



Single Electricity Market

FINAL RECOMMENDATION REPORT

**MOD_10_20 RESCIND CCIN VIA EMAIL WHEN INDICATIVE
SETTLEMENT IS DELAYED AND SETTLEMENT TEAM CAN VERIFY
METER VOLUMES**

13 NOVEMBER 2020

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Document History

Version	Date	Author	Comment
1.0	13 November 2020	Modifications Committee Secretariat	Issued to Modifications Committee for review and approval
2.0	24 November 2020	Modifications Committee Secretariat	Issued to Regulatory Authorities for final decision

Reference Documents

Document Name
Trading and Settlement Code
Modification Proposal
Modification Proposal v2
Modification Proposal v3
Presentation

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1. MODIFICATIONS COMMITTEE RECOMMENDATION

RECOMMENDED FOR APPROVAL– UNANIMOUS VOTE

Recommended for Approval by Unanimous Vote		
Paraic Higgins (Chair)	Generator Member	Approve
Andrew Burke	Supplier Member	Approve
Sean McParland	Generator Alternate	Approve
Robert McCarthy	DSU Member	Approve
Ian Mullins	Supplier Member	Approve
David Gascon	Generator Alternate	Approve
Bryan Hennessy	Supplier Member	Approve
Philip Carson	Supplier Member	Approve
Stacy Feldmann	Generator Member	Approve
Alan Mullane	Assetless Member	Approve

2. BACKGROUND

This Modification Proposal was raised by EirGrid and was received by the Secretariat on 6th August 2020. The proposal was raised at Meeting 100 and voted on at Meeting 101 on 22nd October 2020.

In some instances we have seen participants required collateral being adversely impacted due to delays of indicative runs processing which is being caused by increased Traded Not Delivered Exposure (ETND).

The proposed change would rescind credit cover increase notice (CCIN) via email where a Participant (PT) has completed day ahead/intraday trades and the settlement team can verify the units meter quantity against these trades. The rescinding of CCIN would only apply in a specific scenario:

- Indicative runs are more than two runs behind schedule due to internal processing issues such as Instruction Profiler faults i.e. the number of calculated days in ETND is 5+.
- Settlement team has received all meter data values from meter data provider. Delays in processing caused by external data providers or System Operator delays would not trigger this process
- Total metering generation for “additional” ETND days would be subtracted from day ahead / intraday trade volume. Surplus ETND would be applied to updated credit calculation in a separate tool outside of the system.
- Rescind email will be issued in the same working day (up to 17:00)
- CCIN must still be actioned by Participant unless rescind email issued

The intention of the Modification is not to under collateralise the market. The intention is to not penalise Participants by increasing collateral when there are settlement processing delays.

3. PURPOSE OF PROPOSED MODIFICATION

3A.) JUSTIFICATION OF MODIFICATION

This Modification would not penalise some Participants if there are delays in indicative run processing. At present a Participant could have a CCIN due to high ETND caused by delayed indicative processing. This Modification would specifically cater for this scenario and ensure these Participants are not penalised in the scenario outlined above.

3B.) IMPACT OF NOT IMPLEMENTING A SOLUTION

Credit report would remain the same and potentially a Participant could receive a CCIN due to settlement processing delays i.e. no fault of their own.

3C.) IMPACT ON CODE OBJECTIVES

The Modification furthers the following code objective:

- to facilitate the efficient, economic and coordinated operation, administration and development of the Single Electricity Market in a financially secure manner

This Modification would not penalise some Participants for delayed settlement processing. In previous instances some Participants have had to increase their posted collateral due to settlement processing delays. This change if approved would remove this burden on Participants of increasing posted collateral when they have traded responsibly.

4. WORKING GROUP AND/OR CONSULTATION

N/A

5. IMPACT ON SYSTEMS AND RESOURCES

There would be no system updates required to facilitate this Modification. The only impact would be on the settlement team who would complete review of credit report breaches if the indicative runs are more than two runs behind schedule due to internal processing.

6. IMPACT ON OTHER CODES/DOCUMENTS

N/A

7. MODIFICATION COMMITTEE VIEWS

MEETING 100 – 23 APRIL 2020

The Proposer gave a background on this Modification noting that, following the latest review and comments received, the final wording will need to be updated therefore a vote was not sought today but it would be good to discuss it. A list of the various changes to be made was provided and confirmation given that there would be a change to AP procedures also. This Modification would ensure that Participants are not penalized in specific circumstances when the Indicative Settlement would be delayed.

