



**TRADING AND SETTLEMENT CODE
SECTION 8: TRANSITIONAL ARRANGEMENTS**

CONSULTATION PAPER

11 May 2007

AIP/SEM/07/146

Introduction

On the 30th March 2007, the Regulatory Authorities issued their public consultation in relation to version 1.3 of the SEM Trading and Settlement Code. Version 1.3 of the Code did not include provision for the transitional arrangements that will need to be in place to facilitate the introduction of the SEM. It is now proposed that these transitional arrangements be included in a new section within the Code entitled "Section 8: Transitional Arrangements".

It is proposed that the Code will come into force upon the execution of the Framework Agreement on 3 July 2007, and will bind each party from the date that it signs this document, or otherwise accedes. The Code will, therefore, take effect well in advance of SEM Go-Live. However, as many of the obligations in the Code are applicable in respect of a Trading Day, and the first Trading Day will be the Market Start Date, such provisions will have no effect prior to Market Start Date, and do not need to be transitionally de-activated in the meantime.

The bulk of the transitional changes required to the Trading and Settlement Code are in relation to changes in timelines. Under the Code, the Regulatory Authorities and the Market Operator (MO) must publish information prior to the start of each "Year" (which is defined to run from 1 January until 31 December). The first such Year will be amended to be the period from the Market Start Date until 31 December 2007. The information required to be published prior to the start of that Year will, accordingly, be required to be published prior to the Market Start Date. Additionally, for many such items the period of advance publication will be shortened for this first Year, in accordance with the published All Island Project program plans.

The most significant change to the Code in the Transitional Arrangements will be to the Participant and Unit registration processes. Parties participating in the SEM market trials have already been required to register for the trials. This registration process was similar in many respects to the Participant and Unit registration required by the draft Code and Agreed Procedure 1. Rather than requiring Parties to repeat this process in its entirety in order to register for trading proper, a transitional Participant and Unit registration process has been drafted. This process will ensure that the Participant and Unit registration requirements as set out in the Code are met using modified processes and timelines, in some cases involving the use of data that has already been submitted for trials registration. This will also reduce the work requirements for the MO, as the market trials registration data will already be contained within the MO Central Systems.

The calculation of Required Credit Cover for Day 1 and the period immediately following Day 1 will also require modification, as due to the lack of sufficient trading history it will not be possible during this period to calculate the Credit Assessment Price (CAP) using the enduring method set out in the Code. The MO has set out the process by which Credit Cover will be calculated for all Participants for Market Start and until the 1st January 2008, by which time there will be sufficient market data to calculate the CAP as set out in the enduring Code provisions. Finally, a modified version of the Modification Process will operate during the period between the Commencement of the Code and the

Market Start Date, limiting Modifications that may be considered during this period to those deemed by the Regulatory Authorities to be “urgent” and necessary for Market Start. A transitional procedure for the appointment of the Initial Modifications Panel already exists in Section 2 of the Code, but this will be moved to Section 8, as it is not an enduring process.

The Regulatory Authorities welcome all comments on these Transitional Arrangements. Comments should be sent, preferably in electronic form to:

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The closing date for comments is Friday, 1st June 2007.

Draft Section 8 of the Single Electricity Market Trading and Settlement Code

Definitions

“First Trading Year”	means the period commencing at 06:00 on the Market Start Date and ending at 23:59 on 31 December 2007;
“Initial Participants”	means a Party (or Applicant, as appropriate) who has complied with the requirements set out in paragraph 8.15;
“Market Trials”	means the preparation for, commencement of and entire duration of the full-scale 'as-live' operational exercising of market systems and processes conducted by the Market Operator and Market Trial participants in preparation for the commencement of trading in the SEM in accordance with the terms of the Market Trials Agreement.
“Market Trials Agreement”	means an agreement entered into between the Market Operator and an Initial Participant which sets out the terms and conditions of Market Trials.
“Market Trials Registration Pack”	means a collection of information documents and forms issued by the Market Operator to Initial Participants which are required for participation in Market Trials
“Party Registration Form”	means an application form issued by the Market Operator to Initial Participants which sets out all the items of data and other information that must be provided by the Initial Participants; and
“Transition Provisions”	means the provisions set out in paragraphs 8.2 to 8.62.

