



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

5th July 2011

Our Ref: D/12/12059

**SEM Committee Decision for the Regulatory Authorities in relation to Mod_03_12
(Recommendation Report FRR_03_12 Version 1.0)**

Dear Sherine,

On 13th June 2012, the Modifications Committee submitted its Modification Recommendation Report with regard to a Modification Proposal, Mod_03_12 (Alignment of TSC with Revised VAT Arrangements) in accordance with paragraph 2.213 of the SEM Trading and Settlement Code (the Code).

This Modification Proposal, proposed by the Market Operator (SEMO) was put forward as a result of the inability of some Interconnector Units (Generators) to join the market because of the requirement in the current VAT Agreement to have a VAT number in the Jurisdiction of the unit. The change is deemed necessary by the VAT Authorities (HRMC in UK and the Revenue Commissioners in ROI) in order to satisfy EU VAT legislation requirements where the Participant company is established outside the jurisdiction of the unit.

The SEM Committee notes that the Modifications Committee agreed unanimously that the Modification Proposal furthers the Code Objectives “to facilitate the efficient discharge by the Market Operator of the obligations imposed upon it by its Market Operator Licences” and “to ensure no undue discrimination between persons who are parties to the Code”. The SEM Committee further notes that FRR_03_12 identifies a detailed system cost impact of €715,580 (excluding testing) and recommends that the Modification should be implemented, on a Settlement Day Basis, no later than the April 2013 CMS Release as indicated as the required date by the VAT Authorities. In addition SEMO has stated in the FRR, that the consequence of not achieving the April 2013 deadline is that the interim solution will cease with the result that

Participants who had been issued with temporary VAT numbers will no longer have a VAT number in the market and the CMS will no longer be able to apply VAT correctly to Participants.

The SEM Committee notes the considerable work that SEMO has carried out in arriving at a solution to this VAT issue including extensive discussion with the VAT Authorities. In particular it is noted that alternative solutions were explored by SEMO and the vendor, including a manual workaround and that the solution proposed by the vendor is the believed to be the optimal solution. However, the estimated cost of this final solution is significant at €715,580 (excluding testing)

The SEM Committee has decided that the Modification should be approved now for inclusion in the April 2013 systems release. However, it will be for SEMO to further justify the implementation costs of the Modification to the Regulatory Authorities as required.

Considering the above, and in accordance with paragraph 2.218 of the Code, the SEM Committee directs that a Modification as set out in FRR_03_12 Version 1.0, be made on a Settlement Day basis with effect from the date of the scheduled release of the Central Market Systems in April 2013. 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,



Sheenagh Rooney,
Manager - Wholesale Electricity Market