Single Electricity Market

(SEM)

Capacity Market Code Urgent Modifications Set 2

Decision Paper – Appendix A

SEM-19-014 (a)

20 March 2019
1. CMC_01_19 – INTERIM SOLUTION FOR CONDUCTING CAPACITY AUCTIONS

1.1 CURRENT CAPACITY MARKET CODE DRAFTING

M.4.1.2 Where the Interim Auction Solution applies in the case of a Capacity Auction:

(a) paragraphs M.4.1.3 to M.4.1.5 have effect in relation to that Capacity Auction in place of paragraph F.8.3.4; and

(b) paragraph M.4.1.6 has effect in relation to that Capacity Auction in place of paragraph F.8.4.4(c).

M.4.1.6 Where the Interim Auction Solution applies in the case of a Capacity Auction, paragraph F.8.4.4(c) F.8.4.4(c) shall be replaced with the following:

“(c) The set of price-quantity pairs cleared shall comply with the following conditions:

(i) a price-quantity pair that is Flexible shall be cleared to a level not less than it is scheduled as determined under paragraph F.8.3.3; and

(ii) a price-quantity pair that is Inflexible and was scheduled under paragraph F.8.3.3 to the maximum quantity offered in the price-quantity pair, shall be cleared to the maximum quantity offered;”.

M.4.1.7 Where the Interim Auction Solution applies in the case of a Capacity Auction, for the purposes of applying paragraphs F.8.4.6 and F.8.4.7, any quantity in a price-quantity pair that has been cleared under paragraph F.8.4.4(c) (as replaced in accordance with paragraph M.4.1.6) is not subject to a tie, although any remaining uncleared quantity in the price-quantity pair may be.

M.6.1.7 The Alternative Auction Solution Methodology must reflect the following principles:

(a) the starting cleared quantity for each priced-quantity pair the subject of a Capacity Auction Offer shall be the minimum value required to be cleared under paragraph F.8.4.4(c) or M.4.1.6 (as applicable);

(c) if the Price Setting Offer:

(i) was Inflexible;

(ii) was scheduled because of paragraph F.8.3.3 at a level greater than zero MW and less than its maximum quantity; and

(iii) was not required to be cleared to a quantity above zero MW to satisfy subparagraph (b),

the methodology shall determine additional quantities to clear from price-quantity pairs (including the Price Setting Offer’s price-quantity pair) the subject of Capacity
Auction Offers in place of the quantity scheduled from the Price Setting Offer if this will result in a higher Net Social Welfare under paragraph F.8.4.2;

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| M.4.1.6 | Where the Interim Auction Solution applies in the case of a Capacity Auction, paragraph F.8.4.4(c) shall be replaced with the following: |
|        | “(c) The set of price-quantity pairs cleared shall comply with the following conditions: |
|        | (i) a price-quantity pair that is flexible shall be cleared to a level not less than it is scheduled as determined under paragraph F.8.3.3; and |
|        | (ii) a price-quantity pair that is inflexible and was scheduled under paragraph F.8.3.3 to the maximum quantity offered in the price-quantity pair, shall be cleared to the maximum quantity offered;” |

| M.4.1.7 | Where the Interim Auction Solution applies in the case of a Capacity Auction, for the purposes of applying paragraphs F.8.4.6 and F.8.4.7, any quantity in a price-quantity pair that has been cleared under paragraph F.8.4.4(c) as replaced in accordance with paragraph M.4.1.6) is not subject to a tie, although any remaining uncleared quantity in the price-quantity pair may be. |

| M.6.1.7 | The Alternative Auction Solution Methodology must reflect the following principles: |
|        | (a) the starting cleared quantity for each priced-quantity pair the subject of a Capacity Auction Offer shall be the minimum value required to be cleared under paragraph F.8.4.4(c); or M.4.1.6 (as applicable); |
|        | (c) if the Price Setting Offer was inflexible; |
was-scheduled because of paragraph F.8.3.3 at a level greater than zero MW and less than its maximum quantity; and

was not required to be cleared to a quantity above zero MW to satisfy sub-paragraph (b); the methodology shall determine additional quantities to clear from price-quantity pairs (including the Price-Setting Offer’s price-quantity pair) the subject of Capacity Auction Offers in place of the quantity scheduled from the Price-Setting Offer if this will result in a higher Net Social Welfare under paragraph F.8.4.2;

2. CMC_02_19 — NEGATIVE INTEREST

2.1 CURRENT CAPACITY MARKET CODE DRAFTING

J.3.3.2 If a Participant elects to provide a cash deposit as, or as part of, its Performance Security, then the Participant shall:

(a) instruct the System Operators to establish and maintain a Reserve Account with the SEM Bank in either Ireland or the United Kingdom according to where the relevant Capacity Market Unit is located;

(b) the Reserve Account shall be in the sole name of the System Operators with the designation “Reserve Account relating to [Insert Participant Details]”;

(c) the Participant and the System Operators shall irrevocably instruct the SEM Bank to make payment against the sole instruction of the System Operators in accordance with this Code and the Bank Mandate. This Code shall take precedence over the Bank Mandate;

(d) a Reserve Account shall be an interest-bearing account, and any interest shall be paid into the account;

(e) with effect from the time of payment into the relevant Reserve Account, the relevant Participant thereby charges all sums paid into and accruing on that account by way of first fixed charge over cash at the SEM Bank in favour of the System Operators to secure the relevant Participant’s payment obligations under this Code;

(f) the Participant shall fully comply with any applicable Account Security Requirements (including, for the avoidance of doubt, the Deed of Charge and Account Security) in relation to the provision of cash collateral as set out in this paragraph J.3.3.2 and in accordance with any applicable Agreed Procedures;

(g) on the same day on which its Performance Security is posted and the cash collateral is paid into the relevant Reserve Account(s), complete and enter into a Deed of Charge and Account Security (in the form set out in Appendix I “Template for Deed of Charge and Account Security”), including the Notice of Assignment and
Acknowledgment attached thereto, in respect of the Reserve Account and Reserve Assets;

(h) within five Working Days from the date on which its Performance Security is posted, furnish to the System Operators the original executed Deed of Charge and Account Security for the purposes of (to the extent required by the System Operators) the registration of such Deed of Charge and Account Security pursuant to section 860 of the Companies Act 2006 (UK) and/or section 409 of the Companies Act 2014 (Ireland), as appropriate, and/or at such other registry or registries as may be appropriate from time to time;

(i) within five Working Days from the date on which its Performance Security is posted and the Deed of Charge and Account Security is dated, furnish to the System Operators the original executed Notice of Assignment and Acknowledgment for the purposes of enabling the System Operators to give notice to the SEM Bank and procure the SEM Bank’s acknowledgment pursuant to clause 2.4 of the Deed of Charge and Account Security; and

(j) do all such things and execute all such documents and provide any further information that the System Operators may reasonably require in order to carry out such registrations within such timelines as may be specified by the System Operators, having regard to any applicable time limit for the registration of such a charge.

2.2 APPROVED MODIFICATION TO CAPACITY MARKET CODE DRAFTING

J.3.3.2 If a Participant elects to provide a cash deposit as, or as part of, its Performance Security, then the Participant shall:

(a) the participant shall instruct the System Operators to establish and maintain a Reserve Account with the SEM Bank in either Ireland or the United Kingdom according to where the relevant Capacity Market Unit is located;

(b) the Reserve Account shall be in the sole name of the System Operators with the designation “Reserve Account relating to [Insert Participant Details]”;

(c) the Participant and the System Operators shall irrevocably instruct the SEM Bank to make payment against the sole instruction of the System Operators in accordance with this Code and the Bank Mandate. This Code shall take precedence over the Bank Mandate;

(d) a the Reserve Account shall be an interest-bearing account, and any interest, which can be a negative or positive amount, shall be paid credited to or debited from into the account accordingly;

(e) with effect from the time of payment into the relevant Reserve Account, the relevant Participant thereby charges all sums paid into and accruing on that account by way of first fixed charge over cash at the SEM Bank in favour of the System Operators to secure the relevant Participant’s payment obligations under this Code;
(f) the Participant shall fully comply with any applicable Account Security Requirements (including, for the avoidance of doubt, the Deed of Charge and Account Security) in relation to the provision of cash collateral as set out in this paragraph J.3.3.2 and in accordance with any applicable Agreed Procedures;

(g) on the same day on which its Performance Security is posted and the cash collateral is paid into the relevant Reserve Account(s), complete and enter into a Deed of Charge and Account Security (in the form set out in Appendix I “Template for Deed of Charge and Account Security”), including the Notice of Assignment and Acknowledgment attached thereto, in respect of the Reserve Account and Reserve Assets;

(h) within five Working Days from the date on which its Performance Security is posted, furnish to the System Operators the original executed Deed of Charge and Account Security for the purposes of (to the extent required by the System Operators) the registration of such Deed of Charge and Account Security pursuant to section 860 of the Companies Act 2006 (UK) and/or section 409 of the Companies Act 2014 (Ireland), as appropriate, and/or at such other registry or registries as may be appropriate from time to time;

(i) within five Working Days from the date on which its Performance Security is posted and the Deed of Charge and Account Security is dated, furnish to the System Operators the original executed Notice of Assignment and Acknowledgment for the purposes of enabling the System Operators to give notice to the SEM Bank and procure the SEM Bank’s acknowledgment pursuant to clause 2.4 of the Deed of Charge and Account Security; and

(j) the participant shall do all such things and execute all such documents and provide any further information that the System Operators may reasonably require in order to carry out such registrations within such timelines as may be specified by the System Operators, having regard to any applicable time limit for the registration of such a charge.

