

SEM Agreed Procedure

Title	Agreed Procedure 10: Settlement Reallocation
Version	3.2
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DOCUMENT HISTORY

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3.0	21/05/2007	Regulatory Authorities	Consultation Version
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RELATED DOCUMENTS

DOCUMENT TITLE	VERSION	DATE	BY
Trading and Settlement Code	V2.0	31/05/2007	Regulatory Authorities
Agreed Procedure 1 “Participant and Unit Registration and Deregistration”			
Agreed Procedure 3 “Communication Channel Qualification”			
Agreed Procedure 4 “Transaction Submission and Validation”			
Agreed Procedure 9 “Management of Credit Cover and Credit Default”			
Agreed Procedure 11 “Market System Operation, Testing, Upgrading and Support”			

1. INTRODUCTION

1.1. BACKGROUND AND PURPOSE

This Agreed Procedure describes the specific procedures for the management of Settlement Reallocation to be administered by the Market Operator (MO), and with which Parties to the Trading and Settlement Code (the “Code”) must comply.

1.2. SCOPE OF AGREED PROCEDURE

This Agreed Procedure is a definition of procedural steps to be followed by the MO and Participants. It forms an annexe to, and is governed by, the Code. This document is a statement of process and procedure. Parties’ rights and obligations are set out in the Code.

1.3. DEFINITIONS

Save as expressly defined, words and expressions defined in the Code shall have the same meanings when used in this Agreed Procedure.

References to particular sections relate internally to this Agreed Procedure unless specifically noted.

1.4. COMPLIANCE WITH AGREED PROCEDURE

Compliance with this Agreed Procedure is required under the terms as set out in the Code.

2. DESCRIPTIVE OVERVIEW

This section 2 provides an overview of the procedure provided for in the main Sections of the Code, for explanatory purposes and to set the context for this Agreed Procedure only. The overview contained in this section is not legally binding and is not intended to create rights or impose obligations on any Party

2.1. SETTLEMENT REALLOCATION

The general rules for Settlement Reallocation are defined in the “Settlement Reallocation” section of the Code.

The purpose of this document is to detail the procedures that will apply for Settlement Reallocation with regard to requests, agreements and associated transactions.

The Settlement Reallocation process offers significant benefits to Participants in the Single Electricity Market (SEM), in terms of cash flow and credit risk management, allowing Participants to reduce credit cover requirements by offsetting debts and credits and also to reduce circular flows of money.

Settlement Reallocation is a rules-supported financial arrangement between the Market Operator (MO) and a pair of Participants (which may be the same Participant). Where the Participants are linked by one or more off-market financial commitments, Settlement Reallocation can act to reduce Settlement amounts.

Settlement Reallocation in the SEM consists of five major elements:

1. Submission of a Settlement Reallocation Request
2. Assessment of the eligibility of a Settlement Reallocation Agreement for the invoicing process
3. Inclusion of eligible Settlement Reallocation Agreements in the Invoices/Self Billing Invoices
4. Inclusion of Settlement Reallocation Agreements in the credit management process
5. Cancellation of a Settlement Reallocation Agreement (when applicable)

When two Participants have a Settlement Reallocation Agreement in place with the MO, one Participant (called Debited Participant) will effectively transfer an amount in respect of payments due to this Participant from the MO to another Participant (called Credited Participant) through their payments (Trading Payments or Capacity Payments). This amount shall also have an affect on the credit cover calculation of the two Participants.

The Settlement Reallocation Amount is a monetary value based in the currency of the Debited Participant (either Euro, or Pounds Sterling) and defined for a nominated payment type (Trading Payments or Capacity Payments). A Participant may not request or enter into a Settlement Reallocation Agreement as a Debited Participant in respect of its Supplier Units.

Settlement Reallocation Agreements can be posted against an Invoice/Self Billing Invoice relating to either the Energy or Capacity markets.

For each Settlement Reallocation Agreement, the Participants will nominate a Trading Period for reference purposes.

