

SEMOPX MODIFICATION PROPOSAL FORM			
Proposer (Company)	Date of receipt (assigned by Secretariat)	Type of Proposal (delete as appropriate)	Modification Proposal ID (assigned by Secretariat)
SEMOPx	23 <sup>rd</sup> April 2024	Standard	SPX_02_24
Contact Details for Modification Proposal Originator			
Name	Telephone number	Email address	
John Rooney		John.Rooney@soni.ltd.uk	
Modification Proposal Title			
Removal of the Second Auction Process			
Documents affected (delete as appropriate)	Section(s) Affected	Version number of SEMOPx Rules or Operating Procedure used in Drafting	
SEMOPx Rules	F.3.1.2 (e)	Version 8.0	
SEMOPx Operating Procedures	B.2.3, E.1.3.3 and Appendix A, Schedule A:1		
Explanation of Proposed Change (mandatory by originator)			
<p>Please see details in the “Modification Proposal Justification” section of the proposal form for the rationale for this change.</p> <p>This modification proposes to update the SEMOPx Operating Procedures to reflect the removal of the Second Auction Process in the Day Ahead auction. This has been agreed in the All NEMO Day Ahead Steering Committee. It will be the responsibility of the ANDOA OPSCOM to ensure these changes are implemented in SDAC, with all SDAC NEMOs aligning on this process change. The agreed SDAC NEMO SC changes will see the Second Auction process being removed.</p> <p>The updates are applied to the SEMOPx Rules and SEMOPx Operating Procedures. No updates to the SEMOPx Operating Procedures Glossary or SEMOPx Rules Glossary are seen as necessary.</p> <p>Target go-live date of the removal of the Second Auction Process is to be confirmed, but has been identified as November 2024.</p> <p>The changes in the SEMOPx Operating Procedure relate to Section B.2.3, E1.3.3 and Appendix A; Schedule A.1. The change in the SEMOPx Rules relates to Section F.3.1.2 (e).</p> <p>All text in <b>yellow</b> is to be removed from the SEMOPx Rules and Operating Procedures.</p>			
Legal Drafting Change (Clearly show proposed change to SEMOPx Rules (including Appendices and Operating Procedures) using <b>tracked</b> changes, if proposer fails to identify changes, please indicate best estimate of potential changes)			
<p><u>SEMOPx Rules:</u> F.3.1.2 (e)</p>			

- F.3.1.2 Under circumstances set out in paragraph F.3.1.1, SEMOpx may take such of the following measures as it considers appropriate to remedy the situation:
- (a) conduct a local auction for the Market Areas, without Market Coupling;
  - (b) suspend or cancel trading in respect of a Trading Period;
  - (c) postpone or modify the time at which the Order Book is closed or the outcome is published;
  - (d) authorise Exchange Members to place new Orders or to modify existing Orders, and if it does so, SEMOpx shall provide Exchange Members with a new closing time for the Order Book;
  - (e) conduct a second Auction in accordance with the Procedures;
  - (f) implement fall-back procedures in accordance with the Procedures;
  - (g) cancel one or more Orders or Transactions or an Auction; or
  - (h) take any other measure that it reasonably considers will most effectively mitigate the circumstances arising under paragraph F.3.1.1.

**SEMOpx Operating Procedures:**

**B.2.3:**

**B.2.3 Second Auction**

**B.2.3.1** If, in respect of a Day-ahead Auction, SEMOpx considers that

- (a) a coupled Region is subject to an Auction Curtailment; or
- (b) the Auction may result in an Auction Price that is equal to or lower than the applicable Minimum Price Threshold or equal to or higher than the applicable Maximum Price Threshold,

then SEMOpx shall cancel the Auction and conduct a second Auction in its place.

**B.2.3.2** Where SEMOpx decides to conduct a second Auction, SEMOpx will notify Exchange Members and reopen the relevant Order Book for 10 minutes. The notice to Exchange Members shall specify:

- (a) the time the Order Book will re-open; and
- (b) the Region(s) and Trading Periods affected.

**B.2.3.3** The reopening of an Order Book enables Exchange Members to take the following actions:

- (a) for the Trading Period(s) for which:
  - (i) the Auction may result in an Auction Price that is equal to or higher than the Maximum Price Threshold: Exchange Members may modify Orders so as to add sale volumes, remove purchase volumes or lower the prices; or
  - (ii) the Auction may result in an Auction Price that is equal to or lower than the Minimum Price Threshold: Exchange Members may modify Orders so as to add purchase volumes, remove sale volumes or increase the prices; and
- (b) for other Trading Periods: an Exchange Member may modify Orders only if at the same time it modifies Orders for the Trading Period(s) referred to in sub-paragraph (a).

