



## Single Electricity Market

### MODIFICATIONS COMMITTEE MEETING MINUTES

MEETING 100B  
CONFERENCE CALL  
17 SEPTEMBER 2020  
10.30AM – 12.30PM

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**Document History**

Version	Date	Author	Comment
1.0	24 <sup>th</sup> Sept 2020	Modifications Committee Secretariat	Issued to Modifications Committee for review and approval
2.0		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 – Trading and Settlement Code &amp; Agreed Procedures</a>
<a href="#">Mod_08_20 Imbalance prices to reflect the real-time value of energy</a>
<a href="#">Presentation</a>

**In Attendance**

Name	Company	Position
<b>Modifications Committee (voting Members)</b>		
Paraic Higgins (Chair)	ESB	Generator Member
Stacy Feldmann	SSE	Generator Member
Robert McCarthy	Electricity Exchange	DSU Member
Cormac Daly	Tynagh Energy	Generator Member
Bryan Hennessy	Naturgy	Supplier Member
Eamonn Boland	Brookfield Renewable (IWEA)	Supplier Alternate
Philip Carson	Power NI	Supplier Member
Alan Mullane	ElectroRoute	Assetless Member
Kevin Hannafin	Energia	Generator Member
Ian Mullins	Bord Gais	Supplier Member
<b>Modifications Committee (Non-Voting Members)</b>		
Brian Malone	EirGrid	TSO Alternate

Adelle Watson	NIE Networks	MDP Member
Chris Goodman	SEMO	MO Member
Andrew Burke	Enerco (IWEA)	Supplier Member
Vivienne Price	SONI	TSO Alternate
Karen Shiels	UR	RA Member
Gina Kelly	CRU	RA Alternate
Barry Hussey	CRU	RA Member
David Gascon	Bord na Mona	Generator Alternate
Katia Compagnoni	SEMO	MO Alternate
<b>Secretariat</b>		
Sandra Linnane	SEMO	Secretariat
Esther Touhey	SEMO	Secretariat
<b>Observers</b>		
Grainne Black	CRU	Observer
Ronan Doherty	ElectroRoute	Observer
Caoimhe Giblin	ElectroRoute	Observer
Patrick Larkin	ElectroRoute	Observer
Rowan Tunncliffe	Moyle Interconnector Ltd	Observer
Alex McClean	Arthur Cox	Observer
Thomas O'Sullivan	Aughinish	Observer
Adam Fitzpatrick	CRU	Observer
Thomas Quinn	CRU	Observer
Elaine Gallagher	EirGrid	Observer
Brendan O'Sullivan	SEMO	Observer
Martin Kerin	SEMO	Observer

## 1. SEMO UPDATE

The Secretariat welcomed all to Extraordinary Modifications Committee Meeting 100B.

It was noted that there were no minutes to approve yet for Meeting 100 as there were a high level of tracked changes in relation to Mod\_08\_20. Secretariat confirmed there was full agreement overall for the remainder of the minutes. Assurance was given that any objections to the minutes would be noted in the published version of the document.

## 2. DEFERRED MODIFICATION PROPOSALS

### MOD\_08\_20 IMBALANCE PRICES TO REFLECT THE REAL-TIME VALUE OF ENERGY

RAs delivered a presentation on this Modification noting that the purpose of the slides was to develop the points in the letter issued to ElectroRoute for the Committee's benefit. It was advised that the views in the letter and presentation were not meant to pre-judge the RAs views before making an overall decision noting that the RAs role at a Modification's Meeting is to observe and consider the Panel's recommendations.

The key concepts were delivered at the beginning of the presentation starting with the concept of energy versus non energy and how decremental actions taken by the TSO on the basis of the Priority Dispatch (PD) hierarchy should not be considered energy actions. The RAs appreciated that the discussion on Flagging and Tagging could at times be difficult but the goal overall was to ensure that non energy actions do not set the price. The process to arrive at this has been rigorous and was geared towards achieving as unpolluted a price as possible. It was noted that even before the submission of Mod\_10\_19, actions taken by the TSO in respect of Priority Dispatch units were not based on prices submitted but on the basis of a hierarchy instead. These actions on Priority Dispatch Generators are not taken based on prices submitted by Generators and are not an outcome of a transparent and competitive process. It was advised that setting those prices to zero was not without justification. The point was made that allowing for large negative values that are not considered in dispatch by the TSO, is not appropriate. It was advised that the reasons for decremental actions on PD units relate to non-energy reasons and therefore they should not set the price.

