



## Single Electricity Market

MODIFICATIONS COMMITTEE MEETING MINUTES

EXTRAORDINARY MEETING 97B

CONFERENCE CALL

16<sup>TH</sup> APRIL 2020

2.00PM – 3.00PM

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**Document History**

Version	Date	Author	Comment
1.0	21 <sup>st</sup> April 2020	Modifications Committee Secretariat	Issued to Modifications Committee for review and approval
2.0	22 <sup>nd</sup> April 2020	Modifications Committee Secretariat	Committee and Observer review complete

**Distribution List**

Name	Organisation
Modifications Committee Members	SEM Modifications Committee
Modification Committee Observers	Attendees other than Modifications Panel in attendance at Meeting
Interested Parties	Modifications & Market Rules registered contacts

**Reference Documents**

Document Name
<a href="#">Balancing Market Rules</a>
<a href="#">Mod_03_20 Temporary Modification to Section B.18.3.2 to introduce an RA approval process for all Suspension Orders</a>

**In Attendance**

Name	Company	Position
<b>Modifications Committee (voting members)</b>		
Andrew Burke	Enerco	Supplier Member
Sinead O'Hare	Power NI	Generator Member
Alan Mullane	ElectroRoute	Assetless Member
Robert McCarthy	Electricity Exchange	DSU Alternate
Rochelle Broderick	Budget Energy	Supplier Alternate
Mark Phelan	Electric Ireland	Supplier Alternate
Kevin Hannafin	Viridian Power & Energy	Generator Member
Paraic Higgins (Chair)	ESB	Generator Member
Ian Mullins	Bord Gais	Supplier Member
David Gascon	Bord na Mona	Generator Alternate
<b>Modifications Committee (non-voting members)</b>		
James Long	ESB Networks	MDP Member
Karen Shiels	Uregni	RA Alternate
Gina Kelly	CRU	RA Alternate
Barry Hussey	CRU	RA Member
Brian Malone	EirGrid	TSO Alternate
Adelle Watson	NIE Networks	MDP Member
Chris Goodman	SEMO	MO Member
Katia Compagnoni	SEMO	MO Alternate
Joe Devlin	Power NI	Generator Alternate
Sean McParland	Viridian Power & Energy	Generator Alternate
Cormac Daly	Tynagh	Generator Member
Eamonn Boland	Brookfield Renewable	Supplier Alternate
<b>Secretariat</b>		
Esther Touhey	SEMO	Secretariat
Sandra Linnane	SEMO	Secretariat

<b>Observers</b>		
Adam Fitzpatrick	CRU	Observer
Stacy Feldmann	SSE	Observer
Brian Sherwin	EirGrid	Observer
Brendan O'Sullivan	SEMO	Observer

## 1. SEMO UPDATE

The Secretariat welcomed all to Emergency Modifications Committee Meeting 97B to deal with an Urgent Modification Proposal on the agenda.

The Secretariat gave a background on the interim meeting management process. It was explained that for Modifications Meetings there would be a limited number of Observers participating, based on previous attendance, in order to manage the meeting effectively via conference call. The Secretariat thanked all present for their patience in dealing with the change in how meetings will be run for the foreseeable future.

## 2. NEW MODIFICATION PROPOSAL

### MOD\_03\_20 TEMPORARY MODIFICATION TO SECTION B.18.3.2 TO INTRODUCE AN RA APPROVAL PROCESS FOR ALL SUSPENSION ORDERS

The Proposer provided a brief introduction to this Modification Proposal noting that it was created as a result of looking at issues that may arise during this time of COVID-19. The Proposal deals with temporarily updating paragraph B.18.3.2 (to be added via Section H 'Interim Arrangements') to allow the RAs to approve a Suspension Order before it is issued. The Proposer explained that the act of issuing and publishing a Suspension Order may cause repercussions for some Participants during this period which could be avoided if the problems experienced by the Participant were not structural but caused by the extraordinary circumstances caused by the pandemic.

With an awareness of risk about Unsecured Bad Debt, the Proposer advised that the RAs will be looking at a case by case basis and have put in place procedures and checks in an internal process document. These includes steps such as the RAs contacting the Participant and getting data also from SEMO and the MMU to try to resolve the issue without arriving at a Suspension Order where this is appropriate. The Proposer also noted that the number of days for this assessment was not included as each case would be reviewed individually and a time constraint might be counterproductive in ad-hoc exceptional circumstances.

An RA Member discussed the process document further explaining that it would provide a process to prevent precipitous events from occurring. Assurance was given that there is collateral there to allow time for action beyond 7 days but it would be in the interest of all parties involved as well as the RAs to find a resolution as soon as possible.

An Assetless Member gave support to this Modification Proposal but also queried what the likelihood of these issues trending upwards was. The RA Member advised that they didn't expect issues coming up in a robust market with robust companies and this Modification was a precautionary measure. Assurance was also provided that the RAs are already in contact with SEMO 3 times a week to discuss any sign of issues that may arise.

A DSU Member suggested increasing time to respond to CCIN as another solution explaining this may give a more predictable view on risk. The Proposer advised that the extra time would not allow the RAs to have any visibility of the situation and also wouldn't give an opportunity to engage with the Participant until it's too late.

