

System Operators Impact Assessment

Secondary Trade Notifications

CMC_11_21 and CMC_09_22

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1 Overview

1.1 CMC Modification Overview

A Modification ([CMC_11_21](#)) was submitted by Energia which sought to extend existing Alternative Secondary Trade Notification arrangements as per M.12 of the Capacity Market Code. The modification proposes to include the option that, when entering a secondary trade, a seller may have the option to trade above the unit's de-rated capacity volume.

Modification [CMC_09_22](#) was also submitted by Energia, which proposed to enhance the processing time for the activation of an Alternative Secondary Trade Notification (ASTN). They noted that the ASTN is designed to be utilised during planned or forced outages and are seeking a reduction from 5 working days to a 2-hour window following notification to the SO to activate an ASTN.

1.2 SEM Committee Decision

The SEM Committee published their decision paper on CMC_11_21 in ([SEM-21-077](#)) on 21st September 2021.

In their decision, section 8.2.12 states that the SEM Committee is minded to approve the modification with the revised legal drafting subject to an impact assessment to be carried out by the SOs. Based on the results of this impact assessment, it may be appropriate to make changes to the Modification to enable earlier or more cost-effective implementation.

The SEM Committee published their decision paper on CMC_09_22 in [SEM-22-066](#) on 30th September 2022. The SEM Committee, taking account of the volume of work and complexity involved in validating Secondary Trades under the current process, approved this Modification, with the initial 5WD notification which will then reduce to the intended 2-hour period, upon implementation of the required systems.

The impact assessment for these two modifications is based on the approved legal drafting linked for [CMC_11_21](#) and [CMC_09_22](#).

2 Analysis

The impact assessment has been broken down into two sections:

- 1) CMC_11_21: trading above the unit's de-rated capacity volume.
- 2) CMC_09_22: Reducing the processing time of a secondary trade.

2.1 Trading above the unit's de-rated capacity volume

As part of the detailed analysis undertaken as part of this impact assessment, the System Operators have identified a number of instances whereby the approved legal drafting is either not clear or does not appear to be giving effect to the original intent of the modification submitted by the participant.

2.1.1 Incorrect CMC references

The first issue relates to an administrative ambiguity. The System Operators would like to bring to the attention of the Regulatory Authorities that there are a number of instances where the approved drafting refers to sections of the Capacity Market Code that do not exist. There are numerous references to Section M.17 of the Capacity Market Code. To the best of the System Operators knowledge, Section M.17 does not exist and therefore this is most likely a typing error. In addition, the modified text also refers to Chapter H which is not active and therefore does not apply.

2.1.2 Calculations

The next issue relates to M.12.6.3 (a) (i):

The wording notes that the Seller Limit for a Capacity Market Unit is the value calculated as follows:

if the Participant is seeking to trade above its Gross De-Rated Capacity, then the value should be the lesser of

- (i) Gross De-Rated Capacity (Total) of the Capacity Market Unit (when the Capacity Market Unit was last Qualified in respect of the Capacity Year)
 - (ii) The Commissioned Capacity of the Capacity Market Unit; and
 - (iii) The Initial Capacity (Total) of the Capacity Market Unit (as determined when the Capacity Market Unit was last Qualified in respect of the Capacity Year); less
- (B) the Initial Position of the Capacity Market Unit.

It is the System Operators' view that CMC_11_21 as written, will only return a non-zero MW Seller Limit in a situation where only a partial quantity of the Gross De-Rated Capacity was successful in an Auction, meaning Awarded Capacity is less than the lesser of Commissioned Quantity, Initial Capacity (total) and Gross De-Rated Capacity (Total). Where a unit's Commissioned Capacity and its Initial Capacity (total) are the same, which would be the case for most units on the system, the seller limit is unchanged from the seller limit outlined in the Capacity Market Code currently.

2.1.2.1 Example 1

Consider an Existing Unit that has a Commissioned Capacity of 100 MW. Let's assume that the Gross De-Rated Capacity (Existing) for this Unit is 75 MW. Its Awarded Capacity (Existing) is 75 MW. There is no New Capacity associated with this Unit and this Unit has not engaged with a Secondary Trade with another Unit for this period.

