

APPENDIX C – RESPONSE TEMPLATE

SUMMARY INFORMATION

Respondent's Name	Bord Gáis Energy Limited (BGE)
Type of Stakeholder	Generator (all-island wholesale electricity market); Supplier (Irish retail electricity market)
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CAPACITY MARKET CODE MODIFICATIONS CONSULTATION COMMENTS:

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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
<p>CMC_01_19</p> <ul style="list-style-type: none"> - Interim Solution for Conducting Capacity Auctions 	<p>CMC_01_19: BGE agrees with the need for this Modification given that it is required to ensure that the Capacity Market Code (CMC) is compliant with the state aid decision on this issue.</p> <p>With regard to the two alternative ways of implementing the modification, BGE notes that the appendix where examples of how the two ways would operate in practice was not published before the end of this Consultation period which unfortunately makes it difficult to make a fully informed assessment. In this context however, on a pragmatic basis we believe that the first option (i.e. implementation of the modification through changes in provisions of the CMC), may be preferable to the second option (i.e. the Regulatory Authorities (RAs) using their powers under section M.4.1.1 to notify the TSO to stop applying the M.4 Interim Auction Solution). Our belief is that the first option could be a cleaner, more transparent approach to implementing the modification and it would for example be much clearer to potential new (and existing) participants in the capacity market, as to what the applicable rules are.</p> <p>With regard to consistency with the CMC Objectives, we do not believe the proposal is in conflict with any of the seven Objectives.</p>	<p>We accept the commentary on impacts as noted in the proposal form.</p>	<p>As noted in column 2, it would be preferable if the referenced appendix comparing the two alternative approaches to implementation had been made available for comment. We believe however that the proposed change to the legal drafting in the Proposal should be preferable to the RAs' using their powers under M.4.1.1, as a method of implementing this modification. Such an approach would likely be more transparent and make it clearer for potential new (and existing) participants as to what the relevant rules are.</p>

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<p>CMC_02_19</p> <ul style="list-style-type: none"> - Negative Interest 	<p>CMC_02_19: BGE accepts the need for this Modification for the purposes of initiating and completely the tender process for the new SEM Bank. We note it is expected that most banks will request the ability to charge negative interest and prohibiting this ability could have negative impacts on the competitiveness/ price of tenders.</p> <p>We ask however that regular (e.g. quarterly) updates on any negative impacts on funds being held by SEMO and/ or the TSOs on behalf of market participants that may have an effect on participants (e.g. in terms of a reduction in relevant funds such that funds have to be replenished by market participants), are published for cashflow planning and transparency reasons. A similar ‘updates’ approach should also apply to any such funds held under the Trading & Settlement Code, for alignment in treatment.</p> <p>BGE believes that the modification, subject to our request in terms of regular updates on funds impacted immediately above being addressed, is in line with the 7 CMC Code Objectives.</p>	<p>BGE has no further comments beyond the impacts noted in the proposal.</p>	<p>We note that the section B.7.2.1 drafting referred to has yet to be published and finalised. From a process and transparency perspective we would like to have seen this proposed drafting included in the modification proposal issued alongside this Consultation.</p>

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<p>CMC_03_19</p> <ul style="list-style-type: none"> - Treatment of Exempt Price-Quantity Pairs 	<p>CMC_03_19: BGE accepts that a change to the CMC Code is required to ensure the algorithm can obtain certification once the changes to reflect the policy decisions in the T-4 CMC parameters decision, are made. It is particularly important in our view for entry signal, security of supply and consumer cost reasons, that provision is made to allow new units seeking contract durations of >1 year to enter the market on a competitive basis as against existing units.</p> <p>As BGE has expressed previously, in light of developments over the last 18 months or so in locational capacity constraint (LCC) areas (L2 areas) and the ~25% increase in TUOS for 2018/2019, we believe that considerable further consideration needs to be given to the longer-term view on the persistence of constraint issues and the cost to the consumer. In essence, BGE is seeking clarity as to the steps being taken by the TSOs and RAs to ensure that further reliance on LRSAs to secure electricity supplies, will not be required.</p> <p>In this regard, we note the discussion on the conference call relating to this Consultation concerning whether or not a trade-off as between procuring short-term expensive contracts (particularly taking into account LRSA costs) versus procuring longer-term potentially lower priced contracts in LCC areas, has been considered. It is our understanding that such consideration has not been given to this issue in the last 12-18 months at least.</p> <p>Furthermore, we note and commend the increasing transparency being provided on the range of projects being undertaken by EirGrid to improve the network particularly in the East. However it could in our view be clearer as to whether an assessment has been, or is currently being, undertaken by the TSOs to understand the expected duration of the constraints in the Dublin area in particular. In relation to this, insight as to the specific projects and related costs of the projects required to mitigate such constraints, would be very much welcomed.</p> <p>Ultimately, we believe that with the above insight on what projects are needed (and the costs thereof) the RAs and market participants would have a clearer view on whether the optimal way forward, particularly from a consumer cost perspective, is to develop the network to alleviate the constraints or to find a solution to mitigating the constraints through further capacity procurement in Dublin. Intuitively, and particularly if the</p>	<p>We note that for this particular modification, no system changes are required as this approach is already implemented.</p> <p>The undertaking of the Dublin network costs vs. further capacity (and/ or LRSA) costs, trade off assessment outlined in column 2 here (left) would help better inform this issue of whether existing and new units should compete in LCCs on a</p>	<p>BGE notes the TSOs’ use of the word “applicable” in the legal drafting and that the intention for using the word here is to allow exempt offers to be cleared to satisfy a Locational Capacity Constraint if none of the remaining one-year duration offers can contribute to the Locational Capacity Constraint.</p> <p>We would have welcomed sight of the updated legal drafting reflecting this alongside the consultation but accept this aim in the context of the immediate Mod (CMC_03) and the TSOs’ intention to clarify this aim in the final drafting.</p>
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	<p>constraint is expected to persist beyond the short-term, we believe that allowing new units to compete on a level playing field with existing units, rather than seeking to apply a rule that new units seeking contracts of 1+ years (even when they are cheaper than existing units' bids) can only be accepted in LCC areas if all other existing units (<1year duration) have been contracted first, would be optimal from a consumer cost perspective.</p> <p>We would welcome the RAs' and TSOs' views on this issue in early course such that market participants, and indeed consumers, can have confidence as to the measures being undertaken to protect against the re-occurrence of LRSAs and large increases in TUOS costs in the short-medium term.</p> <p>In terms of the consistency with the Code Objectives, we agree that the change here will better help facilitate the efficient discharge by EirGrid and SONI of the obligations imposed by their respective TSO Licences in relation to the Capacity Market.</p> <p>We believe however that our suggestions above with regard to further transparency on plans to alleviate Dublin area constraint issues, protection against the re-occurrence of LRSAs and against increases in TUOS would, compared to the existing rules including the proposed change here, better facilitate the CMC Code Objectives. In particular:</p> <ul style="list-style-type: none"> (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; (f) to ensure no undue discrimination between persons who are or may seek to become parties to the Capacity Market Code; and (g) 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. 	<p>level playing field.</p> <p>Depending on the further insight requested in column 2 such a level playing field approach could be more optimal than the current approach from a consumer cost impact perspective.</p>	
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NB please add extra rows as needed.