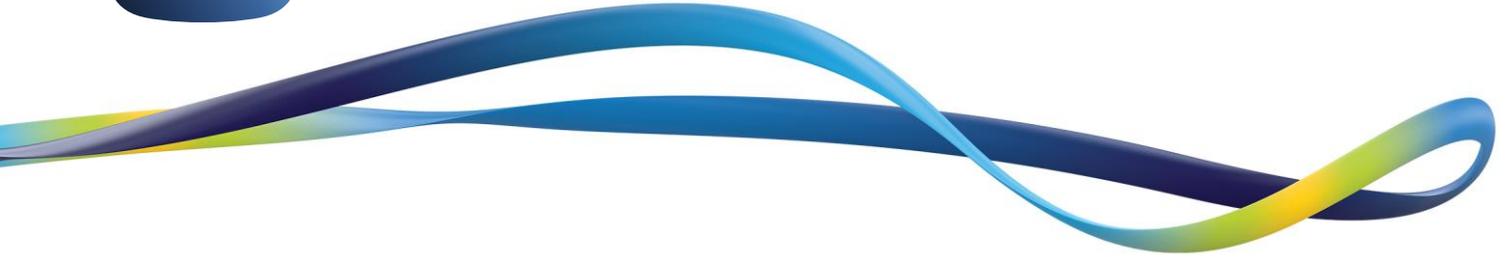




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# PROPOSAL TO INTRODUCE EARLY DELIVERY INCENTIVES TO THE CRM

SEM Committee Consultation SEM-24-024

ESB GT Response

15<sup>th</sup> April 2024



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# Contents

Response ..... 3

## Response

ESB GT welcomes the opportunity to respond to the SEM Committee (SEMC) *SEM-24-024 - Proposal to Introduce Early Delivery Incentives into the CRM – Consultation Paper (the Consultation)* on the SEMC proposals to introduce incentives for early delivery of new awarded capacity in the 2028/2029 T-4 Capacity Auction, scheduled to take place on 28<sup>th</sup> November 2024.

ESB GT acknowledges and welcomes the fact that SEMC has taken on board the views expressed by industry participants which has resulted in the cancellation of the proposed T-3 auction for 2027/28 and the decision to go ahead with this current T-4 Auction.

The Senior Stakeholder Forum held on the 26<sup>th</sup> of January 2024 afforded industry the opportunity to engage with SEMC in an open and constructive setting and we encourage SEMC to continue with such initiatives in the future.

One of the proposals brought forward at that forum was to hold a T-4 for 2028/29 with incentives for early delivery, and ESB GT therefore welcomes the launch of this Consultation.

There is currently no ability for new capacity to earn CRM revenues in advance of the delivery year in which it is awarded a multi-year capacity contract other than to participate in a T-1 auction for delivery in an earlier year. Such participation carries a risk associated with meeting the long-stop date (LSD) of that T-1 auction and potential for an associated termination fee if the LSD is not met.

The proposal in the Consultation is therefore to be welcomed as it provides an incentive for developers to target earlier delivery with the reward of an increased contract duration with no additional risk. The balance for consumers is a mitigation of the ongoing capacity shortfall and improved security of supply.

ESB GT continues to encourage SEMC to hold future auctions even further in advance of delivery years in the format of at least T-5 or T-6 auctions in order to reflect the real-world programme timelines associated with such major infrastructure projects.

We recognise that SEMC will shortly consult on intermediate length contracts, targeting in particular the refurbishment of existing assets. We would also encourage SEMC to consider longer duration contracts of 15 or 20 years for new capacity. This was an option proposed by EY in their review of the performance of the CRM to incentivise CCGT projects and other technologies.

On the basis of the above commentary, ESB GT is supportive of the specific proposals as drafted in the Consultation and looks forward to working with SEMC and the TSOs to introducing the follow up modifications to the Capacity Market Code that will be necessary to give effect to the proposal if approved.