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**B.2.3.4** A reference to modifying Orders in paragraph B.2.3.3 includes cancelling existing Orders and submitting new Orders.

**B.2.3.5** A second Auction under this section B.2.3 shall be conducted in accordance with this Chapter B, except that:

- (a) paragraph B.2.3.1 shall not apply in the case of the second Auction;
- (b) preliminary results and final results are published as soon as practicable after the second Auction; and
- (c) the final results of the second Auction will be substituted for those of the cancelled Auction.

**B.2.3.6** SEMOpx shall give a notice required under paragraph B.2.3.2 by way of a Market Notice sent by email in accordance with clause C.3.2 of the SEMOpx Rules.

**E.1.3.3:**

**E.1.3.3** Where paragraph E.1.3.2 applies and SEMOpx considers that the Auction may result in an Auction Price that is equal to or lower than the Minimum Price Threshold or equal to or higher than the Maximum Price Threshold, then SEMOpx shall not conduct a second Auction and section B.2.3 does not apply.

**Appendix A, Schedule A:1:**

<b>Minimum Price Threshold;</b> <b>Maximum Price Threshold</b> <b>(for a second Auction as</b> <b>described in section B.2.3)</b>	-500 Euro/MWh; 2,400 Euro/MWh
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**Modification Proposal Justification**  
*(Clearly state the reason for the Modification)*

This modification proposes to remove the Second Auction process in the Day Ahead auction.

In March 2023, an investigation into save time in the running of SDAC processes and fallback procedures was initiated by SDAC. This was driven by a need to identify time savings to support a possible required calculation time of 45 minutes (from the current specified time of 17 minutes) to allow implementation of 15 Minute MTU from early 2025. A number of proposals were identified to reduce the running time of the SDAC processes including: initiating PMB calculation time 5 minutes earlier, parallel approval of NEMOs and TSO results, changes to the partial decoupling methodology, and stopping the algorithm when a near optimal solution is found. Removal of the Second Auction processes was also included as part of the proposals.

The Second Auction process was incorporated into the SDAC processes as an opportunity for members to resubmit orders to try and remove high price events. It was seen as more relevant to heavily interconnected regions where a chance to revise offers in the interconnected regions was thought might allow the high price events to be mitigated. Where the Second Auction process is initiated, this can add between 90 – 120 minutes to the SDAC processing time (and the associated delay in the publication of market

Price events triggering the Second Auctions have occurred on 3/4/23, 18/4/23, 26/5/23, 27/5/23, 28/5/23 and 1/7/23. However in all instances, market clearing prices either remained unchanged, decreased very slightly or in some cases increased. Therefore, the overall impact on market prices due to the Second Auctions has been found to be limited at best and detrimental at worst.

As an example, during the Second Auction event on the 1/7/23, not only did the high price remain, but the Second Auction also triggered floor prices in 5 different countries.

Based on the lack of positive impact, as well as the increased risk of delay and potential decoupling that the Second Auction process may cause, a proposal was made by the SDAC to remove the Second Auction process.

Removal of the Second Auction will also ensure consistency with the soon to be implemented European Intraday Auctions which will not include Second Auction processes.

On a related note, on trade day 24/11/2023, an error occurred in the volumes submitted for a set of offers in the Nordic region which resulted in very low prices being calculated in several jurisdictions. Analysis by SDAC after the incident indicated that the Second Auction process did not, and would not capture and correct this issue.

Instead, as a result of the investigation, the SDAC members instructed all NEMOs to ensure that mitigation measures are in place locally to monitor any offer anomalies that could impact on prices. In addition, at SDAC a proposal has been tabled regarding a "Second Calculation" of the DAM auction which would allow for erroneous offers to be removed and the SDAC calculation run again. This is still under discussion.

For SEMOpX, our service provider already has a number of validations of the volumes and prices being submitted in offers and other changes in functionality are being considered including members being notified of submitted prices or volumes that exceed a set tolerance level.

