

## SUMMARY INFORMATION

<b>Respondent's Name</b>	<i>Bord Gais Energy</i>
<b>Type of Stakeholder</b>	<i>Generator &amp; Supplier in SEM</i>
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<b>Confidential Response</b>	[N]

## CAPACITY MARKET CODE MODIFICATIONS WORKSHOP 37 CONSULTATION COMMENTS:

Bord Gáis Energy (**BGE**) welcomes the opportunity to respond to this SEM-24-047 consultation on the modification proposals that were initially discussed at the Capacity Market Code (**'Code'**) Working Group 37:

## CMC\_06\_24: Performance Securities for Extended Projects

**BGE is supportive of the proposed modification.** We believe there is merit in extending the scope of CMC\_15\_23 to include all auctions rather than having it apply solely for the 2024/25 T-4 and 2025/26 T-4. Delays due to 3<sup>rd</sup> party actions beyond the control of participants, are unfortunately not isolated to the specific auctions listed in CMC\_15\_23. Our expectation is 3<sup>rd</sup> party delays will likely impact future auction participants. As stated in the modification proposal, the auction specificity in CMC\_15\_23 means some participants face a misalignment between extensions to capacity quantity end date and the performance securities. In our view, it is unrealistic to expect market participant to bear the risk of putting down performance securities when they are still unsure of project feasibility, such as for example, when awaiting a decision on planning. We believe that should this modification not be implemented; it will result in good projects that are feasible but facing delays to terminate rather than take on unquantifiable risk. This will increase the pressure on security of supply, and risk to the consumer.

BGE shared a concern that it is important that this modification is also considered from the perspective of the consumer. **After further reflection, we are confident that this will not undermine consumer protections.** The extensions applications process is a comprehensive process with RA responsibility for assessing and granting extensions. To be granted an extension, market participants must demonstrate to the RAs beyond reasonable doubt that the cause of delays are beyond their control. Given the high level of SEMC oversight, BGE are not concerned that there is a risk of speculative extensions applications and subsequent changes in performance security timelines, which could undermine consumer protections. Furthermore, the non-implementation of this modification risks the termination of viable plants that are delayed due to reasons beyond their control. The net impact of these terminations would result in tighter market and higher wholesale prices, than the alternative scenario where the modification is implemented. This is of greater relevance from a consumer perspective in our view.

## CMC\_07\_24: Treatment of Capacity Contracts of Varying Duration in Constrained Auction Solution

**BGE is supportive of the proposed modification.** We agree that priority should be given to contracts with the shortest duration while respecting the economic basis for the solving algorithm. This principle already exists in the CMC, and we see the proposed modification as an extension of this principle designed to account for the introduction of Intermediate Length Contracts (ILCs). It allows prioritisation for exempt PQs for both; ILCs for existing capacity of duration of 1-5 years, and new capacity contracts which can have duration up to 10 years.

One of the primary reasons for the introduction of the ILCs by the SEMC was to extend the life of existing capacity to *“avoid locking-in new fossil fuel capacity with an economic life stretching into the late 2030s, and possibly beyond.”*<sup>1</sup> BGE has consistently backed the rationale behind this approach, and we

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<sup>1</sup> [Capacity Remuneration Mechanism \(CRM\) Intermediate Length Contracts Decision Paper SEM-24-035](#)

see this mod as necessary to ensure the correct priority of allocation for shorter duration contracts remains true to the market design principles in the auction systems.

The proposed Option 1, of a Net Social Welfare (NSW) calculation for exempt price quantity pairs (based on price, quantity, and duration) is a simple yet effective way of determining priority of capacity market offers. We believe it should be sufficient to ensure the correct prioritisation of shorter duration exempt PQ Pairs, while also addressing the SEMC's concerns:

1. By using the NSW calculated based on offered contract duration, there is no differentiation between a five-year New Capacity offer and a five-year ILC offer.
2. We appreciate that it's theoretically possible that a multi-year contract could clear ahead of an out of merit single year contract. However, we would strongly agree with the proposer that scenario is extremely unlikely, and loophole exists in theory only.

The example given in the mod was that a new capacity market unit could bid for a 2-year contract (rather than the standard 10-year) and if their bid price was less half of the Net Going Forward Costs (NGFCs) of the existing out of merit capacity, then it would clear ahead of the existing capacity. While this is true it's a theoretical example.

New projects are finding it challenging to build economically feasible projects with 10-year contracts at the increased auction price cap. The idea that a participant would choose to bid multi-year capacity for a 2-year contract and forego between 3-8 years (depending on whether ILC or New Capacity) of capacity revenue, while also bidding at a price that is less than half of the Net going forward costs for existing capacity is simply not plausible.

