



**Single Electricity Market  
(SEM)**

**Trading and Settlement Code Annual  
Operational Parameters for 2023**

**Decision Paper**

**SEM-22-077  
12 October 2022**

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## 1. Introduction

Under the terms of the SEM Trading and Settlement Code (TSC) Part B, the Regulatory Authorities (RAs) shall determine certain parameters proposed by the Market Operator (MO) and the TSOs, as applicable, in relation to the calculation and treatment of participants' Required Credit Cover and matters related to Imbalance Settlement.

In June 2022 therefore, the RAs requested SEMO to review the parameters utilised in the calculation of Required Credit Cover and of the Price Materiality Threshold.

On 3 August 2022, the RAs received reports from SEMO and the TSOs (SEM-22-049a and SEM-22-049b)<sup>1</sup> outlining their recommendations for the proposed values for the parameters referred to above. The RAs subsequently published a consultation paper (SEM-22-049) on the 17 August 2022, requesting the view of market participants on SEMO's and the TSOs' recommendations.

The RAs received one response to the consultation paper (SEM-22-049) from Bord Gáis Energy (BGE). Having considered this response, this paper presents the RAs' decision in relation to the operational parameters consulted on, and is structured as follows:

**Section 2:** identifies the Credit Cover parameters that were reviewed by SEMO, summarises the stakeholder response to the consultation and details the SEM Committee decision on the 2023 values for these parameters.

**Section 3:** identifies the SEM Price Materiality Threshold parameter that was reviewed by SEMO, summarises the stakeholder response to the consultation and details the SEM Committee decision on the 2023 value for this.

**Section 4:** outlines next steps.

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<sup>1</sup> SEM-22-049a was SEMO's Recommendation Report on Credit Cover Parameters; SEM-22-049b was SEMO's Recommendation Report on the SEM Price Materiality Threshold

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## 2. Parameters for the Determination of Required Credit Cover

### 2.1 Overview

The following Credit Cover parameters and their associated values were reviewed by SEMO for 2023:

- I. Fixed Credit Requirement.
- II. Historical Assessment Period.
- III. Analysis Percentile Parameter.
- IV. Credit Cover Adjustment Trigger.
- V. Level of Warning Limit.
- VI. Level of Breach Limit.

### 2.2 Fixed Credit Requirement

This parameter set out the Fixed Credit Requirement that must be in place for each registered Generator Unit and Supplier Unit. Table 2.1 below sets out the current values and SEMO's proposed values for 2023.

Parameter	Current SEM Value	SEMO's Proposed Value for 2023
Fixed Credit Requirement for Generator Units	€5,000	€5,000
Fixed Credit Requirement for Supplier Units	Based on a rate of €8.77/MWh of average daily demand subject to a minimum value of €1,000 and a maximum of €15,000	Based on a rate of €8.77/MWh of average daily demand subject to a minimum value of €1,000 and a maximum of €15,000

*Table 2.1: Proposed Values for Fixed Credit Requirements*

#### Respondent's Comments & SEM Committee Decision

The respondent agreed with the proposal to make no change to any of the credit cover parameters consulted on, based on their view that operational experience to date demonstrates that these values are sufficient to cover typical payment requirements without being overly burdensome on market participants. As RAs did not receive any objections to the values proposed above, the SEM Committee has decided that the Fixed Credit Requirements for Generator Units and for Supplier Units will remain unchanged for 2023.

### 2.3 Historical Assessment Period

The Historical Assessment Period (DINHAP) is the number of Settlement Days prior to the issue of the latest relevant Settlement Document over which a statistical analysis of a

Participant’s incurred liabilities shall be undertaken to support the forecasting of the future Undefined Potential Exposure for that Participant.

Table 2.3 below sets out the current and proposed value for the parameter related to Historical Assessment Period.

Parameter	Current SEM Value	SEMO’s Proposed Value for 2023
Number of days in the Historical Assessment Period (DINHAP)	100 Days	100 Days

*Table 2.3: Proposed Value for Historical Assessment Period*

Respondents’ Comments & SEM Committee Decision

Given that there were no objections raised to the proposed value, the SEM Committee has decided that this value shall remain unchanged for 2023.

**2.4 Analysis Percentile Parameter**

The Analysis Percentile Parameter (AnPP) is the z-score value taken from the standard normal distribution that determines the percentile confidence value that the Actual Exposure for each Participant, once determined, will fall below the estimate of the Undefined Potential Exposure. In application, the AnPP is a multiplier used in the calculation of undefined exposures for all units and the Credit Assessment Price. The Credit Assessment Price is equal to the mean value of imbalance settlement prices over a period, plus the AnPP multiplied by the standard deviation of imbalance prices over the same period.

Table 2.4 below sets out the current and proposed value for the parameter related to Analysis Percentile Parameter.

Parameter	Current SEM Value	SEMO’s Proposed Value for 2023
Analysis Percentile Parameter	1.645	1.645

*Table 2.4: Proposed Value for Analysis Percentile Parameter*

Respondents’ Comments & SEM Committee Decision

No objections were raised by participants to the proposed value of the Analysis Percentile Parameter, therefore, the SEM Committee has decided that the value of this parameter shall be set at 1.645 for 2023.

