



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

23 January 2023

Our Ref: F/25/576

SEM Committee Decision for the Regulatory Authorities in relation to Mod_13_22 (Final Recommendation FRR_13_22)

Dear Esther,

On 14 December 2022, the Modifications Committee submitted its Final Recommendation Report (FRR) with regard to Modification Proposal Mod_13_22 'Imperfections Charge factor – Modification to allow Bidirectional application' in accordance with Paragraph B.17.18.1 of Part B of the SEM Trading and Settlement Code (TSC). The Modification Proposal Mod_13_22 was submitted to the Modifications Committee by the TSOs on 30 September 2022 and discussed and voted on at Meeting 113 on 20 October 2022.

This Modification was raised by SONI/ EirGrid to allow the Imperfections Charge Factor to operate bidirectionally, i.e., enabling a value < 1 . This modification will allow the Imperfections Charge to be reduced within-year (via applying a charge factor < 1 to the Imperfections Charge) to reduce the magnitude/impact of a likely TSO over-recovery of anticipated costs. The SEMC decision paper for the 2022/23 Imperfections Charge set out a requirement for the TSOs to work with the RAs to develop an Imperfections biannual review process. The current charge factor mechanism

forms part of this, however, to meet the requirements of this process, a modification is required to update section F.12.1.4 of the Trading and Settlement Code to allow bidirectional amendments to the Imperfections Charge Factor.

This modification has the potential to reduce k-factor volatility, by accounting for within-year impacts outside the control of the TSOs that are driving costs down, as well as up (which can already be accounted for). This should lead to better year-on-year stability of the Imperfections Charge, where Imperfection Costs can better follow actual costs where deviations occur between actual Imperfections Costs and the TSO revenue brought in via the Imperfections Charge.

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

Considering the above, and in accordance with Paragraph B.17.20 of the Code, the SEM Committee directs that a Modification, as set out in Appendix 1 of FRR_13_22, is implemented on a Settlement Day basis on the second Settlement Day following publication of RAs decision.

Yours sincerely,

Kevin Hagan
Manager
Wholesale Markets
Commission for Regulation of Utilities

Leigh Greer
Manager
Wholesale Electricity Markets
Utility Regulator

(Sent by email with no signature)