

Commission for Energy Regulation
The Exchange
Belgard Square North
Dublin 24

Utility Regulator
Queens House
14 Queen Street
Belfast
BT1 6ED

24th January 2017

Dear Commission for Energy Regulation and the Utility Regulator,

PrePayPower, as Ireland's largest prepay electricity provider, welcomes the opportunity to contribute to the SEM Committee's consultation on the Energy Trading Arrangements (ETA) Trading and Settlement Code Amendments (SEM-16-075).

We have provided our comments in the requested template, but wish to summarise the most important points briefly in this cover note. They fall into three categories: Collateral and the linkage with NEMO rules; Pricing Parameters; and Charging Parameters.

- **Collateral and the linkage with NEMO rules:** The balancing market collateral requirements now have an established link with the day-ahead market in terms of the credit-worthiness of a participant. We support that principle, i.e. a generator that sells in the day-ahead market needs to post collateral in the balancing market for the event of non-delivery, and a supplier who purchases in the day-ahead market has collateral reduced in the balancing market in the event of non-consumption. There are other links, however, which we believe require refinement. These links are:
 - Default under the NEMO rules can lead to automatic suspension in the balancing market.
 - Failure to have sufficient collateral posted in the balancing market following a day-ahead market trade can lead to that trade being immediately rejected by the balancing market.

While the Credit Assessment Price is likely to be fairly stable, it seems unreasonable if there is a sudden change in the Credit Assessment Price that there is no opportunity for rectification. This will lead to a) the Supplier purchasing power under the NEMO rules, b) the Balancing Market rejecting that trade and c) the Supplier having to purchase that power again under the Balancing Market rules. Under F.2.2 there should be an opportunity for a supplier to resolve any such credit requirements before the ex-ante trade is rejected.



Secondly, we believe that suspension or default in the NEMO rules should not lead to automatic suspension or default in the Balancing Market, but the NEMO should be allowed to have an objective mechanism to reassess the credit worthiness of the Balancing Market participant should that occur.

PrePayPower therefore proposes the following. If a supplier is regularly trading in the DAM or IDM, its credit cover should recognise that default in the DAM or IDM is likely to be spotted earlier than in the BM. This would allow (beyond the benefit of G.14.13 Volumes Traded not Delivered for such a supplier) having a shorter undefined credit exposure period.

If such a supplier stops trading in the DAM or IDM, they will have an increased level of exposure in the BM, not only because of the operation of G.14.13, but also – if our suggestion is taken into account – by having a longer undefined credit export period.

In summary, we suggest the following procedural/parameter changes:

- **Non-participant in the DAM and/or IDM: Higher credit cover requirement in the BM**
- **Active participant in the DAM and/or IDM: Lower credit cover requirement in the BM**
 - **If after an ex ante trade there is a requirement for increased credit cover, this does not immediately reject the ex-ante trade from the BM. There is reasonable time to rectify the situation like any other credit cover increase notice prior to weekly billing.**
 - **If it defaults in the DAM, a credit cover increase notice is sent immediately to the Supplier, which if it doesn't respond in time, results in the suspension provisions taking effect.**
- **Pricing Parameters:** There was much discussion around the Rules Working Group (see minutes to Working Group 5) around the potential for unexpected outcomes from the pricing software¹ and possible mitigations. While “unexpected outcomes” were never defined, e.g. one party’s unexpected outcome might be fully aligned with the market designers’ intentions, it is important that the market can act quickly to resolve unusual pricing behaviours around the time of market go-live. Indeed, as part of the wider programme governance, we believe there should be a further workstream on balancing market pricing outcomes with market participant involvement equivalent to the EUPHEMIA trials. This is secondary to completing the pricing documentation for the market (see below). There are a few items which need resolution overall:
 - (Grid Code, T&SC) Further detail on the timing and content of the Indicative Operations Schedule, and its timely publication to assist in predictions of Administered Scarcity Pricing.

¹ “There was discussion on the next steps on Imbalance Pricing. It was advised that legal drafting based on the proposed flagging and tagging approach would proceed, and the Project Team could examine the potential for change control to manage implementation of a NIV tagging approach in the event that testing indicated unexpected outcomes.”



It should ideally be a data transaction provided by the TSO to the Market Operator as published as soon as it is received.

