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Dear SEM Committee,

This response to the consultation paper **'Capacity Market Code Workshop 43A'** is on behalf of Mutual Energy Limited ("Mutual Energy").

Mutual Energy own the Scotland-Northern Ireland gas pipeline and much of the onshore gas transmission network in Northern Ireland via three subsidiary companies who are licenced as gas TSOs by the Utility Regulatory: Premier Transmission Limited ("PTL"), Belfast Gas Transmission Limited ("BGTL") and West Transmission Limited ("WTL"). Mutual Energy also own and operate the Moyle Interconnector between Scotland and Northern Ireland.

CMC_08_25 Ensuring robust, transparent and objective qualification criteria in the Capacity Market

We understand this proposed modification aims to regularise the entry criteria which a unit must have fulfilled to be eligible to apply to a capacity auction. It is intended to reduce the number of speculative applications and create more objective participant criteria and is proposed to apply to the upcoming t-4 2029/30 auction.

We have a number of significant concerns on this proposal as outlined below:

Unachievable timeframe for t-4 2029/30

The proposal requires that where new capacity is to be connected to the gas transmission system, the participant possesses a connection offer or letter of offer or connection agreement from the relevant gas system operator with sufficient exit capacity to accommodate the new capacity otherwise the System Operators shall reject an application for qualification for a capacity year.

This modification was presented at the Capacity Market Code workshop on 28th May 2025 and the consultation indicates that SEM Committee decision is expected by 29th August 2025 at the earliest. The timetable for the t-4 2029/2030 auction, to which this change is intended to apply, was published on 14th May 2025 indicating a Qualification Application Date of 2nd September 2025. That gives a maximum of one full working day between the SEM Committee decision as to whether a connection offer is required for prequalification and the prequalification window closing.

This timeline is not achievable. The time taken for the process of receiving a connection offer from the gas transmission system operator ("Gas TSO") could range from a minimum of six to nine months from receipt of application (this can be longer for projects with complexities). As part of the process the Gas TSO requests Regulatory Authority ("RA") approval to make a connection offer as required by the Gas TSO's Conveyance License. Once regulatory approval is obtained the Gas TSO provides the applicant with an estimate of charges to complete a conceptual design study and where necessary associated feasibility studies and network modelling. Following completion of the relevant studies,

and subject to a satisfactory outcome, the Gas TSOs will make a preliminary connection offer to the applicant. The timeframe available in advance of prequalification for the t-4 2029/30 is totally inadequate to complete such a process.

These timelines may be extended further if there is an influx of applications to the Gas TSOs for connection offers, which is likely for the first year that this requirement applies.

While this modification is likely to achieve the intended aim of reducing the number of speculative applications to the System Operators for auction prequalification, it will increase the number of speculative applications for gas connection offers that the Gas TSOs need to process. We question whether this is an efficient process or necessary given the fact there is already a process whereby the Gas TSOs review the potential connections for the System Operators as part of their pre-qualification review stage.

Therefore we do not believe the time allowed is sufficient for developers to achieve a connection offer in advance of prequalification for the t-4 2029/30 auction. The earliest auction this could reasonably apply to is the t-4 2030/31 auction provided the SEMC decision is made at least a year in advance of the prequalification window. Introduction of this requirement without sufficient time to fulfil it risks reducing participation levels in the t-4 2029/30 auction and ultimately driving the clearing price up which will have an adverse effect on consumers.

Unachievable Gas Exit Capacity Requirement

We are concerned that the requirement to have "sufficient exit capacity" as proposed in the draft code wording is not achievable under current arrangements.

"E.7.5(i) where the New Capacity is to be connected to the gas transmission system, the Participant possesses a connection offer or letter of offer or connection agreement from the relevant gas system operator with sufficient exit capacity to accommodate the New Capacity."

A connection offer provided by the Gas TSO will not include an exit capacity offer as inferred in this proposed wording. A connection offer only indicates the ability of the network to flow a volume of gas at that connection point at an indicative pressure and does not entitle the user to flow gas on the network. Exit capacity must be booked separately with the Gas Market Operator (GMO NI) under the rules of the NI Network Gas Transmission Code ("The Code") to ensure an entitlement to flow gas. The Code only facilitates booking of exit capacity at existing exit points and it allows for booking two years in advance of when it is required at the earliest therefore this requirement cannot currently be fulfilled by developers.

In addition, at such an early stage of the project, before feasibility studies including conceptual design and engineering assessment are carried out the level of "sufficient" capacity will not be known with certainty. A requirement to book so early is not only unachievable under The Code, it would also introduce significant risk to a developer as they would have to pay for the level of booked exit capacity from the date they expect the project to go live, both of which are uncertain at such an early stage of the process. If the exit capacity was booked from a date that later became too early due to project delays this capacity charge could be significant and would ultimately be borne by consumers.

If the proposed changes are going ahead it would be more appropriate to remove the capacity requirement in both E7.5.1.(i) and Appendix D as follows:

E.7.5. (i) where the New Capacity is to be connected to the gas transmission system, the Participant possesses a connection offer or letter of offer or connection agreement from the relevant gas system operator ~~with sufficient exit capacity~~ to accommodate the New Capacity.

Appendix D (i) in the case of Candidate Units that are proposed to connect to the gas transmission system, a copy of either the connection agreement or the connection offer / letter of offer from the relevant gas system operator ~~(sufficient to accommodate the increased capacity)~~;

Summary

We do not support the implementation of the proposed modification in advance of the t-4 2029/30 auction. The requirement is unachievable in such a timeframe and risks reducing participation in the auction ultimately leading to increased electricity costs for consumers. If the proposal is accepted it should be applied from the t-4 2030/31 auction at the earliest, provided a decision is made at least 12 months in advance of the prequalification window.

We do not support the requirement for the gas connection offer to have "sufficient exit capacity" as The Code rules do not allow for booking of capacity that far in advance and the level of capacity is still uncertain at such an early stage. If the decision is taken to proceed with implementation of this proposal, we suggest the wording is revised to remove this requirement.