

APPENDIX C – RESPONSE TEMPLATE

SUMMARY INFORMATION

Respondent's Name	Bord Gáis Energy
Type of Stakeholder	Generator in the all-island single electricity market; supplier in the Irish retail market
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Confidential Response	[N]

Summary of Main Messages

Bord Gáis Energy (**BGE**) welcomes the opportunity to respond to this SEM-23-084 consultation on the modification proposals that were initially discussed at the Capacity Market Code (**'Code'**) Working Group 33:

APPENDIX C – RESPONSE TEMPLATE

CMC_18_23: Amendment to Definition of Third-Party Extension Period (Proposer: Kilshane)

BGE are aware of the proposed 'RA Umbrella catch all' modification as an outcome from the awaited decision on SEM-23-080 relating to modified and combined Modifications to Facilitate Delivery of Capacity. As a result, our views expressed here do not encompass any information or context from the proposed RA modification.

BGE is supportive of modification CM_18_23. It is in the spirit of SEM_23_001 and ensures that the full period of delay until 'Final Planning' is granted are covered by J.5.5.

CMC_20_23: Amendment to Timing of Opt-Out Notifications (Proposer: EPUK)

BGE is supportive in principle of the need for change as expressed in CMC_20_23 to amend the timing of Opt-Out Notifications. The timelines around the Exception Application process and how it interacts with the Opt-Out notification process do not align to provide participants with full transparency on the economic signals for their participation in capacity auctions in bidding in of their existing units. As things stand existing units that need a USPC to cover their economic costs, can have an Exception Application rejected long after the Opt-Out deadline has passed, meaning the existing unit is compelled to comply with the Capacity Market Code by bidding into the auction but now at a price limited to the Existing Capacity Price Cap (ECPC) that will result in an economic loss for the capacity year of the auction. This may compel existing units to be conservative in their views of the securing of a USPC and result in existing units opting out by the Opt-Out deadline. Despite concerns around the security of supply crisis, there has not been clear market signals incentivising new build capacity or providing certainty for future viability of for existing capacity.

Whilst the concern of the industry is valid, BGE understands the concerns raised by the Regulatory Authorities relating to the timelines for this particular modification. By allowing units to opt-out only 6 weeks out before the auction, it could potentially result in a significant shortage of generation bidding into the auction resulting in an increase to the auction clearing price, adding cost burden to the consumer. On this basis, **we do not support CMC_20_23 as drafted.**

If the Opt-Out decision is made and known prior to the qualification application date, it would allow other generation to bid into the auction by reacting to transparent market signals for the auction. BGE has proposed a modification of its own aimed at moving the exception application timelines within the auction timetable to give industry timely knowledge of USPC awards (CMC_24_23: Revision of the Exception Application Timelines). In our opinion, this is a better solution to address this issue.

APPENDIX C – RESPONSE TEMPLATE

CMC_21_23: Minimum Completion on Receipt of Interim Operational Notification (Proposer: EPUK)

BGE are supportive of the Principle behind modification CM_21_23 to allow new capacity which could alleviate tight generation margins and mitigate security of supply risks by units that are connected to the grid and demonstrate an ability to provide electricity safely and securely to the network (such as by completing their Grid Code compliance testing), are allowed to contribute to their capacity obligation and be available to the grid, prior to receiving their full and final certification.

However, we understand that the System Operators believe that an Interim Operational Notification (ION) alone is unsuitable. We are supportive that the SOs have proposed a modification of its own CMC_25_23 which proposes a combination of ION and the new market readiness cert to achieve Minimum Completion or Substantial Completion. We believe this is a more appropriate balance of ensuring new capacity is reliable enough to contribute to Security of Supply, while still maintaining a mechanism to ensure new capacity achieves FON.

On this basis, **we do not support CMC_21_23 as currently drafted.**

CMC_22_23: Indexation of Capacity Payment Price for Inflation (Proposer: Energia)

BGE is supportive of this proposed modification. Unlike other SEM auctions such as RESS and ORESS, and the CRM of neighbouring markets such as the GB CRM, investors in the SEM CRM are afforded no protection from inflationary risk. The SEMC acknowledged in the SEM-23-038 Decision paper and SEM-23-045 Detailed Response Paper that after extensive consultation, inflation is having a material effect on the delivery of new capacity. This proposal builds on this logic while also accounting for the fact that currently existing capacity has no inflationary protection.

