Trading and Settlement Code Modifications Committee
C/O Aisling O'Donnell
SEMO Modifications Committee Secretariat
The Oval
160 Shelbourne Rd
Dublin 4

9th March 2011   Our Ref: D/11/3230

SEM Committee Clarification in relation to the implementation of Mod_12_09: Loss Adjustments in Constraint and Make Whole Payments

Dear Aisling,

On 27th August 2010, the SEM Committee decided that a Modification be made in accordance with the Final Recommendation Report of the Modifications Committee (FRR_12_09) in relation to Mod_12_09 (Loss Adjustments in Constraint and Make Whole Payments). Information on this Modification is available on the following link:

www.sem-o.com/MarketDevelopment/Modifications/Pages/Modifications.aspx?Stage=Active

This Modification Proposal was raised by the Regulatory Authorities in March 2009 subsequent to a SEM Committee General Direction[1], an extract of which is included to the Appendix to this letter. To implement the General Direction fully, there was a requirement to raise such a Modification Proposal to amend the Code and the Central Market Systems due to unintended consequences of the current algebra for Make Whole Payments and Constraint Payments. The General Direction stated that upon implementation of this Modification (or any other Modification which accomplishes the intended effect), the following will come into effect[2]: "*In calculating the Start-Up Cost and No-Load Cost as part of the daily Commercial Offer Data, a Generator must prudently incorporate the cost of transmission losses, with reference to the Generator TLAFs. The bid must represent the Start-Up Cost and No-Load Cost at the Trading Boundary*".

The SEM Committee directed that the Modification, as set out in FRR_12_09, be made on a Trading Day basis with effect from the date of the scheduled release of the Central Market Systems which includes the required software changes. As per the published scope[3], Mod_12_09 will be implemented as part of the 9th Scheduled Release, which is expected to be deployed on the weekend of 6th/7th May 2011.

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1 SEM-08/179 "Transmission Loss-Adjustment in Commercial Offer Data" published on 18th December 2008 www.allislandproject.org/en/mmu_decision_documents.aspx?article=e2f78198-179a-49d1-9edd-4a8dfa2a77aa
2 This wording is set out in D.5 of the general direction (SEM-08-179). From the time of implementation of this change, the SEM Committee are repealing D.2 and are replacing it with D.5 as set out in the appendix to this letter
3 www.sem-o.com/Publications/General/SEM%20R1.9.0%20Scope.pdf

The SEM Committee now wish to clarify the following points regarding the implementation of this Modification and hence have marked-up these changes to the General Direction in the appendix to this letter:

Clarification regarding Adjustment of Bids

The original direction stated that generators reflect Transmission Loss Adjustment Factors (TLAFs) in their Commercial Offer Data. However, since that time, Combined Loss Adjustment Factors (CLAFs)[4] have been introduced through the implementation of Mod_43_08. Therefore, the SEM Committee wish to clarify that generators should reflect CLAFs in their Commercial Offer Data, as opposed to TLAFs. All generators connected to the transmission system have a Distribution Loss Adjustment Factor (DLAF) of 1 and therefore the application of CLAF (as opposed to TLAF) for these generators should be inconsequential.

Clarification regarding Implementation Timeline

The SEM Committee decided to implement this Modification on a Trading Day basis as Commercial Offer Data is submitted on that basis (06:00 to 06:00). However, as this Modification involves a change to Constraint Payment calculations in the Settlement systems, and since Settlement is completed on a Settlement Day basis (00:00 to 00:00), the SEM Committee now wishes to revise its decision of 27th August (Ref: D/10/13842) on the Modification to confirm that it should be implemented on a Settlement Day basis.

Instruction for Generators to modify their bids for Start-Up and No Load Costs

SEMO IT are implementing this change to be effective from the following full Settlement Day after the 9th Scheduled Release Deployment Date i.e. the Settlement Day of 8th May 2011. As Commercial Offer Data is submitted on a Trading Day basis, the SEM Committee instructs generators to reflect CLAFs in their Start-Up and No Load costs from the Trading Day beginning at 06:00 on 8th May 2011. Note that if the 9th Scheduled Release is delayed from its current planned implementation timeline, generators should delay adjusting their Commercial Offer Data accordingly.

The RAs ask the secretariat of the Modifications Committee to publish this letter on the SEMO website with the information on Mod_12_09. The RAs are also publishing this letter alongside the original SEM Committee general direction (SEM-08-179) on the All Island Project website.

Any queries in relation to the original direction (and clarifications to this) should be directed to the RAs' Market Monitoring Unit. Any queries in relation to the implementation of the particular Modification should be directed to the RAs' Trading and Settlement Code team.

Yours sincerely,

Sheenagh Rooney
Manager

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[4] Paragraph 4.44A of the SEM Trading and Settlement Code states that CLAFs = TLAFs x DLAFs

Appendix: Revised (Marked-Up) Section 6 of the SEM Committee General Directed published on 16th December 2008

D.1

In calculating the Price component of Price/Quantity pairs as part of daily Commercial Offer Data, a Generator must prudently incorporate the cost of transmission and distribution losses, with reference to the relevant Generator CTLAFs. The bid must represent the Price at the Trading Boundary.

~~**D.2**~~

~~In calculating the Start-Up Cost and No-Load Cost as part of daily Commercial Offer Data, a Generator must **not** incorporate the cost of transmission losses, via TLAF or otherwise. The Start-Up Cost and No-Load Cost must be relevant at the Connection Point rather than the Trading Boundary.~~

D.3

In calculating the Quantity component of Price/Quantity pairs as part of daily Commercial Offer Data, a Generator must adhere to Grid Code Clause SDC 1.4.4.5 and **not** incorporate the cost of transmission and distribution losses, via CTLAF or otherwise. The Quantity must be relevant at the Connection Point rather than the Trading Boundary.

~~**D.4**~~

~~As a corollary, the SEMC intends to propose and support a Trading and Settlement Code Modification as outlined in Annex 1 (the draft is an outline only). Upon implementation of this Modification (or any other Modification which accomplishes the intended effect), the SEMC intends to repeal D.2. above, to be replaced with the draft <D.5> below.~~

~~Additionally, the SEMC wishes to propose a clarifying amendment to Section SDC 1.4.4.5 of the Grid Code as drafted in Annex 2.~~

<D.5> ~~NOT A DIRECTION~~

In calculating the Start-Up Cost and No-Load Cost as part of daily Commercial Offer Data, a Generator must prudently incorporate the cost of transmission and distribution losses, with reference to the Generator CTLAFs. The bid must represent the Start-Up Cost and No-Load Cost at the Trading Boundary.