



**Powerhouse Generation Ltd response to
SEMC consultation on
CMC Working Group 19 SEM-21-055**

6/08/2021

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Powerhouse Generation (PHG) welcomes the opportunity to comment on the capacity market modification discussed in working group 19.

PHG is a member of FERA, which represents demand side aggregation and response.

Overview

PHG did attend the working group discussion and welcome the opportunity to engage further on the modifications.

These modifications are not marked as urgent and are going through the normal consultation process. However, we have notice in the past that once modifications have received approval that they are being implemented into the Code as of the date of approval, or very soon thereafter. **PHG would suggest that any modification that is likely to impact the position of an auction that has already started its process, should not be implemented until that process has completed.** The SEMC has stated that they avoid making retrospective changes or changes that may impact events that have already occurred. It is however best not to change the rules of the game after the match has started.

Consultation Comments

PHG believes that utilising both the Working Groups and the Consultation processes to be worthwhile and offers all Participants the ability to comment on modification proposals. Not all parties can devote sufficient time or resources to have meaningful input into the process and as such many rely on the Authorities and other experienced industry representatives to do the best for them. As part of that I have commented below on each of the proposed modifications, as laid out in the consultation paper.

CMC_05_21 – Substitution of Candidate Units.

Whilst all Demand Side units are looking to expand and grow, DSUs must identify the sites and the contractual positions prior to qualification. It is true that the delivery of the capacity in the actual year could come from the proposed site or alternative sites. This would appear to be in line with what is being proposed in this modification and we agree that such flexibility could provide the expected capacity for the year in question. Without the flexibility then the proposed development may struggle and introduce a risk of non-delivery.

The identification that a Generator is behind a 'Connection Point', under grid code, is a very useful point that can be used to maintain the awarded volume. The actual generation behind the connection point is then a matter for the TSOs and Grid Code compliance, and as long as the aggregated volume matches the awarded volume then there is less risk of non-delivery.

However, this spreading of overall volume across a number of smaller generators must not be allowed to compromise the jurisdictional element of the auction and the Locational Capacity Constraint Areas that are identified within the capacity auction. This would only happen if the substituting generators were not behind the same Connection Point but were allowed to be aggregated from different locations.

The modification does not appear to make reference to jurisdiction or to Locational Constraint areas. This may need further wording added to the legal draft in order for clarity around what can be allowed.

CMC_06_21 – NIRO and the CRM.

It is understandable that both NIRO and Capacity awarded volume may be seen by Europe (the Competent Authority) as state aid. There must however be a distinction made at the Demand Site level as to what the NIRO payment is for. Some Individual Demand Sites (IDS) can be quite large and be able to provide a varied combination of electricity generation **and** electricity demand reduction. These capabilities may not be connected in any way to the NIRO payments.

NIRO payments cover Anaerobic Digestors, CHP units, Biomass, Energy from Waste, Hydro, Landfill Gas, Solar, Wind, etc. whilst some of these may be located on an IDS, they are unlikely to be able to be dispatchable and to reduce consumption for the site.

An example of such would be a site that has an Energy from Waste, a generator and controllable load reduction.

- a) The energy from waste would provide electricity and the overall site consumption would reduce. This would not be part of the registered provision under the Operations Certificate.
- b) The Generator would normally be off and would only respond to the dispatch from the DSU operator, thus reducing the site consumption. The generator may not cover the full site load.
- c) The controllable load reduction would be an additional reduction in response to the dispatch

Items B and C have no link to the NIRO payments and can provide the demand reduction to the System at a time when it is required. Item A above does receive a NIRO payment but has no connection to the service provided under the Operations Certificate.

PHG would however agree that if a site relied solely on a CHP or energy from waste plant to increase its output in an effort to reduce the IDS consumption, then it would fall under the aspect of state aid provision for the ability to provide such.

In the consultation there is reference to the position of the SOs that “no unit, nor any component of a unit, is in possession of a NIRO and in receipt of capacity payments at the same time”. The question for the SOs and the SEMC is to clarify how the ‘component’ of a unit is assessed.

PHG would also point out that the registration of a unit is under the Trading and Settlement Code and the unit can provide services to it and to the Ancillary Services market irrespective of NIRO payments. Therefore, there needs to be clarification regarding the qualification assessment being able to discriminate between the Capacity Market Unit portfolio and the Operations Certificate portfolio. A DSU may withhold the volume of a site receiving NIRO from qualification to the Capacity Market yet still have it within its Ops Certificate for other market provision.

The RAs have identified, in the modification proposal, that the qualification process shall need some changes. PHG suggest that part of that would be the adjustment of the Initial Capacity (Existing) which would currently have the IDSs with NIRO payments. These would need to be identified and removed from the Initial Capacity (Existing). **There may need to be changes made to C.3.2.1.(c).**

PHG suggest that the wording of the Mod be changed to clarify what services can be provided and what cannot be provided. The current wording links the NIRO payment to the “single premises of a final customer” which does not reflect where the NIRO payments are supporting.

There needs to be an understanding that IDSs with NIRO payments can be withheld from qualification as part of the CMU, whilst the unit may still have them in its portfolio.

CMC_07_21 – Reduced Applications for Qualification.

PHG agrees that this modification has merit and has the ability to greatly reduce the administrative burden on the SOs and Participants.

CMC_08_21 – Ex-Post verification of CO2 limits.

It appears that the impact of this modification shall be on a small section of the Participants, and those that have a varying fuel source. They are likely to have a varying CO2 emission in line with the fuel. Such complicated operations are likely to have other governmental bodies providing permits and requesting emission data. Provision of CO2 emissions data should therefore be available for reporting to the SOs.

Since this modification impacts the CMC and it is the SOs that operate and implement the rules therein, then such reports should be submitted to the SOs and not to the RAs. Should the SOs need to involve the RAs then that would need to be in the drafting.

CMC_09_21 – Addition of time for RAs to consider SFC extension request.

PHG agree that the CMC should clarify the position on this regarding the amount of time required/allowed.

CMC_10_21 – Market registration of DSUs.

Demand Side Units and AGUs are different to other units in the Capacity market, and yet they are similar in most aspects.

Having the ability to juggle the Individual Demand Sites between DSUs allows the additional provision of services to Ancillary Services and the Balancing Market, due to aligning of technical capabilities. Being able to do that under an overarching umbrella allows the supporting the overall Capacity obligations.

PHG believe Proposal 1 may be more suitable.

CMC_11_21 – Extension of ASTN arrangements.

PHG believe that the Secondary Trading has lacked focus in recent times and a more thorough discussion and training session would assist other participants in understanding its complexities. The concern of the SOS that the proposal would “put the system at risk” requires further clarification.