



**Single Electricity Market
(SEM)**

**Capacity Market Code Working Group 23
Decision Paper**

SEM-22-028

17 June 2022

EXECUTIVE SUMMARY

The purpose of this decision paper is to set out the decisions relating to the Proposed Modifications to the Capacity Market Code (CMC) discussed at Working Group 23 held on 26 January 2022.

The decision within this paper follows on from the associated consultation ([SEM-22-007](#)) which closed on 12 April 2022.

This paper considers the proposed modifications presented at WG23. The proposed modifications relate to:

➤ **CMC_01_22: New Interdependent Combined Units**

This Modification proposed to allow participants to combine multiple interdependent generating units, located on the same site and above the de-minimis threshold, as a single capacity market unit, subject to approval by the Regulatory Authorities (RAs).

➤ **CMC_02_22: Timely publication of FAIP**

This modification proposed that, in the event that the publication of a Final Auction Information Pack (FAIP) associated with a given Capacity Auction is delayed, the associated Capacity Auction would subsequently be delayed by an equivalent time period to that of the delay in the FAIP.

➤ **CMC_03_22: Transparency on Publication of Qualification Results**

This modification proposed that, in the event of any delay to the publication of the Qualification Results associated with a given Capacity Auction, this would automatically result in a delay to the associated Capacity Auction, by an equivalent time period to that of the delay in the Qualification Results.

Seven responses were received to the Capacity Market Code Working Group 23 Modification Consultation Paper, one of which was marked as confidential.

The purpose of the proposed modifications was to further the Code Objectives within the CMC, specifically:

A.1.2.1 This Code is designed to facilitate achievement of the following objectives (the “Capacity Market Code Objectives”):

CMC_01_22 v2 –

- (b) to facilitate the efficient, economic and coordinated operation, administration and development of the Capacity Market and the provision of adequate future capacity in a financially secure manner;*
- (c) to facilitate the participation of undertakings including electricity undertakings engaged or seeking to be engaged in the provision of electricity capacity in the Capacity Market;*

- (d) *to promote competition in the provision of electricity capacity to the SEM;*
- (g) *through the development of the Capacity Market, to promote the short-term and long-term interests of consumers of electricity with respect to price, quality, reliability, and security of supply of electricity across the Island of Ireland.*

CMC_02_22 and CMC_03_22 –

- (d) *to promote competition in the provision of electricity capacity to the SEM;*
- (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 respect to price, quality, reliability, and security of supply of electricity across the Island of Ireland.*

Summary of Key Decisions

Following consideration of the proposals and the responses received to the consultation the SEM Committee have decided:

| Modification | Decision | Implementation Date |
|---|---|---------------------|
| CMC_01_22 v2 – Interdependent Combined Units | Rejected in its original form, RA amended version to be implemented | 08/07/2022 |
| CMC_02_22 – Timely publication of FAIP | Rejected in its original form, RA amended version to be implemented | 08/07/2022 |
| CMC_03_22 – Transparency on Publication of Qualification Results | | |

Contents

EXECUTIVE SUMMARY 2

1. Overview 5

 1.1. Background..... 5

 1.2. Responses to Consultation 7

2. CMC_01_22 (v2) – New Interdependent Combined Units..... 8

 2.1. Consultation Summary..... 8

 2.2. Summary of Responses 9

 2.3. SEM Committee Decisions.....13

3. CMC_02_22 – Timely Publication of FAIP & CMC_03_22 – Transparency on Publication of Qualification Results15

 3.1. Consultation Summary – CMC_02_2215

 4.1. Consultation Summary – CMC_03_2216

 4.2. Summary of Responses17

 4.3. SEM Committee Decisions.....22

4. Next Steps24

Appendix A – Responses to SEM-22-007

Appendix B – Approved Modification Text Drafting – RA Amendments to CMC_01_22 (v2)

Appendix C – Approved Modification Text Drafting – RA Amendments to CMC_02_22 and CMC_03_22

1. OVERVIEW

1.1. BACKGROUND

1.1.1. The SEM CRM detailed design and auction process has been developed through a series of consultation and decision papers, these are all available on the SEM Committee's (SEMC) website. These decisions were translated into legal drafting of the market rules via an extensive consultative process leading to the publication of the Trading and Settlement Code (TSC) and the Capacity Market Code (CMC). An updated version of the CMC (6.0)¹ was published on 18 February 2022 and the most recent version of the TSC² was published on 9 November 2021.

