



Trading and Settlement Code Modifications Committee
c/o Esther Touhey
SEMO Modifications Committee Secretariat
The Oval
160 Shelbourne Rd
Dublin 4

01 May 2019

Our Ref: D/19/787

SEM Committee Decision for the Regulatory Authorities in relation to Mod_01_19 (Final Recommendation Report FRR_01_19 v2)

Dear Esther

On 27 March 2019, the Modifications Committee submitted its Final Recommendation Report with regard to Modification Proposal Mod_01_19 "Negative Interest rates in the SEM" in accordance with Paragraph B.17.18.1 of Part B of the SEM Trading and Settlement Code (TSC).

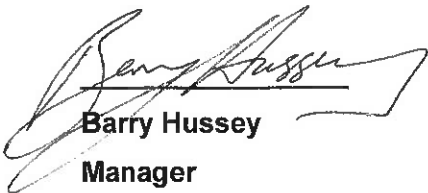
The Modification Proposal Mod_01_19 was submitted to the Modifications Committee by the Single Electricity Market Operator (SEMO) on 06 February 2019.

The Modification Proposal seeks to remedy the fact that the TSC currently only allows for positive interest to be applied. This inability by the SEM Bank to charge negative interest rates has had a significant financial impact on the SEM Bank in terms of its return on providing SEM Bank services. Negative interest rates have been a feature of the Irish Euro market since the ECB introduced negative interest in June 2014. Most banks are now charging negative interest rates in respect of Euro deposits. This Modification Proposal would allow for the application of negative interest to be applied to all credit balances held with the SEM Bank.

The Regulatory Authorities note that a discussion took place with the Modifications Committee on 20 February 2019 setting out the requirement for these changes. If this modification is not implemented, then SEM Bank will be unable to charge negative interest rates which will have a significant financial impact on the SEM Bank in terms of its return on providing SEM Bank services. The proposer confirmed that the SEM bank services will be going for tender and that the new SEM Bank should be in place in the next 3 months and this matter would be specifically addressed within that tender scope. The Regulatory Authorities note that the members of the Modifications Committee voted on a unanimous basis to approve this modification.

Considering the above, and in accordance with Paragraph B.17.20 of the Code, the SEM Committee direct that a Modification, as set out in Appendix 1 of FRR_01_19, is implemented on a Trading Day basis with effect from one Working Day after the date of this letter.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Barry Hussey', is written over a horizontal line. The signature is fluid and cursive.

Barry Hussey

Manager

Wholesale Electricity Markets