

APPENDIX C – RESPONSE TEMPLATE

SUMMARY INFORMATION

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Type of Stakeholder	<i>DSU</i>
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Confidential Response	[N]

CAPACITY MARKET CODE MODIFICATIONS WORKSHOP 36 CONSULTATION COMMENTS:

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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
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<p>CMC_02_24: Modification to the Performance Security Requirement</p>	<p>As the proposer of CMC_02_24, DRAI supports the modification as it enables the RA's to differentiate the Performance Security Rates for one year Awarded New Capacity and greater than one year duration Awarded New Capacity.</p> <p>As the current approach doesn't differentiate between Performance Security Rates for Capacity of differing duration, the result is a disproportionally high Performance Security Requirement as a percentage of total Capacity Payments for one year Awarded New Capacity when compared to greater than one year Awarded New Capacity.</p> <p>There are already distinctions between one year capacity and greater than one year capacity elsewhere in the Capacity Market Code (CMC) e.g. J.6.1.1 acknowledges the differences between one year Awarded New Capacity and greater than one year Awarded New Capacity when determining the Long Stop Date.</p>	<p>SEM-24-027 noted concerns raised by participants in relation to CMC_02_24.</p> <p>Section 2.1.4 noted that the proposed mod was "<i>moving away from the recommendations set out in the EY review</i>". DRAI refutes this statement as CMC_02_24 is not seeking to reduce the Performance Security Rates for all participants, but to ensure they are fairly applied to participants with differing contract durations. It is worth noting that the EY review actually concluded that "<i>SEM penalty levels for capacity termination are broadly in line with other European capacity auctions. They have not been high enough to prevent plants from profiting from terminating a contract but are not the principal reason projects have not delivered</i>". When benchmarking versus other jurisdictions, the EY review</p>	
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		<p>highlighted that other Capacity Markets do differentiate between Performance Security Rates e.g. in GB, a rate of 10 k£/MW applies to new build capacity but only 5 k£/MW for unproven Demand Side Response.</p> <p>Section 2.1.6 also noted that while a significant volume of thermal capacity was qualified but chose not to bid into the 27/28 T-4 Capacity Auction, the same could not be said for DSUs. Again, DRAI refutes this point. Performance Security Rates are set out in the IAIP, therefore before Qualification for a given Capacity Auction. Therefore, this would have been known pre-qualification and would not have impacted DSUs decision whether to bid into the Capacity Auction. However, if the Performance Security Rate was less for one year Awarded New Capacity, more DSUs may have qualified</p>	
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		<p>& participated in the Capacity Auction.</p> <p>Section 2.1.9 mirrored the same reservation as 2.1.6 (which is covered off by the above paragraphs in response to 2.1.6) and also queried the basis for the 50% reduction in Performance Security Rate provided in the example. As outlined in 2.1.10, the 50% was an arbitrary number (based on the percentage reduction used in GB), however, CMC_02_24 isn't seeking to set the percentage reduction but rather give the RA's the ability to differentiate Performance Security Rates for one year Awarded New Capacity and greater than one year Awarded New Capacity during. Ultimately, the percentage reduction figure would be consulted on as part of the parameters consultation process in advance of each individual Capacity Auction.</p>	
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		<p>This aligns with the CMC Objective: “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.”</p> <p>Different Performance Security Rate would support the CRU’s instruction (listed in Electricity Security of Supply Programme of Work Update April 2024) for the action to deliver: “Actions to enhance the responsiveness of existing Demand Side Units in the SEM and <u>develop additional demand side capacity</u>, including accelerated deployment and optimised</p>	
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		usage of batteries, and greater demand side response more generally.	
CMC_03_24: Enduring Mechanism for Indexation based on GB mode	No Comment		
CMC_04_24: Recovery of Net Present Value Lost as a Result of No-Fault Delays to New Capacity Projects	No Comment		
CMC_05_24: Amendment of J.6.1.6 to recognise extensions granted under SEM-23-101 and SEM-23-108	No Comment		

NB please add extra rows as needed.