



**Single Electricity Market
(SEM)**

**Capacity Market Code Working Group 12:
CMC_04_20 and CMC_06_20 Modifications
Consultation Paper**

SEM-20-025

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1. OVERVIEW

1.1 ABSTRACT

- 1.1.1 The purpose of this consultation paper is to invite industry participants to provide feedback and comments in regards a select group of proposed modifications to the Capacity Market Code (CMC) discussed at the Working Group held on 31 March 2020.
- 1.1.2 During this Working Group, six modifications were presented. The proposals that were discussed were:
- CMC_09_19 – Supplementary Interim Secondary Trading (Version 2)
 - CMC_04_20 – Providing greater flexibility for New Capacity to combine Candidate Units into a single Capacity Market Unit
 - CMC_05_20 – Implement amendments as required by the Clean Energy Package Regulation EU 2019/943
 - CMC_06_20 – Combining Capacity Units into a Capacity Market Unit - Proposed Changes
 - CMC_07_20 – Change in Technology Class for Awarded New Capacity
 - CMC_08_20 – Change of Awarded Existing Capacity to Awarded New Capacity
- 1.1.3 Following the conclusion of the Working Group and given a number of factors, including the large volume of modifications discussed, requirements relating to EU Regulations and the ongoing COVID-19 situation, the Regulatory Authorities have made the decision to progress these Modifications in three batches.

1.2 CHANGES RELATING TO THE PROCESSING OF THE PROPOSED MODIFICATION PROPOSALS

Process for Modification CMC_05_20

- 1.2.1 With regard to modification *CMC_05_20 – Implement amendments as required by the Clean Energy Package Regulation EU 2019/943* had been marked “Standard”, the Regulatory Authorities submitted this proposal marked as “Standard” under the terms of B.12.4. The Modification Proposal was initially not deemed ‘urgent’, given the proximity of the scheduled Working Group, however, as noted at the Working Group, given the proximity to the upcoming T-4 CY2023/24 Capacity Auction, this modification has now been deemed Urgent.

As compliance with the CEP for the forthcoming CY2023/24 T-4 Auction requires this modification to be in place prior to the Auction, the RAs determined the Modification Proposal as Urgent as it is aimed at dealing with a matter that could reasonably be anticipated would imminently and unduly interfere with, disrupt, or threaten the proper operation of the Capacity Market.

1.2.2 **CMC_05_20** does not form part of this consultation, instead it falls under the scope of the consultation paper SEM-20-023¹ which was published on 8 April 2020.

Therefore the SEM Committee are not asking for feedback in regards to this proposal as part of this consultation paper.

Process for Modifications CMC_09_19 / CMC_07_20 / CMC_08_20

1.2.3 Given that proposals CMC_09_19, CMC_07_20 and CMC_08_20 do not have a direct impact on either of the upcoming T-4 Capacity Auctions (For CY2023/24 and CY2024/25) the RAs plan to consult on these proposals as part of a separate consultation process.

1.2.4 In the case of CMC_09_19, the existing text needs to be converted into near final legal drafting prior to consultation. Given the substantial nature of the proposed Modification and the likelihood that some elements will need to be phased in given constraints on the ability of the SOs to modify their systems, the RAs consider it is important to allow sufficient time to enable robust drafting to be produced and to ensure that the consulted Modification is deliverable by the SOs.

1.2.5 In the case of CMC_07_20 and CMC_08_20, delaying the start of the consultation process allows the SOs time to consider the feedback from the Working Group and for the RAs to prepare an appropriate basis for consultation.

1.2.6 The delay to the start of the consultation process for these three Modifications will allow time for the Urgent Modification (CMC_05_20) and for the final modifications (CMC_04_20 and CMC_06_20) to be considered and processed as they impact on the upcoming T-4 CY2023/24 Capacity Auction and T-4 CY2024/25 Capacity Auction Qualification Process. This should help manage the burden on the RAs, SOs and market participants at a time when the auction process for CY2023/24 is taking place and COVID-19 restrictions are reducing the capacity of all parties to manage workloads.

