

# Single Electricity Market Committee

**Update to Trading & Settlement Code  
Annual Operational Parameters  
for 2012**

**Decision Paper**

**SEM-12-011**

**14<sup>th</sup> February 2012**

## Background

The SEM Trading and Settlement Code (the Code) specifies that the Market Operator (SEMO) and the System Operators (TSOs) shall make reports to the Regulatory Authorities proposing values for five groups of parameters used in the settlement systems for each Year at least four months before the start of that Year.

The Operational Parameters for 2012 were approved by SEM Committee and published in November 2011.

In January 2012 the TSO's submitted a proposal to the SEM Committee to revise certain operational parameters as a result of Trading and Settlement Code Modification 10\_11 (Interconnector under Test) which was approved by the SEM Committee in July 2011.

Mod\_10\_11 allows a Testing Tariff to be applied to Interconnectors while under test. The implementation approach chosen for Mod\_10\_11, i.e. Option 1 did not provide for the Interconnector test profile to be included in the Market Schedule. Therefore, while under test, all of the interconnector's flow will be treated as 'uninstructed'.

The TSO proposal recommended that the Discount for Over Generation (DOG) and the Premium for Under Generation (PUG) are set to zero for the Interconnector Error Unit while the Interconnector is under test.

## Responses Received

Responses were received on 3<sup>rd</sup> February from Endesa Ireland, the Irish Wind Energy Association (IWEA) and the Power Procurement Business (PPB). The three responses are published with this Decision Paper. None of the respondents objected to the proposal from the TSO. However the respondents did raise a number of issues for clarification. These issues are summarised below with responses to the substantive points included in italics also. It should be noted that the responses were shared with the TSOs and SEMO to address the point's specific to them.

PPB stressed the importance of minimising the costs of constraints while the interconnector is under test. In particular they noted that given the relationship between the TSO and the interconnector they may not be incentivised to submit accurate profiles.

*The TSOs agree with the PPB statement that all units under test should ensure to keep to the test profile. However an important point that needs to be understood is that any generator that goes Under Test in the Market at present is not incentivised to keep to the test profile and in practice it has been seen that generators do not always follow the test profile. The Interconnector Error Unit under test will submit a test profile to the TSOs for approval as per the current process. However, it cannot submit a test profile in SEM and thus the DOG and PUG would be applied to the uninstructed imbalances. Thus the Interconnector Error Unit, when under test, is treated differently to all other generating units and the proposal to set DOG and PUG to zero is to minimise these differences.*

Endesa Ireland questioned whether the Discount for Over Generation (DOG) and Premium for Under Generation (PUG) would be set to zero for all units while the Interconnector is under test.

*Section 4.142 of the TSC requires the System Operators to submit a report to the RAs annually proposing a number of operational parameters. Specially, the TSOs must submit proposals for the Discount for Over Generation (DOG<sub>uh</sub>) for each Generator Unit *u* and the Premium for Under Generation (PUG<sub>uh</sub>) for each Generator Unit *u*. As the proposals are for Generator Units *u*, the System Operators can submit a distinct value for each unit. This is in contrast to the Engineering Tolerance, for example, which is a single value that applies universally. SEMO has confirmed that the SEM Central Market Systems can accommodate different DOG and PUG values for individual units.*

Endesa Ireland and IWEA queried whether the interconnector would receive capacity payments while under test and if they did whether it would be returned to those underwriting the asset.

*Having queried this with SEMO it can be confirmed that no capacity payments will be made to an Interconnector when under test. Although Eligible Availability is calculated as per Section 5.89 of the Code, subsequent calculations ensure that zero capacity payments apply.*

Endesa Ireland and IWEA questioned when Testing Tariffs for interconnectors would be finalised. In particular they believe that the testing tariffs should reflect the costs that testing imposes on the system, including in this case, additional constraint and administrative costs imposed by the Interconnector under test process.

*The TSOs published a [Consultation Paper](#) on SEM Testing Tariffs in July 2011. Following on from that Consultation Paper the TSOs produced a Testing Tariffs Recommendation Paper which was submitted to the SEM Committee for approval. The Recommendations Paper is under review by the SEM Committee and a final decision is expected in March 2012. The TSOs have confirmed that the Testing Tariffs proposed in that paper will cover Interconnectors. It should be noted that regardless of the SEM Committee Decision, the current testing tariffs in SEM will apply to the interconnector under test.*

## **SEM Committee Decision**

Having considered the submission from the TSOs and the responses to the Consultation Paper, the SEM Committee has decided that for 2012, the Discount for Over Generation (DOG) and the Premium for Under Generation (PUG) are set to zero for the Interconnector Error Unit while the Interconnector is under test. This decision is made bearing in mind that the Interconnector Error Unit will be subject to Testing Tariffs while under test.