Trading and Settlement Code

Agreed Procedure 17: Banking and Participant Payments

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Contents

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RELATED DOCUMENTS

Document Title	Version	Date	By
Trading and Settlement Code	25.0	09/11/2021	SEMO
Agreed Procedure 9 "Management of Credit Cover and Credit"			
Agreed Procedure 15 "Settlement and Billing"			

1.   INTRODUCTION

1.1   Background and Purpose

This Agreed Procedure supplements the rules in relation to banking and Participant payments set out in section G of the Trading and Settlement Code (hereinafter referred to as the "**Code**"). It sets out procedures with which Parties to the Code must comply.

1.2   Scope of Agreed Procedure

This Agreed Procedure provides detail in relation to banking arrangements under the Code including:

(a)   Bank accounts;

(b)   Online banking;

(c)   Participant payments and charges (including Settlement Documents and methods of payment);

(d)   Payment references;

(e)   Management of Collateral Reserve Accounts; and

(f)   The business continuity plan.

This Agreed Procedure forms an annex to, and is governed by, the Code. It sets out procedures to be followed subject to the rights and obligations of Parties under the Code. In the event of any conflict between a Party's obligations set out in the Code and this Agreed Procedure, the Code shall take precedence.

1.3   Definitions

Words and expressions defined in the Code shall, unless the context otherwise requires or unless otherwise defined herein at Appendix 1 "Definitions and Abbreviations", have the same meanings when used in this Agreed Procedure.

References to particular paragraphs relate internally to this Agreed Procedure unless otherwise specified.

1.4   Compliance with Agreed Procedure

Compliance with this Agreed Procedure is required under the terms of the Code.

2.   BANKING AND PARTICIPANT PAYMENTS

2.1   Elements of the Banking Arrangements

The banking arrangements for financial Settlement consist of seven key elements that impact or result from Participants' activities:

(a)   amounts to be paid by Participants under the Code;

(b)   amounts to be paid to Participants under the Code;

(c)   drawdown of cash collateral;

(d)   calls on Letter of Credit or Demand Guarantee collateral;

(e)   deposits into SEM Collateral Reserve Accounts; and

(f)   deposit Interest and charges / fees on SEM Collateral Reserve Accounts. Interest can be negative or positive.

2.2   Bank Accounts

2.2.1   SEM Bank

The SEM Bank is a bank that meets the requirements of the Code in relation to the financial standing and constitution of the SEM Bank.

For each type of bank account listed below there will be both a Euro and Pounds Sterling bank account. The Euro bank accounts will be held with the SEM Bank in the Republic of Ireland and the Pounds Sterling bank accounts will be held with the SEM Bank in the United Kingdom. Participants will pay into and / or receive funds from the bank account corresponding to the Currency Zone of that Participant.

2.2.2   SEM Accounts

SEM Accounts will be used to receive in and pay out all amounts in relation to Trading Charges, Trading Payments, Capacity Charges and Capacity Payments, as calculated in accordance with the Code. These accounts will be in the name of the Market Operator and held on trust as set out in section G.1.6 of the Code.

2.2.3   SEM Collateral Reserve Accounts

A SEM Collateral Reserve Account will be established where a Participant decides to post some or all of its Required Credit Cover in the form of cash collateral. These bank accounts will be held in the sole name of the Market Operator and will be held on trust as further described at section G.1.6 of the Code. The SEM Bank, the Participant and the Market Operator will sign a form of Bank Mandate which shall irrevocably instruct the SEM Bank to make payment against the sole instruction of the Market Operator. In the event of a Shortfall, the Market Operator may drawdown funds from a SEM Collateral Reserve Account to meet such Shortfall, as further described in the Code. Participants entering into a Collateral Reserve Account arrangement will be required to comply with the Account Security Requirements as set out in G.1.5 of the Code.

2.2.4 Market Operator Charge Accounts

The Market Operator Charge Accounts will be used to receive all payments due under the Code pursuant to the issue of Fixed Market Operator Charge Invoices and Variable Market Operator Charge invoices.

The Market Operator Charge Accounts will not be held in trust as they are set up to receive payment of Market Operator Charges to which the Market Operator is beneficially entitled.

2.3 Online Banking

The Market Operator will use the Online Banking Platform provided by the SEM Bank. This application will provide for: (i) same day and standard payments in the Republic of Ireland and Northern Ireland; (ii) the downloading of statements; and (iii) the monitoring of both the SEM Collateral Reserve Account balances and the posted Letter of Credits or Demand Guarantees as provided for under the Code. The Online Banking Platform is accessed through the internet via a secure website.

