



Single Electricity Market

(SEM)

Capacity Market Code Workshop 30

Decision Paper

**CMC_06_23: Outstanding Aspects of the Implementation of ARHL
De-Rating Factors**

SEM-24-002

10 January 2024

EXECUTIVE SUMMARY

The purpose of this decision paper is to set out the decision relating to a proposed modification to the Capacity Market Code (CMC). This was discussed at Workshop 30, held on 29 March 2023.

The decision(s) within this paper follow on from the associated consultation ([SEM-23-034](#)) which closed on 31 May 2023.

This paper considers the proposed modification that was presented at WS30 relating to:

- **CMC_06_23: Outstanding Aspects of the Implementation of ARHL De-Rating Factors**
This proposal sets out to complete the initial introduction of Annual Run-Hour Limited (ARHL) De-Rating Factors and the bring the clarification set out in SEM-23-034 into the CMC.

Eight responses were received to the Capacity Market Code Working Group 30 Modification Consultation Paper (SEM-23-034). One was marked as confidential.

Summary of Key Decisions

Following consideration of the proposal and the responses received to the consultation, the SEM Committee have decided:

Modification	Decision	Implementation Date
CMC_06_23: Outstanding Aspects of the Implementation of ARHL De-Rating Factors	Make a Modification	Effective on Publication

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1. OVERVIEW

1.1. BACKGROUND

1.1.1. The SEM CRM detailed design and auction process has been developed through a series of consultation and decision papers, all of which are available on the SEM Committee's (SEMC) website. These decisions were translated into legal drafting of the market rules via an extensive consultative process leading to the publication of the Trading and Settlement Code (TSC) and the Capacity Market Code (CMC). Updated versions of the CMC and the TSC are published on the SEMO website.

Process for modification of the CMC

1.1.2. Section B.12 of the CMC outlines the process used to modify the code. It sets out the processes for proposing, consideration, consultation and implementation or rejection of modifications to the CMC.

1.1.3. The purpose of the modifications process is to allow for modifications to the CMC to be proposed, considered and, if appropriate, implemented with a view to better facilitating code objectives as set out in Section A.1.2 of the CMC. (B.12.1.2).

1.1.4. Modifications to the CMC can be proposed and submitted by any person, (B.12.4.1), at any time. Unless the modification is urgent, modifications are subsequently discussed at a workshop held on a bi-monthly basis. Each workshop represents an opportunity for a modification proposer to present their proposal(s) and for this to be discussed by the workshop attendees.

1.1.5. For discussion at a workshop, Modification Proposals must be submitted to the System Operators at least 10 working days before a workshop meeting is due to take place. If a proposal is received less than 10 working days before a workshop and is not marked as urgent, it is deferred for discussion to the next workshop.

1.1.6. Following each workshop, and as per section B.12.5.6 of the CMC, the RAs are required to publish a timetable for the consideration, consultation and decision relating to the modification(s) proposed during a workshop.

1.1.7. If a proposal is received and deemed contrary to the Capacity Market Code Objectives or does not further any of those objectives, the Regulatory Authorities (RAs) will reject the proposal on the grounds of being spurious, as set out in section B.12.6 of the CMC.

1.1.8. If a proposed modification is deemed urgent by the RAs, CMC Section B.12.9.5 will become active and the RAs will determine the procedure and timetable to be followed in the assessment of the Modification Proposal. The CMC states that the procedure and timetable may vary from the normal processes set out in the code, allowing for the modification to be fast-tracked.

Process and Timeline for this Modification

- 1.1.9. On the 14 March 2023, the Regulatory Authorities submitted Modification Proposal CMC_06_23 under the terms of B.12.4 of the CMC. This was marked as Standard.
- 1.1.10. The RAs determined the procedure to apply to the Modification Proposal. An overview of the timetable is as follows:
- i. The System Operators convened Workshop 30 where the Modification Proposal was considered on 29 March 2023.
 - ii. The System Operators, as set out in B.12.7.1 (j) of the CMC, were to prepare a report of the discussions which took place at the workshop, provide the report to the RAs and publish it on the Modifications website promptly after the workshop.
 - iii. The RAs would consult on the Proposed Modifications with a response time of no less than 20 Working Days (as defined in the CMC), from the date of publication of the Consultation.
 - iv. As stated in B.12.11, the RAs will make their decision(s) as soon as reasonably practicable following conclusion of the consultation and will publish a report in respect of these.
- 1.1.11. The purpose of the decision paper is to set out the decision(s) relating to the Modification Proposals discussed during Workshop 30 to either:
- a) Make a Modification.
 - b) Not make a Modification; or
 - c) Undertake further consideration in relation to the matters raised in the Modifications Proposal.
- 1.1.12. This decision paper provides a summary of the consultation proposals and sets out the SEM Committee's decision(s).

