

## APPENDIX A RESPONSE TEMPLATE

### SUMMARY INFORMATION

<b>Respondent's Name</b>	IWEA
<b>Type of Stakeholder</b>	Association
<b>Contact name (for any queries)</b>	
<b>Contact Email Address</b>	
<b>Contact Telephone Number</b>	

### General Comments

IWEA welcomes the opportunity to comment on the Draft Capacity Market Code. As noted in previous consultation responses, IWEA does not support the form of the Reliability Option as the Capacity Remuneration Mechanism of choice in this market. We believe it unduly discriminates against wind participants, or other variable generators, and does not reflect the capacity credit provided by these generators in the market. From a wind perspective Reliability Options are problematic because they create implicit penalties when market prices go high in the reference market. By definition, zero cost variable generation drives prices low when it is available (particularly when it comprises such a portion of market demand). Therefore, penalties may occur during periods of high demand AND low wind. This means that wind may be punished most severely out of any technology class under the RO. Wind would have to account for this unfair penalty into its RO offer, likely making it uncompetitive.

IWEA has concerns that this code has not been given the necessary rigorous testing and robust challenge. While we acknowledge that the code was brought through the Rules Working Group (RWG), this process was accelerated and predominantly completed over a cycle of only four Rules Working Groups in parallel with the TSC development and a very high number of substantive I-SEM consultations, leading to consultation overload.

We also note that there are significant and important sections of the Code which have not benefitted from a careful review in light of the more recent decisions made by the RAs, and indeed decisions which are yet to be made. Such an approach creates serious risks that the Code does not adequately reflect the decisions of the RAs. It is of great concern that the RAs appear to pre-empt the outcome of the consultation and decision-making process by presenting as decided issues which are yet to be decided.

IWEA's comments are in the context of a tight deadline for responses and with the intent to be as constructive as possible, however we reserve the right to make further comment if and when appropriate.

### **Drafting of the Code**

There are a number of areas throughout the CMC where there are inconsistencies with the Trading and Settlement Code (TSC). It is essential that any definitions and processes are consistent with the TSC to ensure that there is no room for uncertainty or confusion.

There are also instances of duplication between the TSC and the CMC. This should be avoided where possible to ensure that modifications to one code do not need to be applied to both. This is particularly important given the different modification processes proposed. Any duplication at the drafting stage could result in differences at a later stage which can result in ambiguity and uncertainty. There may also be instances of duplication between this code and licence conditions which needs to be assessed.

It is important to ensure that any conditions and terminology referred to in the Code have a purpose within this Code and that this purpose is clear and well defined.

There are a number of concepts referred to in the Code which do not appear in the Glossary. If these concepts are required they should be defined in the Glossary, if they are not required, they should be replaced with appropriate wording within the Code.

### **Parties, Accession Process and Participants**

For New Capacity it is important that the rules do not unnecessarily overlap with other codes and industry documentation. For example, the Grid Code, Connection Agreements, Generation Licences and Authorisations to Construct, all contain technical requirements which may need amendments if an EPC or major component is changed. It is therefore inappropriate to have additional requirements in the CMC which require consent from the System Operators if the EPC or major component is changed. The CMC should only require System Operators approval if Major Milestones are likely to be missed or the level of capacity will be different.

The code does not clearly address how storage should be treated. Greater clarity should be provided in the rules for both hybrid (thermal and renewable) and standalone developments.

IWEA questions whether obligations can be placed on the RAs within the code given the RAs are not parties to the code.

### **Modifications Process**

IWEA believes that the modifications process should mirror the TSC modifications processes. The proposed modifications process does not allow for sufficient consultation with participants and is dominated by the TSOs and RAs and is therefore not balanced or proportionate. Options include subsuming the governance of the CMC under the TSC modifications process or copying the drafting from the TSC into the CMC.

The modifications process in the CMC needs to ensure:

- Consistency in respect of modifications under the TSC and CMC
- Clarity and certainty, particularly in respect of the vague “Workshop approach”, ensuring “Workshop approach” does not adequately ensure the two jurisdictions of the market are appropriately represented
- Clarity in relation to the steps to be taken in relation to “urgent” modifications

### **Role of Auction Monitor and Auditor**

There is a potential for conflict of interest if both monitor and auditor roles are carried out by same entity. They need to be separate and independent and this should be reflected in the CMC and the Terms of Reference for the Capacity Market Monitor and Auditor.

It is essential to ensure that the processes being carried out by the SOs and the RAs are appropriate and there is no conflict of interest. This includes aspects which required provision of information for monitoring and auditing purposes.

### **Market Manipulation Provisions**

IWEA believes that the market manipulation requirements in the CMC are not required as these are covered under REMIT. ACER has confirmed that capacity markets are considered to be wholesale energy markets according to REMIT in so far as wholesale energy products are traded in such markets. Under REMIT, “wholesale energy products” include derivatives relating to electricity or natural gas produced, traded or delivered in the Union, irrespective of where and how they are traded. It follows therefore that the ROs should be considered as wholesale energy products and within the scope of REMIT. The provisions in the code result in duplication which could give rise to different interpretations and unreasonable compliance burdens on participants, as well as requiring additional monitoring units.

### **Auction timetable**

It is important to ensure that the timetable for the auctions works for market participants and the sequence is such that the results of one auction are known before participating in the auction of capacity for the following year. In order to ensure the correct sequence we put forward the following:

- IWEA agrees that the first transitional auction should be for balance of Capacity Year 2017/18 and full Capacity Year 2018/19
- It would be preferable to have all subsequent transitional auctions (for Capacity Year 2019/2020, Capacity Year 2020/21 and Capacity Year 2021/22) before the first T-4 Auction in order to provide greater certainty for participants.
- IWEA agrees that the first T-4 Auction should now be in respect of delivery Capacity Year 2022/23.

The timetable for each auction should be clearly specified, providing sufficient certainty and time for participants to carry out their assessments and activities. The current drafting of the Code fails to provide this necessary clarity and certainty.

Within this, there are certain key dates that specifically need to be ensured. For example, the Auction Information Pack should be published at least four months before the auction in order to provide participants sufficient time to carry out their activities ahead of the qualification phase and auction.

The 5 Working Day timeframe for publishing any final parameters is far too short and should be at least 15 Working Days before the auction in order to provide adequate time to market participants for conducting their business ahead of the capacity auction.

DS3 is critical in the overall timeline as the DS3 contract position will impact on a Unit's participation and price under the CMC and this should be reflected in the auction timetable and appropriately sequenced before the Auction and also before the Exception and Opt-Out Application dates open.

### **Opt-outs**

Many wind farms are unlikely to participate in the Capacity Market Auctions. If a Generator Unit is not seeking to secure a Capacity contract then it should not have to become a party to the CMC (and incur accession fees, etc.).

### **Additional Comments**

Publication of reports is required to ensure transparency, therefore all reports should be published and not just those determined by the RAs (as is the case under the I-SEM draft Trading and Settlement Code- see "Information Sharing")