1.2.7 The RAs will publish a timetable for consulting, deciding and, if necessary, implementing these proposals following the publication of this paper.

1.2.8 Therefore the SEM Committee are not asking for feedback in regards to the proposals CMC_09_19, CMC_07_20 or CMC_08_20 as part of this consultation paper.

Process for Modifications CMC_04_20 and CMC_06_20

1.2.9 Given the separation of the modifications mentioned above, the RAs are consulting on CMC_04_20 and CMC_06_20 in a separate Consultation paper.

¹ <https://www.semcommittee.com/publications/sem-20-023-capacity-market-code-working-group-12-urgent-modification-consultation-paper>

1.2.10 Were these proposals to be approved and implemented, they would have an impact on the processes involved with qualifying to participate in a Capacity Auction.

1.2.11 The Qualification process for the T-4 CY2024/25 Capacity Auction is due to begin in June 2020. Within this being the case, the RAs deem it prudent to consult on these proposals to ensure any negative impacts on the qualification process for this auction would be avoided.

1.2.12 Taking account of the above, this consultation paper relates only to:

- CMC_04_20 – Providing greater flexibility for New Capacity to combine Candidate Units into a single Capacity Market Unit

This modification proposes 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.

- CMC_06_20 – Combining Capacity Units into a Capacity Market Unit - Proposed Changes

This modification proposal also seeks changes to section E.7.6 – *Requirements for Combining Candidate Units into a Capacity Market Unit* to allow Demand Side Units and aggregated generation units to combine candidate units into a capacity market unit.

1.3 BACKGROUND

1.3.1 Decisions made during the development of the I-SEM CRM Detailed Design were translated into auction market rules to form the Capacity Market Code (CMC) (SEM-17-033) which was published in June 2017. The most recent version was published on 10 October 2019. The CMC sets out the arrangements whereby market participants can qualify for, and participate in, auctions for the award of capacity. The settlement arrangements for the Capacity Remuneration Mechanism (CRM) form part of the revised Trading and Settlement Code. The most recent version of the Trading and Settlement Code was published on 12 April 2019. Section B.12 of the CMC outlines the process used to modify the code. In particular, it sets out the handling of proposing, consideration, consultation and implementation or rejection of Modifications to the CMC.

Process for modification of the CMC

1.3.2 Section B.12 of the CMC outlines the process used to modify the CMC. In particular, it sets out processes for proposing modifications, as well as the consideration, consultation and implementation or rejection of modifications.

1.3.3 The purpose of the Modifications process is to allow for modifications to the CMC to be proposed, considered and, if appropriate, implemented with a view to better facilitating code objectives as set out in Section A.1.2 of the CMC. (B.12.1.2).

- 1.3.4 Modifications to the CMC can be proposed and submitted by any person, (B.12.4.1), at any time. Unless the modification is urgent modifications are subsequently discussed at a Working Group held on a bi-monthly basis. Each Working Group represents an opportunity for a modification proposer to present their proposal(s) and for this to be discussed by the workshop attendees.
- 1.3.5 For discussion at a Working Group, Modification proposals must be submitted to the System Operators at least 10 working days before a Working Group meeting is due to take place. If a proposal is received less than 10 working days before a Working Group and is not marked as urgent it is deferred for discussion to the next Working Group.
- 1.3.6 Following each Working Group, and as per section B.12.5.6 of the CMC, the RAs are required to publish a timetable for the consideration, consultation and decision relating to the Modification(s) proposed during a Working Group.
- 1.3.7 If a proposal is received and deemed to be contrary to the Capacity Market Code Objectives or does not further any of those objectives, the Regulatory Authorities (RAs) will reject the proposal on the grounds of being spurious, as set out in section B.12.6 of the CMC.