- The nominated Trading Period in conjunction with the type of payment (Trading Payments or Capacity Payments) will denote which Settlement Period the Settlement Reallocation Agreement is to be executed against,
- In the event that the Credited and Debited Participants are in different Currency Zones, the nominated trading period will denote the Trading Day Exchange Rate for use in Settlement calculations, and

The Settlement Reallocation can be lodged,

- up to 29 days before the Trading Day of the nominated Trading Period;

- up to one day to 12:00 before the issue of the Invoice/Self Billing Invoice on which the Settlement Reallocation Agreement is to be included (i.e. Settlement Period plus 4 Working Days); and,
- a maximum of 6 Settlement Reallocation Agreements can be lodged per participant per Trading Day in a Billing or Capacity Period.

2.2. SETTLEMENT REALLOCATION SUBMISSION

A reallocation transaction is initiated by a Settlement Reallocation Request being lodged with the MO by the Debited Participant.

Agreed Procedure 4 “Transaction Submission and Validation” details the data items required on submission of a Settlement Reallocation Request.

The MO performs validity checks to ensure that the Settlement Reallocation Request is complete and the Participants involved in the Settlement Reallocation Request are active and qualified to reallocate on the given Settlement Period.

The Settlement Reallocation Request is then either accepted or rejected on a submission basis.

Only the Participant lodging the Settlement Reallocation Request is notified if it is rejected.

Once the Settlement Reallocation Request has been accepted by the MO, it becomes a Settlement Reallocation Agreement that could be used by the downstream process of credit risk management.

Participants will be able to review their Settlement Reallocation Agreements on the Settlement Reallocation Agreement report, made available with the Settlement Statement for the last day of the Settlement Period, but they will not be included on the Settlement Statements.

2.3. INVOICING

The first operation performed by the invoicing process against the Settlement Reallocation Agreement is to confirm that the Settlement Reallocation Amount is covered by the Debited Participant’s invoice total and the reallocation will not result in the Debited Participant owing monies to the MO. Any Settlement Reallocation Agreements that cause a Debited Participant due payment to become a debtor to the MO will be cancelled.

In the event that a Participant has multiple Settlement Reallocation Agreements which in total cause a Participant, that was due payment, to become a debtor to the MO but individually will not have this result, the Settlement Reallocation Agreements will be cancelled in the reverse order of receipt (i.e. – the most recently received being the first) until the Debited Participant is no longer a debtor to the MO.

The Settlement Reallocation Agreement shall be included in the Invoicing process unless it has been cancelled in accordance with the cancellation criteria described in section 3.3.

2.4. CREDIT RISK MANAGEMENT PROCESS

The Market Operator’s Isolated Market System will assess a Participant’s Required Credit Cover against a Participant’s exposure in the SEM.

When a Settlement Reallocation Request has been correctly submitted, and validated, the Settlement Reallocation Agreement can be considered in the credit management process.

In establishing the Required Credit Cover, the credit management system shall take into account any Settlement Reallocation Agreements.

Where a Credit Cover Increase Notice is made by the MO to a Participant, the Participant can respond by arranging for a Settlement Reallocation Request to be made by another Participant (the Debited Participant) in accordance with the rules set out in section 3.1.

3. PROCEDURE DEFINITION

3.1. SUBMIT SETTLEMENT REALLOCATION REQUEST

3.1.1. Overview

A Settlement Reallocation Request is submitted to the MO in accordance with the criteria and procedural steps set-out below.

The Settlement Reallocation Request will be submitted by the Debited Participant.

The acceptance of a Settlement Reallocation Request will be communicated to the Participant lodging the Settlement Reallocation Request via the same Communication Channel as that used to submit the request. The rejection of a Settlement Reallocation Request will be communicated to the Participant lodging the request via the same Communications Channel as that used to submit the Settlement Reallocation Request.

Once submitted, a Settlement Reallocation Agreement cannot be updated by the Participants. To update a Settlement Reallocation Agreement, the Participants must first request the cancellation of the Settlement Reallocation Agreement and then submit a new Settlement Reallocation Request.