The Proposer went through the Modification Proposal and clarified that no Working Groups would be required along with no system updates. It was noted the only impact would be on the settlement team as the changes would be mainly procedural and would be done manually.

A DSU Member asked if a Market Message could include details of the delays and what they were due to, so that Participants could have an idea on whether their Credit Cover calculation could be affected by this issue or not. The Proposer replied that SEMO would endeavour to include all available details in the message and there would also be detailed communications with the affected parties.

The Chair asked if an analysis of past events had been made. It was advised that this had indeed been carried out and the issue would not apply to a large number of Participants but in all cases observed it would have resulted in a fairer calculation of the Participant's Credit Cover.

A Generator Member referred to Section G.12.17 regarding the issue of the timing of the email rescinding the CCIN and whether that would be captured in the Credit Report. The Proposer went through an example to provided assurance that the credit team would send an email to the Participant if there was a breach and the CCIN was to be rescinded but no changes were proposed to the Credit Report to avoid incurring vendor's costs.

MEETING 101 – 22 OCTOBER 2020

The Proposer introduced the Modification noting that version 3 was issued for consideration. This new Modification was raised to try to alleviate over-collateralization where indicative Settlement run is delayed. The Proposer noted where changes would be made to the glossary and where further updates would be required.

Going through the [presentation](#), the Proposer explained the examples which provided a context of the delays which occurred. It was confirmed that these delays were caused by internal processing and additional days were included in the calculation of Credit Cover requirements as a result. The presentation also highlighted a minor change which would be captured in the FRR should the Modification be voted on.

A Generator Alternate asked about trading exposure in relation to the second example in the presentation. The Proposer went through the example confirming that this Modification was aiming to negate additional days regardless of the sign of the amount.

A number of Members and Observers pointed out that removing the CCIN helped but did not get to the core of the problem. The Proposer agreed with this and the purpose of this Modification was just to offer some relief in a manner that could be implemented easily and promptly. It was noted that System Operators data was included in this version of the Modification to cover all data that could affect delays. A Supplier Member also pointed out that one of the issues was the fact that metered generation was not sent for the first few weeks for new Units and previously there had been indications that this would be addressed.

An ROI MDP Member assured the Committee that through engagement with the Proposer a new process had been put in place and for any new units they will let the unvalidated data flow as soon as they are effective into the market.

8. PROPOSED LEGAL DRAFTING

As per Legal Drafting section of Appendix A and the following agreed Legal Drafting update required to Notices section of T&SC:

B.32.2.4 Any Notice of a kind listed in any of paragraphs B.32.1.1(a) to B.32.1.1(c) and B.32.1.1(g) to B.32.1.1(l) given by facsimile or email shall be confirmed by forwarding a copy of the same by pre-paid registered post provided that failure to receive such confirmation shall not prejudice effective receipt of the notice under paragraph B.32.2.5. This is with the exception of SEM NEMO Credit Reports, a Required Credit Cover Report containing a Warning Notice, a Required Credit Cover

Report containing a Credit Cover Increase Notice, **Notice of Rescinded CCIN** which do not require confirmation by post.

9. LEGAL REVIEW

N/A

10. IMPLEMENTATION TIMESCALE

It is recommended that this Modification should be made effective from the first settlement date following publication of the SEM Committee decision.

1 APPENDIX 1: MOD_10_20 RESCIND CCIN VIA EMAIL WHEN INDICATIVE SETTLEMENT IS DELAYED AND SETTLEMENT TEAM CAN VERIFY METER VOLUMES

MODIFICATION PROPOSAL FORM			
Proposer <i>(Company)</i>	Date of receipt <i>(assigned by Secretariat)</i>	Type of Proposal <i>(delete as appropriate)</i>	Modification Proposal ID <i>(assigned by Secretariat)</i>
EirGrid	14 th October 2020	Standard	Mod_10_20 v3
Contact Details for Modification Proposal Originator			
Name	Telephone number	Email address	
John Tracey		john.tracey@Eirgrid.com	
Modification Proposal Title			
Rescind CCIN via email when indicative settlement is delayed and settlement team can verify meter volumes			
Documents affected <i>(delete as appropriate)</i>	Section(s) Affected	Version number of T&SC or AP used in Drafting	
T&SC Part B and Agreed Procedures Part B	T&SC: G.12.1.2 G.12.1.3 Addition of G.12.1.7 Part B Glossary Agreed Procedure 9: Management of Credit Cover and Credit Default	T&SC Issued on 29/04/2020 AP9 version 22	
Explanation of Proposed Change <i>(mandatory by originator)</i>			
<p>In some instances we have seen participants required collateral being adversely impacted due to delays of indicative runs processing which is being caused by increased Traded Not Delivered Exposure (ETND).</p> <p>The proposed change would rescind credit cover increase notice (CCIN) via email where a Participant (PT) has completed day ahead/intraday trades and the settlement team can verify the units meter quantity against these trades. The rescinding of CCIN would only apply in a specific scenario:</p>			

