

## **SEM Committee**

### **Transmission Loss-Adjustment in Commercial Offer Data**

#### **General Direction SEM-08-179**

The Market Monitoring Unit (MMU) has detected some confusion among market participants surrounding the inclusion of transmission loss adjustments (specifically TLAFs) in the formulation of Generator Unit Commercial Offer Data (COD).

Following this detection, the MMU carried out some research to establish the surrounding issues and subsequently obtained a decision from the SEM Committee (SEMC), around which this General Direction has been drafted.

The Grid Code stipulates the manner in which COD is to be referred to the Connection Point. The relevant clause is SDC 1.4.4.5. which states:

While the principles underpinning the commercial behaviour of generators are set out and governed by the regulatory licensing framework, and more specifically the BCOP, and not by the Grid Code, the MMU accept that this section of the Grid Code has the potential to give rise to confusion. The SEMC recognises that the wording of this clause could be construed to refer to two possible instructions:

1. The Quantity aspect of the COD should refer to the Connection Point.
2. All COD, including Quantity, Price, No-Load and Start-Up should refer to the Connection Point.

Hereafter these two interpretations are referred to as 'GC #1' and 'GC #2'.

Under the first interpretation (GC #1), the MW Quantities would be bid in with reference to the quantity of energy that can be delivered at the Connection Point, but treatment of the monetary data points (Price, No-Load and Start-Up) with regard to transmission losses are not explained by the clause.

Under the second interpretation GC #2, bidders would generally be expected to divide all monetary values (those elements of COD measured in Euros or Pounds or their per-unit equivalents) by their (best estimate of) the Generator's TLAf. The rationale here is that the price of delivering energy to the Trading Boundary is higher than that of delivering it to the Connection Point if the station has a TLAf below 1.0. The converse is true for Generators with TLAfs above 1.0, as the price at the Trading Boundary is lower than the price at the Connection Point. So again the same method of division by the relevant loss adjustor would apply.

The MMU sought advice from the System Operators (SOs) on the intent of this clause. The SOs advised that this would be expected to refer to the MW Quantity. It is the view

of the SEMC that if this is the intention, that in the first instance the phrase ‘All data items’ in the clause is misleading. Secondly, on this line of argument (interpretation GC#1) there then remains an open question as to whether the monetary data (everything other than Quantity) should or should not be TLAF adjusted using the division described above.

Additionally, the SEMC wishes to propose a clarifying amendment to Section SDC 1.4.4.5 of the Grid Code as drafted in Annex 2.

SDC1.4.4.5      **Commercial Offer Data**

- (a)      Each:
- **Generator;**
  - **Pumped Storage Generator;**
  - **Interconnector User;**
  - **Dispatchable Demand Customer; and**
  - **Generator Aggregator,**

shall in respect of:

- each of its **CDGUs;**
- each of its **Pumped Storage Plant Demand;**
- each of its **Interconnector Units;**
- each of its **Demand Side Units; and**
- its **Aggregated Generating Units,**

submit to the **TSO**, either directly or by means of an **Intermediary** on its behalf, **Commercial Offer Data** by **Gate Closure** for the following **Trading Day** in accordance with the **TSC**.

- (b)      Each **Generator** shall in respect of each of its **Energy Limited Generating Units** submit an **Energy Limit** as well as the **Commercial Offer Data** by **Gate Closure** for the following **Trading Day**.
- (c)      Each **Pumped Storage Plant** will, with respect to its **Pumped Storage Plant Demand**, submit its **Target Reservoir Level** by **Gate Closure** for the following **Trading Day**.

The **TSO** may require, by notice to the relevant **User**, the data referred to at SDC1.4.4.5 (a) to (c) to be submitted to it directly under the **Grid Code**. All ~~data items~~ **MW Quantities** submitted under this SDC1.4.4.5 are to be at levels of **MW Output** at the **Connection Point**.