



Single Electricity Market

(SEM)

Capacity Market Code Modifications

Workshop 37 Consultation Paper

CMC_06_24: Performance Securities for Extended Projects

CMC_07_24: Treatment of Capacity Contracts of Varying Duration in Constrained Auction Solution

CMC_08_24: Widening of Longstop Extension Process to Awarded Capacity for 2023/24 Auction

CMC_09_24: Amendments to J.5.7 and J.5.8

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1. OVERVIEW

1.1 ABSTRACT

- 1.1.1 The purpose of this consultation paper is to invite industry participants to provide feedback and comments regarding the proposed modifications to the Capacity Market Code (CMC) discussed at Workshop 37, held on 29 May 2024.
- 1.1.2 During this Working Group, four modifications were presented. This consultation paper relates to:
- CMC_06_24: Performance Securities for Extended Projects**
 - CMC_07_24: Treatment of Capacity Contracts of Varying Duration in Constrained Auction Solution**
 - CMC_08_24: Widening of Longstop Extension Process to Awarded Capacity for 2023/24 Auction**
 - CMC_09_24: Amendments to J.5.7 and J.5.8**

1.2 BACKGROUND

- 1.2.1 On the 14 May 2024, Shannon LNG Limited submitted one Modification Proposal (CMC_06_24) under the terms of B.12.4 of the CMC. On the 15 May 2024, Grange Backup Power Limited submitted one Modification Proposal (CMC_08_24) under the terms of B.12.4 of the CMC. On the 27 May 2024, the Regulatory Authorities submitted one Modification Proposal (CMC_09_24) under the terms of B.12.4 of the CMC.
- 1.2.2 On the 15 May 2024, Energia submitted one Urgent Modification Proposal (CMC_07_24) under the terms of B.12.9.1 of the CMC.
- 1.2.3 As per B.12.9.3 of the CMC, the Regulatory Authorities (RAs) assessed the Modification Proposal and did not consider it to be Urgent, categorising the proposal as Standard.
- 1.2.4 The RAs reviewed each Modification Proposal and determined that none were spurious.
- 1.2.5 The RAs then determined the procedure to apply to the Modification Proposals. This is shown in Appendix A. An overview of the timetable is as follows:
- i. The System Operators convened Workshop 37 where the Modification Proposals were considered on 29 May 2024.

- 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, provided the report to the RAs, and published it on the Modifications website promptly after the workshop.
- iii. The RAs are now consulting on the Modification Proposals, from the date of publication of the Consultation until the closing date of Friday 02 August 2024.
- iv. As contemplated by B.12.11 the RAs will make their decision as soon as reasonably practicable following conclusion of the consultation and will publish a report in respect of their decision by 27 September 2024.

1.3 PURPOSE OF THIS CONSULTATION PAPER

- 1.3.1 The purpose of this paper is to consult on the proposed standard modifications. Further detail is set out in the appended Modification Proposals in Appendix B.
- 1.3.2 The Regulatory Authorities hereby give notice to all Parties and the Market Operator of a consultation on the proposed Modifications.
- 1.3.3 Interested Parties and the Market Operator are invited to make written submissions concerning the proposed Modifications by no later than 17:00 on Friday 02 August 2024.
- 1.3.4 **Please note that late submissions will not be accepted.**
- 1.3.5 Upon closure of the consultation process, the Regulatory Authorities intend to assess all valid submissions received and form a decision to make a modification, not make a modification or undertake further consideration of each modification.

2. MODIFICATION PROPOSALS

2.1 CMC_06_24 – PERFORMANCE SECURITIES FOR EXTENDED PROJECTS

Proposer: Shannon LNG Limited

CMC_06_24: Proposal Overview

- 2.1.1 As described by the proposer, this Modification Proposal seeks to amend the timelines for posting performance securities for projects that have been granted an extension under SEM-23-101 or any other relevant mechanism which may grant an extension. However, the SEM

¹[Capacity-Modifications-Workshop-37-Report-V1.0.pdf \(sem-o.com\)](#)

Committee notes that the proposed modification as drafted relates to extensions granted under Section J.5.5 and J.5.6, which align with SEM-23-001.

