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### **Modification of the Trading and Settlement Code to implement I-SEM**

SSE welcomes the intentions outlined in the RAs letter – the establishment of an iterative process to overhaul the Trading and Settlement Code underpinning SEM. A collaborative approach making full use of industry and regulatory expertise is far more likely to deliver efficient and functional trading and settlement arrangements.

We would outline a couple of concerns with the specific process identified in the consultation paper – some of these may just require further clarity, some may require a rethink of the proposal:

- Many sections of the existing TSC will be required for resettlement post I-SEM go-live. Are modifications of existing sections of the TSC feasible, or does the Code need to be restructured into two parts for a transitional period<sup>1</sup>?
- There are concerns that a modification raised under the existing TSC governance arrangements will not allow for contractual market change clauses to trigger. The process described would indicate amendment of the trading arrangements rather than a replacement of the trading arrangements. Uncertainty on this point could impact on willingness to contract/supply over the transition<sup>2</sup>.
- As noted in the paper, the timelines in section 2.192 illustrates that the Modifications process is designed for amendment rather than redesign of the arrangements. Both timelines and obligations to consult are more limited than a full market redesign requires – while these can be solved respectively at the discretion of the RAs and market participants, modification extensions and ad-hoc consultation is not an ideal solution.

These concerns should not be taken as a dismissal of the direction of the RAs proposal - we think that many of these issues can be overcome by setting up explicit RA led working groups, separate to the Modifications Committee process. This would more closely reflect

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<sup>1</sup> Taking for example, the modification of SEM definitions for I-SEM – either new terms will need to be created for basic functions like categorisation or the legal drafting will have to function under both old and new settlement arrangements.

<sup>2</sup> It could also potentially impact on market participant and TSO procurement of I-SEM ready ETRM systems – participants may find themselves locked into contracts for obsolete solutions.



the alternative approach set out on page 5 of the consultation paper with the minor change that voting structures would be established to ensure disputes can be resolved without delays to the overall legal drafting process.

SSE's preference is for:

- An iterative rather than consultative approach to code drafting;
- A separate Code (or explicit restructuring of the existing Code into two sections) to demonstrate market change rather than 'Significant Code Review';
- Establishment of working groups separate to the Modifications Committee process;
- RA Chairing of the WGs with industry secondments/resource to act as secretariat;
- Obligations to widely consult;
- Voting and RA determination processes to resolve WG disputes prior to/after consultation.

If you have any questions in relation to our response, please don't hesitate to contact me.

Yours,

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