3.1.2. Submission Criteria

Participants are qualified to submit a Settlement Reallocation Request where:

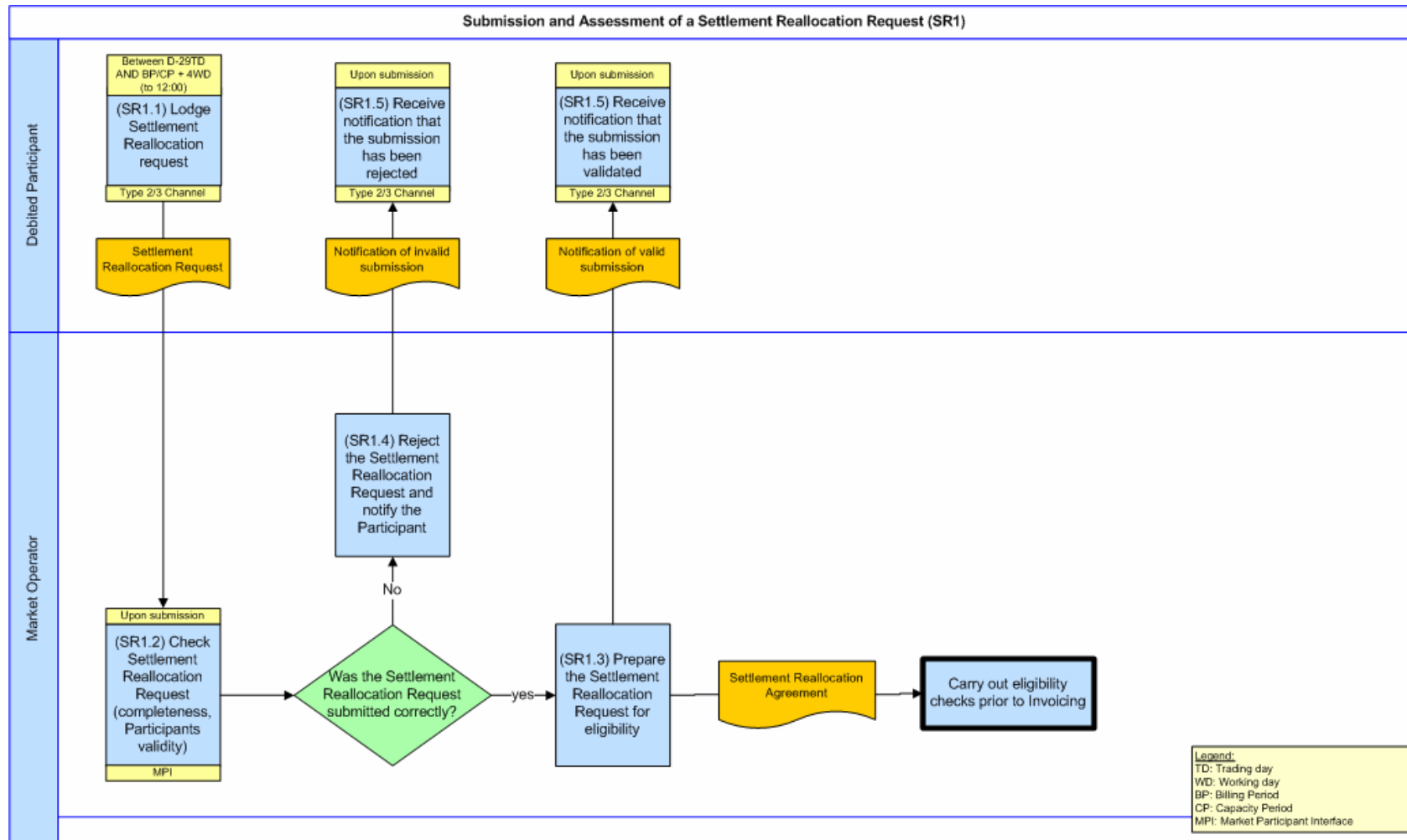
- Both Participants are, at the moment of the Settlement Reallocation Request submission, registered in accordance with Agreed Procedure 1 “Participant and Unit Registration and Deregistration”.
- Both Participants are not, at the moment of the Settlement Reallocation Request submission, subject to a Suspension Order or Termination Order.
- Both Participants, at the moment of the Settlement Reallocation Request submission, have designated and maintained a Communication Channel for the purpose of their participation in accordance with Agreed Procedure 1 “Participant and Unit Registration and Deregistration” and Agreed Procedure 3 “Communication Channel Qualification”
- The MO has effectively allowed both Participants to access the Market Participant Interface in accordance with the Code, Agreed Procedure 3 “Communication Channel Qualification” and Agreed Procedure 11 “Market System Operation, Testing, Upgrading and Support”
- The Trading Day of the nominated Trading Period is not greater than 29 Working Days in the future.
- There is at least one working day before the issue of the Invoice/Self Billing Invoice on which the Settlement Reallocation Agreement is to be included (i.e. by 12:00 on Settlement Period plus 4 Working Days), and
- No more than 6 Settlement Reallocation Agreements have been lodged for this Trading Day in this Billing or Capacity Period by this Debited Participant.

