

Single Electricity Market

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| Final REcommendation Report  Mod\_36\_18 settlement document and invoice terminology clarification  12 December 2018 |

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Document History

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| --- | --- | --- | --- |
| **Version** | **Date** | **Author** | **Comment** |
| 1.0 |  | Modifications Committee Secretariat | Issued to Modifications Committee for review and approval |
| 2.0 |  | Modifications Committee Secretariat | Issued to Regulatory Authorities for final decision |

Reference Documents

|  |
| --- |
| **Document Name** |
| [Trading and Settlement Code](http://www.sem-o.com/MarketDevelopment/MarketRules/TSC.docx) |
| [Modification Proposal Form](https://www.sem-o.com/documents/market-modifications/Mod_36_18/Mod_36_18SettlementDocumentandInvoiceTerminologyClarifications.docx) |
| [Presentation](https://www.sem-o.com/documents/market-modifications/Mod_36_18/Mod_37_18_Housekeeping__35_18_Disputes__36_18_SD.pptx) |
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# MODIFICATIONS COMMITTEE RECOMMENDATION

## Recommended for approval– unanimous Vote

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| --- | --- | --- |
| **Recommended for Approval by Unanimous Vote** | | |
| Julie Anne Hannon (Chair) | Supplier Member | Approve |
| Robert McCarthy | DSU Alternate | Approve |
| Philip McDaid | Supplier Member | Approve |
| William Steele | Supplier Member | Approve |
| Paraic Higgins | Generator Member | Approve |
| Sinead O’Hare | Generator Member | Approve |
| Mark Phelan | Supplier Alternate | Approve |
| Kevin Hannafin | Generator Member | Approve |
| Cormac Daly | Generator Member | Approve |

# Background

This Modification Proposal was raised by SEMO and was received by the Secretariat on the 28th November 2018. This proposal was raised and voted on at Meeting 88 on the 12th December 2018

There is currently some ambiguity in the use of the Codified term Settlement Document within the Code, particularly in Agreed Procedure 15 and in the glossary definition. This term is intended to relate to Settlement Documents for Trading Payments and Trading Charges for Energy and Capacity Payments and Capacity Charges only with Market Operator Charges and other fees being separately invoiced and not having or relating to Settlement Documents.

This distinction is important both for clarity in general and more specifically since there are differing treatments for how VAT is treated for invoices and Settlement Documents as detailed in section G.18 of Part B.

This distinction is adhered to in most places but in Agreed Procedure 15 there is direct reference to or implication of Settlement Documents for items other than Energy and Capacity Payments and Charges and the Glossary Definition is ambiguous. This proposal aims to clarify such inaccuracies and ambiguity.

During development of this proposal we also identified some additional items related to the treatment of Market Operator Charge invoices within Appendix G which we seek to address here.

Specifically there is no mention of Settlement Statements for Market Operator Charges and there is detail referencing separate Fixed and Variable Market Operator Charge invoices where it was clarified as part of Mod\_20\_18 that the Market Operator would be obliged to include these on a single monthly invoice.

Inclusion of Market Operator Charges within the definition of Settlement Statements is particularly important in terms of ensuring that it is clear that they can be subject to Settlement Query in accordance with section G.3.2.1.

We also identified a further issue within Agreed Procedure 15 which in section 2.11 details recovery of unpaid Market Operator Charge as being via inclusion in tariff calculations in subsequent years (which is correct) and in section 3.3 details this recovery as being treated as a Shortfall/Unsecured Bad Debt (which is not correct) and section 3.3 also mentions the issuance of Settlement Reports for Market Operator Charges which do not exist which this proposal also seeks to correct.

# PURPOSE OF PROPOSED MODIFICATION

**3A.) justification of Modification**

Modification seeks to correct errors where the term Settlement Document is incorrectly used in reference to items which do not relate to energy or capacity settlement. Such references are incorrect and result in confusion as to the application of the codified term Settlement Document.

**3B.) Impact of not Implementing a Solution**

If this proposal is not implemented the stated inaccuracies and resulting diminished transparency will remain.

**3c.) Impact on Code Objectiv****es**

1. to provide transparency in the operation of the Single Electricity Market;

This proposal aims to further the transparency objective by removing the stated ambiguities and contradictions so that the rules are internally consistent on the application of the Settlement Document and Market Operator Charge invoice terminology and also so that the treatment of unpaid Market Operator Charge is clear and consistent also.

