

<b>MODIFICATION PROPOSAL FORM</b>			
<b>Proposer</b> <i>(Company)</i>	<b>Date of receipt</b> <i>(assigned by Secretariat)</i>	<b>Type of Proposal</b> <i>(delete as appropriate)</i>	<b>Modification Proposal ID</b> <i>(assigned by Secretariat)</i>
SSE	28 <sup>th</sup> January 2021	Standard	Mod_02_21
<b>Contact Details for Modification Proposal Originator</b>			
<b>Name</b>	<b>Telephone number</b>	<b>Email address</b>	
Stacy Feldmann		Stacy.feldmann@sse.com	
<b>Modification Proposal Title</b>			
Setting a flag for Interconnector Actions above €500/MWh			
<b>Documents affected</b> <i>(delete as appropriate)</i>	<b>Section(s) Affected</b>	<b>Version number of T&amp;SC or AP used in Drafting</b>	
T&SC Part B Appendices Part B	Appendix N TSC F.2		
<b>Explanation of Proposed Change</b> <i>(mandatory by originator)</i>			
<p>It has been seen during the later period of 2020 and in a more pronounced way during 2021, the effect of interconnector countertrades on cash-out where the interconnector countertrade has triggered RO difference payments on cheaper units available on the system and where it was not clear that there was in fact a system event (e.g. 7<sup>th</sup> Jan). In the same way as the 24<sup>th</sup> Jan 2019 market event, those available units were not dispatched and had RO difference payments levied on them due to external actions and specifically due to the effects of specific interconnector actions. The system has a €500/MWh spike price threshold. However, in this case where there are no system events, this trigger becomes an exposure point for units that are otherwise available but are not taken. We are proposing an interim action to protect units from unfair RO calls due to the flagging algorithm inability to effectively determine system actions on the IC's.</p> <p>It would be our preference for a more sophisticated method of flagging interconnector actions to reflect the nuances involved. Therefore, we would recommend this modification to have an interim effect until such time as a suitable alternative is arrived at, since we are aware that there is room for improvement on how interconnectors are flagged.</p> <p>The focus of this modification is to mitigate the exposure of these actions on the market and specifically on generation units exposed to RO difference payments. We also wish to reflect the standards outlined in the Balancing Market Principles Statement, Counterparty Trading business process and the ISEM Technical Specifications document, all of which suggest that countertrades should be taken where they are needed for system reasons, that cheaper BOAs should be considered and taken first and that there should be transparency regarding IC activities.</p> <p>This modification we would see as complementary to the other proposed SEMO mod proposal being re-tabled, as well as existing modifications relating to PMEA (Mod 01_20) and exposure to RO's in certain circumstances (Mod 09_19).</p>			
<b>Legal Drafting Change</b> <i>(Clearly show proposed code change using <b>tracked</b> changes, if proposer fails to identify changes, please indicate best estimate of potential changes)</i>			
In terms of implementation, a TSC			
In terms of legal drafting proposed for this modification, we suggest the following amendment to F.2 of			

the TSC

*F.2.4.8 Each System Operator shall, in accordance with the Settlement Calendar, submit to the Market Operator the SO Interconnector Trade Quantity and Price (in the form of Accepted Bid and Offer Quantities,  $QAB_{uoih}$ ,  $QAO_{uoih}$ , and Bid Offer Price,  $PBO_{uoih}$ ) for each Interconnector Residual Capacity Unit,  $u$ , relevant to an Interconnector,  $l$ , which is connected to its Jurisdiction, for each Bid Offer Acceptance,  $o$ , for Band,  $i$ , in Period,  $h$ . **The System Operators shall set the System Operator Flag ( $FSO_{u\phi}$ ) for any Interconnector Residual Capacity Unit,  $u$ , equal to zero for each Imbalance Pricing Period,  $\phi$ , in which an SO Interconnector Trade Quantity and Price is submitted.***

We also envisage the need for a modification to Appendix N: Flagging and Tagging) together with a revision to the TSOs' Methodology for Determining System Operator and Non-Marginal Flags. Upon approval of a modification the decision could be implemented relatively quickly through configuration settings in the Central Market Systems avoiding the longer timelines needed for system charges.

The symmetric amendment to Appendix N could be:

*For each Imbalance Pricing Period,  $\phi$ , the System Operators shall use information from the most recent Indicative Operations Schedule to identify whether a Generator Unit's scheduled output is bound by the presence of an Operational Constraint with the exception of those Operational Constraints relating to upper MW limits on the Transmission System and where they determine that the Generator Unit is so bound, shall set the System Operator Flag ( $FSO_{u\phi}$ ) for that Generator Unit,  $u$ , equal to zero for that Imbalance Pricing Period,  $\phi$ . **The System Operators shall set the System Operator Flag ( $FSO_{u\phi}$ ) for Interconnector Residual Capacity Units,  $u$ , for any relevant Imbalance Pricing Periods.** Otherwise, the System Operators shall set the System Operator Flag ( $FSO_{u\phi}$ ) for that Generator Unit,  $u$ , equal to one for that Imbalance Pricing Period,  $\phi$ .*

However, we consider that both changes need not be made, but rather a decision can be taken as to whether the amendment is made in F.2.4.8 or Appendix N.

**Modification Proposal Justification**  
(Clearly state the reason for the Modification)

This proposal is needed to remove the unintended consequence of exposing plants holding a Reliability Option to Capacity Market difference payments by addressing the specific interconnector actions directly causing this.

**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)

- (b) to facilitate the efficient, economic and coordinated operation, administration and development of the Single Electricity Market in a financially secure manner;
- (c) to facilitate the participation of electricity undertakings engaged in the generation, supply or sale of electricity in the trading arrangements under the Single Electricity Market;

**Implication of not implementing the Modification Proposal**  
(State the possible outcomes should the Modification Proposal not be implemented)

If this Modification proposal is not implemented, Generator Units which hold Reliability Option (RO) obligations will continue to be exposed by facing Difference Charges (where the imbalance price is higher than the RO strike price) while being unable to be dispatched up by the System Operators due to the presence of an Operational Constraint on the system. These affected units were in merit (in the balancing energy market), and available but were not delivering energy up to their RO MW level.

**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 Market Code, Grid

	<i>Code, Exchange Rules etc.)</i>
<b><i>Please return this form to Secretariat by email to <a href="mailto:balancingmodifications@sem-o.com">balancingmodifications@sem-o.com</a></i></b>	

### 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:
  - 1.1 to the Market Operator and the Regulatory Authorities to publish and/or distribute the Modification Proposal for free and unrestricted access;
  - 1.2 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;
  - 1.3 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.