- 2.1.2 The Modification proposes an enduring mechanism to align the postings of performance security in the event of an extension granted under Section J.5.5 and J.5.6. Currently, the performance security rates in the event of an extension granted under these sections are only aligned in certain auctions (T-3 2024/2025 and T-4 2025/2026). The proposal would provide for an enduring mechanism for all auctions.
- 2.1.3 The Proposed Modification seeks to achieve this by amending sections J.3.2.9 and J.7.1.3 of the Capacity Market Code (CMC) where there is reference to the auctions mentioned previously.
- 2.1.4 Further details on the Modification Proposal are set out in the appended Modification Proposal Appendix B, which includes the draft changes to the CMC.

[CMC_06_24: Working Group Feedback](#)

- 2.1.5 Capacity Market Code Modifications Workshop 37 took place on 29 May 2024, where the modification was presented and discussed.
- 2.1.6 SSE supported the Modification Proposal and considered it to be a sensible proposal to avoid unintended consequences.
- 2.1.7 ESB GT also supported the Modification Proposal and stated that all Modification Proposals should apply equally to all auctions.
- 2.1.8 Bord Na Móna (BnM) supported the Modification Proposal and noted that SEM-23-101 relates to wider causes of delay and that these other events should be captured in the scope of the proposal.
- 2.1.9 Kilshane Energy Limited (KEL) also affirmed its support for the proposal and considered it to be sensible.
- 2.1.10 SSE supported the view of BnM in that the Modification Proposal should be expanded to include all possible causes of delay.
- 2.1.11 Shannon LNG Limited responded that it agreed with the feedback provided and was open to support these changes to widen to all events.
- 2.1.12 Bord Gáis Energy (BGE) stated that the Modification Proposal is reasonable and opined that it is a necessary change. It also sought clarity if any consideration was given to how this proposal may undermine consumer protections.
- 2.1.13 Shannon LNG Limited responded to BGE that it is preferable for the consumer to have successful project delivery over terminations as new projects coming in to subsequent auctions will likely face delays in the future.
- 2.1.14 The TSOs questioned if an updated proposal would be submitted in order to apply to extensions granted under J.5.7 and J.5.8 also.

2.1.15 Shannon LNG Limited responded that it would like to see progression of the Modification Proposal and noted that the RAs, upon deciding, could seek to expand the scope of the proposal.

2.1.16 The RAs confirmed that they may modify Modification Proposals, as per B12.5.5 of the CMC.

[CMC_06_24: Minded To Position](#)

2.1.17 The SEM Committee welcomes feedback and comments regarding the proposed modification.

2.1.18 At the time of writing, the SEM Committee has not formed a minded to position. The SEM Committee will continue to review the modification in the context and evolution of the CRM.

2.2 CMC_07_24 – TREATMENT OF CAPACITY CONTRACTS OF VARYING DURATION IN CONSTRAINED AUCTION SOLUTION

Proposer: Energia

[CMC_07_24: Proposal Overview](#)

2.2.1 This Modification Proposal seeks to amend how Exempt Price Quantity Pairs are treated in the resolution of constraints in an auction run.

2.2.2 As expressed in the Modification Proposal, the proposer intends to maintain the priority of one-year contracts to resolve constraints and extend this principle of shorter contracts being prioritised over longer term contracts.

2.2.3 This proposal has been introduced in light of the introduction of Intermediate Length Contracts (ILCs). This proposal contends that contracts up to five years in duration should take precedent over longer-term contracts. The ILC decision paper (SEM-25-035) sets out that a one-year contract shall be cleared in preference to out-of-merit multi-year contracts (whether New Capacity or capacity with an ILC) to solve constraints. The rationale for this decision is that constraints should be resolved as soon as possible and thus, five-year contracts should not be treated on par with one-year contracts.

2.2.4 Energia presented two potential ways to implement the proposal, initially giving preference to option 2 as the more suitable method of implementation. However, the SEM Committee notes that following the workshop, Energia has drafted its Modification Proposal on the basis of option 1.

2.2.5 Energia also stated that acceptance of this proposal would be in line with EU State aid approval.

[CMC_07_24: Working Group Feedback](#)

2.2.6 Capacity Market Code Modifications Workshop 37 took place on 29 May 2024 where the modification was presented and discussed.

- 2.2.7 Energinet summarised the Modification Proposal and stated that the proposal seeks to extend the rationale on the treatment of ILCs for solving constraints as set out in the SEM Committee's decision.
- 2.2.8 The TSOs noted that this proposed change would be complex to implement ahead of the T-4 2028/29 auction. They stated that other potential options could be considered to achieve the desired outcome.
- 2.2.9 Energinet noted the comments of the TSOs and recognised the complexity of the change and stated it was open to work with the TSOs to explore possible solutions.
- 2.2.10 The TSOs further stated that they are content to work with Energinet and the RAs in this regard.
- 2.2.11 SSE noted support for the Modification Proposal. They sought clarity on whether Energinet considered this Modification was necessary to give full effect to the ILC decision.
- 2.2.12 Energinet confirmed that it considered approval of this Modification to be essential.
- 2.2.13 KEL expressed concern over the Modification Proposal and stated that it would disincentivise New Capacity projects and queried the rationale for prioritising five-year new capacity over ten-year new capacity. KEL noted that on the basis provided by Energinet, it would be more consistent to prioritise each year of shorter contract incrementally (i.e. a one-year contract would have priority over a two-year contract, which would have priority over a three-year contract and so on).
- 2.2.14 Energinet responded to KEL and noted that the basis for this proposal was to align with the EU State aid approval to give priority to shorter duration contracts in solving constraints. Energinet also clarified the proposed implementation of this process, confirming that the priority would be given to contracts up to five years and then six-years to 10-years.
- 2.2.15 BnM echoed KEL's concerns, argued that there was a need for new projects with 10-year ROs and stated that this change might impact on the viability of longer-term contracts needed for security of supply.
- 2.2.16 Energinet responded to this concern and stated that the proposal doesn't seek to disincentivise New Capacity, but argued that the CRM had been very reliant on new capacity and that such capacity was expected to come forward in any case.
- 2.2.17 SSE supported Energinet's proposal. SSE referred to article 13 of the Clean Energy Package to further illustrate that a downward progression of solving locational constraints is preferred. It argued that this would align with the intention of the proposal for shorter term contracts to be constrained over longer term contracts.
- 2.2.18 KEL noted that it was not convinced that the proposal to prioritise shorter-term contracts over longer-term contracts would improve deliverability as refurbishing existing units would face the same challenges as New Capacity.

2.2.19 ESB GT supported the viewpoint of SSE and Energia and noted the difference in net cost to consumers could be considerable. It also stated that the existing fleet was aging and in need of refurbishment and this proposal is a good solution to avoid unintended exit signals.

2.2.20 Energia agreed with ESB GT's comments and stated that the underlying rationale is EU-approved and not contested. It stated that it makes sense for consumers to meet constraints on a shorter basis.

CMC_07_24: Minded To Position

2.2.21 The SEM Committee welcomes feedback and comments regarding the proposed modification.

2.2.22 The SEM Committee, at the time of writing, has not formed a minded to opinion on this proposal. The SEM Committee will continue to evaluate the merits of this proposal in the context and design of the CRM.

2.2.23 The SEM Committee notes that an updated version of this Modification Proposal has been published on the SEMO website. Energia has stated therein that based on feedback received at the CMC workshop, it has identified option 1 in its proposal as the most feasible option. The SEM Committee understands that the option 1 approach as now proposed would mean that it would be theoretically possible for an out-of-merit multi-year offer to clear ahead of an out-of-merit one-year offer for the purposes of satisfying constraints.

2.2.24 The SEM Committee is cognisant of the fact that market participants have already submitted Exception Applications on the basis of SEM-24-035.

2.2.25 The SEM Committee agrees with the principle of prioritising shorter duration contracts in the resolution of constraints.

