

EirGrid and SONI Response to SEM-25-023

Capacity Market Code Modifications Workshop 43 Consultation

CMC_04_25, CMC_05_25, CMC_06_25, CMC_07_25,
CMC_08_25, CMC_09_25

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1. Introduction

EirGrid holds licences as the independent electricity Transmission System Operator (“TSO”) and Market Operator (“MO”) in the wholesale trading system in Ireland. The System Operator for Northern Ireland (“SONI”) 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 (“SEM”) on the island of Ireland.

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 is compliant with the duties mandated to us and will provide optimal outcomes for customers.

EirGrid and SONI have duties under licence to advise the Commission for the Regulation of Utilities (“CRU”) and the Northern Ireland Utility Regulator (“UR”), collectively referred to as the Regulatory Authorities (“RAs”), respectively on matters relating to the current and expected future reliability of the electricity supply. EirGrid and SONI have also been allocated responsibility for administering the Capacity Market Code via respective TSO licences. This response is on behalf of EirGrid and SONI in their roles as TSOs for Ireland and Northern Ireland (“the System Operators” or “SOs”).

2. EirGrid and SONI View on the Consultation Topic

EirGrid and SONI welcome the opportunity to respond to the SEM Committee’s (‘SEMC’) Consultation Paper [SEM-25-023](#), (dated 05 June 2025) on the Capacity Market Code Modification Proposals:

- [CMC_04_25](#): Adjustment of CMC auction qualification criteria to facilitate complex projects within State Aid approval
- [CMC_05_25](#): Early Termination of Intermediate Length Contract Capacity
- [CMC_06_25](#): Amendment of ARHL De-Rating Factor Definition to Exclude Intermediate Length Contracts
- [CMC_07_25](#): Maintaining Net Present Value in new capacity market contracts for no-fault delays
- [CMC_08_25](#): Ensuring robust, transparent and objective qualification criteria in the Capacity Market
- [CMC_09_25](#): Registration and Qualification Auction Timetable Milestones

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_04_25: Adjustment of CMC auction qualification criteria to facilitate complex projects within State Aid approval	1) The SOs have a number of concerns with the Proposed Modification and are of the view that it is not consistent with the Code Objectives, namely: <i>(b) to facilitate the efficient discharge by EirGrid and SONI of the obligations imposed by their respective Transmission System Operator Licences in relation to the Capacity Market;</i> <i>(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.</i>	1) The modification, if implemented, would result in a five and a half year commissioning window for 'Complex Projects' which is not consistent with the concept of the T-4 auction as detailed under the Code. 2) The burden of late delivery (by way of delaying the commissioning timeline by 18 months post start of the Capacity Year) will thus be placed on the end consumer by capacity not being secured within the Capacity Year when it's required, resulting in an additional two winter periods not being provided for by awarded capacity. This is detrimental to the security of supply and could result in higher CRM costs by way of higher volumes required at the corresponding T-1 auctions. 3) The SOs acknowledge the increasing complexity of some projects but are of the view that ensuring a robust, transparent and objective qualification criteria is a more optimal approach to mitigating the risks of late delivery. This is the intent behind the modification CMC_08_25 raised by the SOs at Workshop 43. 4) On a broader level, there may be merit in the RAs giving consideration to a holistic approach regarding auction delivery timelines (noting that the maximum commissioning window under the Code presently is associated with a T-4 auction) and to further consider how more complex projects which may provide capacity but require additional time to deliver can be facilitated. 5) There is also potential for further unintended consequences whereby the likelihood of delays and extensions	1) The SOs have noted a number of concerns with the Proposed Modification and are of the view that it is not evident it is consistent with the Code Objectives.

