



**Energia Response to SEM Committee
Consultation Paper SEM-22-007**

***Capacity Market Code Working Group 23
Modification Consultation Paper***

12 April 2022

1. Introduction

Energia welcomes the opportunity to respond to the SEM Committee Consultation Paper SEM-22-007 (the “Consultation Paper”) on proposed modifications to the Capacity Market Code discussed at Working Group 23 on 26 January 2022. Energia note SEM Committees minded to positioning to reject all three of the modification proposals. In respect of modification CMC_01_22, Energia support SEM Committee’s position to reject the modification as we believe, similar to other proposals in this area, that a number of the risks from the proposal to combine units have not been accounted for. However, in respect of modification CMC_02_22 and CMC_03_22 Energia are concerned that the risks highlighted by the proposal in respect of the timely and accurate publication of key information will remain should action not be taken to address them. We elaborate further in Section 2 below.

2. Comments on Proposed Modifications

CMC_01_22: New Interdependent Combined Units

- We note that this proposal is similar to previous modification proposals (CMC_04_20 and CMC_05_18) related to this area. In our previous response to these modification proposals, we highlighted that the ability to combine units should be limited to New Capacity as to extend beyond that has potential negative consequences for the market. Our position has not changed in this regard.
- The modification proposal applies to both Existing and New Capacity to ensure both are treated equally. As stated above we believe opening it up to both Existing and New Capacity continues to present a concern about market power. On the basis that this proposal does not address those concerns raised previously then Energia are not in a position to support the modification.
- Whilst a 150MW limit has been suggested to prevent lumpiness and address potential market power concerns, it is unclear how this limit has been derived. It is also unclear if imposing this limit will sufficiently allow for units to combine to pass through economies of scale and cost savings into capacity market bids as intended
- The Consultation Paper also notes that a number of participants highlighted the complexities associated with this modification proposal at the Working Group and the potential for negative unintended consequences. Notwithstanding that an updated proposal has since been submitted, Energia remain concerned about potential impacts from the modification.
- On this basis we agree with the SEM Committee position to reject the modification proposal.

CMC_02_22: Timely publication of FAIP; and

CMC_03_22: Transparency on Publication of Qualification Results

- The proposed modifications in respect of the timely and accurate publication of key information, namely the Final Auction Information Pack (FAIP) and Qualification Results, are key pieces of information that market participants rely on to formulate their bidding strategies for the corresponding Capacity Auction. For many market participants, board approval will often be required for finalising bidding strategies

prior to participation in an auction. Inaccurate or delayed publication of the key information can jeopardise these board approval processes, and it is therefore crucial for participants to be able to depend on the information being published in line with the Auction Timetable and that the information is fully accurate.

- Due to a number of instances of this information either not being published, being published late or containing inaccuracies that required it to be re-published, the associated risk has been borne by market participants in respect of having to analyse and assess the information in a condensed timeframe before bidding in the auction.
- Energia do not consider this to be a fair outcome on market participants and therefore put forward proposals seeking to codify that in the event of a future delay or a requirement to republish the information due to inaccuracies, then the Capacity Auction would be delayed by an equivalent time period.
- The Consultation Paper references comments made at the Working Group in respect of the Capacity Auction Timetable starting the auction process earlier so that they are providing more time at the end for the publication of information. The SOs responded that although there are a number of factors to consider when setting the timetable, *“when forming the timetables for future Capacity Auctions the issues that have occurred to date would be reflected upon to mitigate against a reoccurrence”*.
- It is disappointing that SEM Committee are reluctant to codify a direct consequence of failing to publish the FAIP and Qualification Results in line with the Capacity Auction Timetable by delaying the auction.
- However, in the absence of this, we would emphasise the need for the SOs to start the auction processes earlier when setting the Capacity Auction Timetable to ensure that they can meet the specified timelines and also to build in a 4 week time period between publication of the FAIP and Qualification Results and the Capacity Auction Submission Commencement so that these timelines provide appropriate opportunity for market participants to review and analyse the information before a capacity auction and obtain board approval as required.
- In previous auctions (e.g. T-2 CY21/22 and T-3 CY24/25) periods of 3-4 weeks were specified in the Capacity Auction Timetable between publication of Qualification Results and FAIP and the Capacity Auction Submission Commencement and we strongly recommend that the SOs revert to these timeframes when setting future timetables.
- The most recent example of delays with the publication of the FAIP was seen in the T-4 25/26 auction. In respect of this delay a market message was issued advising that the RAs had instructed the SOs to update the Capacity Auction Timetable to provide a delay of one week to the Capacity Auction. In the absence of codifying this action in the CMC through the implementation of these modification proposals, Energia strongly encourage that when setting the Capacity Auction Timetable the SOs start the auction processes earlier and provide appropriate timeframes (4 weeks prior to Capacity Auction Submission Commencement) for publication of key information.