**SEMOpX Objective and SEMOpX Principles Furthered**

*(State the SEMOpX Objective and Principles the Proposal furthers, see Section A.1.2 of the SEMOpX Rules for further details)*

The principles of the SEMOpx rules are:

**A.1.2.1** *These SEMOpx Rules are designed to facilitate achievement of the following objective (the “SEMOpx Objective”):*

- (a)** *That participation and trading in commercially viable and sustainable product offerings in the SEMOpx day-ahead and intraday markets meets the needs of current and prospective Exchange Members, and promotes the long-term interests of consumers.*

**A.1.2.2** *The SEMOpx Objective is supported by the following principles: that the SEMOpx Rules should:*

- (a)** *enable compliance with the regulatory requirements of the European Union, Ireland and Northern Ireland;*
- (b)** *promote competitive outcomes through provision of efficient and effective exchange services;*
- (c)** *conform with regional and European-wide arrangements for Market Coupling;*
- (d)** *be transparent, not unduly discriminatory, and promote market integrity and confidence;*
- (e)** *reflect the system design and capabilities and service provider arrangements;*
- (f)** *provide Exchange Members with opportunities to be consulted on changes to SEMOpx Rules and Procedures; and*
- (g)** *promote data security, integrity and confidentiality, being the “SEMOpx Principles”.*

This modification proposal furthers the SEMOpx Objective (a) and SEMOpx Principles (c), (d) and (e) above by ensuring:

- by implementing this modification, this ensures that participation and trading in commercially viable and sustainable product offerings in the SEMOpx day-ahead market will remain, with ongoing delays and risk of auction cancellation being removed
- conformity with regional and European-wide arrangements for Market Coupling to align with the removal of the Second Auction Process changes set out at SDAC level, ensuring that SEMOpx members receive the relevant communications in line with the expected timelines set out in the SEMOpx Operating Procedures
- this modification promotes confidence in the market and its outcomes by ensuring processes and fallback procedures are clearly define.
- the SEMOpx Rules and Operating Procedures reflect the removal of the Second Auction Process, in line with SDAC

#### **Implication of not implementing the Modification Proposal**

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

As this modification is being implemented by all NEMOs in SDAC, if the modification was not passed by SEMOpx, SEMOpx would pose an ongoing risk of a price event being triggered, resulting in delays to the SDAC auction for all jurisdictions. By not implementing this modification, SEMOpx would not be aligned with the agreed process change in SDAC.

#### **Impacts**

*(Indicate the impacts on systems, resources, processes and/or procedures; also indicate impacts on any other Market Code such as Trading and Settlement Code, Capacity Marker Code, Grid Code, Exchange Rules etc.)*

- The SEMOpx Rules and Operating Procedures requires an update (this modification). There is no foreseen update to the associated SEMOpx Rules Glossary or SEMOpx Operating Procedures Glossary.

- There is no impact on Exchange members systems as the removal of the Second Auction Process is related to the SDAC operating procedures. Exchange members will just need to be aware that the Second Auction Process is now unavailable.
- SEMOpx will be required to update internal and documentation detailing the removal of Second Auction Process.
- SEMOpx will be required to update participant training materials and website content detailing the removal of Second Auction Process.
- SEMOpx and its service providers will need to complete scenario testing and simulation testing with the removal of Second Auction Process..

***Please return this form to Secretariat by email to [exchangecommittee@semopx.com](mailto:exchangecommittee@semopx.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 SEMOpx Objective and Principles to enable it to be fully considered by the Exchange Committee.
3. Each Modification Proposal will include a draft text of the proposed Modification to the SEMOpx Rules.
4. For the purposes of this Modification Proposal Form, the following terms shall have the following meanings:

**Modification Proposal:** means the proposal to modify the SEMOpx Rules and / or Operating Procedures 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

**SEMOpx:** has the meaning assigned to it in the glossary to the SEMOpx Rules

**SEMOpx Rules:** means the rules, including the Appendices and Procedures, as amended from time to time or otherwise modified in accordance with those SEMOpx rules.

**SEMOpx Exchange Committee or "the Exchange Committee":** has the meaning assigned to it in SEMOpx Rules.

**Regulatory Authorities:** has the meaning assigned to it in the SEMOpx Rules.

In consideration for the right to submit, and have the Modification Proposal assessed in accordance with the SEMOpx Rules and Exchange Committee Procedures 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 SEMOpx and the Regulatory Authorities to publish and/or distribute the Modification Proposal for free and unrestricted access;
  - 1.2 to the Regulatory Authorities, the SEMOpx Exchange Committee and each member of the Exchange 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 SEMOpx Rules;
  - 1.3 to SEMOpx and the Regulatory Authorities to incorporate the Modification Proposal into the SEMOpx Rules;
  - 1.4 to all Parties to the SEMOpx Rules and the Regulatory Authorities to use, reproduce and distribute the Modification Proposal, whether as part of the SEMOpx Rules or otherwise, for any purpose arising out of or in connection with the SEMOpx Rules.
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 SEMOpx Rules 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 not be supported by the Exchange Committee, may be rejected by SEMOpx and / or the Regulatory Authorities and that there is no guarantee that my Modification Proposal will be incorporated into the SEMOpx Rules.