CMC 07_20 V2 CONSULTATION

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INTRODUCTION

SSE welcomes the opportunity to comment a second time on CMC 07_20. For the avoidance of doubt, this is a non-confidential response.

SSE is a large generator and supplier operating circa 2,000MW of generation in the all-island centrally dispatched SEM. We have engaged in the initial CMC workshop discussing this modification and provided comment on the original CMC 07_20.

We have provided a response primarily focussed on the areas of unintended consequences and considerations that we feel still need to be resolved before this modification could be effective in the CMC.

SSE RESPONSE

We appreciate that the overall focus on proposing this modification will be to provide flexibility. We also note that the request from the last consultation for further explanation and detail has been provided to some extent in this consultation.

However, at the same time, we consider the following is worth noting:

1. The explanation has not gone far enough in providing clarity as to how specific potential unintended consequences/ambiguities will be addressed. Potential consequences arising from this modification need clarification and/or should have formed part of legal drafting to the relevant clause or other impacted clauses in the CMC.
2. The updated version of the modification would have benefited from a second workshop to discuss the rationale and background that has changed the position of the SEMC in being minded to approve this modification. Previously this modification was considered for rejection and whilst further detail has been provided, we are not clear on what has given rise to the shift by the SEMC in their approach to this modification. We would welcome clarity on the factors that have led to this change in position.
3. We are still not convinced that there is great value in this modification and are concerned that especially regarding the clean to non-clean technology, this could encourage abuse of the mechanism. We are also not clear on how this flexibility may actually be achieved in practice given that changes in technology would impact planning consent and connection agreements for instance. If the concern is that certain difficult projects cannot be delivered because of specific administrative challenges for instance, then we would expect the administrative challenges should be addressed; not that the technology should be changed to something easier to deliver, if it is not what the market, emissions targets or the Climate Action Plan would encourage or need.
4. We think this modification would benefit from a specific timeframe in which a change in technology can be submitted. We note the only time provision relates to use of the Exception Application process for awards of greater than 1 year. However, this may be too long a timeframe to ensure that other milestones are not affected. Though we do note that this likely would provide updated information for the calculation of the capacity requirement for future auctions, that is not clear. What is not clear also is what occurs if there is non-delivery even after change of technology. If there is a non-delivery as a result of change of technology, this could lead to under delivery across several auctions, rather than simply the one that the project was awarded under. Therefore, simply indicating submission during the Exception Application period may not be suitable.
5. In our view, the process for amendment and consultation of this modification leaves much to be desired. Given the modification was previously considered for rejection, this should have triggered a new modification, or at the least as above, another working group to develop and discuss version

2. Furthermore, many of the comments we raise below would also potentially have been clarified as part of a second workshop. Hence, making this consultation far more straight forward than we think it will be; we expect a wide range of comments to be submitted from industry regarding CMC 07_20. This points to the need for a clearer and more codified process for the CMC.

The ambiguities we consider are still remaining with regard to this modification are as follows:

a. **Use of the provision:** It is not clear the frequency to which this modification will be used. In our view, this provision is to manage rare instances that are clearly defined; i.e. to meet specific unforeseen non-delivery. We note that certain circumstances are indicated in version 2 of the drafting and supporting evidence is needed. We would recommend that there needs to be specific clarity on the evidence required, to avoid delay or confusion which could have an impact on project milestones. Furthermore, a change of technology at site would be something that we would consider the market must be notified of. Therefore, the reason given for the change in technology we also consider must be made clear publicly to the market and it should be reiterated that this is not to be used except within certain defined circumstances. This needs to be included in the modification legal drafting to ensure that the market is notified where an awarded project is subject to a change of technology. Without public notification of such changes to projects, would very likely increase uncertainty in the market and also affect system planning where capacity requirements could be affected by change of technology to projects previously awarded. Finally, it would be good to understand from which auction this provision is expected to apply.
b. **Change of technology from clean to non-clean:** the consultation indicates (2.1.4 and 2.1.5), that a change in technology could be from clean to any other technology, which could include non-clean. The rationale from the RAs is that otherwise, it could curtail the use of the provision. It is not clear why the SEMC would want to encourage the frequent use of this provision and we would welcome clarity in that regard. Furthermore, all units and projects are bound by EU requirements regarding emissions limits. Therefore, there must be an explicit expectation in the legal drafting that the specific emissions limits undertaken for a project must still be those that are met by the new change in technology delivered at the site. This could otherwise undermine EU legislation by encouraging non-clean technology to be delivered. It is also worth noting that there are previous CMC modifications that could be affected by CMC 07_20. These changes relate to notification of projects that do not meet emissions limits and are prevented from participating. It is not clear how CMC 07_20 will prevent projects that would otherwise not be eligible to participate, from simply notifying of a change of technology, if the focus is on delivery regardless of the possibility of a project being non-clean.
c. **Project milestones:** similar to point b above, we consider that project milestones would likely be affected by a change in technology and there is no clarity on how these could be facilitated. For instance, it is specified that a revised connection agreement would need to have been secured. In practice, this is not a straight forward process and there is no clarity as to how would these projects be treated insofar as connection policy (ECP2), when they choose to change technology, especially if the choice is to move from clean to non-clean. We note though that there is the criterion in the proposed legal drafting that specifies the change of technology should not impact the meeting of the existing Long Stop Date.
d. **Derating factors:** It is our view that a change in technology could have an impact on overall size of award or size of the project when considering the derating factors for different technologies. A project with a different derating factor resulting from a change in

technology would likely mean an upsize or downsize of a specific project to meet the same overall MW. This could either impact the overall award value and otherwise could impact the MEC for the site as codified in the project's connection agreement. If it is intended that these should not be affected or change—this also should be made explicit under the code change. We are otherwise not clear how a change of technology will not have an effect on the overall awarded capacity of an already awarded project.

All of these factors give rise to concern that this modification is not as fully developed as it could be. We have highlighted several compelling reasons that either need to be clarified in the code modification, or as part of a very clear plan of subsequent modifications that need to be delivered in conjunction with CMC 07_20 to be able to appreciate the full scope of the proposed modification.