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| **SEMOPX MODIFICATION PROPOSAL FORM** | | | | | |
| **Proposer**  *(Company)* | **Date of receipt**  *(assigned by Secretariat)* | | **Type of Proposal**  *(delete as appropriate)* | | **Modification Proposal ID**  *(assigned by Secretariat)* |
| **SSE** | **16 January 2020** | | **Standard** | | **SPX\_01\_20** |
| **Contact Details for Modification Proposal Originator** | | | | | |
| **Name** | | **Telephone number** | | **Email address** | |
| **Peter Grogan** | |  | | **Peter.Grogan@sse.com** | |
| **Modification Proposal Title** | | | | | |
| **Enable Block orders in the IDA auctions** | | | | | |
| **Documents affected**  *(delete as appropriate)* | | **Section(s) Affected** | | **Version number of SEMOpx Rules or Operating Procedure used in Drafting** | |
| **SEMOpx Rules/Operating Procedures** | |  | |  | |
| **Explanation of Proposed Change**  *(mandatory by originator)* | | | | | |
| As variable generation becomes an increasingly important part of the market, it becomes increasingly important to reoptimize plant against the most accurate and up-to-date information. The SEMOpx intraday auctions are designed to pool liquidity, but do not currently offer product types that allow participants to effectively manage units which have physical running constraints. We want to introduce Block orders and Profiled blocks into the IDA Auction. Block orders will allow participants to place buy or sell orders against generation unlike complex orders which are SELL only. | | | | | |
| **Legal Drafting Change**  *(Clearly show proposed change to SEMOpx Rules (including Appendices and Operating Procedures) using* ***tracked*** *changes, if proposer fails to identify changes, please indicate best estimate of potential changes)* | | | | | |
| Overview of Products  In each Intraday Auction, Exchange Members may submit Simple Orders or Block Orders as described in section C.1.3 and C1.X.  The conditions applicable to specific Product categories are set out in section C.1.3 and in Schedule A.3 of Appendix A.  Block Orders in Intraday Auctions  A Block Order in an intraday auction relates to more than one Trading Period and a specified Unit.  A Block Order shall stipulate: (a) whether it is a sell Order or a buy Order; (b) a single price limit, in euro/MWh or pounds sterling/MWh reflecting a minimum acceptable price for a sell Order, or a maximum acceptable price for a buy Order; (c) a number of specified Trading Periods; (d) the quantity in MWh specified for each Trading Period, which may be the same or different for each Trading Period; and (e) the Minimum Acceptance Ratio (MAR) – a value between 0 and 1 denoting the minimum allowable ratio of the total quantity which is accepted for the Block Order to the total quantity specified for the Block Order (a value of less than 1 indicates that partial acceptance of the Order is allowed).  A Block Order may be defined for specified consecutive or non-consecutive Trading Periods, with each Type covering a number of specific Trading Periods during a Trading Day, as defined in Schedule XX of Appendix X.  The price limit must not be lower than the Minimum Intraday Auction Price or higher than the Maximum Intraday Auction Price.  Rules for Matching Orders  The Algorithm determines the Auction Price, the aggregate Matched volumes and the net positions of each Region in the coupling.  In determining the outcomes set out in paragraph C.2.2.1 the following principles must be satisfied for each coupled Region:   * + - * 1. the coupled market price on the import side of an interconnector shall be higher than or equal to the coupled market price on the export side of the interconnector; and         2. when the export or import is less than the cross-zonal capacity nominated by or on behalf of the relevant Market Coupling Facilitator, the coupled market price on the import side of an interconnector shall be equal to the coupled market price on the export side of the interconnector without losses.   Upon receipt of the results of an Intraday Auction from the Coupling Operator as described in paragraph C.2.2.1, SEMOpx shall Match Orders according to the following rules:   * + - * 1. SEMOpx shall assess Simple Orders for Matching independently for each individual Trading Period;         2. any Simple Sell Order with a specified price that is less than the Auction Price (ie, in merit) shall be fully accepted;         3. any Simple Sell Order with a specified price that is greater than the Auction Price (ie, out of merit) shall be rejected;         4. any Simple Buy Order with a specified price that is greater than the Auction Price (ie, in merit) shall be fully accepted;         5. any Simple Buy Order with a specified price that is less than the Auction Price (ie, out of merit) shall be rejected; and         6. Orders at the Auction Price (ie, marginal) may be either accepted (fully or partially) or rejected. Where two or more Orders are at the Auction Price, volumes shall be allocated to each of the relevant Units evenly, to the extent practicable.         7. Block Orders may be accepted, not accepted, or partially accepted. Any acceptance of a Block Order will be for a ratio of the total offered volume greater than or equal to the MAR.   SEMOpx Trading Systems shall:   * + - * 1. first, calculate the quantities bought and sold by Exchange Members for each Unit by linear interpolation at the non-rounded price determined by the Auction;         2. then, round:   the price to three decimal places; and  quantities bought and sold by Exchange Members for each Unit to the nearest 0.1 MW; and   * + - * 1. then, in the event that the operation of these rounding rules results in a difference between quantities bought and quantities sold, reallocate the residual quantities to those Exchange Members whose sale or purchase quantities have been so rounded, by successive allocations of 0.1 MW. | | | | | |
| **Modification Proposal Justification**  *(Clearly state the reason for the Modification)* | | | | | |
| At the moment there is no order type which allows participants to effectively manage thermal assets in the IDA Auctions. Block orders would allow participants to place buy and sell orders against thermal power stations. This will allow participants to re-optimise committed DA positions (i.e. buy out of traded positions) while also offering to sell their assets into periods the asset is not scheduled. This will improve the ability to manage thermal assets in ISEM but also should improve liquidity in the IDA Auctions by unlocking volume from units that are subject to defined physical constraints  While we understand that Complex orders are on the roadmap for introduction into ID auctions, we think that block orders provide a better tool intraday:         Complex orders are Sell only and do not provide the same flexibility in terms of re-optimising power stations         Complex orders are less flexible in terms of offering and managing shape.         Block orders functionality exists in the ETS already, whereas complex order functionality needs to be developed  The proposal is to insert legal drafting in Section C of SEMOpx Operating Procedures to provide for Block orders.This modification will also entail inserting descriptions into the Schedule to define “predefined block orders”. | | | | | |
| **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)* | | | | | |
| This modification proposal furthers the SEMOpx Objective  *A1.2.1(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.*  (this change facilitates trading and participation in a commercially viable and sustainable manner. Allowing for optimisation of assets regardless of technology type by providing this provision for units with physical constraints, will ultimately ensure cost-efficient options for trading, which will have a positive impact on the long-terms interests of consumers).  This proposed modification furthers the following Principles:  A1.2.2   * + - * 1. promote competitive outcomes through provision of efficient and effective exchange services;         2. be transparent, not unduly discriminatory, and promote market integrity and confidence; | | | | | |
| **Implication of not implementing the Modification Proposal**  *(State the possible outcomes should the Modification Proposal not be implemented)* | | | | | |
| Under the current process, there is no order type which allows participants to effectively manage units with physical constraints in IDA auctions. The benefits expected from introducing the block order type would be through allowing participants to better optimise positions against units which have restrictions on physical operation (ramps, min on times etc) and lead to improved levels of liquidity. | | | | | |
| **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 modification as written simply enables a feature that is already present in the Intraday Continuous market – we do not foresee any knock-on impacts in other market areas. | | | | | |
| ***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. **to the SEMOpx and the Regulatory Authorities to publish and/or distribute the Modification Proposal for free and unrestricted access;**
  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;**
  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.**