



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

21 November 2022

Our Ref: F/25/444

SEM Committee Decision for the Regulatory Authorities in relation to Mod_12_22 (Final Recommendation FRR_12_22)

Dear Esther,

On 16 September 2022, the Modifications Committee submitted its Final Recommendation Report (FRR) with regard to Modification Proposal Mod_12_22 'Expansion of the System Service flag to include units providing Replacement Reserve in line with the detailed design' in accordance with Paragraph B.17.18.1 of Part B of the SEM Trading and Settlement Code (TSC). The Modification Proposal Mod_12_22 was submitted to the Modifications Committee by EP Kilroot & EP Ballylumford on 13 September 2022. It was voted on and recommended for approval at Meeting 112B on 16 September 2022.

This proposal relates to Mod_14_21 which was raised by EPUKI on 23 August 2021, and recommended for approval by the Modifications Committee following Meeting 108 on 2 December 2021. However, in the course of carrying out an impact assessment of Mod_14_21, SEMO became aware that a change was needed to the legal drafting. The legal drafting was updated by the proposer and submitted as the new urgent modification proposal, Mod_12_22.

Mod_12_22 was raised by EPUKI and proposes to extend the system service flag to include those generator units that are classified as a Replacement Reserve Resource in the latest

published TSOs Operational Constraints Update. The Modification Proposers are of the view that units are currently being exposed to Non-performance Difference Charges even though those units are being held for reserve. The TSOs Operational Constraints Update is published on a weekly basis and, for both ROI and NI, includes units that are used for various system services and constraints, such as those held for Replacement Reserve.

This modification proposal also specifies that the system service flag should only be applied to such units where they are in merit. Specifically, this Modification proposes to apply the system service flag to a generator unit where it:

1. Is listed by the TSO in its latest published Operational Constraints Update as a resource providing Replacement Reserve; and
2. Its Minimum Complex Price (PCMin) \leq Strike Price (PSTR)

Where the Minimum Complex Price is a newly defined term and is the price associated with the first set of Incremental Price Quantity Pairs, where the quantity is greater than zero, submitted in the Generator's Complex Bid Offer Data.

The RAs note that this modification was recommended for approval on a unanimous basis by the Modifications Committee.

The RAs are in agreement with the intent of this proposal but consider that it would be appropriate to make a slight refinement to the assessment of whether a unit is in merit or not. This is on the basis that the Minimum Complex Price, as defined, does not necessarily correspond to the price offered up to the Capacity Obligated Quantity, or to any fixed proportion of it. In principle, based on this definition, it would be possible for a very small proportion of a unit's capacity to be offered in at a price that was less than or equal to the Strike Price, with the remaining, and large, portion of the unit's Capacity Obligated Quantity being offered in at a price above the Strike Price.

Section 17.20.1 of the TSC states that following receipt of a Final Recommendation Report, the RAs shall decide whether to:

- a) *direct a Modification in accordance or otherwise with the Final Modification Recommendation of the Modifications Committee;*
- b) *reject the Final Modification Recommendation of the Modifications Committee; or*
- c) *direct the Modifications Committee that further work is required in respect of the Modification Proposal concerned in the Final Recommendation Report, extending the applicable time-limit for the Modifications Committee under paragraph **Error! Reference source not found.**, if necessary.*

In light of the considerations set out above, the SEM Committee directs that in accordance with the recommendation of the Modifications Committee in FRR_12_22, save for the amendment specified below, the modification proposal Mod_12_22, should be implemented on a Settlement Day basis from two Working Days following publication of this decision. This implementation timeframe reflects the manual implementation of the modification, as confirmed by SEMO.

The amendment to be made to the proposed modification Mod_12_22 is that the 'Minimum Complex Price' should be replaced by the 'Capacity Obligated Quantity Complex price'. The 'Capacity Obligated Quantity Complex price' is the price associated with the Price Quantity pair corresponding to the Capacity Obligated Quantity, submitted in the Generator's Complex Bid Offer Data. The revised legal drafting, reflecting this amendment, is set out in Appendix 1 below.

For the avoidance of doubt, the version of Mod_12_22, which the RAs direct to be made is that set out in Appendix 1 to this letter.

Finally, the RAs note the potential interaction between this modification and SEM-22-030¹ and may seek in the future to align the operation of this modification, as appropriate, with any changes that result from the decision on SEM-22-030.

Yours sincerely,

Gráinne Black
Manager, Wholesale Electricity Markets
Commission for Regulation of Utilities

(Sent by email with no signature)

Leigh Greer
Manager, Wholesale Electricity Markets
Utility Regulator

¹ [Applicability of Non-performance Difference Charges Consultation Paper.pdf \(semcommittee.com\)](#)

Appendix 1

Part B Appendix N

2 For each Imbalance Pricing Period, φ , the System Operators shall:

i. where the Generator unit, u ,

- i. is listed by the TSO in its latest published Operational Constraints Update as a resource providing Replacement Reserve; and
- ii. its Capacity Obligated Complex Price ($PCQCOB_{u\varphi}$) \leq Strike Price ($PSTR_m$)

then the System Service Flag ($FSS_{u\varphi}$) for that Generator Unit, u , shall be set equal to zero for that Imbalance Pricing Period, φ .

Where:

- (a) $PCQCOB$ is the Capacity Obligated Quantity Complex Price for that unit in that Imbalance Pricing Period, φ .
- (b) $PSTR_m$ is the Strike Price for Month, m , which contains Imbalance Settlement Period, γ

- ii. Where not covered by (i), the System Operators shall set the System Service Flag ($FSS_{u\varphi}$) for that Generator Unit, u , equal to one for that Imbalance Settlement Period

Glossary

Capacity Obligated Quantity Complex Price is the price associated the Price Quantity pair corresponding to the Capacity Obligated Quantity, submitted in the Generator's Complex Bid Offer Data, for each Period, h .