

22 August 2008

Our Ref: 37058

Trading and Settlement Code Modifications Committee
C/O Marie Therese Campbell
SEMO Modifications Committee Secretariat
1st Floor
No. 2 Hume Street
Dublin 2

**SEM Committee Decision for the Regulatory Authorities to Approve Mod_05_08
(Recommendation Report FRR_05_08)**

Dear Marie Therese,

On 16th June 2008, the Modifications Committee submitted its first Modification Recommendation Report with regard to a Proposed Modification, Mod_05_08 (Inclusion of Aggregated Generating Units in the SEM as Aggregated Generator Units) in accordance with paragraph 2.231 of the SEM Trading and Settlement Code (the Code).

Aggregated Generator Units in the SEM

This Modification, proposed by Virtutility Ltd., seeks to allow the participation of a Generator Unit in the SEM that is the aggregation of several Generators in different locations covered by different Connection Agreements, or where Connection Agreements do not exist where the Generators are not on contiguous sites and, in either case, where all the generators are at or below the De Minimis Threshold. This type of Generator Unit is analogous to the concept of the Aggregated Generating Unit, which already exists in the Grid Codes.

The Modification Proposal (AGU Mod) involves minor changes to the drafting of the Trading and Settlement Code (TSC) to alter the definitional restrictions (i.e. Trading Site, Generator Unit, and references to a single Connection Agreement or equivalent) that currently preclude this type of Aggregated Generator Unit from participation within the SEM. The significant issues that require resolution before an Aggregated Generator Unit (AGU) can successfully operate in the SEM are not in the Trading and Settlement Code rules, but concern licensing/governance requirements in both SEM jurisdictions and metering arrangements.

Licensing of Aggregated Generator Units

In the current absence of a requirement for the registrant of an AGU (i.e the “Generator Aggregator”) in either jurisdiction to be licensed in relation to the AGU, the SEM Committee has been considering the fundamental regulatory issue of how the Regulatory Authorities can enforce compliance by AGUs with the Grid Code, the Metering Code, the Trading and

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Settlement Code and the Bidding Code of Practice (BCOP). The lack of any legislative provision in either jurisdiction for this particular circumstance reflects the fact that when the legislation was originally introduced, the technology did not exist to allow for aggregation and therefore there was no such concept. In due course, the SEM Committee and appropriate Ministers/government departments will be addressing the statutory changes necessary to provide for the licensing of AGUs.

This small gap in the legislative framework of the SEM vis-à-vis Aggregated Generators will be dealt with on an interim basis through an agreement with the Regulatory Authorities outlined below.

Modification Drafting

The SEM Committee has the following comments to make on the drafting of the Final Recommendation Report:

Overall the Modification is drafted in accordance with TSC governance and modification requirements. However, the SEM Committee notes that the background material and modification report are presented in an unnecessarily cumbersome and complex manner. The Final Recommendation Report (FRR) failed to clearly identify the results of the consultation and impact assessments and set out the view of stakeholders at Modification meetings and a sub-group meeting.

Furthermore, the SEM Committee has identified several (minor) issues with the drafting of the modification proposal and determines that the following changes should be made:

1. **Definition of Aggregated Generator**

The reference in the Modification in this definition to Registered Capacity is inappropriate as it refers to Capacity of a Generator Unit, rather than that of each one of its Generators, as is the intent when referring to the Capacity of Generators constituting an AGU. Further, the references to a Contiguous Site in relation to Aggregated Generators are confusing and the drafting requires clarification here. The SEM Committee therefore considers the following drafting to be more appropriate:

“Aggregated Generator means a collection of Generators each with a capacity of no greater than 10MW, and each of which are either:

- a) on Generation Sites covered by more than one Connection Agreement; or
- b) where one or more of those Generator Sites which does not have a Connection Agreement and are not located on Contiguous Sites;

and which are defined as an Aggregated Generating Unit under the Grid Code”

2. Definition of a Generator Unit

The SEM Committee believes that the current drafting of the Modification which limits the registration of a Generation to “one of” the special units listed is not acceptable as this would prevent a Generator Unit from being both an AGU and a Wind Power Unit. The SEM Committee considers the following drafting more appropriate:

“**Generator Unit** means a Generator, and/or other item of Dispatchable plant, registered by a Participant, or which is the subject of an application for registration, under the Code. For the purposes of the Code, a Generator Unit may be, without limitation: an Aggregated Generator Unit, Autonomous Generator Unit, Demand Side Unit, Energy Limited Generator Unit, Hydro-electric Generator Unit, Interconnector Unit, Interconnector Error Unit, Interconnector Residual Capacity Unit, Netting Generator Unit, Pumped Storage Unit, Run-of-River Hydro Unit or Wind Power Unit”.

