



**Energia Response to SEM Committee
Consultation Paper SEM-23-040**

***Amendment to Long Stop Date for T-1 Capacity
Auction***

16 June 2023

1 Introduction

Energia welcomes the opportunity to respond to SEM-23-040 on the proposed amendment to the Long Stop Date for single year T-1 capacity contracts. Energia actively participated in Workshop 29 when modification CMC_03_23 was proposed in January 2023, and publicly responded to consultation paper SEM-23-010 when it was consulted upon in March 2023.

Energia notes that the revised modification is substantially different to the original, CMC_03_23. The revised modification is an improvement on CMC_03_23, and better addresses several concerns that Energia raised in our response to the original consultation. While Energia does not object to the revised modification, we would caution that in its implementation the Regulatory Authorities (RAs) will have to exercise good judgement in order to prevent speculative bids from replacing reliable capacity in T-1 auctions, and ensure that the CMC objectives of competition, transparency and no undue discrimination are upheld.

2 Revised Modification

The revised modification in the further consultation paper is substantially different from the original text of CMC_03_23. Energia opposed CMC_03_23 on the grounds that a three-month extension to the Long Stop Date would mean that capacity procured at a T-1 auction could miss half of the winter period. Furthermore, an extension could increase the likelihood of speculative bids with a less realistic prospect of being available for the entire year displacing bids that could provide capacity for the full year.

By removing the proposal for a standard three-month extension and instead giving the RAs discretion as to whether to approve an extension request, the revised modification is an improvement on CMC_03_23. The RAs will have the flexibility they require for security of supply where a participant is facing a short delay in delivering, particularly where that delay is outside of the participant's control. Simultaneously the RAs will have the power to terminate capacity where a participant is failing to deliver and is not able to provide for a substantial portion of the capacity year.

However, Energia emphasises two points of caution if the RAs are to approve the modification. The first is that it may still be the case that if participants know that the RAs will be reluctant to terminate contracts, it may encourage more speculative bids at T-1 auctions from some participants. The RAs will have to be increasingly vigilant at the application stage to screen out speculative applications that do not have robust delivery plans. The RAs need to avoid a repeat of the current situation with the T-3 2024/25 and T-4 2025/26 auctions, where a significant shortfall has arisen because capacity has consistently had to seek extensions as it has been unable to meet the specified deadlines at the time of the auction.

Secondly, the RAs will need to ensure transparency and consistency in how they decide whether to extend Long Stop Dates or not, and how such decisions are communicated to other participants. The CMC is designed to facilitate competition, transparency, and ensure no undue discrimination in the CRM. The RAs must clearly rationalise any decision to extend a participant's Long Stop Date and communicate that decision in a timely manner to other market participants, to continue to meet these objectives.

3 Conclusion

In conclusion, Energia does not object to the proposed modification on the grounds that it is a significant improvement on the original modification discussed at Workshop 29. However, Energia cautions that the proposed changes will need to be carefully implemented if the modification is to help improve security of supply while upholding the other objectives of the CMC.