- (SEM Committee) A stated definition of what constitutes “unexpected outcomes” from the pricing algorithm;
- (Unknown governance, unknown relationship to T&SC Appendix N) The documentation and governance of the System Operator flagging approach, which should include emergency procedures for altering the process in the event that unexpected outcomes come to pass. Such documentation should be included in the legal priority at the start of the T&SC;
- (Unknown governance, unknown relationship to T&SC Appendix N) The documentation and governance of the Market Operator Non-Marginal flagging approach, which should include emergency procedures for altering the process if unexpected outcomes come to pass. Such documentation should be included in the legal priority at the start of the T&SC;
- (T&SC) The T&SC should allow for rapid change in the Price Average Reference Quantity and the De Minimis Acceptance Threshold for at least a transitional period at the start of the market to allow for corrective actions to be taken quickly.

There are at least three documents in relation to setting the balancing market price which are unavailable for comment: the Indicative Operations Schedule details and timing, the governance and detail of the SO Flagging Procedures, and the governance and detail of the Non-Marginal Flagging Procedures. We strongly recommend that during the go-live transitional period that these documents have a “rapid change” governance for unforeseen circumstances.

- **Charging Parameters:** PrePayPower accepts that the Balancing Market Operator is taking on a series of cash-flow considerations, including but not limited to: Imperfections Charge, Capacity Charge, Currency Adjustment Charge, Residual Error Volume Charge, potentially some Difference Payments (after the exhaustion of the Difference Payment Socialisation Charge), and Market Operator Charge. We acknowledge that most of these are within the Balancing Market Operator’s control, and are impacted by Market Participant, System Operator and Meter Data Provider behaviours, along with F/X exchange rates. Therefore, we agree that the Market Operator should have a within-year mechanism to alter its revenue recovery as required, with Regulatory Authority approval.

All PrePayPower is looking for are some incremental obligations in the T&SC which help to provide adequate notice to market participants affected by changes to these charging parameters, in particular so it can reflect those changes as necessary in retail tariffs with appropriate notice. This will not prevent the Regulatory Authorities directing a change to a parameter in extremis, and will provide consistent regulation from wholesale through to retail sectors. **We request that the Market Operator publishes (in summary format, with confidential detail of the submission removed as required) any request to change a charging parameter, including at a minimum the new value of the charging parameter and the proposed date from which it is to take effect. Furthermore, we**



request that the SEM T&SC states that no approved change to a charging parameter will take effect for two months from publication of the Regulatory Authority decision, unless specifically required earlier by the Regulatory Authority decision.

We will make on final comment, however, regarding the potential that the first Capacity Year may be a long (17 months) or a short (5 months) year due to the I-SEM delay. **The definitions of the Capacity Remuneration Mechanism and the appropriate treatment of Stop-Loss provisions all needs to be reviewed by the original drafters of the documentation. The Stop-Loss review in particular is important as it can contribute to “hole-in-the-hedge” issues.**

Our response is not confidential and may be published in full. If you wish to have further communication in relation to our submission, please don't hesitate to contact me.

Yours faithfully,

Cathal Fay



APPENDIX A RESPONSE TEMPLATE

SUMMARY INFORMATION

Respondent's Name	PrePayPower
Type of Stakeholder	Supplier
Contact name (for any queries)	Cathal Fay
Contact Email Address	cathal.fay@prepaypower.ie
Contact Telephone Number	+ 353 (0)1 297 1500



I-SEM TSC COMMENTS

Three comments are highlighted in blue. Together they address the first point in our cover note regarding NEMO trading, credit cover, rejection of NEMO trading, and suspension.



ID	I-SEM TSC Reference	Short Title	Commentary / Explanation	Suggested Drafting Change to the TSC	Relevant Cross-Reference for any impacted section
----	---------------------	-------------	--------------------------	--------------------------------------	---



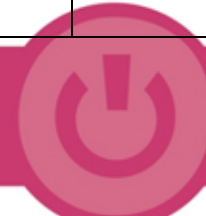
1	B4.1.6	Priority of Documents	We believe that the detail of System Operator Flagging and Non-Marginal Flagging should be in controlled documentation, between appendices and agreed procedures.	<p>B.4.1.6 It is not intended that there be any inconsistency or conflict between any provision of any of the Chapters, sections, Appendices or Agreed Procedures of the Code. However, in the event of any inconsistency or conflict, such inconsistency or conflict shall be resolved in the following order of priority:</p> <p>(a) Part C of the Code (Transitional Arrangements); (b) Chapter H;</p> <p>(c) Chapters A, B, C, D, E,F, G and the Glossary;</p> <p>(d) Appendices;</p> <p>(e) the procedures for determining System Operator Flags and Non-Marginal Flags as required under Appendix N.</p>	Appendix N for the references to these documents
---	--------	-----------------------	---	---	--