		could be higher as the delivery timelines would be closer to the Long Stop Date.	
CMC_05_25: Early Termination of Intermediate Length Contract Capacity	1) The SOs are of the view that the Proposed Modification is broadly consistent with the Code Objectives in principle, however have a number of observations for consideration.	1) There are general impacts in instances where projects in receipt of an Intermediate Length Contract ('ILC') terminate and proceed as Existing Capacity including: • Loss of the incremental refurbished capacity impacting capacity requirements. • Modelling impacts for future capacity auctions which may result in MW gaps for the relevant Capacity Year.	1) Should the Proposed Modification proceed, the SOs have some suggestions to the final legal drafting: • Amendments would be better inserted to J.6.1.6A instead of J.5 (which relates to remedial action). • Regarding the substance of the legal text, any new paragraph would be best drafted to refer to existing paragraph J.6.1.3(f) which in turn refers to Min Completion and also requires consultation with the RAs under J.6.1.5. The present legal text proposed merely restates what currently exists in J.6.1.3(f) which may lead to text inconsistencies. • Any amended text should refer explicitly to 'New Capacity that is repowered or refurbished capacity based on previous Existing Capacity' rather than basing it on the duration of the Awarded New Capacity. • Any amended text should be clear that termination is restricted to not include the first Capacity Year. • Any amended text should have regard to Section G.3.1.9 which already refers to paying the first year at the Auction Clearing Price.
CMC_06_25: Amendment of ARHL De-Rating Factor Definition to Exclude	1) The SOs would note the importance of maintaining an appropriate balance between incentivising efficient investments in refurbished capacity seeking an ILC while also ensuring an	1) Without robust evidence to support the rationale that ILC projects should be exempt from ARHL DRFs applicable to New Capacity, the Modification Proposal could result in the contribution to reliability from awarded refurbished capacity being overstated.	1) The SOs would welcome the provision of evidence which supports the justification for the Proposed Modification. As proposed, the SOs have noted a number of risks which could result from refurbished capacity not

Intermediate Length Contracts	accurate reflection of refurbished capacity's contribution to reliability via Annual Run Hour Limit De-Rating Factors ('ARHL DRF'). 2) Furthermore, the SOs would support mechanisms which can promote greater contribution to reliability from Candidate Units, or that better values the contribution of a unit to reliability. 3) However, it is not clear to the SOs based on the evidence provided in the Proposed Modification why investment in refurbished capacity should be exempt from ARHL DRFs when investment in New Capacity isn't exempt. As such, it is not clear that the Proposed Modification is consistent with the Code Objectives and further supporting evidence would be beneficial in this regard.	This could result in awarded units not being able to provide capacity when needed and could distort future capacity auction modelling and volumes setting.	being subject to the ARHL DRFs applicable to New Capacity. As such, it is not clear that the Proposed Modification is consistent with the Code Objectives.
CMC_07_25: Maintaining Net Present Value in new capacity market contracts for no-fault delays	1) The SOs expressed a number of concerns in response to CMC_04_24 'Recovery of Net Present Value Lost as a Result of No-Fault Delays to New Capacity Projects', where the concept of NPV for no-fault delays was previously proposed (and subsequently rejected by the SEMC per SEM-25-016). 2) While it is asserted in the Modification Proposal that CMC_07_25 seeks to address the concerns noted in SEM-25-016, the SOs remain of the view that the Proposed Modification could introduce	1) The SOs are concerned regarding adverse impacts which the Proposed Modification would introduce, namely the weakening of delivery incentives for New Capacity and further shifting the risk of delayed or non-delivery from the developer to consumers. 2) In this regard, the SOs share the view expressed by the SEMC in SEM-25-016 where the SEMC noted that <i>"there is a delicate balance to be struck between exercising a permissive approach to extension requests while encouraging timely delivery of Awarded New Capacity to maintain security of supply. The SEM Committee considers that it would be inappropriate to tilt this balance further in favour of providing leniency for projects that are experiencing delays</i>	1) The SOs have a number of concerns with the Proposed Modification, practically and in principle. As such, the Proposed Modification does not appear to be consistent with the Code Objectives. 2) The SOs would re-iterate that there would be system and process impacts resulting from the Proposed Modification and a full Impact Assessment would be required should the SEMC be minded to proceed.