Urgent Modifications

- 1.3.8 A proposer may choose to mark a Modification proposal as “Urgent”. (B.12.9.1). In this case, the RAs, as per section B.12.9.3 of the CMC, will assess whether or not the proposal should be treated as urgent. If the RAs deem a proposal to be urgent they have the power to fast-track the proposal.
- 1.3.9 In this regard B.12.9.5 provides:
- “If the Regulatory Authorities determine that a Modification Proposal is Urgent, then:*
- a) the Regulatory Authorities shall determine the procedure and timetable to be followed in assessing the Modification Proposal which may vary the normal processes provided for in this Code so as to fast-track the Modification Proposal; and
 - b) subject to sub-paragraph (a), the System Operators shall convene a Workshop.”
- 1.3.10 The RAs may request the SOs to convene a Working Group to discuss the proposed Modification.

Process for these Modifications

- 1.3.11 On 19 March 2020 the SOs notified the RAs of the six proposed modifications for discussion at WG12 held on 31 March 2020. As noted above, this consultation only relates to two of those six proposal modifications: CMC_04_20 and CMC_06_20.
- 1.3.12 Modification, CMC_04_20 – *Providing greater flexibility for New Capacity to combine Candidate Units into a single Capacity Market Unit* was submitted to the SOs marked as Urgent.

This modification included proposed changes to the Auction qualifications process, and given that this process, in relation to the T-4 CY2023/24 Capacity Auction is at the concluding stages the modification would not be suitable for use with the T-4 CY2023/24 Auction. The RAs have therefore not deemed the modification as Urgent, as stipulated in B.12.9.3 of the CMC.

- 1.3.13 The proposal, CMC_04_20, has been listed as Standard and will follow the normal modification process.
- 1.3.14 Following a review of the proposals, the Regulatory Authorities determined that the neither CMC_04_20 and CMC_06_20 are spurious
- 1.3.15 On the 22 April 2020 the RAs determined the procedure to apply to the Modification Proposals. The procedure is shown in detail in Appendix A. An overview of the timetable is as follows:
- i. The System Operators convened Working Group 12 where the Modification Proposal was considered on 31 March 2020.
 - ii. The System Operators, as set out in B.12.7.1 (j) of the CMC, are to prepare a report of the discussions which took place at the workshop, provide the report to the RAs and publish it on the Modifications website promptly after the workshop.
 - iii. The RAs will then consult on the Proposed Modification, with a response time of 20 Working Days (as defined in the CMC), from the date of publication of the Consultation.
 - iv. As contemplated by B.12.11 the RAs will make their decision as soon as reasonably practicable following conclusion of the consultation and will publish a report in respect of their decision.

1.4 PURPOSE OF THIS CONSULTATION PAPER

- 1.4.1 The purpose of this paper is to consult on the following proposed modifications:
- CMC_04_20 – Providing greater flexibility for New Capacity to combine Candidate Units into a single Capacity Market Unit
 - CMC_06_20 – Combining Capacity Units into a Capacity Market Unit - Proposed Changes
- 1.4.2 More detail about the modifications are set out in the appended modification proposals (Appendix B).
- 1.4.3 The Regulatory Authorities hereby give notice to all Parties and the Market Operator of a consultation on the proposed Modifications.
- 1.4.4 Interested Parties and the Market Operator are invited to make written submissions concerning the proposed Modifications by 21 May 2020.

- 1.4.5 Upon closure of the consultation process, the Regulatory Authorities intend to assess all valid submissions received and form a decision to either implement or reject a modification or undertake further consideration as regards to matters raised through the consultation process in regards to the proposed modifications.
- 1.4.6 During WG12 the RAs advised participants that, given the volume of modifications being discussed and the limited timeframe for the meeting, they would accept additional written submissions no later than 5pm on Friday 3 April.

Any comments relevant to each proposal are listed in the sections titled: *Additional Submission of Comments Following WG12*.

