



**Single Electricity Market  
(SEM)**

**Capacity Market Code Modifications**

**Workshop 29**

**Supplementary Consultation Paper**

**CMC\_03\_23:      Amendment to Long Stop Date for T-1 Capacity  
Auction**

**SEM-23-040**

**02 June 2023**

**Contents**

1. Overview..... 3

    1.1 Abstract ..... 3

    1.2 Purpose of this Consultation Paper..... 3

2. Modification Proposal ..... 4

    2.1 CMC\_03\_23 – Amendment of Long Stop date for T-1 Capacity Auction ..... 4

    2.2 Working group feedback on CMC\_03\_23 ..... 5

    2.3 SEM Committee Position..... 6

3. Consultation Questions ..... 7

4. proposed legal text..... 7

5. Next steps..... 9

Appendix A – Response Template

# 1. OVERVIEW

## 1.1 ABSTRACT

1.1.1 The purpose of this consultation paper is to invite industry participants to provide feedback and comments with regard to proposed revised legal text relating to modification proposal CMC\_03\_23. (This modification was originally discussed at Workshop 29, held on 24 January 2023.)

1.1.2 This consultation paper relates to:

**CMC\_03\_23:                    Amendment to Long Stop Date for T-1 Capacity Auction**

## 1.2 PURPOSE OF THIS CONSULTATION PAPER

1.2.1 The purpose of this paper is to consult on the revised legal text proposed by the RAs in relation to CMC\_03\_23.

1.2.2 The Regulatory Authorities hereby give notice to all Parties and the Market Operator of a consultation on the proposed legal text.

1.2.3 Interested Parties and the Market Operator are invited to make written submissions concerning the proposed Modification by no later than 14:00pm on Friday 16 June 2023. **Please note that late submissions will not be accepted.**

1.2.4 Upon closure of the consultation process, the Regulatory Authorities intend to assess all valid submissions received and form a decision to make a modification, not make a modification or undertake further consideration of the modification.

## 2. MODIFICATION PROPOSAL

### 2.1 CMC\_03\_23 – AMENDMENT OF LONG STOP DATE FOR T-1 CAPACITY AUCTION

#### Proposer: EPUKI

#### Proposal Overview

- 2.1.1 This proposal aims to extend the Long Stop Date (LSD) associated with the single year T-1 capacity contracts from one month after the beginning of the relevant Capacity Year to three months.
- 2.1.2 The modification notes that the LSD for single year capacity contracts was previously set at 18 months after the beginning of the relevant Capacity Year. However, as this was after the expiry of the contract itself, this was revised in SEM-18-030 to the current one month.
- 2.1.3 The proposal argues that there was no justification as to how one month was chosen and that as there was a lack of analysis on whether one month was appropriate, this should now be properly assessed and re-considered.
- 2.1.4 The original Consultation Paper referred to significant volumes of Demand Side capacity which was coming through the CRM. However, while this was largely true in 2018, the T-1 auctions have now become a possible option for other technology types.
- 2.1.5 EPUKI contend that as the context of the SEM has changed significantly with the closure of older plant and sharp increases in demand, the need for delivering New Capacity has increased exponentially. The modification states that the CMC should reflect this need through increased facilitation and flexibility with regard to new conventional plant.
- 2.1.6 Although an LSD extension to three months would fall on 31 December within the Capacity Year, meaning the New Capacity would not be present for the winter period of the relevant Capacity Year, the EPUKI proposal believes that this is a better outcome than terminating an entire year of New Capacity.
- 2.1.7 The New Capacity would not receive any payments until they deliver the required MW.
- 2.1.8 The modification should not affect multi-year capacity contracts delivered through the T-1 auctions as they would maintain the original 18 month LSD.
- 2.1.9 EPUKI state that failure to implement the Modification Proposal may result in the potential termination of New Capacity awarded single year contracts in the T-1 auctions. This may include extensions to existing conventional generation or new plant delivering early.
- 2.1.10 Further details on the EPUKI Modification Proposal are set out in the appended Modification Proposal Appendix B, which includes the draft changes to the CMC.