- Indicative runs are more than two runs behind schedule due to internal processing issues such as Instruction Profiler faults i.e. the number of calculated days in ETND is 5+.
- Settlement team has received all meter data values from meter data provider. Delays in processing caused by external data providers or System Operator delays would not trigger this process
- Total metering generation for “additional” ETND days would be subtracted from day ahead / intraday trade volume. Surplus ETND would be applied to updated credit calculation in a separate tool outside of the system.
- Rescind email will be issued in the same working day (up to 17:00)
- CCIN must still be actioned by participant unless rescind email issued

The intention of the modification is not to under collateralise the market. The intention is to not penalise participants by increasing collateral when there are settlement processing delays.

Legal Drafting Change

*(Clearly show proposed code change using **tracked** changes, if proposer fails to identify changes, please indicate best estimate of potential changes)*

T&SC Part B to be amended as follows:

G.12.1.2 Following a Credit Assessment, the Market Operator shall provide each Participant with a report (“**Required Credit Cover Report**”). A Required Credit Cover Report shall include the information listed in paragraph **Error! Reference source not found.** and shall also contain:

- a Warning Notice where the Market Operator determines in the Credit Assessment that the Participant’s Credit Cover Ratio is equal to or exceeds the Warning Limit but does not exceed the Breach Limit; or
- a Credit Cover Increase Notice where the Market Operator determines in the Credit Assessment that the Participant’s Credit Cover Ratio is equal to or exceeds the Breach Limit. If the Credit Cover Report contains a Credit Cover Increase Notice, then it shall specify the amount of additional Credit Cover required to be posted to satisfy the Participant’s Required Credit Cover as determined in the Credit Assessment **(save where paragraph G.12.1.7 applies).**

G.12.1.3 Where a Required Credit Cover Report provided by the Market Operator to a Participant contains a Credit Cover Increase Notice, the Participant shall meet the terms of the Credit Cover Increase Notice by:

- subject to paragraph **Error! Reference source not found.**, paying an outstanding Settlement Document early; or
- posting the additional necessary Credit Cover, before 17:00 on the second Working Day thereafter (or, in the circumstances contemplated in paragraph **Error! Reference source not found.**, such longer period as may have been specified by the Regulatory Authorities under that paragraph) **(save where paragraph G.12.1.7 applies).**

G.12.1.7 The Market Operator shall rescind a Credit Cover Increase Notice via **Notice of**

Rescinded CCIN when:

- (a) Indicative settlement processing is greater than two runs behind not due to delayed data being received from **any Meter Data providers and/or System Operator**; and
- (b) When total Metered Generation for delayed indicative runs multiplied by Credit Assessment Price is greater in magnitude than the amount by which the Participant which was subject to the Credit Cover Increase Notice was in Breach.

The **Notice of Rescinded CCIN** must be sent by 17:00 on the same Working Day as the Credit Cover Report **which contained the Credit Cover Increase Notice which is being rescinded**. Where a Credit Cover Increase Notice has been rescinded the paragraph G.12.1.3 shall no longer apply.

Part B Glossary to be amended as follows:

Notice of Rescinded CCIN	means a notice issued in accordance with section G.12.1.7 to rescind a Credit Cover Increase Notice .
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Part B Agreed Procedure 9 to be amended as follows:

1. PROCEDURAL STEPS

1.11 Management of Credit Cover Requirements

Step	Procedural Step	Timing	Method	By/From	To
1	Carry out a Credit Assessment for each Participant.	In accordance with the timelines set out at section 2.5 above	-	Market Operator	-
2	In respect of any Participant, if the circumstances set out at section G.12.3.2 of the Code apply, the Market Operator shall not accept Contracted Quantities submitted by the relevant Scheduling Agent under	-	Balancing Market Interface / Email / Facsimile	Market Operator	Scheduling Agent

