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## Phase II:

## Working Group 8 Report

## Mod\_18\_10

## Intra-Day Trading

10 May 2011

10.15am – 12.30pm

Europa Hotel,

Belfast

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Attendees

|  |  |
| --- | --- |
| **Name:** | **Company:** |
| Aisling O'Donnell | SEMO |
| Anne Ruddy | ESB Electric Ireland |
| Brian Mongan | AES |
| David McMorrow | ESB |
| David Stevens | SEMO |
| Dermot Barry | SEMO |
| Donald Murray | AES Ballylumford |
| Emma Burns | CER |
| Jenny McGovern | ESB PG |
| Jill Murray | Bord Gais |
| John Bennett | Design & Implement (For Synergen) |
| Jonathan Jennings | SEMO |
| Juliet Corbett | NIAUR |
| Kevin Hannafin | Viridian |
| Killian Morgan | ESB Electric Ireland |
| Kris Kennedy | SONI |
| Lynda Fitzpatrick | SEMO |
| Matthew Reid | ESB |
| Marian Troy | Endesa Ireland |
| Niamh Delaney | SEMO |
| Nicola Calvert | SONI |
| Nigel Thomson | SEMO |
| Paul McGuckin | Mutual Energy |
| Rodney Doyle | EirGrid |
| Shane O’Rourke | Endesa Ireland |
| Sheenagh Rooney-Chair | CER |
| Sherine King | SEMO |
| Simon Street | RA Consultant |
| Simon Tweed | EirGrid |
| Sinead O’ Hare | NIE Energy |
| Stephen Powell | RA Consultant |
| Tracy Matthews | Tynagh Energy |
| Wallace McKee | NIE Energy |

Apologies:

Iain Wright-Airtricity

Emeka Chukwureh-Airtricity

Denis Kelly- NIE T&D

Aileen O’Connor- ESB Networks MRSO

Summary

The first Working Group of Phase II of Intra-Day Trading, Working Group 8, saw presentation by SEMO of ***Functional Group 1 (FG1): Registration and Participant Data Submission***, of the Intra-Day Trading Modification Proposal legal drafting.

Participant queries in relation to the following modified sections were raised at the Working Group:

* Section 3.142
* Section 4.17
* Section 5.9A
* Section 5.174
* Appendix I: I3-I11

SEMO advised that these and any further queries submitted by Participants in relation to FG1, would be addressed as part of the ongoing development, and an update provided at Working Group 9 on 29th June.

SEMO and the Chair emphasised that the Intra-Day Trading documentation will be circulated two weeks in advance of all Working Groups, so as to provide Participants with ample review time. Both parties also stated that it is imperative for Participants to fully familiarise themselves with the documentation prior to the Working Group Meetings. This is to ensure that all issues may be sufficiently explored and to warrant effective facilitation of the vote on the proposal in December 2011.

Three actions were placed at the Meeting:

Participants to:

* Submit comments regarding FG1 Registration and Participant Data Submission by **COB Wednesday 25th May.**

SEMO to:

* Address comments submitted by Participants as part of the ongoing development and provide an update at WG 9 on 29th June.

Secretariat to:

* Draft and circulate Working Group report.

Background

During Phase I of Intra-Day Trading, seven Working Groups were established to develop the Mod\_18\_10 *Intra-Day Trading* Modification Proposal submitted by the RAs in March 2010. These Working Groups saw development of the Intra-Day Trading High Level Design. Reports of the previous seven Working Groups and any other relevant materials can be found at:

<http://semoauth/MarketDevelopment/Modifications/Pages/Modifications.aspx?Stage=Active>.

At Meeting 32 on 25th November 2010, the High Level Design was Recommended for Approval, with SEM Committee recommendation that further work on the project should continue.

At Meeting 33 on 01 February 2011, the RAs advised that a paper would be brought to the SEM Committee Meeting on the 2nd March, where it was to be decided whether or not the Modification would be progressed further. At Meeting 33, an action was placed on SEMO, following SEM Committee approval, to develop one final Intra-Day Trading Modification Proposal, and to utilise Working Groups to translate detailed design into legal text. The SEM Committee approved progression of the Modification Proposal and SEMO commenced work on legal drafting of the proposal.

Phase II of Intra-Day Trading will include four additional Working Groups. The focus of these Working Groups will be to review the Modification Proposal drafting for the SEM Intra-Day Trading. This drafting is being undertaken and managed by SEMO, with review input by Participants via the Working Group meetings. It was also decided at Meeting 33 that Phase II of the Intra-Day Trading Working Groups should be run as quorate Meetings, so as to ensure full Committee representation throughout the process. For further information, please see the terms of reference as Appendix 2 to this report.

