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| **MODIFICATION PROPOSAL FORM** | | | | | |
| **Proposer**  *(Company)* | **Date of receipt**  *(assigned by Secretariat)* | | **Type of Proposal**  *(delete as appropriate)* | | **Modification Proposal ID**  *(assigned by Secretariat)* |
| **SEMO** | **07 June 2018** | | **Standard** | | **Mod\_21\_18** |
| **Contact Details for Modification Proposal Originator** | | | | | |
| **Name** | | **Telephone number** | | **Email address** | |
| **Christopher Goodman** | |  | | **Christopher.Goodman@sem-o.com** | |
| **Modification Proposal Title** | | | | | |
| **Application of Settlement Reallocation Agreements to Market Operator Charges and Settlement Document Definition and Usage** | | | | | |
| **Documents affected**  *(delete as appropriate)* | | **Section(s) Affected** | | **Version number of T&SC or AP used in Drafting** | |
| **Agreed Procedure 01 Part B**  **Agreed Procedure 10 Part B**  **Agreed Procedure 15 Part B**  **Agreed Procedure 17 Part B**  **T&SC Part B**  **Glossary Part B**  **Appendices Part B** | | **Agreed Procedure 1 section 7**  **Agreed Procedure 10 Section 2 and Appendix 2**  **Agreed Procedure 15 Section 2**  **Agreed Procedure 17 Section 2**  **Part B Section G**  **Part B Appendix G**  **Glossary Definitions and list of Variables and Parameters** | | **Version 20** | |
| **Explanation of Proposed Change**  *(mandatory by originator)* | | | | | |
| At present the Trading and Settlement Code rules on Settlement Reallocation Agreements (SRAs) apply the Settlement Reallocation Agreement amount(s) to the Aggregate Settlement Document amount calculation in G.5.7.5 which covers Trading and Capacity Payments and Charges but not Market Operator Charge. Market Operator Charges are invoiced separately and do not appear on the Settlement Documents detailed in section G.2.5 which only include Trading and Capacity Payments and Charges.  The SRA form also defines the Settlement Reallocation Amount as the amount which is transferred by the SRA and does this in reference to Settlement Documents. The defined term Settlement Document and its use is currently somewhat unclear, in some places being used to refer to all Settlement under the Code and in other places to refer to Trading and Capacity Payments and Charges only.  Since the decision in this area was that Settlement Reallocation Agreements should cover all periodical financial obligations, including Market Operator Charge, a modification is needed in order to reflect this decision in the Code. Note that the system functionality to apply the SRAs to Market Operator Charges is already in place since this requirement was investigated and identified as the systems were being developed  Since a large number (40+) Settlement Reallocation Agreements have already been signed and submitted for I-SEM, we propose a change that does not require material changes to the existing SRA document so that the existing documents can be used and do not need to be resubmitted noting that this can be time consuming for Participants due to the need to get sign off from Directors.  Since the SRA form uses reference to the Code definition of Settlement Documents to define a term Settlement Reallocation Amounts within the deed to detail the amounts covered by the SRA, we propose an extension to the definition of Settlement Documents to specify that it includes the Market Operator Charge invoice. In this way the SRA can be extended to cover the Market Operator Charge without requiring resubmission of the form. Note that this proposal does also make some minor changes to the SRA form to correct two errors (an incorrect reference and missing signatory fields for EirGrid and SONI) but these changes would not require resubmission.  Since the current drafting in the Code implies in places that Settlement Documents are only for Trading and Capacity Payments and Charges only in places (albeit that the glossary definition is not specific on this point) we propose specifying the use of the term more explicitly in places, expanding the definition of the Settlement Document, introducing a definition of Settlement Reallocation amounts.  We also propose to add to the definitions of the Settlement Reallocation Agreement Amount for Primary and Secondary Participants in the Code to specify that this is for Trading and Capacity Payments and Charges as distinct from what would be the Settlement Reallocation Amounts defined on the form which we propose to extend to Market Operator Charge.  We also propose a new Code definition of Settlement Reallocation Amounts, as distinct from Settlement Reallocation **Agreement** Amount variable definitions. The proposed additional Settlement Reallocation Amounts definition refers to Trading and Capacity Payments and Charges and also to Market Operator Charge in line with the definition for the same term on the SRA deed.  