3.1.3. Procedural Steps

#	Procedural Step	Timing	Method	By/From	To	Linkage
SR1.1	The Settlement Reallocation Request is submitted.	Between 29 Trading Days before the Trading Day of the nominated Trading Period and 1 WD (by 12:00) before the issue of the Invoice/Self Billing Invoice on which the Settlement Reallocation Agreement is to be included.	Type 2 Channel /Type 3 Channel	Debited Participant	Market Operator	
SR1.2	Assess the validity of the Settlement Reallocation Request. The MO will assess the Settlement Reallocation Request against the submission criteria set out in 3.1.2 upon receipt of the request. If valid go to step SR1.3 and if invalid go to step SR1.4	On submission	-	Market Operator		
SR1.3	Record as a Settlement Reallocation Agreement and submit notification confirming the validity of the submission is issued to the Debited Participant. Go to step SR1.5	On submission	Type 2 Channel /Type 3 Channel	Market Operator	Debited Participant	
SR1.4	.A notification confirming the invalidity of the submission is issued to the Debited Participant	On submission	Type 2 Channel /Type 3 Channel	Market Operator	Debited Participant	
SR1.5	Receive notification of submission, detailing results of validity check	On submission	-	Participant		

3.1.4. Process Flow (‘Swim-Lane’) Diagram

These swimlanes are provided as an illustration of the Procedural Steps. The Procedural Steps take precedence, in the event of conflict between the swimlanes and the Procedural Steps.



3.2. ASSESS ELIGIBILITY OF A SETTLEMENT REALLOCATION AGREEMENT

3.2.1. Overview

When a Settlement Reallocation Request has been correctly submitted, and is accepted by the MO, the Settlement Reallocation Agreement will be included in the invoicing process if it meets the eligibility criteria.

Participants will be notified of the Settlement Reallocation Agreement eligibility via the publication of the Settlement Reallocation reports which can be viewed on the MPI. This report will be published on completion of the Ex-Post Indicative Settlement Statement and Initial Settlement Statement for the final day of the Billing Period or Capacity Period.

3.2.2. Eligibility Criteria

The MO will assess the eligibility of a Settlement Reallocation Agreement for inclusion in an Invoice / Self Billing Invoice by assessing the agreement in accordance with the rules set out below.

Settlement Reallocation Agreements will be cancelled if:

- The Settlement Reallocation Agreement causes the Debited Participant to cover more than the Trading Payments or Capacity Payments that it expects to receive under the Code in respect of its Generator Units for that Settlement Period;
- The Settlement Reallocation Agreement causes the Debited Participant's Required Credit Cover to exceed its Posted Credit Cover;
- The Debited Participant has multiple Settlement Reallocation Agreements which in total causes the Debited Participant to exceed the Trading Payments or Capacity Payments, as applicable, due to that Participant in respect of its Generator Units for that Settlement Period. In this case, the Settlement Reallocation Agreements will be cancelled in the reverse order of receipt (i.e. – the most recently received being the first) until those remaining in total no longer exceed the Trading Payments or Capacity Payments due to that Participant in respect of its Generator Units for that Settlement Period;

3.3. CANCELLATION OF A SETTLEMENT REALLOCATION AGREEMENT

3.3.1. Overview

A Settlement Reallocation Agreement can be cancelled by the MO or by the Participants.

3.3.2. Cancellation by the Market Operator

3.3.2.1 Cancellation due to Default

If a Debited Participant associated with pending Settlement Reallocation Agreements is a Defaulting Participant, and that Debited Participant has Settlement Reallocation Agreements for which the submission was valid but have not yet been applied to an Invoice/Self Billing Invoice, the MO may cancel such Settlement Reallocation Agreements at any time.