Agreed Procedure 15 "Settlement and Billing" describes the timelines for payments in detail, however, for present purposes, the most relevant is the payment of Settlement Documents (issued by the Market Operator to Participants in respect of sums due to be paid to the Market Operator). These payments must be made by the relevant Participant before 1200hrs 3 Working Days after issue.

To meet with payment timelines for payments due to Participants, as set out in the Code, the Market Operator will need to effect same day Electronic Funds Transfer payments to Participants. The Online Banking Platform enables the Market Operator to submit electronic payment files to ensure that payment to Participants is made against the relevant amount due to Participants on Settlement Documents by 1700hrs on that Working Day.

2.4 Participant Payments and Charges

Settlement Documents will be issued to Participants covering all payments and charges in respect of their Generator Units, Capacity Market Units and Supplier Units.

There are the following payment types:

(a) Trading Payments and Trading Charges;

(b) Capacity Payments and Capacity Charges; and

(c) Market Operator Charges.

Each payment type has a corresponding bank account, as follows:

(a) Trading Payments and Charges and Capacity Payments and Charges: SEM Account; and,

(b) Market Operator Charges: Market Operator Charge Account.

Participants with Units registered in Northern Ireland will, in respect of those Units, pay into the corresponding bank account at the SEM Bank in Pounds Sterling and Participants with Units registered in the Republic of Ireland will, in respect of those Units, pay in Euro into the corresponding bank account at the SEM Bank in the Republic of Ireland.

2.4.1   Method of Payment

All payments shall be made by way of electronic funds transfer. Any other form of payment shall not be accepted.

The following electronic funds transfer payment methods can be used to effect a payment under the Code. The Participant must consider the relevant payment cycle to allow payment to be met by the Payment Due Date:

(a)   Standard payment methods:

    (i)   BACS (UK): normally a 3 day cycle, standard payment; and
    (ii)   SEPA (Ireland): normally a 2 day cycle, standard payment.

(b)   Same day payment methods:

    (i)   CHAPS (UK): 1 day cycle, same day payment;
    (ii)   TARGET2 (Ireland): 1 day cycle, same day payment; and
    (iii) Faster Payment (UK): Real-time payment subject to sending institution and a transaction limit, standard payment;

In relation to payment of Settlement Documents, payment shall be made within 3 Working Days of issuing a Settlement Document. Therefore, based on the payment cycles above, to ensure payments are made on time:

(a) a BACS instruction must be made on the Settlement Document issue date;

(b) a SEPA instruction before the Settlement Document issue date +1 Working Day;

(c) a CHAPS or TARGET2 instruction must be made before the Settlement Document issue date +2 Working Days; and

(d) a Faster Payment instruction must be made before noon on the Settlement Document issue date +3 Working Days (subject to confirmation of sending institution).

Example:

- Settlement Document is raised on Billing Period +5 Working Days 12:00, Friday;

- Payment is due on Billing Period +3 Working Days 12:00, Wednesday; and

- To meet 12:00 Wednesday deadline

  - BACS – submit Friday, presented 3 Working Days later, Wednesday morning;
  - SEPA – submit Monday, presented 2 Working Days later, Wednesday morning;
  - Same day – submit Tuesday, presented on the same day, Tuesday evening;
  - Faster Payment – submit Wednesday, presented before 12:00 Wednesday (subject to confirmation of sending institution).

2.4.2 Settlement Statements and Settlement Documents

The Market Operator will issue Settlement Statements to Participants each Working Day on completion of all Settlement runs. Settlement Statements shall detail inputs into and results of all Settlement calculations on an Imbalance Settlement Period in relation to Generator Units, Capacity Market Units and Supplier Units registered by a Participant.

In accordance with the timelines set out in chapter G of Code, the Market Operator will also issue a single Settlement Document that shall report the aggregate of the results from the Settlement Statements for each Billing Period. Settlement Documents shall set out all payments and charges due in respect of Generator Units and Supplier Units registered by a Participant for Imbalance Settlement. Settlement Documents relate to Initial Settlement and Settlement Reruns for the Working Day in which they are issued.

Market Operator Charges shall not be included in the Settlement Document, they are detailed in the Market Operator invoice.

If a payment made by a Participant is greater than the total amount due by that Participant in respect of the Settlement Documents issued, the overpayments process set out in section G.2.8 of the Code shall apply.