While we acknowledge that this change may be less elegant than one whereby we determine that SRAs apply to Market Operator Charge separately from Settlement Documents, that would require a change to the form itself meaning that those Participants who have already submitted SRAs for ISEM would have to complete this task again. We feel that, on balance, it is appropriate to make a slightly more onerous legal drafting change to avoid the impact of having to revisit the SRAs which have already been submitted for both Participants and the Market Operator.  This approach is also informed by investigation which shows that the term Settlement Document is ambiguously applied in the Code in certain places. As such we propose more specificity on it’s use in some places, most notably in terms of it’s use when referring to Default and Shortfalls.  We also seek the views of Modifications Committee Members in determining the best way to address these issues from a Market Participant point of view if the approach proposed here is not the preferred option.  Note that changes to the form to add signature blocks and correct a reference were applied in the forms which were issued for I-SEM go live. | | | | | |
| **Legal Drafting Change**  *(Clearly show proposed code change using* ***tracked*** *changes, if proposer fails to identify changes, please indicate best estimate of potential changes)* | | | | | |
| **Agreed Procedure 1;**  7.1.1 An "**Event of Default**" shall occur in the event that:  7.1.2 the Participant has not paid a Settlement Document or invoice (Excluding the Market Operator Charge invoice for which non payment is treated as detailed in Agreed Procedure 15 section 2.11.5) in full on the Payment Due Date, leading to:   * + - * 1. the Participant having a Shortfall; and         2. the Market Operator becoming obliged to make a Credit Call in respect of the Shortfall in accordance with paragraph G.2.6.1 of the Code; and/or   **Agreed Procedure 10;**   1. Overview    1. Settlement Reallocation Arrangements   The Settlement Reallocation process allows Participants to reduce Credit Cover requirements in the Single Electricity Market by offsetting debts and credits and reducing circular flows of money.  Settlement Reallocation is a rules supported financial arrangement between the Market Operator and both a Principal Participant and a Secondary Participant (which may be the same or different Parties). Secondary Participants can transfer all payments payable to it by the Market Operator and all charges payable by it to the Market Operator to one Principal Participant.  A Principal Participant can have Settlement Reallocation Agreements with more than one Secondary Participant however a Principal Participant cannot also be a Secondary Participant. A Secondary Participant can have a Settlement Reallocation Agreement with only one Principal Participant.  Settlement Reallocation consists of five key elements:   1. Submission of a Settlement Reallocation Agreement by the Principal Participant and Secondary Participant; 2. Assessment of the eligibility of a Settlement Reallocation Agreement for the billing process; 3. Application of the eligible Settlement Reallocation Agreements in the Settlement Document; 4. Application of the Settlement Reallocation Agreements in the Credit Assessment process; and, 5. Termination of a Settlement Reallocation Agreement (when applicable).   When Participants have a Settlement Reallocation Agreement in place with the Market Operator, the Principal Participant takes over full financial responsibility of all Secondary Participants with which it has posted Settlement Reallocation Agreements. This will result in a transfer of all amounts in respect of Settlement Documents issued to any Secondary Participants to that Principal Participant by the Market Operator. This amount shall also have an effect on the Credit Cover calculation of the affected Participants.  The Settlement Reallocation Amounts are monetary values in the currency of the Principal Participant (either Euro or Pounds Sterling).  Settlement Reallocation Agreements are posted against Settlement Documents relating to all Settlement under the Code.  A Settlement Reallocation Agreement shall have start date (Settlement Day after which the reallocation is to apply) and may have an end date (the Settlement Day after which the reallocation will no longer apply) subject to paragraph G.16.2.2 of the Code.   * 1. Settlement and Billing   A Settlement Reallocation Agreement shall be applied in the billing process administered by the Market Operator unless it has been terminated in accordance with the section G.16.5 of the Code and this Agreed Procedure.  As part of the billing process, the Participant will receive a Settlement Reallocation Agreement report detailing the Settlement Reallocation Agreement(s) that relate to a specific Settlement Document. Settlement Documents shall contain details of the amount transferred as part of any Settlement Reallocation Agreement(s) in respect of that Settlement Document.   