



**Single Electricity Market
(SEM)**

**Capacity Market Code Workshop 33
Decision Paper**

- CMC_20_23: Amendment to Timing of Opt Out Notifications**
- CMC_21_23: Minimum Completion on Receipt of Interim Operational
Notification**

SEM-24-029

19 June 2024

EXECUTIVE SUMMARY

The purpose of this decision paper is to set out the decisions relating to two Proposed Modifications to the Capacity Market Code (CMC). These were discussed at Workshop 33, held on 21 September 2023.

- **CMC_20_23: Amendment to Timing of Opt Out Notifications**
- **CMC_21_23: Minimum Completion on Receipt of Interim Operational Notification**

The decisions within this paper follow on from the associated consultation ([SEM-23-084](#)), which closed on 01 December 2023.

Seven responses were received to the Capacity Market Code Workshop 33 Modification Consultation Paper ([SEM-23-084](#)). None were marked as confidential. The responses to the consultation have been published alongside the decision paper for CMC_18_23, which was also discussed at this Workshop ([SEM-24-015](#)).

Summary of Key Decisions

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

Modification	Decision	Implementation Date
CMC_20_23: Amendment to Timing of Opt Out Notifications	Not make a Modification	N/a
CMC_21_23: Minimum Completion on Receipt of Interim Operational Notification	Not make a Modification	N/a

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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 and Timeline for these Modifications

1.1.2. On the 07 September 2023, EP UK Investments (EPUKI) submitted one Modification Proposal (CMC_20_23) and EPDEL submitted one Modification Proposal (CMC_21_23) under the terms of B.12.4 of the CMC. These Modification Proposals were marked as Standard.

1.1.3. The RAs reviewed both Modification Proposals and determined that neither were spurious.

1.1.4. On the 05 October 2023, the RAs determined the procedure to apply to the Modification Proposals. An overview of the timetable is as follows:

- i. The System Operators convened Workshop 33 where the Modification Proposals were considered on 21 September 2023, alongside four other Modifications.
- ii. The System Operators, as set out in B.12.7.1 (j) of the CMC, prepared a report¹ 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 then consulted on the Modification Proposals from the date of publication of the Consultation until the closing date of Friday, 01 December 2023.
- iv. As set out in B.12.11 the RAs shall make their decisions as soon as reasonably practicable following the conclusion of the consultation and would publish a report in respect of their decision. The purpose of the decision paper is to set out the decisions relating to the two Modification Proposals discussed during Workshop 33 to:
 - a) Make a Modification;
 - b) Not make a Modification; or
 - c) Undertake further consideration in relation to the matters raised in the Modification Proposals.

1.1.5. This decision paper provides a summary of the consultation proposals and sets out the SEM Committee's decision(s).

¹ [Capacity-Modifications-Workshop-33-Report.pdf \(sem-o.com\)](#)

1.2. RESPONSES RECEIVED TO CONSULTATION

- 1.2.1. This paper includes a summary of the responses made to Capacity Market Code Modifications Workshop 33 Consultation Paper [SEM-23-084](#), in regard to CMC_20_23 and CMC_21_23 only, which was published on 23 October 2023 and closed on 01 December 2023.
- 1.2.2. Seven responses were received to the Consultation. None were marked as confidential. The respondents are listed below:
- Bord Gáis Energy (BGE)
 - Bord na Móna (BnM)
 - EirGrid & SONI (TSOs)
 - Energia
 - EP UK Investments (EPUKI)
 - ESB Generation and Trading (ESB GT)
 - SSE

2. CMC_20_23 – AMENDMENT TO TIMING OF OPT OUT NOTIFICATIONS

2.1. CONSULTATION SUMMARY AS PRESENTED BY EPUKI

- 2.1.1 This Modification proposed to amend the dates for Participants to submit an Opt-out Notification to after the outcome of the exceptions application (USPC) process, rather than 21 weeks before the auction as is currently the case in the auction schedule.
- 2.1.2 This would enable Participants who have Existing Capacity to Opt-out in the event that a USPC decision is insufficient for a unit to recover costs.
- 2.1.3 The Modification proposal states that this is necessary for older conventional units which are more likely to rely on a USPC to remain open in the future and that failure to obtain a USPC will result in such units being forced to operate at a loss unless they are permitted to Opt-out.
- 2.1.4 EPUKI argues that this risk of exposure to loss creates a negative retention signal for existing capacity in the Single Electricity Market (SEM), creating a situation where older generation may opt to shutdown rather than make a USPC application and risk exposure to a year-long contract which does not cover their expected costs.
- 2.1.5 The Modification Proposal also seeks to remove E.5.1.11 of the CMC, which would allow existing units to Opt-out of an auction if its USPC application is rejected by the RAs.

- 2.1.6 The Modification Proposal states that failure to implement this modification will result in continued and growing exposure for conventional generation units to material levels of risk, and that this risk exposure may result in Existing Capacity leaving the SEM due to being economically infeasible.
- 2.1.7 EPUKI makes the case that that this will worsen a critical Security of Supply issue and result in a continued reliance on temporary emergency generation at cost to the consumer.