2.5 Payment References

Participants are required to process their payments to the Market Operator using specified payment references, as set out below.

If a Participant makes a payment to the Market Operator without using the payment references set out below, an administrative fee shall apply.

2.5.1 References

On registration Participants shall be given a Participant ID. This will be in the format PT_nnnnnn, where nnnnnn is a six digit, unique integer.

Invoices issued by the Market Operator will have an invoice number in the format of mmmmmmmmmm (10 digits).

In order to successfully identify both the Participant and the Settlement Document that is being paid a combination of both the Participant ID and the Settlement Document number is required to be used by the Participant as the payment reference.

2.5.2 Standard Payments

Participants using the standard payment method shall use the following format of payment reference (in the UK 18 characters of text available and in Ireland 140 characters of text available):

N[Settlement Document number]A[Participant ID (without any PT_ prefix)]

Example:

(a)   Participant PT_000321 must pay Settlement Document 0987654321

(b)   The Participant supplies a payment reference N0987654321A000321

For aggregate payments the Settlement Document number should be for the highest priority Settlement that needs payment for the given Account, billing type and Payment Due Date.

2.5.3 Same Day Payments

Participants using the same day payment method shall use the following format of payment reference (140 characters of text available):

<SMO>N[Settlement Document number]A[Participant ID (without any PT_ prefix)]</SMO>

Example:

(a)   Participant PT_012345 must pay Settlement Document 0123456789

(b)   The Participant supplies the user reference <SMO>N0123456789A012345</SMO>

For aggregate payments the Settlement Document number should be for the highest priority Settlement Document that needs payment for the given Account, Settlement Document type and relevant Payment Due Date.

Participants are not required to provide further information on the 4 lines of text available for payment references, however, the above reference format must appear somewhere within those 4 lines. Only this reference shall be recognised by the Market Operator. If, technical constraints on a Participant's Banks payment system mean complying with the above in relation to same day payments is not possible, then they should use the 18 character reference field on the Same Day Payment Advice to specify the Settlement Document and Participant ID, as follows:

N[Settlement Document number]A[Participant ID (without any PT_ prefix)]

Example:

(a)   Participant PT_000321 must pay Settlement Document 0987654321

(b)   The Participant supplies a payment reference N0987654321A000321

2.6   Payments to Participants

All payments made to Participants will be made by same day payments in order to comply with the payment timelines set out in section G.2.8 of the Code. The Market Operator will use the 140 character payment reference or 18 character payment reference (as applicable) on each payment as described in paragraph 2.5.3 to provide information to the Participant. The information provided will include the name of the Market Operator, the name of the Participant, the Settlement Document number being paid and the payment type to which the payment relates (Trading / Capacity or Market Operator).

In accordance with the Code, payments due to Participants will be made by close of business of the relevant bank on the Settlement Document Payment Due Date.

The Market Operator will assume that the accounts specified by Participants for the receipt of payments will be opened in the same currency as their Currency Zone.

The bank account that will be used for the payments to Participants will be based on the latest bank account details that have been approved in the Balancing Market Interface prior to close of business on the day before the issue of the relevant Settlement Document or Invoice.

2.7 SEM Collateral Reserve Accounts

If a Participant chooses to hold their Required Credit Cover in the form of cash (it may also be held in the form of a Letter of Credit or Demand Guarantee) they will be required to open a SEM Collateral Reserve Account with the SEM Bank, which will be held in the sole name of the Market Operator. The SEM Collateral Reserve Account will be held on trust in accordance with the Code.

The SEM Collateral Reserve Account may be set up at registration, in which case the Participant shall complete the required SEM Collateral Reserve Account bank account mandate as part of the registration process, or following registration, in which case a mandate shall be completed subsequent to registration.

The SEM Collateral Reserve Account bank account mandate form is available on the Market Operator website and shall be downloaded by the Participant, completed and signed before being sent to the Market Operator. The Market Operator shall check that the Participant has completed the form correctly. If the Participant has not completed the form correctly, the Market Operator shall return it to the Participant who shall be required to re-submit the form. If the form is complete, the Market Operator shall countersign it and then send the completed form to the appropriate SEM Bank for that Participant's Currency Zone.

The SEM Bank shall set up the SEM Collateral Reserve Account and inform the Market Operator and the Participant.

