



Trading and Settlement Code Modifications Committee  
C/O Sherine King  
SMO Modifications Committee Secretariat  
The Oval  
160 Shelbourne Rd  
Dublin 4

16<sup>th</sup> August 2011

Our Ref: D/11/8671

**SEM Committee Decision for the Regulatory Authorities in relation to Mod\_01\_11  
(Recommendation Report FRR\_01\_11\_V2.0)**

Dear Sherine,

On 19<sup>th</sup> May, the Modifications Committee submitted its Modification Recommendation Report with regard to a Modification Proposal, Mod\_01\_11 (UI Payments for Generator Units) in accordance with paragraph 2.213 of the SEM Trading and Settlement Code (the Code).

This Modification Proposal, proposed by the ESB Power Generation, seeks to bring penalties for Over Generation for plant which is constrained on in line with those for plant which are in merit.

The SEM Committee notes that the Modifications Committee agreed unanimously that the Modification Proposal furthers the Code Objectives “to facilitate the participation of electricity undertakings engaged in the generation, supply or sale of electricity in the trading arrangements under the Single Electricity Market” and “to ensure no undue discrimination between persons who are parties to the Code” and that the Modification should be implemented in line with the next available Central Market Systems scheduled release.

Although not set out sufficiently clearly in the Final Recommendation Report, the SEM Committee believes that this Modification will create equity of treatment between plants in merit and plants constrained-on. At present constrained-on plant does not recover its costs for over-generation whereas plant in merit receives its marginal costs. Implementation of this Modification will result in constrained on plant recovering marginal costs for over-generation within the tolerance band. Any over-generation

outside of the tolerance band will be subject to a discount for over-generation which ensures that no incentive is created for over-generation.

Considering the above, and in accordance with paragraph 2.218 of the Code, the SEM Committee directs that a modification be made in accordance with Section 10 and Appendix 1 of the Final Recommendation Report of the Modifications Committee (FRR\_01\_11\_V2.0).

The SEM Committee therefore direct that a Modification as set out in FRR\_01\_11\_V2.0, be made on a Settlement Day basis with effect from the date of the scheduled release of the Central Market Systems which includes the required software changes. The SEM Committee directs that the Market Operator shall publish the date of the relevant release of the Central Market Systems (together with details of all the Modifications which shall come into effect on that date) on its website no less than one week in advance of that date.

Yours sincerely,



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Sheenagh Rooney,  
Manager - Wholesale Electricity Market