

MODIFICATION PROPOSAL FORM			
<b>Proposer</b> <i>(Company)</i>	<b>Date of receipt</b> <i>(assigned by Secretariat)</i>	<b>Type of Proposal</b> <i>(delete as appropriate)</i>	<b>Modification Proposal ID</b> <i>(assigned by Secretariat)</i>
SEMO	4 <sup>th</sup> February 2022	Urgent	Mod_04_22
Contact Details for Modification Proposal Originator			
<b>Name</b>	<b>Telephone number</b>	<b>Email address</b>	
John Tracey / Brian Sherwin		<a href="mailto:John.tracey@Eirgrid.com">John.tracey@Eirgrid.com</a>	
Modification Proposal Title			
Alternatives to LIBOR			
<b>Documents affected</b> <i>(delete as appropriate)</i>	<b>Section(s) Affected</b>	<b>Version number of T&amp;SC or AP used in Drafting</b>	
Glossary Part B	AP 15 2.6.1	Part B Glossary V25.0	
Part B Agreed Procedure 15	AP 15 Appendix 1	Part B Agreed Procedure 15 V25.0	
Explanation of Proposed Change <i>(mandatory by originator)</i>			
<p>Daily LIBOR rates (both € and £) have ceased, since 31/12/2021, and SEMO would like to propose alternative interest rates. SEMO would like to replace LIBOR with the below overnight rates:</p> <ol style="list-style-type: none"> <li>SONIA for £ <a href="https://www.bankofengland.co.uk/markets/sonia-benchmark">https://www.bankofengland.co.uk/markets/sonia-benchmark</a></li> <li>€ster (ESTER) for € <a href="https://www.ecb.europa.eu/stats/financial_markets_and_interest_rates/euro_short-term_rate/html/index.en.html">https://www.ecb.europa.eu/stats/financial_markets_and_interest_rates/euro_short-term_rate/html/index.en.html</a></li> </ol> <p>The Bank of England Base rate (BoEBR) is not being used for the following reasons:</p> <ul style="list-style-type: none"> <li>It is the rate that the BoE will pay commercial banks for funds on deposit with them. As such it is quite different to LIBOR – rate at which banks will lend to each other.</li> <li>Also given its nature it tends to be static for very long periods of time.</li> </ul> <p>€ster (ESTER) for € is being selected as:</p> <ul style="list-style-type: none"> <li>It is the replacement for EONIA, a € equivalent to SONIA for £</li> <li>EURIBOR is not being selected as it is more used as a term rate (e.g. 1month, 3month, 6month etc) whereas SEMO require an overnight rate.</li> </ul>			
Legal Drafting Change <i>(Clearly show proposed code change using <b>tracked</b> changes, if proposer fails to identify changes, please indicate best estimate of potential changes)</i>			
<b>Amendments to Glossary Part B:</b>			
Default Interest	means interest paid at a rate of interest being two percent (2%) above <b>SONIA or ESTER</b> .		
<b>LIBOR</b>	<b>means the rate published in the London Financial Times as the London Interbank Offered Rate (for the previous banking day) on the banking day immediately following the due date for the payment of a sum due under the Code for overnight deposits in the Currency of such sum.</b>		

SONIA	means the Sterling Overnight Index Average and is the effective overnight interest rate paid by banks for unsecured transactions in the British sterling market. This rate is published by the Bank of England.
-------	---

ESTER	means euro short-term rate (€STR) and reflects the wholesale euro unsecured overnight borrowing costs of banks located in the euro area and is published on each business day based on transactions conducted and settled on the previous business day. This rate is published by the European Central Bank.
-------	--

Resettlement LIBOR SONIA	<p>means the rate published in the London Financial Times as the London Interbank Offered Rate (for the previous banking day) by the Bank of England (for the previous day).</p> <p>Resettlement LIBOR SONIA is then used for each day in the period between Initial Payment due date of the original Settlement Document +1 day until the date of issue of the latest Settlement Document in Sterling.</p>
--------------------------	---

Resettlement ESTER	<p>means the rate published by the European Central Bank (for the previous day).</p> <p>Resettlement ESTER is then used for each day in the period between Initial Payment due date of the original Settlement Document +1 day until the date of issue of the latest Settlement Document in Euro.</p>
--------------------	---

**Amendments to Agreed Procedure 15 Part B**

*2.6.1 Settlement Rerun*

Interest is applicable whenever the Settlement Rerun increases or decreases the total amount payable for a Billing Period or Capacity Period. Interest in this case shall be charged at LIBOR SONIA or ESTER plus 1%.

Amendments to Agreed Procedure 15 Part B Appendix 1:

- 4. **Daily Interest Rate** is calculated as the interest rate, on a particular day which is charged at LIBOR SONIA or ESTER + 1%, divided by the number of days in the year configured in the system.

**Modification Proposal Justification**  
*(Clearly state the reason for the Modification)*

The modification is to replace a ceased metric used in the market. We feel the alternatives chosen to LIBOR are the natural replacements.

**Code Objectives Furthered**

<i>(State the Code Objectives the Proposal furthers, see Section 1.3 of Part A and/or Section A.2.1.4 of Part B of the T&amp;SC for Code Objectives)</i>	
<p>The modification furthers the following code objective:</p> <ul style="list-style-type: none"> <li>to facilitate the efficient, economic and coordinated operation, administration and development of the Single Electricity Market in a financially secure manner</li> </ul> <p>This Modification would enable a seamless transition from LIBOR to the alternatives chosen.</p>	
<b>Implication of not implementing the Modification Proposal</b> <i>(State the possible outcomes should the Modification Proposal not be implemented)</i>	
As daily LIBOR has now ceased an alternative is being sought so accurate interest rates can be used.	
<b>Working Group</b> <i>(State if Working Group considered necessary to develop proposal)</i>	<b>Impacts</b> <i>(Indicate the impacts on systems, resources, processes and/or procedures; also indicate impacts on any other Market Code such as Capacity Market Code, Grid Code, Exchange Rules etc.)</i>
N/A	
<b>Please return this form to Secretariat by email to <a href="mailto:balancingmodifications@sem-o.com">balancingmodifications@sem-o.com</a></b>	

### 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:
  - 1.1 to the Market Operator and the Regulatory Authorities to publish and/or distribute the Modification Proposal for free and unrestricted access;
  - 1.2 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;
  - 1.3 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.