Taking the lesser of:

- Gross De-Rated Capacity (Total) {75 MW}
- Commissioned Capacity {100 MW}
- Initial Capacity (Total) {100 MW}

We get a value of 75 MW. Subtracting this Initial Position (Awarded Capacity) of the Unit {75 MW} from this value, in this instance, tested by the System Operators, this will return a Seller Limit value of 0 MW.

It is the System Operators' view that this is not the intention of the Modification.

2.1.2.2 Example 2

Taking the lesser of:

- Gross De-Rated Capacity (Total) {75 MW}
- Commissioned Capacity {100 MW}
- Initial Capacity (Total) {100 MW}

We get a value of 75 MW. Subtracting the Initial Position (Awarded Capacity) of the Unit {50 MW} from this value, in this instance, tested by the System Operators, this will return a Seller Limit value of 25 MW.

This example results in an additional Seller position of 25 MW as not all available Gross De-Rated Capacity was successful in the Auction(s). This is the only example tested by the System Operators where it does not result in a value of 0 MW.

2.1.3 70-Day Limit

Another issue relates to ambiguity of the red text relating to the tracking of 70 days. Again, the SOs note that there are multiple references to Section M.17, which does not exist.

The below paragraph states:

Where the number of days recorded under paragraph H.7.4.5 in respect of a Capacity Market Unit exceeds 70 days, the System Operators shall set the Buyer Limit of the Capacity Market Unit to zero for the remainder of the Capacity Year in respect of any Secondary Trade for which the Seller is seeking to trade above its Gross De-Rated Capacity (Total).

- 1) The draft text seems to imply (although this is not explicit) two Buyer Limits; one that applies normally, and another that applies where a seller is exceeding their Gross De-Rated Capacity (which goes to zero after 70 days). It is not clear if this is intended and if so, separate definitions are necessary to distinguish the two Buyer Limits and how they are applied. For example, it is not intended for a units Buyer Limit to go to zero for normal trades although this is not clear.
- 2) It is not clear how this would work in practice. Consider a situation whereby a Buyer has 4 days left to use but submits a Secondary Trade for 9 days.
 - a. Do the System Operators only consider the first 4 days and null the rest of the trade?
 - b. Do the System Operators revert to the Participant for them to choose which 4 days to avail of?
 The wording is not entirely clear on how the System Operators would proceed in this situation.
- 3) An additional issue relates to how trading above Gross De-Rated Capacity is tracked. The way it is drafted currently implies that there is no limit to a specific seller exceeding 70 days of trading above their Gross De-Rated Capacity, provided they are trading with different buyer units.

2.1.4 Potential unintended consequences of current drafting

A further issue that the System Operators have identified during the analysis phase of the implementation relates to the likely amount of capacity available on different units during the 70-day period. If it is the intention to allow a unit to trade up to its Initial Capacity, this will ignore the fact that there are a number of technology classes which are impacted by low de-rating due to low availability, short maximum on times, annual run hour limits and variability.

The text adopted in the Modification borrows significantly from Chapter H of the Capacity Market Code which is not live. The drafting however omits a number of important elements which make the text more likely to meet the original purpose from when it was drafted in 2017. It is not clear why these elements have been left out (e.g. where the Gross De-Rated Capacity is multiplied by one plus the Secondary Trade De-Rated Capacity Tolerance applicable to that unit).

