

MODIFICATION PROPOSAL FORM			
Proposer <i>(Company)</i>	Date of receipt <i>(assigned by System Operator)</i>	Type of Proposal <i>(delete as appropriate)</i>	Modification Proposal ID <i>(assigned by System Operator)</i>
Energia	13 th March 2019	Standard	CMC_04_20 v2
Contact Details for Modification Proposal Originator			
Name	Telephone number	Email address	
Sean McParland		sean.mcparland@energia.ie	
Modification Proposal Title			
Providing greater flexibility for New Capacity to combine Candidate Units into a single Capacity Market Unit			
Documents affected <i>(delete as appropriate)</i>	Section(s) Affected	Version number of CMC used in Drafting	
Capacity Market Code	Section E.7.6	3.0	
Explanation of Proposed Change <i>(mandatory by originator)</i>			
<p>Section E.7.6 of the Capacity Market Code (CMC) prevents Candidate Units combining into a single Capacity Market Unit unless each unit is below the De Minimis Threshold or is Variable. Whilst this might be justified for Existing Capacity, it is overly restrictive for New Capacity and is not in consumers interests for reasons explained below.</p> <p>In order to ensure consumers fully benefit from the economies of scale that result from the construction of multiple generator units at the same location (including shared electricity and gas network infrastructure for example) developers should have the opportunity to bid such new 'units' into the capacity auction as a single Capacity Market Unit. If each generator unit must be bid separately, then the developer is subject to significant price risk if economies of scale are reflected in their bids, as they cannot then guarantee that all 'units' will clear the capacity auction. Developers would therefore be strongly incentivised not to pass through the benefits of economies of scale in their Capacity Auction bids, which will result in less competition and higher costs to the consumer.</p> <p>Accordingly, we propose an amendment to the requirements for Combining Candidate Units into a Capacity Market Unit in section E.7.6 of the CMC such that New Capacity can combine Candidate Units into a single Capacity Market Unit without being subject to the same restrictions as Existing Capacity. This is justified on the basis of promoting competition and reducing consumer costs. A consequential amendment is also necessary which effectively allows Existing Capacity to combine Candidate Units into a Capacity Market Unit without the normal restrictions applying in circumstances where the same combination of Candidate Units have combined into a Capacity Market Unit in a previous Capacity Auction. This is to ensure that New Capacity combining Candidate Units into a single Capacity Market Unit can continue to do so in future when they become Existing Capacity to ensure consistency of treatment for such capacity.</p> <p>Further to the above we want to ensure that the current level of transparency that is currently applicable in publications associated with the Capacity Auction process (e.g. the Final Auction Information Pack) remains at its current level. Therefore, we have proposed a further amendment to the CMC such that in cases where Candidate Units combine into a single Capacity Market Unit, they are still detailed at Candidate Unit level where applicable.</p> <p>We want to observe the principle that all constraints which currently apply to a Candidate Unit will continue to apply if Candidate Units are aggregated. This will include the need for all sites /</p>			

units which are combined to comprise a Capacity Market Unit to be included within the same Locational Capacity Constraint Area (LCCA) in order for the Capacity Market Unit to qualify within that LCCA. It is crucial that this principle is observed to ensure sufficient capacity and therefore security of supply within the LCCA is maintained.

Consideration could also be given to appropriate MW volume limits being applied when combining Candidate Units into a Capacity Market Unit, but this is not specified within the proposed modification.

Legal Drafting Change

*(Clearly show proposed code change using **tracked** changes, if proposer fails to identify changes, please indicate best estimate of potential changes)*

E.7.6 Requirements for Combining Candidate Units into a Capacity Market Unit

E.7.6.1 Subject to paragraph E.7.6.3, the System Operators shall reject an Application for Qualification for a Capacity Year for a proposed Capacity Market Unit comprising a combination of individual Candidate Units unless:

- (a) each of the Candidate Units is a Generator Unit or a proposed Generator Unit;
- (a) all the Candidate Units are registered or provisionally registered to the same Participant;
- (b) all the Candidate Units are separately registered under the Trading and Settlement Code, or in the case of New Capacity, are intended to be separately registered under the Trading and Settlement Code;
- (c) all the Candidate Units are Connected in the same Currency Zone;
- (d) the Regulatory Authorities have not approved a Unit Specific Price Cap for any of the Candidate Units in respect of the Capacity Auction;
- (e) none of the Candidate Units are proposed to be included in any other proposed Capacity Market Unit for which an Application for Qualification in respect of the same Capacity Auction has been made;
- (f) none of the Candidate Units are Capacity Market Units in their own right, or part of another Capacity Market Unit, allocated Awarded Capacity for the Capacity Year in a prior Capacity Auction;
- (g) the Capacity Market Unit includes all of the individual Candidate Units that it included in any prior Capacity Auction in which it has already been allocated Awarded Capacity for the Capacity Year (though it may include additional Candidate Units);
- (h) each of the Candidate Units is either:
 - (i) a unit with a Registered Capacity (or in the case of a Demand Side Unit, a DSU MW Capacity), whether based on Existing Capacity or a combined Existing and New Capacity, below the De Minimis Threshold; or
 - (ii) a Variable Generator Unit; or
 - (iii) **New Capacity with units being co-located on the same Generation Site ; or**
 - (iv) **the same combination of Candidate Units which have combined into a Capacity Market Unit in a previous Capacity Auction;**

- (i) if any of the Candidate Units proposed to be combined into the Capacity Market Unit is a Demand Side Unit, then all the Candidate Units proposed to be combined are Demand Side Units;
- (j) if any of the Candidate Units proposed to be combined into the Capacity Market Unit is intended to provide New Capacity, then the same Maximum Capacity Duration applies to all of the Candidate Units proposed to be combined; and
- (k) if any of the Candidate Units is an Autoproducer Unit, then all the Candidates Units are Autoproducer Units at the same Autoproducer Site.

E.7.6.2 Where:

- (a) a proposed Capacity Market Unit comprises a combination of individual Candidate Units; and
- (2) the Application for Qualification indicates that one or more of the Candidate Units has been or will be the subject to an Exception Application,

then the System Operators shall consult with the Regulatory Authorities concerning the outcome of the Exception Application so that they are in a position to make a decision under paragraph E.7.6.1 by the Provisional Qualification Results Date specified in the applicable Capacity Auction Timetable.

E.7.6.3 Where:

- (a) a proposed Capacity Market Unit comprises a combination of individual Candidate Units; and
- (2) one or more of the Candidate Units does not satisfy the requirements set out in paragraph E.7.6.1, but others do,

then the System Operators shall continue to follow the Qualification Process in relation to a proposed Capacity Market Unit comprising the Candidate Unit or Candidate Units that do satisfy those requirements.

F.5 Publication of Final Auction Information Pack

F.5.1.3 The Final Auction Information Pack for a Capacity Auction shall comprise:

- (a) the final Demand Curve for the Capacity Auction provided by the Regulatory Authorities under section F.3;
- (b) the final Auction Price Cap for the Capacity Auction (in Euro and Sterling);
- (c) the final Existing Capacity Price Cap for the Capacity Auction (in Euro and Sterling);
- (d) for each Locational Capacity Constraint applicable to the Capacity Auction:
 - (i) the final Locational Capacity Constraint Information; and
 - (ii) the final Capacity Market Units, **and individual Candidate Units in cases of a Capacity Market Unit comprising a combination of individual Candidate Units**, that have Qualified for the Capacity Auction and that are in the System Operators' reasonable opinion capable of contributing to satisfying the constraint;

- (e) the final Capacity Auction Timetable as it relates to events after the publication of the Final Auction Information Pack (subject to section D.2);
- (f) details of what is required of Participants participating in the Capacity Auction in order to submit Capacity Auction Offers;
- (g) the final Allowed Timeframe;
- (h) the final Annual Capacity Payment Exchange Rate to be used by the System Operators in conducting the Capacity Auction and applicable to Awarded Capacity in the Capacity Auction;
- (i) the final Capacity Requirement to be used in the Capacity Auction;
- (j) at the date of the Final Auction Information Pack, how much Awarded Capacity has already been procured for the relevant Capacity Year
- (k) the final Annual Stop-Loss Limit Factor applicable to Awarded Capacity allocated in the Capacity Auction;
- (l) the final Billing Period Stop-Loss Limit Factor applicable to Awarded Capacity allocated in the Capacity Auction;
- (m) in respect of Performance Securities:
 - (i) the final Performance Security Posting Dates/ Events applicable to Awarded New Capacity allocated in the Capacity Auction; and
 - (ii) for each Performance Security Posting Date/ Event, the final €/MW rate to be applied in setting Performance Securities applicable to Awarded New Capacity allocated in the Capacity Auction;
- (n) the final €/MW fee rates for calculating Termination Charges applicable to Awarded New Capacity allocated in the Capacity Auction;
- (o) anticipated values for the Full Administered Scarcity Price and the Reserve Scarcity Price Curve applicable to the Capacity Year; and
- (p) anticipated values for the parameters listed in paragraph F.16.1.1 and F.16.1.5 of the Trading and Settlement Code to be applied in determining the Strike Price in accordance with the Trading and Settlement Code for the Capacity Year.