Presentation

Two sets of slides were presented by a SEMO representative.

* FG1 Introductory slides outlining:
  + The history of the Modification Proposal
  + WG8 Terms of Reference Objectives
  + WG8 Terms of Reference Deliverables
  + Planned Review Process
* FG1 Design discussion slides, including:
  + Registration of Interconnector Units
  + Interconnector Unit Participation Fees
  + Interconnector Unit Initial Credit Cover
  + Participant Data Submissions
  + Application of the Trading Day Exchange Rate
* Plain English Document (PED) was outlined by SEMO representative.

These slides provided as Appendix 3 to this report.

Discussion Summary and Key Issues

Secretariat advised that at Meeting 33 on 01 February, it was decided following SEM Committee approval, that SEMO would develop one final Intra-Day Trading Modification Proposal, and would utilise Working Groups to translate the detailed design into legal text. The Chair provided an update on developments of various related issues that have emerged at European level. The Chair stated that the RAs commencing work on Intra-Day Trading in 2009, was prompted by the Moyle Interconnector and Compliance Management Guidelines (CMG), and also the impending introduction of EWIC.

The Chair further stated that two Government departments had received infringement letters from the European Commission. There is currently no provision in the Trading and Settlement Code for intra-day reallocation of unused Interconnector capacity, as required by the CMG. Chair stated that there is a Regulatory Authority commitment to the Government to deliver this Modification Proposal in order to become compliant with the CMGs.

The Chair discussed that the Intra-Day Trading Modification is progressing as a first step towards eventually aligning the SEM with the target model across Europe,. The RAs have been involved in this through membership of the Agency for the Co-operation of Energy Regulators (ACER), which is currently developing guidelines regarding the target model, which will become binding for all European Member States.

The Chair stated that the intended date for the target model implementation is 2014. One aspect of the target model is regarding the ACER Consultation on Framework Guidelines on Capacity Allocation and Congestion Management. This [Consultation](http://www.allislandproject.org/GetAttachment.aspx?id=a19548f9-6047-45f5-a231-5c4ba80662f1) is published on the All Island Website. The Chair advised that the RAs will be submitting a response to the Framework Guidelines and will engage Participants via a Participant workshop.

In addition, the Chair stated that the project for the Day-Ahead solution has not yet commenced, and stated that the current Framework Guidelines do not take into account the structure of SEM, rather the guidelines are more applicable to Continental markets. In parallel to the Framework Guidelines, the European Commission has been inquiring as to how the RAs in the France, UK and Ireland (FUI) region are endeavouring to reach the European target model. As the Intra-Day Trading Modification Proposal is required for compliance with the current binding provisions (i.e. CMG), the focus is that the solution is implemented by mid 2012. The Chair stated that there will be an industry workshop on Day Ahead, as required, in the future.

SEMO representative presented both sets of slides (see Appendix 3 of this report for slides) and confirmed there will be a similar set of design discussion slides for all FGs. SEMO clarified that the central focus of FG1 is Registration and Participant Data Submissions, and that Working Group 9 on 29th June will discuss FG3: Settlement and Credit Management.

ESB Electric Ireland representative queried as to whether it would be possible to register six Interconnector Units (IUs)? SEMO reiterated that each Interconnector User in respect of a given Interconnector will have a separate IU per Gate Window i.e. one for EA1, one for EA2 and one for WD1. However, it would be possible to have 6 IUs – 3 each for Moyle and EWIC respectively. ESB Electric Ireland representative sought clarification as to whether data submitted to the WD1 Trading Window which was originally meant for the EA1 Trading Window, would be rejected. SEMO confirmed that this data would be rejected.

RA Consultant questioned as to whether it would be necessary for Participants to pay six separate sets of Credit Cover for six separate IUs? SEMO representative stated that Fixed Credit Cover would apply to each IU and that this would be calculated on a Participant basis, however Participation Fees should only be paid in respect of the first Interconnector Unit registered in respect of a given Interconnector and Interconnector User.

ESB Power Generation representative sought clarification as to the difference between TOD & VTOD. SEMO representative clarified that that there is a subset of TOD, for which Participants can choose up to six sets of data which accurately represent Generator Unit characteristics (elements of VTOD are listed in attached slides). It is imperative that the TOD entering the market is correct so that the correct price is calculated. SEMO representative clarified that the VTOD process was put in place to allow a Participant to change certain elements of their TOD up to ten minutes before Gate Closure by selecting one of six VTOD sets which have been pre-approved by the System Operator.

