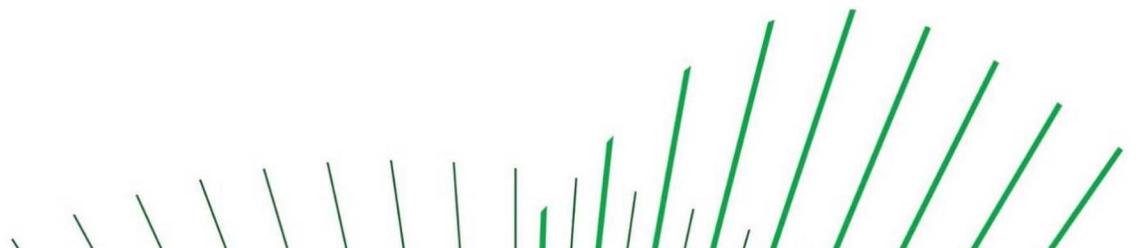


Bord na Móna

SEM-23-060 CMC_15_23 Urgent WG32
Consultation

Bord na Móna Response

25th August 2023



1 Response

Bord na Móna (**BnM**) welcomes the opportunity to respond to this Modification given that it directly addresses the participant/project developer perspective, in trying to deliver capacity projects which are critically needed for Security of Supply. The Modification is raised in face of the imbalance of risk which currently faces the project developer in the development of projects within the CRM mechanism.

While we recognise from the 'Minded to Position' that the SEM Committee must balance its decision to ensure security of supply and cost considerations for customers, we firmly uphold the view expressed by EPDEL that costs to the consumer may be greater if they terminate at the outset rather than avail of modification.

We would remind in this regard that the Value of Lost Load (VOLL) is far greater cost than that of having sufficient incremental capacity to ensure Security of Supply.

We note that this modification proposes an amendment to the timelines associated with posting Performance Securities for projects which have received an extension under CMC_15_22 or any other extensions granted under any other delay modifications. Currently CMC_15_22 extension provisions relate to only 3rd party delays arising from Third Party Planning Appeal or Judicial Review. We regard this latter provision to include any other extensions granted under any other delay modifications as being totally integral to this modification proposal.

In this regard we refer to BnM's Mod 10_23 Mitigation of Impact on Participants Relating to 3rd Party Gas Connection Delays and the importance of application of provisions under CMC_15_22 should these Mods be successful.

CMC_15_22 is there to prevent these projects being terminated.

In response to the Consultation Questions:

The SEM Committee welcomes views and responses on the proposed modification raised within this consultation paper.

1. As part of this consultation, the SEM Committee are specifically seeking Participant views on whether this Proposed Modification, if adopted, should be limited to a specific time period or specific auctions (e.g., T-3 2024/2025, T-4 2025/2026).

The Proposed Modification if adopted should not be limited to specific auctions.

This Mod addresses a general issue which is likely to remain common to all auctions, past and future, in cases where projects have been granted an extension by the System Operators under J.5.5 or J.5.6. The Mod recognises the need to reduce the level of imbalance of risk against the project developer which currently arises by having to put in place performance securities which would be misaligned with the extended dates granted by the System Operators.

Current provisions increase the magnitude of risk associated with termination for such projects by forcing the project to take on the higher levels of performance security than is appropriate, due to these being aligned with the delivery of the project for the start of the capacity year – pre granting of the relevant extension period by the System Operators.

We note that EPDEL has raised a separate Mod CMC_16_23 which proposes to include the timeline Extension of New Capacity impacted by Indexation. We will be responding in due course to the associated consultation. The provisions of this Mod do however overlap with this consultation in so far as the legal text refers to an 'Inflationary Period'. This reference to 'Inflationary period' clearly means where such an Inflationary period exists and is independent of other extension periods which may be granted by the System Operators.

2. Respondents are invited to provide any other comments and feedback on the proposed Modification in respect of:

a) the proposed modification and its consistency with the Code Objectives

We believe that this proposed modification is consistent with the following Code Objectives, outlines within A.1.2.1

This Code is designed to facilitate achievement of the following objectives (the "Capacity Market Code Objectives"):

- (b) to facilitate the efficient, economic and coordinated operation, administration and development of the Capacity Market and the provision of adequate future capacity in a financially secure manner;
- (c) to facilitate the participation of undertakings including electricity undertakings engaged or seeking to be engaged in the provision of electricity capacity in the Capacity Market;
- (d) to promote competition in the provision of electricity capacity to the SEM;
- (e) to provide transparency in the operation of the SEM;
- (f) through the development of the Capacity Market, to promote the short-term and long-term interests of consumers of electricity with respect to price, quality, reliability, and security of supply of electricity across the Island of Ireland.

b) any impacts not identified in the Modification Proposal Form, e.g., to the Agreed Procedures, the Trading and Settlement Code, IT systems etc.; and

We believe that it is of primary importance to recognise that the Value of Lost Load (VOLL) is far greater cost than that of having sufficient incremental capacity to ensure Security of Supply.

Similar to the earlier decision paper SEM-23-001¹ we would urge that, in making their determination, the SEM Committee again are mindful that promoting security of supply must take priority when considering this proposed modification.

'The RAs are aware of a number of projects that are currently at risk. Given the impact on both current projects and the potential chilling effect of further terminations of awarded new capacity on future investment decisions, the SEM Committee believe that the objective to promote security of supply must take priority when considering this proposed modification.'

c) the detailed CMC drafting proposed to deliver the Modification.

In relation to proposing changes to the detailed CMC drafting

It may be appropriate to consider the text highlighted in red/underlined when responding to Mod CMC_16_23 which not due for a number of weeks.

¹ SEM-23-001 CMC Urgent Mods WG28 Decision Paper – re 3rd Party Delays and eligible Extension Periods

‘J.3.2 Obligation to Provide

J.3.2.9 Where an extension has been granted to Awarded New Capacity in accordance with Section J.5.2, Section J.5.5, or under any other relevant sections of the Code, the Performance Security Posting Dates/Events applicable to that Awarded New Capacity as determined in accordance with paragraph J.3.2.2 shall be extended by a period equal to the Third Party Extension Period or Inflationary Extension Period granted to the Awarded New Capacity.’

Similar comment applying within text proposed under J.7.1.3 (b) with regard to reference to ‘Inflationary period’.