ID	I-SEM TSC Reference	Short Title	Commentary / Explanation	Suggested Drafting Change to the TSC	Relevant Cross-Reference for any impacted section
				(e) Agreed Procedures.	
2	B4	Priority of Documents	We are uncertain as to why the CMC, which has no European legislative basis, has a higher priority than the T&SC.	None – simply a query.	
3	B.9.1.7	Aggregation of below de minimis generation	Associated Supplier Units can also aggregate below de minimis generation.	An Associated Supplier Unit may contain Demand or Generation outside of the Trading Site.	
4	B.18.3.1 (o)	Credit Cover: Suspension link to NEMO rules	We believe this section has reasonable aims, but is currently drafted too broadly. As per our cover note, we believe this should be deleted, and credit cover utilised as the appropriate trigger for such consideration. See other comments highlighted in blue.	Delete	See other Credit Cover comments.



5	B.21	Limitation of Liability	<p>Under REMIT reporting, the Market Operator is responsible for failures to report under REMIT, but B.21 limits all financial liability. We would like to see some commercial incentive for failure to perform the licence obligation of a market participant (where relevant).</p>	<p>B.21.1.1 No Party shall be liable to any other Party for loss arising from any breach of the Code or the Framework Agreement other than for loss resulting directly from such breach (but without prejudice to any other provision of the Code which excludes or limits liability in respect of any breach for loss directly resulting from such breach) and which was reasonably foreseeable as not unlikely to occur in the ordinary course of events from such breach in respect of:</p> <p>(a) physical damage to the property of any other Party or its officers, employees, or agents;</p> <p>(b) the liability (in law) of any other such Party to any other person for loss in respect of physical damage to the property of such other person.</p> <p>and/or</p>	
---	------	-------------------------	--	--	--



				<p>(c) any failures in the accuracy or timely submission by the Market Operator of REMIT Data to the European Agency for the Cooperation of Energy Regulators under paragraphs C.7.8 and C.7.9.</p> <p>B.21.1.2 No Party shall in any circumstances be liable to any other Party in respect of any breach of the Code or the Framework Agreement for:</p> <p>(a) loss of profits, loss of income, loss of contract, loss of anticipated savings, loss of investment return, loss of goodwill, loss of use, or loss of reputation; or</p> <p>(b) any indirect or consequential loss or any incidental or special damages</p> <p>(including punitive damages); or</p>	
--	--	--	--	--	--



ID	I-SEM TSC Reference	Short Title	Commentary / Explanation	Suggested Drafting Change to the TSC	Relevant Cross-Reference for any impacted section
				(c) loss resulting from the liability of any other Party to any other person however and whenever arising save as provided in paragraphs B.21.1.1(b), B.21.1.1(c) and/or B.21.1.4.	
6	C.6.1.5	Drafting	Minor drafting suggestion.	Active Power Demand or Active Power Generation aggregated by a Meter Data Provider may utilise standard consumption profiles or standard generation profiles to derive half-hourly metered values in place of Interval Metering.	



ID	I-SEM TSC Reference	Short Title	Commentary / Explanation	Suggested Drafting Change to the TSC	Relevant Cross-Reference for any impacted section
7	D.6.6.1	Indicative Operations Schedule	In the absence of any obligation of the System Operator to publish the Indicative Market Schedule, it should provide it to the Market Operator so it can fulfil its requirements under E.4.4 and Appendix N.	<p>D.6.1.1 Each System Operator shall submit to the Market Operator the following forecast values pertaining to its Jurisdiction in accordance with Appendix K “Other Market Data Transactions”:</p> <ul style="list-style-type: none"> (a) Annual Load Forecast; (b) Monthly Load Forecast; (c) Four Day Load Forecast; (d) Wind Power Unit Forecast and (e) Indicative Operations Schedule. 	Relevant appendices for publication of information.



