

APPENDIX C – RESPONSE TEMPLATE

SUMMARY INFORMATION

Respondent's Name	Bord Gáis Energy
Type of Stakeholder	Generator in the all-island single electricity market; supplier in the Irish retail market
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Confidential Response	N

Summary of Main Messages

Bord Gáis Energy (**BGE**) welcomes the opportunity to respond to this SEM-21-055 consultation on the modification proposals from the Capacity Market Code ('Code') Working Group 19:

- CMC_05_21: Substitution of Candidate Units
- CMC_06_21: NIRO and the CRM: Compliance with State aid approval
- CMC_07_21: Reduced Applications for Qualification
- CMC_08_21: Ex-post Verification of Compliance with the CO2 Limits
- CMC_09_21: Addition of time for RAs consideration of SFC Extension Request
- CMC_10_21: Modification to the provisions for Market Registration of Demand Side Units
- CMC_11_21: Extension of ASTN Arrangements

We address each of these modification proposals in turn.

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CMC_05_21: SUBSTITUTION OF CANDIDATE UNITS

BGE supports this amendment to the Capacity Market Code (CMC) to ensure that consumers receive the timely delivery of New Capacity awarded at Auction as well as reduce the delivery risk to capacity providers of New Capacity. When used in conjunction with existing unit change processes under the CMC, we see this proposed modification as being specific in requirement, by exception in application, and rare in use so that the existing processes and controls as implemented in the CMC remain effective. Any change to established processes within the CMC should ensure there is no impact to the certainty of delivering Awarded New Capacity, or additional cost on foot of the change, for the consumer.

Usage of this process should be published to all market participants to promote transparency on market operations and maintain certainty on the delivery of new capacity to the market. Should a new CMU be approved under this new section of the Code, it should not differ against the qualification requirements of the previous CMU. This should at least include not exceeding or going below the original qualified de-rated capacity for the CMU; not operating differently to any Locational Capacity Constraint Area (LCCA) limitations from the original CMU; maintaining or improving the environmental/emissions rating of the original CMU where this was a relevant factor to the award.

CMC_06_21: NIRO AND THE CRM: COMPLIANCE WITH STATE AID APPROVAL

BGE supports this proposed modification to the CMC to ensure enduring compliance of the SEM Capacity Remuneration Mechanism (CRM) with the requirements of EU State Aid approval from November 2017. We support the position that compliance with the CMC, and so the requirements relating to the EU State Aid approval, is the responsibility of the participant. We would welcome any clarification needed to the triggers under this modification to ensure any unit is not incorrectly captured by this modification, for example the scenario that on the same site a generator unit has a NIRO but it is the Demand Side Response (DSR) unit(s) that are participating in the CRM. We ask for confirmation that any unit captured under this scenario (i.e. is in receipt of a NIRO payment) is appropriately factored into the capacity requirement calculations for the applicable capacity auction(s).

CMC_07_21: REDUCED APPLICATIONS FOR QUALIFICATION

BGE supports this proposed modification as a workable process to reduce the administrative burden on participants when qualifying existing units that have not changed since last qualified or already hold an RO for the capacity year in question. We welcome clarification on the simplified application process that will be used when it has been designed by the System Operators (SOs). We support the earliest implementation of the new process. We ask for confirmation of the auction bidding process that would follow this complimentary qualification process, and any bidding process changes that would result.

CMC_08_21: EX-POST VERIFICATION OF COMPLIANCE WITH THE CO2 LIMITS

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BGE supports the aim of this proposed modification to align the CRM with the ex-post validation recommendations in the ACER Opinion on the calculation of CO2 limits. Given the limited number of CMUs to which this requirement is expected to apply, we ask the Regulatory Authorities (RAs) to make all efforts to minimise the administrative and cost burden on affected participants. We believe this can be achieved by the RAs seeking to obtain any existing evidence necessary from other institutions (e.g. ETS submissions) where possible. Should any further information be required from the CMUs themselves, we ask that the validation requirements and timelines are clearly communicated to the CMUs well ahead of submission deadlines. Finally, we believe that the submission format should be for a single Capacity year on an annual basis.

CMC_09_21: ADDITION OF TIME FOR RA’S CONSIDERATION OF SFC EXTENSION REQUEST

BGE supports this proposed modification to codify the deadline for the requests by participants to the RAs for an extension to the Substantial Financial Completion (SFC) milestone. The period of a minimum of 20 Working Days (20WD) notice before the SFC date is a practical solution and establishes the notice period against a clear date for each auction.

CMC_10_21: MODIFICATION TO THE PROVISIONS FOR MARKET REGISTRATION OF DEMAND SIDE UNITS

BGE favours an earlier introduction of a solution that addresses improvements to the provisions for market registration of Demand Side Units (DSUs).

DSUs are a developing technology in SEM and their operational characteristics can require changes in market processes and procedures. The two proposals contained in the modification make useful suggestions of the level of changes needed and would benefit from wider consideration by stakeholders. BGE believes that the current approach to the market registration of DSUs needs a holistic review to achieve a simplified method for DSU registration which works for the industry, system operators and related stakeholders. We believe that the review needs to be executed as quickly as possible to enable the earliest introduction of any amended processes in support of the continued development of DSU technology in the SEM. We believe this is best achieved by a cross-industry workshop to identify and build out the best proposal(s) to return for discussion at the next Capacity Market Code Working Group before being put out again for consultation.