2.2. RESPONSES

- 2.2.1. Responses to this proposal were varied.
- 2.2.2. Energia was supportive of the proposal, making the point that rather than applying for a USPC and risk having to enter the auction at an inadequate price if that application is rejected, an existing plant may feel compelled to Opt-out in advance of the USPC process. They argued that for a viable existing plant, this would represent inefficient exit, and that capacity would have to be replaced by more expensive, long term New Capacity that would be subject to significant delivery risk and represent poor value for consumers.
- 2.2.3. EPUKI, as proposers of the modification, considered that a scenario where significant volumes of capacity would opt out of a Capacity Auction was highly unlikely and were it to arise, would suggest material issues with the RAs assessments of USPCs.
- 2.2.4. EPUKI also noted that that an Opt-out prior to publication of the Final Auction Information Pack would enable the TSOs to reflect any capacity which has chosen to Opt-out in the Capacity Requirement.
- 2.2.5. SSE echoed SEM Committee concerns about the potential for the exercise of market power issues in the absence of mandatory bidding.
- 2.2.6. The TSOs expressed concerns with late withdrawal of capacity which could not be recovered.
- 2.2.7. BGE and ESB GT, while supportive in principle, cited the alternative proposal CMC_24_23 which focuses on USPC applications being assessed prior to the Opt-out Notification Date as a better solution.

2.3. SEM COMMITTEE DECISION

- 2.3.1. The SEM Committee welcomes the feedback provided by participants both as part of the Workshop and through the consultation process.
- 2.3.2. The SEM Committee acknowledges the support from some market participants for this Modification Proposal, and for a review of the USPC process timings.

- 2.3.3. The SEM Committee, however, remains concerned around the changes to market power mitigation measures and the overall design of the CRM this Modification would introduce. These measures are set out in the CRM detailed design decision papers.
- 2.3.4. The Opt-out function allows existing units to Opt-out of an auction on the basis that the unit is closing before the end of the relevant Capacity Delivery Year. The proposal to delete E.5.1.11 of the CMC would mean a unit could Opt-out of an auction on the basis that its USPC application is rejected or deemed rejected by the RAs. This would be a significant change to the auction process, which poses concern.
- 2.3.5. The SEM Committee also remains concerned around the uncertainty which late opt-outs would introduce to the volumes determinations at FAIP stage, and general risks to RA and TSO operational processes and overall security of supply that this Modification proposal would introduce.
- 2.3.6. Additionally, the SEM Committee is concerned about the changes to the original design of the CRM this Modification would introduce. As set out in the detailed CRM design decision papers, an Opt-out notification must be submitted if an existing unit is expecting to close before the end of the relevant Capacity Delivery Year. If the existing unit does not submit an Opt-out notification, it has a mandatory requirement to bid into an auction up to the level of the Existing Capacity Price Cap (ECPC). Mandatory bidding was introduced as a market power mitigation measure.
- 2.3.7. Following an existing unit's decision not to Opt-out, if it can satisfactorily evidence that its Net Going Forward Costs will exceed this price cap, it is permitted to apply for a higher bid limit (a USPC) through the Exception Application process. The Opt-out process and the USPC process are designed to arise in the order currently provided for in the CMC, and are separate application processes.
- 2.3.8. Given the reasons outlined above, the SEM Committee is rejecting CMC_20_23 and will not make a Modification at this time.
- 2.3.9. While the SEM Committee is not making a Modification, the introduction of Intermediate Length Contracts (SEM-24-035) gives Existing Capacity a new option to bid for a longer duration contract at any price up to the ECPC/a USPC.
- 2.3.10. The SEM Committee notes that it has reviewed its own internal processes in order to make the USPC process more efficient.

3. CMC_21_23 – MIMIMUM COMPLETION ON RECEIPT OF INTERIM OPERATIONAL NOTIFICATION

3.1. CONSULTATION SUMMARY AS PRESENTED BY EPDEL

- 3.1.1 This Modification proposes an amendment to the Capacity Market Code to trigger Minimal Completion on receipt of an Interim Operational Notification (ION), rather than the Final

Operational Notification (FON). The proposal indicates that this would align with the Capacity Market process in GB.

- 3.1.2 This change would mean that, if all other requirements were achieved, a New Capacity unit would begin receiving Capacity Payments on receipt of an ION, representative of the point in time at which a New Capacity unit can begin providing capacity to the grid.
- 3.1.3 In order to obtain an ION, a project must provide a significant amount of documentation to the TSO for review and approval to demonstrate that the unit is suitable for connection to the Grid. This includes technical data for all equipment, system studies, and simulation models.
- 3.1.4 If a unit is unavailable or unable to provide capacity to the SEM, it will be exposed to Difference Charges and therefore will not benefit if it is not capable of providing capacity as a service to the SEM. Due to the requirements of the Commissioning and Grid Code testing programme, it may take a significant length of time to complete all testing, with months between certain tests. During this time, a New Capacity unit will be available to provide capacity.
- 3.1.5 If this modification is implemented, a unit would still be required to complete all Commissioning and Grid Code testing prior to its Long Stop Date or face termination.

3.2. RESPONSES

- 3.2.1. With the exception of EPUKI as proposer, all other responses were not supportive, citing the TSOs' Urgent Modification CMC_25_23 as a better solution to the issue.

3.3. SEM COMMITTEE DECISION

- 3.3.1. The SEM Committee decision is to reject this proposal and not make a Modification given it has since been superseded by the approval of CMC_25_23 on Market Readiness Certification on 12 January 2024.

4. NEXT STEPS

- 4.1.1. Given that the SEM Committee have decided to reject the Proposed Modifications CMC_20_23 and CMC_21_23, there are no actions required of the System Operators with regards to its implementation.
- 4.1.2. All SEM Committee decisions are published on the SEM Committee website: www.semcommittee.com.