

## APPENDIX D – RESPONSE TEMPLATE

### SUMMARY INFORMATION

<b>Respondent's Name</b>	ESB Generation and Trading
<b>Type of Stakeholder</b>	Generator
<b>Contact name (for any queries)</b>	Paraic Higgins
<b>Contact Email Address</b>	<a href="mailto:paraic.higgins@esb.ie">paraic.higgins@esb.ie</a>
<b>Contact Telephone Number</b>	01 7027119
<b>Confidential Response</b>	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
<b>CMC_04_22</b> - New Reference Rates for Default Interest	ESB Generation and Trading (ESB GT) agrees that the modification supports the code objectives.	No comment.	No comment.
<b>CMC_05_22</b> - Housekeeping Mod to Update Overlap between CMC_03_21 and CMC_04_21	ESB GT wants to raise a concern it has with the approach taken by the RAs in relation to CMC_05_22. While ESB GT fully supports the requirement for this modification, to correct an error following the unintended overlap between CMC_03_21 and	It is stated in the consultation paper (1.4.3) that <i>"the RAs are not consulting on this housekeeping proposal"</i> .  Unless consulted upon, as per the CMC rules, it raises	No comment.

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	<p>CMC_04_21, it would appear that the defined CMC modification procedure has not been followed. This has the potential to give rise to an unintended precedent in allowing modifications to be drafted and approved without stakeholder feedback.</p> <p>As per CMC B.12.11.1 <u>following the public consultation</u> the RAs can either (a) make a modification, (b) not make a modification or (c) undertake further consideration in relation to the matters raised in the modifications proposals. Additionally, under CMC B.12.11.4 and B.12.11.5 the RA may make a modification that is different. However, both of these clauses would appear to be subject to B.12.11.1 following a public consultation.</p>	<p>questions on the efficient discharge of the CMC. As currently applied, this modification has not gone to consultation and therefore cannot proceed to B.12.11 of the CMC. Due processes, which are clearly defined in the code, must be followed if prudent regulation of the Capacity Market is to continue. Allowing stakeholders the opportunity to give feedback on Modification Proposals, no matter how minor an amendment the proposal may seem, will strengthen the decision making ability of the Authorities and mitigate against unintended consequences.</p>	
<p><b>CMC_06_22</b> - New Independent Combined Units</p>	<p>While the modification isn't in conflict with any of the code objectives it isn't clear how it improves the CMC objectives.</p>	<p>One consideration that needs to be carefully determined is whether this creates any issues with market power. As DSUs</p>	<p>No comment.</p>

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		<p>are not currently capped at the ECPC and this appears to be allowing some form of portfolio-based qualification.</p> <p>At the time of the workshop, CMC_01_22 was a different modification to what was then decided and implemented. Therefore, what isn't considered in the consultation is whether or not there are any unintended consequences between CMC_01_22 and the proposed modification CMC_06_22.</p> <p>Additionally, there isn't a tie breaker rule for deciding which unit is to be flexible. For example, what if the CAU consists of three units with the same Gross De-Rated Capacity.</p>	

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<p><b>CMC_07_22</b> - Joint Market Registration Variation in Mix</p>	<p>ESB GT is not in a position to determine if the proposed modification is consistent with the code as the modification is not in a position to be consulted upon due to the lack of detail around settlement changes required. Therefore, ESB GT agrees with the RA’s minded to position that the modification should be rejected.</p>	<p>Greater discussion is needed around the application of portfolio trading for a single technology class. Evidence based justification has not been provided to allow for discrimination between technologies and would appear to be in violation of the CMC objective (f).</p>	<p>ESB GT is of the view due to the quantity of changes required to progress this modification that it needs to go back for consultation.</p>
<p><b>CMC_08_22</b> - Local Capacity Constraints Maximum Quantities</p>	<p>ESB GT believes the proposed modification goes against the CMC objectives (c), (d), (e), and (g), and potentially worse, it could be viewed as being in conflict with the EU state aid CRM approval (see next tab for further commentary).</p> <p><u>Governance issues</u> This current proposal is in the SEMC consultation paper SEM-22-015 that is not yet decided upon. Unfortunately, participants have not been kept informed of the SEMC’s thoughts on how the CMC modification and CRM parameters consultation paper are to</p>	<p>Unfortunately, there is very little rationale behind the need for the proposal and the proposal appears to address the issues of delivering connections as opposed to the actual cause. This issue appears to be a direct result of the CRU’s direction to remove the need for a grid connection to qualify for the capacity auction.</p> <p>It is stated in the consultation paper that <i>“the RAs noted that the modification is seeking to address a real issue that exists</i></p>	<p><b><u>ESB GT does not believe this modification should be implemented.</u></b></p>