The presentation continued with slides regarding dispatch and re-dispatch noting that Regulation 2019/943 (of the Clean Energy Package) looks to clarify a number of areas of design. It was confirmed that the RAs had always taken such issues into consideration as they had been regularly discussed with ACER even before Mod\_10\_19 was raised. There was confidence that the principles being discussed were aligned with Mod\_10\_19. Article 12 and 13 were consulted on with concepts tested and a focus given to broader systems that would allow for a reduction in constraints and curtailments of Priority Dispatch generation maximising their presence on the network.

The RAs noted that the vast majority of Stakeholder's responses agreed with the RAs interpretation and intention to maximise wind whilst respecting the Priority Dispatch hierarchy.

Finally the RAs discussed the real time value of energy and advised that Mod\_08\_20 contradicts the intention of EBGL as it would allow [non-energy](#) actions to set the balancing energy price. The RAs summarised that Mod\_08\_20 would lead to non-compliance.

The Chair thanked the RAs and asked the Proposer to discuss their own presentation. Dispatch hierarchy was firstly discussed with a view given that it is not related to a constraint because when these units are dec'd it is for an excess of generation on the system therefore it is for energy reason and the Flagging and Tagging mechanism should remove these units as necessary. The Proposer noted their position that dispatch hierarchy should not be part of this consideration as it is not caused by constraints such as voltage or network stability issues. The Proposer advised their view that these units are adjusted to restore energy balance, making reference to the TSO confirming this is due to not System Operator Flagging the actions. A view was given that the RAs held a bias against negative Imbalance Prices and as a result had a desire to set the value to zero in these circumstances.

The Proposer stated that an analysis was not provided for Mod\_10\_19. They agreed that when a decision is made by the SEM Committee that the principal should be agreed with even if it is not in ones favour. Notwithstanding this, they stated that in order for this to be the case, a decision will need to be supported by evidence and if it is transparent, thorough and meets the standard it will be supported. The Proposer stated that in this case there was no legal review or assessment and therefore this would have contributed to make some Members feeling uncomfortable in supporting Mod\_10\_19.

The Proposer stated their view that re-dispatch is about constraints and not about energy balance, while dispatching down is indeed about energy balance. It was believed that the TSO takes such actions as

energy actions and there was a well-functioning Flagging and Tagging mechanism to take care of the rest. They noted that conventional units are dispatched down to allow for wind but those actions are not necessarily considered as being the result of constraints.

The Proposer noted that Article 13 priority order works well. The Proposer reviewed pricing data over 23 months, noting should Mod\_10\_19 have been in place it would have led to out of merit actions being labelled by the RAs as constraints. The Proposer expressed their view that if this happens with non-zero cost Priority Dispatch Generators, then one would have to interfere with every unit on the system and asked if price making units would be next?

Continuing through the slides, the Proposer stated that if Mod\_08\_20 was rejected prices in 54% of the 5 min imbalance pricing period ranked sets by end of October may be impacted. It was proposed that the RAs need to accept the decision that dec actions are there to restore energy balance. Assurance was given that Mod\_08\_20 does not interfere with Flagging and Tagging which the Proposer claimed is working well without the implementation of Mod\_10\_19 and approving Mod\_08\_20 will allow for decisions that they believed to be already compliant with EU regulations.

Details of the technical analysis carried out by ElectroRoute were discussed. This analysis was carried out over 23 months showing that, with Mod\_10\_19 being implemented, the number of five minute periods with a negative price would have dropped by 52% and the number of periods with prices equal to zero would have increased by 43%. It was advised that this is not a trivial change and will incur secondary impacts. It was suggested that ex-ante markets will also be impacted as this change equates to putting a zero floor on Ex-Ante prices and would lead to secondary contamination on intraday market. The Proposer went on to say that they believe negative prices are good for the market in terms of investment signal in renewables, Interconnector flows and such regulatory intervention could scare investors that are currently active in the market.

The Proposer believed it was unfair of the RAs to request them to provide proof of compliance as it was their role to maintain compliance standards. They stated that balancing market principles were maintained with the status quo in Mod\_08\_20 and if approved this would not affect Flagging and Tagging. They went on to state that reversing Mod\_10\_19 was needed to comply with EU law and in particular their interpretation of the objectives under Article 13 on re-dispatch.

The Chair moved to the Committee for their viewpoints. A discussion ensued with the RAs and Proposer.