If a Credited Participant associated with pending Settlement Reallocation Agreements is a Defaulting Participant, and that Credited Participant has Settlement Reallocation Agreements for which the submission was valid but have not yet been applied to an Invoice/Self Billing Invoice, such Settlement Reallocation Agreements will be applied as normal during the invoicing process, subject to the eligibility criteria set out in section 3.2.2. The obligation of the Debited Participant to meet the amounts of the Settlement Reallocation Agreement is not affected by the Default of the Credited Participant.

When the MO cancels a Settlement Reallocation Agreement, both Participants are informed by fax.

3.3.2.2 Cancellation due the Eligibility Criteria

Prior to invoicing, if the Market Operator determines that a Settlement Reallocation Agreement does not meet the Eligibility Criteria as set out in section 3.2.2, then the Market Operator may cancel the Settlement Reallocation Agreement.

When the MO cancels a Settlement Reallocation Agreement, both Participants are informed by fax.

3.3.3. Cancellation Request by the Participants

If Participants wish to cancel a Settlement Reallocation Agreement,

- Both Participants must lodge a request to cancel the Settlement Reallocation Agreement with the MO by fax and post. On receipt of the request from both Participants the Market Operator shall send an acknowledgement. The Market Operator shall not start the cancellation process until submission of this acknowledgement.
- The cancellation request must be made prior to 17:00 on the second Working Day after the end of the first Billing Period or Capacity Period to which the Settlement Reallocation Agreement relates. It must be noted that Participants will be able to post new Settlement Reallocation Requests after this time. Settlement Reallocation Agreements entered after the cancellation cut-off date cannot therefore be cancelled other than as a result of the circumstances set out in section 3.3.2.1
- The cancellation will be refused if the Credited Participant is, at the time of the proposed cancellation, in Default of any payment due under the Code
- If the cancellation of a Settlement Reallocation Agreement causes the Required Credit Cover of the Credited Participant to exceed their Posted Credit Cover, then that request to cancel the Settlement Reallocation Agreement by the Participants will not be authorised at this time. The reason for the refusal to cancel at this time shall be communicated to the Credited Participant.
- If the Credited Participant to this Settlement Reallocation Agreement is already subject to a Default as set out in section 3.3.2.1, then that request to cancel the Settlement Reallocation Agreement by the Participants will not be authorised.

- Authorisation of the request to cancel a Settlement Reallocation Agreement will only occur following the posting of sufficient Credit Cover such that removal of the Settlement Reallocation Agreement does not cause the Required Credit Cover of the Credited Participant to exceed their Posted Credit Cover.