	adverse impacts and is not consistent with the Code Objectives, namely: <i>(b) to facilitate the efficient discharge by EirGrid and SONI of the obligations imposed by their respective Transmission System Operator Licences in relation to the Capacity Market;</i> <i>(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.</i>	<i>as this may weaken incentives for developers to deliver capacity on time and place undue risk on the consumer. There is a significant cost for consumers associated with late delivery...”.</i> 3) The Proposed Modification CMC_07_25 does not appear to mitigate or address this fundamental concern. In the Modification Proposal itself, the Proposer notes that <i>“Ultimately risk should be allocated to those best placed to manage it - in placing this risk unfairly on a developer rather than the consumer for whose ultimate benefit in terms of reliability and security of supply this capacity is being delivered”.</i> It is not clear why further risk for delays should be shifted from the developer to the consumer, with the developer being more proximate to the cause of the delay and better positioned to manage the risks. 4) The SOs would also query the impacts on the RAs’ resources. It could reasonably be anticipated that every CQEDT application due to third party delays would also result in a parallel application for an NPV adjustment from a Participant. While the Modification Proposal attempts to introduce a more objective process than the one proposed under CMC_04_25, each application would still need to be assessed on a case by case basis by the RAs. 5) The SOs would further note the increasing complexity regarding the path to delivery for capacity with multiple remedial actions and different stages of delivery. Tracking capacity delivery is becoming more complex with increased risk and uncertainty associated with accounting / modelling for future delivery. The Proposed Modification potentially exacerbates this situation.	
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		6) If approved, the Proposed Modification would result in operational system and process impacts. A full Impact Assessment would be required to assess this further.	
CMC_08_25: Ensuring robust, transparent and objective qualification criteria in the Capacity Market	1) The SOs assert that ensuring a robust, consistent and transparent set of auction entry criteria is crucial to ensuring a competitive Capacity Market and will better facilitate the SOs in making decisions with respect to auction qualification. 2) The Proposed Modification seeks to improve the incentives for procuring required capacity services in a competitive manner, which ultimately serves the interests of consumers by ensuring there is sufficient capacity in the SEM while mitigating costs via effective competition. As such, the SOs are of the view that the Proposed Modification is consistent with the Code Objectives, namely: (a) <i>to facilitate the efficient discharge by EirGrid and SONI of the obligations imposed by their respective Transmission System Operator Licences in relation to the Capacity Market;</i> (b) <i>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;</i> (d) <i>to promote competition in the provision of electricity capacity to the SEM;</i>	1) As noted in the Modification Proposal, there are multiple adverse impacts if the Proposed Modification were not implemented and which it seeks to address: - Continued participation from less developed projects that are more speculative in nature and may not proceed to auction. - Awarded Capacity being allocated to projects that are likely to face significant delays, displacing projects which may be more developed and more likely to deliver on time. - Increased risks factored into auction bids via increased risk premiums, and/or potential barriers to investment required to ensure that the electricity supply in Ireland and Northern Ireland continues to meet demand. 2) Minimal process changes will be required for the SOs to assess evidence of the additional qualification criteria.	1) The SOs are of the view that the Proposed Modification introduces clarity and transparency to the qualification process under the Code and is fully consistent with the Code Objectives. 2) The SOs are seeking for the Proposed Modification to be implemented ahead of the T-4 2029/2030 auction. The SOs welcome further discussions with the RAs on the appropriate approach to implement these measures ahead of this auction, and on an enduring basis.

	(e) to provide transparency in the operation of the SEM; (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.		
CMC_09_25: Registration and Qualification Auction Timetable Milestones	1) The SOs concur with the SEMC Minded to Position to accept the Proposed Modification. The changes proposed will be necessary to facilitate the operation of the Capacity Market Platform ('CMP') for qualification for the T-4 2029/2030 auction. 2) Providing more structure around the timelines by which Participants may submit applications will be crucial to the efficient operation of managing qualification applications via the CMP. It will also result in wider efficiencies by way of 'batch' processing, which will benefit both the SOs and Participants. As such, the SOs are of the view that the Proposed Modification is consistent with the Code Objectives, namely: (a) to facilitate the efficient discharge by EirGrid and SONI of the obligations imposed by their respective Transmission System Operator Licences in relation to the Capacity Market; (b) to facilitate the efficient, economic and coordinated operation, administration and development of the	1) The Proposed Modification is required to support the implementation of the CMP for processing qualification applications, a change will be more efficient than the existing manual approach. Without the Proposed Modification, the new process may experience issues in instances where the SOs do not have the Participant information required to progress their application via the CMP (providing relevant IDs etc.). 2) Not facilitating a robust and timely process for processing registration and qualification applications results in inefficiency in use of SO resources and also increases uncertainty for Participants regarding SO engagement and expectations regarding processing timelines. 3) The necessary CMP system changes and internal processes are largely already in place. As such, the Proposed Modification could be implemented at the earliest effective date if approved.	1) The SOs concur with the SEMC Minded to Position to accept the Proposed Modification. 2) The SOs note queries expressed by Participants at Workshop 43 regarding the new process. The SOs would note that Participant training and information packs will be provided by the SOs sufficiently in advance of relevant T-4 2029/2030 auction milestones. 3) As for CMC_08_25, the SOs are seeking for the Proposed Modification to be implemented ahead of the T-4 2029/2030 auction. The SOs welcome further discussions with the RAs on the appropriate approach to implement these measures ahead of this auction, and on an enduring basis.

	<i>Capacity Market and the provision of adequate future capacity in a financially secure manner;</i> <i>(d) to promote competition in the provision of electricity capacity to the SEM;</i> <i>(e) to provide transparency in the operation of the SEM;</i> <i>(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.</i>		
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