# Working Group and/or Consultation

N/A

# impact on systems and resources

No system or process impacts anticipated

# Impact on other Codes/Documents

N/A

# MODIFICATION COMMITTEE VIEWS

## Meeting **88 – 12 december 2018**

The proposer delivered a [presentation](https://www.sem-o.com/documents/market-modifications/Mod_36_18/Mod_37_18_Housekeeping__35_18_Disputes__36_18_SD.pptx) relating to the ambiguity in the use of the defined term Settlement Document within areas of the code. This would affect documents being issued, payment timelines and knock on effects from ambiguity such as settlement reports.

SEMO do not issue settlement reports for market operator charge and the legal drafting of the Mod removed references and updated errors. The proposer summarised that this modification would correct errors and ambiguity to further increase transparency.

The RA questioned why paragraph 7 referred to sets of 4 settlement statements. The proposer confirmed it was 4 sets of 2 reports and that was an important detail.

Minor changes were proposed around the titles in the AP and whether a heading should all be capitalised or not. This is to be addressed in the FRR legal drafting.

# Proposed Legal Drafting

As set out in Appendix 1 plus small adjustment to AP section 3.3 title to align title formatting to general AP standard (all capitals):



# LEGAL REVIEW

N/A

# IMPLEMENTATION TIMESCALE

It is proposed that this Modification implemented as the Modifications Committee have Recommended it for Approval and on a trading day following receipt of the RA Decision.