## 2.5 Credit Cover Adjustment Trigger

The Credit Cover Adjustment Trigger is the expected percentage change in future generation or demand which leads a participant to report to SEMO that it should become an Adjusted Participant rather than a Standard Participant and have its Credit Cover requirements calculated from its forecasts of future demand or generation, rather than analysis of historical data.

Table 2.5 below sets out the current and proposed value for the parameter related to Credit Cover Adjustment Trigger.

Parameter	Current SEM Value	SEMO's Proposed Value for 2023
Credit Cover Adjustment Trigger	30%	30%

*Table 2.5: Proposed Value for Credit Cover Adjustment Trigger*

### Respondents' Comments & SEM Committee Decision

Given that there are no objections to the proposed value, the SEM Committee has decided that this value shall remain unchanged for 2023.

## 2.6 Level of Warning Limit

The Level of the Warning Limit parameter is used to notify participants that they are above an identified ratio in relation to their required credit cover. If the ratio of a Participant's Required Credit Cover to its Posted Credit Cover exceeds the value of this parameter a Warning Notice will be sent to the Participant.

Table 2.6 below sets out the current and proposed value for the parameter related to Warning Limit.

Parameter	Current SEM Value	SEMO's Proposed Value for 2023
Level of the Warning Limit	80%	80%

*Table 2.6: Proposed Value for Level of Warning Limit*

### Respondents' Comments & SEM Committee Decision

The SEM Committee has decided that, given that there are no objections to the proposed value, this value shall remain unchanged for 2023.

## 2.7 Level of Breach Limit

The Level of the Breach Limit parameter is used to notify participants that they are above an identified ratio in relation to their required credit cover. If the ratio of a Participant's Required Credit Cover to its Posted Credit Cover exceeds this value a Credit Cover Increase Notice is issued, which will require remedy by the Participant, including by posting additional Credit Cover.

Table 2.7 below sets out the current and proposed value for the parameter related to Breach Limit.

Parameter	Current SEM Value	SEMO's Proposed Value for 2023
Level of the Breach Limit	100%	100%

Table 2.7: Proposed Value for Level of Breach Limit

### Respondents' Comments & SEM Committee Decision

The SEM Committee has decided that, given that there are no objections to the proposed value, this value shall remain unchanged for 2023.

## 2.8 Summary of SEM Committee Decisions

A summary of the decisions made by the SEM Committee in relation to the parameters relating to Credit Cover requirements are summarised in Table 2.8 below.

Parameter	Current SEM Value	SEMO's Proposed Value for 2023	SEM Committee Decision for 2023
Fixed Credit Cover Requirement for Generator Units	€5,000	€5,000	<b>€5,000</b>
Fixed Credit Cover Requirement for Supplier Units	Based on a rate of €8.77/MWh of average daily demand subject to a minimum value of €1,000 and a maximum of €15,000	Based on a rate of €8.77/MWh of average daily demand subject to a minimum value of €1,000 and a maximum of €15,000	<b>Based on a rate of €8.77/MWh of average daily demand subject to a minimum value of €1,000 and a maximum of €15,000</b>
Historical Assessment Period	100 Days	100 Days	<b>100 Days</b>
Analysis Percentile Parameter	1.645	1.645	<b>1.645</b>

Credit Cover Adjustment Trigger	30%	30%	<b>30%</b>
Warning Limit	80%	80%	<b>80%</b>
Breach Limit	100%	100%	<b>100%</b>

*Table 2.8: Summary of Credit Cover Parameter values for 2023*

### 3. SEM Price Materiality Threshold

#### 3.1 Overview

The Price Materiality Threshold refers to the threshold, approved from time to time by the Regulatory Authorities under paragraph B.19.3.1(b) of the TSC, which is applied in the event of a Pricing Dispute or where a manifest error is identified by the Market Operator for the purpose of Repricing. The Price Materiality Threshold tests when a change to input data as a result of an upheld dispute causes a change in the price greater than the threshold. If the Price Materiality Threshold is exceeded, the price is recalculated and included in a Settlement re-run. Table 4.1 below sets out the current and proposed value of the Price Materiality Threshold.

Parameter	Current SEM Value	SEMO's Proposed Value for 2023	SEM Committee Decision for 2023
SEM Price Materiality Threshold	5%	5%	<b>5%</b>

*Table 4.1: Proposed value for SEM Price Materiality Threshold*

#### Respondent's Comments & SEM Committee Decision

The respondent agreed with the proposal to maintain the price materiality threshold at a value of (at least) 5%, in order to reduce any unnecessary complexity with the repricing process and to avoid excessive re-pricing occurring at a time of increased market volatility. The SEM Committee has therefore decided that the current value should be retained for 2023.

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## 4. Next Steps

These parameters will apply from 1 January 2023 until 31 December 2023. A consultation will be carried out in 2023 to determine the values to apply from January 2024, as required. The Trading and Settlement Code provides for the RAs amending the values of parameters where necessary outside the normal parameter-setting process. While this would only arise in exceptional circumstances, the RAs have an obligation to balance regulatory certainty with ensuring that no unnecessary consumer harm arises. On this basis, the RAs will keep all parameters under observation and may propose changes in the interim, if necessary, via consultation.