## **CMC\_08\_24: Widening of Longstop Extension Process to Awarded Capacity for 2023/24 Auction**

**BGE is not supportive of this proposed modification.** The premise on which this modification is based is weak. In summary the justification was as follows, because the RAs didn't give a rationale as to why the modification excludes 2023/24 T-1 and 2023/24 T-4, they should be included. This in the view of BGE is not sufficient justification for a capacity market modification. Furthermore, we believe the rationale was clear enough that it didn't need to be stated. The mod was designed to apply to the forward delivery of capacity, not capacity that was already within its capacity delivery year.

- On the 6<sup>th</sup> of October 2023 (i.e. 6 days into CY 23/24) the SEMC published a supplementary consultation paper on modified and combined Modifications to Facilitate Delivery of Capacity SEM-23-080.
- On 30<sup>th</sup> of November (2 months into CY 23/24) SEMC published their decision on Supplementary Consultation Paper on modified and combined Modifications to Facilitate Delivery of Capacity SEM-23-101. Not the 30<sup>th</sup> of September as stated in the mod.
- This mod is in our opinion looking for a retrospective change, especially given the time of submission was May at which point we were more than halfway through the capacity year.

Notwithstanding the issue of this mod proposing a change within the capacity year mod, BGE strongly disagrees with the principle that Longstop extension should ever apply to a T-1 Auction. This would lead to speculative bidding in the T-1 auction, increasing the risk of non-delivery of capacity at a crucial stage for the system and consumer.

## **CMC\_09\_24: Amendments to J.5.7 and J.5.8**

**BGE is supportive of the proposed modification.** This amends a simple gap in the logic and will allow generators to apply for an extension post SFC, without seeking a change in the LSD. This is useful as the current expectation is most projects facing delays will have significant delays which will require the need to amend the capacity quantity end date. However, in most of these cases the delay will not be 18 months and therefore will not automatically need an extension to their Long Stop Date.

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	<p>BGE believes the modification as drafted is consistent and will deliver under the following code objectives:</p> <ul style="list-style-type: none"> <li>(b) to facilitate the efficient, economic and coordinated operation, administration and development of the Capacity Market and the provision of adequate future capacity in a financially secure manner;</li> <li>(g) through the development of the Capacity Market, to promote the short-term and long-term interests of consumers of electricity with respect to price, quality, reliability, and security of supply of electricity across the Island of Ireland.</li> </ul>	N/A	N/A

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
<b>CMC_07_24: Treatment of Capacity Contracts of Varying Duration in Constrained Auction Solution</b>	<p>BGE believes the modification as drafted is consistent and will deliver under the following code objectives:</p> <ul style="list-style-type: none"> <li>(h) to facilitate the efficient, economic and coordinated operation, administration and development of the Capacity Market and the provision of adequate future capacity in a financially secure manner;</li> <li>(i) through the development of the Capacity Market, to promote the short-term and long-term interests of consumers of electricity with respect to price, quality, reliability, and security of supply of electricity across the Island of Ireland.</li> </ul>	N/A	N/A

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
<b>CMC_08_24: Widening of Longstop Extension Process to Awarded Capacity for 2023/24 Auction</b>	<p>BGE is not supportive of the proposed and believe not consistent with the following code objectives:</p> <ul style="list-style-type: none"> <li>(b) to facilitate the efficient, economic and coordinated operation, administration and development of the Capacity Market and the provision of adequate future capacity in a financially secure manner;</li> <li>(c) through the development of the Capacity Market, to promote the short-term and long-term interests of consumers of electricity with respect to price, quality, reliability, and security of supply of electricity across the Island of Ireland.</li> </ul>	<p>We believe the proposed modification is seeking to retrospectively change the rules for the capacity year within the delivery period of the capacity year. Introducing such a mod and setting the precedence for allowing T-1 contracts to gain extensions creates the risk of speculative CM bidding.</p>	<p>N/A</p>

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<b>CMC_09_24: Amendments to J.5.7 and J.5.8</b>	<p>BGE believes the modification as drafted is consistent and will deliver under the following code objectives:</p> <ul style="list-style-type: none"> <li>(b) to facilitate the efficient, economic and coordinated operation, administration and development of the Capacity Market and the provision of adequate future capacity in a financially secure manner;</li> <li>(c) through the development of the Capacity Market, to promote the short-term and long-term interests of consumers of electricity with respect to price, quality, reliability, and security of supply of electricity across the Island of Ireland.</li> </ul>	NA	NA

NB please add extra rows as needed.