Addition to CMC Glossary:

Reserve Assets: means the aggregate of:

(a) amounts from time to time credited to the Reserve Account;
(b) amounts which any Participant, where applicable, is from time to time obliged to pay to the credit of their respective Reserve Account; and
(c) interest receivable and or payable on the Reserve Account(s).
3. CMC_03_19 – TREATMENT OF EXEMPT PRICE-QUANTITY PAIRS

3.1 CURRENT CAPACITY MARKET CODE DRAFTING

F.8.4.3 Any price-quantity pair associated with New Capacity with both:

(a) a price greater than the Auction Clearing Price; and

(b) an offered capacity duration greater than one Capacity Year,

shall be cleared to a level of zero MW and shall not otherwise be considered in the process described in this section F.8.4, except where the relevant Capacity Market Unit has been exempted from the application of this paragraph by the Regulatory Authorities under paragraph F.4.1.9.

F.8.4.4 Subject to paragraphs F.8.4.6 and F.8.4.7, the System Operators shall determine the remaining price-quantity pairs contained in Capacity Auction Offers cleared in a Capacity Auction by applying the following rules:

(f) price-quantity pairs relating to a Capacity Market Unit to which paragraph F.8.4.3 applies and which has been exempted under paragraph F.4.1.9 are not to be cleared to satisfy a Locational Capacity Constraint until all Capacity Market Units with an offered capacity duration of one Capacity Year that contribute to satisfying that Locational Capacity Constraint have been cleared.

M.4.1.7 Where the Interim Auction Solution applies in the case of a Capacity Auction, for the purposes of applying paragraphs F.8.4.6 and F.8.4.7, any quantity in a price-quantity pair that has been cleared under paragraph F.8.4.4(c) is not subject to a tie, although any remaining uncleared quantity in the price-quantity pair may be.

3.2 APPROVED MODIFICATION TO CAPACITY MARKET CODE DRAFTING

F.8.4.3 Any price-quantity pair associated with New Capacity with both:

(a) a price greater than the Auction Clearing Price; and

(b) an offered capacity duration greater than one Capacity Year,

shall be cleared to a level of zero MW and shall not otherwise be considered in the process described in this section F.8.4, except where the relevant Capacity Market Unit has been exempted from the application of this paragraph by the Regulatory Authorities under paragraph F.4.1.9 unless it is an Exempt Price Quantity Pair.

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1 After implementation of Modification CMC_01_19 (see above)
F.8.4.4 Subject to paragraphs F.8.4.6, F.8.4.6A and F.8.4.7, the System Operators shall determine the remaining price-quantity pairs contained in Capacity Auction Offers cleared in a Capacity Auction by applying the following rules:

(f) price-quantity pairs relating to a Capacity Market Unit to which paragraph F.8.4.3 applies and which has been exempted under paragraph F.4.1.9—Exempt Price-Quantity Pairs are not to be cleared to satisfy a Locational Capacity Constraint or to maximise Net Social Welfare until all Capacity Market Units applicable price-quantity pairs with an offered capacity duration of one Capacity Year that contribute to satisfying that Locational Capacity Constraint have been cleared.

M.4.1.7 Where the Interim Auction Solution applies in the case of a Capacity Auction, for the purposes of applying paragraphs F.8.4.6, F.8.4.6A and F.8.4.7, any quantity in a price-quantity pair that has been cleared under paragraph F.8.4.4(c) is not subject to a tie, although any remaining uncleared quantity in the price-quantity pair may be.

Addition to CMC:

F.8.4.6A An Exempt Price-Quantity Pair and a price-quantity pair with a Maximum Capacity Duration of one year which both offer the same price shall not be considered as tied price-quantity pairs for the purposes of paragraph F.8.4.6.

Addition to CMC Glossary:

Exempt Price-Quantity Pair: means a price-quantity pair with a price greater than the Auction Clearing Price and an offered capacity duration greater than one Capacity Year, where the relevant Capacity Market Unit has been exempted from the application of paragraph F.8.4.3 by the Regulatory Authorities under paragraph F.4.1.9.