Purpose

- 8.1 This Section 8 sets out Transitional Provisions which:
- (a) suspend, amend or replace specified paragraphs or parts of paragraphs of other Sections of the Code [or the Appendices] for specified periods; and
 - (b) provide for certain additional matters of a transitional nature in relation to the administration of the Code in the period from the Commencement Date to the end of the First Trading Year.

General

- 8.2 Any reference in the Code to anything being required to be done prior to the start of a Year, shall, in relation to the First Trading Year only, be deemed to mean prior to the Market Start Date.
- 8.3 Any reference in the Code to a period prior to the start of a Year shall, in relation to the First Trading Year only, be deemed to refer to the relevant period prior to the Market Start Date, or such other period as may be determined by the Regulatory Authorities.
- 8.4 For the avoidance of doubt, no Trading Days shall occur prior to the Market Start Date.

Accession and Participation Fees

- 8.5 At least 45 days in advance of the Market Start Date, the Regulatory Authorities will determine the Accession Fee for those Parties acceding to the Code prior to Market Start Date.
- 8.6 At least 45 days in advance of the Market Start Date, the Regulatory Authorities will determine the Participation Fee payable by a Party (or Applicant, as appropriate) to register a Unit prior to the Market Start Date.
- 8.7 Notwithstanding paragraph 2.10, Accession to the Code prior to the Market Start Date shall not be conditional on payment of the Accession Fee which shall be payable by a Party not later than 2 Weeks prior to the Market Start Date (the "Last Payment Date").
- 8.8 Parties (or Applicants, as appropriate) shall pay Accession Fees and Participation Fees, as appropriate, on such date prior to the Market Start Date as may be specified by the Market Operator and in any event not later than the Latest Payment Date.

In the event that any Party shall fail to pay the Accession Fee or relevant Participation Fee by the Latest Payment Date, that Party shall not be eligible to participate in the Pool and its application for Unit Registration shall be deemed to have been withdrawn or, in the event that such Party has registered Units, such registered Units shall be Suspended.

Accession and Registration of Initial Participants

- 8.9 At least 45 days in advance of the Market Start Date, the Regulatory Authorities will determine the Accession Fee for those Parties acceding to the Code prior to Market Start Date and who, in addition, qualify to become Initial Participants.
- 8.10 At least 45 days in advance of the Market Start Date, the Regulatory Authorities will determine the Participation Fee payable by a Party (or Applicant, as appropriate) seeking to qualify to become an Initial Participant.
- 8.11 Save as provided in paragraphs 8.13 to 8.38 below, the provisions of the Code shall apply to Initial Participants (and Parties or Applicants seeking to qualify to become Initial Participants) as if they were Participants (or Parties or Applicants seeking to qualify to become Participants).

- 8.12 Parties (or Applicants, as appropriate) who have complied with the requirements set out in paragraph 8.15 shall qualify to become Initial Participants.
- 8.13 On the Market Start Date, all Initial Participants who have acceded to the Code, paid Accession Fees and Participation Fees, as appropriate, and who have registered Units shall be deemed to be Participants.
- 8.14 With effect from the Market Start Date, no person shall be or become an Initial Participant.
- 8.15 Persons seeking to qualify as Initial Participants shall, in addition to complying with the Accession Process set out at paragraphs 2.10 to 2.14A and as further detailed in Agreed Procedure 1 “Participant and Unit Registration and Deregistration”:
1. Verify and confirm to the Market Operator, the validity of, or corrections to, Party and unit data taken from current systems as set out in Market Trials Registration Pack;
 2. Provide the Market Operator with an executed Market Trials Agreement;
 3. Complete qualification testing for its chosen Communications Channel(s);
 4. Provide the Market Operator with copies of digital certificates; and
 5. Provide the Market Operator with a completed Party Registration Form.
- 8.16 Notwithstanding the provisions of Section 2.10–2.14, the following timings shall apply:
1. The Market Operator will validate the contents of the completed Party Registration Form and within 2 Working Days of receipt of the Party Registration Form will communicate any information to be clarified to, or request any additional information from, the Party.
 2. Upon receipt of any clarifications required, the Party (or Applicant, as appropriate) must respond to the Market Operator with the required information within 5 Working Days.
 3. A Party (or Applicant, as appropriate) may request additional time to provide any clarification or additional information and the Market Operator shall not unreasonably withhold consent to any such request.
- 8.17 Where a Party (or Applicant, as appropriate) does not respond in a timely manner, the application shall be deemed to have been withdrawn, and the Market Operator will send a deemed withdrawn notice to the Party (or Applicant, as appropriate) by registered mail.
- 8.18 On the date on which Accession has been successfully completed, the Market Operator will issue a Unit Registration Pack to an Initial Participant. The Unit Registration Pack shall contain the following:
1. A list of the requirements that must be complied with by the Initial Participant in accordance with the Code;
 2. Notice of initial Required Credit Cover;
 3. Notice of the date upon which the Initial Participant will be invoiced for Participation Fees and the date by which these fees must be paid;
 4. Banking and commercial data which must be provided by the Initial Participant;
 5. Details of the control point which the Market Operator will impose 30 days prior to the anticipated Market Start Date.