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	<p>be decided (in parallel or in advance). Therefore, it is not clear if the CMC modification process or CRM consultation process is being undermined.</p> <p><u>Issues with assumptions in justification</u></p> <p>The proposed modification highlights that this modification “<i>Allows more capacity to be qualified in areas where there are locational capacity constraints that cannot accommodate this capacity in the timeframes.</i>” The reason for this is the assumption that if the modification isn’t in place that the TSOs will have to qualify none of the capacity in the zones. ESB GT is surprised that this extreme option is the only option available to the TSOs and RAs (and if this is even technically possible under the CMC). Additionally, the option not to qualify these assets isn’t a viable option as to do so would run the risk of not solving the security of supply in the LCCA Dublin zone.</p>	<p><i>currently</i>”. However, the consultation paper doesn’t actually lay out the real issue i.e. the CRU direction to remove the need for a connection agreement to qualify.</p> <p>It is therefore reasonable to assume if the CRU’s direction wasn’t applied then this requirement isn’t needed. If this modification is applied to auctions where there is no CRU direction than this is a purely a regulatory intervention to restrict competition in an auction and force development of assets in locations of the TSOs’ and Ras’ choice.</p> <p>A further impact that is not considered in this modification is the compliance with the EU State Aid decision. In the State Aid decision, paragraph 157 identifies “<i>The authorities</i></p>	

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	<p><u>Consistency with previously applied min LCCA to RoI</u></p> <p>In 2019, the SEMC consulted upon the LCCA for the T-4 CY23/24 (SEM-19-048). It was in this consultation paper that the SEMC proposed using a minimum LCCA in the Rest of Ireland (RoI) to address a maximum issue in Dublin. The SEMC decided to implement the minimum LCCA for RoI. When consulting on the introduction of a minimum LCCA for RoI (which should be recognised didn't have the potential to restrict and prevent entry) there was a consultation paper with supporting evidence. For this proposal, the information provided in the modification proposal and consultation paper falls short of previous level of provided information and at a level where there is no proportionate justification for now adding another level of regulatory intervention. Additional to no</p>	<p><i>confirmed that the locational value of capacity should in principle be reflected in the market prices, sending the right locational signals to incentivise investments in generation or transmission capacity in shortage areas".</i> This modification is about the prevention of a location signal in areas of shortage. It is not clear if this modification is in line with the state aid decision or in the spirit of the application. ESB GT would caution any SEMC decision that could result in a JR on the EU state aid decision as experienced in 2019 with the GB Capacity Market.</p> <p>ESB GT is concerned with the impact a maximum LCCA in Dublin could have in the CRM auction clearing. There is a</p>	

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	<p>supporting evidence for the need for a max Dublin LCCA it isn't clear why min LCCA RoI isn't working? Rather than layering more regulatory intervention and complexity the root cause of the issue needs to be identified and addressed (discussed further in the impacts tab).</p>	<p>possibility that the introduction of a maximum LCCA could result in a project in Dublin being in merit but not winning a contract. Unfortunately, this could end up being another exit signal to existing and new assets.</p> <p>It was stated in the consultation paper that <i>“Given the current capacity issues in the SEM and the approaches being pursued by governments and the RAs, the SEM Committee is minded to approve a version of this modification”</i>. It is not clear what the capacity issues are and which approaches by the governments and RAs are causing this issue. Greater clarity is required to determine if the proposed modification is proportionate considering the potential risks and downside.</p>	

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<p><b>CMC_09_22</b> - Secondary Trade Approval Notification</p>	<p>ESB GT agrees that this modification achieves the objectives of the CMC especially (b), (c) and (e).</p>	<p>From our experience to date the confirmation or validation of a secondary trade has, on some occasions, unfortunately taken longer than the 5 working days and it has been on the participant to request confirmation. This modification should help in streamlining the process for both the TSOs and market participants.</p>	<p>No comment.</p>