

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	7 <sup>th</sup> April 2020	Standard	SPX_03_20
Contact Details for Modification Proposal Originator			
Name	Telephone number	Email address	
Nigel Thomson		nigel.thomson@semopx.com	
Modification Proposal Title			
Inclusion of Complex Orders in Intraday Auctions			
Documents affected (delete as appropriate)	Section(s) Affected	Version number of SEMOpX Rules or Operating Procedure used in Drafting	
SEMOpX Operating Procedure and SEMOpX Operating Procedure Glossary	Section A.4.1.6, C.1.2, C.1.4, C.2 and Schedule A.3 Glossary Terms	Version 2.0	
Explanation of Proposed Change (mandatory by originator)			
<p>This modification proposes to include complex orders into the three intraday auctions (IDA1, IDA2 and IDA3) operated as part of the SEM Ex-Ante market trading arrangements, in a similar manner to how complex orders are available in the Day-Ahead Auction (DAM)</p> <p>To achieve this, updates to the SEMOpX Operating Procedures and SEMOpX Operating Procedure Glossary are required. The updates are limited to the operating procedure. No updates to the main SEMOpX Rules document are seen as necessary.</p> <p>A brief summary of the SEMOpX Operating Procedure changes is provided below:</p> <p><u>SEMOpX Operating Procedure</u></p> <p>A.4.1.6 – mention of intraday auctions as well as day-ahead auctions when specifying complex orders as a product</p> <p>C.1.2 – inclusion of complex orders into intraday auction products and references to conditions in appendices</p> <p>C.1.4 – inclusion of section describing complex orders in the intraday auctions (similar to what exists for the day-ahead auctions in section C.1.3)</p> <p>C.2 – updates to include complex orders in the rules for matching of orders in intraday auctions (similar to what exists for the day-ahead auctions)</p> <p>Schedule A.3 – inclusion of complex order under the product specification for intraday auctions and the relevant technical specifications (similar to what exists for the day-ahead auction)</p> <p><u>SEMOpX Operating Procedures Glossary</u></p> <p>Updates to the glossary terms for Complex Order, Load Gradient Condition, Minimum Income Condition, and Scheduled Stop Condition, to reference the association with the three intraday auctions as well as the day-ahead auction.</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>****Due to the extent of the changes and to ensure they are seen in context, the tracked changes have been made to a copy of the full SEMOpX Operating Procedures and the full SEMOpX Operating Procedures Glossary. Both documents are attached with changes tracked****</p>			

### SEMOpx Operating Procedure



SEMOpx Operating  
Procedures Glossary -

### SEMOpx Operating Procedures Glossary



SEMOpx Operating  
Procedures Glossary -

### **Modification Proposal Justification**

*(Clearly state the reason for the Modification)*

This modification proposes the incorporation of complex orders into the Intraday Auctions (IDA1, IDA2 and IDA3) in a similar manner to how complex orders are available in the Day-Ahead Auction (DAM)

Although wanted by members, it was not possible to include complex orders in the intraday auctions as part of the go-live of the I-SEM project. However, the I-SEM project did commit to including complex orders into the intraday auctions after I-SEM go-live. This intention was illustrated in the final agreement on implementation scope and costs related to the intraday auctions, with SEMOpx's service provider agreeing to implement complex orders into the intraday auctions at a point after I-SEM go-live without the SEM incurring any additional service provider implementation costs.

Since I-SEM go-live SEMOpx have continued to pursue the inclusion of the complex orders in the intraday auctions and currently have tentative timelines for inclusion of this product toward the end of Q2 2020. The implementation planning and resourcing for this is currently in progress. Hence, going ahead with this product addition would effectively realise the benefits that have already been paid for through the I-SEM project.

As outlined in a paper prepared by SEMOpx on potential product enhancements in February 2020, and through input from members in SEMOpx user groups, the inclusion of complex orders in intraday auctions has been identified as a one of a number of priority product enhancements for the SEM Ex-Ante markets.

