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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 doe 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) | | | | | |

**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. **to the Market Operator and the Regulatory Authorities to publish and/or distribute the Modification Proposal for free and unrestricted access;**
  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;**
  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.**