Response to SEM-22-055

Capacity Market Code Modifications Working Group 26B Consultation Paper

EirGrid and SONI Response
25th August 2022

Introduction

EirGrid holds licences as independent electricity Transmission System Operator (TSO) and Market Operator (MO) in the wholesale trading system in Ireland. System Operator Northern Ireland (SONI Ltd) is the licensed TSO and MO in Northern Ireland. The Single Electricity Market Operator (SEMO) is part of the EirGrid Group and operates the Single Electricity Market on the island of Ireland.

EirGrid and SONI have been certified by the European Commission as independent TSOs. EirGrid also owns and operates the East West Interconnector, while SONI acts as Interconnector Administrator for both of the interconnectors that connect the island of Ireland and GB.

EirGrid and SONI, both as TSOs and MOs, are committed to delivering high quality services to all customers, including generators, suppliers and consumers across the high voltage electricity system and via the efficient operation of the wholesale power market. EirGrid and SONI therefore have a keen interest in ensuring that the market design is workable, will facilitate security of supply and compliance with the duties mandated to us and will provide the optimum outcome for customers.

EirGrid and SONI have duties under licence to advise the CRU and UR respectively on matters relating to the current and expected future reliability of the electricity supply. We have also been allocated responsibility for administering the Capacity Market Code through our TSO licences. This response is on behalf of EirGrid and SONI in their roles as TSOs for Ireland and Northern Ireland.

EirGrid and SONI Views on the Consultation Topic

EirGrid and SONI, in our role as System Operators have considered the revised modification text, the points raised during the Capacity Market Workshop 26B and the SEM Committee's subsequent consultation paper (SEM-22-055, 18th August 2022), in relation to the proposed Capacity Market Code modification:

- CMC_11_22 – De-rating for Annual Run Hours Limit (ver. 2)

EirGrid and SONI welcome expeditious implementation of this proposed modification to ensure the T-4 2026/27 capacity auctions take place as soon as possible. A brief outline of our views on the modification is appended.

APPENDIX: Response Template

SUMMARY INFORMATION

Respondent's Name	SONI & EirGrid
Type of Stakeholder	System Operators
Contact name (for any queries)	-
Contact Email Address	-
Contact Telephone Number	-
Confidential Response	No

CAPACITY MARKET CODE MODIFICATIONS CONSULTATION COMMENTS:

ID	EirGrid and SONI Response
CMC_11_22 De-rating for Annual Run Hours Limits	
Proposed Modification and its Consistency with the Code Objectives	The Regulatory Authorities are aware of EirGrid and SONI's concerns in relation to the appropriate application of de-rating factors and the appropriate valuing of each technology class with respect to the provision of capacity. The potential for a fully subscribed auction to procure insufficient capacity due to run hour limited technology increases the risk to Security of Supply and prices in uneconomic outcomes. EirGrid and SONI strongly support measures which mitigate the risk of over-valuing technology classes with marginal contributions to reliability. The consequence of over-valuing technology classes means that more capacity is required to be secured in order to maintain a reliable power system which naturally comes at an additional cost and risk of non-delivery. EirGrid and SONI therefore welcome the SEM Committee's decision to introduce De-Rating Factors for Annual Run Hour Limited new capacity (SEM-22-044) – and the associated proposed Capacity Market Code modification CMC_11_22. EirGrid and SONI welcome the decision to proceed with an implementation which bases qualification on the introduction of a technology class for the three Annual Run Hour Limit bands. As demonstration of capability to qualify for each band will be required it will address a significant lack of supporting evidence furnished to date. We look forward to liaising with the RAs in developing suitable templates through which the information will be received from market participants. EirGrid and SONI further welcome the SEM Committee's decision to only implement De-Rating Factors for Annual Run Hour Limits for new capacity at this time, when there are significant Security of Supply concerns in Ireland and Northern Ireland.