1. Settlement Reallocation Agreement   **Date: [insert date]**  **BETWEEN:**  **[Party XX] [insert name, company registration number and address] on behalf of Principal Participant [insert Principal Participant Name, Principal Participant ID] (referred to herein as the “Principal Participant”)**  **[Party YY] [insert name, company registration number and address] on behalf of Secondary Participant [insert Secondary Participant Name, Secondary Participant ID]:; (referred to herein as the “Secondary Participant”) and**  **Market Operator: EIRGRID plc**, an Irish company formed pursuant to Regulation 34 of the European Communities (Internal Market in Electricity) Regulations 2000 with company registration number 338522 (“**EirGrid**”) and **SONI LIMITED**, a body corporate registered in Northern Ireland with company registration number NI038715 (“**SONI**”), in their joint capacity as Market Operator for the purposes of the Code.  **OTHER DETAILS:**  **Initial Settlement Day: [nominate date after which the Settlement Reallocation is intended to have effect]**  **Final Settlement Day**: [**nominate date after which the Settlement Reallocation will no longer apply, if known]**  **IT IS AGREED** as follows:  1. Unless the context otherwise requires and save as mentioned below, words and expressions defined in, or to be construed in accordance with, the Code shall have the same meanings and construction when used in this Agreement:  “**Code**” means the Trading and Settlement Code, including the Appendices and Agreed Procedures, as amended, varied, modified or replaced from time to time; and  **“Settlement Reallocation Amounts”** means all amounts which, but for this Settlement Reallocation Agreement, would be (as applicable) paid to the Market Operator by the Secondary Participant or by the Market Operator to the Secondary Participant under Settlement Documents issued under the Code during the Effective Period.  2. The Market Operator and the Principal Participant and the Secondary Participant are parties to the Code, and this Agreement is a Settlement Reallocation Agreement under section G.16 of the Code.  3. This Agreement covers all Settlement Documents issued under the Code to the Secondary Participant between:  (a) the later of the Initial Settlement Day and the expiration of 20 Working Days after all parties (including the Market Operator) have executed this Agreement; and  (b) the earlier of the Final Settlement Day (if one is specified above) and the date this Agreement is terminated in accordance with the Code (and such termination takes effect),  (such period being the “**Effective Period**”).  4. Subject to the terms and on the conditions set out in the Code, during the Effective Period:  (a) each of the Market Operator and the Secondary Participant shall be released from further obligations towards one another in respect of each Settlement Reallocation Amount falling due for payment and their respective rights against one another in respect of each Settlement Reallocation Amount shall be cancelled (being the "**Discharged Rights and Obligations**"); and  (b) each of the Market Operator and the Principal Participant shall assume obligations towards one another and acquire rights against one another which differ from the Discharged Rights and Obligations only insofar as the Market Operator and the Principal Participant have assumed and acquired the same in place of the Market Operator and the Secondary Participant.  5. This Agreement reflects a commercial agreement between the Principal Participant and the Secondary Participant, and each of the Principal Participant and the Secondary Participant hereby (a) agree that the Market Operator is not liable for any loss or damage suffered by either the Principal Participant or the Secondary Participant as a result of, or in connection with, this Agreement and any Settlement Reallocations under it (together, the “**SRA Losses**”) and (b) hold the Market Operator harmless and indemnify the Market Operator from any and all SRA Losses which may arise.  6. This Agreement:  (a) may be terminated by the Principal Participant, the Secondary Participant or the Market Operator in accordance with the Code; and  (b) be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.  7. This Agreement and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with the laws of Northern Ireland. The parties hereto hereby agree that the courts of Northern Ireland shall have jurisdiction to hear and determine any suit, action or proceedings that may arise out of or in connection with this Agreement and for such purpose irrevocably submits to the jurisdiction of such courts.  8. It is intended that this Agreement takes effect as a deed notwithstanding the fact that a party hereto may only execute this Agreement under hand.  9. The Principal Participant and the Secondary Participant hereby authorise the Market Operator to date this Agreement at any time following the date that they have each executed this Agreement.  **IN WITNESS** whereof the parties hereto have executed this Agreement as a deed in the manner hereinafter provided on the date shown above.  ***[Signature page follows]***   |  |  | | --- | --- | | **ON BEHALF OF THE PRINCIPAL PARTICIPANT:** | | | **\*GIVEN** under the common seal of  **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**  and delivered as a deed  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  (Witness’ Signature)  (Witness’ Address)  (Witness’ Occupation) | *{Common Seal}*  *\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_*  *(Director)*  *\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_*  *(Director/Secretary)* | | **\*SIGNED AND DELIVERED** as a deedfor and on behalf of  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  by  in the presence of:-  (Witness’ Signature)  (Witness’ Address)  (Witness’ Occupation) | *\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_*  *Role:* | | **\* Delete / Amend as appropriate \*** | |  |  |  | | --- | --- | | **ON BEHALF OF THE SECONDARY PARTICIPANT:** | | | **\*GIVEN** under the common seal of  **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**  and delivered as a deed  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  (Witness’ Signature)  (Witness’ Address)  (Witness’ Occupation) | *{Common Seal}*  *\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_*  *(Director)*  *\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_*  *(Director/Secretary)* | | **\*SIGNED AND DELIVERED** as a deedfor and on behalf of  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  by  in the presence of:-  (Witness’ Signature)  (Witness’ Address)  (Witness’ Occupation) | *\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_*  *Role:* | | **\* Delete / Amend as appropriate \*** | |  |  |  | | --- | --- | | **EXECUTED** and **DELIVERED** as a deed by  **SONI LIMITED** acting by a Director  In the presence of    (Witness’ Signature)    (Witness’ Address) | *\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_*  *(Director)* |  |  |  | | --- | --- | | **GIVEN** under the common seal  of **EIRGRID PLC**  and delivered as a deed in the presence of:    (Witness’ Signature)    (Witness’ Address)    (Witness’ Occupation) | *{Common Seal}*  *\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_*  *(Director)*  *\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_*  *(Director/Secretary)* |   **Agreed Procedure 15;**  **2.11 Payment Default**  References to the term Settlement Document in this Agreed Procedure 15 section 2.11 exclude the Market Operator Charge invoice for which default is treated as detailed in section 2.11.5. This section sets out the billing process associated in the event that a Participant fails to fully pay a Settlement Document by the relevant Payment Due Date  **Agreed Procedure 17;**  2.4.2 *Settlement Statements and Settlement Documents*  The Market Operator will issue Settlement Statements to Participants each Working Day on completion of all Settlement runs. Settlement Statements shall detail inputs into and results of all Settlement calculations on an Imbalance Settlement Period in relation to Generator Units, Capacity Market Units and Supplier Units registered by a Participant.  In accordance with the timelines set out in chapter G of Code, the Market Operator will also issue a single Settlement Document that shall report the aggregate of the results from the Settlement Statements for each Billing Period. Settlement Documents shall set out all payments and charges due in respect of Generator Units and Supplier Units registered by a Participant for Imbalance Settlement. Settlement Documents relate to Initial Settlement and Settlement Reruns for the Working Day in which they are issued.  Market Operator Charges shall not be included in the Settlement Document for Trading Payments, Trading Charges, Capacity Payments and Capacity Charges; they are detailed in the Market Operator invoice.  **Trading and Settlement Code Part B**  G.2.5 **Settlement Documents for Trading Payments, Trading Charges, Capacity Payments and Capacity Charges**  G.2.5.4 Payment shall be in accordance with the following:   * + - * 1. each Settlement Statement, Settlement Report and Settlement Document shall be based on the data then available to the Market Operator at the time of its production;         2. each Settlement Document issued under G.2.5.1(c) shall include the amount of all applicable Trading Payments and Trading Charges and, where required under paragraph G.2.5.3, Capacity Payments and Capacity Charges;         3. any Participant in receipt of a Settlement Document shall pay the net amounts due in full without deduction, set-off or counterclaim (except as otherwise expressly provided for in the Code):   by paying the amount due into the relevant SEM Account by the Payment Due Date;  by the Market Operator transferring an amount out of the Participant’s SEM Collateral Reserve Account in accordance with paragraph ; or  by a combination of the foregoing.  (and the Payment Due Date for the purpose of this sub-paragraph (c) is 12:00, 3 Working Days after the date of the relevant Settlement Document); and   * + - * 1. the Market Operator shall, subject to the provisions of the Code, pay the amount set out in each Settlement Document issued under G.2.5.1(c) (less the amount set out in any applicable Debit Note to any Participant who is a SEM Creditor) from the SEM Account to the SEM Creditor’s designated bank account or bank accounts for full value by the Payment Due Date (and the Payment Due Date for the purpose of this sub-paragraph (d) is 17:00, 4 Working Days after the date of the relevant Settlement Document).   G.2.6.1 If any Participant fails to pay an amount due in accordance with a Settlement Document other than the Market Operator Charge invoice in full in accordance with paragraph , then the Participant has a Shortfall and the Market Operator shall forthwith make a Credit Call on the Participant’s Posted Credit Cover for payment of the Shortfall, subject to the De Minimis Level for Letter of Credit Draw Down provisions in paragraph 3.3 of Agreed Procedure 15 “Settlement and Billing”.  G.2.7.3 Where a Participant has an Unsecured Bad Debt then, without prejudice to the Market Operator’s rights or obligations under the Code and notwithstanding any other provisions of the Code, the Market Operator shall procure that each Settlement Document, excluding Market Operator Charge invoices, relating to the period affected by such Unsecured Bad Debt shall be adjusted by a reduction in the amount payable to each affected SEM Creditor determined in accordance with paragraphs to (excepting any Defaulting Participant(s), which would otherwise be a SEM Creditor, and subject to paragraph until the Unsecured Bad Debt and any applicable Default Interest has been recovered in full and any Settlement Documents issued to it, excluding Market Operator Charge invoices shall, until such event, be subject to the calculation of an adjustment by such amount or amounts up to the amount of the Unsecured Bad Debt and any applicable Default Interest, and relevant Debit Notes shall be issued to it) for payment of the relevant Unsecured Bad Debt, in accordance with the Code. The Market Operator shall issue the appropriate adjustments to the applicable Settlement Documents in the form of a Debit Note to each of the affected SEM Creditors (“**Reduced Participants**”) and the Defaulting Participant within the timeframe of making the payment due to the Reduced Participant. The Market Operator shall make payments to each Reduced Participant for the amount indicated in the applicable Settlement Document less the amount in the applicable Debit Note in accordance with paragraph .  G.5.7 Settlement Document Calculations for Trading Payments, Trading Charges, Capacity Payments and Capacity Charges  G.7.3.5 The Market Operator shall procure that each Market Operator Charge invoice shall account for every effective Settlement Reallocation Agreement for the relevant Participant  G.16.1.1 In this section G.16:   * + - * 1. a Settlement Reallocation Agreement is an agreement between two Participants and the Market Operator, under which the parties agree that the Market Operator shall allocate to one Participant (the “**Principal Participant**”) all amounts owed by or to the other Participant (the “**Secondary Participant**”) under Settlement Documents for Trading Payments, Trading Charges, Capacity Payments and Capacity Charges and Market Operator Charge invoices issued under this Code;         2. a Settlement Reallocation Agreement does not apply to invoices for Accession or Participation Fees         3. a Participant may be the Principal Participant in respect of more than one Settlement Reallocation Agreement with other Secondary Participants;         4. a Principal Participant cannot also be the Secondary Participant in respect of any Settlement Reallocation Agreements; and         5. a Participant may be the Secondary Participant in respect of only one Settlement Reallocation Agreement with one Principal Participant.   **Part B Appendix G**   1. The Settlement Data Transactions comprise the Data Records that the Market Operator shall be obliged to include in:    * + - 1. Settlement Statements and Settlement Reports for Trading Payments and Trading Charges per Participant in respect of their Supplier Units and Generator Units;          2. Settlement Statements and Settlement Reports for Capacity Payments and Capacity Charges per Participant in respect of their Capacity Market Units and Supplier Units;          3. Market Operator Charge invoices; and          4. Participant Settlement Documents for Trading Payments, Trading Charges, Capacity Payments and Capacity Charges   **Part B Glossary**   |  |  | | --- | --- | | **Central Market System or CMS** | means the IT systems within the control of the Market Operator used to perform its functions under the Code which relate specifically to the:   * receipt, processing and provision of data in accordance with the Code; * calculation of Imbalance Prices or Imbalance Settlement Prices; * calculations required for Settlement or Credit Assessment or management of Credit Cover; and * format, content or issuance of