



**Energia Response to SEM Committee
Consultation Paper SEM-21-055**

***Capacity Market Code Working Group 19
Modification Consultation Paper***

10 August 2021

1. Introduction

Energia welcomes the opportunity to respond to the SEM Committee Consultation Paper SEM-21-055 (the “Consultation Paper”) on proposed modifications to the Capacity Market Code discussed at Working Group 19 on 20 May 2021.

Energia are supportive of the proposed modifications where SEM Committee have outlined a minded to position to accept the proposal (i.e. modifications CMC_05_21 – CMC_09_21). In respect of CMC_11_21 (Version 2) we support SEM Committee minded to position to approve the modification, but not subject to the stated caveats. In respect of CMC_10_21, it is noted that this may no longer be required dependent on changes to Secondary Trading. To the extent that the proposer wishes to pursue this further we agree that a further working group is required and the next logical step. We elaborate further in Section 2 below.

2. Comments on Proposed Modifications

CMC_11_21: Extension of ASTN Arrangements (Version 2)

Energia are members of the Electricity Association of Ireland (EAI) and fully endorse the EAI response in respect to modification CMC_11_21 (Version 2).

Trading above de-rated capacity

The current Alternative Secondary Trading Notification (ASTN) arrangements as per M.12 of the CMC were approved under decision SEM-20-064 following the submission of modification proposal CMC_09_19. Whilst the ability for generators with capacity market contracts to trade above their de-rated capacity was de-scoped as part of this decision, section 2.3.15 of the decision paper noted that “*The CRM Team will continue to engage with the SOs to develop the systems necessary to extending the scope of the Alternative Secondary Trading Arrangements to allow trading above de-rated capacity*”.

To date, no further action or steps appear to have been taken to introduce the ability for generators to trade above de-rated capacity as per the original intention of modification CMC_09_19. Having sought an update on this issue in response to the Roadmap for Market Development 2020-2025 consultation, the TSO advised that a modification was needed to trigger these changes. Therefore, in line with the previous decision and response from TSO, modification CMC_11_21 (Version 2) seeks to implement the ability for generators to trade above their de-rated capacity as was originally intended.

Secondary Trade De-Rated Capacity Tolerance

The proposed level above the de-rated capacity that generators can trade at is the lesser of the Commissioned Capacity, the Initial Capacity (Total) or the Gross De-Rated Capacity (Total) multiplied by one plus the Secondary Trade De-Rated Capacity Tolerance.

This Secondary Trade De-Rated Capacity Tolerance is to be determined and published by the RAs and in the event of it not being published is to be considered zero. It is not clear that this figure is currently published anywhere by the RAs. This is

important on the basis that if it is not published and thus considered to be zero, secondary trade volumes are limited to the Gross De-Rated Capacity (Total) and thus undermines the efforts to allow generators to trade above the de-rated capacity to help manage their Reliability Option (RO) risk.

In this regard Energia seek clarification on whether the Secondary Trade De-Rated Capacity Tolerance is currently published and if so, seek clarity on where this information is published. If this value is not currently published Energia recommend that the value of the tolerance needs to be set at a level that does not prohibit a plant selling up to the lower of its Initial Capacity and Commissioned Capacity as was the intention of the modification proposal.

70 Day Limit

In respect of the SEMC minded to decision to include a 70-day limit on trades above de-rated capacity, Energia do not support the inclusion of this limitation on generators trading above re-rated capacity. It is unclear what this imposed limit is seeking to achieve or prevent and the application of this limit, whilst part of SEM 16-022 decision, is ambiguous when applied to this modification proposal. Furthermore, the proposed limit of 70 days is based on outdated data regarding outages (2014-2016) that precede the new market noting that there is experience in the market of forced outages of generators in excess of 70 days. Therefore, this limit imposes an arbitrary and unnecessary restriction on generators ability to manage their Reliability Option (RO) risk.

Whilst opposed to the implementation of a 70 day limit on trading above de-rated capacity, current legal drafting in section H.7.4.4 of the CMC in respect of such a limit is drafted as follows:

“A Participant may only enter into a Secondary Trade that results in the Net Capacity Quantity of the relevant Capacity Market Unit exceeding its Available De-Rated Capacity, up to a maximum of the Initial Capacity (Total) of the Capacity Market Unit, for no more than 70 days each Capacity Year”.

Upon review of the existing legal drafting in respect of a 70 day limit on trading above de-rated capacity Energia recommend that should such a limit be imposed, the legal drafting is amended to refer to *Obligated Capacity Quantity* rather than *Net Capacity Quantity* as is currently drafted under Section H.7.4.4 as this provides a more appropriate metric. However, for the avoidance of doubt, please note that Energia do not support the inclusion of such a limit for the reasons outlined above.

Notification Period for Secondary Trades

The time period for which a Secondary Trade can be implemented is currently set at 5 Working Days after notification. Modification proposal CMC_11_21 (version 2) seeks to instead implement a 2-hour notification period for activating a secondary trade noting that the current notice period is too long, especially in respect of a forced outage, and that such a reduction would require system updates to facilitate automated processing of trades.

Energia propose to reduce the notification period for secondary trades noting that it is reflective of the continuous nature of the energy market.

SEMC have outlined that they are minded to support the proposal subject to the practicality of implementing a reduction in the notice period. Whilst it is acknowledged that a system change will be required to facilitate the reduced notice period, we recommend that a workaround can be included during the intervening time period. This was previously recommended by EAI in response to the original modification CMC_09_19 such that the concept of an effective date and time for the trade could be introduced – i.e. when both parties to the trade submit identical 'trade details'. This could subsequently be validated and included in the Trade Register, but the RO would be transferred in the system at the effective date and time for the purposes of settlement.

CMC_10_21: Modification to the provision for Market Registration of Demand Side Units

In respect of CMC_10_21, it is noted that this may no longer be required dependent upon changes to Secondary Trading. Furthermore, both proposal 1 and proposal 2 seem to require further development before any satisfactory change to the CMC could be implemented. On that basis, and to the extent that further changes are still required following changes from modification CMC_11_21 (Version 2), Energia agree with SEMC comments that a future working group may be required to discuss these proposals further.