Process for modification of the CMC

- 1.1.2. Section B.12 of the CMC outlines the process used to modify the code. In particular, it sets out the processes for proposing, consideration, consultation and implementation or rejection of Modifications to the CMC.
- 1.1.3. The purpose of the Modifications process is to allow for modifications to the CMC to be proposed, considered and, if appropriate, implemented with a view to better facilitating code objectives as set out in Section A.1.2 of the CMC. (B.12.1.2).
- 1.1.4. Modifications to the CMC can be proposed and submitted by any person, (B.12.4.1), at anytime. Unless the modification is urgent modifications are subsequently discussed at a Working Group held on a bi-monthly basis. Each Working Group represents an opportunity for a modification proposer to present their proposal(s) and for this to be discussed by the workshop attendees.
- 1.1.5. For discussion at a Working Group, Modification proposals must be submitted to the System Operators at least 10 working days before a Working Group meeting is due to take place. If a proposal is received less than 10 working days before a Working Group and is not marked as urgent it is deferred for discussion to the next Working Group.
- 1.1.6. Following each Working Group, and as per section B.12.5.6 of the CMC, the RAs are required to publish a timetable for the consideration, consultation and decision relating to the Modification(s) proposed during a Working Group.
- 1.1.7. If a proposal is received and deemed to be contrary to the Capacity Market Code Objectives or does not further any of those objectives, the Regulatory Authorities (RAs) will reject the proposal on the grounds of being spurious, as set out in section B.12.6 of the CMC.
- 1.1.8. If a proposed modification is deemed urgent by the RAs, CMC Section B.12.9.5 will become active and the RAs will determine the procedure and timetable to be followed in the assessment of the Modification Proposal. The CMC states that the procedure and timetable may vary from the normal processes set out in the code, allowing for the modification to be fast-tracked.

¹ <https://www.sem-o.com/rules-and-modifications/capacity-market-modifications/market-rules/>

² <https://www.sem-o.com/rules-and-modifications/balancing-market-modifications/market-rules/>

Process and Timeline for these Modifications

1.1.9. On 12 January 2022 the SOs notified the RAs of the three proposed modifications submitted for discussion at WG23 held on 26 January 2022.

1.1.10. CMC_01_22 was submitted by Bord na Móna (BnM) and both CMC_02_22 and CMC_03_22 were submitted by Energia.

1.1.11. The CMC stipulates that, in the event that the matter raised in a proposal is required before the next Capacity Auction, it can be market as urgent and therefore follow a fast tracked process.

However, in the event that CMC_01_22 were to be approved and implemented ahead of the upcoming T-4 CY2025/26, implementation would not allow for New Interdependent Combined Units to be qualified to take part in the Capacity Auction, as the qualification process has closed.

Therefore this proposal, whilst marked as urgent, will follow the standard modification timelines. Despite following the standard timelines, this would still allow for implementation, if the proposal is approved, ahead of the qualification process for the next T-4 Capacity Auction for CY2026/27.

1.1.12. Modifications CMC_02_22 and CMC_03_22 were marked as Standard and will therefore be processed through the normal Modification process.

1.1.13. On the 9 February 2022 the RAs determined the procedure to apply to the Modification Proposals. An overview of the timetable is as follows:

- i. The System Operators convened Working Group 23 where the Modification Proposals were considered on 26 January 2022.
- ii. The System Operators, as set out in B.12.7.1 (j) of the CMC, are to prepare a report of the discussions which took place at the workshop, provide the report to the RAs and publish it on the Modifications website promptly after the workshop.
- iii. The RAs will then consult on the Proposed Modification, with a response time of 20 Working Days (as defined in the CMC), from the date of publication of the Consultation.
- iv. As contemplated by B.12.11 the RAs will make their decision as soon as reasonably practicable following conclusion of the consultation and will publish a report in respect of their decision.

1.1.14. The purpose of this decision paper is to set out the decision relating to Modification Proposals discussed during Working Group 20 to either:

- a) Implement a modification;
- b) Reject a modification; or
- c) Undertake further consideration in regards to matters raised in the modification proposal.

1.1.15. This decision paper sets out a summary of the consultation proposals and sets out the SEM Committee's decision.

1.2. RESPONSES TO CONSULTATION

1.1.16. This paper includes a summary of the responses made to the Capacity Market Code Modifications consultation paper ([SEM-22-007](#)) which was published on 11 March 2022.

1.1.17. A total of seven responses were received by close of the consultation period, one of which was marked confidential. The respondents are outlined below and copies of each response can be obtained from the SEM Committee website.

