



SEM TRADING AND SETTLEMENT CODE

**Market Operator's Proposed Value for Settlement
Recalculation Threshold**

CONSULTATION PAPER

**2 November 2007
AIP/SEM/07/572**

Background

The SEM Trading and Settlement Code (TSC) was commenced on 3rd July 2007, when the Framework Agreement was signed by the original signatories.

The TSC specifies that the Settlement Recalculation Threshold shall be proposed by the Market Operator from time to time and approved by the Regulatory Authorities.¹ The Regulatory Authorities received the Market Operator's proposal for the Settlement Recalculation Threshold on 31st October. Given that the SEM commenced today, 1st November, the RAs give interim approval to this value as applying from 1st November 2007. However, the RAs would welcome views from participants on the Market Operator's proposals and may set a different value for this parameter once adequate consultation has been carried out and participants comments have been given due consideration.

The Regulatory Authorities welcome all comments on the proposals set out in this paper. Comments should be sent, preferably in electronic form, to:

Philip Newsome,
Commission for Energy Regulation,
The Exchange,
Belgard Square North,
Dublin 24
pnewsome@cer.ie

The closing date for comments is Friday 16th November 2007.

Settlement Recalculation Threshold in the Trading and Settlement Code

The Settlement Recalculation Threshold is define under the TSC as being *“a percentage of change in Metered Generation or Market Schedule Quantity or λ or φ in a Trading Day that results from an Upheld Dispute or the resolution of a Data Query or a Settlement Query which will result in the Market Operator re-running the MSP Software or re-calculating the Ex-Post Loss of Load Probability, as appropriate”*.

The Settlement Recalculation Threshold applies in respect of an Upheld Dispute, the resolution of a Data Query or a Settlement Query and obliges the Market Operator to rerun the MSP Software or recalculate the Ex-Post Loss of Load Probability where relevant. The TSC outlines² the precise circumstances under which the Market Operator carries out the mentioned rerun/recalculation, should

¹ See TSC paragraph 6.77

² See TSC, for Data Queries : paragraph 6.82, 6.83, 6.84; for Settlement Disputes 6.106

it be that case that there has been an incorrect application of an item of data and the correct application of the relevant amount would require a change by more than the Settlement Recalculation Threshold.

Market Operator's Proposal

The Market Operator has submitted the following value and justification for the Settlement Recalculation Threshold:

The Market Operator proposes to use 3% as the Settlement Recalculation Threshold. The Settlement Recalculation Threshold is a figure which mandates the Market Operator to do a re-run if the schedule quantities or prices for a unit or on the system on a whole are proven to be in error by greater than this. The selection of 3% is trying to achieve a balance between the early resettlement of a material data error and the operational overhead. As the Settlement Recalculation Threshold covers both unit and system wide data issues it is unlikely that there is a universal value that will automatically achieve the correct balance. Notwithstanding that where a data error occurs which does not breach the Settlement Recalculation Threshold level the participant considered is capable of using the settlement query and dispute process to mandate a re-run.

The MO proposes that this Settlement Recalculation Threshold value is reviewed on a regular basis to see how well it is meeting the conflicting objectives of early settlement for data errors and efficient operation of the market.

RA Interim Approval

The RAs hereby give "interim" approval to the value **of 3% for the Settlement Recalculation Threshold** in the TSC as proposed by the Market Operator. This value will apply until such time as the RAs approve a different value on the basis of comments received from interested parties and/or a revised proposal from the MO.

Next Steps

The Regulatory Authorities will provide all comments received to the Market Operator and will seek its responses based on those comments. On the basis of that information and the comments on the consultation, the Regulatory Authorities will reach their decision on the value for Settlement Recalculation Threshold. The Regulatory Authorities will inform the Market Operator of their decision and the Market Operator will publish the RAs' approved value. It is intended that all comments and the Market Operator's responses will be published and it is therefore preferred that any comments received are not indicated to be confidential. Any party that wishes any part of its comments to be kept confidential should clearly indicate which parts of the comments are confidential.