2. MODIFICATION PROPOSALS

2.1 CMC_04_20 – PROVIDING GREATER FLEXIBILITY FOR NEW CAPACITY TO COMBINE CANDIDATE UNITS INTO A SINGLE CAPACITY MARKET UNIT

Proposer: Energia

Proposal Overview

- 2.1.1 This modification proposes amendments to section E.7.6 of the CMC which currently prevents Candidate Units combining into a single Capacity Market Unit unless each unit is below the De Minimis Threshold or is Variable.
- 2.1.2 Energia have proposed this stating their belief that an amendment to the Code is required due to the restrictive nature of this section in relation to New Capacity.
- 2.1.3 The proposal is to make 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.

2.1.4 The modification amends E.7.6.1 (h) as follows:

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:

(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 site; or
- (iv) the same combination of Candidate Units which have combined into a Capacity Market Unit in a previous Capacity Auction;

2.1.5 As part of their proposal, Energia have also highlighted that an amendment is also necessary which 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 were combined into a Capacity Market Unit in a previous Capacity Auction. They have justified this advising that 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.

2.1.6 Energia stated that implementation of this modification aims to further the following code objectives:

A.1.2.1 (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.

2.1.7 Further detail on the Modification Proposal is set out in the appended Modification Proposal (Appendix B).

Working Group Feedback

2.1.8 The RAs queried whether the proposer had a particular technology type in mind when proposing the modification to the CMC. They elaborated, stating that there are concerns that relate to the implications of the State aid decision² with regard to the modification treating New and Existing capacity differently. Whilst the RAs are aware that within the State aid decision there are distinctions between new and existing capacity, this proposal will introduce a new distinction and queried the need for this.

The RAs requested justification as to why the proposal would be applied to new capacity, but not existing, which are co-located on the same site.

2.1.9 Energia stated that the proposal targets new capacity only and advised that the aim of the modification is to encourage the development of new capacity and ensure that the benefits associated with new capacity are passed on to the consumer.

2.1.10 They stated that technology type was not something that is specified within the proposal, instead the focus of the proposal was to ensure the benefits of new capacity are reflected in the capacity market. However, they stated that this is a point that would be taken away for further consideration.

2.1.11 Energia highlighted that there had been a previous modification proposal, in a similar vein to this proposal, which targeted exiting capacity and was subsequently rejected by the SEM Committee.

2.1.12 ESB advised that whilst they had submitted an earlier proposal to broaden the range of aggregation allowed under the CMC (CMC_05_18) they would have concerns with the current proposal in that it will lead to a discrimination between new and existing capacity and, given that the Capacity Auction process is to be capacity neutral, this discrimination should not be allowed.

2.1.13 To alleviate this concern both ESB and the System Operator queried whether the modification scope could be broadened to cover both new and existing capacity.

The RAs reiterated the point and stated it may be best to look at the broader issue here and address consistency across the market. Energia confirmed it is not their intention to broaden the scope of the proposal to include existing capacity.

2.1.14 The RAs referred back to CRM Decision 1 (SEM-15-103³) in regards to aggregation, stating that the current drafting in place has been selected to allow for administrative simplicity. Given this, and the fact that CMC_06_20 (which was also discussed at WG12) is similar to this proposal, in that it deals with aggregation of CMUs at a similar level, consulting on both proposals at the same time would make sense.

² https://ec.europa.eu/competition/state_aid/cases/268118/268118_1948215_123_2.pdf

³ https://www.semcommittee.com/sites/semcommittee.com/files/media-files/SEM-15-103%20CRM%20Decision%201_0.pdf

2.1.15 However, the RAs highlighted concerns with regard to the possibility that there are a number of larger CMUs or proposed CMUs that could be aggregated and bid into a Capacity Auction inflexibly which could subsequently result in there being issues with the algorithm used to run the auction, i.e. creating issues with the lumpiness solution. This would be a sub-optimal outcome and therefore the introduction of some limits on the maximum size of any such aggregation would be required. This concern was also mirrored by the System Operator.