ID	I-SEM TSC Reference	Short Title	Commentary / Explanation	Suggested Drafting Change to the TSC	Relevant Cross-Reference for any impacted section
8	D.7.1.6	Drafting	We believe the highlighted section should be removed, as it implies discretion of the Market Operator and the purpose of the reference is not clear.	If there are no Physical Notification Quantity (qPNu γ (t)) values for any point in time during an Imbalance Settlement Period in the applicable Physical Notification Data submitted by a Participant, or as established by the Market Operator in paragraph D.7.1.2 , the default value of qPNu γ (t) for that Imbalance Settlement Period shall be zero.	



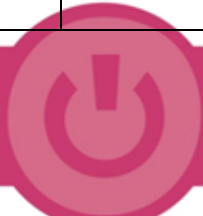
ID	I-SEM TSC Reference	Short Title	Commentary / Explanation	Suggested Drafting Change to the TSC	Relevant Cross-Reference for any impacted section
9	E.2.1.5	Pricing parameter change	Particularly during the start of the market, there should be no artificial delay in the ability to adjust pricing parameters.	E.2.1.5 A change to an imbalance pricing parameter referred to in paragraph E.2.1.1 takes effect on the later of the time specified in the determination (if any) and the next Trading Day after the Market Operator publishes the revised value for that parameter under paragraph E.2.1.4.	



ID	I-SEM TSC Reference	Short Title	Commentary / Explanation	Suggested Drafting Change to the TSC	Relevant Cross-Reference for any impacted section
10	E.2.2.3	Scheduled outage of Market Systems	There should be a reasonable endeavours of the Market Operator to minimise down-times of the market systems, due to the potential commercial impact on systems, and scheduled outages more than [x] hours should be considered a breach of the Code. These outages could put a market participant out of business.	<p>E.2.2.3A The Market Operator shall use Reasonable Endeavours to provide at least [one week’s] notice of any scheduled outage of the Imbalance Price System.</p> <p>E.2.2.3B The Market Operator shall use Reasonable Endeavours to minimise the duration of any scheduled outage of the Imbalance Price System, and in any event shall not have a Scheduled Outage which exceeds [x] hours in duration.</p>	



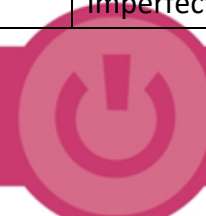
11	F.2.2.3	Rejection of ex ante trades	<p>This paragraph states that on receipt of an ex-ante trade, and the credit cover requirement increases suddenly that trade is rejected. Why is there not a Credit Cover Requirement increase notice issued as per normal? Why is the effect instantaneous? In particular, for suppliers, if the buy trade is rejected, it further increases the credit cover requirement and means the power has to be bought in the DAM and the BM. For a generator, a rejection of such a trade means they get to sell their power twice, once in the DAM and again imbalanced in the BM. Rejection of trades does not seem to be a good idea at all, but in the event that it stays in, it should only be done if credit cover is not adequately replaced under usual timelines. See other comments highlighted in blue.</p>	<p>F.2.2.3 If the Market Operator determines that the Contracted Quantities submitted for a Participant under paragraph F.2.2.1 would result in the Participant’s Required Credit Cover exceeding its Posted Credit Cover solely arising from the effect of the most recently submitted Contracted Quantities for the relevant Trading Day, the Market Operator shall issue a Credit Cover Increase Notice. Should the Participant fail to post the required credit cover under the standard timeframes, the submission of such Contracted Quantities shall be refused by the Market Operator prior to invoicing for the Billing Period according to the following rules:</p>	
12	F.2.7.2	There is no documentation around the FNDDS variable	<p>This is not a request for a change to the SEM T&SC per se, but just noting that FNDDS can impact hole-in-the-hedge issues for</p>	None.	



ID	I-SEM TSC Reference	Short Title	Commentary / Explanation	Suggested Drafting Change to the TSC	Relevant Cross-Reference for any impacted section
			suppliers and there is no documentation regarding how the System Operator utilises this variable so that Participants can understand the risk and the Socialisation Charge can be calculated accordingly.		



