

MODIFICATION PROPOSAL FORM			
<b>Proposer</b> <i>(Company)</i>	<b>Date of receipt</b> <i>(assigned by System Operator)</i>	<b>Type of Proposal</b> <i>(delete as appropriate)</i>	<b>Modification Proposal ID</b> <i>(assigned by System Operator)</i>
Energia	9 <sup>th</sup> July 2020	Standard	CMC_11_20
Contact Details for Modification Proposal Originator			
<b>Name</b>	<b>Telephone number</b>	<b>Email address</b>	
Sean McParland			
Modification Proposal Title			
Providing greater flexibility for the current Interim Secondary Trading Notification (ISTN) process (V2)			
<b>Documents affected</b> <i>(delete as appropriate)</i>	<b>Section(s) Affected</b>	<b>Version number of CMC used in Drafting</b>	
Capacity Market Code	Section M.7	3.0	
Explanation of Proposed Change <i>(mandatory by originator)</i>			
<p>In the absence of an enduring solution for Secondary Trading as provided for in Section H of the Capacity Market Code (CMC), an interim solution was put in place as per Section M.7 of the CMC which essentially enables Capacity Market Units (CMUs) to suspend their Reliability Options (ROs) during Planned Outages by providing an Interim Secondary Trade Notification (ISTN) to the System Operator (SO).</p> <p><b>Restrictions applicable to Interim Secondary Trading Arrangements</b> The Interim Secondary Trading Arrangements are highly restrictive in many ways, including:</p> <ol style="list-style-type: none"> <li>(1) Being limited to 'Planned Outages' (as designated by the SO), in circumstances where the ISTN does not appear to dynamically adjust if a plant is on partial outage</li> <li>(2) Being subject to a lengthy notice period to activate and/or cease an ISTN.</li> </ol> <p>This proposed modification is designed to provide greater flexibility in terms of (2) above.</p> <p>Currently, an ISTN must be submitted to the SO no later than ten Working Days prior to the beginning of the Month specified in the ISTN. This is overly restrictive, especially where the ISTN does not dynamically adjust as per restrictions described in (1) above.</p> <p>Consequently, an ISTN that must be activated or ceased in accordance with the current notice periods could needlessly suspend a RO in circumstances where a plant becomes partially available during the outage (e.g. a CCGT in open cycle mode).</p> <p>This unfairly penalises plants that are partially available and are unable to amend their ISTN accordingly, which in turn exasperates the 'hole in the hedge' and weakens the incentive for plants to adjust their outages to maximise availability and accommodate system requirements.</p> <p><b>Proposed amendments to Interim Secondary Trading Arrangements</b> Accordingly, we propose that the time frame for submitting an ISTN be reduced to five Working Days in advance of becoming active. We also propose to allow an existing ISTN to be amended by providing notice of ideally three Working Days for implementation by 1 October 2020 with this reducing to one Working Day notice within a 12-month timeframe from implementation. This would provide much needed flexibility to market participants and would help to address some of the deficiencies of the current process which exasperates the 'hole in the hedge' and weakens the incentive for plants to adjust their outages to maximise availability and accommodate system requirements, as explained above.</p>			

It is also imperative that the proposed modification is implemented in a timely manner – i.e. by 1 October 2020, coinciding with the start of the next Capacity Year, particularly given the impact of COVID-19 on outage schedules which has required outage dates to be amended creating additional uncertainties and risks for participants.

An example of how these proposed changes would allow the ISTN to operate in contrast to how the existing process currently works in real time is provided below:

	<b>Current Process</b>	<b>Proposed Process</b>		
Planned Outage Date Commencing	18 <sup>th</sup> August 2020	18 <sup>th</sup> August 2020		
Planned Outage Date Ending	26 <sup>th</sup> August 2020	26 <sup>th</sup> August 2020		
Actual Outage Dates / Volumes	18 Aug	Partial Outage	18 Aug	Partial Outage
	19-23 Aug	Full Outage	19-23 Aug	Full Outage
	24 Aug	Partial Outage	24 Aug	Partial Outage
	25 Aug	Full Availability	25 Aug	Full Availability
Date ISTN submitted to SO to Activate Secondary Trading	20 <sup>th</sup> July 2020	11 <sup>th</sup> August 2020		
Date ISTN submitted to SO to amend Secondary Trading	Not possible	15 <sup>th</sup> Aug – amend Partial Outage 16 <sup>th</sup> Aug – amend Full Outage 21 <sup>st</sup> Aug – amend Partial Outage		
Date Interim Secondary Trading arrangements are in effect	18–24 Aug - for Full Outage	18 Aug	Partial Outage	
		19-23 Aug	Full Outage	
		24 Aug	Partial Outage	

As outlined above, the proposed changes to the Interim Secondary Trading Arrangements will provide much needed flexibility in activating and amending an ISTN to reflect the real time provision of Awarded Capacity to the SO if this becomes partially available during the Planned Outage of the CMU. It should be emphasised that if a generator unit knows the dates of partial availability during a planned outage in advance, this can be notified in the original ISTN activating secondary trading and then amended if the dates of partial availability change.

#### Legal Drafting Change

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

### **M.7 Interim Secondary Trading Arrangements**

#### **M.7.2 Impact on Capacity and Trade Register**

M.7.2.1 For any date after the finalisation of the first Capacity Auction Results under section **Error! Reference source not found.** and prior to the First Secondary Trading Day, this section 0 shall apply.

M.7.2.2 A Participant may submit to the System Operators a written notice (called an “**Interim Secondary Trade Notification**”) specifying:

- (a) a Capacity Market Unit to which the Interim Secondary Trade Notification relates;

- (b) whether the Interim Secondary Trade Notification is to commence (make “Active”), amend or cease (make “Inactive”) the interim secondary trading arrangements under paragraph M.7.2.6 (called “**Interim Secondary Trading Arrangements**”) in respect of the Capacity Market Unit;
- (c) the **Month Outage Period** from which the Interim Secondary Trade Notification becomes effective; and
- (d) the change in Net Capacity Quantity from Existing Capacity sought for any Planned Outage commencing during any ~~Month~~**Outage Period** to which the Interim Secondary Trade Notification is in effect, which must be a negative quantity or zero. Multiple changes in Net Capacity Quantity can be specified for the duration of the of the Outage Period.

M.7.2.3 At any time, Interim Secondary Trade Arrangements in respect of a Capacity Market Unit are Inactive if no valid Interim Secondary Trade Notification is currently in effect in respect of the Capacity Market Unit and, otherwise, have the status specified in the last valid Interim Secondary Trade Notification submitted that is currently in effect.

**M.7.2.4** A Participant shall submit an Interim Secondary Trade Notification to the System Operators

- (a) **in order to Activate Interim Secondary Trading Arrangements** no later than ~~ten~~**five** Working Days prior to the beginning of the **Month Outage Period** specified in the Interim Secondary Trade Notification under paragraph M.7.2.2(c). ~~Any Interim Secondary Trade Notification submitted after this date shall not become effective until the Month after the Month specified in the Interim Secondary Trade Notification under paragraph M.7.2.2(c)~~
- (b) **in order to amend or make Inactive Interim Secondary Trading Arrangements** no later than **three Working Days** to the System Operator if provided in advance of the last Imbalance Settlement Period on the last Trading Day of the Planned Outage.

M.7.2.5 For ~~Months~~**Outage Periods** in which the Interim Secondary Trade Arrangements are Inactive in respect of a Capacity Market Unit, the System Operators shall make no change to the Capacity and Trade Register if a Generator Unit or Interconnector comprising that Capacity Market Unit is undergoing a Planned Outage.