(TOD is data that is submitted to the Market Operator in respect of each of its Generator Units in accordance with the provisions in Appendix I.12 as set out in the Trading and Settlement Code. VTOD is a subset of TOD. (Please see Appendix I.12 in the Trading and Settlement Code for further detail)

A Participant raised a query as to whether the Forecast Availability is currently submitted as COD rather than TOD? SEMO advised that it is classified in the T&SC as TOD however within the Central Market System submission it is submitted with COD. SEMO advised that they would put a footnote in the PED to clarify this.

RA Consultant sought clarification as to why an IC user that has not bought capacity on the IC cannot bid into EA1, however an IU for EA1 still has to be registered? SEMO representative clarified that it is irrelevant if capacity has not been bought previously as it may be bought in the future, and that it is more efficient to have the IU already registered. SEMO further clarified that it does not incur any additional cost as the Participation Fee is for the set of units, and that if a Participant does not have capacity, the higher and lower operating limits for the IUs are set to zero in the EA1 MSP Software Run. RA Consultant queried as to whether it is reasonable for a Participant with no capacity on the IC who is not utilising their IU, to pay initial credit cover for that unused IU? SEMO representative stated that it is undesirable to have a permanently changing status, and that the process of attaining capacity is outside the remit of the Code. SEMO representative further clarified that as the proposal is currently drafted, validations would be carried out in EA1 to ascertain whether or not the IUs had capacity holdings, and if not they are unable to trade.

RA Consultant sought clarification regarding the term “accepted for use” within the definition of Gate Windows. SEMO representative clarified that “accepted” will remain as per the Code, however some new terms to accompany it will be introduced. SEMO stated that the new terminology concepts within Intra-Day Trading are mainly related to calculation of Offered Credit Exposure and Traded Credit Exposure. Design and Implement representative queried as to whether the exchange rate publication would move from 8am due to EA1 being brought forward. SEMO advised that it was not planned to, however stated that they would explore this option further and to report back at a future Working Group meeting.

* Plain English Document (PED) Discussion: (Code, Glossary, Appendices and APs)

SEMO representative advised that there are new and amended definitions to the main body of the Code, the Glossary and the APs. SEMO advised that there is also a section in the PED for new variables and subscripts, which are not pertinent for FG1, however will be relevant for the two subsequent FGs.

Design and Implement representative queried as to whether SEMO has the remit to modify aspects of the Code that are not directly related to Intra-Day Trading. SEMO answered that most of the changes made that are not directly related to Intra-Day Trading are generally typos and clarifications, and SEMO feels that it is a prudent use of time to address them as they arise. The Chair agreed that this is an efficient process. Generator Alternate was also agreeable to SEMO fixing typos and addressing clarifications, however expressed concern that these changes should be clearly identified separately to the Intra-Day Trading changes. SEMO advised that a column was intentionally included in the PED in order to transparently show these changes, and further stated that all changes will be presented to the Modifications Committee once the Modification Proposal has been submitted.

NIAUR queried whether SEMO will be putting these non-Intra-Day related changes forward as a separate Modification Proposal? SEMO advised against this as it is felt to be a more efficient use of time to address the issues at the same time that the legal drafting changes for Intra-Day Trading are being progressed. A Participant questioned whether it would be possible to examine all the changes in detail at the Working Group.

SEMO asked whether other Participants were in favour of looking at the legal drafting changes alongside the PED? Some Participants wished to go through the changes, so SEMO representative began the process. It was then decided that it would be too time consuming. The Chair stated that this may not be advisable in the Working Group forum of 40 people. Supplier Alternate stated that Participants have two weeks to submit comments on any aspect of FG1 to SEMO and that any concerns on the changes can be expressed during this period.

Chair advised to follow the original agenda i.e. Participant feedback on the PED, and advised Participants to submit comments on the legal drafting by COB Wednesday 25th May. SEMO advised that when all comments are gathered and collated, any issues that arise, will be addressed.

Participant queries in relation to the following modified sections were raised at the Working Group:

Section 3.142

RA representative questioned as to whether this particular clause should change? SEMO stated that this was not deemed necessary.

Section 4.17

Design and Implement representative questioned whether this section should refer to trading day or trading window? SEMO to investigate further.

Section 5.9A

Participant queried as to why the new clause 5.9a is needed? SEMO advised that there is significant overlap between this Section and Appendix I and is included to enhance clarity.