2.1.16 The System Operator requested that an amendment be made to the proposal with regard to the use of the term “generation site”. They have requested that this term be capitalised and also defined within the CMC, as it is defined within the TS&C.

They state this change would be beneficial and allow for clarity relating to what is meant by “located on the same site”, avoiding ambiguity.

2.1.17 Energia advised they will action the System Operator request relating to the term Generation Site in an updated version of the proposal.

Additional Submission of Comments Following WG12

2.1.18 Several submissions were received in regards to the provision of additional comments.

2.1.19 In their response, SSE stated they are supportive of the need to allow for combined candidate units to apply as a single capacity unit. However, have concerns about the lack of discussion as to the type of limit that could be applied to ensure that aggregation is not abused at the same time as facilitating economies of scale.

2.1.20 It was also further highlighted that there could be a variety of ways that a limit could be applied, %, an overall cap on the MW volume at a site etc. The inclusion of some of these options presented in the consultation would also be welcomed, to allow for a fuller consultation process.

Minded to Position

2.1.21 As promised, Energia submitted a revised modification tightening the definition of being co-located in a site in E.7.6.1 and adding an additional reporting requirement in the Final Auction Information Pack in F.5.1.3. This revised Modification is appended in Appendix B.

2.1.22 The RAs note that the limits on aggregation set out in SEM-15-103 were based on third party aggregation of capacity and were intended, in large part, to manage potential issues of market power.

2.1.23 The RAs are concerned about the introduction of a new difference in treatment between Existing and New Capacity. This is particularly concerning given that Existing Capacity that was once New will also be able to aggregate. Over time, an increasing proportion of capacity in the SEM would be able to aggregate on the basis of this Modification.

2.1.24 Aggregated New Capacity is able to compete in the “unconstrained” auction under section F.8.3 of the CMC. If its offer is priced below the Auction Clearing Price it could be cleared in the auction at the same time as Existing Capacity.

Such New Capacity will not only benefit from a potentially longer contract award than Existing Capacity but has also been able to aggregate in a way not permitted to Existing Capacity.

2.1.25 Alternatively, aggregated New Capacity could be cleared in the process to resolve Local Capacity Constraints. The ability to inflexibly bid larger unit sizes, that aggregation of New Capacity would permit, may increase the cost to consumers of resolving of LCCs. For example, if an LCC needs an additional 90MW of New Capacity to be resolved, then 3 x 100MW units would enable this to be resolved by clearing 1 x 100MW unit. If the 3 x 100MW units were aggregated, then resolving the constraint would require 300MW to be cleared. More seriously for consumers, this additional (unnecessary) capacity may have to be purchased for 10 years.

2.1.26 It is also worth noting that the sloping demand curve only applies to the “unconstrained” auction, and so does not provide any flexibility in resolving LCCs and potentially choosing to purchase less capacity if the costs are high.

2.1.27 These concerns could be ameliorated, though not eliminated, by the application of a maximum limit on the MW that could be aggregated in a single CMU (CAU).

2.1.28 The choice of a suitable cap might also allow for the extension of the Modification to cover Existing Capacity.

2.1.29 While noting the additional input following the Working Group, it is not clear how a cap expressed as a percentage of the installed MW at a site would be useful, e.g. limiting aggregation of a 1000MW site to 50% is still a potential problem for the auction while probably not addressing the objectives of the aggregator.

2.1.30 It is possible that setting a cap based on a percentage of the MW Limit of the relevant LCC could be an option. However, this has a major timing issue as the MW LCC Limits have not been determined at the time of making an Application for Qualification, which is the point at which any aggregation decision would have to be made by the applicant.

2.1.31 This suggests that the most viable option would probably be to set a fixed MW limit.

2.1.32 Given our concerns about the difference in treatment of New and Existing Capacity and the potential to generate adverse auction outcomes and increased costs to consumers, the RAs are minded-to reject this proposed Modification to E.7.6.1.

