

APPENDIX E – RESPONSE TEMPLATE

SUMMARY INFORMATION

Respondent's Name	Bord Gáis Energy
Type of Stakeholder	Generator in the all-island single electricity market; supplier in the Irish retail market
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Confidential Response	N

Summary of Main Messages

Bord Gáis Energy (**BGE**) welcomes the opportunity to respond to this SEM-22-027 consultation on the modification proposals that were initially discussed at the Capacity Market Code ('**Code**') Working Group 25:

- CMC_04_22: New Reference Rates for Default Interest
- CMC_06_22: New Independent Combined Units
- CMC_07_22: Joint Market Registration Variation in Mix
- CMC_08_22: Local Capacity Constraints Maximum Quantities
- CMC_09_22: Secondary Trade Approval Notification

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CAPACITY MARKET CODE MODIFICATIONS CONSULTATION COMMENTS:

CMC_04_22: New Reference Rates for Default Interest: BGE is supportive of this housekeeping change. This is a necessary change and will remove the current disparity between the TSC and CMC.

CMC_06_22: New Independent Combined Units: BGE is not supportive of this Modification as currently drafted. It opens the possibility for portfolio players to aggregate units under a single CMU, could allow market concentration through aggregation undermining the principle of unit-based bidding.

The new paragraph allows a way to bypass E.7.6.1 (i) namely that each candidate is either 'De-Min' or 'A Variable Generator Unit'. This opens the door for Conventional Generators which are not De Min to be aggregated as Candidate Units under a Capacity Market Unit. We believe the drafting is too broad as this was not the intended consequence. This opens the potential for the concentration of generation capacity through aggregation that would reduce market transparency in bidding and increase the risk of market power. This is the unintended consequence of this mod and does not deliver the desired impacts for DSU only, and in our view instead opens the option of unlimited aggregation to the entire market.

CMC_07_22 : Joint Market Registration Variation in Mix: BGE is supportive of this modification in principle. We recognise the importance of DSUs particularly in terms of energy balancing. This mod is an optimal solution from a DSU perspective as it will provide a high level of flexibility required to optimise portfolios, and ultimately contribute to energy balancing.

However, we would have concerns about the complexity of this settlement of this mod in practice. In BGEs view, there needs to be significant development of the SEM settlement systems before the required level of complexity management is reached to support the implementation of this mod. This all-encompassing solution should be the end goal, but admittedly more consultation will be needed before this in a position to be progressed further. We ask the TSOs to engage with industry to develop a workaround settlement solution in the short to medium term, while this longer-term enduring solution is being developed.

CMC_08_22 : Local Capacity Constraints Maximum Quantities: BGE is not supportive of this modification. The capacity auction price should be cleared in an unconstrained market. There are large concerns that allowing a highly constrained grid to feed into the clearing of the auction will have a material impact on the clearing price and move away from the principle of supply/demand-based auction clearing price. TSOs must accommodate the outcome of the most cost-

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efficient plants clearing, rather than basing solutions on geographical location that could exclude candidate units that are in merit by price. The possible unintended consequence here is the modification drives a higher auction price and associated cost to the consumer.

This proposal will dilute the signal to the TSO that the grid needs to be improved/congestion removed. In this scenario the constraints on the grid will simply become further entrenched in the system, and the Capacity market will in effect become a nodal system. This goes against the objectives of the capacity market, in particular Section A 1.2.1 (f) which seeks to ensure no discrimination between parties to the capacity market code.

BGE has on a number of occasions expressed our concerns regarding the extent of plans to mitigate existing constraints between now and 2030. There has been insufficient transparency on how this will be planned. There has also been a lack of detail on what mitigation measures are planned to control the impacts of the addition of 2 new interconnectors and increasing levels of renewable generation connections across the next 8 years.

In addition, by imposing LCC Max Quantities there is a risk that some efficient conventional generation which is crucial for security of supply could miss out on capacity, resulting in this modification adversely affecting security of supply which is contrary to the objective of the capacity market code.

CMC_09_22: Secondary Trade Approval Notification: BGE is supportive of this modification. Any ambiguity around Market Participants in terms of the ISTN or ASTN being processed and accepted /rejected should be reduced and the timeframe should be as short as possible.