- 8.19 Notwithstanding the provisions of Section 2, the following timings shall apply:
1. The Market Operator will validate the contents of the completed Unit Registration Pack and the contents of the Unit Registration Pack and within 5 Working Days of receipt of the Unit Registration Pack will communicate any information to be clarified to, or request any additional information from, the Party.
 2. Upon receipt of any clarifications required the Party (or Applicant, as appropriate) must respond to the Market Operator with the required information within 5 Working Days.
 3. A Party (or Applicant, as appropriate) may request additional time to provide any clarification or additional information and the Market Operator shall not unreasonably withhold consent to any such request.
- 8.20 Where an Initial Participant does not respond in a timely manner, the application shall be deemed to have been withdrawn, and the Market Operator will send a deemed withdrawn notice to the Initial Participant by registered mail
- 8.21 During the course of Market Trials Initial Participants shall:
1. Confirm Meter Data Provider set up data, in accordance with the timelines as published by the Market Operator and in any event no later than 60 days prior to the anticipated Market Start Date; and
 2. Confirm their configuration, in accordance with the timelines as published by the Market Operator and in any event no later than 60 days prior to the anticipated Market Start Date.

8.22 During the course of Market Trials Initial Participants may make changes to their data submitted to the Market Operator as part of their Market Trials Registration Pack and in accordance with the timings set out in the following table.

Data Type	Lead Time Required	Dependencies
Participant Registration Data		
All high level Application Data	Market Start Date – 1 WD	None
Financial Data	Market Start Date – 10 WD	Should bank account details need to be changed during the control period, the Participant will have to allow time for the Market Operator to prove the accessibility of the new account details.
Unit Technical Offer Data		
Comprises all of each Unit's operating characteristics	Market Start Date – 29 TD	Evidence of support from Meter Data Providers / System Operators
Unit Commercial Offer Data		
Comprises of standing offer data of type 'ALL' for each Unit	Market Start Date – 1 WD	The earliest effective date for a change to unit commercial offer data is "TODAYS DATE + 29 Trading Days". Any changes applied after the Market Start Date – 29 Trading Days will have financial implications for that participant in the market

8.23 During the period from the Commencement Date to Market Start Date Initial Participants shall assess the validity of their digital certificates. If Initial Participants require updated or additional digital certificates, this requirement shall be communicated to the Market Operator no later than 7 Weeks prior to the then anticipated Market Start Date.

8.24 The Market Operator will consider requests for updated or additional digital certificates and, where possible will issue updated or additional digital certificates within 10 Working Days of receipt of the request pursuant to paragraph 8.23.

8.25 Initial Participants may review and amend their registration data at any time up to 30 days before the Market Start Date.

8.26 The Market Operator shall impose a control point 30 days before the Market Start Date. At this time, the Market Operator shall capture a snap shot of each Initial Participant's registration data as then currently held on the Isolated Market System. The output of this data capture will be sent to the relevant Initial Participant.

8.27 The Market Operator shall inform all Initial Participants that the data identified pursuant to paragraph 8.26 will be the relevant data for the purposes of the Code for the Market Start Date.