The RAs addressed the point made by the Proposer regarding negative pricing and their assumed dislike for it. The RAs assured the Committee that this was not the case and if that was the sole concern, other levers could have been used; the action taken were purely because of unintuitive pricing outcomes coming from Priority Dispatch decisions by the TSO. The Proposer questioned why just a subset of actions was targeted. SEMO also refuted the Proposer's statement that Mod\_10\_19 was raised purely to remove negative prices and added that the motivation was instead to remove any price impact from non-zero cost Priority Dispatch Generators in order to implement the related SEM Committee decision. They noted that the statement referenced in the Proposers presentation from the SEMO presentation of Mod\_10\_19 was simply an observation and statement of fact that these prices were often large negative values. They went on to clarify that this was not an expression of any view from SEMO that negative prices were inappropriate in a general sense as was being stated by the Proposer.

The RAs addressed a claim made by the Proposer that the RAs had not afforded respect to the Committee regarding Mod\_10\_19 and how it was progressed. The RAs provided assurance that the upmost respect had always been shown and the independence of the Panel had been protected at all times.

A discussion ensued regarding the issue of energy balancing with both RAs and SEMO disputing a point made by ElectroRoute that 90% of actions taken by the TSO on Dispatchable Priority Dispatch units are actually energy actions. Both RAs and SEMO's analysis highlighted that even based on the current Flagging and Tagging process a much larger proportion of these actions are determined to be non-energy. SEMO explained that in their view the analysis provided by ElectroRoute was flawed because it only accounted for SO flags. They stated that to have a full picture NIV tagging should have also be taken into consideration and for the period analysed by SEMO in the month of September approximately 80% of decremental actions on Dispatchable Priority Dispatch Units were actually determined as being non-

energy when considering both SO flags and NIV tagging rather than just SO Flagging. The RAs questioned the Proposer's analysis stating that it would be an error to consider that just because something is not SO flagged that it is an energy action. SEMO further advised that the process can change if appropriate, with new provisions added as happened with Mod\_09\_19. In light of their analysis figures show that 21-22% of actions in the month analysed are determined as being energy based only on the Flagging and Tagging process and not 90% as presented by the Proposer. It was advised that the correct approach was not to consider just SO flags. SEMO also expressed the view that the Flagging and Tagging process was not considered to be definitive in determining which actions are energy, notably in the context of Priority Dispatch and consideration of Mod\_10\_19.

The Proposer explained that they used SO flagging based on the recast regulation which they advised states that only system constraints should determine energy or non-energy actions while NIV tagging was not relevant in that context and 90% of the cases are directly involved in setting the price. SEMO disagreed with this position stating that NIV tagging is indeed relevant for considering whether something should be deemed an action taken predominantly for energy or non-energy reasons. ElectroRoute debated that this was the TSO approach and not the EU approach.

The Chair questioned the reasons behind 20% of actions not being flagged or tagged and if that is the number of periods that negative QBOAs are considered in pricing. They He expressed reservations to the fact that SO flags happen on RTD instead of Metered outputs. They requested clarity as to whether a dec action on a priority dispatch unit could be an energy action. They noted that not all dec actions on are Priority Dispatch units are non energy actions and that they felt that decremental actions taken on other units to facilitate wind where System Non Synchronous Penetration limits were impacting should arguably have a SNSP flagging constraint applied.

The Proposer agreed that the analysis provided by SEMO was good but more than one month would be required. SEMO advised that any action that is a change in volume will have an energy impact. Figures based on NIV Tagging and SO Flagging are based on the concept of seeking to identify which actions are predominantly driven by energy balancing reasons and which are primarily driven by non-energy reasons, with SO Flagging trying to increase the accuracy of the process but NIV Tagging also being needed to determine non-energy actions. SEMO also disputed the claim made by the Proposer that the TSOs and the MO made no indication that the Flagging and Tagging process was not operating as intended, noting that with Mod\_09\_19 they had clearly indicated that the process was not operating as intended and further actions were taken to submit Mod\_10\_19 also noting this was the result of unintended outcomes. They went on to state that SEMO's views that it was appropriate to make this change were clear from having proposed this Modification and from discussions on it at the time of it being considered by the Committee.

It was noted by the RAs that the Flagging and Tagging process was not considered to be 100% satisfactory with concerns from industry and that they had committed during a previous consultation to keep it under review which was still the case. The Proposer accepted this point and stated that Mod\_08\_20 is intended to be an intervention to block Mod\_10\_19 which is perceived to go in the wrong direction by being a regulated approach regarding a subset of units which they believed had their rights removed.