2.1.33 With a suitably low MW limit on the maximum size of an aggregation, e.g. 100MW, the adverse impacts on the auction solution would be significantly reduced and it would be easier to allow both New and Existing Capacity to aggregate. We suspect that this would not meet the objectives of the proposer, though such a limit might be a valid option in the context of CMC_06_20 below.

- 2.1.34 In addition to their proposed change to E.7.6.1, Energia also proposed a change to F.5.1.3(d)(ii). Where multiple Candidate Units have been aggregated to form a CMU under E.7.6, this requires the reporting of each of the Candidate Units which are capable of contributing to solving a constraint.
- 2.1.35 The RAs are minded to approve this portion of the Modification as it provides greater clarity regard Locational Capacity Constraints.
- 2.1.36 In reviewing the proposed modification to F.5.1.3, the RAs noted that the composition of CMUs which are aggregations of Candidate Units does not currently form part of the SO Qualification Decisions nor of the Other Qualification Decisions as set out in E.9.1.1 and E.9.1.2. This leaves the source of this data somewhat unclear in the CMC
- 2.1.37 If the RAs were to implement the modification to F.5.1.3, they would also intend to make a modification to E.9.1.1 to clarify that this composition data forms part of the SO Qualification Decisions.

2.2 CMC_06_20 – COMBINING CAPACITY UNITS INTO A CAPACITY MARKET UNIT - PROPOSED CHANGES

Proposer: DRAI

Proposal Overview

- 2.2.1 This modification proposes amendments to section E.7.6 whereby it seeks to amend this section to allow Demand Side Units (DSUs) and Aggregated Generation Units (AGUs) to combine candidate units into a capacity market unit.
- 2.2.2 The modification proposes the following amendments to E.7.6.1 (h):
- (h) 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);
- (i) 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) a Demand Side Unit or Aggregated Generation Unit.**
- 2.2.3 The proposal states the purpose of the modification is to accommodate a number of unique characteristics associated with DSUs and AGUs and through doing so better utilise demand response flexibility.

- 2.2.4 The DRAI have justified the proposal highlighting that within the current drafting of the CMC, it is difficult for demand response providers to optimise response between the capacity market and system services markets, leading to a loss of flexibility capability from existing sites.
- 2.2.5 The proposal states that the amendments to the CMC could help to mitigate against increased costs to the end customer caused by more costly flexibility solutions that may need to be implemented if the full capability of demand response is not realised.
- 2.2.6 The DRAI state that implementation of this modification aims to further the following code objectives:
- A.1.2.1 (c) to facilitate the participation of undertakings including electricity undertakings engaged or seeking to be engaged in the provision of electricity capacity in the Capacity Market;
- (d) to promote competition in the provision of electricity capacity to the SEM;
- (f) to ensure no undue discrimination between persons who are or may seek to become parties to the Capacity Market Code; and
- (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.
- 2.2.7 Further detail on the Modification Proposal is set out in the appended Modification Proposal (Appendix B).

Working Group Feedback

- 2.2.8 The RAs queried whether the intention of the proposal is to allow for one demand site from one DSU to move to another.
- 2.2.9 The RAs queried this stating that section I.1.3 of the CMC would still apply restrictions at a DSU level. The RAs noted that if the proposal was relying on being able to effectively swap sites from one unit to another and stated that were this the case, further amendments would be required to I.1.3. The RAs advised further amendments would be relatively easy with regards to DSUs, however, would be more challenging, albeit not impossible, to apply to AGUs, given that they can aggregate with other CMUs not considered AGUs, whilst DSUs can only aggregate with other DSUs.
- 2.2.10 The proposer confirmed it was intended to allow for the movement of individual sites within one DSU provider unit, therefore transferring from one to another. They will take on board the points put forward by the RAs.