- ESB GT
- EirGrid/SONI
- Demand Response Association Ireland (DRAI)
- Bord Gáis Energy (BGE)
- SSE
- Energia

2. CMC_01_22 (V2) – NEW INTERDEPENDENT COMBINED UNITS

2.1. CONSULTATION SUMMARY

- 2.1.1. This proposal was submitted by BnM and the proposal aimed to allow participants to combine multiple interdependent generating units, located on the same site and above the de-minimis threshold, as a single capacity market unit, subject to approval by the Regulatory Authorities (RAs).
- 2.1.2. Within their proposal, BnM set out that Section E.7.6 of the Capacity Market Code (CMC) prevents Candidate Units combining into a single Capacity Market Unit unless each unit is below the De Minimis Threshold or is Variable. BnM stated this is restrictive for New Capacity and potentially prevents participants with interdependent units from participating in a Capacity Auction.
- 2.1.3. Under their proposal, BnM intended to modify E.7.6 of the CMC as stated below and add the definition of a **New Interdependent Combined Unit** to the glossary.

E.7.6.1 Subject to paragraph E.7.6.3, the System Operators shall reject an Application for Qualification for a Capacity Year for a proposed Capacity Market Unit comprising a combination of individual Candidate Units unless:

i) each of the Candidate Units is either:

(i) a unit with a Registered Capacity (or in the case of a Demand Side Unit, a DSU MW Capacity), whether based on Existing Capacity or a combined Existing and New Capacity, below the De Minimis Threshold; or

(ii) a Variable Generator Unit;

or

iii) A New Interdependent Combined Unit

A New Interdependent Combined Unit means a combination of one or more Capacity Market Units or Candidate Units which share new infrastructure and new infrastructure investment costs within a New Capacity Application, which units are above De Minimis and are located on the same site.

- 2.1.4. BnM were of the view that treating such Capacity Market Units as a combined unit or as one unit, would reduce the financial risk which would likely otherwise prevent participation of any and all such units in the Capacity Market auction.
- 2.1.5. The rationale behind the proposal was therefore to rectify the current situation which, BnM believe, could lead to under recovery of investment costs for shared interdependent infrastructure where units cannot be combined and therefore resulting in each unit being exposed to the risk of failure to clear at auction.

- 2.1.6. Of the options set out during WG23, SEM Committee considered that reviewing the application of the de-minimus threshold to aggregations of this type could be the most preferable of the options.

However, notwithstanding this, the SEM Committee were minded to reject the proposal, as it was originally drafted.

2.2. SUMMARY OF RESPONSES

- 2.2.1. All of the non-confidential respondents to the consultation paper provided commentary on this proposal, with the decision to approve being split amongst the responses.

- 2.2.2. ESB GT stated that 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.

However, ESB GT were of the view that whilst 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 code objectives.

- 2.2.3. ESB GT referred to “A.1.5.1 (f) to ensure no undue discrimination between persons who are or may seek to become parties to the Capacity Market Code”, stating it is unclear how the value of 150MW has been determined to mitigate “lumpiness or potential adverse auction results”.

ESB GT were of the view that further justification and evidence would need to be presented and consulted upon before any decision should be made.

- 2.2.4. ESB GT referred to the legal drafting of the proposal and the reference the 150MW. They have raised concerns that details as to 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 elaborated that this value could and should be set at a level that addresses the risks for all parties impacted by lumpiness and shared costs, and not select a value that will result in undue discrimination between parties.

- 2.2.5. ESB GT stated that from the experience of all of the auctions to date they are of the view that the issue of lumpiness and market power should be reviewed once again and provided supporting material that they believe results in the need for a review of the SEMC’s position on units being combined together and market power.

- 2.2.6. EirGrid / SONI stated they support the SEM Committee’s ‘minded to reject’ position on the proposed modification CMC_01_22.

Whilst EirGrid / SONI acknowledge that there is merit in increasing flexibility with respect to combining Candidate Units, they are of the view that the proposed modification does not adequately address potential alternatives and mitigations or the risk of ‘lumpiness’ associated with larger Combined Units.

EirGrid / SONI note that the latter has been a key factor in the SEM Committee rejecting similar proposals.

- 2.2.7. EirGrid / SONI note the SEM Committee's comments in relation to further consideration of the application of the current or a new de-minimis threshold for combining Units and welcome further engagement with the Regulatory Authorities and Market Participants on the matter.
- 2.2.8. EirGrid / SONI highlighted that the introduction of a new proposed category of Candidate Unit, for 'Eligible Interdependent Combined Units' may discriminate against existing Candidate Units. They elaborated stating that, in practice, during the qualification and auction process it may be onerous for Participants to clearly demonstrate and for the SOs to robustly assess the extent of ring-fenced shared assets in order to qualify as 'Eligible Interdependent Combined Units'.
- 2.2.9. The DRAI noted that this is the fifth modification proposal which has sought to make changes to this area of the Capacity Market Code. (CMC_10_21, CMC_06_20, CMC_04_20 and CMC_05_18 have all been proposed previous to CMC_01_22).