Much support was given to Proposal 1 at CMC Working Group 19 but it was identified that there could be benefits to Proposal 2 with further refinement. One key difference was the long implementation timescale for Proposal 1 as against the shorter implementation needed for Proposal 2 and we see this as a key issue with a requirement for the earliest possible solution that would be best addressed through an industry workshop process.

CMC_11_21: EXTENSION OF ASTN ARRANGEMENTS

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BGE supports the proposal to give Sellers the option to trade capacity in the Alternative Secondary Trade Arrangements (ASTA) above their unit(s) de-rated capacity but not exceeding their nameplate capacity. This ability was part of the approved enduring solution as approved by the SEM Committee and BGE had encouraged its enactment as soon as possible after the implementation of the Alternative Secondary Trade Arrangements¹. In our response to SEM-20-040, we also encouraged the SOs to establish a plan to reduce the operational timescales of the trade validation and execution activities. We therefore support this proposal to reduce the notice period between submitting an Alternative Secondary Trade Notification and the change becoming effective in the Capacity and Trade Register to benefit participants with additional flexibility in trading. We appreciate the proposed reduction in notice period would impact systems and ask the SOs to complete their assessment as quickly as possible to establish and agree a suitable cost for the work to enable a timely implementation of the system changes needed.

Regarding the limitation on the duration of secondary trades by a unit above its de-rated capacity in any CRM year (namely the current 70 days as per the CRM Detailed Design²):

- In the context of the current limit being on the plant backing the secondary trade (i.e. the Seller), BGE asks that clarity is given as to the rationale for this limit on the Seller in a secondary trade within the context of the risk which is being addressed. We further ask that the current 70-day value for this limit is re-examined against the SEM outage data gathered from the last 3 years of operation for the best appropriate value should the need for the limit endure. Reviewing the Capacity Remuneration Mechanism Detailed Design Decision Paper 2 (SEM-16-022), it is noted that the application of 70 days is based on the All-Island Outage Plans published by SEMO for the years 2014-2017. BGE believes that this criteria, if it is kept, should be reconsidered against the outage data available from the intervening period to give a more updated view on this limit.
- Alternatively, should the SEMC confirm the need to maintain a duration limit on secondary trades by units above their de-rated capacities in any CRM year to mitigate against potential erosion of the hedge to consumers or impacts on the security of supply, BGE proposes that any limitation to the duration of secondary trades above the derated capacity should be applied to the unit(s) on outage (being the Buyer of the secondary trade). This would mean that secondary trades in a CRM year under the ASTA can be held by the unit on outage only up to the duration limit if maintained and as set by the SEMC. We believe that secondary trade liquidity for capacity will be helped by moving the current limit for secondary trades of capacity above de-rated capacities in any CRM Delivery Year from the unit backing the secondary trade over to the unit on outage. We support increases in liquidity of secondary trading of capacity in SEM but changes should not undermine the hedge to consumers or security of capacity supply for the contracted portfolio.

CAPACITY MARKET CODE MODIFICATIONS CONSULTATION COMMENTS:

¹ BGE response to SEM-20-040

² SEM-16-022

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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_05_21</p> <ul style="list-style-type: none"> - Substitution of Candidate Units 	<p>BGE believes that this modification proposal seeks to facilitate achievement of the Capacity Market Code Objectives (CMC A.1.2.1 (b), (c) and (g)) by facilitating a complimentary route for new CMUs to ensure that consumers receive the timely delivery of New Capacity awarded at Auction as well as reduce the delivery risk to capacity providers of New Capacity.</p>	<p>The use of this route for the substitution of Candidate Units should be specific in requirement, by exception in application, and rare in use so that the existing processes and controls as implemented in the CMC remain effective. Any change to established processes within the CMC should ensure there is no impact to the certainty of delivering Awarded New Capacity, or additional cost on foot of the change, for the consumer.</p>	<p>J.5.5.11 The replacement CMU shall deliver the same de-rated capacity as the originally qualified CMU, within the same Locational Capacity Constraint Area (LCCA) limitations for the original CMU, and shall have environmental/ emissions ratings that maintain or improve those from the original CMU where this was a relevant factor to the award.</p> <p>J.5.5.1112 The System Operators shall notify the Participant and the Regulatory Authorities of the transfers made under J.5.5.9 of Awarded New Capacity and shall update the Capacity and Trade Register appropriately. The System operators shall also notify the market of the updated Register to promote transparency on market operations and maintain certainty on the delivery of new capacity to the market.</p>