Impacts Not Identified in the Modification Proposal Form	The introduction of De-Rating factors for Annual Run Hour Limits is an important differentiating signal for investment in delivering new capacity that does not have Annual Run Hour Limits. Differentiation of de-rating factors of run hour limited and unlimited plant provides investors with signals to build the necessary business case to invest in a technology that is more efficient and can mitigate operational limitations including those arising from the Industrial Emissions Directive and national Regulations and legislation, care should be taken to ensure no conflict with Grid Code requirements, in particular with respect to Minimum Generation levels. Annex V, Part 1 of the Industrial Emissions Directive includes less stringent limit values for plants operating less than 1500 hours per year as a rolling average over 5 years, while Annex V, part 2 does not include specific limit values for such plants. Since the Capacity year is split across two years, it is important that data submitted on annual run hour limitations are appropriately weighted to allocate the average run hours across a typical capacity year. The implementation of the de-rating factors needs to address the rolling average approach for Annual Run Hour Limits, thereby ensuring new capacity does not front load their run hours allocations in order that they qualify for higher de-rating factors.

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<td>Detailed CMC Drafting Proposed to Deliver the Modification</td>
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The following changes are suggested with respect to the legal drafting:

C.3.8.1:
Suggest: “For a Generator Unit, the Initial Annual Run Hours Limit (Existing) for a Capacity Year shall be equal to its Annual Run Hour Limit.”

Suggest removing reference to combustion and to the environmental licence and simply refer to the Annual Run-Hour Limit. Certain sites may not have an environmental licence or permit on the basis that their run hours are below a certain limit, which is a de-facto limit. Similarly, some sites are not subject to environmental licencing in the same way as industrial sites e.g. hospitals, however, they may be subject to limits otherwise. The key would be to capture what Annual Run-Hour Limit means in the definition of the term.

C.3.8.2 & C.3.8.3:
Suggest removing. It is important to define Annual Run-Hour Limit at a Candidate Unit / Generator Unit Level and not at the Generator or Demand Site level. The presence of Generators or Demand Sites in AGUs or DSUs respectively that have annual run hour limits should be reflected in the requirement for Annual Run Hour Limits to refer to operation at the Initial Capacity. An AGU or DSU that featured a new site that was based on combustion with an annual run hour limit of 100 hours would therefore limit the Annual Run-Hour Limit of the AGU or DSU to 100 hours even if the rest of the sites comprising these units could run for 8760 hours.

A possible revised definition of Annual Run-Hour Limit could be as follows:
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<tr><td>Annual Run-Hour Limit</td><td>means, in respect of a Generator Unit that generates or reduces demand, in whole or part, using combustion, the maximum number of hours in the Capacity Year during which the Generator Unit may operate at a level equal to its Initial Capacity in compliance with all applicable legislation, licences, authorisations, consents and permits; and, in respect of all other Generators Units, the total number of hours in the Capacity Year.</td></tr>
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	Consideration could be given to referring to calendar year in the definition rather than Capacity Year as this would avoid any seams issues that may arise in respect of the Capacity Year covering two or more reporting periods. It is not clear to us whether the current definition of the Annual Run-Hour Limit is sufficiently robust to ensure that limits that are subject to five-year averages are captured e.g. in some instances, it is possible for a unit to run for 2250 hours in the first year provided that it runs no more than 1650 hours in subsequent years. To avoid a situation where a unit that is subject to a 1500 hrs/year limit averaged over five years submits an Initial Annual Run-Hour Limit of 2250 and benefit from the De-Rating Factor that would apply to a unit with unlimited restrictions, we see two possible options: • Widen the bands to which the DRF application would apply so that the 500 MW band would increase to 1000 MW and the 1500 MW band would increase to 3000 MW. This would mitigate this issue; however further consideration of this would be necessary. • Ensure that the definition of the Annual Run-Hour Limits is sufficiently precise to require a unit that is limited on average over five years to 1500 hours/year to submit an Initial Annual Run-Hour Limit of 1500 hours/year. We would consider that the text of the mod could also reflect the text used for CO2 Limits to ensure that newly commissioned combustion based generators on Demand Sites and components of AGUs are captured.