APPENDIX C – RESPONSE TEMPLATE

SUMMARY INFORMATION

Respondent's Name	*Bord Gáis Energy*
Type of Stakeholder	*Generator and Supplier*
Contact name (for any queries)	*Eoghan Cudmore*
Contact Email Address	*Eoghan.cudmore@centrica.com*
Contact Telephone Number	*+353 83 396 5941*
Confidential Response	[N]

CAPACITY MARKET CODE MODIFICATIONS WORKSHOP 42 CONSULTATION COMMENTS:

Bord Gáis Energy (**BGE**) welcomes the opportunity to respond to this SEM-25-015 consultation on the modification proposals that were initially discussed at the Capacity Market Code ('**Code**') Working Group 42:

CMC_01_25: Provision of Information Related to Application Rejection under E.7
BGE is not supportive of the modification as is proposed. While we agree in principle on the rationale for this modification, as drafted it would place a significant administrative burden on TSOs and could result in delays to auctions. The requirement to produce *'any commentary, reports, or analysis produced by such parties (third parties and independent advisers) and considered by the System Operators shall be made available to the Participants'* is overly onerous for the TSO, given the high number of applications for qualification that are received and resulting numbers of rejections. For example, in 2028/29 T-4 Auction there were 55 Capacity market units which had their qualifications rejected.

However as stated previously BGE agrees with the principle behind the modification. **We believe there needs to be greater clarity from the TSOs in outlining the rationale for rejection of decisions, as in our experience this has not always been clear**. We therefore welcome the TSOs comment that they are open to *'improving ways on providing reasons for rejection through the Provisional Qualification Decisions (PQDs) and review process.'* At the modifications meeting BGE suggested organising bilateral calls where the reason for rejection could be explained, as a

compromise between the BAU and the proposed mod. We note the TSOs comment that *'it may be difficult to organise numerous bi-lateral calls.'* **In our view the need for bi-lateral calls could largely be avoided by TSO providing clear plain English rationale as to why CMU failed to qualify, and how the CMU could address the reason for rejection,** rather than simply notifying *'the Participant of the requirements under section E.7 that the Application for Qualification failed to satisfy.'*

CMC_02_25: Separate De-Rating Factor for New Vs. Existing Capacity

BGE is not supportive of the proposed modification. As drafted the proposed mod takes an overly blunt approach and assumes a direct correlation between age and availability which is a gross oversimplification. **However, the principle behind the mod is something we agree with, namely that the current De-rating factor (DRF) calculation methodology is no longer fit for purpose.** The existing DRF methodology is an even greater oversimplification than what is proposed. At present all generators of the same type, are treated the same regardless of age, run hours, starts, investment spend, refurbishment undertaken etc. Newer and better maintained units effective DRF is being affected by other units of the same class that have much lower reliability.

Given the spread of ages, investment spend, run hours etc. it is no longer possible to have a one size fits all solution to DRFs. For existing units DRFs should be based across the average reliability over 3 years prior to the auction. For example, for the upcoming T-1 2025/26 auction the average reliability of unit across the 3 capacity years 2021/22, 2022/23 and 2023/24 should be used in determining the DRF. This is a sufficiently large and recent sample size to reflect the likely contribution of units to system adequacy. We ask that the existing **De-rating factor calculation methodology is revised to account for recent reliability rather than treating all units the same regardless of age and actual reliability.**

CMC_03_25: Clarification of Proportion of Delivered Capacity for multiple tranches

BGE is supportive of the proposed modification given the rationale to ensure that measurement of delivery is on the same basis as the capacity was qualified, and the introduction of the algebraic formula to improve readability. **However, the worked example in this modification has highlighted inconsistencies in the treatment of 'Proportion of Delivered Capacity' (PDC) which could result in inequitable outcomes and open the opportunity for gaming**. We provide 3 examples below <u>where the same grid code commissioned capacity of 120MW is delivered</u>, but the proportion of delivered capacity differs and hence the capacity quantity at which the unit settled differs.

A. Example A below outlines the scenario from the SOs example. In Auction 4 the Unit A qualifies 150MW (an incremental increase of 30MW from Auction 3), clears 10MW in the auction, but only delivers Grid Code Commissioned Capacity of 120MW. The PDC is calculated as 64%, so based on G.3.1.8 it is it falls into the **'≥ 50% ≤ 90%' category** of PDC. 3.6MW out of the 10MW are terminated wit termination fees applying, while the remaining 6.4MW are added to capacity and trade register for Auction 4.

Example A - Derating Changes and bid larger unit but under deliver a 120 MW and pay some termination charge				
Capacity Market Unit = A	Auction 1	Auction 2	Auction 3	Auction 4
Initial Capacity Existing (ICE):	100	100	100	100
Initial Capacity New (ICN):	0	10	20	50
Derating factor (DRF):	0.8	0.7	0.6	0.7
Gross Derated Capacity Existing (GDRCE):	80	70	60	70
Gross De-Rated Capacity New (GDRCN):	0	7	12	35
Awarded Existing Capacity:	0	80	80	80
Awarded New Capacity:	0	0	7	12
Net De-Rated Capacity Existing (NDRCE)	80	0	0	0
Net De-Rated Capacity New (NDRCN)	0	7	5	23
Capacity Cleared in Auction	80	7	5	10
Grid Code Commissioned Capacity	120	120	120	120
De-rated Grid Code Commissioned Capacity	n/a	84	72	84
SUM $qC\Omega i$	n/a	7	12	22
Propotion of delivered capacity existing		100%	100%	64%	Total
		7.0	5.0	**6.4**	18.4

$$PDC_{A1y} = Max\left(0, Min\left(\frac{84-70}{7}, 100\%\right)\right) = 100\% \checkmark$$

$$PDC_{A2y} = Max\left(0, Min\left(\frac{72-60}{7+5}, 100\%\right)\right) = 100\% \checkmark$$

$$PDC_{A3y} = Max\left(0, Min\left(\frac{84-70}{7+5+10}, 100\%\right)\right) = 64\% \times$$

B. In Example B the Unit A does not seek to qualify any incremental capacity itself, however, as result of a change in derating factor (from 0.6 to 0.7) am extra 2MW of Net De rated Capacity New created. This is 2MW cleared in Auction 4, PDC is 100% so 2MW are added to the trade and capacity register. I.e. for the same amount of Grid Code Commissioned capacity as in Example A, less capacity is added to the trade and capacity register.

