Impact on Code Objectives**

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;

Facilitates participation by removing unnecessarily and inappropriately burdensome credit requirements

1. **Assessment of Alternatives**

N/A

# Working Group and/or Consultation

N/A

# impact on systems and resources

N/A

# Impact on other Codes/Documents

N/A

# MODIFICATION COMMITTEE VIEWS

## Meeting  **76 – 19 october 2017**

Proposer delivered a [presentation](http://www.sem-o.com/MarketDevelopment/ModificationDocuments/Mod_07_17%20Presentation.pdf) summarising the requirement for this proposal. Proposer indicated that the Modification aims to correct a drafting error in relation to the Credit Assessment Volume for Generator Units (VCAG), which relates to the volume of balancing market exposure for New Participants in respect of their Generator Units. Drafting currently states that this should be a forecast of Metered Generation where the policy decision in this area is that it should be a forecast of Imbalance only.

Proposer reiterated that the change would align the Trading and Settlement Code with decision taken during the market rules development process and stated that not making the change would result in credit cover requirements in the applicable scenario being higher than intended.

Committee were in agreement to vote on this proposal.

# Proposed Legal Drafting

As set out in Appendix 1 below.

#  LEGAL REVIEW

N/A

# IMPLEMENTATION TIMESCALE

It is proposed that this Modification is implemented on a Trading Day basis with effect from one Working Day after an RA Decision.

# Appendix 1: Mod\_07\_17: Credit assessment volume for generator units

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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** | **5th October 2017** | **Standard**  | **Mod\_07\_17** |
| **Contact Details for Modification Proposal Originator** |
| **Name** | **Telephone number** | **Email address** |
| **Christopher Goodman** |  | **Christopher.goodman@sem-o.com** |
| **Modification Proposal Title** |
| **Credit Assessment Volume for Generator Units** |
| **Documents affected***(delete as appropriate)* | **Section(s) Affected** | **Version number of T&SC or AP used in Drafting** |
| **T&SC Part B****Glossary Part B** | **T&SC Part B** **Clause G.14.4.1****Glossary Part B****Definition - Credit Assessment Volume** **Variable - VCAG** | **Version 20** |
| **Explanation of Proposed Change***(mandatory by originator)* |
| The Credit Assessment Volume for Generator Units, which is a forecast volume used to estimate exposures in the undefined exposure period for New Participants, is currently defined as a forecast of Metered Generation. This is incorrect and should refer to a forecast of Imbalance since Generator Units exposure for the Undefined Exposure Period is intended to be a measure of their potential Imbalance settlement as opposed to their entire output. |
| **Legal Drafting Change***(Clearly show proposed code change using* ***tracked*** *changes, if proposer fails to identify changes, please indicate best estimate of potential changes)* |
| **Trading and Settlement Code Part B**1.
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7. 1.
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	4.
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	14. 1.
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G.14.4.1 The Credit Assessment Volume (VCAGpγ) for a New Participant p in Imbalance Settlement Period γ shall be a forecast of Imbalance relating to Daily Amounts in respect of the Participant's Generator Units based upon information provided by the Participant in accordance with paragraph G.12.4.2 and used in the calculation of the Participant's Required Credit Cover.**Trading and Settlement Code Glossary Part B****Definitions**

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| **Credit Assessment Volume** | means a forecast of Imbalance or Demand in respect of a New Participant’s Supplier Units or Generator Units based upon information provided by the Participant and used in the calculation of the Participant’s Required Credit Cover calculated in accordance with paragraph G.14.3 or G.14.4. |

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| Variable | VCAGpγ | Credit Assessment Volume (Generators) | A forecast of Imbalance in respect of the Generator Units of a New Participant, p, in an Imbalance Settlement Period, γ, based upon information provided by the Participant and used in the calculation of the Participant’s Required Credit Cover. | MWh |

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| **Modification Proposal Justification***(Clearly state the reason for the Modification)* |
| The current drafting of the Trading & Settlement Code Part B results in unnecessarily high credit cover requirements for New Participants in respect of their Generator Units. This proposed modification corrects the determination of required credit cover, thereby reducing the required credit cover requirements for New Participants in respect of their Generator Units. The change is in line with the intended design of this mechanism.  |
| **Code Objectives Furthered***(State the Code Objectives the Proposal furthers, see Section 1.3 of T&SC for Code Objectives)* |
| 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;Facilitates participation by removing unnecessarily and inappropriately burdensome credit requirements |
| **Implication of not implementing the Modification Proposal***(State the possible outcomes should the Modification Proposal not be implemented)* |
| Not implementing this modification will result in overly onerous collateral requirements for New Participants in respect of their Generator Units. |
| **Working Group***(State if Working Group considered necessary to develop proposal)* | **Impacts***(Indicate the impacts on systems, resources, processes and/or procedures; also indicate impacts on any other Market Code such as Capacity Marker Code, Grid Code, Exchange Rules etc.)* |
| No | None Anticipated |
| ***Please return this form to Secretariat by email to*** *modifications@sem-o.com* |