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<p>CMC_06_21</p> <ul style="list-style-type: none"> - NIRO and the CRM: Compliance with State aid approval 	<p>BGE supports this modification proposal as it seeks to maintain compliance with the conditions of the State Aid Agreement for the SEM CRM.</p>	<p>BGE asks for any clarification needed to the triggers under this modification to ensure units are not incorrectly captured by this modification (i.e. a non-NIRO unit that may be co-located with a NIRO unit being accidentally excluded from CRM qualification). We ask also for confirmation that any unit captured under this scenario (i.e. the unit is in receipt of a NIRO payment) is appropriately factored into the capacity requirement calculations for the applicable capacity auction(s).</p>	<p>None noted.</p>
<p>CMC_07_21</p> <ul style="list-style-type: none"> - Reduced Applications for Qualification 	<p>BGE supports that this modification proposal seeks to facilitate achievement of the Capacity Market Code Objectives (CMC A.1.2.1 (a), (b), and (c)) by reducing the administrative burden on participants when qualifying existing units that have not changed since last qualified or already hold an RO for the capacity year in question.</p>	<p>We ask for confirmation of the auction bidding process that would follow this complimentary qualification process, and any bidding process changes that would result.</p>	<p>None noted.</p>

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<p>CMC_08_21</p> <ul style="list-style-type: none"> - Ex-post Verification of Compliance with the CO₂ Limits 	<p>BGE believes that this modification proposal seeks to facilitate achievement of the Capacity Market Code Objectives (CMC A.1.2.1 (e), (f) and (g)) by providing guidance as to the verification of CO₂ limits by particular units whose emissions may vary year on year.</p>	<p>We believe that all efforts should be made by the RAs to obtain existing information (e.g. ETS submissions) to meet the verification requirements. If further information is needed from the affected CMUs, then we ask that the RAs clarify the submission format and timelines with the CMU(s) as early as possible. We believe the submissions should follow the format of 1-year reports, submitted annually.</p>	<p>I.1.2A.2 Where a Participant is required to make a submission under paragraph I.1.2A.1, the Regulatory Authorities will seek the necessary data from existing published/ submitted information, but may request further information or clarification, including a report certified by a third-part verifier, by written notice to the Participant identifying the further information or clarification required and specifying a timeframe for providing it.</p>
<p>CMC_09_21</p> <ul style="list-style-type: none"> - Addition of time for RAs consideration of SFC Extension Request 	<p>BGE supports that this modification proposal seeks to facilitate achievement of the Capacity Market Code Objectives (CMC A.1.2.1 (b)) by codifying the deadline for the requests by participants to the RAs for an extension to the Substantial Financial Completion (SFC) milestone.</p>	<p>None noted.</p>	<p>None noted.</p>

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<p>CMC_10_21</p> <ul style="list-style-type: none"> - Modification to the provisions for Market Registration of Demand Side Units 	<p>BGE favours an earlier introduction of a solution that addresses improvements to the provisions for market registration of Demand Side Units (DSUs) which would support facilitating the achievement of the Capacity Market Code Objectives (CMC A.1.2.1 (b), (c), (d) and (g)).</p>	<p>Of the two proposals in the modification which were highlighted at CMC Working Group 19, we would encourage the adoption of an early solution. It is noted however that both proposals would benefit from further discussion and consideration at a cross-industry workshop to allow all stakeholders to voice their views and issues on either/ both proposals. BGE therefore believes that this is best achieved by a cross-industry workshop to identify and build out the best proposal(s) to return for discussion at the next Capacity Market Code Working Group before being put out again for consultation.</p>	<p>As the final modification proposal has not been clearly identified, no drafting amendments to the CMC are suggested here.</p>

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<p>CMC_11_21</p> <ul style="list-style-type: none"> - Extension of ASTN Arrangements Version 2 	<p>BGE supports the proposal that seeks to facilitate achievement of the Capacity Market Code Objectives (CMC A.1.2.1 (a), (d) and (g)) by giving Sellers the option to trade capacity in the Alternative Secondary Trade Arrangements (ASTA) above their unit(s) de-rated capacity but not exceeding their nameplate capacity, and reducing the trade notification period from its current 5 Working Days.</p>	<p>BGE supports the proposal to reduce the notice period between submitting an Alternative Secondary Trade Notification and the change becoming effective in the Capacity and Trade Register to benefit participants with additional flexibility in trading. We appreciate the proposed reduction in notice period would impact systems and ask the SOs to complete their assessment as quickly as possible to establish and agree a suitable cost for the work to enable a timely implementation of the system changes needed.</p> <p>BGE also supports the option for Sellers to trade above the unit's de-rated capacity volume. In relation to the secondary trading of capacity by a unit above its de-rated capacity, BGE notes also the secondary trade duration limit of 70 days in any CRM year on the Seller for trades backed by units above their de-rated capacity. We ask for clarity on the rationale and value of this limit, based on the 3 years of SEM operation under the current arrangements.</p> <p>If the SEMC consider that the trade limit requirement should endure, then we</p>	<p>None noted at this time.</p>
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		<p>propose that the limit can be held instead by the unit on outage (i.e. the Buyer) as to the duration for secondary trades using capacity above the de-rated capacity of unit(s) in a CRM year under the ASTA. This should improve trade liquidity for the units backing secondary trades up to their nameplate capacity (i.e. the Seller).</p>	

NB please add extra rows as needed.