A question was put to the RAs regarding how they planned to treat negative prices going forward and at what point a conventional Generator would see their prices set to zero as well. The RAs assured that in respect of conventional Generators that were not priority dispatch, they could never have their prices set to zero as their submitted prices are considered in the merit order for taking actions on these Units, which is not the case for Dispatchable Priority Dispatch Units where instead, an administered price which enacts the Priority Dispatch hierarchy is used in the scheduling and dispatch process. The RAs stated that they understood the argument made by the Proposer but noted that the issue on unintuitive pricing outcomes came as a result of Priority Dispatch decisions and not energy actions. These were caused by these decremental actions on Dispatchable Priority Dispatch Units not being flagged and tagged as non-energy. It was recognised that these Priority Dispatch Unit actions are being based on policy decisions and these should therefore not be setting the price. The RAs concluded that all prices are welcomed as long as they are market based and the RAs have no bias against negative prices.

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A Generator Member voiced his concern about administered prices and their discomfort with NIV tagging. Clarification was sought on why the approach of setting the price to zero was used. SEMO made reference to Mod\_10\_19 noting the recommended rejection was a balanced vote. It was advised by SEMO that these

volumes cannot be removed from the ranked set entirely as it would impact the calculation of the Net Imbalance Volume, and setting the price of these actions to zero would likely have the same outcome as other potential mechanisms in most (though not necessarily all) periods while being implementable in the short term, with other options open to explore in the future. A SEMO Member cautioned that the consideration of Mod\_08\_20 should focus on its own merits rather than on the approach taken under Mod\_10\_19 and cautioned that in their view the implementation of Mod\_08\_20 would result in diminished compliance.

SEMO compared a conceptual example of an alternative mechanism to prevent these dispatchable priority dispatch decremental actions from influencing the price, in the form of SO-flagging where these kinds of actions are always flagged, with the approach taken in MOD\_10\_19. The example explained that if there was a period with a negative Net Imbalance Volume, and decremental actions taken at prices of zero, -30, and on a dispatchable priority dispatch unit at -1000, if the actions are unflagged and no other change happens then the marginal price would be set based on the lowest priced unflagged decremental action and therefore at -1000. If the decision to prevent dispatchable priority dispatch decremental actions from setting the price were to be implemented through SO-flagging, then the action at -1000 would be flagged, and the marginal price would be set by the action at -30. If the decision was implemented through setting the price of the dispatchable priority dispatch unit action to a price of zero, then it would change its position in the ranked set, and would no longer be the lowest priced action, again the marginal price being set at -30. Even if the action of -30 were also flagged, there are typically numerous actions in the ranked set priced at zero in this kind of period, and so setting the marginal price to zero either from the unit whose price was changed or from one of the other units would create the same outcome whether through flagging or changing the price.

A Supplier Member referred to the information regarding Release F and the enabling code within Mod\_10\_19 to be turned on or off. It was questioned what were the consequences of this switch and if there were impacts to any other Modifications being implemented within the release. SEMO provided assurance that no other changes would be impacted and the functionality could be simply switched on or off as required.

An Observer expressed an uncertainty about this Modification but commended ElectroRoute for highlighting the issue. It was noted that comments about a zero price floor could influence wind and that negative prices will need to be considered in this market. A point was also made that negative prices could help the wind industry and de-carbonisation and the Observer suggested rather than replacing the prices for Priority Dispatch units a hybrid solution could be introduced. However, currently from looking at the Balancing Principles, the application of Priority Dispatch is clearly seen as a constraint and if the TSO cannot see those prices they shouldn't be setting the Imbalance price. SEMO also clarified that Mod\_10\_19 does not introduce a price floor at zero or otherwise since other legitimate negative prices are unaffected.

A Supplier Alternate noted that the meeting was to discuss Mod\_08\_20 and the decision made by the RAs and SEM Committee on Mod\_10\_19 should be respected. Concern was expressed that the possibility of Resettlement could pose a threat on financial security and could affect the stability of the market. The efficiency of the market was also addressed noting that Flagging and Tagging posed their own market based problems.

Another Generator Member gave appreciation for an enlightening discussion. A reminder was provided that support was not given from them for Mod\_10\_19 due to the substitution of zero prices, a lack of impact assessment and not understanding the implications. It was advised that, in their view, the flexibility to postpone should be taken and more time allowed to reflect further.

Another Generator Member shared some of the views already expressed but also noted concern with the principle that Mod\_08\_20 was seeking to overturn a Modification that had not become active yet and



therefore the two scenarios, with and without the Modification in place, could not be compared. They also expressed concern there was not clarity on the compliance of the status quo.

