

APPENDIX E – RESPONSE TEMPLATE

SUMMARY INFORMATION

Respondent's Name	Mutual Energy
Type of Stakeholder	Electricity interconnector TSO and Gas TSO
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Confidential Response	No

CAPACITY MARKET CODE MODIFICATIONS CONSULTATION COMMENTS:

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
CMC_11_22 - De-rating for Annual Run Hours Limits	<i>(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;</i> <i>(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</i>		We welcome the updated drafting following the working group and feel that this goes a large part of the way to delivering the objectives of the modification. In particular, we understand the addition of paragraphs: <i>C.3.8.5 For a Generator Unit (other than a Demand Site Unit or Aggregated Generator Unit) which generates using combustion, the</i>

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	<p><i>security of supply of electricity across the Island of Ireland.</i></p> <p>The proposed modification is in line with the above Code Objectives as it should promote development of cleaner and more efficient generation. Where this plant is gas-fired it will drive more efficient use of the capacity in the gas network and therefore promote the long-term interests of electricity consumers as electricity generated in future will be cheaper and more reliable than if, for example, OCGTs continued to dominate the capacity auctions. Should the change not be made and additional OCGTs continue to be delivered with limited run hours and inefficient fuel consumption, additional gas infrastructure may be required, the cost of which would not be considered by the capacity market auction. However, this cost would ultimately end up falling on consumers. As such, without making</p>		<p><i>Initial Annual Run Hours Limit (Total) for a Capacity Year shall be equal to the Participant's expectation of the Generator Unit's Annual Run Hours Limit given the applicable emissions legislation.</i></p> <p><i>G.3.1.2E The value of Commissioned Annual Run Hours Limit (a) in respect of New Capacity (which does not derive from a Demand Side Unit or an Aggregated Generator unit) which generates using combustion shall be the maximum number of hours per Capacity Year during which the relevant combustion plant, in whole or in part, may operate in compliance with all applicable legislation, licences, authorisations, consents and permits as certified under paragraph J.4.3.2(c);</i></p> <p>Effectively means that new units will be required to get an independent third-party to validate their self-declared ARHL.</p>

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	<p>the change, adequate future capacity would not be secured in a financially optimal manner.</p>		<p>However, there is still a risk of ‘gaming’ in this regard. For example, units might face overall emissions limits, rather than ‘run hour’ limits. As emissions are a product of both run hours and actual generation, it is possible that a unit might assume that it will operate at minimum generation when called upon, and therefore increase its estimated ARHL.</p> <p>This situation is disincentivised to some degree through exposure to difference charges if the unit is subsequently unavailable due to emissions constraints in the event of prices exceeding the CRM strike price, however a unit might feel this is a risk worth taking to obtain a higher de-rating factor and associated capacity payments.</p> <p>We would propose adding the following (highlighted red):</p>

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			<p><i>C.3.8.5 For a Generator Unit (other than a Demand Site Unit or Aggregated Generator Unit) which generates using combustion, the Initial Annual Run Hours Limit (Total) for a Capacity Year shall be equal to the Participant's expectation of the Generator Unit's Annual Run Hours Limit when generating at the Maximum Export Capacity specified in the relevant Connection Agreement and/ or Connection Offer and given the applicable emissions legislation</i></p> <p>Note appropriate wording would need to be replicated in other paragraphs, we just use this as an example.</p> <p>This strengthening would avoid gaming the capacity market auctions to get a higher de-rating than intended. It is also in line with the aims of the capacity market, as at times of system stress, the unit's full technical capability</p>

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			should be incentivised to be available.

NB please add extra rows as needed.