The following benefits are envisaged in incorporating complex orders into the intraday auctions:

- From discussions with members, providing complex orders in the intraday auctions would allow market involvement, by conventional plant that were not scheduled in the day-ahead auction, to submit offers into the intraday auctions while minimising potential financial risks that occur with simple bids. This could in turn improve liquidity in these intraday auctions as plant that are currently not participating in these market timeframes may now have the opportunity to do so.
- At present, 7 members bid using complex orders in the day-ahead market for approximately 28 units per day, accounting for over 40% of total day-ahead auction volumes. Approximately 14 units per day are not scheduled in the DAM and therefore would potentially use complex orders in the IDAs to provide capacity in subsequent auctions.
- The availability of complex orders would also allow less risk adverse pricing of conventional plant in the intraday auctions leading to potentially more efficient outcomes from the auction as these conventional plant would be able to better distribute fixed or variable costs over the duration of scheduling and avoid the need for simple offers to have prices that are reflective of the risks of insufficient cost recovery.
- In the conclusions from the Euphemia Trials it was recommended either complex orders only, or a combination of complex orders and blocks be included in auctions<sup>1</sup>. This was based on findings that where liquidity was low block orders tended to provide erratic pricing outcomes. Complex orders in

<sup>1</sup> APX Power B.V., EirGrid plc. and SONI Ltd, [I-SEM Trialling of EUPHEMIA: Commercial Report](#), 2019, p. 77.

comparison (due to their characteristic of containing simple type bids) did not have the same issue. This indicates that inclusion of complex orders only into the intraday auctions would pose less potential risk to the continued orderly formation of prices.

- Inclusion of complex orders in the intraday auctions also provides future proofing for a hard Brexit scenario should either the DAM not be able to function under the changed legal conditions or day-ahead interconnection is not possible, and liquidity moves to the IDA1. Additionally, should both the Single Day-Ahead Coupling (SDAC) and the local DAM fail to complete then IDA1 would be the fall back. Having complex orders available would enable conventional plant that utilise this product type in the DAM to submit similar types of offers to the intraday auctions and minimise potential financial risks which would exist if only simple bids were available.

#### **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 objective of the SEMOpX rules is:

#### **“A.1.2 Objective and principles**

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

- 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. “*

This modification proposal furthers the SEMOpX Objective by helping participants to trade in commercial viable and sustainable product offerings (complex orders) in the intraday markets that meet the needs of current and prospective Exchange Members. It also promotes the long-term interests of consumers by facilitating more efficient market outcomes.

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

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

If this modification is not implemented, trading options will be lost for some ex-ante market traders reducing the range of orders available for the intraday markets and reducing the potential liquidity that could be available in these intraday auctions. In turn leading to potentially less efficient market outcomes.

#### **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 Operating Procedure and Glossary will require update (this modification). There is no foreseen update to the associated SEMOpX rules as the changes are limited to the operating procedure.
- Ex-Ante market trading system (ETS) will require update and configuration.
- Exchange members wishing to utilise the complex orders in the Intraday Auctions will need to amend their APIs to incorporate complex order types (there are no changes to XML schemas though). The impact should be relatively limited as the submission will be similar to that used for complex orders in the day-ahead auctions – all-be-it on a ½ hr rather than 1 hour trading period basis.
- Exchange members may also need to update their procedures to incorporate submission of complex order types with via Type 2(ETS User Interface) or Type 3(API).
- Exchange members that do not utilise complex orders will have no impact on them as a result of this change.
- Simulation testing will be available prior to go-live to allow exchange members to test submission

systems.

- SEMOpx and its service providers will need to perform regression testing and simulation testing of the new order types.
- Some limited project costs may be incurred to cover testing activities. However the majority of the costs of implementation have already been included in the scope the SEMOpx service provider implementation through the I-SEM project.

Note: The effective date of this modification should align with the implementation of the functionality in the ETS systems.

***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.