# Appendix 1: Mod\_36\_18 settlement document and invoice terminology clarifications

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| --- | --- | --- | --- | --- | --- |
| **MODIFICATION PROPOSAL FORM** | | | | | |
| **Proposer**  *(Company)* | **Date of receipt**  *(assigned by Secretariat)* | | **Type of Proposal**  *(delete as appropriate)* | | **Modification Proposal ID**  *(assigned by Secretariat)* |
| **SEMO** | **28 November 2018** | | **Standard** | | **Mod\_36\_18** |
| **Contact Details for Modification Proposal Originator** | | | | | |
| **Name** | | **Telephone number** | | **Email address** | |
| **Christopher Goodman** | |  | | **Christopher.Goodman@sem-o.com** | |
| **Modification Proposal Title** | | | | | |
| **Settlement Document and Invoice Terminology Clarifications** | | | | | |
| **Documents affected**  *(delete as appropriate)* | | **Section(s) Affected** | | **Version number of T&SC or AP used in Drafting** | |
| **Appendices Part B**  **Glossary Part B and**  **Agreed Procedures Part B** | | **Part B Appendix G Paragraphs 2 to 5**  **Part B Glossary “Settlement Document”**  **Part B Agreed Procedure 15 sections 2.11, 2.4 and 3.3** | | **Version 20** | |
| **Explanation of Proposed Change**  *(mandatory by originator)* | | | | | |
| There is currently some ambiguity in the use of the Codified term Settlement Document within the Code, particularly in Agreed Procedure 15 and in the glossary definition. This term is intended to relate to Settlement Documents for Trading Payments and Trading Charges for Energy and Capacity Payments and Capacity Charges only with Market Operator Charges and other fees being separately invoiced and not having or relating to Settlement Documents.  This distinction is important both for clarity in general and more specifically since there are differing treatments for how VAT is treated for invoices and Settlement Documents as detailed in section G.18 of Part B.  This distinction is adhered to in most places but in Agreed Procedure 15 there is direct reference to or implication of Settlement Documents for items other than Energy and Capacity Payments and Charges and the Glossary Definition is ambiguous. This proposal aims to clarify such inaccuracies and ambiguity.  During development of this proposal we also identified some additional items related to the treatment of Market Operator Charge invoices within Appendix G which we seek to address here.  Specifically there is no mention of Settlement Statements for Market Operator Charges and there is detail referencing separate Fixed and Variable Market Operator Charge invoices where it was clarified as part of Mod\_20\_18 that the Market Operator would be obliged to include these on a single monthly invoice.  Inclusion of Market Operator Charges within the definition of Settlement Statements is particularly important in terms of ensuring that it is clear that they can be subject to Settlement Query in accordance with section G.3.2.1.  We also identified a further issue within Agreed Procedure 15 which in section 2.11 details recovery of unpaid Market Operator Charge as being via inclusion in tariff calculations in subsequent years (which is correct) and in section 3.3 details this recovery as being treated as a Shortfall/Unsecured Bad Debt (which is not correct) and section 3.3 also mentions the issuance of Settlement Reports for Market Operator Charges which do not exist which this proposal also seeks to correct. | | | | | |
| **Legal Drafting Change**  *(Clearly show proposed code change using* ***tracked*** *changes, if proposer fails to identify changes, please indicate best estimate of potential changes)* | | | | | |
| **Part B Appendix G:**   1. * + 1. The Settlement Data Transactions comprise the Data Records that the Market Operator shall be obliged to include in:           1. Settlement Statements and Settlement Reports for Trading Payments and Trading Charges per Participant in respect of their Supplier Units and Generator Units;           2. Settlement Statements and Settlement Reports for Capacity Payments and Capacity Charges per Participant in respect of their Capacity Market Units and Supplier Units;           3. Settlement Statements for Market Operator Charges;           4. Market Operator Charge invoices; and           5. Participant Settlement Documents.        2. The Fixed Market Operator Charge will be part of the Market Operator Charge invoice.        3. The Variable Market Operator Charge will be part of the Market Operator Charge invoice.        4. The Market Operator shall include a Participant’s Fixed Market Operator Charge and Variable Market Operator Charge in a single monthly invoice.        5. The Market Operator shall, in relation to each Billing Period and Capacity Period, issue at least four sets of Settlement Statements and Settlement Reports to each Participant comprising settlement data in respect of each of their registered Units: one arising from the Indicative Settlement run, one arising from the Initial Settlement run, one arising from the first Timetabled Settlement Rerun and one arising from the second Timetabled Settlement Rerun.   **Part B Glossary:**   |  |  | | --- | --- | | **Settlement Document** | means the statement of the payments required to be made by a Participant to the Market Operator, or by the Market Operator to the Participant for Trading Payments, Trading Charges, Capacity Payments and Capacity Charges issued as detailed in subsection G.2.5 and Appendix G for a period. |   **Part B Agreed Procedure 15:**   * 1. **Market Operator Charges**   The procedure in relation to invoicing for Market Operator Charges is set out at section 3.3 below.  Market Operator Charges include charges to recover Market Operator operating costs.  The Variable Market Operator Charge and the Fixed Market Operator Charge for each calendar Month shall be included on one invoice. The Variable Market Operator Charges on the invoice will be calculated in accordance with section G.7.3 of Part B of the Trading and Settlement Code and will be invoiced to Participants in respect of their Supplier Units for each calendar Month.  The Fixed Market Operator Charges on the invoice will be a monthly pro rata charge to all Participants based on the annual charge set out for each Generator Unit and Supplier Unit in section G.7.2 of Part B of the Trading and Settlement Code.   * 1. Payment Default   This section sets out the billing process associated in the event that a Participant fails to fully pay a Settlement Document or Market Operator Charge invoice by the relevant Payment Due Date.   * 1. Settlement Statement publication and Invoicing for Market Operator Charges (in respect of both Initial and Settlement Reruns)  | Step | Step Description | Timing | Method | From / By | To | | --- | --- | --- | --- | --- | --- | |  | Produce and issue Settlement Statements for Market Operator Charges as applicable. | In accordance with the published Settlement Calendar. | Balancing Market Interface | Market Operator | Participant | |  | Produce and issue Market Operator invoices for Market Operator Charges. | In accordance with the published Settlement Calendar. | Balancing Market Interface | Market Operator | Participant | |  | Payment of Market Operator invoice. | In accordance with Agreed Procedure 17 “Banking and Participant Payments” | In accordance with Agreed Procedure 17 “Banking and Participant Payments” | Participants | Market Operator | |  |  |  |  |  |  | |  |  |  |  |  |  |   \*\*\*\*\*Note that associated changes are also needed for subsequent swimlanes diagram for section 3.3\*\*\*\*\*\*\* | | | | | |
| **Modification Proposal Justification**  *(Clearly state the reason for the Modification)* | | | | | |
| Modification seeks to correct errors where the term Settlement Document is incorrectly used in reference to items which does not relate to energy or capacity settlement. Such references are incorrect and result in confusion as to the application of the codified term Settlement Document. | | | | | |
| **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)* | | | | | |
| 1. to provide transparency in the operation of the Single Electricity Market;   This proposal aims to further the transparency objective by removing the stated ambiguities and contradictions so that the rules are internally consistent on the application of the Settlement Document and Market Operator Charge invoice terminology and also so that the treatment of unpaid Market Operator Charge is clear and consistent also. | | | | | |
| **Implication of not implementing the Modification Proposal**  *(State the possible outcomes should the Modification Proposal not be implemented)* | | | | | |
| If this proposal is not implemented the stated inaccuracies and resulting diminished transparency will remain. | | | | | |
| **Working Group**  *(State if Working Group considered necessary to develop proposal)* | | | **Impacts**  *(Indicate the impacts on systems, resources, processes and/or procedures; also indicate impacts on any other Market Code such as Capacity Marker Code, Grid Code, Exchange Rules etc.)* | | |
| No | | | None | | |
| ***Please return this form to Secretariat by email to*** [*modifications@sem-o.com*](mailto:modifications@sem-o.com) | | | | | |