



## Single Electricity Market

MODIFICATIONS COMMITTEE MEETING MINUTES

EXTRAORDINARY MEETING 106B

CONFERENCE CALL

21<sup>ST</sup> SEPTEMBER 2021

1.00PM – 3.30PM

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# Table of Contents

1.	SEMO Update.....	5
2.	New Modification Proposal .....	5
	<b>MOD_16_21 TEMPORARY USE OF THE MARKET BACK UP PRICE WHERE AN</b> .....	<b>5</b>
	<b>INTERCONNECTOR TRADE QUANTITY AND PRICE ARE SUBMITTED .....</b>	<b>5</b>
3.	AOB/upcoming events .....	9

**Document History**

Version	Date	Author	Comment
1.0	22 <sup>nd</sup> Sept 2021	Modifications Committee Secretariat	Issued to Modifications Committee for review and approval
2.0	24 <sup>th</sup> Sept 2021	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_16_21 Temporary use of the Market Backup Price where an Interconnector Trade Quantity and Price are submitted</a>

**In Attendance**

Name	Company	Position
<b>Modifications Committee (voting members)</b>		
Andrew Burke	WEI (Enerco)	Renewable Generator Member
Ian Mullins	Bord Gais Energy	Supplier Member
Paraic Higgins (Chair)	ESB	Generator Member
Kevin Hannafin	Energia	Generator Member
Philip Carson	Power NI	Supplier Member
Nick Heyward	Energy Storage IRE	Flexible Participant Alternate
David Gascon	Bord na Mona	Generator Alternate
Robert McCarthy	Electricity Exchange	DSU Member
Stacy Feldmann	SSE	Generator Member
Patrick Larkin	ElectroRoute	Assetless Member
<b>Modifications Committee (non-voting members)</b>		
Eamonn Boland	WEI (Orsted)	Renewable Generator Alternate
Paul McGuckin	Moyle Interconnector LTD	Flexible Participant Member
Gina Kelly	CRU	RA Alternate
Grainne Black	CRU	RA Member
Leigh Greer	Uregni	RA Member
Karen Shiels	Uregni	RA Alternate
Katia Compagnoni	SEMO	MO Member
Cormac Daly	Tynagh Energy	Generator Member
James Long	ESB Networks	MDP Member
Anne Trotter	EirGrid	SO Member
Stephen McClure	SONI	SO Member
Martin McCarthy	EirGrid	MO Alternate
Catherine McHale	ESB	Generator Alternate
<b>Secretariat</b>		
Sandra Linnane	SEMO	Secretariat

<b>Observers</b>		
Michael Kelly	EirGrid	Observer
Dermot Campfield	SONI	Observer
Julie-Ann Hannon	Bord Gais	Observer
Christopher Goodman	SEMO	Observer
Conall Heusaff	CRU	Observer

## 1. SEMO UPDATE

The Secretariat welcomed all to Emergency Modifications Committee Meeting 106B to deal with an Urgent Modification Proposal on the agenda.

## 2. NEW MODIFICATION PROPOSAL

### MOD\_16\_21 TEMPORARY USE OF THE MARKET BACK UP PRICE WHERE AN INTERCONNECTOR TRADE QUANTITY AND PRICE ARE SUBMITTED

Before giving a background to this Modification, the Proposer made a statement in relation to the events that had occurred in recent weeks, acknowledging the significance of these events to members of the Committee and to wider industry, but requesting the Committee to focus on the modification proposal at hand. A reference was made to dates and charges in the past and assurance was given that discussions are still ongoing in relation to these, but priority must be given to upcoming events and to the proposal for discussion at the meeting.

SO Observer gave an update on Mod\_02\_21 and confirmed the possibility of an emergency release to fast track the Modification. Assurance was given that following discussions with the vendor, Release H would go through as normal followed by an emergency patch to put through Mod\_02\_21. This will take place after the required testing has been completed with the expectation that the Modification could be deployed at the end of November.

