EirGrid and SONI Response to SEM-26-009

Capacity Market Code Modifications Workshop 47 Consultation

CMC_22_25

31 March 2026

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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 their mandated duties 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 ("CMC") 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", as defined under the CMC).

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-26-009, (dated 27 February 2026) on the CMC Modification Proposal:

- CMC_22_25: Termination and re-entry

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_22_25: Termination and re-entry	**1)** Per its Proposal Form, CMC_22_25 *"seeks to increase robustness of the Code and mitigate potential gaming opportunities for projects that have commenced building to terminate and re-enter into either of the next two T-1 Capacity Auctions held in the next two years to receive a higher Capacity Payment Price"*. **2)** The SOs support measures which facilitate the efficient operation of the CRM while mitigating against Code 'loopholes' which may result in unintended consequences. **3)** However, it is important that a balance is achieved between mitigating potential 'loopholes' in the Code (which may create arbitrage opportunities resulting in unnecessary costs to consumers) while ensuring that providers of capacity can contribute to maintaining Security of Supply in the SEM. The SOs have several comments on CMC_22_25's impact in this regard.	**1)** In terms of facilitating CMC_22_25's intent, the SOs acknowledge that increasing performance security requirements and/or termination charges may not be sufficient to mitigate against potential arbitrage opportunities where the differential in capacity payment prices between auctions is large enough. The SOs understand this is the justification provided by the RAs in CMC_22_25 for proposing to preclude Awarded Capacity which terminates after achieving Substantial Financial Completion ('SFC') from participating in subsequent T-1 auctions for two years following the termination effective date. Noting this, the timelines between a T-4 auction and other subsequent 'top up actions' (T-2 / T-3, if applicable) may also be sufficiently close to present potential arbitrage opportunities. As such, the RAs may wish to consider extending the 'two-year preclusion window' to T-2 / T-3 auctions also. **2)** It is also important that projects related to Awarded Capacity which terminate after SFC for genuine commercial reasons are not precluded from participating in subsequent 'top up' auctions (T-1 / T-2 / T-3) where the commercial situation has been remediated. This would primarily apply, in the SOs' view, to projects related to an insolvency event (administration / receivership etc.) and where the project is subsequently sold to a third party to continue development / operation. CMC_22_25's legal text as presently drafted applies the two-year preclusion to 'a' Participant. As the underlying	**1)** The RAs may wish to consider amending 'a' Participant to 'the' Participant throughout J.6.1.10 if the preclusion is only to apply to the initial Participant which terminated the Awarded Capacity and not <u>all</u> Participants which may subsequently take on the 'same capacity'. This approach would deter Participants from terminating to seek a higher capacity payment while also providing the flexibility for the 'same capacity' to be sold to third parties and participate in top up auctions following an Insolvency Event (as defined under the Code). **2)** The SOs also note that the proposed legal drafting in CMC_22_25 outlines that affected units would be precluded from participating in subsequent T-1s *'held in the two years following termination'*. In the body of the Proposal Form justification however it is noted that the preclusion would apply *'for two consecutive T-1 Capacity Auctions held in the next two years only.'*. Clarity would be welcome on the proposed approach as the legal drafting would, in the SOs' view, preclude a unit from participating in <u>all</u> T-1s which occur within 2 years following termination, while the

		restriction applies to the ‘same capacity’ however, in the SOs’ view, this drafting would preclude ‘any’ Participant from applying with the same capacity even in instances where the ‘same capacity’ has been sold or transferred to a third party. The SOs would welcome clarity if this was the intent of CMC_22_25 or whether a different Participant should be facilitated in applying with the ‘same capacity’. The latter approach would be more prudent to provide an exemption for the insolvency event scenario outlined above. **3)** The SOs would also query how ‘precluded’ capacity under CMC_22_25 would be monitored to prevent application by the Participant to applicable auctions during the two-year window. For example, amendment may be required to Section E.7.2 to refer to a unit being rejected if they are subject to an exclusion under the J.6.1.10 amendments proposed under CMC_22_25. Presumably, some monitoring mechanism would be required outside the Code to determine when the ‘two-year preclusion’ window has passed. If the preclusion applies to the ‘initial’ Participant with the terminated Awarded Capacity but the units are transferred (or underlying projects sold) to a third party, some monitoring would also be required to verify that this event has taken place.	Proposal Form body text would merely preclude the unit participating in the <u>next two</u> T-1 auctions which occur within the next two years.