Settlement Documents |  |  |  | | --- | --- | | **Debit Note** | means a debit note issued to a SEM Creditor following and relating to an Unsecured Bad Debt. The Debit Note will identify the amount by which the payment to the SEM Creditor shall be reduced from that set out in the previously submitted Settlement Document for Trading Payments, Trading Charges, Capacity Payments and Capacity Charges |  |  |  | | --- | --- | | **Defaulting Participant** | means a Participant which has not paid a Settlement Document (other than the Market Operator Charge invoice for which non payment is treated as detailed in Agreed Procedure 15 section 2.11.5) by the Payment Due Date and in respect of which a Credit Call has produced a sum which does not cover the Shortfall. The term “Non-Defaulting Participant” shall be construed accordingly. |  |  |  | | --- | --- | | **Settlement Document** | means a statement of payments required to be made by a Participant to the Market Operator, or by the Market Operator to the Participant for a period including Settlement Documents for Trading Payments, Trading Charges, Capacity Payments and Capacity Charges as detailed in section G.2.5 and Market Operator Charge invoices as detailed in section G.7. |  |  |  | | --- | --- | | **Settlement Reallocation Amounts** | means all Trading Charges, Trading Payments, Capacity Charges, Capacity Payments and Market Operator Charges which, but for a Settlement Reallocation Agreement, would be (as applicable) paid to the Market Operator by the Secondary Participant or by the Market Operator to the Secondary Participant under Settlement Documents issued under the Code during the period between the SRA Start Date and the SRA End Date as detailed in section G.16 and Agreed Procedure 10. |  |  |  |  |  |  | | --- | --- | --- | --- | --- | | Variable | SRAPapbc | Settlement Reallocation Agreement Amount for Trading Payments, Trading Charges, Capacity Payments and Capacity Charges in respect of Principle Participant | The Settlement Reallocation Agreement Amount in respect of a Principle Participant, p, for a Settlement Reallocation Agreement, a, in a Billing Period, b, for Trading Payments and Trading Charges and a Capacity Period, c for Capacity Payments and Capacity Charges. | € | | Variable | SRASapbc | Settlement Reallocation Agreement Amount for Trading Payments, Trading Charges, Capacity Payments and Capacity Charges in respective of, Secondary Participant | The Settlement Reallocation Agreement Amount in respect of a Secondary Participant, p, for a Settlement Reallocation Agreement, a, in a Billing Period, b, for Trading Payments and Trading Charges and a Capacity Period, c for Capacity Payments and Capacity Charges. | € | | | | | | |
| **Modification Proposal Justification**  *(Clearly state the reason for the Modification)* | | | | | |
| The rules don’t currently provide for Settlement Reallocation Agreements to apply to transfer of amounts owing related to Market Operator Charges. Since the decision during the rules working groups was that Market Operator Charge should be included, this proposal aims to reflect that decision.  This proposal also seeks to clarify ambiguous usage of the term Settlement Document since this could lead to unintended obligations being stated as currently drafted e.g. the application of Unsecured Bad Debt or Collateral draw down provisions being applied to Market Operator Charge where this is not the agreed approach. | | | | | |
| **Code Objectives Furthered**  *(State the Code Objectives the Proposal furthers, see Section 1.3 of T&SC for Code Objectives)* | | | | | |
| 1. to facilitate the efficient, economic and coordinated operation, administration and development of the Single Electricity Market in a financially secure manner; | | | | | |
| **Implication of not implementing the Modification Proposal**  *(State the possible outcomes should the Modification Proposal not be implemented)* | | | | | |
| If this proposal is not implemented then the Trading and Settlement Code will not adequately reflect the rules working group decision to apply Settlement Reallocation Agreements to all financial obligations which includes Market Operator Charges.  The Code will also continue to have significant ambiguities where the term Settlement Document is used, particularly in relation to provisions for unpaid Market Operator Charge.  The market systems will also need to be amended to remove the functionality to apply the Settlement Reallocations to Market Operator Invoices. | | | | | |
| **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 Marker Code, Grid Code, Exchange Rules etc.)* | | |
| Not required | | | No Impacts anticipated for SEMO processes or systems. Potential impact on Participant systems if there is a dependency on SRAs not applying to Market Operator Charge. To be confirmed during committee discussions. | | |
| ***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 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. **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.**