

MODIFICATION PROPOSAL FORM			
Proposer (Company)	Date of receipt (assigned by Secretariat)	Type of Proposal (delete as appropriate)	Modification Proposal ID (assigned by Secretariat)
Energia	6th October 2022	Standard	Mod_15_22
Contact Details for Modification Proposal Originator			
Name	Telephone number	Email address	
Sean McParland		sean.mcparland@energia.ie	
Modification Proposal Title			
Timelines for Processing Letters of Credit			
Documents affected (delete as appropriate)	Section(s) Affected	Version number of T&SC or AP used in Drafting	
Agreed Procedure 9		Version 26.0	
Explanation of Proposed Change (mandatory by originator)			
<p>Area of Concern</p> <p>Currently market participants are posting extra credit above their Required Credit Cover to the market on an ongoing basis. This is due to participants seeking to give themselves headroom and reduce the risk of receiving a Credit Cover Increase Notice (CCIN) which can be experienced during the current market volatility. If a market participant receives a CCIN, as per Section G.12.1.3 of the Trading and Settlement Code (TSC), they can either pay an outstanding settlement document early or <u>post additional credit cover before 17:00 on the second Working Day thereafter.</u></p> <p>In respect of posting additional credit cover to meet the CCIN, one of the main ways a market participant would seek to do this is through a Letter of Credit (LoC). However due to the turnaround time it takes to either (i) submit a new Letter of Credit (LoC) or (ii) increase an existing LoC, this option is not viable. Agreed Procedure 9 of the TSC states that where a participant wishes to register a new LoC it must do so at least 4 Working Days (WD) before it needs to be accepted. When making an amendment to an existing LoC it must submit this before 12:00 2 WD before the request can be accepted or rejected.</p> <p>There is inadequate time to remedy the CCIN under current processing timelines for increasing an LoC. In addition, under scenarios where market participants' collateral requirements can be offset by generation, the difficulties of forecasting real-time generation (including constraints) mean that forecast generation cannot be accurately relied upon in respect of managing collateral postings. Therefore, market participants find themselves in challenging positions of having to post collateral with large headroom in order to avoid having to post cash at short notice to meet CCIN requirements when this occurs.</p> <p>This issue was discussed in Consultation SEM-22-024 whereby SEM Committee asked for views on the approval times for LoC. The resulting Decision Paper (SEM-22-032) outlined that the majority of respondents felt that the approval time for LoCs was one of the main reasons why participants post extra Credit Cover.</p> <p>Proposed Change</p> <p>In order to address this issue in the market the modification proposal is seeking to reduce the timelines set out in Agreed Procedure 9 of the TSC for processing both new LoC and amendments to existing LoC to 2 WD and 1 WD respectively. This will help ensure that there is alignment between CCIN timelines and the options that market participants can use to address the CCIN.</p>			
Legal Drafting Change (Clearly show proposed code change using tracked changes, if proposer fails to identify changes, please indicate best estimate of potential changes)			

Agreed Procedure 9 – 3.2 Submitting a Letter of Credit or Demand Guarantee (Eligibility of Credit Cover Provider)

1 Submit a Letter of Credit or Demand Guarantee from a new or existing Credit Cover Provider.

At least ~~4~~ **2** WD prior to the date from which the Letter of Credit or Demand Guarantee needs to be accepted

2 Submit proof that the new Credit Cover Provider meets the Bank and Insurance Undertaking Eligibility Requirements.

At least ~~4~~ **2** WD prior to the date from which the Letter of Credit or Demand Guarantee needs to be accepted

3 Review the Letter of Credit or Demand Guarantee and proof provided by the Participant to confirm that:

- (a) the Letter of Credit or Demand Guarantee meets the requirements as set out in the Code (particularly Appendix A “Standard Letter of Credit and Standard Demand Guarantee” of the Code); and
- (b) the new Credit Cover Provider meets the Bank and Insurance Undertaking Eligibility Requirements.

Within 2 WD of receipt of Letter of Credit or Demand Guarantee and proof

4 Inform the Participant of the results of status checks and compliance with the Letter of Credit or Demand Guarantee requirements.

- (a) If a new Credit Cover Provider and Letter of Credit or Demand Guarantee and proof have passed the checks, accept the Letter of Credit or Demand Guarantee and continue from step 5; or
- (b) If an existing Credit Cover Provider and Letter of Credit or Demand Guarantee and proof have passed the checks, accept the Letter of Credit or Demand Guarantee, **end process**; or
- (c) Reject the Letter of Credit or Demand Guarantee and **end process**.

Within 2 WD of receipt of Letter of Credit or Demand Guarantee and proof

5 Add the Credit Cover Provider to the List of Eligible Banks and Insurance Undertakings and publish to Market Operator website.

~~Within 1 WD of completion of status and compliance checks~~ **Within 2 WD of receipt of Letter of Credit or Demand Guarantee and proof**

Agreed Procedure 9 – 3.4 Changes to Posted Credit Cover

1 If the proposed change to Posted Credit Cover:

- (a) is a new Letter of Credit or Demand Guarantee, continue to step 2.
- (b) is an amendment to an existing Letter of Credit or Demand Guarantee, go to step 3.
- (c) relates to the cancellation of a Letter of Credit or Demand Guarantee, go to step 6.
- (d) is a deposit of cash to a SEM Collateral Account, go to step 5.

is a request for withdrawal of cash from a SEM Collateral Account, go to step 13.