The view of BGE is that the 5-day waiting period for a trade to be approved/rejected is unacceptable. BGE accepts there is a degree of complexity to assessing a trade, however 5 working days is overly generous. Receiving confirmation 5 working days after an ASTN/ISTN is submitted, gives market participants insufficient time to find an alternative method of managing their capacity market obligations. We ask the TSO to implement as soon as possible a 1-hour window for the provision of the required information to participants. A 24hr period at most should be sufficient to accept or reject an ASTN/ISTN.

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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_04_22 - New Reference Rates for Default Interest	<ul style="list-style-type: none"> BGE supports these proposed modifications to the Capacity Market Code (CMC) to remove the current disparity between the TSC and CMC. Given the Discontinuation of LIBOR, the use of ESTER and SONIA is a suitable replacement 	N/A	None Needed

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<p>CMC_06_22</p> <ul style="list-style-type: none"> - New Independent Combined Units 	<p>BGE does not support the proposed modifications on the basis that proposed mod will have unintended consequences which are contrary to the objectives of the CMC – please see our comments on this in more detail in our opening section above</p>	<ul style="list-style-type: none"> • BGE interpretation of new paragraph E.7.6.4, is that this leaves the door open for portfolio players to aggregate large candidate units to aggregate under a single capacity market unit which opens the potential for the this proposed aggregation model to undermine bidding transparency in the market to the detriment of competition in the market and ultimately consumers. • This would also reintroduce concerns around lumpiness in the Capacity market and clearing outcomes. • Please see our opening section above for more detailed comments. 	<p>While we are not proposing the particular drafting changes to reflect our position on this modification proposal, we believe the drafting would have to be revised and narrowed to focus on DSUs as seems to have been the intent of the mod – it is unclear why the wording has been broadened and we would support revising it to achieve the aim in question for DSUs</p>
<p>CMC_07_22</p> <ul style="list-style-type: none"> - Joint Market Registration Variation in Mix 	<p>BGE agrees with this modification in principle. However, we believe the timeframe for the required level of settlement system operation to support the implementation of this mod is some way off.</p>	<ul style="list-style-type: none"> • Need to improve internal systems to allow the level of flexibility desired by DSUs. 	<p>None Needed</p>

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<p>CMC_08_22</p> <ul style="list-style-type: none"> - Local Capacity Constraints Maximum Quantities 	<p>BGE rejects the proposed modifications to the CMC, as they are not in keeping with the primary objectives of the Capacity Market in particular; A 1.2.1</p> <ul style="list-style-type: none"> • (d) to promote competition in the provision of electricity capacity to the SEM; (this proposal would directly reduce competition by intervening in supply demand dynamics) • (e) to provide transparency in the operation of the SEM; (there is a lack of transparency in the language with reference to what could ‘feasibly be accommodated in the timeframes involved in the delivery of capacity’, leaving this entirely at the discretion of Eirgrid without any criteria on what the determine to be feasible. • (f) to ensure no undue discrimination between persons who are or may seek to become parties to the 	<ul style="list-style-type: none"> • Pure Market Demand/Supply dynamics will no longer determine auction clearing prices. • Units will miss out on long term capacity due to physical grid limits which will send incorrect price signals to the market • The signal for Eirgrid to fix constraints and limitations on the grid will be diluted. Instead, this approach will effectively create a nodal capacity market. • Possibility that older efficient thermal generators of crucial importance to the grid end up missing out on capacity contracts, which would jeopardise the future security of supply. • This mod will result in a locational signal being sent through the capacity market, rather than in the grid connection phase. The outcome of Capacity market just be purely based on supply demand balance, the shortcomings on the grid should not influence this dynamic. 	<p>N/A</p>
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	Capacity Market Code; (the very nature of this mod will discriminate against the parties based on their physical locations. This effectively a shift towards a nodal capacity market.)		
CMC_09_22 - Secondary Trade Approval Notification	BGE supports this proposal. We believe this modification proposal seeks to facilitate achievement of the Capacity Market Code Objectives (M7 & M12) by reducing ambiguity regarding the acceptance of ISTNs and ASTNs. Notifying participants directly is a more logical process and will give participants the clarity required.	N/A	M.12.3.4 The System Operators shall notify Participants if their proposed Secondary Trade is rejected pursuant to M.12.3.2 as soon as practicable ideally within 1 hour, but within 24 hours at most , identifying the reason for such rejection.

NB please add extra rows as needed.