

## APPENDIX D – RESPONSE TEMPLATE

### SUMMARY INFORMATION

<b>Respondent's Name</b>	ESB Generation and Trading
<b>Type of Stakeholder</b>	Generator
<b>Contact name (for any queries)</b>	Paraic Higgins
<b>Contact Email Address</b>	<a href="mailto:paraic.higgins@esb.ie">paraic.higgins@esb.ie</a>
<b>Contact Telephone Number</b>	01 7027119
<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 Proposal Form	Detailed CMC Drafting Proposed to Deliver the Modification
<b>CMC_01_22</b> - New Interdependent Combined Units	<p>The concept that CMC_01_22 (and like the previous modifications on the same issue) is trying to address is a real issue that needs to be addressed before it becomes a security of supply risk once again as experienced in the CY18/19 auctions.</p> <p>While this modification attempts to address the clear risk of unrecovered shared risk it fails to do so in a manner that is consistent with the</p>	<p>While the legal drafting of the modification references the 150MW, how it was chosen as the cap or how it will not expose the market to lumpiness or potential adverse auction results has not been provided in order to support this proposal. ESB GT believes this value could and should be set at a level that addresses the risks for all parties impacted by lumpiness</p>	<p>Considering the evidence provided below, ESB GT believes the de-minimis threshold should be removed from E.7.6.1.</p>

## APPENDIX D – RESPONSE TEMPLATE

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	<p>code objectives. Specifically, (f) to ensure no undue discrimination between persons who are or may seek to become parties to the Capacity Market Code. It is unclear how the value of 150MW has been determined to mitigate “lumpiness or potential adverse auction results”. Further justification and evidence would need to be presented and consulted upon before any decision should be made.</p>	<p>and shared costs, and not select a value that will result in undue discrimination between parties.</p> <p>In light of the experience from all of the auctions to date ESB GT believes the issue of lumpiness and market power should be reviewed once again. At the bottom of this response is supporting information that should precipitate a review of the SEMC’s position on units being combined together and market power.</p>	
<p><b>CMC_02_22</b> - Timely publication of FAIP</p>	<p>ESB GT agrees that the proposed modification is consistent with the following CMC objectives; (e) to provide transparency in the operation of the SEM; (f) to ensure no undue discrimination between persons who are or may seek to become parties to the Capacity Market Code; and (g) through the development of the Capacity Market, to promote the short-term and long-term interests of consumers of electricity with</p>	<p>The impact of a delay to the publication of FAIP on participants should not be casually dismissed. The CRM Auction is where a unit either receives a signal to (1) remain in operation or (2) exit the market. The information in the FAIP and Qualification Results is vital to all participants when</p>	<p>In the consultation paper, point 2.2.27 highlights that the SEMC are “<i>of the view that the process of rectifying these issues can be completed outside of the Modifications forum and without a change to the CMC</i>” and point 2.2.29 states “<i>The SEM Committee made this instruction</i>”</p>

## APPENDIX D – RESPONSE TEMPLATE

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	<p>respect to price, quality, reliability, and security of supply of electricity across the Island of Ireland.</p>	<p>participating in the auction and ultimately the livelihood of the unit and station (due to risks as identified in CMC_01_22).</p> <p>Additionally, it is only at the point of FAIP and Qualification Result publication that the information imbalance between the sellers (generators and DSUs) and buyers (RAs and TSOs) is somewhat addressed (mindful that participants are blind to the demand curve adjustments for many months/years following an auction). Therefore, it is critical that participants are given the necessary time (as identified in the code as two weeks) to process all the information.</p>	<p><i>cognisant of the hierarchy of obligations as set out in B.4.1.1 of the Capacity Market Code.”</i></p> <p>It is unclear what process can be applied and whether it is the intention of the RAs to use B.4.1.1(b)<sup>1</sup> to address this issue going forward. Could further clarity please be provided?</p> <p>If the above is the intention of the RAs, ESB GT believes a modification to the timetable to address shortfalls and a modification like CMC_02_22 would provide the good regulatory practise that sends clear and consistent signals to the market rather than ad hoc directions.</p>

<sup>1</sup> Any applicable requirement, direction, determination, decision, instruction or rule of any Competent Authority