- 2.2.11 The System Operator mirrored the comments made by the RAs in regards to section I.1.3 of the CMC and advised it would be their opinion that the current proposal would need to be broadened to provide for the inclusion of both DSU and AGU use. They further stated that they are however broadly supportive of the proposed modification in terms of implementing the operation aspects.
- 2.2.12 Energia requested transparency around whether the modification would allow DSUs to group together under a CAU. They provided an example that there could be a requirement for all the units to be contained within the same constrained area, and in this scenario, how would the proposal provide a greater degree of flexibility.
- 2.2.13 Energia queried the level of transparency that could be introduced with this modification, given that with the publication of the Final Auction Information Pack there is a table provided that lists the units capable of satisfying constraints, specifically in regards to Level 2 Constrained areas, and would that continue to apply in this case of this modification or if transparency would only be at a CAU level.
- 2.2.14 The System Operator advised that all units participate in an Auction at a Capacity Market Unit level and that there are requirements in place to deal with the above comments. They used the example whereby if the components of a CAU were in both the Dublin and Ireland LCC area, they would not be able to participate in the Dublin area and would be limited to the Ireland area. They further elaborated that this issue already exists for DSUs to a certain extent.
- 2.2.15 The RAs stated that within the CMC these issues can already occur, given that CAUs already exist and that DSUs have the capability to substitute demand sites. They further highlighted that with this modification the proposer should aim to ensure that the existing drafting within the CMC is robust, however the required protections should in theory already be in place.
- 2.2.16 Following a question, the proposer advised this would be the case that the intention of the proposal is to allow for DSUs to be structured optimally in both the CRM and DS3.
- 2.2.17 ESB referred back to their modification, CMC_05_18, proposed previously and referred to in the discussions around CMC_04_20, stating that they highlighted this was also an issue for thermal generators in that they are set up optimally for DS3, but not for CRM exposure. Taking this into consideration they have advised they would be supportive of a modification that attempts to improve the level of flexibility that all participants can provide to DS3 whilst also reducing the exposure to the capacity market.
- They further elaborated that, as with CMC_04_20, ESB would be supportive of the modification, where it to be open to all participants, not only DSUs.
- 2.2.18 ESB requested clarity around how the RAs had planned to move forward in terms of progressing both this modification and, the previous proposal CMC_04_20, specifically how they plan to deal with the restrictions relating to specific technology types.
- ESB queried if it would be the RAs would plan to consult on both modifications together and subsequently raise an additional RA proposal to tie the proposals together.

They advised they would have concerns that this would result in lost time, given it would be better to have the issues covered ahead of qualification for the next Capacity Auction.

2.2.19 They proposed another option would be to speak to both the proposers of CMC_04_20 and CMC_06_20 and pull together an amalgamation of both and subsequently consult on this.

2.2.20 The RAs advised that given there are similar themes within both modification proposals it could be probable that they could be brought together therefore allowing Industry to comment on the broader themes of the proposals, whilst also referring to the initial decision to disallow the proposal relating to large scale aggregation. However, this is all dependant on timing issues.

2.2.21 Energia advised that they would be open to exploring the possibility of pulling both modifications together and would consider this following the Working Group.

Additional Submission of Comments Following WG12

2.2.22 Several submissions were received in regards to the provision of additional comments.

2.2.23 The DRAI submitted an additional response highlighting they will look at any potential amendments required in Chapter I of the CMC and will prepare the required changes to account for the suggestion.

2.2.24 They also referred to the discussions that tied this modification and CMC_04_20 together. They stated that whilst they have no issue with these points being included in the consultation, they request that this does not delay the consultation on CMC_06_20.

2.2.25 The DRAI also wished to take the opportunity to highlight some key unique characteristics that apply to this proposal, stating that:

- This proposal introduces some minor changes that essentially allows aggregators to aggregate in a manner that increases the ability to provide flexibility services to the system. It will help reduce one of the barriers that has been identified in the FlexTech process.
- They expressed the view that the need that the need/use for such a facility for DSUs and AGUs was not raised or considered in CRM design phase.
- The demand side industry consists of a relatively large number of small portfolios across the two jurisdictions. They elaborated that they do not believe that there is any argument that this Modification would introduce any market power issues.