While this modification proposal does not impact DRAI members directly, they believe that the provisions of CMC E.7.6 do require review to avoid discrimination against certain unit types (including both aggregated units such as Demand Side Units as well as other modular technologies with multiple interdependent units at the same site and sharing infrastructure).

- 2.2.10. The DRAI noted that SEM-21-077 indicated that there is value in the options presented in CMC_10_21 and it is their understanding that the RAs intend to assess how to progress Option 1 of CMC_10_21 alongside the proposed changes of CMC_01_22. The DRAI state they consider this to be a pragmatic approach however added caution that Option 1 from CMC_10_21 should not be unduly delayed and should be allowed to progress in the case that further consideration or assessment is required for CMC_01_22.
- 2.2.11. DRAI highlighted that they intend to submit a new modification proposal aligned to Option 2 of CMC_10_21 which they consider to have merit and will be progressed via the modifications process.
- 2.2.12. In their response, BGE stated that they naturally supportive of new capacity and new technology entering the SEM capacity market to bolster generation volumes and improve the security of supply being paid for by the consumer.
- 2.2.13. BGE highlighted that generation aggregation, as currently allowed under the Code, provides a viable route to market for variable and small generators without undermining the market principle of unit-based bidding or increasing concerns of market power. BGE advised that these principles of maintaining unit-based bidding and mitigating market power are critical to maintain.
- 2.2.14. Whilst the extension to the concept of generation aggregation offers an interesting proposal to increase the capacity available in the SEM, BGE are of the view that there remains many aspects of this construct to be explored before it can be properly considered or fully supported.

2.2.15. BGE were of the view that whilst there is merit to parts of the proposal, they believe that further clarification by the RAs and / or the SOs as appropriate and review by both the RAs and industry is needed.

2.2.16. Taking account of this, BGE are not in a position to support the modification in its current format.

2.2.17. In their response, BGE highlighted a number of impacts not identified in the proposal which included:

- The need for better consideration of cost allocation between existing and new units when combined to ensure that existing units do not displace or block new more economical efficient plant from the market;
- The need for the principle of unit-based bidding needs to be maintained, and clarity on the settlement and bidding of the new combined unit against the RO and the unit performance;
- The need for the treatment of MEC for the new combined unit and the application of the appropriate De-Rating Factor to be clarified; and
- The requirement for a better definition of “shared infrastructure” is needed and the treatment of the connection agreement being used by the combined unit.

2.2.18. SSE stated they understand that this proposal would allow participants to combine multiple interdependent generating units as a single Capacity Market Unit. They further stated that this would have the benefit of allowing multiple units on the same site to qualify together on the basis of shared infrastructure. Elaborating, SSE advised that the benefits of this proposal are in providing an opportunity to manage risks of disorderly exit appropriately, as well as aligning to future scenarios of co-located, hybrid, flexible generators providing much needed system support as wind penetration increases. SSE are of the view that both of these are significant problems that the RAs are currently seeking to solve, and this modification would likely support this work directly.

2.2.19. SSE advised their reading of the proposal could result in the opportunity for co-located flexible and hybrid units to compete in the Capacity Market and urge the SEM Committee to be mindful of some of the current issues that are facing the deployment of co-located and hybrid units, in particular that co-located technologies cannot dynamically share Maximum Energy Capacity (MEC) in the I-SEM.

They have advised that given the challenge to support increased wind penetration and the needs for system services to provide innovative and flexible system solutions, any proposal that will encourage entry of co-located flexible and hybrid sites to the market, can only be welcomed.

2.2.20. SSE commented that they would consider that the only method by which such units could be encouraged to market, as discussed through responses to the System Services Future Arrangements, is where both Capacity Market and system services revenues are possible for these generators (as is the case for existing units on the system). Allowing for co-located and interdependent units at the same site, could encourage this type of investment.