Section 5.174

RA consultant questioned whether the comment made above regarding Section 4.17 was applicable to Section 5.174 also. SEMO to investigate.

Appendix I- 3-11

RA consultant advised that the first three paragraphs of this Appendix need to refer to the correct table. SEMO to correct.

A Participant raised a query as to why there are three IUs for each gate when this is not necessary for other Generator Units? SEMO representative clarified that this is due to the fact that each IU is treated independently in each MSP Software Run, with previous allocations treated as fixed in subsequent Ex Ante run. As a result, there will be three separate IUs per Interconnector for each Interconnector User, however Participants will not receive three invoices.

Regarding changes to the APs, SEMO advised that many of the changes in AP2 are not applicable to FG1 as its scope is registration and data submission; however these changes will be contained in the subsequent FGs. The Chair advised that the focus of Working Group 9 will be FG3: Settlement and Credit Management, and emphasised that its focus will not be to revisit topics discussed during WG8.

Supplier Member queried as to whether the legal drafting will be re-published after the Participant comments have been included? SEMO advised that at WG9, all comments will be re-addressed and an update will be provided. RA Consultant queried whether the legal view on the Intra-Day Trading legal drafting will be presented to the Working Group at a later stage? SEMO representative advised that the legal view will be presented at the final Working Group (11) in November.

Recommendations and Action Items

**Actions:**

Participants to:

* Submit comments regarding FG1 Registration and Participant Data Submission by **COB Wednesday 25th May.**

SEMO to:

* Address comments submitted by Participants and provide update at WG 9 on 29th June.

Secretariat to:

* Draft and circulate Working Group report.

**Next Steps:**

**Functional Group 3: Settlement and Credit Management** to be discussed at Working Group 9 on 29th June in Hotel Isaacs, Dublin.

(Functional Group 2: Other Data Transactions & MSP Software to be discussed at Working Group 10 on 06th September in Hilton Hotel (TBC), Belfast).

Appendix 1 – Working Group Agenda

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# Working Group 8

Phase II

Mod\_18\_10: Intra-Day Trading

**Agenda**

**Tuesday 10 May 2011**

**The Europa, Belfast**

## 10.00am – 4.00pm

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Agenda Item** | **Proposer** | **Time** |
|  | *Tea / Coffee / Pastries* |  | *10.00 – 10.15* |
|  | Introduction | Secretariat | *5 mins* |
|  | RAs – Update on European Target Model | Sheenagh Rooney | *20 mins* |
|  | Recap of Modification Development Agreed Process | Niamh Delaney & Jonathan Jennings | *20 mins* |
|  | Presentation of Functional Group 1 changes | Niamh Delaney & Jonathan Jennings | *60 mins* |
|  | Tea / Coffee Break | All | *15 mins* |
|  | Modification FG1 Documentation Set Feedback:  *Plain English Document* | Participants & SEMO | *60 mins* |
|  | Lunch | All | *30 mins* |
|  | Modification FG1 Documentation Set Feedback:  *Legal Drafting – Main Code body, Glossary, Appendices* | Participants & SEMO | *40 mins* |
|  | Tea / Coffee Break | All | *10 mins* |
|  | Modification FG1 Documentation Set Feedback:  *Legal Drafting – Agreed Procedures* | Participants & SEMO | *40 mins* |
|  | Recap, Agreed Recommendations, Actions and Post Working Group Timetable | Chair & Secretariat | *45 mins* |
|  | AOB / Approximate close time |  | *4.00* |

|  |  |
| --- | --- |
| ***Modification Working Group*** | *means a group comprised of Modification Committee Members and Interested Parties formed for the purposes of working out the detail and implementation plans for Modification Proposal(s).* |

Appendix 2 –Terms of Reference

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**Terms of Reference: SEM Intra-Day Trading Modification Working Group**

**Background**

The Modifications Committee requested at Meeting 33 on 1 February 2011, that a Working Group be established to review the Modification Proposal drafting for SEM Intra-Day Trading. This drafting will be undertaken and managed by SEMO, with review input via the Working Group.

The High Level Design for SEM Intra-Day Trading has itself been the subject of a Working Group, leading to the design being recommended for approval by the Modifications Committee in November 2010 and the SEM Committee recommending that further work continue on the project. As a result, this Working Group will not address issues regarding the agreed design.

Due to the extensive legal drafting changes to the T&SC required. It is necessary to progress the development of the design in parallel to the drafting of the modification.

