



Energy for
generations

ESB Generation and Trading
Response SEMC Consultation Paper
on Capacity Market Code
Modifications (Workshop 42)

01/05/2025



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1. SUMMARY INFORMATION

Respondent's Name	ESB Generation and Trading
Type of Stakeholder	Generator
Contact name (for any queries)	Andrew Kelly
Contact Email Address	andrew.kelly@esb.ie
Contact Telephone Number	085 220 6313
Confidential Response	No

2. INTRODUCTION

ESB Generation and Trading (GT) welcomes the opportunity to respond to SEMC Workshop 42 Consultation Paper on the following Capacity Market Code (CMC) modification proposals:

- **CMC_03_25:** Clarification of Proportion of Delivered Capacity for Multiple tranches
- **CMC_01_25:** Provision of Information Related to Application Rejection under E.7
- **CMC_02_25:** Separate De-Rating Factor for New Vs. Existing Capacity

3. ESB GT RESPONSES

3.1 CMC_03_25: Clarification of Proportion of Delivered Capacity for Multiple tranches

3.1.1 Proposed Modification and its Consistency with the Code Objectives

ESB GT agrees that the proposed modification is consistent with CMC objectives (b), (c), (d), and (f).

In November 2024, ESB GT submitted a Modification Proposal titled Proportion of Delivered Capacity in respect of incremental New Capacity (CMC_12_24), which aimed to solve the same problem that this modification proposal (CMC_03_25) is trying to solve.

ESB GT believe that CMC_03_25 achieves the objective of enabling multiple tranches of Awarded New Capacity (which could include a combination of existing and new capacity for the same capacity year in different capacity auctions) to be awarded fairly, taking into account the risk that any incremental New Capacity awarded to an existing unit that was physically delivered (either commissioned or in receipt of a Market Readiness Certificate) is unable to achieve Substantial Completion under the Capacity Market Code (CMC).

Indeed, in its presentation at Workshop 42 presentation introducing this modification, the SO's stated that *"It is important to emphasise, that the only substantial change being introduced here is to incorporate the change proposed in CMC_12_24"* and also that *"This change is important to ensure that measurement of delivery is on the same basis as the capacity was qualified."*

It is for these reasons that ESB GT raised CMC_12_24 as an urgent modification and while it is regrettable that the modification was not accorded Urgent status, ESB GT welcomes CMC_03_025 being progressed.

3.1.2 Impacts Not Identified in the Modification Proposal Form

No Comment

3.1.3 Detailed CMC Drafting Proposed to Deliver the Modification

No proposed additions to drafting.

3.2 CMC_01_25: Provision of Information Related to Application Rejection under E.7

3.2.1 Proposed Modification and its Consistency with the Code Objectives

ESB GT agrees that the proposed modification is consistent with CMC objectives (a), (c), (d), (e) and (g).

ESB GT understands the purpose of the proposed modification to be a means to enhance transparency and efficiency in the Capacity Market qualification process. Specifically, it aims to ensure that when a unit's qualification application is rejected under section E.7, the System Operators (SOs) would be obliged to provide detailed reasoning and relevant information to the participant. This includes any reports or assessments from external consultants involved in the decision-making process.

By providing this information at the time of the provisional decision, participants can engage more constructively during the reconsideration phase, potentially addressing all issues earlier in the process. This modification is expected to reduce delays, improve fairness, and reducing the number of Qualification Disputes.

The provision of detailed information and feedback to project developers will help to improve the quality of future qualification applications by ensuring developers are aware of the specific requirements related to project maturity and deliverability that the SOs are applying.

ESB agrees the rationale behind this modification proposal and believe that the modification will help towards minimising delays throughout the qualification process and reduce the number of applications which are rejected at pre-qualification stage. ESB GT also believe that this modification will support security of supply objectives through increasing the likelihood of qualification application rejections being resolved more quickly than they otherwise would be.



3.2.2 Impacts Not Identified in the Modification Proposal Form

No Comment

3.2.3 Detailed CMC Drafting Proposed to Deliver the Modification

No proposed changes.

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

3.3.1 Proposed Modification and its Consistency with the Code Objectives

ESB GT do not agree that the proposed modification is consistent with CMC objectives since it does not propose an evidence-based mechanism for a fairer and more efficient de-rating mechanism.

ESB GT understands that the purpose of the proposed modification is to improve the accuracy and fairness of de-rating factors applied to generator units in the Capacity Market. Currently, de-rating factors are based on the average historical availability of the technology type, without considering the age of the unit. This modification aims to include the age of the unit in the de-rating factor calculation to more accurately reflect the expected performance of new plants compared to existing ones.

The proposer states that by providing higher de-rating factors for new units, the proposal seeks to encourage investment in new generation capacity by offering better returns. This differentiation between new and aging units is expected to enhance market efficiency and cost-effectiveness. Additionally, by ensuring that newer, more reliable plants are appropriately

valued, the modification aims to address security of supply risks and potentially lower costs for consumers.

Whilst ESB GT acknowledges the intent of this modification proposal, the age of a plant is not necessarily directly correlated to the performance and availability. An older generator that has undergone significant overhaul, such as might be facilitated by Intermediate Length Contracts, would likely be more reliable than an equivalent generator which was 'poorly' maintained. Equally, two identical generators, commissioned at the same time could have quite different reliability performance due to historic running patterns and maintenance regimes.

ESB GT would support a unit-based derating factor mechanism which allows the generator to set their own derating factor for their participating units, with an incentive-based model to encourage realistic de-ratings. This would put participants in a position to manage the appropriate level of risk they assume in relation to the Reliability Option they are seeking to hold for each of their units.

ESB GT have previously responded to the SEM Committee Consultation SEM-24-012 with our position on unit based de-rating factors.

In conclusion, ESB GT does not support the use of age-based de-rating as a suitable method, as age alone is not a reliable indicator of performance. This approach overlooks important factors such as the unit's historical performance and the type and quality of maintenance it has received."

3.3.2 Impacts Not Identified in the Modification Proposal Form

No Comment

3.3.3 Detailed CMC Drafting Proposed to Deliver the Modification

No additional changes in proposed drafting identified.



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4. CAPACITY MARKET CODE OBJECTIVES

A.1.2.1 *This Code is designed to facilitate achievement of the following objectives (the “Capacity Market Code Objectives”):*

- a) to facilitate the participation of undertakings including electricity undertakings engaged or seeking to be engaged in the provision of electricity capacity in the Capacity Market;
- b) to promote competition in the provision of electricity capacity to the SEM;
- c) to provide transparency in the operation of the SEM;
- d) to ensure no undue discrimination between persons who are or may seek to become parties to the Capacity Market Code; and
- e) 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.
- f) become parties to the Capacity Market Code; and
- 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.