## 2.2 WORKING GROUP FEEDBACK ON CMC\_03\_23

- 2.2.1 Capacity Market Modifications Workshop 29 took place on Tuesday 24 January 2023 where the modification was presented and discussed.
- 2.2.2 The RAs sought clarity on the issue the proposed modification was trying to address.
- 2.2.3 Energia asked if there had been a significant number of T-1 terminations in the past as a result of the one-month deadline. They also raised concerns over whether the modification might allow capacity to bid into an auction knowing they might be up to three months late and miss a substantial proportion of the winter. In their view, this could put at risk capacity that might have delivered during this period.
- 2.2.4 EPUKI believed that the intention was to give New Capacity as much of an opportunity as possible to deliver.
- 2.2.5 The TSOs confirmed that historically, there had been terminations as a result of the one-month LSD deadline. They agreed that the previous change to the one-month deadline had been important as any participant taking part in a T-1 auction would need to deliver that capacity or face serious consequences.
- 2.2.6 ESB GT questioned whether there should be a three-month deadline. They thought that if there was a security of supply issue within a period then this might be alleviated by loosening the deadline to six or nine months.
- 2.2.7 From a participant's perspective, the TSOs expressed interest in whether it was likely that there was capacity that could deliver in the necessary timeframes but, because of the risk of being delayed by more than the one month deadline, would not participate as the risk was too high.
- 2.2.8 Should the RAs deem there to be benefit in the modification, the TSOs suggested that it might be worth parameterising this section of the CMC.
- 2.2.9 From a practical perspective, the TSOs also cautioned that three months would end on the 31 December and this may need consideration as it would be difficult for capacity to achieve Substantial Completion over the Christmas and New Year holiday.
- 2.2.10 They considered the close proximity of the LSD deadline to the start of the Capacity Year an important incentive to deliver and reduce speculative applications.
- 2.2.11 Bord Gáis Energy (BGE) were concerned that moving the deadline to three months weakened the incentive to deliver and allowed a participant to miss a significant proportion of the winter in a one-year contract.
- 2.2.12 They thought that if a unit was going to miss the deadline by a few weeks, then it did not make sense to terminate it. BGE asked if there might be a way such scenarios could be dealt with on

an ad-hoc, discretionary basis whereby a participant could demonstrate to the RAs that they could deliver within a few weeks. They considered that a three-month deadline might lead to more speculative applications.

- 2.2.13 Energia also had concerns over the potential change to three months and argued that one possible option might be to hold T-1 auctions in a more timely manner so new capacity could be confident that they could deliver on time. If this was the case then there should be no need to move the LSD deadline.
- 2.2.14 Energia queried when, i.e. to which auctions, the modification might apply.
- 2.2.15 EPUKI thought that the forthcoming T-1 auction would be the ideal time for it to be implemented.
- 2.2.16 The TSOs believed that there was a trade-off in terms of auction timing to ensure a T-1 gets the optimal amount of capacity.

## 2.3 SEM COMMITTEE POSITION

- 2.3.1 The SEM Committee noted the varying opinions in relation to the original proposal and the fact a significant number of responses were not supportive of the proposal as written but were open to extending the LSD to help facilitate Awarded New Capacity.
- 2.3.2 Having reviewed the responses received, the SEM Committee shares some of the concerns raised around extending the LSD to three months as such an extension may result in a significant portion of the winter peak being missed.
- 2.3.3 Furthermore, the SEM Committee does not believe it appropriate to approve an industry-wide extension of two months to the current LSD.
- 2.3.4 One of the primary reasons for this is that any global extension across industry is likely to have unintended and unfavourable consequences in other areas, particularly in relation to payments to New Capacity which could not reach Substantial Completion but could already achieve Minimum Completion. This issue has the potential to impact all New Capacity and not just DSUs.
- 2.3.5 There is also an issue of the weakening of the incentives for timely delivery of all New Capacity if LSD is extended globally.
- 2.3.6 For the reasons outlined above, the SEM Committee does not support, as written, CMC\_03\_23.
- 2.3.7 However, the SEM Committee is keen to help facilitate Awarded New Capacity whenever possible and has assessed some of the merits of extending the LSD deadline by varying amounts. The Committee believes that the most appropriate way in which to facilitate an extension to the

LSD is to develop legal drafting for an option analogous to J.5.2 to allow the RAs to grant an extension to the LSD on a case-by-case basis to apply only to the Capacity Year 2023/24.