Example B - Derating Changes and deliver forecast 120 MW unit				
Capacity Market Unit = A	Auction 1	Auction 2	Auction 3	Auction 4
Initial Capacity Existing (ICE):	100	100	100	100
Initial Capacity New (ICN):	0	10	20	20
Derating factor (DRF):	0.8	0.7	0.6	0.7
Gross Derated Capacity Existing (GDRCE):	80	70	60	70
Gross De-Rated Capacity New (GDRCN):	0	7	12	14
Awarded Existing Capacity:	0	80	80	80
Awarded New Capacity:	0	0	7	12
Net De-Rated Capacity Existing (NDRCE)	80	0	0	0
Net De-Rated Capacity New (NDRCN)	0	7	5	2
Capacity Cleared in Auction	80	7	5	2
Grid Code Commissioned Capacity	120	120	120	120
De-rated Grid Code Commissioned Capacity	n/a	84	72	84
SUM $qC\Omega i$	n/a	7	12	14
Propotion of delivered capacity existing		100%	100%	100% Total
		7.0	5.0	2.0	14.0

$$PDC_{A1y} = Max\left(0, Min\left(\frac{84-70}{7}, 100\%\right)\right) = 100\% \checkmark$$

$$PDC_{A2y} = Max\left(0, Min\left(\frac{72-60}{7+5}, 100\%\right)\right) = 100\% \checkmark$$

$$PDC_{A3y} = Max\left(0, Min\left(\frac{84-70}{7+5+2}, 100\%\right)\right) = 100\% \checkmark$$

C. Example C is an example of Unit A actively gaming the system. In Auction 4 it qualifies 2.3MW of incremental capacity vs Auction 3. This results in Gross derated capacity New of 15.6MW. 3.6MW is cleared in auction 4. This results in a PDC of precisely 90% meaning no termination charges apply. Based on G.3.1.8 it falls into the **'≥ 90'' category** and 3.2MW (3.6 x .9) is added to the Capacity Trade and Register with no termination charges applying.

Example C - Derating Changes and bid larger unit but under deliver a 120 MW but no termination charge exposure				
Capacity Market Unit = A	Auction 1	Auction 2	Auction 3	Auction 4
Initial Capacity Existing (ICE):	100	100	100	100
Initial Capacity New (ICN):	0	10	20	22.3
Derating factor (DRF):	0.8	0.7	0.6	0.7
Gross Derated Capacity Existing (GDRCE):	80	70	60	70
Gross De-Rated Capacity New (GDRCN):	0	7	12	15.61
Awarded Existing Capacity:	0	80	80	80
Awarded New Capacity:	0	0	7	12
Net De-Rated Capacity Existing (NDRCE)	80	0	0	0
Net De-Rated Capacity New (NDRCN)	0	7	5	3.61
Capacity Cleared in Auction	80	7	5	3.61
Grid Code Commissioned Capacity	120	120	120	120
De-rated Grid Code Commissioned Capacity	n/a	84	72	84
SUM $qC\Omega i$	n/a	7	12	15.61
Propotion of delivered capacity existing		100%	100%	90% Total
		7.0	5.0	3.2	15.2

$$PDC_{A1y} = Max\left(0, Min\left(\frac{84-70}{7}, 100\%\right)\right) = 100\% \checkmark$$

$$PDC_{A2y} = Max\left(0, Min\left(\frac{72-60}{7+5}, 100\%\right)\right) = 100\% \checkmark$$

$$PDC_{A3y} = Max\left(0, Min\left(\frac{84-70}{7+5+3.6}, 100\%\right)\right) = 90\% \checkmark$$

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It is not equitable that quantity awarded can vary for the exact same delivery of grid code commissioned capacity. We ask that TSOs review this logic to ensure that the potential for gaming is removed. In example C the exact same quantity of Grid code commissioned capacity is delivered compared with example B, but an extra 1.2MW is awarded contracts. This would leave the capacity market short and increase the cost to the end consumer. This may appear trivial, however if a 360MW unit was to game in such a way as outlined in the scenario, it would earn an extra 3.6MW of contract. If this was the case for a 10-year contract at a price €230k/MW it would equate to ~€8.5m of extra revenue for a unit engaged in gaming. This needs to be addressed by TSOs.

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_01_25: Provision of Information Related to Application Rejection under E.7		The modification as proposed would place undue strain on the TSOs and could result in delays to the auction.	N/A
CMC_02_25: Separate De-Rating Factor for New Vs. Existing Capacity		Age and reliability of units are not perfectly correlated, and this is an overly simplistic approach. However, we agree with the principle, namely that the current De-rating methodology is no longer fit for purpose and needs to be revised.	N/A
CMC_03_25: Clarification of Proportion of Delivered Capacity for multiple tranches		Current algebra is open to gaming. Loophole needs to be closed	N/A

NB please add extra rows as needed.