

**Bord Gáis Energy Response
to
*'Proposal to Introduce Early Delivery
Incentives to the CRM'*
SEM-24--024**

15th April 2024

Executive Summary

Bord Gáis Energy (BGE) welcomes the opportunity to respond to the SEM Committee's Consultation on a Proposal to Introduce Early Delivery Incentives into the CRM.

At a high level, BGE supports the intent of the SEMC's proposal. To the extent that a project can deliver early, it should be incentivised to do so and be rewarded accordingly. We agree that it should only happen within the window of the 12 months before the unit is expected to deliver. Any early delivery greater than that should be procured through the T-1 auction for the year in question. We also believe that it should only apply to projects with multi-year contracts.

Responses to Specific Design Questions/Proposals

1. Overall design

BGE broadly supports the intent of the proposal and the design such that it allows new multi-year capacity contract holders to receive additional capacity payments where it delivers early. We ask for a few clarifications and considerations:

- In order to prevent potential for gaming between auctions, and in lieu of multipliers, perhaps the payment made should be set at the greater of the T-1 auction clearing price for the early delivery year or the T-4 auction price that the unit cleared in the auction for the expected delivery year. To explain, if a unit receives a T-4 capacity contract for delivery in 2028/29 but it delivers in 2027/28 capacity year, it should receive the higher of the T-1 2027/28 auction price or the T-4 2028/29 auction price. This in our view may better reflect the necessary value of additional early capacity.
- We ask the SEMC to clarify as part of its decision, how this decision may impact the modification relating to compensation where project delivery delays are the fault of 3rd parties.

2. Eligibility

BGE agrees that this should only apply to multi-year capacity contracts.

3. Limitations

BGE agrees that the potential reward should only be for the 12 months leading up to the expected delivery year.

4. Payment Multipliers

BGE understands the value in capacity delivering ahead of its intended capacity year. We do not believe, in the current environment, that there should be any distinction between whether a project delivers in the winter or summer before its expected year. The value is equally applicable to the summer as the system moves to becoming more renewables led. In our view, the incentive should be equally the same to deliver 10 months or 2 months ahead of the delivery year – the real incentive is the length of the additional payment on top of the 10 year capacity contract.

In terms of dialing up the incentive in years where capacity is particularly tight – which should manifest in a high T-1 auction clearing price – it may be appropriate to give the eligible capacity unit the higher of the T-1 auction clearing price for the year of early delivery or the T-4 auction clearing price for the year of delivery. This in our view would be more appropriate than providing a multiplier. However, linking to the question of qualification, we would need to ensure at the point of T-1 qualification, that the party does not game qualification in order to push up the T-1 price to its own benefit.

5. Qualification

Bearing in mind considerations relating to gaming of auctions, and following on from the point above, it may be appropriate at the point of T-1 qualification, for the project plans of all multi-year capacity contract holders to be 'checked'. By 'checked' we mean the project implementation plans updated to understand whether the projects should be competing in the T-1 auction given latest expected delivery timeframe. Given resources and the volume that this is likely to apply to, this should not be an onerous task but something that should be built into the normal project updates and timelines between the projects and the System Operators.

6. Applicable Auctions

There are likely going to be unintended consequences in introducing this change to the market in such a swift manner. BGE therefore believes that it should only apply to the upcoming T-4 auction, with any application to future auctions to be considered alongside the general consultation on parameters to apply for that auction. It will an important consideration for

any potential bidders, and it should be known in advance of an auction deadline whether an early incentive will apply to awarded capacity. However, at this stage we believe it is only appropriate to allow the RAs the right to include an early incentive factor as opposed to an obligation that it should apply in all subsequent auctions.