8.28 Initial Participants may apply to change their registered data as notified to the Initial Participants pursuant to paragraph 8.27 where:

1. Lead times as set out in the table set out in paragraph 8.22 for the relevant data type allow for it; and

2. The Initial Participant provides evidence, where appropriate, that the relevant System Operator or Meter Data Provider, as appropriate, will support configuration changes.
- 8.29 Four Weeks before the Market Start Date, the Market Operator perform a test to prove the accessibility of the Bank account details provided by the Initial Participant.
- 8.30 The Market Operator will contact the Initial Participant within 1 Working Day in the event that any difficulties arise with posting to or from the bank accounts provided.
- 8.31 The Initial Participant will have 5 Working Days to resolve the issue that has given rise to the difficulties referred to in paragraph 8.30 in relation to the Initial Participants specified bank or to provide alternative bank details.
- 8.32 The Market Operator shall send each Initial Participant details, by facsimile, of the initial Required Credit Cover no later than 5 Weeks prior to the date on which the Initial Participant is required to post such credit cover.
- 8.33 No later than two Weeks before the Market Start Date, all Initial Participants must put their Required Credit Cover in place. The Market Operator shall validate each Letter of Credit provided by any Initial Participant and shall, within 1 Working Day, inform the relevant Initial Participant if the Letter of Credit fails to comply with the requirements of Appendix A. The Initial Participant shall replace such Credit Cover in within 2 Working Days. If the Market Operator determines that the Initial Participant's Credit Cover Provider fails to meet the requirements of the Code, it shall notify the Initial Participant accordingly and the Participant shall re-post its Required Credit Cover in accordance with paragraph 6.136E.
- 8.34 If the Initial Participant has not put their Required Credit Cover in place by the date specified in paragraph 8.33 the Market Operator shall within 1 Working Day issue the Party with a warning notice. This notice will inform the Initial Participant that unless they put their Required Credit Cover in place, Unit Registration will not be legally complete and that the Initial Participant will not be allowed to participate in the Pool from the Market Start Date.
- 8.35 On receipt of the warning notification issued in accordance with paragraph 8.34, the Initial Participant must within 2 Working Days put the Required Credit Cover in place.
- 8.36 The Market Operator shall issue each Initial Participant with a Commencement Notice one Week prior to the Market Start Date as published by the Regulatory Authorities.
- 8.37 The Commencement Notice shall specify the Effective Date for the commencement of participation of a Unit and shall be subject to the Required Credit Cover continuing to be in place.
- 8.38 If the Required Credit Cover is not in place by the date specified in paragraph 8.33, the Initial Participants unit participation application shall be deemed to have been withdrawn, the Market Operator shall send a deemed withdrawn notice to the Initial Participant and the Participation Fees shall not be returned to the Initial Participant.

Market Operator Website

- 8.39 The Market Operator shall ensure that the website referred to in paragraph 2.333 shall be operative and be accessible to all members of the public no later than 30 days before the Market Start Date.

Modifications

- 8.40 The initial Modifications Committee shall be established at a time specified by the Regulatory Authorities. The Regulatory Authorities shall publish the names of the members of the initial Modifications Committee at least 2 weeks before the establishment date it proposes for the initial Modifications Committee.

- 8.41 The nominees of the Commission, NIAUR, the Market Operator, System Operators and Meter Data Providers shall be automatically appointed to the initial Modifications Committee.
- 8.42 The Regulatory Authorities shall appoint members and alternate members to the initial Modifications Committee from nominees put forward by the Nominating Participants.
- 8.43 Where requested to do so by the Regulatory Authorities, persons who have not yet acceded to the Code may put forward nominees for the positions of member and alternate member of the initial Modification Committee and such nominations shall, notwithstanding that the person making the nomination has not yet acceded to the Code, be considered to be a nomination by Nominating Participants for the purposes of the Code.
- 8.44 Where a person who has put forward nominees for the positions of member and alternate members pursuant to paragraph 8.43 has not acceded to the Code by the date of establishment of the initial Modifications Committee:
1. such nominees shall cease to be eligible for appointment as members or alternate members of the initial Modification Committee; and
 2. where a person so nominated has already been appointed as either a member or alternate member of the initial Modification Committee, that appointment shall cease to be valid and the person so appointed shall cease to be a member or alternate member of the initial Modification Committee (as appropriate).
- 8.45 Notwithstanding any paragraph of the Code to the contrary, from the Commencement Date until the Market Start Date, no person shall submit a Modification Proposal save for a Modification Proposal submitted in accordance with paragraph 2.170 of the Code.
- 8.46 From the Commencement Date until the Market Start Date, paragraph 2.172 shall be replaced with:
- 2.172 A Modification Proposal shall be determined to be Urgent by the Regulatory Authorities where, if not made, it can be reasonably anticipated that the event or circumstance with which the Modification Proposal is concerned would:
1. threaten the ability to deliver a properly functioning market for the Market Start Date; or
 2. result in one or more of the Parties being in breach of this Code on or after the Market Start Date due to systems limitations.

