

DRAI RESPONSE TO SEM-22-055

SUMMARY INFORMATION

Respondent's Name	Demand Response Association of Ireland (DRAI)
Type of Stakeholder	DSU
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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	<p><u>The updated modification proposal presented by the Regulatory Authorities as Appendix B to this consultation represents a significant and material change from the original proposal, which was presented to Working Group 26B. The DRAI view is that is unworkable in its current format, represents a fundamental change to how DSUs are treated under the code, and should not be approved.</u></p> <p>Our response below calls out several issues with what is proposed, we believe that there may be other unintended consequences that we have not had the time to analyse in the short consultation timeframe and without the opportunity to discuss the proposed updated modification at a Working Group.</p>	Impacts detailed in this response including: <ul style="list-style-type: none"> - Material change in the treatment of DSUs under the code - Requirement for site level data at qualification stage which would prevent DSUs from qualifying capacity - Treatment of new capacity - Application of de-rating calculations - Impacts on Substantial Completion 	None

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	<p>The updated proposal introduces new treatment of Demand Side Units and reference to characteristics at an individual site level which have been hastily formulated and not given due consideration via a transparent consultation process or presented to a Working Group. The proposals in the modification are unworkable and represents a fundamental change in how DSUs are treated under the code.</p> <p><i>Qualification Stage Data</i> The requirement to provide data site by site at the Qualification stage, as suggested in the modification, is a material change from current practice, and would effectively prevent demand aggregators from qualifying capacity via capacity auctions.</p> <p><i>Application of Derating Calculations</i> The section E8.2.9 algebra to calculate Gross De-Rated Capacity, if applied to units on a site by site level versus at a unit level, would yield different results in terms of the derating to apply, including duration related de-rating. We do not think that this impact has been considered or intended by the RAs in the development of the proposed changes.</p> <p><i>Treatment of DSUs as New Capacity</i> The DRAI understands that the RAs intention in raising this modification is that “the additional de-rating will only apply to combustion plant and will only be applicable to New Capacity.” We acknowledge also that following the Working Group the RAs have sought to address some of the concerns raised by DSU participants in relation to New Capacity and the issue where existing and already operating DSU sites would be considered New Capacity if moving between capacity market units.</p> <p>As presented in the updated modification, the change to the definition of New Capacity would only cover the scenario where sites are moving to a new Participant, however there are several scenarios where a site could move between units under the same Participant,</p>		

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	<p>including to account for new locational constraints, required by the SEM-22-044 decision, as well as to align sites with similar technical and duration characteristics.</p> <p>It is critical that this issue of impacting already existing DSU capacity is fully resolved as part of the implementation of any proposed change. It is our view that the updated Mod_11_22 does not address this.</p> <p><i>Proposed Changes to Sections E and G</i> The proposed changes to sections E and G of the Capacity Market Code outlined in the updated modification proposal represent a significant and material change from those in the original proposal, which was presented to the Working Group. They introduce new treatment of Demand Side Units and reference to characteristics at an individual site level which have been hastily formulated and not given due consideration via a transparent consultation process.</p> <p>We believe that a number of the changes, particularly those in section G3.1.4 of the code are discriminatory, and would be problematic to implement. In particular, the changes around Substantial Completion propose an entirely new process around Demand Side Units and the DRAI are concerned that this would impact capacity currently in train to meet that milestone.</p> <p><i>Proposed Changes to Appendix D</i> The requirement to provide the kind of site level information stipulated in Appendix D4 (k) at qualification stage is unworkable and would effectively exclude demand side participants from qualifying capacity.</p> <p><u>ARHL combined with 0.75 DSU De-rating</u> The intention to simply multiply the ARLH de-rating factor by the other DSU de-rating factor (set at 0.75 following the SEMC decision) represents significant “double counting” in terms of</p>		

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	<p>impact. The TSOs’ modelling analysis in relation to additional derating of DSUs (proposed to be 0.5) was concerned that there is a “saturation point” for units with energy and/or run-hour limitations above which their contribution to capacity adequacy diminishes.</p> <p>Some units (such as DSUs which can run for 2 hours) are already heavily de-rated in the CRM based on their constrained run hours. Further derating based on restricted run hours due to emissions limits would not reflect the true value of the capacity which such units provide. "</p> <p>Simply multiplying the ARLH de-rating factor by the other proposed DSU de-rating factor, should that come into effect, would be excessively punitive and represents a significant “double counting” in terms of impact</p> <p>The perceived issues described in the TSOs’ paper accompanying SEM-22-015, and the nature of the analysis carried out were focused on single site generation units, which would be impacted in their entirety by run hour restrictions. We maintain the position submitted in our response to SEM-22-015 (attached) that ARHL de-rating should not apply to DSUs given the distributed nature of sites within an aggregated portfolio, and the nature of the dispatch pattern that would apply to DSUs. The DRAI response to the parameters consultation questioned this methodology and put forward experience from other markets on issues about the use of such a marginal de-rating methodology.</p> <p>Regardless of our opposition to the additional de-rating factor for DSUs and the methodology used to develop it, this proposal by the TSOs was aimed at energy and/or run-hour limitations, and in approving the de-rating of 0.75 the SEMC has already imposed a de-rating factor on this basis. The application of an additional ARHL de-rating factor, if applied on top of this derating factor in a simply multiplicative manner, is double counting.</p> <p><u>Decision process for T-4 2026/27 Parameters</u></p>		

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	<p>We also highlight our concern that DRAI views on the ARHL were not accurately represented at the SEMC meeting in July where the decision on de-rating parameters was made. The original decision paper brought this to our attention and has since been corrected, however it does not address the issue that DSU participant views submitted as part of the consultation were not brought to SEMC.</p> <p><u>Consultation on ARHL Modifications</u> The updated modification proposal presented as Appendix B to SEM-22-055 materially differs from the changes proposed in the original version of CMC_11_22 and discussed at Working Group 26B. The updated proposal, as currently written, cannot be approved, and requires further detailed consideration and proper consultation. We believe that several unintended consequences of the proposed changes have not been considered and need to be addressed.</p>		