The proposed provisional schedule is as follows:

* Additional Meeting 1: 10 May (Belfast)
* Additional Meeting 2: 290 June (Dublin)
* Additional Meeting 3: 06 September (Belfast)
* Additional Meeting 4: 10 November (Dublin)

**Objectives**

The objectives of the SEM Intra-Day Trading Modification Working Group are:

1. to provide review and overview of the draft rules for SEM Intra-Day Trading produced by SEMO, ensuring that the resulting Modification Proposal aligns with the agreed High Level Design.
2. to identify and address areas of change to the Code that are not identified by the drafting provided by SEMO.
3. to discuss and address drafting issues raised by SEMO, where options on how the drafting could be structured occur.
4. to recommend to the Modifications Committee whether legal drafting produced aligns with the High Level Design.

The objectives above are to be progressed such that a vote/recommendation on the SEM Intra-Day Trading Modification Proposal may occur at a meeting of the Modifications Committee in late 2011 (exact timing to be determined following further planning by SEMO).

In addition to the general objectives of the SEM Intra-Day Trading Modification Working Group, the initial meeting of the Working Group shall have the following additional objectives:

1. to review the content of the Plain English Documents (PED) to be produced by SEMO and provide comments to SEMO.
2. SEMO to present the delivery plan for the Modification Proposal, in order to meet the target timescale (late 2011) for production of a Modification Proposal for presentation and vote/approval by the Modifications Committee.

**Scope**

The SEM Intra-Day Trading Working Group will:

1. review and provide feedback on the content of Plain English Documents (PED) as produced by SEMO, each of which may address specific functional elements of the Code.
2. identify and address changes to the Code that are required but which have not been identified by SEMO.
3. review and provide feedback on the legal drafting provided by SEMO, in particular where the legal drafting is inconsistent with:
   1. Plain English Document (PED)
   2. High Level Design document
4. report to each Modifications Committee meeting on the progress of the development of the Modification Proposal drafting.
5. confirm to the Modifications Committee once the Modification Proposal is drafted, the alignment with the High level Design.

**Deliverables**

1. Plain English Documents (PED) describing the changes to the existing Code in respect of SEM Intra-Day Trading.
2. Modification Proposal covering all of the changes to the Code required for SEM Intra-Day Trading, aligning with the recommended High Level Design.
3. Working Group Reports to the Modifications Committee at each meeting from April 2011.

**Stakeholders**

Regulatory Authorities, Market Participants (Generators and Suppliers), End Users, other Market Participants, System Operators, Meter Data Providers, Market Operator, Interested Parties.

**Roles and Responsibilities**

In order to facilitate efficient development and consideration of a substantial change to the Code, a quorum of Modifications Committee members is required to oversee the development of the Modification Proposal.

1. Working Group Chair – Regulatory Authority representative
2. Quorum of Modifications Committee members
3. Other Stakeholders to provide input - review, issue identification, progress reporting and recommendations.

**Resources**

* Chair from the Regulatory Authorities
* SEMO Secretariat
* SEMO Market Development Team assigned to drafting of Plain English Documents/legal text.
* Analyst from each of the following:
  1. SEMO Market Operations
  2. EirGrid TSO
  3. SONI TSO
  4. Generators
  5. Suppliers
  6. Interested Parties from Industry

Resources will be expected to attend and participate in all scheduled meetings and carry out required preparation and follow up action on action items assigned (notably detailed review of Plain English Documents and legal drafting).

**Work Breakdown Structure**

1. SEMO to produce Modification Proposal development plan.
2. SEMO to draft Plain English Documents (PEDs).
3. SEMO to provide draft legal text based on the PEDs and High Level Design document.
4. Regulatory Authorities to chair Working Group meetings.
5. SEMO Secretariat to produce Working Group Reports to Modifications Committee.
6. Modifications Committee Members and other stakeholders to review PEDs and draft legal text provided and provide prompt review comments.

**Schedule**

Initially, a half day Working Group meeting is proposed for mid March 2011 to address the objectives of the initial meeting and to consider the first functional elements of the Modification Proposal.

**Risks and Restraints**

The SEM Intra-Day Trading Modification Proposal is a substantial change, which must be progressed as efficiently as possible to realise a target vote/recommendation at a Modifications Committee meeting in late 2011. Although a single modification will be presented to the Modifications Committee at the end of the process, each Working Group will cover a specific area of change which, once agreed, should not be re-opened in subsequent Working Groups unless subsequent work highlights the need to revisit.

Appendix 3- Presentation Slides

Presentation slides are available via the zip folder (Working Group 8 Report) on the SEMO Website under the Mod\_18\_10 Intra-Day Trading section.