

APPENDIX C – RESPONSE TEMPLATE

SUMMARY INFORMATION

Respondent's Name	Bord Gáis Energy
Type of Stakeholder	Generator in the all-island single electricity market; supplier in the Irish retail market
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Context for response

Bord Gáis Energy (BGE) welcomes the opportunity to respond to this SEM-20-043 consultation on the modification proposal from the Capacity Market Code ('Code') Working Group 13 (CMC_09_20 – Modification to the Long Stop Date for the CY2020/21 T-1 Capacity Auction).

1. BGE attaches significant importance to the reliability option hedge for consumers/ suppliers and security of supply. We do however acknowledge the highly unusual and unpredictable circumstances COVID-19 has brought about for many businesses and developing capacity technology such as DSUs as well as the need for our market arrangements to facilitate and enable such developing technologies. In light of these views, and further views outlined below, BGE can support the RAs' minded to position on the modification proposal to offer an Interim Arrangement to adjust the Long Stop Date for awarded new capacity that was secured for CMUs in the 2020/21 Capacity Year at the T-1 capacity auction.
 - 1.1. This situation is not ideal for the affected market participants or consumers alike but BGE is mindful of the construction and commissioning impacts experienced by these units with the imposition of the COVID-19 restrictions in March 2020. The nature of the restrictions and the scope of the impacts could not have reasonably been anticipated within the initial project plans for these units, and it is appropriate that against this context the SEM and its participants offer some (limited) flexibility to affected units with new capacity awards to support and encourage the delivery of diverse technology in the SEM.

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2. There are a number of considerations with the implementation of the Interim Arrangement proposed under this Modification that BGE requests the Regulatory Authorities (**RAs**) to keep in mind.
 - 2.1. This Interim Arrangement must be seen in the context of the situation resulting from the imposition of the COVID-19 restrictions. It is unique in nature and it should **not be seen as setting a precedent for the treatment of new capacity awards from future auctions**. It is essential that successful participants in capacity auctions understand and are in a position to deliver on the obligations they accept in delivering new capacity to the market within the schedules set out in the auction awards. Otherwise affected participants must be prepared to incur the penalties for non-delivery of capacity against the key milestones, of which the Long Stop Date is one. Any support by the market participants for units negatively impacted in extra-ordinary times as the COVID-19 pandemic should not be seen as diluting their view on the importance of these obligations or penalties for other contracts awarded under other capacity auctions.
 - 2.2. We can support some flexibility with the Long Stop Date for the affected units as suggested in this modification, but it must be carefully balanced with the potential impacts to capacity availability during high-demand periods in the coming winter. Consumers have paid for the reliability of these units and it is necessary that they mitigate any potential hole in the hedge in so far as possible. We appreciate the considerations given by the RAs in the consultation to mitigate this issue against the Christmas holiday period by extending the Long Stop Date for these affected units from 31 October 2020 to 18 December 2020, earlier than what the proposer has asked for. BGE agrees with the RAs' proposed 18 December 2020 date and believes it mitigates the proposer's concerns while **minimising the risk of potential capacity scarcity events** to the market.
 - 2.3. We note the proposer's suggestion in the modification paper for a provision "*...for a further extension by the RAs if deemed appropriate ...*" to be included in the Interim Arrangement. BGE would encourage the RAs to impose **a high qualification threshold for any further extension after the proposed Interim Arrangement**. This should include at least a reasonable advance notice to industry participants of any such request and ideally a chance by participants to comment before any further extension is granted. We recognise the intent to retain some flexibility for the units to meet their "extended" Long Stop Date under the Interim Arrangement. But we would expect that the RAs establish a strong "challenge process" they will follow with units seeking a further extension of the Long Stop Date and a clear set of decision criteria for this further extension if the RAs intend it to be part of the Interim Arrangement. The risks to the consumer and the hole in the hedge remain open with any further extensions for the unit(s) despite the consumer paying for their reliability. BGE remains in favour of diverse technology entering into the capacity market, and we are supportive of these new CMUs in the unique situation we see from the impacts of the COVID-19 restrictions. We would suggest that the RAs could offer a maximum of 20 working days further extension on foot of evidence that the unit's obligation will be delivered within those 20 extra days. Any further extension beyond the initial extension of the Interim Arrangement should be rare and not be for a significant duration.

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- 2.4. We note from the additional pre-consultation submission by the DRAI in their letter of 4 June 2020 that not all units awarded new capacity contracts are impacted in the same way. They advise that “...63.2 MW of capacity (de-rated) remains still to be commissioned and is impacted by the ongoing Covid-19 restrictions.” from the total awards of “...144.6 MW (de-rated) spread across 27 CMUs.” It is noted however that the risk of non-completion remains at the CMU level and not the individual units. We would support these **Interim Arrangement are offered only to those CMUs who “qualify” for them** by way of submitting a letter to the RAs outlining the reason requiring the extension to the Long Stop Date of their capacity award, and their view on their ability to meet the extended Long Stop Date. On this basis, the RAs can confirm or reject the suitability of the CMU to qualify for the extension. This regulatory review and oversight process should keep the focus of the units on their delivery obligations under the Capacity Market Code.
- 2.5. Acknowledging our considerations in section 2.3, BGE emphasises that its support for this extension to the Long Stop Date under this modification is on the basis that it is a **one-time event that is operated only once**. Further extensions beyond the initial extension under the Interim Arrangement in this modification increases the risk of scarcity events in the market so impacting all other market participants, and ultimately the consumer through increased costs to cover capacity scarcity events. Any further risks of non-delivery by the impacted units should be considered against existing mitigation measures contained within the Code before any further extension is granted.

CAPACITY MARKET CODE MODIFICATIONS CONSULTATION COMMENTS:

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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
<p>CMC_09_20</p> <ul style="list-style-type: none"> - Modification to the Long Stop Date for the CY2020/21 T-1 Capacity Auction 	<p>Please see our sections 1 and 2 above for our overall view on the modification and caveated support for an extension to the RAs' proposed date.</p> <p>BGE believes that this modification proposal seeks to facilitate achievement of the Capacity Market Code Objectives (CMC A.1.2.1) by the provision of electricity capacity to the SEM in a transparent manner that is not unduly discriminatory to parties of the Code who are seeking to provide capacity to the market in the interests of the Capacity Market and consumers.</p>	<p>The Interim Arrangement proposed under this modification needs to be considered as not setting a precedent for future applications (see 2.1) and needs to be applied only once (see 2.5). The modification must only be applied to minimise the risk of potential capacity scarcity events to the market (see 2.2) and be offered to those CMUs that “qualify” their need to the RAs in a written submission (see 2.4).</p>	<p>BGE supports this modification proposal on the basis that the extended Long Stop Date of 18 December 2020 as proposed by the RAs, will be applied. Please see 2.3 for our view on the very limited circumstances that any further extension by the RAs beyond the December date should be considered. The proposed Interim Arrangement will offer particular and precise support to the delivery of new capacity and technology to the SEM (see 1.1) in the unique circumstances brought about by the impacts of COVID-19. We understand that the drafting will reflect the unique, once off nature of the flexibility being permitted to the units to which this Modification will apply.</p>

NB please add extra rows as needed.