	<p>paragraph F.2.2.1 of the Code in respect of the Participant after the expiration of the applicable Response Period, in accordance with paragraph G.12.3.3 of the Code.</p> <p>In respect of any other Participant the Market Operator shall accept Contracted Quantities for any Units submitted by the relevant Scheduling Agent under paragraph F.2.2.1 of the Code and update the Credit Assessment for that Participant as appropriate.</p>				
<p>3</p>	<p>Produce and issue a Required Credit Cover Report to each Participant, which shall contain any Warning Notices and Credit Cover Increase Notices, as follows:</p> <p>(a) If its Credit Cover Ratio is equal to or exceeds the Warning Limit and is less than the Breach Limit, a Warning Notice shall apply; or</p> <p>(b) If its Credit Cover Ratio is equal to or exceeds the Breach Limit, a Credit Cover Increase Notice shall apply.</p> <p>(c) If the the Market Operator determines that a Credit Cover Increase Notice be rescinded in accordance with G.12.1.7, a Notice of Rescinded CCIN shall apply.</p>	<p>In accordance with the timelines set out at section 2.5 above</p>	<p>Balancing Market Interface / Email</p>	<p>Market Operator</p>	<p>Participant</p>
<p>4</p>	<p>Provide each SEM NEMO with a SEM NEMO Credit Report which shall include in relation to Participants which are participating in the SEM NEMO's day-ahead or intraday market:</p> <p>(a) details of any Participant whose Credit Cover Ratio is equal to or exceeds the Breach Limit; and</p> <p>(b) details of any Participant whose Credit Cover Ratio was equal to or exceeded the Breach Limit in the previous SEM NEMO Credit Report but is now less than the Breach Limit.</p>	<p>On completion of each Credit Assessment</p>	<p>Balancing Market Interface / Email / Facsimile</p>	<p>Market Operator</p>	<p>Each SEM NEMO</p>
<p>5</p>	<p>Confirm issuance of any Credit Cover Increase Notice, rescinding of Credit Cover Increase Notice or Warning</p>	<p>Each WD by 17:00</p>	<p>For a Credit Cover Increase Notice or</p>	<p>Market Operator</p>	<p>Participant</p>

<p>Notice to each Participant. If a Credit Cover Increase Notice has been issued and has not been rescinded in accordance with paragraph G12.1.7 of the code continue to step 6, otherwise end process.</p>	<p>Notice of Rescinded CCIN by Email and/or Telephone For a Warning Notice by Email</p>
<p>Modification Proposal Justification <i>(Clearly state the reason for the Modification)</i></p>	
<p>This modification would not penalise some participants if there are delays in indicative run processing. At present a participant could have a CCIN due to high ETND caused by delayed indicative processing. This modification would specifically cater for this scenario and ensure these participants are not penalised in the scenario outlined above.</p>	
<p>Code Objectives Furthered <i>(State the Code Objectives the Proposal furthers, see Section 1.3 of Part A and/or Section A.2.1.4 of Part B of the T&SC for Code Objectives)</i></p>	
<p>The modification furthers the following code objective:</p> <ul style="list-style-type: none"> to facilitate the efficient, economic and coordinated operation, administration and development of the Single Electricity Market in a financially secure manner <p>This Modification would not penalise some participants for delayed settlement processing. In previous instances some participants have had to increase their posted collateral due to settlement processing delays. This change if approved would remove this burden on participants of increasing posted collateral when they have traded responsibly.</p>	
<p>Implication of not implementing the Modification Proposal <i>(State the possible outcomes should the Modification Proposal not be implemented)</i></p>	
<p>Credit report would remain the same and potentially a participant could receive a CCIN due to settlement processing delays i.e. no fault of their own.</p>	
<p>Working Group <i>(State if Working Group considered necessary to develop proposal)</i></p>	<p>Impacts <i>(Indicate the impacts on systems, resources, processes and/or procedures; also indicate impacts on any other Market Code such as Capacity Market Code, Grid Code, Exchange Rules etc.)</i></p>

<p>No working group required to develop proposal. This proposal has been reviewed and discussed in previous modification meetings.</p>	<p>There would be no system updates required to facilitate this modification. The only impact would be on the settlement team who would complete review of credit report breaches if the indicative runs are more than two runs behind schedule due to internal processing.</p>
<p><i>Please return this form to Secretariat by email to balancingmodifications@sem-o.com</i></p>	