MSP Software

- 8.47 Paragraph 4.49C shall not apply to the calculation of Uplift for the First Trading Year and for the purpose of the calculation required for this period only, paragraph 4.49C shall be replaced with:
- 4.49C The calculation of Uplift requires three input parameters. The Regulatory Authorities will set the three input parameters at least 60 days in advance of the Market Start Date:
1. The Uplift Alpha value α , which governs the importance of the Uplift Cost Objective, such that $0 \leq \alpha \leq 1$;
 2. The Uplift Beta value β , which governs the importance of the Uplift Profile Objective, such that $0 \leq \beta \leq 1$; and
 3. The Uplift Delta value δ , to constrain the overall impact on revenue in each Trading Day t , arising from the Uplift calculation, such that $\delta \geq 0$.

- 8.48 Notwithstanding any other provision of the Code for the first Trading Day, where the operation of the MSP Software requires initial conditions from a preceding MSP Software run, then the Market Operator shall use data from the last applicable MSP Software run undertaken during Market Trials.

Uninstructed Imbalance

- 8.49 Paragraph 4.111 shall not apply to the calculation of Uninstructed Imbalances for the First Trading Year and for the purpose of the calculation required for this period only, paragraph 4.111 shall be replaced with:

4.111 The System Operator shall make a report to the Regulatory Authorities at least 90 days before the First Trading Year proposing values for the following parameters used in the calculation of Uninstructed Imbalances:

1. Engineering Tolerance ENG_{TOL} (where $0 \leq ENG_{TOL} \leq 1$);
2. MW Tolerance MW_{TOLt} (where $0 \leq MW_{TOLt} \leq 1$) for each Trading Day t ;
3. System per Unit Regulation parameter $UREG$;
4. the Discount for Over Generation (DOG_{uh}) for each Generator Unit u in each Trading Period h , such that $0 \leq DOG_{uh} \leq 1$; and
5. the Premium for Under Generation (PUG_{uh}) for each Generator Unit u in each Trading Period h , such that $0 \leq PUG_{uh} \leq 1$.

Imperfection Charges

- 8.50 Paragraph 4.118A shall not apply to the determination of Imperfection Charges for the First Trading Year and for the purpose of the determination required for this period only, paragraph 4.118A shall be replaced with:

4.118A The Market Operator shall make a report to the Regulatory Authorities at least 90 days before the First Trading Year, proposing the following parameters used in the determination of Imperfections Charges:

1. The Imperfections Price in euro/MWh for Year y ; and
2. Values of the Imperfections Charge Factor for each Trading Period h in Year y .

Testing Tariffs

- 8.51 Paragraph 5.137A shall not apply in relation to the making of a report to the Regulatory Authorities proposing values for the Testing Tariffs in advance of the First Trading Year and for the purpose of the report required in advance of that period only, paragraph 5.137A shall be replaced with:

5.137A The relevant System Operator shall make a report to the Regulatory Authorities proposing values for the Testing Tariffs at least 60 days before the First Trading Year. The System Operator's report must set out the justification for the specific values proposed. Such a report may, and shall if so requested by the Regulatory Authorities, include alternative values from those proposed and must set out the arguments for and against such alternatives.

Parameters for the Determination of Required Credit Cover

- 8.52 Paragraph 6.147 shall not apply to the report to be published by the Market Operator proposing parameters relating to the calculation of the Required Credit Cover in advance of

the First Trading Year and for the purpose of the report required in advance of that period only, paragraph 6.147 shall be replaced with:

6.147 The Market Operator shall publish a report to the Regulatory Authorities at least 90 days before the First Trading Year proposing the following parameters relating to the calculation of the Required Credit Cover:

1. the Fixed Credit Requirement;
2. the Historical Assessment Period for Billing Periods;
3. the Historical Assessment Period for Capacity Periods;
4. the Analysis Percentile Parameter;
5. the Credit Cover Adjustment Trigger; and
6. the maximum level of the Warning Limit.

8.53 The Market Operator shall publish all relevant parameters or reports within 3 Working Days of receiving Regulatory approval.

Settlement Calendar

8.54 Paragraph 6.29A shall not apply to the publication of a Settlement Calendar for all days in the First Trading Year and for the purposes of the publication of a Settlement Calendar for that period only, paragraph 6.29A shall be replaced with:

6.29A The Market Operator shall publish 60 days prior to the First Trading Year a Settlement Calendar for all days in the First Trading Year which shall include the following information:

1. details of Non-Working Days;
2. details of:
 - a. when Ex-Post Indicative Settlement Statements are due (for each type of Settlement Statement);
 - b. when Initial Settlement Statements are due (for each type of Settlement Statement);
 - c. each Invoice issue date (for each type of Invoice);
 - d. the Invoice Due Date (for each type of Invoice);
 - e. the Self-Billing Invoice issue date (for each type of Self-Billing Invoice);
 - f. the Self-Billing Invoice Due Date (for each type of Self-Billing Invoice);
 - g. the Timetable M+4 Settlement Reruns for relevant Settlement Period; and
 - h. the Timetable M+13 Settlement Reruns for relevant Settlement Period.

Credit Cover

- 8.55 For the duration of the longer of the first Historical Assessment Period for Billing Periods or for Capacity Periods, all Participants (or Applicants, as appropriate), must provide an estimate of likely consumption or production of energy to the Market Operator as part of the registration process provided for in the Code. The forecast quantities provided by new Participants will be evaluated against the Meter Data received from the relevant Meter Data Provider. If there is a significant difference between the Meter Data and the forecast quantities provided, the Market Operator shall calculate a future potential exposure based on a 95th percentile analysis of the known Meter Data against the Credit Assessment Price extrapolated across the future risk period, which shall be of equivalent duration to the Historical Assessment Period.
- 8.56 The Market Operator shall publish a report to the Regulatory Authorities at least 90 days before the Market Start Date proposing the Credit Assessment Price relating to the calculation of the Required Credit Cover for the Undefined Exposure Period for New Participants and Adjusted Participants from the Market Start Date.
- 8.57 The Market Operator's report must set out any relevant research or analysis carried out by the Market Operator and the justification for the specific values proposed. The Market Operator shall publish the approved value for the Credit Assessment Price on receipt of the Regulatory Authorities' determination and, in any event, at least 60 days before the Market Start Date or within 5 Working Days of receipt of the determination, whichever is the later.
- 8.58 For the avoidance of doubt for the purposes of Credit Cover monitoring and calculation, all Participants shall be considered New Participants on the Market Start Date.

Settlement Day

- 8.59 Notwithstanding the definition of Settlement Day in paragraph 6.24, for the purposes of paragraph 6.24, the first Settlement Day shall be defined as the period from 06:00 on the Market Start Date to 23:59 on the Market Start Date.

Billing Period

- 8.60 Notwithstanding the definition of Billing Period in paragraph 6.25A, for the purposes of paragraph 6.25A, the first Billing Period shall be defined as the period from 06:00 on the Market Start Date to 23:59 on the Saturday which either follows or coincides with, the Market Start Date.

Capacity Period

- 8.61 Notwithstanding the definition of Capacity Period in paragraph 6.27 the first Capacity Period shall be defined as the period from 06:00 on the Market Start Date to 23:59 on the last day of the calendar month during which the Market Start Date occurs.

Market Schedule Warmth State

- 8.62 For the first Trading Day, and with respect to each relevant Generator Unit, the reference to "preceding Trading Periods" in the definition of Market Schedule Warmth State shall refer to a period of equivalent duration during Market Trials and immediately preceding the Market Start Date.