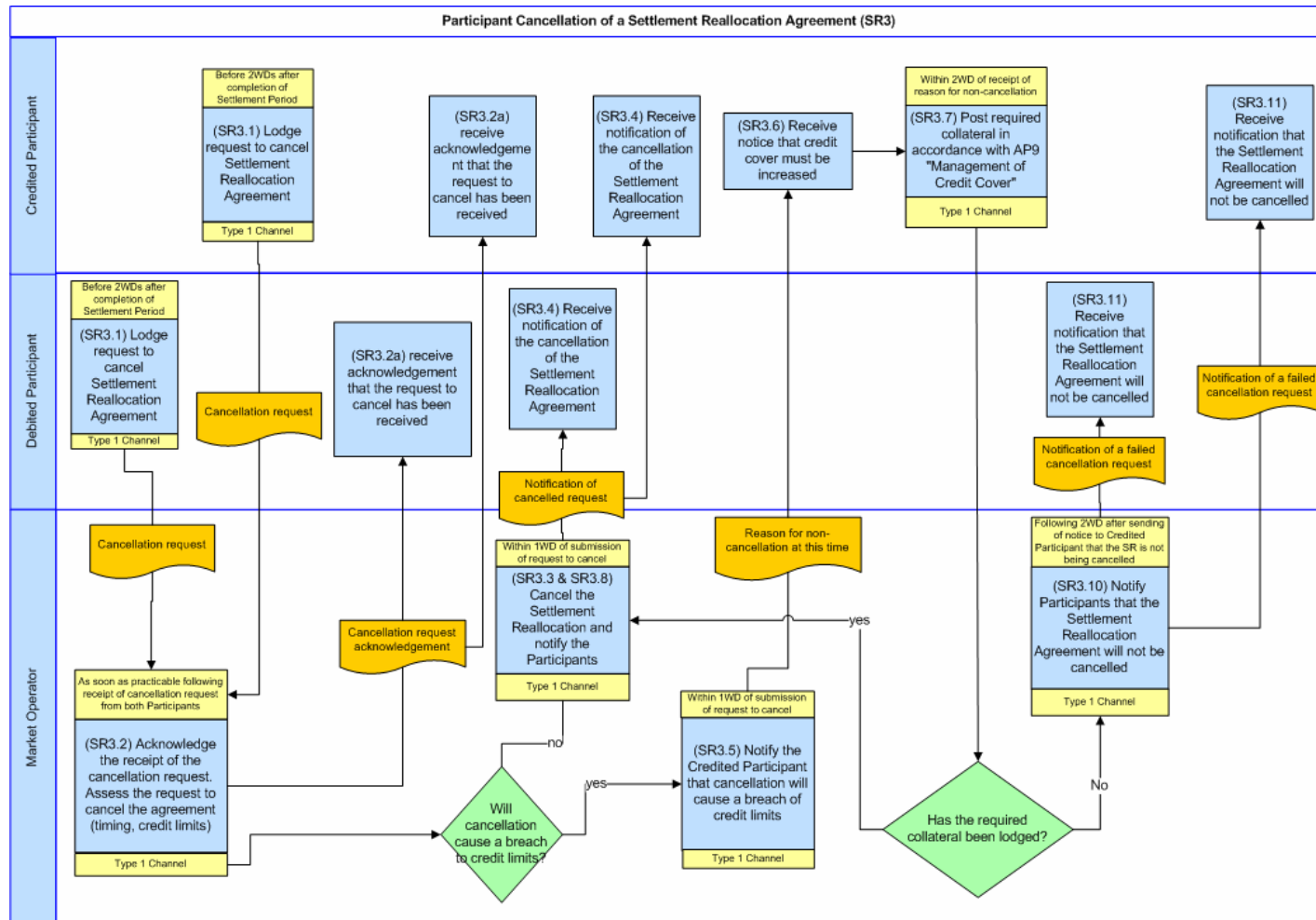
3.3.4. Procedural Steps

#	Procedural Step	Timing	Method	By/From	To	Linkage
SR3.1	Request the cancellation of Settlement Reallocation Agreement completing Part A of the Settlement Reallocation cancellation form	Before 2 WDs after the completion of the Settlement Period.	Type 1 Channel	Both Participants	Market Operator	
SR3.2	Assess the request to cancel the Settlement Reallocation Agreement. If request to cancel is approved go to SR3.2a otherwise go to SR3.5	On submission	-	Market Operator		
SR3.2a	Acknowledge receipt of cancellation request completing Part B of the Settlement Reallocation cancellation form	On receipt of both cancellation requests	Type 1 Channel	Market Operator	Debited Participant, Credited Participant	
SR3.3	Execute the cancellation of the Settlement Reallocation Agreement and notify Participants that Settlement Reallocation Agreement has been cancelled completing Part C of the Settlement Reallocation cancellation form.	Within 1 WD of submission	Type 1 Channel	Market Operator	Debited Participant, Credited Participant	
SR3.4	Receive notification of the cancellation of the Settlement Reallocation Agreement. End of Process.	Within 1 WD of submission	-	Debited Participant, Credited Participant		
SR3.5	If a cancellation of the Settlement Reallocation would cause the Required Credit Cover of the Credited Participant to breach their Posted Credit Cover then notify the Credited Participant that the cancellation cannot take place until sufficient Credit Cover has been posted.	After submission (on the same WD)	Type 1 Channel	Market Operator	Credited Participant	
SR3.6	Lodge additional Credit Cover, if required to do so or if there remains a requirement to cancel the Settlement Reallocation Agreement,	Refer to AP9 “Management of Credit Cover and Credit Default”				
SR3.7	If the Credited Participant lodges additional Credit Cover within 2 Working Days of receipt of the notification of a refusal to cancel the Settlement Reallocation, then go to SR3.8 otherwise go to SR3.9	Within 2 WDs of Credit Cover Increase Notice		Market Operator		