13	F.12, F.14, F.15, etc.	Charging Parameters	<p>PrePayPower may need to pass on any increase in regulated charges to customers (having give the appropriate notice). To that end, we would like the drafting in the listed references to reflect:</p> <ul style="list-style-type: none"> • Publication of any request by the Market Operator to increase the charges, noting at a minimum the requested date of the change and the new value • A principle that changes in charges cannot take effect within 2 months of the date of publication of the new charges, subject to an explicit direction from the Regulatory Authorities that the charges are to be changed more quickly. 	<p>F.12.1.4 The Market Operator may, of its own accord or in response to a request from the Regulatory Authorities, make additional interim reports to the Regulatory Authorities during the Year, proposing revisions to the Imperfections Charge Factor in the event that the values as originally proposed do not provide for the adequate recovery of anticipated costs and such under recovery is such that it is not appropriate to include as an adjustment in subsequent Years. Such requests shall be notified to the market, detailing at the minimum the proposed effective date when such charges will change and the proposed level of the new charges.</p> <p>F.12.1.5 The Market Operator shall publish the approved revised Imperfections Charge Factor, and the</p>	<p>Relevant appendices for publication of information.</p>
----	------------------------	---------------------	---	---	--



ID	I-SEM TSC Reference	Short Title	Commentary / Explanation	Suggested Drafting Change to the TSC	Relevant Cross-Reference for any impacted section
				<p>date and time on which it comes into effect, within 5 Working Days of receipt of the Regulatory Authorities' determination. Such revised charges shall not take effect within two months of the publication, subject to explicit Regulatory Authority requirements for the new charges to take effect at an earlier date. Such changes in charges will not be applied retrospectively in any case.</p>	



14	G.9.1.14	Adjusting the Undefined Exposure Period on a Participant basis on the requirement of whether they are active in the NEMO markets or not	<p>We suggest the following procedural/parameter changes in aggregate:</p> <ul style="list-style-type: none"> o Non-participant in the DAM and/or IDM: Higher credit cover requirement in the BM. This is reflected in a longer Undefined Exposure Period o Active participant in the DAM and/or IDM: Lower credit cover requirement in the BM. This is reflected in a reduction in the Undefined Exposure Period, pro-rated to the percentage of demand a supplier purchases in the ex-ante markets. <p>☒ If after an ex-ante trade there is a requirement for increased credit cover, this does not immediately reject the ex-ante trade from the BM. There is reasonable time to rectify the situation like any other credit cover increase notice prior to weekly billing. (See suggested changes above)</p> <p>☒ If it defaults in the DAM, a credit cover increase notice is sent immediately to</p>		
----	----------	---	--	--	--



ID	I-SEM TSC Reference	Short Title	Commentary / Explanation	Suggested Drafting Change to the TSC	Relevant Cross-Reference for any impacted section
			the Supplier, which if it doesn't respond in time, results in the suspension provisions taking effect. (See suggested changes above)		
15	G.15.1.1 (c)	Fix reference	We believe that the reference in G.15.1.1 (c) in relation to ETND should refer to G.14.13	ETNDpd is the Exposure in respect of values Traded not Delivered for Participant p in Trading Day d, as calculated in accordance with paragraph G.14.13 ;	



ID	I-SEM TSC Reference	Short Title	Commentary / Explanation	Suggested Drafting Change to the TSC	Relevant Cross-Reference for any impacted section
16	Appendix N	Governance of	<p>There should be an obligation in the T&SC for the System Operator to maintain a set of System Operator Flagging rules. These should be published, with their own change control process described (i.e. the full rigours of the Modifications Committee might not respond quickly enough to new System Operation constraints arising).</p> <p>There should be an obligation in the T&SC for the Market Operator to maintain a set of Non-Marginal Flagging rules. These rules should be published, with their own change control process described (i.e. the full rigours of the Modifications Committee might not respond quickly enough to new System Operation constraints arising).</p>	<p>We believe this concept requires further development and discussion with industry before suggesting drafting.</p>	



ID	I-SEM TSC Reference	Short Title	Commentary / Explanation	Suggested Drafting Change to the TSC	Relevant Cross-Reference for any impacted section
17	Glossary: Defintion of Capacity Year	Impact of I-SEM delay on CRM mechanism	the first Capacity Year may be a long (17 months) or a short (5 months) year due to the I-SEM delay. The definitions of the Capacity Remuneration Mechanism and the appropriate treatment of Stop-Loss provisions all needs to be reviewed by the original drafters of the documentation. The Stop-Loss review in particular is important as it can contribute to “hole-in-the-hedge” issues. See, for example, the Capacity Year definition quoted (without change) here.	Capacity Year means the period of twelve Capacity Periods starting at the beginning of the Month of October.	All of Section F, Capacity Settlement

