

## SUMMARY INFORMATION

<b>Respondent's Name</b>	Demand Response Association of Ireland (DRAI)
<b>Type of Stakeholder</b>	Industry Association
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<b>Confidential Response</b>	No

## CAPACITY MARKET CODE MODIFICATIONS CONSULTATION COMMENTS:

ID	Proposed Modification and its Consistency with the Code Objectives	Impacts Not Identified in the Modification	Detailed CMC Drafting to Deliver the Modification
<p><b>CMC_01_21.</b> Amendment relating to the provision of the CAM Report following a Capacity Auction</p>	<p>The DRAI supports this proposal to modify the process / timeline associated with the provision to the Regulatory Authorities of the Capacity Auction Monitor's Capacity Auction report. The proposed amendment is relatively minor (changing the deadline to 2 working days from the release of the provisional Capacity Auction Results to Participants instead of 2 working days from the submission of the provisional Capacity Auction Results to the RAs). The proposal and the associated rationale seems reasonable and justified to avoid unnecessary resourcing issues and time pressure for the System Operators and the Capacity Auction Monitor.</p> <p><b>The DRAI supports the SEM-C's "minded to" position to approve this modification.</b></p>	<p>The DRAI has not identified any additional impacts.</p>	<p>The DRAI has no additional / amended CMC drafting.</p>

## DRAI RESPONSE TO SEM-21-023



<p><b>CMC_02_21.</b> Amendment to Capacity Market Code Modifications Workshop Agenda Timeline</p>	<p>The DRAI supports this proposal to modify the timeframes for the System Operators to issue the agenda prior to a Modifications Working Group. The proposal appears to be housekeeping to ensure the pragmatic process currently followed by the System Operators is reflected in the CMC and to avoid a minor recurring technical non-compliance. The proposed offset between the deadline for receipt of Modification Proposals (10 working days in advance) and the deadline for the System Operators issuing the workshop agenda (5 working days in advance) is reasonable and reflects the pragmatic process currently followed.</p> <p><b>The DRAI supports the SEM-C's "minded to" position to approve this modification.</b></p>	<p>The DRAI has not identified any additional impacts.</p>	<p>The DRAI has no additional / amended CMC drafting.</p>
<p><b>CMC_03_21.</b> Modification to the provisions for Substantial Financial Completion</p>	<p><b>Introduction:</b></p> <p>As the proposer, the DRAI reiterates its support for the Modification to the provisions for Substantial Financial Completion (SFC). The current requirement to have contracts in place more than 2 years in advance of bringing a new Demand Site into the market is a major barrier to the delivery of New Capacity. Whilst this requirement aligns well with the delivery of new-build conventional power generation projects with materially longer and less flexible delivery timelines, it is an impediment to the development of demand side capacity.</p> <p>An aggregator can typically bring a new Individual Demand Site (IDS) into a DSU / AGU within a number of weeks, however, the rigidity of the existing SFC process restricts the amount of capacity such units can bring forward by requiring all new IDS to be recruited at least 2 years in advance of market participation.</p> <p>Offering flexible market participants an alternative option to achieve completion of the SFC milestone will allow aggregators more time to build their portfolios and therefore maximise the amount of capacity they can bring to the market in a given Capacity Year. The DRAI recognise that amending or delaying the SFC deadline could potentially carry additional risks and for that reason the Modification proposes a significant increase in the financial commitments to the delivery of New Capacity to ensure no reduction in delivery certainty / reliability levels relative to the current arrangements.</p> <p>In our consultation response we seek to emphasise the key benefits of the proposed Modification for both the demand side industry and the system as a whole and also draw attention to the key changes included in "version 2" of the Modification, which acknowledge the workshop feedback and address the queries / concerns noted in the consultation paper.</p>	<p>The DRAI has not identified any additional impacts.</p>	<p>The DRAI has no additional / amended CMC drafting.</p>

**Key rationale for the Modification Proposal:**

The current SFC milestone is a significant barrier to the full and optimal utilisation of demand side assets in the Capacity Market and the associated benefits for security of supply and lower end consumer prices.

The proposal supports the existing principle of differentiated requirements for different unit types, whilst ultimately ensuring that all Participants provide the same level of commitment and delivery certainty. In doing so DRAI believe the modification strikes an optimal balance between providing aggregators flexibility to recruit customer sites until closer to the start of the Capacity Year while retaining a very strong financial incentive to deliver as early as possible and maintaining the current levels of delivery commitment.

The proposal, by significantly increasing the financial commitment to capacity delivery by the same deadline as for Substantial Financial Completion (well ahead of the last opportunity to replace any capacity which fails to deliver) continues to provide very high certainty to end consumers, but in a manner which removes a material barrier to demand side participation, which has significantly different delivery characteristics than major infrastructure construction projects. The DRAI believes the proposal gives the same level of commitment, albeit in a different form, and does not reduce delivery certainty / reliability levels vs. the current arrangements.

**Milestones equivalent to Proof of Contract used in other markets:**

The proposed approach (allowing aggregators to recruit customers until closer to the start of the delivery period) aligns with that taken in other capacity markets with similar percentages of demand side capacity.

In fact the DRAI cite examples of other capacity markets where the effective “end of sales” deadline for demand side aggregators is significantly closer to delivery without negative consequences. For instance:

- GB: the deadline is 4 months prior to the start of the capacity year, and
- PJM, ISO-NE, Ontario and NY-ISO: all operate to deadlines less than 1 month prior;

Demand side capacity currently constitutes approximately 6-8% of total capacity in the PJM, ISO-NE, and NYISO markets, which compares well with the demand side capacity to the SEM (currently 6-7%<sup>1</sup>). On the basis that these markets have not experienced any major issues in allowing “end of sales” for aggregators much closer to the start of the delivery period, the DRAI consider that the potential market impact within the SEM is unlikely to be significant.

	<p>DRAI believes it is the proportion of total capacity provided by demand side participants which should be assessed to determine the potential market impact of any demand side measures, and does not agree with the statement that demand side participants are more likely to have an impact on a smaller market.</p> <p><b><u>Changes made to CMC_03_21 in “Version 2” based on workshop feedback:</u></b></p> <p>The DRAI would like to reiterate the significant changes made to CMC_03_21 v2 in order to reflect the two most substantial pieces of feedback received at Workshop 18:</p> <ol style="list-style-type: none"> <li>1. Amendment to clarify the proposed alternative route to achieve Substantial Financial Completion will only be possible for Awarded New Capacity with a duration of 1 year. This is to ensure that a DSU / AGU which has secured 10 year Awarded Capacity will remain subject to the standard Substantial Financial Completion milestone; and</li> <li>2. Amendment to bring forward the 40 k€/MW commitment by 13 months where a Participant has elected to bring forward the 30 k€/MW rate to meet Substantial Financial Completion. This is to ensure that there is still a remaining milestone providing an incentive to terminate capacity where it becomes clear this is no longer able to be delivered.</li> </ol> <p>The DRAI has made significant effort to address the moderate concerns / suggestions made at the workshop and believe that Modification CMC_03_21 v2 now represents a very robust solution to the challenge it attempts to address.</p> <p><b><u>Potential risk of more than one DSU pursuing the same Demand Site:</u></b></p> <p>Paragraph 2.3.31 of the consultation paper notes the potential risk of multiple DSUs pursuing the same Demand Site(s) and this coming to light much later under the proposed process.</p> <p>Whilst this is theoretically a risk in any market, the DRAI is not aware of this situation causing difficulties in any of the capacity markets cited above. In addition, the DRAI questions the rational supporting the view <i>that this issue is of increased concern in a smaller market, like the SEM.</i></p> <p>In addition, since the existing qualification process requires DSUs to submit the list of Demand Sites expected to deliver any New Capacity, including the expected MW contribution and the status of</p>		
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<sup>1</sup> Based on results for the two most recent auctions (2023/24T-4 and 2024/25T-4).

negotiations with each, the System Operators already have significant information on which to assess the potential for this theoretical double counting risk materialising.

