

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

29 August 2012

Our Ref: D/12/14177

**SEM Committee Decision for the Regulatory Authorities in relation to Mod\_10\_12  
(Recommendation Report FRR\_10\_12)**

Dear Sherine,

On 19<sup>th</sup> June 2012, the Modifications Committee submitted its Modification Recommendation Report with regard to Modification Proposal, Mod\_10\_12 (Amendment to Appendix P to ensure correct treatment of Interconnector Offer Data) in accordance with paragraph 2.213 of the SEM Trading and Settlement Code (the Code).

Modification Proposal Mod\_10\_12 was raised by the Market Operator (SEMO) and makes amendments to Appendix P of the Code, which was introduced by Mod\_18\_10\_v2 Intra-Day trading, in order to address a scenario which was identified during system integration testing of the Mod\_18\_10 changes. The proposal deals with the circumstances when Commercial Offer Data in respect of an Interconnector Unit is submitted which includes a bid to pay to export from the SEM and the Participant concerned has insufficient credit cover to protect the market from this credit risk. Under these circumstances the Code specifies that some bids which do not impose a credit risk may be rejected as well as the specific bid that does impose such a risk.

The SEM Committee notes that the proposal was discussed at the Modifications Committee on 29<sup>th</sup> May 2012. Members identified that the Central Market Systems (CMS) for Intra-Day Trading would be implemented without this change and that the risk of this issue would exist for Participants submitting Interconnector Units bids for a period of time anyway. Members also identified that the risk could be avoided by Participants either by taking care with the form of their bidding of price quantity pairs or by ensuring that they had sufficient credit cover to deal with the credit risks incorporated in their bids. It was also noted that the changes to incorporate these changes into the CMS was estimated to cost €43,660 plus the cost of testing. For these reasons the Modifications Committee voted to recommend the rejection of the Modification Proposal.

The SEM Committee supports the views of the Modifications Committee that, rather than further amending the CMS, this issue could be avoided by participants giving due consideration to the form of their Interconnector bidding and the level of their credit cover.

Considering the above, and in accordance with paragraph 2.218 of the Code, the SEM Committee directs that no Modification be made as recommended in the Final Recommendation Report of the Modifications Committee (FRR\_10\_12).

The SEM Committee also requests the Market Operator to publish a briefing note for Participants making them aware of the actions necessary for them to avoid this issue. The issue should also be highlighted to new Market Participants in training sessions.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Sheenagh Rooney', written over a horizontal line.

Sheenagh Rooney  
Manager  
Wholesale Electricity Market