## APPENDIX D – RESPONSE TEMPLATE

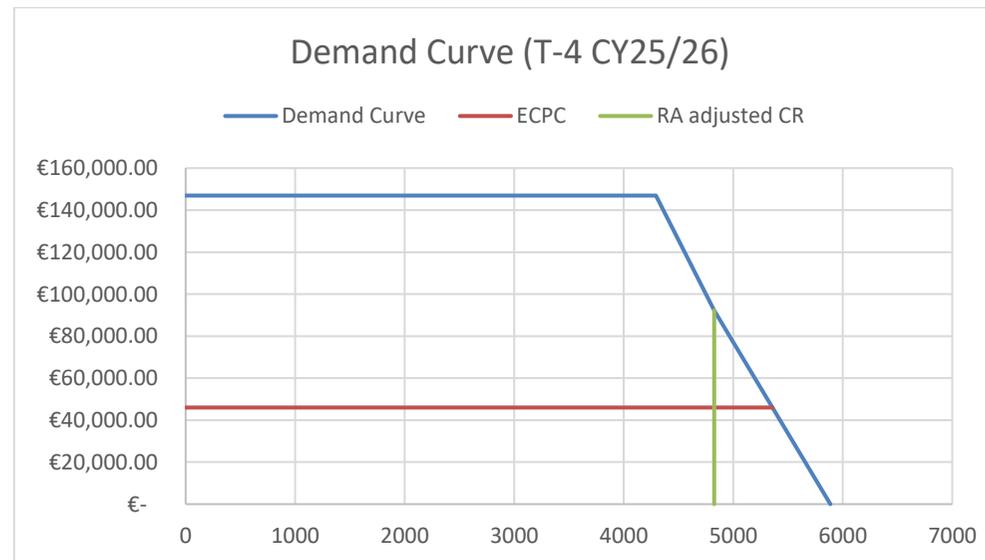
ID	Proposed Modification and its Consistency with the Code Objectives	Impacts Not Identified in the Modification Proposal Form	Detailed CMC Drafting Proposed to Deliver the Modification
<b>CMC_03_22</b> - Transparency on Publication of Qualification Results	Please see response above to CMC_02_22.	Please see response above to CMC_02_22.	Please see response above to CMC_02_22.

## APPENDIX D – RESPONSE TEMPLATE

### Evidence that supports a need to review current rules for combining assets

The majority of auctions held to date (not including the T-1 CY22/23 and the T-3 CY24/25) have cleared at the ECPC. When this occurs more MWs than are needed to meet the Capacity Requirement is procured as the demand curve has a sloped element that passes through the RA adjusted TSO calculated Capacity Requirement value (BNE price point) to €0 at 115% of the capacity requirement. At a high level, the sloped element was introduced to procure more capacity if it was economic to do so and the customer was willing to pay for the additional value in security derived by procuring in an earlier window.

Below is the demand curve for the T-4 CY25/26 auction. From the information currently available, the TSO capacity requirement was adjusted backwards by the RAs to 4,826MW. When the auction cleared near the ECPC it procured ~530MW (11%) more than needed for the RA adjusted capacity requirement.



In light of (1) the majority of auctions held to date having procured approximately 10% more than the adjusted capacity requirement (assuming the RAs adjustments to the T-4 auctions don't result in an under procurement from inefficient exit signal and lack of existing units for a relevant T-1 auction) and (2) the implementation of Algorithm D that solves for the optimised welfare solution, ESB GT believes the risk of security of supply from assets not recovering shared costs and the potential inefficient exit signal is now a bigger threat to the consumer than that of a potential lumpiness issue.

## APPENDIX D – RESPONSE TEMPLATE

From the T-4 CY25/26 auction results it is possible to identify that the largest of de-rated sites with shared units (not considering new 10 year contracts):

<b>Unit</b>	<b>MW</b>	<b>% of CR</b>
Huntstown	629.21	13%
Ballylumford	623.43	13%
Aghada	523.98	11%
Poolbeg	404.34	8%
Coolkeeragh	398.42	8%
Cushaling	206.24	4%
TH	203.23	4%
Kilroot	127.80	3%
Aughnish	115.37	2%

Considering all of the market experience gathered over the last four years, ESB GT believes that pre-Go Live perceived issues with lumpiness and market power should now be reconsidered in light of the real and visible security of supply risks.

The latest CRU paper on financial reporting obligations and a requirement to self-certify for 5 years in advance is failing to address the root cause and it is only through a modification to the CMC on the treatment of shared costs that we can address this security of supply risk and inefficient exit of shared assets.