2.3 CMC_08_24 – WIDENING OF LONGSTOP EXTENSION PROCESS TO AWARDED CAPACITY FOR 2023/2024 AUCTION

Proposer: Grange Backup Power Limited

CMC_08_24: Proposal Overview

2.3.1 This Modification Proposal seeks to extend the principles of J.5.8 in SEM-23-101 to all projects which were awarded New Capacity for all Capacity Years.

2.3.2 The proposal seeks to do this by amending J.5.8.1 of the CMC to allow projects which were awarded multi-year New Capacity contracts in auctions for delivery in the Capacity Year beginning 1 October 2023 to avail of extensions to the Long Stop Date and Capacity Quantity End Date and Time.

CMC_08_24: Working Group Feedback

- 2.3.3 Capacity Market Code Modifications Workshop 37 took place on 29 May 2024 where the modification was presented and discussed.
- 2.3.4 ESB GT supported the Proposed Modification and stated that limiting the previous modification to certain auctions was discriminatory.
- 2.3.5 SSE also supported the proposal and stated that enduring treatment of all auctions is necessary as common issues will arise across many auctions.

CMC_08_24: Minded To Position

- 2.3.6 The SEM Committee welcomes feedback and comments regarding the proposed modification.
- 2.3.7 At the time of writing, the SEM Committee has not formed a minded to position on this proposal. The SEM Committee will continue to review the modification in the context and evolution of the CRM.

2.4 CMC_09_24 – AMENDMENTS TO J.5.7 AND J.5.8

Proposer: RAs

CMC_09_24: Proposal Overview

- 2.4.1 This Modification Proposal seeks to amend the legal drafting of J.5.7 and J.5.8 to allow market participants to apply for an extension to either their Long Stop Date (LSD) and/or Capacity Quantity End Date and Time (CQEDT).
- 2.4.2 The proposal also seeks to delete part of J.5.8.2 to allow Multi-Year New Capacity to apply for an extension to their LSD and/or CQEDT even if it expects to achieve Minimum Completion by the LSD.
- 2.4.3 The basis for this change is to amend the legal drafting to better reflect the intentions of SEM-23-101.

CMC_09_24: Working Group Feedback

- 2.4.4 Capacity Market Code Modifications Workshop 37 took place on 29 May 2024 where the modification was presented and discussed.
- 2.4.5 The RAs presented the Modification Proposal and highlighted an error in the proposed legal drafting change section of the Modification Proposal Form. This error was in relation to the proposed amendment to J.5.8 and the positioning of “or”.
- 2.4.6 Grange Backup Power Limited supported the Modification Proposal.

CMC_09_24: Minded To Position

- 2.4.7 The SEM Committee welcomes feedback and comments regarding the proposed modification.

- 2.4.8 The SEM committee is minded to approve this Modification Proposal. Approval of this modification is in line with SEM-23-101 and will support market participants' ability to deliver capacity to market.

3. CONSULTATION QUESTIONS

- 3.1.1 The SEM Committee welcomes views and responses on the proposed modifications raised within this consultation paper.
- 3.1.2 Respondents are invited to provide comments and feedback in respect of:
- the proposed modifications and their consistency with the Code Objectives.
 - any impacts not identified in the Modification Proposal Forms, e.g., to the Agreed Procedures, the Trading and Settlement Code, IT systems etc.; and
 - the detailed CMC drafting proposed to deliver the Modifications.
- 3.1.3 A template has been provided in Appendix C for the provision of responses.

4. NEXT STEPS

- 4.1.1 The SEM Committee intends to decide, at the earliest, by 27 September 2024 on the implementation or otherwise of the Modification outlined within this consultation paper, as per B.12.11.1 of the CMC.
- 4.1.2 Responses to the consultation paper **must** be sent to both the UR and CRU CRM Submissions inboxes (CRMsubmissions@uregni.gov.uk and CRMsubmissions@cru.ie), **by close of business 17:00 on Friday 02 August 2024. Please note that late submissions will not be accepted.**
- 4.1.3 We intend to publish all responses unless marked confidential. While respondents may wish to identify some aspects of their responses as confidential, we request that non-confidential versions are also provided, or that the confidential information is provided in a separate annex. Please note that both Regulatory Authorities are subject to Freedom of Information legislation.