#	Procedural Step	Timing	Method	By/From	To	Linkage
SR3.8	Execute the cancellation of the Settlement Reallocation Agreement and notify Participants that Settlement Reallocation Agreement has been cancelled completing Part C of the Settlement Reallocation cancellation form. End of Process	Within 1 WD of increase in Posted Credit Cover	Type 1 Channel	Market Operator	Debited Participant, Credited Participant	
SR3.9	Notify both Participants that the Settlement Reallocation Agreement will not be cancelled	After 2 WDs of Credit Cover Increase Notice	Type 1 Channel	Market Operator	Debited Participant, Credited Participant	

3.3.5. Process Flow (‘Swim-Lane’) Diagram

These swimlanes are provided as an illustration of the Procedural Steps. The Procedural Steps take precedence, in the event of conflict between the swimlanes and the Procedural Steps.



4. APPENDIX 1 – DEFINITIONS AND ABBREVIATIONS

4.1. DEFINITIONS

Agreed Procedure	As defined in the Code
Billing Period	As defined in the Code
Capacity Payment	As defined in the Code
Capacity Period	As defined in the Code
Code	As defined in the Code
Communication Channel	As defined in the Code
Credit Cover	As defined in the Code
Credit Cover Increase Notice	As defined in Agreed Procedure 9 “Management of Credit Cover and Credit Default”
Credited Participant	As defined in the Code
Currency Cost	As defined in the Code
Debited Participant	As defined in the Code
Default	As defined in the Code
Defaulting Participant	As defined in the Code
Energy Payment	As defined in the Code
Euro	As defined in the Code
Ex-Post Indicative Settlement Statement	As defined in the Code
Initial Settlement Statement	As defined in the Code
Generator Unit	As defined in the Code
Invoice	As defined in the Code
Market Operator	As defined in the Code
Market Participant Interface	As defined in Agreed Procedure 1 “Participant and Unit Registration and Deregistration”
Participant	As defined in the Code
Posted Credit Cover	As defined in the Code“”
Regulatory Authorities	As defined in the Code
Required Credit Cover	As defined in the Code
Self Billing Invoice	As defined in the Code
Settlement	As defined in the Code

Settlement Period	As defined in the Code
Settlement Reallocation	As defined in the Code
Settlement Reallocation Agreement	As defined in the Code
Settlement Reallocation Amount	A monetary value based in the currency of the Debited Participant (either Euro, or Pounds Sterling) and defined for either Trading Payments or Capacity Payments
Settlement Reallocation Request	As defined in the Code
Single Electricity Market	As defined in the Code
Suspension	As defined in the Code
Termination Order	As defined in the Code
Trading Day	As defined in the Code
Trading Day Exchange Rate	As defined in the Code
Trading Payments	As defined in the Code
Trading Period	As defined in the Code
Type 1 Channel	As defined in the Code
Type 2 Channel	As defined in the Code
Type 3 Channel	As defined in the Code
Unit	As defined in the Code
Value Added Tax	As defined in the Code
Working Day	As defined in the Code

4.2. ABBREVIATIONS

SEM	Single Electricity Market
MO	Market Operator
VAT	Value Added Tax
WD	Working Day

5. APPENDIX 2 – SETTLEMENT REALLOCATION CANCELLATION FORM

Settlement Reallocation Cancellation Request Form

Part A – Request for Settlement Reallocation Cancellation

To be completed by each Participant on separate forms.

Participant Name (name of Participant sending cancellation notice):

Other Participant Name:

Agreement Name:

Reallocation Type:

Trading Date:

Trading Period:

Trading amount:

Signed:

Date:

Part B – Acknowledgement of Settlement Reallocation Request

To be completed by the Market Operator following receipt of a cancellation request received from both Debited Participant and Credited Participant.

Cancellation forms have been received from both Parties and assessment shall now be carried out to confirm cancellation

Signed:

Date:

Part C – Confirmation of Cancellation of the Settlement Reallocation Agreement

To be completed by the Market Operator following assessment that the criteria for cancellation are satisfied.

Cancellation of the Settlement Reallocation Agreement described in Part A of this form is now confirmed

Signed:

Date: