



Moyle Interconnector Limited  
First Floor, The Arena Building  
85 Ormeau Road, Belfast, BT7 1SH  
t | +44 (0) 28 9043 7580  
f | +44 (0) 28 9024 9673

[mutual-energy.com](http://mutual-energy.com)

19 December 2023

SEM Committee  
Via Email.

## Re: SEM-23-093 Proposal to Introduce Intermediate Length Contracts Consultation Paper

Dear SEM Committee,

This response to the consultation on intermediate length contracts in the SEM Capacity Remuneration Mechanism (CRM) is on behalf of Moyle Interconnector Ltd. The Moyle Interconnector is a 500MW HVDC Interconnector between Northern Ireland and Scotland, linking the SEM with the GB electricity market. Moyle participates in both the SEM and GB capacity market mechanisms. Moyle Interconnector Ltd. is a subsidiary of Mutual Energy Ltd., a company which owns and operates energy assets in Northern Ireland for the benefit of NI consumers.

We are broadly supportive of the proposal to introduce intermediate length contracts into the SEM CRM. We are aware that some market participants have raised concerns that the CRM introduced in 2018 as part of the I-SEM arrangements has led to premature exit signals from the market. These concerns would seem to be well-founded given that some existing units have closed, or are planned to close, despite the System Operators forecasting a capacity shortfall in the SEM over the coming years.

The proposals outlined in this consultation document should, in part, help to rectify this situation as it will permit aging plant to undertake investments to extend its longevity, securing capacity at a more efficient cost to consumers than decommissioning an old plant and building new capacity from scratch. Investment in existing plant may also help to resolve issues with plant reliability which have become apparent in recent years in the SEM.

In terms of specific consultation questions, our views are outlined below:

### 1) What is the appropriate maximum duration for the intermediate length contract?

Part of the issue with the current approach of limiting existing plant to one-year contracts is that the recovery period for costs associated with an investment may be too short for the unit to be competitive in the auction with a new plant which can spread the cost of investment over a ten-year period.

The maximum duration of an intermediate length contract should not exceed the length of a contract awarded for new build capacity, but it should be set at such a level, in conjunction with the ICIRT, that permits refurbishing units to be competitive with new build plant in the auction.

### 2) What is the appropriate Intermediate contract Investment Rate Threshold (ICIRT) in €/MW for units to be eligible for the intermediate length contract?

Again, the ICIRT should be set at a level which allows refurbished units to be competitive with those eligible for a ten-year contract.

**3) Is gaming a material concern? What approaches should be taken to prevent gaming of the new arrangements?**

No answer.

**4) What is your view on the proposed changes to the Existing Capacity Exception Application process and New Capacity Exception Application process?**

The proposed changes to the Exception Application processes seem to be reasonable.

**5) Should Existing Capacity seeking a multi-year contract be required to submit implementation plans for consideration by the TSOs as part of the Qualification process, and are the same milestones employed for New Capacity appropriate?**

It seems reasonable for refurbishing units seeking a multi-year contract to submit implementation plans as part of the Qualification process.

However, whether the milestones employed for New Capacity are appropriate will depend on the specifics of the refurbishment project. It is likely that the Major Milestones are likely to be relevant in most or all cases, but some of or all the Additional Milestones will only be relevant for a subset of refurbishment projects.

As such, we recommend that some flexibility is maintained in terms of the application of requirements for implementation plans. These may need to be tailored on a case-by-case basis.

For example, the Moyle Interconnector recently undertook a substantial multi-million pound investment to refurbish its outdated and near obsolete control system. This involved some minor construction works at site, but in large part this was an IT project to update the hardware and software that controlled the asset. In this case, for example, requiring Milestones about the Commencement of Construction Works or Mechanical Completion would make little sense. In actuality, Moyle remained available (albeit at reduced capacity) for most of the duration of the Control System Upgrade Project.

Similarly, a refurbishing unit will likely already have an electrical Network Connection, so it makes little sense to require that as a Milestone, except in the circumstance where the unit's capacity was changing as a result of the investment to the extent that it required an upgraded Network Connection.

**6) What is the appropriate length of the Long Stop Date for Existing Capacity seeking an intermediate length contract?**

We do not have strong views on this matter, but it seems appropriate to set the Long Stop Date for Existing Capacity the same as that which applies to New Capacity.

**7) Should Existing Capacity with an intermediate length contract be subject to termination payments and performance security requirements?**

It seems reasonable for refurbishing units to face broadly the same requirements as new units in terms of termination payments and security requirements.

8) How could the design of intermediate length contracts promote investment in low carbon technologies?

No answer.

Should you wish to discuss or have any queries regarding any part of our response, Moyle would be happy to discuss with the regulatory authorities.