



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

26 September 2018

Our Ref: D/18/17017

SEM Committee Decision for the Regulatory Authorities in relation to Mod_24_18 (Final Recommendation Report FRR_24_18)

Dear Esther,

On 21 September 2018, the Modifications Committee submitted its Modification Recommendation Report with regard to Modification Proposal Mod_24_18v2 -Use of Technical Offer Data in Instruction Profiling - in accordance with Paragraph B.17.18.1 of Part B of the SEM Trading and Settlement Code (TSC).

The Modification Proposal Mod_24_18 was submitted to the Modifications Committee by SEMO on 30 July 2018. The Modification was discussed initially at Meeting 85 on 16 August 2018 and was deferred. A revised version of the Modification was submitted to the Committee in advance of Meeting 86, which was held on 7 September 2018.

The Regulatory Authorities understand that the need for this Modification arose from certification testing where it was established that there was a mismatch in terms of the Accepted Technical Offer Data (TOD) used in TSO dispatch processes and the MO's settlement systems.

This Modification Proposal amends two clauses within Appendix O, to clarify which Technical Offer Data is used for settlement, in effect clarifying that for one hour (23.00-23.59), the TOD used for settlement will be that which was in effect for the previous Trading Day.

The Modification proposes enduring text in Appendix O to clarify that for a single Settlement Day run of the Instruction Profiling calculation, two sets of Trading Day Validated Technical Offer Data should be used with a change in the data occurring for any instructions with effective times after 23.00. The Regulatory Authorities understand that if an instruction has an effective time prior to this change, the previous Trading Day's Technical Offer Data will be used for all of its profiling.

In addition to this, an interim measure is added to Chapter H to reflect the current system implementation which is to apply a single Technical Offer Data set for the whole Settlement Day, based on the set belonging to the first Trading Day within the Settlement Day. This aligns the rules and the systems to ensure provide transparency to the outcomes.

The Regulatory Authorities note that detailed presentations were made to the Modifications Committee at Meetings 85 and 86. The RAs note that SEMO stated at Meeting 85 that the likelihood of this issue impacting on a generator is low. It is however, a clear mismatch between the intention of the market rules and the system implementation, and therefore is correctly being addressed as an interim modification to be addressed on a Day 2 basis.

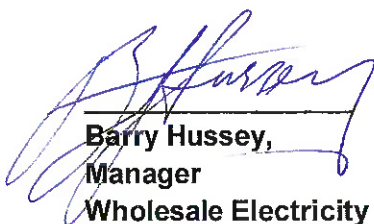
The Regulatory Authorities also note that the Members of the Committee voted on a majority basis to approve this modification.

At Meeting 86 there was a suggestion that this Modification should not be made and that the mismatch between systems and rules should be allowed to endure to ensure that any commercial impact it may have on participants can be managed through the dispute processes in the TSC. In addition to this, SEMO might be absolved of being in breach of the Code through a derogation from the Regulatory Authorities. While such an approach does have some merit, the Regulatory Authorities do not see a derogation from an obligation in the Code as a transparent approach to regulating the market. In addition, it is not totally clear on what basis such a derogation could be provided. More importantly however, such an approach – allowing a known mismatch between rules and systems to remain – must be considered against the need for transparency in the market rules. While incumbents may be aware of the mismatch, potential new entrants without the benefit of participating in discussions of this Modification will not have that clarity. In this case, it is appropriate to align the TSC rules with the systems.

This said, there is clearly a need to address this issue on a Day 2 basis, and SEMO should include progress on this Modification in future reporting of Day 2 items as part of the standing agenda item at the Modifications Committee.

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 Section 8 of FRR_24_18, is implemented on a Trading Day basis with effect from one Working Day after the date of this letter.

Yours sincerely,



Barry Hussey,
Manager
Wholesale Electricity Markets