3. Definition of Maximum Export Capacity

The SEM Committee is of the view that the definition of Maximum Export Capacity as amended by the Modification should be clarified to read the following:

“**Maximum Export Capacity** means the maximum export capacity of a site in MW as defined under the site’s Connection Agreement or equivalent, or in the case of an Aggregated Generator, the Aggregated Maximum Export Capacity of all sites containing Generators that form part of the Aggregated Generator”

“**Aggregated Maximum Export Capacity** means as defined under the relevant Grid Code”

4. Regulatory Authorities consent to AGU Registration

As mentioned above, the SEM Committee considers it necessary to ensure compliance of the AGU with the suite of SEM documentation that the registrant of a Generator Unit under the TSC would ordinarily have to comply with. While the Regulatory Authorities and appropriate Ministers/government departments in Ireland and Northern Ireland examine the legislation changes required to provide for full licensing of AGUs in both jurisdictions, the SEM Committee determines that the Generator Aggregator shall enter into an agreement with the relevant Regulatory Authority before registration as a Generator Aggregator Unit under the TSC.

The following paragraphs shall be inserted into the TSC (and into Agreed Procedure 1) to provide for this:

“5.185 An Aggregated Generator may be registered as an Aggregated Generator Unit in accordance with the participation procedure in paragraphs 2.30-2.52 provided that:

1. The Generator Aggregator has obtained the prior consent of the Regulatory Authorities to the registration of the relevant Aggregated Generator Unit; and
2. The Generator Aggregator has entered into an agreement with the relevant Regulatory Authority, whereby the Generator Aggregator agrees to comply with the same obligations in relation to participation in the Single Electricity Market as a licensed generator would be required to comply with.

5.186 The Market Operator shall Deregister any Generator Unit that is an Aggregated Generator Unit where the relevant Regulatory Authority terminates the agreement entered into with the relevant Generator Aggregator pursuant to paragraph 5.185.2 following the failure by the relevant Generator Aggregator to remedy a breach of that agreement”.

Agreed Procedure 1

3.4.5 REGISTRATION OF AN AGGREGATED GENERATOR UNIT

“As set out under Paragraph 5.185 of the Code, a Generator Aggregator may register or procure the registration of an Aggregated Generator Unit, subject to the consent of the Regulatory Authorities and the Generator Aggregator entering into an agreement with the relevant Regulatory Authority whereby the Generator Aggregator agrees to comply with the same obligations in relation to participation in the Single Electricity Market as a licensed generator would be required to comply with.

The Generator Aggregator will provide proof of the Regulatory Authority consent with the Application Form to the Market Operator in step 3 of process 3.1.2 (Party accession), and again with the Registration Pack in step 3 of process 3.2.5 (Unit Registration). The Regulatory Authority consent notification will set out the details of when the agreement referred to in 5.185.2 will come into effect, being before the Effective Date for the Generator Aggregator Unit to commence operation in the SEM.

The Generator Aggregator shall, unless otherwise specified in the Code, follow the standard processes registering as a Party and registering Units”

It is important to note that these changes do not alter the substance of the modification proposal.

5. The Deregistration of an AGU due to removal of Generators.

The SEM Committee is of the view that a provision should be included in the Code which provides that the Market Operator shall automatically deregister an AGU when it comprises one or less Generators in order to ensure that an AGU is used for its intended purpose in the SEM, i.e. the aggregation of physically dispersed generation under one trading site. The SEM Committee has determined that following paragraph should be included in the Modification to the Code:

“5.187 The Market Operator shall Deregister any Generator Unit that is an Aggregated Generator Unit where that Unit comprises less than two Generators”

Again, it is important to note that these changes do not alter the substance of the modification proposal.

General Comments

The SEM Committee, in considering this Modification at its meeting of 29 July 2008, expressed disappointment that the Modification was not legally robust in its drafting and directs the Modifications Committee to have, where appropriate, Modification Recommendation Reports legally reviewed before any future submissions to the Regulatory Authorities/SEM Committee.

SEM Committee Decision

The SEM Committee notes that the Modifications Committee agreed unanimously to recommend to the Regulatory Authorities that this modification should be made and that the Implementation Date should be one working day after the decision of the Regulatory Authorities if that decision is made after 24th April 2008. The Modification does not stipulate whether it should be implemented on a Settlement or a Trading Day basis.

Considering the above, and in accordance with paragraph 2.218 of the Code, the SEM Committee decides that a modification be made in accordance with the Final Recommendation Report of the Modifications Committee (FRR_05_08) with the exception of the drafting changes as set out above. The RAs therefore direct that the modification as set out in FRR_05_08 be made on a Settlement Day basis with effect from 25 August 2008.

Yours sincerely,

David Naughton
Manager – Wholesale Electricity Market