

# DRAI RESPONSE TO SEM-21-055



## SUMMARY INFORMATION

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| <b>Respondent's Name</b>              | Demand Response Association of Ireland (DRAI)                        |
| <b>Type of Stakeholder</b>            | Industry Association   |
| <b>Contact name (for any queries)</b> | Jon Sedgwick   |
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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 |
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| <b>CMC_05_21:</b><br>Substitution of Candidate Units                   | In general, the DRAI is supportive of this proposal on the basis that it increases the flexibility available to Participants to deliver Awarded New Capacity, reducing the risk faced by capacity providers while still ensuring that consumers receive the New Capacity procured at auction. The DRAI therefore supports the RAs' "minded to" position to approve the modification.  |  |   |
| <b>CMC_06_21:</b> NIRO and the CRM: Compliance with State aid approval | <p>The DRAI supports the RAs' "minded to" position to approve this modification and agrees that this is required to ensure compliance with the EU State aid approval in place for the Capacity Remuneration Mechanism. The DRAI agrees with the RAs that the requirement preventing any component of a unit from being in the possession of a NIRO should be apply continuously, not solely at the point of qualification.</p> <p>The DRAI notes the SEMC's recognition in the consultation paper of the possibility of a Site validly holding both a NIRO and a CRM Reliability Option where provision of the two services is unrelated. While this situation is likely to be rare, the DRAI agrees with the RAs that this should be recognised in the final drafting of the modification to ensure that the requirements brought in to assure State aid compliance do not wrongly prevent participation of Demand Sites where there is no issue of accumulation of State aid.</p> |  |   |

## DRAI RESPONSE TO SEM-21-055



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| <p><b>CMC_07_21:</b><br/>Reduced<br/>Applications for<br/>Qualification</p> | <p>The DRAI supports the intent of this modification to allow Participants to avail of an expedited Qualification process for a Capacity Auction whereby either nothing has changed since the last qualification process, or where a unit is already in possession of an RO for the Capacity Year in question. The DRAI agrees that the requirement for all CMUs, even those which have received Awarded Capacity in respect of all of their capacity for a forthcoming Capacity Year, to go through the full Qualification process is an unnecessary administrative burden for both Participants and the System Operators. Subject to the below concerns / requests for clarification being addressed, the DRAI supports the RAs' "minded to" position to approve this modification and implement an associated solution as early as possible.</p> <p>With regard to the amended drafting of E.4.1 to implement this modification, it is not clear whether the proposed conditions that must all be satisfied in order to avail of the Reduced qualification process correctly reflect the intent of the modification and provide for all appropriate scenarios. For example, while a new CMU would have 0 MW Initial Capacity (Existing) at the point of qualification for a Capacity Auction in which it was awarded a multi-year RO, once the unit has successfully delivered the required capacity, its Initial Capacity (Existing) at a later point in time would be non-zero, which would appear to contradict the requirement within proposed E.4.1.3A(b), preventing the unit from availing of the Reduced qualification process for subsequent capacity auctions for the duration of the period covered by the multi-year RO.</p> <p>It is also unclear how the proposed Reduced qualification process would apply for DSUs, as currently drafted. The DRAI believes that, in line with the stated intent of the modification, if a DSU is already in possession of an RO for the Capacity Year for which the auction seeks to procure capacity, it should have the ability to elect to utilise the Reduced Application for Qualification process. It is not currently clear from the proposed amended drafting how this would work. For example, if a DSU with Awarded Capacity already secured for a Capacity Year had availed of the flexibility provided under I.1.3.2 to vary the mix of Demand Sides providing the capacity and had therefore a slightly different Initial Capacity to that previously qualified – would such a unit be prevented from utilising the Reduced qualification process, even if it does not seek to procure any additional Awarded Capacity for the Capacity Year in question?</p> <p>The DRAI recommends the proposed amendments to the CMC drafting to implement the intent of this modification (in particular the proposed conditions which a unit must satisfy in order to avail of the Reduced qualification process) are reviewed to ensure clarity as to how these will apply to DSUs.</p> |  |  |
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| <p><b>CMC_08_21:</b> Ex-post Verification of Compliance with the CO<sub>2</sub> Limits</p> | <p>The DRAI does not have any comment on the proposed modification to require ex-post validation of compliance with the CO<sub>2</sub> limits for CMUs which burn mixed fuel, or waste, or which capture and transfer CO<sub>2</sub>.</p>  |  |  |
| <p><b>CMC_09_21:</b> Addition of time for RAs consideration of SFC Extension Request</p>   | <p>The DRAI acknowledges the RAs' intention to formalise the process (in particular the required timelines) regarding the submission and consideration of a request to extend the deadline for Substantial Financial Completion. The DRAI believes the RAs' proposal to require Participants to submit an application at least 20 Working Days prior to the deadline for Substantial Financial Completion is reasonable, and supports the RAs' "minded to" position to approve the modification.</p> <p>In response to the query raised in the consultation paper regarding from which date the 20 Working Days should be determined, the DRAI believes this should be from the date that is the end of the Substantial Financial Completion Period after the relevant Capacity Auction Results Date. The DRAI recommends the proposed drafting to implement CMC_09_21 is amended to reflect this.</p>   |  |  |
| <p><b>CMC_10_21:</b> Modification to the provisions for Market Registration of DSUs</p>    | <p>As the proposer, the DRAI reiterates support for this modification, which proposes to modify the way in which DSUs can register in the Capacity Market.</p> <p>We welcome the SEM Committees consultation on this modification and consider that the rationale and justification have been well documented and discussed in the paper.</p> <p>In our response we provide comments on the feedback received in workshop and respond to some of the queries / concerns noted in the consultation paper, by highlighting some of the key points presented in the Modification Proposal form and/or the DRAI presentation at Workshop 19.</p> <p><b>Chapter F</b></p> <p>The DRAI agree with the System Operators suggestion that the PQ pair requirements of combined candidate units would sit better in Chapter F. We would therefore welcome engagement with the SOs on this suggestion as we recognise that it may offer a means to enable the PQ pair requirements without the need to update SO systems.</p> |  |  |