An RA Member also noted the value of the RAs getting involved promptly in this case explaining that SEMO under the Code are not empowered to make judgment calls. There was an agreement between both Members that a certain level of judgement was required and it would be preferable not to be left as an automatic decision. A Supplier Member advised that having consulted with other Suppliers there was broad support for this Proposal whilst understanding the concerns felt by Generator Participants.

A Generator Member expressed their concern for larger debt and Generators picking this up. Generator Members advised that they were speaking on behalf of Generator Participants who had conveyed their concerns in advance of the meeting. It was asked if Business Continuity Plans would not cover these issues. A discussion ensued around the capacity of the Business Continuity Plan to cover sick leave of senior staff members in the banking system with the RAs noting that they have a plan in place themselves for decision making with a detailed process that will allow a lot of contingency for decision making. It was explained that circumstances could occur where a Participant may not be able to draw down and RAs would be notified of that and able to act accordingly.

Another Generator Member supported the RAs role in making a judgement call but voiced concerns around the potential of an incorrect decision and how to recognise whether it was a proper temporary case. This could then begin a quantum of bad debt risk depending on how many days it would go out for the decision to be made. The RAs recognised that they would have the responsibility to make a decision but also noted that they are already part of the decision making process under Section B.18.3.1 and following a Suspension Order being issued during the Supplier/Generator Suspension Delay Period.

The Proposer noted that all issues under either paragraph B.18.3.1 or B.18.3.2 would go to the RAs for approval and would also require an RA decision. The RAs also noted that all Participants would have collateral in place to cover at least 7 days before the suspension period. The information collated will be reviewed and a call will be made whether this is a temporary issue or a more 'legitimate' credit issue.

A request was made for the internal RAs process document to be circulated. Although this was not agreed to, the Proposer provided a high level overview of what it entailed noting that this document has been shared with SEMO and SEMOpX:

- Check the trading activity in the Ex-Ante Market and if there has there been any default notices (SEMOpX)
- SEMO to check if their Settlement Invoices have been paid to date (SEMO)
- Check compliance with CCINs over a two month period (SEMO)
- Check size of the Credit Cover Increase Notice or Credit Call (SEMO)
- Imbalance prices up to date (MMU)

The RAs in the meantime would contact the Participant and look for evidence that this is a temporary issue due to the pandemic and not a more systemic problem. An internal advice document would be created and a decision would be made on whether the Suspension Order should be issued or not. If a decision was made to issue it, then the Participant would be contacted regularly to verify whether the Suspension order could be lifted at any point.

Another Generator Member agreed with the concerns raised and queried the consequence of a Suspension Order being issued and if there were any other mitigation solutions. The RAs explained that they looked at a range of other options but they considered it more appropriate to have the least amount of changes in what is a very well structured process. Without this process in place any Suspension Order would signal distress. The RAs noted that some situations would be recoverable and in the current environment it would be very difficult for a Participant to give reassurance that their issue causing a Suspension Order was just a temporary issue with potential serious consequences to their business. The main aim of this Modification is

to prevent an avoidable situation which does not only affect Suppliers but also Generators particularly those heavily constrained.

A Generator Member asked if it could be possible for RAs to start the checking process at an even earlier stage such as when the Warning Limits are issued because this could help prevent Generators from having any increased exposure to bad debt. The RA Member agreed that this comment would be taken on board and discussed with SEMO as part of their regular updates although they didn't see the benefit of adding it formally into the Modification.

It was also queried if a Suspension Order was not issued what happens if the issue was not remedied? The RAs explained that if rejected and not remedied a Credit Cover Increase Notice would be generated after that. It was noted that when these sorts of issue arise the Wholesale Market Team and SEMO will check in and make sure issue is resolved. There would be frequent interactions for a number of days afterwards to make sure it was indeed a temporary issue.

There was also a question on the effective date of the decision and whether the RAs would take on board further comments sent to them in writing. The Proposer confirmed they intend to make it effective as soon as possible and their decision letter will state the exact date likely to be the next available Settlement Day after the decision is issued. It was also confirmed that any comment sent would be taken on board as appropriate.

### *Decision*

This Proposal was Recommended for Rejection.

Recommended for Rejection by Majority Vote		
Paraic Higgins (Chair)	Generator Member	Reject
David Gascon	Generator Alternate	Reject
Andrew Burke	Supplier Member	Approve
Ian Mullins	Supplier Member	Approve
Mark Phelan	Supplier Alternate	Reject
Sinead O'Hare	Generator Member	Reject
Robert McCarthy	DSU Alternate	Reject
Rochelle Broderick	Supplier Alternate	Approve
Alan Mullane	Assetless Member	Approve
Kevin Hannafin	Generator Member	Reject

#### **Actions:**

- Secretariat to draft Final Recommendation Report – **Open**

### 3. AOB/UPCOMING EVENTS

The Secretariat thanked all for attending Emergency Modifications Committee Meeting 97B and confirmed that the Modifications Committee Meeting 98 will be held on Thursday, 23<sup>rd</sup> April 2020.