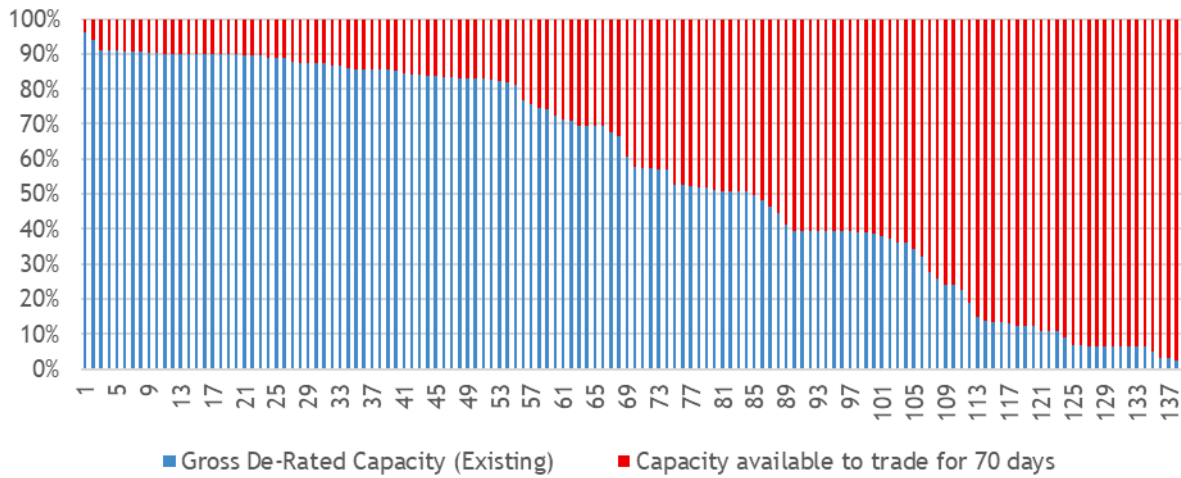
It is important to highlight that this chapter was written at a time when it was expected that De-Rating Factors would be of the order of 80-90 % e.g. 100 MW unit would be de-rated to 90 MW and trading above gross de-rated capacity would be allowed for 10 MW for a period of 70 days. Since the go-live of the Capacity Market, the de-rating factors have evolved in response to deteriorating availability, the inclusion of run hour limits on batteries, DSUs and also the inclusion of annual run hour limits. As such, there are many units where de-rating factors could be as low as 6 %. In this case, 100 MW unit would be de-rated to 6 MW and trading above gross de-rated capacity would allow 94 MW for a period of 70 days. This could be extended indefinitely where multiple buyers are involved.

The following examples in the table below illustrates the potential extent to which the system will be relying on capacity which has de-rated capacity which is much lower than its initial capacity. In the examples below, 550 MW of Awarded Capacity would be physically backed by capacity that has 126 MW of Gross De-Rated Capacity, which is the measure of how much these units can contribute to system adequacy based on their characteristics and historical performance. This could occur for a period of 70 days over e.g. December and January over the winter peak.

Unit	DRFE	ICE	GDRCE	Quantity > GRCE
DSU	0.2	50	10	40
Wind Unit	0.06	100	6	94
2 hr Battery	0.2	100	20	80
ARHL Gas Turbine	0.3	300	90	210
Total		550	126	424

For a greater appreciation of how this would look for real data, the below figure shows the percentage increase in Gross De-Rated Capacity (Existing) for a set of actual units if they could trade up to Initial Capacity (Existing). This information is based on comparing Gross De-Rated capacity Existing to Initial Capacity Existing from the 2025/2026 T-1 Capacity Auction Qualification Results.

Trading above Gross De-Rated Capacity for 70 days



Based on qualification data from the 2025/2026 T-1 Capacity Auction, capacity available to take on secondary trades would increase from approximately 7400 MW to 10900 MW, an increase of 3500 MW of capacity for 70 days. As this capacity does not reflect the reliability of generation units, it would overstate the available capacity by more than 50%. To mitigate this, the System Operators would need to reflect this quantity in the proposed capacity quantities to ensure that sufficient physical capacity is in place to ensure the reliability of the system.

These examples are intended to illustrate potential outcomes of the current text and to ensure that any implementation reflects the intent of the Modification.

2.2 Reducing the processing time of a secondary trade

The System Operators note that the SEM Committee instruct the SOs to continue with the initial 5WD notification which must be reduced to the intended 2-hour period, upon implementation of the required systems.

The implementation of Online Secondary Trading, including reducing the processing time to 2 hours is on track. The schedule is listed below.

Milestone	Due Date	Status
Detailed Requirements	June 2025	Complete
Design review with vendor	August 2025	Complete
Vendor Development	September 2025	Complete
Factory Acceptance Testing	November 2025	Complete
System Acceptance Testing	January 2026	Complete
User Acceptance Testing	March 2026	Complete
UAT results & Release date agreed	April 2026	In Progress (proposed 29/04)

2.3 Conclusion

Based on the above analysis, the System Operators do not have sufficient information to implement the required system changes to give effect to trading above Gross De-Rated Capacity as detailed in the draft text. In order to implement this Modification, further clarity is required from the Regulatory Authorities on how to proceed in light of the above issues.