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|  | <p><b>De-rating Factors</b></p> <p>The DRAI believe there is merit in exploring the impact of this modification on de-rating factors. However, we also emphasise that the application of this modification does not intend to bypass or improve de-rating factors, and that any change would in fact be an unintended consequence.</p> <p>There are several options to address this concern including but not limited to; ensuring participants who avail of combining candidate units ensure they review the de-rating factors that are applicable to the new units and that this is verified by the Market Operator or an assessment of the appropriateness of the assignment of size dependent de-rating factors to DSUs, as the units do not have one generator that can trip and impact the system.</p> <p><b>Discrimination</b></p> <p>As stated at the working group, the modification is not designed to facilitate favourable treatment of DSUs and our members refute any claims that support this assumption.</p> <p>To clarify, the intent of the modification is to remove some unnecessary administrative barriers, in recognition of the fact that the characteristics of DSUs are different to traditional generation, and through doing so enable better use of the flexibility offered by this technology type.</p> <p><b>Summary</b></p> <p>The DRAI fully support this modification and are in favour of its approval in a timely fashion. However we also recognise that the Market Operator has made a number of valid observations that need to be addressed before approval can be given.</p> <p>We therefore welcome the SEM Committee’s proposal to hold a dedicated workshop to allow more detailed consideration of the modification in advance of the next CMC Working group. Our members consider that this is a prudent and logical next step, which could facilitate further discussion of both proposals in more detail. Noting that there are inherent strengths within both proposals:</p> <ul style="list-style-type: none"> <li>• Implementation of Proposal 1 is expected to be relatively straightforward with a low impact on System and Market Operator systems, however, it would also require a longer timeframe to take effect and therefore result in delayed benefit;</li> </ul> <p>And conversely,</p> |  |  |
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|   | <ul style="list-style-type: none"> <li>Proposal 2 is likely to have a shorter implementation timeframe, although it may require additional changes to the System and Market Operator systems which would need to be considered prior to approval.</li> </ul>   |  |  |
| <p><b>CMC_11_21:</b><br/>Extension of ASTN Arrangements</p> | <p>The DRAI agrees that the current processing time (currently 5 working days) for an Alternative Secondary Trade Notification to be activated is too long, and therefore supports the intent of this modification to reduce this as soon as possible. While ultimately this will require system changes to facilitate automated processing, the DRAI would also support the implementation of a workaround (such as enhanced resourcing) as an interim solution to improve vs. the current 5 Working Days, if the RAs assess that the required system changes to implement the enduring solution will take too long.</p> <p>Regarding enabling a seller, when entering into a secondary trade, to have the option to trade above its de-rated capacity volume, the DRAI agrees that this is an important part of the overall market design as envisaged (and already approved) by the SEMC under SEM-16-022. Accordingly, the DRAI supports the intent of modification CMC_11_21 to extend the ASTN arrangements to enable a seller to secondary trade above its de-rated capacity volume. With regard to whether trading above a unit's de-rated capacity should be subject to a limit of 70 days in any Capacity Year, the DRAI does not have any comment at this time.</p> <p>Subject to the points above, the DRAI supports the RAs' "minded to" position to approve this modification.</p> |  |  |