The Proposer proceeded to give an overview of this Modification noting that it was a temporary fix and would be in place for a shorter period than anticipated due to the potential emergency patch. It was advised that this Modification would aim to achieve the same intent as Mod\_02\_21 by using Market Back Up Price for cases when SO-SO trades happen until Mod\_02\_21 becomes effective.

The Proposer noted that some analysis was done on SO-SO trades to date and it was identified in 2021 that in 14% of all half hour trading periods SO-SO trades took place but in over 90% of the cases the prices of those SO-SO trades were below the Strike Price, so there was a possibility of making this modification more targeted, to only capture trades above the Strike Price and the Proposer welcomed feedback from the Committee on each option.

A Generator Member queried if the analysis referred to 5 minutes periods or the settlement period and if the counter party was GB would it affect both counter party trades and cross zonal actions? SO Observer responded stating that it would apply to both type of trades and the process that was being proposed would use part of the business process that is already in place for when the system fails. It was advised that if

TSO informs of relevant trades occurring then SEMO will advise Participants that the Day Ahead Market Back Up Price will be used for settlement purposes.

SEMO was asked if the Modification was approved today how quickly it could be implemented and if it would influence how people trade? SEMO responded that this could be achieved quickly as there were no system changes and an existing system process was already being used. SO observer advised that this proposal would be better if confined to prices above €500/MWh (current level of Strike Price) to avoid issues at night when units could be kept on and trades could occur to maintain those baseload units on in anticipation of the morning peak.

A Generator Member noted that further thought may be needed on whether prices should be confined only to those above €500/MWh as this was discussed at the Working Group in relation to Mod\_02\_21. A DSU Member agreed that the Working Group discussion still stand however this Modification is implementing something different from Mod\_02\_21 and voiced concerns about the issue being material enough to go that route; the triggers for the urgent Modification were quite different and as an interim approach it is preferable to be as targeted as possible..

SO observer added that in the interim period before deployment of Mod\_02\_21, the market would be switching between pricing methodologies and it would be preferable to limit these occurrences which would make it harder for PTs, traders and the MO as well.

SEMO advised that in the RAs introduction they mentioned the analysis showing that SO-SO prices were below the strike price in 90% of the trades. If Mod\_16\_21 was implemented without the price limitation it would apply to all periods going well beyond the intent of Mod\_02\_21. A Generator Member questioned if the strike price could move away from the €500/MWh filter. SEMO noted it could but the process would not be affected by that change.

DSU Member continued the discussion about the strike price filter and queried if the issue at hand was material enough to put in another Modification and should there be a big change to the imbalance price with only 15% of all trades being discussed and less than 5% coming in at material prices?

The Chair noted that most of the comments made were in support of a strike price filter. An Assetless Member expressed his strong concerns if the price limit was not introduced, stating that according to figures analysed, 52% of pricing periods would be affected by the Mod in its current form and even with the price limit there would be issues with balance responsibility if high interconnector prices are removed and it may also increase the burden on SO actions to be taken.

There was a large consensus that the early release of Mod\_02\_21 was very welcomed.

A Generator Member accepted that something needed to be done urgently in the interim while other issues could be addressed going forward. A need for a strike price filter was also supported and assurance was given by SO observer that operationally this will make things easier and quicker to process.

There was further support given for implementing this Modification as it was alleged that a number of participants were running the risk of bankruptcy. There was a concern that if a revised Modification was needed it would delay the overall process. SEMO provided assurance that the changes were minor enough that if voted through could be incorporated into the FRR.

A Flexible Participant Alternate stated that the view in his constituency was polarised and there were concerns that the Modification in the current form would be too far reaching; the Strike Price filter was a very welcomed addition.