BGE however is of the view that CPI is an appropriate measure to use for existing capacity, while 'Wholesale Price Index (Exc. VAT) for Building and Construction Materials' would be more appropriate for new capacity, and **propose that the modification is amended** to account for these separate indices and how they would apply in indexation of capacity payment prices. We ask that the RA's decision on this modification includes clarification and direction on the prioritisation of a workstream on an enduring indexation mechanism for capacity contracts in the context of the SEM Committee's Forward Work Programme for 2023/24.

APPENDIX C – RESPONSE TEMPLATE

CAPACITY MARKET CODE MODIFICATIONS CONSULTATION COMMENTS:

ID	Proposed Modification and its Consistency with the Code Objectives	Impacts Not Identified in the Modification Proposal Form	Detailed CMC Drafting Proposed to Deliver the Modification
<p>CMC_18_23: Amendment to Definition of Third-Party Extension Period</p>	<p>BGE is supportive of the proposed modification</p> <ul style="list-style-type: none"> (b) to facilitate the efficient, economic and coordinated operation, administration and development of the Capacity Market and the provision of adequate future capacity in a financially secure manner. (g) through the development of the Capacity Market, to promote the short-term and long-term interests of consumers of electricity with respect to price, quality, reliability, and security of supply of electricity across the Island of Ireland. 	<p>NA</p>	<p>NA</p>

APPENDIX C – RESPONSE TEMPLATE

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<p>CMC_20_23: Amendment to Timing of Opt-Out Notifications</p>	<p>BGE agrees with the principle of the modification, however we are not supportive of it as it currently drafted.</p> <ul style="list-style-type: none"> (b) to facilitate the efficient, economic and coordinated operation, administration and development of the Capacity Market and the provision of adequate future capacity in a financially secure manner; (c) through the development of the Capacity Market, to promote the short-term and long-term interests of consumers of electricity with respect to price, quality, reliability, and security of supply of electricity across the Island of Ireland. 	<p>We believe that this would lead to a scenario that would not provide the market sufficient time to react to Opt-Out signals and could distort the auction outcome.</p>	<p>See CMC_24_23: Revision of Exception Application Deadlines</p>

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<p>CMC_21_23: Minimum Completion on Receipt of Interim Operational Notification</p>	<p>BGE agrees with the principle of the modification, however we are not supportive of it as it currently drafted.</p> <ul style="list-style-type: none"> (a) to facilitate the efficient discharge by EirGrid and SONI of the obligations imposed by their respective Transmission System Operator Licences in relation to the Capacity Market; (b) to facilitate the efficient, economic and coordinated operation, administration and development of the Capacity Market and the provision of adequate future capacity in a financially secure manner; (c) through the development of the Capacity Market, to promote the short-term and long-term interests of consumers of electricity with respect to price, quality, reliability, and security of supply of electricity across the Island of Ireland. 	<p>The SOs have outlined that it is not robust enough and as such have proposed their own version which includes the MRC in addition to the ION.</p>	<p>See CMC_25_23: Market Readiness Certification</p>

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<p>CMC_22_23: Indexation of Capacity Payment Price for Inflation</p>	<p>BGE supports the proposed modification on the basis that it modified to reflect the different indices used for new and existing capacity</p> <p>(d) to facilitate the efficient discharge by EirGrid and SONI of the obligations imposed by their respective Transmission System Operator Licences in relation to the Capacity Market;</p> <p>(e) to facilitate the efficient, economic and coordinated operation, administration and development of the Capacity Market and the provision of adequate future capacity in a financially secure manner;</p> <p>(f) through the development of the Capacity Market, to promote the short-term and long-term interests of consumers of electricity with respect to price, quality, reliability, and security of supply of electricity across the Island of Ireland.</p>	<p>NA</p>	<p>Relevant indices are as follows:</p> <ul style="list-style-type: none"> • New Capacity – ‘Wholesale Price Index (Exc. VAT) for Building and Construction Materials’ • Existing Capacity – ‘CPI’

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NB please add extra rows as needed.