

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

12 August 2021

**Our Ref:** F/23/168

**SEM Committee Decision for the Regulatory Authorities in relation to Mod\_01\_21 V2 (Final Recommendation FRR\_01\_21)**

Dear Esther,

On 21 May 2021, the Modifications Committee submitted its Final Recommendation Report (FRR) with regard to Modification Proposal Mod\_01\_21 V2 'Removal of Difference Charges where Operational Constraints are Binding' in accordance with Paragraph B.17.18.1 of Part B of the SEM Trading and Settlement Code (TSC). The Modification Proposal Mod\_01\_21 was submitted to the Modifications Committee by Bord na Mona on 28 January 2021 and discussed at a Working Group in March before Version 2 was voted on at Meeting 104 on 28 April 2021.

This Modification is based on a proposal which was consulted on by the Regulatory Authorities in SEM-19-024. At the time, the SEM Committee decided in SEM-19-054 not to implement the Modification but to keep this area under review '*in light of the operation of the market arrangements, interaction with the capacity market and any future changes to the balancing market*'.

In reviewing this Modification Proposal, the Regulatory Authorities have taken account of the views expressed by the Modifications Committee Members during the discussions on this Modification, the information submitted as part of the FRR and additional analysis carried out by SEMO considering the impact of the Modification on the Socialisation Fund.

The Regulatory Authorities acknowledge that based on assessment of a number of RO Events to date, with such a Modification in place there would have been sufficient funding in place to cover the Socialisation Fund, which was a significant concern raised by the SEM Committee in its initial decision in this area.

Following a detailed review however, the Regulatory Authorities have a number of concerns regarding the overall impact this Modification may have, which are outlined below.

The Regulatory Authorities requested that justification for the Modification be provided by the Proposer as part of the FRR in the context of the risk of exposure to Difference Charges where a Unit has an ex-ante position. The Regulatory Authorities understand that any Generator Unit that has sold energy in the ex-ante markets and submitted a Final Physical Notification will receive revenue for the constrained down quantity, while paying the Difference Charge during an RO event. Were such a Generator Unit to be exempted from paying the Difference Charges then it would still receive this revenue but not have to pay back any Difference Charge. The Regulatory Authorities note that the FRR states in relation to this point that *'This is not a feasible approach for low utilisation plants, which would regularly enter the Balancing Market with no ex-ante position due to the high variable costs.'* While this is an important consideration, it is the Regulatory Authorities' view that this Modification is broader than is necessary to address the specific case of those Generator Units referred to in the FRR.

In addition, if this Modification is implemented, then where a unit is constrained, but that constraint does not impact on its ability to deliver its Obligated Quantity, this would remove any obligation on the unit to make Difference Payments which could impact on incentives to deliver any of its Obligated Quantity, despite this quantity not being constrained.

The Regulatory Authorities note that this Modification was voted for approval by 8 Members of the Modifications Committee, with one vote to reject and one abstention.

Considering the above, and in accordance with Paragraph B.17.20 of the Code, the SEM Committee direct that Mod\_01\_21 is not implemented.

Yours sincerely,

**Grainne Black**  
**Manager**  
**Wholesale Electricity Markets**  
**Commission for Regulation of Utilities**

**Leigh Greer**  
**Manager**  
**Wholesale Electricity Markets**  
**Utility Regulator**