

# Response to SEM-24-047

## Capacity Market Code Modifications Workshop 37 Consultation

CMC\_06\_24; CMC\_07\_24; CMC\_08\_24; CMC\_09\_24

2<sup>nd</sup> August 2024



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# 1. Introduction

EirGrid holds licences as independent electricity Transmission System Operator (TSO) and Market Operator (MO) in the wholesale trading system in Ireland. System Operator for Northern Ireland (SONI Ltd) is the licensed TSO and MO in Northern Ireland. The Single Electricity Market Operator (SEMO) is a contractual joint venture between SONI and EirGrid and operates the Single Electricity Market on the island of Ireland.

EirGrid and SONI have been certified by the European Commission as independent TSOs. EirGrid also owns and operates the East West Interconnector, while SONI acts as Interconnector Administrator for both of the interconnectors that connect the island of Ireland and GB.

EirGrid and SONI, both as TSOs and MOs, are committed to delivering high quality services to all customers, including generators, suppliers and consumers across the high voltage electricity system and via the efficient operation of the wholesale power market. EirGrid and SONI therefore have a keen interest in ensuring that the market design is workable, will facilitate security of supply and compliance with the duties mandated to us and will provide the optimum outcome for customers.

EirGrid and SONI have duties under licence to advise the CRU and UR respectively on matters relating to the current and expected future reliability of the electricity supply. We have also been allocated responsibility for administering the Capacity Market Code through our TSO licences. This response is on behalf of EirGrid and SONI in their roles as TSOs for Ireland and Northern Ireland.

## 2. EirGrid and SONI View on the Consultation Topic

EirGrid and SONI, the System Operators, welcome this opportunity to respond to the SEM Committee's consultation paper ([SEM-24-047](#), dated 1<sup>st</sup> July 2024) on the Capacity Market Code Modification Proposals:

- 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

The System Operators' views are tabulated in Section 2.1.

## 2.1. EirGrid and SONI Response

ID	Proposed Modification and its Consistency with the Code Objectives	Impacts Not Identified in the Modification Proposal Form	Detailed CMC Drafting Proposed to Deliver the Modification
CMC_06_24: Performance Securities for Extended Projects	The System Operators have previously expressed concern in relation to extensions of Performance Securities arising from delays. The System Operators believe a reasonable counter-argument to extending Performance Securities is to suggest that it relaxes an incentive to manage delivery risks.	<p>The purpose of Performance Securities and Termination Charges is to protect consumers from the impact associated with non-delivery of capacity which was secured at auction. When a project is delayed the risk to delivery increases rather than decreases and therefore relaxing the risk mitigation for the developer may be inappropriate and counter-productive. Relaxing Performance Security requirements reduces commitment to an auction outcome.</p> <p>However, as the SEM Committee introduced this facility for one cohort, it is reasonable that it is made available more broadly.</p>	The System Operators recommend that the Capacity Market Code applies as universally as possible and the introduction of obligations and facilities which are unnecessarily targeted at specific auctions is minimised. This would maintain transparency in the application of the Code and avoid the introduction of parallel Codes.

ID	Proposed Modification and its Consistency with the Code Objectives	Impacts Not Identified in the Modification Proposal Form	Detailed CMC Drafting Proposed to Deliver the Modification
CMC_07_24: Treatment of Capacity Contracts of Varying Duration in Constrained Auction Solution	N/A	<p>The System Operators welcome the revised approach contained in the updated CMC_07_24. The original proposal presented very significant challenges in relation to complexity and implementation.</p> <p>Should the SEM Committee be minded to approve the Modification Proposal, the System Operators advise that an impact assessment will be required to assess the feasibility of implementation prior to the T-4 2028/29 Auction. Therefore the System Operators recommend a caveated decision is published by the SEM Committee e.g. approval in principle, subject to impact assessment.</p> <p>The System Operators note the significant scope of change which the Capacity Market systems are undergoing in the near term including in relation to online qualification, secondary trading, pricing and Intermediate Length Contracts. The System Operators welcome engagement with the Regulatory Authorities in relation to prioritisation of system changes.</p>	Should the SEM Committee be minded to approve the Modification Proposal, the System Operators are available to support the Regulatory Authorities in developing the legal drafting.
CMC_08_24: Widening of Longstop Extension Process to Awarded Capacity for 2023/24 Auction	The System Operators have previously expressed concern in relation to broader Remedial Actions and a more permissive approach to delays.	As the SEM Committee has introduced this facility for one cohort it is reasonable that it is made available more broadly.	The System Operators recommend that the Capacity Market Code applies as universally as possible and the introduction of obligations and facilities which are unnecessarily targeted at specific auctions is minimised. This would maintain transparency in the application of the Code and avoid the introduction of parallel Codes.

ID	Proposed Modification and its Consistency with the Code Objectives	Impacts Not Identified in the Modification Proposal Form	Detailed CMC Drafting Proposed to Deliver the Modification
CMC_09_24: Amendments to J.5.7 and J.5.8	N/A	N/A	There remains 'and' logic between (i) and (ii) in paragraph J.5.8.2.