

MODIFICATION PROPOSAL FORM			
Proposer (Company)	Date of receipt (assigned by Secretariat)	Type of Proposal (delete as appropriate)	Modification Proposal ID (assigned by Secretariat)
SEMO	16 January 2019	Urgent	CMC_02_19
Contact Details for Modification Proposal Originator			
Name	Telephone number	Email address	
Patricia Brankin		Patricia.Brankin@sem-o.com	
Modification Proposal Title			
Introduction of Negative Interest on credit balances held with the SEM Bank in the name of EirGrid Plc and SONI Ltd t/a SEMO, EirGrid and SONI as System Operators			
Documents affected (delete as appropriate)	Section(s) Affected	Version number of T&SC or AP used in Drafting	
Capacity Market Code Part C	Section B.7.2.1 & J 3.3.2 (d)	Part C June 2017	
Explanation of Proposed Change (mandatory by originator)			
<p>Negative interest rates have been a feature of the Irish Euro market since the ECB introduced negative interest in June 2014. Most banks are now charging negative interest rates in respect of Euro deposits. Danske, as the SEM Bank, has not charged negative interest to date on (i) market funds held by SEMO on behalf of the market and (ii) collateral accounts on behalf of market participants.</p> <p>The TSC currently only allows for positive interest to be applied. This inability by the SEM Bank to charge negative interest rates has had a significant financial impact on the SEM Bank in terms of its return on providing SEM Bank services.</p> <p>As result it is proposed to allow for the application of negative interest to be applied to all credit balances held with the SEM in the name of EirGrid Plc and SONI Ltd t/a SEMO, EirGrid and SONI as System Operators which would be in line with the ECB practices who introduced negative interest since June 2014.</p> <p>The SEM Bank services will be going out for tender in early 2019 and this matter will be specifically addressed within that tender scope.</p>			
Legal Drafting Change (Clearly show proposed code change using tracked changes, if proposer fails to identify changes, please indicate best estimate of potential changes)			
<p>Capacity Code</p> <p>J.3.3.2 If a Participant elects to provide a cash deposit as, or as part of, its Performance-Security, then the Participant shall:</p> <p>a) the Participant shall instruct the System Operators to establish and maintain a Reserve Account with the SEM Bank in either Ireland or the United Kingdom according to where the relevant Capacity Market Unit is located;</p> <p>b) the Reserve Account shall be in the sole name of the System Operators with the designation "Reserve Account relating to [Insert Participant Details]";</p>			

c) the Participant and the System Operators shall irrevocably instruct the SEM Bank to make payment against the sole instruction of the System Operators in accordance with this Code and the Bank Mandate. This Code shall take precedence over the Bank Mandate;

d) ~~at~~ the Reserve Account shall be an interest-bearing account, and any interest, which can be a negative or positive amount, ~~-shall be paid~~ credited to or debited from ~~into~~ the account accordingly;

Glossary

Reserve Assets	means the aggregate of: <ul style="list-style-type: none"> (a) amounts from time to time credited to the Reserve Account; (b) amounts which any Participant, where applicable, is from time to time obliged to pay to the credit of their respective Reserve Account; and (c) interest receivable and or payable on the Reserve Account(s).
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Modification Proposal Justification *(Clearly state the reason for the Modification)*

Deposits held by Danske accrue interest at ECB rates – these reference rates have been negative since June 2014 and at -0.4% since March 2016. Danske as the SEM bank has not applied these negative rates to SEM deposits to date.

This change would reflect current banking practice for the SEM Bank.

Code Objectives Furthered *(State the Code Objectives the Proposal furthers, see Section 1.3 of T&SC for Code Objectives)*

- (a) to facilitate the efficient discharge by EirGrid and SONI of the obligations imposed by their respective Transmission System Operator Licences in relation to the Capacity Market;

Implication of not implementing the Modification Proposal *(State the possible outcomes should the Modification Proposal not be implemented)*

The TSC currently only allows for positive interest to be applied. This inability of the SEM Bank to charge negative interest rates has had a significant financial impact on the SEM Bank in terms of its return on providing SEM Bank services.

Working Group <i>(State if Working Group considered necessary to develop proposal)</i>	Impacts <i>(Indicate the impacts on systems, resources, processes and/or procedures; also indicate impacts on any other Market Code such as Capacity Marker Code, Grid Code, Exchange Rules etc.)</i>
Please return this form to Secretariat by email to capacitymodifications@sem-o.com.	

Notes on completing Modification Proposal Form:

1. If a person submits a Modification Proposal on behalf of another person, that person who proposes the material of the change should be identified on the Modification Proposal Form as the Modification Proposal Originator.
2. Any person raising a Modification Proposal shall ensure that their proposal is clear and substantiated with the appropriate detail including the way in which it furthers the Code Objectives to enable it to be fully considered by the Modifications Committee.
3. Each Modification Proposal will include a draft text of the proposed Modification to the Code unless, if raising a Provisional Modification Proposal whereby legal drafting text is not imperative.
4. For the purposes of this Modification Proposal Form, the following terms shall have the following meanings:

Agreed Procedure(s):	means the detailed procedures to be followed by Parties in performing their obligations and functions under the Code as listed in either Part A or Part B Appendix D "List of Agreed Procedures". The Proposer will need to specify whether the Agreed Procedure to modify refers to Part A, Part B or both.
T&SC / Code:	means the Trading and Settlement Code for the Single Electricity Market. The Proposer will also need to specify whether all Part A, Part B, Part C of the Code or a subset of these, are affected by the proposed Modification;
Modification Proposal:	means the proposal to modify the Code as set out in the attached form
Derivative Work:	means any text or work which incorporates or contains all or part of the Modification Proposal or any adaptation, abridgement, expansion or other modification of the Modification Proposal

The terms "Market Operator", "Modifications Committee" and "Regulatory Authorities" shall have the meanings assigned to those terms in the Code.

In consideration for the right to submit, and have the Modification Proposal assessed in accordance with the terms of Section 2 of Part A or Chapter B of Part B of the Code (and Part A Agreed Procedure 12 or Part B Agreed Procedure 12) , which I have read and understand, I agree as follows:

1. I hereby grant a worldwide, perpetual, royalty-free, non-exclusive licence:
 - 1.1 to the Market Operator and the Regulatory Authorities to publish and/or distribute the Modification Proposal for free and unrestricted access;
 - 1.2 to the Regulatory Authorities, the Modifications Committee and each member of the Modifications Committee to amend, adapt, combine, abridge, expand or otherwise modify the Modification Proposal at their sole discretion for the purpose of developing the Modification Proposal in accordance with the Code;
 - 1.3 to the Market Operator and the Regulatory Authorities to incorporate the Modification Proposal into the Code;
 - 1.4 to all Parties to the Code and the Regulatory Authorities to use, reproduce and distribute the Modification Proposal, whether as part of the Code or otherwise, for any purpose arising out of or in connection with the Code.
2. The licences set out in clause 1 shall equally apply to any Derivative Works.
3. I hereby waive in favour of the Parties to the Code and the Regulatory Authorities any and all moral rights I may have arising out of or in connection with the Modification Proposal or any Derivative Works.
4. I hereby warrant that, except where expressly indicated otherwise, I am the owner of the copyright and any other intellectual property and proprietary rights in the Modification Proposal and, where not the owner, I have the requisite permissions to grant the rights set out in this form.
5. I hereby acknowledge that the Modification Proposal may be rejected by the Modifications Committee and/or the Regulatory Authorities and that there is no guarantee that my Modification Proposal will be incorporated into the Code.