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| **MODIFICATION PROPOSAL FORM** | | | | | |
| **Proposer** | **Date of receipt** | | **Type of Proposal** | | **Modification Proposal ID** |
| **Regulatory Authorities** | **14 November 2014** | | **Standard** | | **Mod\_10\_14** |
| **Contact Details for Modification Proposal Originator** | | | | | |
| **Name** | | **Telephone number** | | **Email address** | |
| **Warren Deacon**  **Brian Mulhern** | | **+353 1 4000800**  **+44 (0) 28 9031 1575** | | [**wdeacon@cer.ie**](mailto:wdeacon@cer.ie)  [**Brian.Mulhern@uregni.gov.uk**](mailto:Brian.Mulhern@uregni.gov.uk) | |
| **Modification Proposal Title** | | | | | |
| **Make Whole Payments for Interconnector Units** | | | | | |
| **Documents affected** | | **Section(s) Affected** | | **Version number of T&SC or AP used in Drafting** | |
| **T&SC** | | **Section 4** | | **Version 15** | |
| **Explanation of Proposed Change**  *(mandatory by originator)* | | | | | |
| The purpose of this Modification Proposal is to amend the Code so that Interconnector Units no longer receive Make Whole Payments in the market. | | | | | |
| **Legal Drafting Change**  *(Clearly show proposed code change using* ***tracked*** *changes, if proposer fails to identify changes, please indicate best estimate of potential changes)* | | | | | |
| 5.38A Participants shall not receive Make Whole Payments in respect of their Interconnector Units. | | | | | |
| **Modification Proposal Justification**  *(Clearly state the reason for the Modification)* | | | | | |
| A significant increase in SEM Make Whole Payments (MWPs) has been observed. The average total monthly MWP for the years 2011 and 2012 was under €14,000. However, beginning in April 2013 there has been a trend of increased Make Whole Payments with a monthly total of over €800,000 being observed in June 2014. Figure 1 gives the time-series of total monthly Make Whole Payments[[1]](#footnote-1) from 2011 to September 2014. Figure 2 gives the total Make Whole Payments for the first six months of the year for Interconnector Users (blue) and all other units (green). From this it can be seen that the increased Make Whole Payments are predominantly attributable to interconnector trading activity.  **Figure 1:** Time-series of Total Monthly Make Whole Payments from 2011 to September 2014  **Figure 2:** Total MWPs for Interconnector Users (blue) and all other units (green) for the first 6 months of the year  Make Whole Payments are included in the SEM design to account for the (expected to be rare) occasions when a generator’s Schedule Production Costs in any given Billing Week are not recovered through its total Energy Payments for the same period.  The Regulatory authorities have monitored the pattern of Make Whole Payments and are of the view that the levels currently being paid out should not continue. In light of this the Regulatory Authorities have raised a Modification Proposal to aggregate Make Whole Payments across an Interconnector User’s EA1, EA2 and WD1 Positions.  However, the Regulatory Authorities are also raising this Modification Proposal which would see a cessation of of Make Whole Payments for interconnector units. This Modification Proposal as an alternative to the other one raised (Amendment to Make Whole Payments for Interconnector Units). The reason for raising this Modification Proposal relates to potential concern around the effectiveness of raising the first Proposal (Amendment to Make Whole Payments for Interconnector Units).  The Regulatory Authorities are raising the two Modification Proposals to allow the Committee consider both versions and decide on what the best course of action is and to make their recommendation to the SEM Committee. | | | | | |
| **Code Objectives Furthered**  *(State the Code Objectives the Proposal furthers, see Section 1.3 of T&SC for Code Objectives)* | | | | | |
| * to ensure no undue discrimination between persons who are parties to the Code; and * to promote the short-term and long-term interests of consumers of electricity on the island of Ireland with respect to price, quality, reliability, and security of supply of electricity. | | | | | |
| **Implication of not implementing the Modification Proposal**  *(State the possible outcomes should the Modification Proposal not be implemented)* | | | | | |
| If this Modification to the Code is not made the current situation with regards to Make Whole Payments will continue and may increase based on recent trends. This will continue to put upward pressure on the Imperfections Charge which is paid for by all suppliers and ultimately consumers. | | | | | |
| **Working Group**  *(State if Working Group considered necessary to develop proposal)* | | | **Impacts**  *(Indicate the impacts on systems, resources, processes and/or procedures)* | | |
| The proposer does not consider this necessary. | | | An impact assessment will be required. | | |
| ***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 Appendix D “List of Agreed Procedures”.**

**T&SC / Code: means the Trading and Settlement Code for the Single Electricity Market**

**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 the Code (and 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.**

1. All monthly totals presented in this document refer to payments in invoices issued in that particular month [↑](#footnote-ref-1)