2.2.26 A number of respondents noted that it would be useful for the proposer to provide worked examples that allow for a greater understanding as to why the proposal is needed to facilitate DSU and AGU participation in the Capacity Market.

- 2.2.27 It was also noted that amendments should be made to the proposal to ensure that all constraints applying to a unit currently would continue to apply if aggregated, including the need for all sites / units comprising a CMU to be located within the same LCCA for the CMU to qualify within that LCCA.
- 2.2.28 SSE commented that they feel the modification should be made clearer and would welcome the inclusion of a greater level of detail on the operation and justification for this proposal.

Minded to Position

- 2.2.29 As promised, DRAI have provided an updated version of their Modification which addresses the changes to I.1.3 needed to allow elements of AGUs and DSUs to move between AGUs or DSUs that form part of the same aggregated CMU. This updated modification is appended in Appendix B.
- 2.2.30 While both DSUs and AGUs are treated differently in some areas under the CMC to other CMUs, it is important to consider whether it is appropriate to create new areas of difference in treatment.
- 2.2.31 The RAs would note that the Flextech process covers more than DSUs and AGUs. It is also considering the treatment of hybrid and storage units as part of a wider process to enable the integration of increased level of renewable generation.
- 2.2.32 While the proposed Modification does relate to third party aggregation of capacity and so does fall within the issues considered in coming to the decisions on aggregation set out in SEM-15-103, the RAs feel it is unlikely that the proposed modification would create issues of increased market power.
- 2.2.33 The RAs are minded-to allow increased flexibility in aggregation of all CMUs, not limited to only AGUs and DSUs, subject to a constraint on the maximum size of such aggregations. Our initial thinking would be a maximum aggregation size of 100MW for aggregations not permitted under the existing drafting of E.7.6.1(i).
- 2.2.34 The RAs note that the proposed drafting only allows the movement of Generators between AGUs in an aggregated CMU in the situation where all Candidate Units within the aggregated CMU are AGUs. It is not anticipated that this limitation would be a significant issue for participants.
- 2.2.35 The RAs note that if they were to approve a version of this Modification then they would be minded to also approve the Modification to increase transparency related to aggregated CMUs in Locational Capacity Constraints (affected F.5.1.3) proposed by Energia as part of CMC_04_20 and as noted in 2.1.35 – 2.1.37 above.

3. CONSULTATION QUESTION

- 3.1.1 The SEM Committee welcomes views and responses on the proposed modifications raised within this consultation paper.
- 3.1.2 Respondents are invited to provide comments and feedback for each of the proposed Modifications in respect of:
- the proposed modification and its consistency with the Code Objectives;
 - any impacts not identified in the Modification Proposal Form, e.g. to the Agreed Procedures, the Trading and Settlement Code, IT systems etc.; and
 - the detailed CMC drafting proposed to deliver the Modification.
- 3.1.3 A template has been provided in Appendix C for the provision of responses.

4. NEXT STEPS

- 4.1.1 The SEM Committee intends to make a decision in June 2020 on the implementation of the Modification outlined within this consultation paper.
- 4.1.2 Responses to the consultation paper must be sent to Kevin Lenaghan (Kevin.Lenaghan@uregni.gov.uk) and Karen Shiels (Karen.Shiels@uregni.gov.uk) by 17.00 on Thursday, 21 May 2020.
- 4.1.3 Please note that we intend to publish all responses unless marked confidential. While respondents may wish to identify some aspects of their responses as confidential, we request that non-confidential versions are also provided, or that the confidential information is provided in a separate annex. Please note that both Regulatory Authorities are subject to Freedom of Information legislation.