2.7.1 Drawdown of Cash Collateral from SEM Collateral Reserve Accounts

If the Market Operator is required to make a call against a Participant's Credit Cover it may involve the Market Operator drawing down on a Participant's cash collateral up to the value of the Shortfall or to the extent available. This will be done at the instruction of the Market Operator via the Online Banking Application and will be in the form of a transfer of funds from the Participant's SEM Collateral Reserve Account to the appropriate SEM Bank account according to the payment type in respect of which the Shortfall has occurred.

The transfer of funds will be made by way of a same day payment.

The reference that will be used by the Market Operator will be in the format:

< Settlement Document number>

Participants will be able to see this on any statements provided to them by the Bank.

2.7.2 Calls on a Letter of Credit or Demand Guarantee

A Participant may hold all or part of their Required Credit Cover in the form of a Letter of Credit or Demand Guarantee. The Letter of Credit or Demand Guarantee must be in the form set out in Appendix A "Standard Letter of Credit and " or "Standard Demand Guarantee" to the Code and the Participant must ensure that it is issued by a Bank or Insurance Undertaking (as applicable) that fulfils the Banking and Insurance Undertaking Eligibility Requirements.

If the Participant Defaults on any payment obligation resulting in a Shortfall, the Market Operator will make a Credit Call which may involve calling on the Letter of Credit or Demand Guarantee. In such circumstances the Letter of Credit or Demand Guarantee will be called for the value of the Shortfall or to the extent required. The funds will be transferred into the appropriate SEM Bank account according to the payment type in respect of which the Shortfall has occurred.

When required to make a Credit Call against a Letter of Credit or Demand Guarantee, the Market Operator will procure that an authorised person presents a Beneficiary Statement to the Letter of Credit bank or Demand Guarantee Insurance Undertaking in the form set out in Appendix A "Standard Letter of Credit" and "Standard Demand Guarantee" of the Code. The Beneficiary Statement will set out, with respect to each relevant Settlement Period, the amount of the Shortfall in accordance with the Code.

2.7.3   Deposits to and Withdrawals from SEM Collateral Reserve Accounts

When a Participant has acceded to the Code, they will be required to have a minimum level of Required Credit Cover. Where a Participant has Posted Credit Cover in a SEM Collateral Reserve Account they may decide to increase this from time to time. Likewise they may also be entitled to withdraw an amount of Posted Credit Cover: (i) to change the composition of cash to Letter of Credit or Demand Guarantee; (ii) to make a payment due under a Settlement Document by way of transfer from the SEM Collateral Reserve Account; or (iii) because their Required Credit Cover has reduced.

The process for depositing or withdrawing cash from SEM Collateral Reserve Accounts is described in Agreed Procedure 9 "Management of Credit Cover and Credit".

2.7.4   Interest

If interest is   credited to a SEM Collateral Reserve Account, a Participant may request repayment from that account using collateral refund process outlined in Agreed Procedure 9 "Management of Credit Cover and Credit Default".

2.8   Business Continuity Plan

In the event that access to the internet or the Online Banking Platform fails, there is a manual procedure to ensure that the Market Operator will still meet its payment obligations. The following steps will be undertaken:

(a)   An authorised payment file report will be provided by e-fax to the Bank branch where the account is held. The same time scales apply and the Financial Application can support this process.

(b)   If for any reason all telecommunication links are inaccessible, the authorised payment file report will be presented in person at one of the SEM Bank branches. Again the same deadline has to be met to ensure payment is made.

The SEM Bank will be required to have its own internal contingency provisions to ensure that in whatever circumstances they can still meet their own obligations once the payment file has been submitted to them.

APPENDIX 1: DEFINITIONS AND ABBREVIATIONS

DEFINITIONS

Online Banking Platform	means the online banking platform established by the SEM Bank.
Participant ID	means the unique identifier issued when a Party registers a Participant pursuant to which Units are aggregated for the purposes of calculating Required Credit cover, among other things, in accordance with Agreed Procedure 1 "Registration".

Abbreviations

BACS	Banks Automated Clearing System
CHAPS	Clearing House Automated Payments System
EFT	Electronic Funds Transfer

APPENDIX 2: SEM BANK ACCOUNTS

Bank Accounts

Specific bank details are available via the Helpdesk upon registration.

The following table contains the details of the four bank accounts that will be used to receive payments from Participants and make payments to Participants:

Bank	Bank Account	Currency	Jurisdiction
SEM Bank	SEM Account	Euro	Ireland
SEM Bank	SEM Account	Sterling	UK
SEM Bank	Market Operator Charge Account	Euro	Ireland
SEM Bank	Market Operator Charge Account	Sterling	UK