- 2.3.8 Therefore, as per paragraph B.12.11.4. of the CMC, the SEM Committee proposes to make a modification that is different to that proposed in CMC\_03\_23 but which should, ultimately, result in a similar outcome.
- 2.3.9 Although this modification will, in the first instance, only be applicable to Capacity Year 2023/24, the SEM Committee considers this an interim measure and will continue to examine the merits of a more enduring solution in line with the objectives of the CMC.
- 2.3.10 Cognisant of the potential unintended consequences which might have emanated from the original Modification Proposal (for example, the impact on payments to New Capacity which could not reach Substantial Completion but could already achieve Minimum Completion), the SEM Committee are seeking views from industry on the draft legal text in advance of final SEM Committee approval and implementation. It is anticipated that this consultation will be an expediated process.

### 3. CONSULTATION QUESTIONS

- 3.1.1 The SEM Committee welcomes views and responses on the proposed modification raised within this consultation paper.
- 3.1.2 Respondents are invited to provide comments and feedback in respect of:
- the detailed legal text proposed to deliver the revised Modification.
- 3.1.3 A template has been provided in Appendix A for the provision of responses.

### 4. PROPOSED LEGAL TEXT

#### J.5.7 Extension of Date for Long Stop Date

- J.5.7.1 A Participant or an Enforcing Party (on behalf of a Participant) may, prior to the scheduled date for meeting the Long Stop Date in respect of Awarded New Capacity that arises from a Capacity Auction in respect of the Capacity Year 2023/24, with a capacity duration of one year or less, apply to the Regulatory Authorities to extend that date to a new date after the start of the applicable Capacity Year in which the Awarded New Capacity is to be provided.

J.5.7.2 The application under paragraph J.5.7.1 shall include:

- (a) reasons for the request in reasonably sufficient detail to enable the Regulatory Authorities to consider the request, together with sufficiently detailed supporting evidence;
- (b) details of the actions being taken to rectify the issues causing the delay;
- (c) a plan to rectify those issues, the tasks that need to be undertaken to meet the revised Long Stop Date; and
- (d) details of any impact on other Implementation Plan dates, with detailed reasoning.

J. 5.7.3 The Regulatory Authorities shall consult with the System Operators in assessing a request under paragraph J.5.7.1.

J.5.7.4 Where the Regulatory Authorities accept a request under paragraph J.5.7.1, they shall advise the System Operators of the new Long Stop Date and any other changed Implementation Plan dates and the System Operators shall record those changes in the Capacity and Trade Register.

J.5.7.5 Any application made to the Regulatory Authorities under J.5.7.1 should be made at least 20 Working Days prior to the start of the applicable Capacity Year.

## A.2 TERMINATION OF AWARDED NEW CAPACITY

A.2.1.1 For the purposes of this section:

(a) Minimum Completion: Awarded New Capacity achieves Minimum Completion when:

- (i) [,,]
- (ii) [...]
- (iii) [...]
- (iv) [...]
- (v) [...]
- (vi) [...]

(b) Long Stop Date: the Long Stop Date in respect of Awarded New Capacity means

- (i) in the case of a Capacity Award with a capacity duration greater than one year, the last day of the eighteenth full calendar Month after the start of the first Capacity Year in which the Awarded New Capacity is to be provided; or
- (ii) in the case of a Capacity Award with a capacity duration of one year or less, the last day of the first full calendar Month after the start of the first Capacity Year in which the Awarded New Capacity is to be provided; or
- (iii) such later date as specified under paragraph J.5.5.1; or
- (iv) as amended under Section J.5.7.



## 5. NEXT STEPS

- 5.1.1 The SEM Committee intends to make a decision by 23 June 2023 on the implementation of the Modification outlined within this consultation paper.
- 5.1.2 Responses to the consultation paper **must** be sent to both the CRU and UR CRM Submissions inboxes (CRMsubmissions@uregni.gov.uk and crmsubmissions@cru.ie), **by no later than 14:00pm on Friday 16 June 2023. Please note that late submissions will not be accepted.**
- 5.1.3 Please note that we intend to publish all responses unless marked confidential. While respondents may wish to identify some aspects of their responses as confidential, we request that non-confidential versions are also provided, or that the confidential information is provided in a separate annex. Please note that both Regulatory Authorities are subject to Freedom of Information legislation.