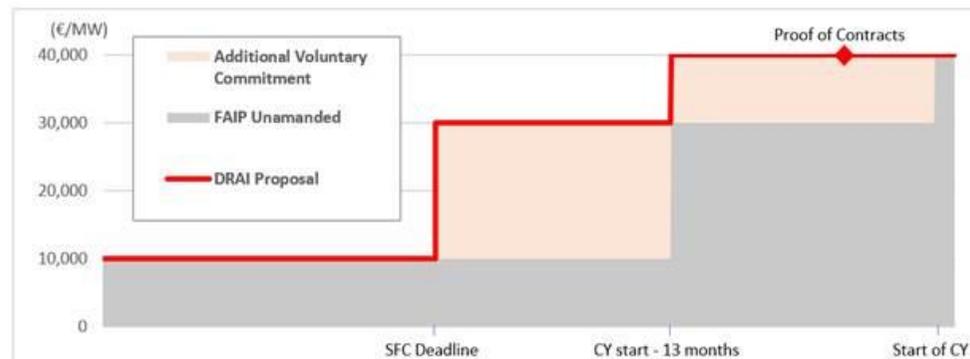
In the case where the System Operators consider that further information to assess / quantify this risk is required during the process, the DRAI suggest that the Implementation Progress Report could be amended to include such details. This would enable the System Operators to form a detailed view on whether the potential for double counting presents a serious risk and, if required, to take mitigating actions.

The DRAI does not believe this risk is material and believes the existing avenues available to the System Operators are sufficient to assess / quantify this risk and to take any mitigation action if required.

**Summary / conclusion:**

**The DRAI strongly supports the approval of this modification.**

The graph below summarises the impact of the proposed alternative route to achieve Substantial Financial Completion vs. the current requirements, showing the significantly increased financial commitment to the delivery of the Awarded New Capacity from the end of the Substantial Financial Completion Period, the continued incentive to deliver or declare failure early by 13 months before the start of the Capacity Year, and the new Proof of Contracts milestone.



## DRAI RESPONSE TO SEM-21-023



<p><b>CMC_04_21.</b> Verification Requirements for Implementation Plan Milestones</p>	<p>The DRAI supports this proposal to remove the obligation to always provide an Independent Certified Engineer’s report under J.4.3.2.(c) and replace it with a signed Director’s declaration on behalf of the Participant except where explicitly requested by the System Operators. The DRAI also supports the proposal to clarify that DSUs / AGUs are not required to provide verification in respect of paragraphs / Milestones that do not apply to these units, and to replace this with an obligation to provide verification of compliance with the modified Milestone under J.2.1.3.(a).</p> <p>The DRAI agrees the requirement for an Independent Certified Engineer’s report is an onerous obligation which in many cases represents an undue burden and cost on Participants. Therefore, clarifying this is only required when specifically requested by the System Operators is a significant improvement. In particular the DRAI agrees that successful commissioning under the Grid Code and registration under the Trading and Settlement Code will, in the majority of cases, be sufficient evidence of Substantial Completion.</p> <p>The DRAI notes the System Operators’ clarification at Workshop 18 that this modification intends to modify the CMC in line with the pragmatic process that the System Operators have actually followed regarding the achievement of Substantial Completion and the delivery of New Capacity since the new Capacity Remuneration Mechanism’s inception and which they believe is fully in line with the CMC objectives.</p> <p><b>The DRAI supports the SEM-C’s “minded to” position to approve this modification.</b></p>	<p>The DRAI has not identified any additional impacts.</p>	<p>The DRAI has no additional / amended CMC drafting.</p>
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