An [Observer](#) expressed satisfaction with the update on [the effective date for Mod\\_02\\_21](#). It was advised that a filter had not been considered for Mod\_16\_21 but if it was more targeted and practical then it should be looked at. It was questioned if the application of the Modification would be retrospective [to the 12<sup>th</sup> August 2021 given that was the date that the RAs approved MOD\\_02\\_21 \(under their decision letter\) and the date the RAs determined it was "implemented" from \(as per the decision letter\)](#). [The issue of retrospectivity here related to a retrospective effecting of rules that had been implemented from the date of implementation of those rules, as opposed to retrospective application of rules to a date before the rules were approved and implemented at all \(the latter not being permitted\)](#). Their view was legally there were a number of options that

could be considered to ensure the new rules under Mod\_02\_21 apply from their date of implementation (12<sup>th</sup> August). One option proposed was a re-issue of the RAs' decision letter of the 12<sup>th</sup> of August to clarify the effective date of Mod\_02\_21 as the date of the RAs' decision letter of 12<sup>th</sup> August. A second option suggested by the Observer was that the Modification raised today if approved could be issued as an addendum to Mod\_02\_21 by way of clarification that the effective date of the rules implemented under MOD\_02\_21 was 12<sup>th</sup> August and the solution in MOD\_16\_21 would be the method under which the intent of MOD\_02\_21 could be given effect in the interim. The third option suggested was that legally the RAs could consider raising another modification regarding section B.17.24 stipulating that for example where considered prudent and reasonable by the RAs retrospective application of Mods can be applied in certain circumstances. It was suggested that these options may be considered if there was a concern around a limit to applying a modification retrospectively. The Observer suggested the Modification itself was in recognition that those charges calculated in the previous weeks contravene the correct interpretation of the rules and market design, the charges were not intended to be incurred and therefore those should also be addressed.

RA Member noted the points raised above but advised that, after a review of the market results in the last few weeks they believed it was important to concentrate first in looking forward to prevent those events from occurring and review what can be done for the past at a later date.

A Supplier Member reiterated his support for an earlier implementation of Mod\_02\_21 and for a Strike Price filter. The question was raised if the costs of those SO-SO trades would ultimately be recovered via Imperfections. SO Observer replied that the current recovery mechanism still applies; the end consumer will ultimately end up paying for SO-SO trades, should they arise, and unless system conditions change substantially with favourable wind and generator outages is being completed, such high prices for SO-SO trades will still occur.

A Supplier Member offered support for this modification as the current situation needed to be addressed before the start of the winter season. The Supplier Member pointed out though that this modification still does not address the core issue that is causing the general problem with SO-SO trades and Imbalance pricing. This is an on-going problem and it needs to be reviewed urgently to effect the intent of the SEM market design.

A Flexible Participant Member believed Modifications such as this ~~reduce~~ could block incentives for Generators to be available in a Market with generation shortages and observed that prices already do not rise as much ~~or as fast~~ as in GB causing exports to be scheduled in times of shortages. The Flexible Participant Member suggested that a review of the functioning of the market is preferable to piecemeal changes. Assurance was given by a Generator Member that Generators are currently highly incentivised to be available and that will not change with this Mod.

SEMO summarised that this interim measure could be in place within a week subject to Minutes and FRR being issued in the coming days and prompt approval from SEMC, noting that the RAs were cognisant of the underlying issues that should be considered in the future.

Chair summarised the views predominantly in favour of a Strike Price filter and asked the Proposer to highlight the areas of changes for the Final Recommendation Report.

### **Discussion on Legal Drafting**

The Proposer noted there would be a number of minor elements that would be updated in the legal drafting of this Modification to reflect the discussion:

1. Include Strike Price threshold to the drafting to reflect application of change where above strike price.
2. Change the text in Section H.16, paragraph introduction to "replace with"

3. In section E.3.6.B change point (b) and then add a point (c) for “price associated Day-Ahead Trade Quantities” instead of Market Back Up Price
4. Add an update in E.5.1.3 to reflect the same change in the calculation

The amended legal drafting for review would be the following:

H.16.1 Until the date that is the Mod\_02\_21 Deployment Date, paragraph E.3.6.2 will be replaced with;

### E.3.6 Determination of Imbalance Price

E.3.6.2 For each Imbalance Pricing Period,  $\phi$ , the Market Operator shall calculate the Initial Imbalance Price ( $PIIMB_{\phi}$ ) as follows:

- (a) Except where  $QNIV_{\phi}$  is equal to zero or where an SO Interconnector Trade Quantity and Price is submitted which exceeds the Strike Price:

$$PIIMB_{\phi} = \frac{\sum_k (PRBO_{uk\phi} \times QAO_{uk\phi} \times TIP_{uk\phi} - PRBO_{uk\phi} \times QAB_{uk\phi} \times TIP_{uk\phi})}{\sum_k (QAO_{uk\phi} \times TIP_{uk\phi} - QAB_{uk\phi} \times TIP_{uk\phi})}$$

where:

- (i)  $\sum_k$  is the sum of values over all ranks, k;
  - (ii)  $PRBO_{uk\phi}$  is the Replaced Bid Offer Price for Generator Unit, u, and rank, k;
  - (iii)  $QAO_{uk\phi}$  is the Accepted Offer Quantity for Generator Unit, u, and rank, k;
  - (iv)  $QAB_{uk\phi}$  is the Accepted Bid Quantity for Generator Unit, u, and rank, k; and
  - (v)  $TIP_{uk\phi}$  is the Imbalance Price Tag for Generator Unit, u, and rank, k.
- (b) Where  $QNIV_{\phi}$  is equal to zero,  $PIIMB_{\phi}$  is set equal to the Market Back Up Price as determined in accordance with section E.5.
  - (c) For each Imbalance Settlement Period,  $\gamma$ , in which an SO Interconnector Trade Quantity and Price is submitted which exceeds the Strike Price, the Imbalance Settlement Price is set equal to the price associated with the Day-Ahead Trade Quantities for the Imbalance Settlement Period, determined in accordance with section E.5.1.3.

H.16.2 Until the date that is the Mod\_02\_21 Deployment Date, paragraph E.5.1.3 will be replaced with;

E.5.1.3 Where the Market Operator:

(a) is unable to calculate the Market Back Up Price in accordance with paragraphs E.5.1.1 and E.5.1.2 by the time it is required to publish the Imbalance Settlement Price in accordance with paragraphs E.2.2.2 and E.2.2.3; or

(b) is notified of an SO Interconnector Trade which exceeds the Strike Price

the Market Back-Up Price will be set equal to the price associated with the Day-Ahead Trade Quantities for that Imbalance Settlement Period and the Imbalance Settlement Price will be set equal to the Market Back Up Price. Where this value is not available for the Imbalance Settlement Period, the most recent available price associated with the Day-Ahead Trade Quantities for the Imbalance Settlement Period which occurs at the same time on a previous Trading Day, which is the same day of the week and is not a Week Day which is a Non-Working Day, shall be used.

The following definition will also be added to the Glossary:

Mod_02_21 Deployment Date	means the date proposed by the Market Operator following discussion with the Modifications Committee, and approved by the Regulatory Authorities for the purpose of H.16, such date to be published on the Market Operator web site at least three Working Days in advance of the date concerned.
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### Decision

This Proposal was Recommended for Approval subject to the changes above.

Recommended for Approval by Majority Vote		
Andrew Burke	Renewable Generator Member	Approve
Ian Mullins	Supplier Member	Approve
Paraic Higgins (Chair)	Generator Member	Approve
Kevin Hannafin	Generator Member	Approve
Philip Carson	Supplier Member	Approve
Nick Heyward	Flexible Participant Alternate	Approve
David Gascon	Generator Alternate	Approve
Robert McCarthy	DSU Member	Approve
Stacy Feldmann	Generator Member	Approve
Patrick Larkin	Assetless Member	Reject

#### Actions:

- Secretariat to draft Final Recommendation Report and circulate it in parallel with Minutes review – **Open**
- Proposer to update Modification Proposal with legal drafting changes - **Open**

### 3. AOB/UPCOMING EVENTS

The Secretariat thanked all for attending Emergency Modifications Committee Meeting 106B and confirmed that the Modifications Committee Meeting 107 will be held on Thursday, 21<sup>st</sup> October 2021.