M.7.2.6 For ~~Months~~**Outage Periods** in which Interim Secondary Trade Arrangements are Active in respect of a Capacity Market Unit, the System Operators shall, for periods in which one or more of the Generator Units or the Interconnector comprising the Capacity Market Unit has commenced a Planned Outage, record one or more notional Secondary Trades in the Capacity and Trade Register with a Selling Trade ID assigned and a status of “Accepted” (in accordance with Appendix F), as follows:

- (a) the notional Secondary Trade starts at the beginning of the first Imbalance Settlement Period on the first Trading Day of the Planned Outage;
- (b) the notional Secondary Trade ends at the earlier of:
  - (i) the last Imbalance Settlement Period on the last Trading Day of the Planned Outage;
  - (ii) the end of the Capacity Year;
  - (iii) the end of the hour immediately preceding the First Secondary Trading Day; and

- (iv) the date that the maximum Planned Outage duration (as determined and published from time to time for these purposes by the Regulatory Authorities) after the first day of the Planned Outage expires;
- (c) the Selling Capacity Market Unit Identifier is set so as to identify the Capacity Market Unit to which the Planned Outage relates;
- (d) the quantity of the notional Secondary Trade (Capacity Quantity) is the greater of:
  - (i) the change in the Net Capacity Quantity sought (being the value specified under paragraph M.7.2.2(d) in the applicable Interim Secondary Trade Notification **and noting that multiple values can be specified**); and
  - (ii) the negative of the maximum Net Capacity Quantity from Existing Capacity associated with the Capacity Market Unit over the duration of that notional Secondary Trade;
- (e) the price of the notional Secondary Trade is the volume weighted average Capacity Payment Price in respect of all the Awarded Capacity in respect of Existing Capacity that was awarded in a Capacity Auction in respect of that Capacity Market Unit which applies over the duration of the notional Secondary Trade; and
- (f) the Capacity Duration Exchange Rate value is the Annual Capacity Payment Exchange Rate specified in the Final Auction Information Pack for the most recent Capacity Auction in respect of the Capacity Year to which the notional Secondary Trade relates.

## Glossary

*Introduce the definition of Outage Period as follows:*

### **Outage Period**

**Means the calendar dates as specified in the Interim Secondary Trade Notification, starting at midnight on the first calendar day.**

#### **Modification Proposal Justification**

*(Clearly state the reason for the Modification)*

The current Interim Secondary Trading Arrangements were quickly put in place in the final stage of CMC development as a temporary measure when it became apparent that the enduring Secondary Trading Market could not be delivered for I-SEM go-live. The enduring solution was envisaged to be in place by Q4 2018 (as reflected in the European Commission State aid decision) but there is still no clear timetable for its implementation, and it is highly unlikely to be place in the near future. Furthermore, it is far from certain that it will be a well-functioning market.

The current restrictions in the ISTN process unfairly penalise plants that are partially available and are unable to amend their ISTN accordingly, which in turn exasperates the 'hole in the hedge' and weakens the incentive for plants to adjust their outages to maximise availability and accommodate system requirements. The proposed changes would provide much needed flexibility to market participants and would help address some of the deficiencies of the current process, as outlined earlier. This is particularly relevant given the impact of COVID-19 on outage schedules which has required outage dates to be amended and thus requires the modification to be implemented in a timely manner i.e. by 1 October 2020, coinciding with the start of the next Capacity Year.

We also note that modification proposal CMC\_09\_19 seeks to introduce Alternative Secondary Trading Arrangements. However, this proposed mechanism has already been de-scoped, is untested and is intended to supplement (rather than replace) the current interim arrangements. On the latter note, a more flexible ISTN process (in terms of notice periods and flexibility) will align better with the proposed Alternative Secondary Trading Arrangements such that they can supplement one another as intended. This will ensure market participants can fully trade out of a Planned Outage if they cannot do so using the Alternative Secondary Trading mechanism alone.

**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;

(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 ISTN process will remain overly restrictive which could unfairly penalise plants that are partially available but are unable to amend their ISTN accordingly, which in turn exasperates the 'hole in the hedge' and weakens the incentive for plants to adjust their outages to maximise availability and accommodate system requirements.

**Impacts**

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

The proposed Modification may require an amendment to the ISTN process currently in place to enable the timeframes to be reduced for activating, amending or ceasing an ISTN.

**Please return this form to the System Operators by email to [CapacityModifications@sem-o.com](mailto: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.