As required (by 12:00 on any WD in order for this procedure to commence on that WD)

3 Retrieve and validate the Letter of Credit or Demand Guarantee details from the SEM Bank. Confirm that the Credit Cover Provider is on the List of Eligible Banks and Insurance Undertakings and the Letter of Credit or Demand Guarantee requirements have been met.

- (a) If validation is successful and the existing Letter of Credit or Demand Guarantee is for a higher value than the new Letter of Credit or Demand Guarantee, go to step 10.
- (b) If validation is successful and the existing Letter of Credit or Demand Guarantee is for an equal or lower value than the new Letter of Credit or Demand Guarantee, go to step 11.
- (c) Otherwise go to step 4.

4 Reject the amended Letter of Credit or Demand Guarantee and inform the Participant of the validation failures, **end process**.

Within-~~2~~ 1 WD of validation

8 Accept the cancellation of the affected Letter of Credit and Demand Guarantee and notify the Participant, **end process**.

Within-~~2~~ 1 WD of request

9 Notify the Participant of rejection of the replacement/ cancellation of the relevant Letter of Credit or Demand Guarantee, **end process**.

Within-~~2~~ 1 WD of request

11 Accept the amended Letter of Credit or Demand Guarantee and notify the Participant, **end process**.

Within-~~2~~ 1 WD of request

12 Notify the Participant of the rejection of the amendment to the Letter of Credit, **end process**.

Within-~~2~~ 1 WD of request

Modification Proposal Justification

(Clearly state the reason for the Modification)

The principle justification of the modification is that the current TSC procedures means that a market participant cannot meet requirements if issued with a CCIN through a LoC. In the absence of this market participants find themselves in challenging positions of having to post collateral with large headroom over their Required Credit Cover in order to avoid having to post cash at short notice to meet CCIN requirements when this occurs.

Code Objectives Furthered

(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)

The following Code Objectives will be furthered with this Modification Proposal:

- (f) to ensure no undue discrimination between persons who are parties to the Code;

<p>Implication of not implementing the Modification Proposal <i>(State the possible outcomes should the Modification Proposal not be implemented)</i></p>	
<p>If the modification is not implemented market participants will continue to have to post extra credit above their Required Credit Cover to the market. This is required to give themselves headroom and reduce the risk of receiving a Credit Cover Increase Notice (CCIN) which in turn would result in having to post cash at short notice to meet CCIN requirements.</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>Market Operator processes and procedures will be required in order to facilitate the proposed change</p>
<p>Please return this form to Secretariat by email to balancingmodifications@sem-o.com</p>	

Notes on completing Modification Proposal Form:

1. If a person submits a Modification Proposal on behalf of another person, that person who proposes the material of the change should be identified on the Modification Proposal Form as the Modification Proposal Originator.
2. Any person raising a Modification Proposal shall ensure that their proposal is clear and substantiated with the appropriate detail including the way in which it furthers the Code Objectives to enable it to be fully considered by the Modifications Committee.
3. Each Modification Proposal will include a draft text of the proposed Modification to the Code unless, if raising a Provisional Modification Proposal whereby legal drafting text is not imperative.
4. For the purposes of this Modification Proposal Form, the following terms shall have the following meanings:

Agreed Procedure(s):	means the detailed procedures to be followed by Parties in performing their obligations and functions under the Code as listed in either Part A or Part B Appendix D "List of Agreed Procedures". The Proposer will need to specify whether the Agreed Procedure to modify refers to Part A, Part B or both.
T&SC / Code:	means the Trading and Settlement Code for the Single Electricity Market. The Proposer will also need to specify whether all Part A, Part B, Part C of the Code or a subset of these, are affected by the proposed Modification;
Modification Proposal:	means the proposal to modify the Code as set out in the attached form
Derivative Work:	means any text or work which incorporates or contains all or part of the Modification Proposal or any adaptation, abridgement, expansion or other modification of the Modification Proposal

The terms "Market Operator", "Modifications Committee" and "Regulatory Authorities" shall have the meanings assigned to those terms in the Code.

In consideration for the right to submit, and have the Modification Proposal assessed in accordance with the terms of Section 2 of Part A or Chapter B of Part B of the Code (and Part A Agreed Procedure 12 or Part B Agreed Procedure 12) , which I have read and understand, I agree as follows:

1. I hereby grant a worldwide, perpetual, royalty-free, non-exclusive licence:
 - 1.1 to the Market Operator and the Regulatory Authorities to publish and/or distribute the Modification Proposal for free and unrestricted access;
 - 1.2 to the Regulatory Authorities, the Modifications Committee and each member of the Modifications Committee to amend, adapt, combine, abridge, expand or otherwise modify the Modification Proposal at their sole discretion for the purpose of developing the Modification Proposal in accordance with the Code;
 - 1.3 to the Market Operator and the Regulatory Authorities to incorporate the Modification Proposal into the Code;
 - 1.4 to all Parties to the Code and the Regulatory Authorities to use, reproduce and distribute the Modification Proposal, whether as part of the Code or otherwise, for any purpose arising out of or in connection with the Code.
2. The licences set out in clause 1 shall equally apply to any Derivative Works.
3. I hereby waive in favour of the Parties to the Code and the Regulatory Authorities any and all moral rights I may have arising out of or in connection with the Modification Proposal or any Derivative Works.
4. I hereby warrant that, except where expressly indicated otherwise, I am the owner of the copyright and any other intellectual property and proprietary rights in the Modification Proposal and, where not the owner, I have the requisite permissions to grant the rights set out in this form.
5. I hereby acknowledge that the Modification Proposal may be rejected by the Modifications Committee and/or the Regulatory Authorities and that there is no guarantee that my Modification Proposal will be incorporated into the Code.