1.2. RESPONSES RECEIVED TO CONSULTATION

- 1.2.1. This paper includes a summary of the responses made to Capacity Market Code Modifications Consultation Paper [SEM-23-034](#) which was published on the 26 April 2023.
- 1.2.2. A total of eight responses were received to consultation SEM-23-034 with one being marked confidential. The non-confidential respondents are listed below.
- Bord Gáis Energy (BGE)
 - Bord na Móna (BnM)

- DRAI
- EirGrid / SONI
- Energia
- ESB GT
- Kilshane

2. CMC_06_23 – OUTSTANDING ASPECTS OF THE IMPLEMENTATION OF ARHL DE-RATING FACTORS

2.1. CONSULTATION SUMMARY AS PRESENTED BY THE RAS

- 2.1.1. This proposal sets out to complete the initial introduction of Annual Run-Hour Limited (ARHL) De-Rating Factors and to bring the clarification set out in SEM-23_008 into the CMC.
- 2.1.2. As the initial code changes to allow implementation of ARHL De-Rating Factors were undertaken as an Urgent Modification, some of the changes that were not urgently required were de-scoped to allow for fuller consideration.
- 2.1.3. In particular, CMC_11_22 did not fully deal with FNAQ or Variation in Mix for AGUs. These were changes required to the determination of De-Rated Grid Code Commissioned Capacity in G.3.1.4A.
- 2.1.4. Failure to implement this modification proposal would result in failure to comply with a SEM Committee Decision and an incomplete drafting of the CMC.

2.2. RESPONSES

- 2.2.1. The majority of responses received supported the proposed modification and its intention to complete the process of implementing the ARHL De-Rating factors.
- 2.2.2. In their submission, EirGrid/SONI pointed out that in the CMC, the defined terms such as “Annual Run Hour Limit” are stated in the singular whereas in the proposal, the term “Annual Run Hours Limit” is used. They also noted that the term “Commissioned Annual Run Hours Limit” has been introduced but not defined and made some suggestions in terms of how the legal drafting could be amended to ensure additional clarity as to how participants are assessed for Substantial Completion in respect of Annual Run Hour Limits.
- 2.2.3. DRAI noted that Information Note SEM-23-008 made clear that the same principle applied to AGUs within CMC E.8.2.7 and E.8.2.8 should also be applied for DSUs. This would mean the de-rated capacity of a DSU is determined by calculating the de-rated capacity of each component

Individual Demand Site (IDS) separately and then summing these for all IDS within a Demand Side Unit (DSU).

- 2.2.4. This process was originally de-scoped from Modification CMC_11_22 and then subject to the Information Note, within which the SEM Committee requested the RAs raise any required CMC modification at the next CMC Modifications Working Group.
- 2.2.5. DRAI raised the fact that the issue was not covered as part of CMC_06_23 given that the modification intends to complete the initial introduction of ARHL De-Rating factors. DRAI recommended that the scope of CMC_06_23 should include the clarification and codification into the CMC of this element as their members did not feel it appropriate to apply in such an Information Note on a continued basis.

2.3. SEM COMMITTEE DECISION

- 2.2.6. The SEM Committee welcomes the feedback provided by participants, both as part of the workshop and through the consultation process.
- 2.2.7. CMC_06_23 seeks to complete the initial introduction of ARHL De-Rating Factors and to bring the clarification set out in SEM-23-008 into the CMC.
- 2.2.8. The SEM Committee notes the arguments raised during the consultation in relation to the codification of SEM-23-008. While CMC_06_23 allows a fuller consideration of some aspects of the introduction of ARHL De-Rating Factors, the Committee recognises that there must also be a balance between the magnitude of any changes made to the Capacity Market Code to reflect what is essentially a process already in place through the CMC and SEM-23-008.
- 2.2.9. To ensure consistency of terms used within the proposed legal text, some of the references have been modified from plural to singular. For example, E.8.4.3(a) has been changed from 'Initial Annual Run Hours Limit (Total)' to 'Initial Annual Run Hour Limit (Total)'. A similar change has been made to 'Annual Run Hours Limit' in G.3.1.4A(a).
- 2.2.10. The SEM Committee acknowledge that CMC_06_23 is an important component of the wider implementation of ARHL De-Rating Factors and is in line with SEMC Decision SEM-22-044.
- 2.2.11. On the basis of the reasons cited above, the SEM Committee approves modification proposal CMC_06_23 and will make a modification.

3. NEXT STEPS

- 3.1.1. The SEM Committee will make proposed modification CMC_06_23 using the legal text accompanying this Decision Paper.
- 3.1.2. All SEM Committee decisions are published on the SEM Committee website: www.semcommittee.com