A Supplier Member asked if there was a possibility to defer the implementation of Mod\_10\_19 based on the impending consultation of EBGL.

It was queried if Mod\_10\_19 could be deferred without voting on Mod\_08\_20. Secretariat confirmed the process was complete with Mod\_10\_19 and there was no mechanism within this process for Mod\_08\_20 to affect that.

An Observer reaffirmed this, noting that only Mod\_08\_20 can be discussed as an effective date on Mod\_10\_19 has been given in the associated SEM Committee decision on that Modification.

A number of other Members noted their struggle to make a decision on this Modification as they were not present at the time when Mod\_10\_19 was raised. The RAs advised that they understood Members concerns and there was a lot of technical detail regarding this Modification. It was advised to reflect on the point raised that there was a fundamental problem with unintuitive prices arising from a hierarchy which has an independent order not validated by economic reasons. It was noted that these unintuitive prices will continue to happen should Mod\_08\_20 be approved.

A Generator Member agreed with the Observer on points relayed regarding value of negative pricing but expressed difficulty with justifying how these Priority Dispatch actions can be allowed to set the price. They stated that it would have been useful to discuss more about energy and non-energy and there is still uncertainty on why there are so few SO flags applied to these actions and an over reliance on NIV tagging. It was ~~questioned whether suggested that maybe there should be~~ a ~~regulatory further~~ constraint ~~for priority dispatching should be~~ placed on these actions ~~and if such a constraint could be in compliance with the EBGL or CEP, or for the TSO to be able to take a market based action.~~ A concern was raised that this forum was not the place to solve the issues. They added that fundamental questions on the basis of the market still remain and although the implementation of Mod\_10\_19 gets us closer to the correct principles, it still doesn't fully deliver them. The Proposer advised that a proper consultation process was needed and expressed their view that the implementation on Mod\_10\_19 needed to be paused which would buy time for proper consultation about interaction of the hierarchy.

The Proposer was questioned if Mod\_08\_20 could be deferred and allow Mod\_10\_19 to come into effect to monitor the actual impact on the market. The Proposer confirmed that a vote would be sought because if Mod\_10\_19 was reversed later they are of the belief that there would be a need for Resettlement. SEMO challenged this point noting there could not be any retrospective effect of any subsequent proposal and that there would therefore not necessarily be a need for resettlement. The Proposer stated that the Code was clear that any non-compliant section had to be disregarded and expressed the view that this meant that resettlement would be required since their interpretation was that the section in question would be found to be non-compliant. SEMO Member noted that this was based on an assumption that the Proposer's assertion was found to be correct. They also expressed their view that the spectre of potential resettlement was not an appropriate basis on which to take an important decision such as this. The Proposer expressed their wish for the Proposal to be voted on. The Chair sought feedback from Members confirming they were happy to proceed to a vote.

The voting resulted in equal numbers of votes to recommend approval and rejection with two Members abstaining. The Chair maintained his abstain position meaning his position could not be used to determine a recommendation. The Secretariat took an action to ensure that the correct process was followed in this unique circumstance and both the Secretariat and the RAs agreed to endeavour to complete the process as quickly as possible in response to a question from the Proposer as to whether or not a final decision could be progressed prior to the implementation of Mod\_10\_20.

### *Decision*

No determination reached – Referral to be made to the RAs as per Trading and Settlement Code Section B.17.19.1.

Paraic Higgins (Chair)	Generator Member	Abstain
Robert McCarthy	DSU Member	Reject
Stacy Feldmann	Generator Member	Reject
Cormac Daly	Generator Member	Approve
Bryan Hennessy	Supplier Member	Reject
Eamonn Boland	Supplier Alternate	Abstain
Philip Carson	Supplier Member	Approve
Alan Mullane	Assetless Member	Approve
Kevin Hannafin	Generator Member	Approve
Ian Mullins	Supplier Member	Reject

**Actions:**

- Secretariat to confirm correct process to follow due to no determination being made - **Closed**
- Secretariat to draft Referral to be submitted to the RAs - **Open**

### 3. AOB/UPCOMING EVENTS

Secretariat noted her thanks to the RA Member, Barry Hussey, following his announcement that he would be resigning from his position as RA Member. Secretariat thanked him for the support and respect shown to the Secretariat function and their dedication to the work of the Modifications Committee. Chair and other Members also expressed their gratitude and best wishes. Secretariat also welcomed Grainne Black of CRU who will be replacing Barry Hussey.