



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

26 September 2018

Our Ref: D/18/17023

SEM Committee Decision for the Regulatory Authorities in relation to Mod_27_18 (Final Recommendation Report FRR_27_18)

Dear Esther,

On 21 September 2018, the Modifications Committee submitted its Modification Recommendation Report with regard to Modification Proposal Mod_27_18 "Interim arrangements in Appendix O for Instruction Profiling and Bid Offer Acceptance quantity outcomes in a subset of undo scenarios" in accordance with Paragraph B.17.18.1 of Part B of the SEM Trading and Settlement Code (TSC).

The Modification Proposal Mod_27_18 seeks to amend Part B of the TSC rules in order to move towards substantive compliance under certification, for a period of time until these defects have been remedied and can be deployed to the live system, interim provisions which outline the outcome in the scenarios affected will prevail.

The Regulatory Authorities note that a presentation was made to the Modifications Committee meeting on 6 September 2018 summarising the requirement for this proposal. The proposer went through four separate scenarios and confirmed that they are expected to be rare. A number of Members voiced concerns as to what impact this would have on imbalance pricing, requesting more transparency and suggesting the modification fell into the category of codifying defects, with the Modifications Committee voting by majority to reject this Modification Proposal.

Despite SEMO's stated expectation that these instances should be rare and not financially significant, with limited available data to quantitatively assess the possible impact, the Regulatory Authorities recognise the concerns expressed in the Modifications Committee report. The Regulatory Authorities are in particular mindful that codifying these outcomes would leave


Participants unable to raise a dispute under the TSC if they were negatively impacted by one of the four scenarios.

In taking this decision the Regulatory Authorities are mindful that a balance needs to be struck between transparency in terms of market outcomes, or in other words that the TSC rules should align directly with the SEMO systems, and the proportionality of codifying areas of mismatch between systems and the market design, and thus removing the ability of Participants to dispute such outcomes when negatively affected. In this case, the Regulatory Authorities view the more appropriate position to be in favour of the original ruleset rather than the systems that have been delivered.

In reaching this conclusion the Regulatory Authorities note that this will lead to SEMO being in minor material breach of the TSC. The Regulatory Authorities are cognisant that SEMO takes such breaches seriously, and trusts that SEMO will endeavour to resolve this breach by aligning systems with the TSC as soon as practicable in the wider context of the various Day 2 work that will commence following I-SEM go-live.

In accordance with Paragraph B.17.20 of the Code, the SEM Committee direct in accordance with the Final Recommendation Report that a Modification, as set out in Appendix 1 of FRR_27_18, is not implemented.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Barry Hussey', written over a horizontal line.

Barry Hussey,
Manager
Wholesale Electricity Markets