Modification Proposal Justification

(Clearly state the reason for the Modification)

By relaxing unnecessary restrictions on New Capacity combining Candidate Units into a single Capacity Market Unit, the proposed Modification will enable developers of New Capacity to reflect economies of scale resulting from construction of multiple generator units at the same location (including shared electricity and gas network infrastructure for example) in their Capacity Market bids. It will therefore promote competition and reduce consumer costs.

Code Objectives Furthered

(State the Code Objectives the Proposal furthers, see Sub-Section A.1.2 of the CMC Code Objectives)

The proposed Modification furthers the CMC code objectives as follows:

(b) 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;

(d) to promote competition in the provision of electricity capacity to 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.

Implication of not implementing the Modification Proposal

(State the possible outcomes should the Modification Proposal not be implemented)

If this Modification Proposal is not implemented, the Code will remain overly restrictive for New Capacity without justification such that developers of New Capacity will be unable to reflect economies of scale in their Capacity Auction bids to the detriment of competition and consumers.

In addition, it creates a further barrier to the development of New Capacity that is required to assist with maintaining the overall security of the electricity system.

Impacts

(Indicate the impacts on systems, resources, processes and/or procedures)

The proposed Modification has no known impact on systems.

Please return this form to the System Operators by email to CapacityModifications@sem-o.com

Notes on completing Modification Proposal Form:

1. If a person submits a Modification Proposal on behalf of another person, that person who proposes the material of the change should be identified on the Modification Proposal Form as the Modification Proposal Originator.
2. Any person raising a Modification Proposal shall ensure that their proposal is clear and substantiated with the appropriate detail including the way in which it furthers the Code Objectives to enable it to be fully considered by the Regulatory Authorities.
3. Each Modification Proposal will include a draft text of the proposed Modification to the Code unless, if raising a Provisional Modification Proposal whereby legal drafting text is not imperative.
4. For the purposes of this Modification Proposal Form, the following terms shall have the following meanings:

CMC / Code:	means the Capacity Market Code for the Single Electricity Market
Modification Proposal:	means the proposal to modify the Code as set out in the attached form
Derivative Work:	means any text or work which incorporates or contains all or part of the Modification Proposal or any adaptation, abridgement, expansion or other modification of the Modification Proposal

The terms "System Operators" and "Regulatory Authorities" shall have the meanings assigned to those terms in the Code.

In consideration for the right to submit, and have the Modification Proposal assessed in accordance with the terms of Section B.12 of the Code, which I have read and understand, I agree as follows:

1. I hereby grant a worldwide, perpetual, royalty-free, non-exclusive licence:
 - 1.1 to the System Operators and the Regulatory Authorities to publish and/or distribute the Modification Proposal for free and unrestricted access;
 - 1.2 to the Regulatory Authorities to amend, adapt, combine, abridge, expand or otherwise modify the Modification Proposal at their sole discretion for the purpose of developing the Modification Proposal in accordance with the Code;
 - 1.3 to the System Operators and the Regulatory Authorities to incorporate the Modification Proposal into the Code;
 - 1.4 to all Parties to the Code and the Regulatory Authorities to use, reproduce and distribute the Modification Proposal, whether as part of the Code or otherwise, for any purpose arising out of or in connection with the Code.
2. The licences set out in clause 1 shall equally apply to any Derivative Works.
3. I hereby waive in favour of the Parties to the Code and the Regulatory Authorities any and all moral rights I may have arising out of or in connection with the Modification Proposal or any Derivative Works.
4. I hereby warrant that, except where expressly indicated otherwise, I am the owner of the copyright and any other intellectual property and proprietary rights in the Modification Proposal and, where not the owner, I have the requisite permissions to grant the rights set out in this form.
5. I hereby acknowledge that the Modification Proposal may be rejected by the Regulatory Authorities and that there is no guarantee that my Modification Proposal will be incorporated into the Code.