- 2.2.21. SSE noted the discussions around board approval and stated they would argue that every commercial business has its own method of approval for investment decisions, complicated or otherwise. Further to this, they do not see internal commercial processes as being a valid reason for reluctance to approve such a modification and do not see this as a concern large enough to deter from BnM's proposal.
- 2.2.22. SSE referred to the SOs concerns relating to applicability of this proposal and stated that they agree with BnM that it is reasonable for the SOs to request a set of criteria to allow for the determination as to whether the requirements have been met in a given application. Further to this, SSE stated that the criteria that BnM have already offered can form a draft from which the final conditions can be built upon.
- 2.2.23. In response to RA comments regarding the justification behind the suggestion to increase the De Minimis Threshold for aggregation, SSE note that adjustment of the De Minimis Threshold has been discounted in the past under other modification proposals, given that this threshold has been set at a specific level, with good reason. SSE therefore see no justifiable reason for this change, when, in their opinion, the proposal provided by BnM provides a suitable basis for a CMC change.
- 2.2.24. SSE advised they understand and agree with the SOs that a clear definition of 'shared infrastructure' is warranted, which can remove ambiguity, address concerns of market power (which presumably relate to bundling of units in more flexible ways), and mitigate any potential consequences.
- 2.2.25. SSE stated that whilst they are supportive of the proposal, they would welcome an updated version with specific definition of 'shared infrastructure' to ensure specificity and would support an updated version of the proposal being revisited at a future CMC workshop, where the definition can be discussed.
- 2.2.26. Energia echoed comments made by the DRAI, whereby this proposal is similar to previous modification proposals related to this area.
- 2.2.27. Energia highlighted that in their previous response to these modification proposals, they 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 – Energia stated that their position has not changed in this regard.
- 2.2.28. Energia stated that the proposal applies to both Existing and New Capacity to ensure both are treated equally and they believe opening it up to both Existing and New Capacity continues to present a concern about market power.
- 2.2.29. With regards to the 150MW limit, similar to ESB GT, Energia stated that whilst this has been suggested to prevent lumpiness and address potential market power concerns, they are of the view that it is unclear how this limit has been derived. They stated that 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.

- 2.2.30. Energia referred to the Consultation Paper, noting that a number of participants highlighted the complexities associated with the proposal at WG23 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.
- 2.2.31. Energia stated that this proposal does not address the concerns raised previously and they are therefore not in a position to support the modification.

2.3. SEM COMMITTEE DECISIONS

- 2.3.1. The SEM Committee welcomes the feedback provided by participants, both as part of the Working Group forum and with regard to the Consultation process.
- 2.3.2. The SEM Committee note that a number of options were discussed during WG23, which included:
- Improving the legal drafting to specify categories or criteria to set out what shared infrastructure should look like;
 - Including this proposal as part of the RAs Exceptions process;
 - Following further analysis, whether a change to the de-minimus threshold could be changed.
- 2.3.3. Following a review of the responses, the RAs were of the view that the improvements to the legal drafting were not robust enough in nature to move forward via that pathway.
- The RAs were also of the view that enveloping this as part of the RAs exceptions process was not a viable option. It would be very challenging to create and maintain a consistent regulatory policy on which aggregations would be considered permissible under the proposed Modification and decision-making would be likely to rest on detailed engineering judgements which would create resourcing issues.
- 2.3.4. As discussed during the Working Group and as part of the consultation paper, the RAs were of the view that there was merit in exploring a change with regards to the de-minimis threshold.
- 2.3.5. The De-Minimis Threshold is used widely within the SEM and, in particular, is a key variable underpinning the Balancing Market. Changing the value to allow differing possibilities for unit aggregation in the CRM would have multiple, knock-on effects in both the TSC and the CMC.
- 2.3.6. In consequence, the RAs are proposing a “de-coupling” of the threshold used to limit aggregation under the CRM, for units that are not Variable Generator Units, from the existing De-Minimis Threshold variable.
- 2.3.7. Following the consultation process the RAs have assessed the responses and have decided to implement this change and in order to do so, the RAs will modify a number of areas of the CMC.

2.3.8. The RAs are adding a new term to the glossary with the creation of the *Capacity Aggregation Threshold*. This will be defined within the glossary as:

Capacity Aggregation Threshold means the value determined by the Regulatory Authorities for a Capacity Auction as set out in D.2.1.3 which defines the maximum size of Candidate Unit which can be aggregated under E.7.6.1(i)(i). If no value is determined by the Regulatory Authorities for a Capacity Auction, it shall be set equal to the De Minimis Threshold.

2.3.9. This threshold will be determined by the RAs as part of the Capacity Auction Parameters process and, as such, the RAs will invite feedback on this parameter from Market Participants.

2.3.10. Increasing the Capacity Aggregation Threshold above the De Minimis Threshold will allow for new aggregation possibilities under the CRM, without setting an arbitrary limit on the maximum size of an aggregated unit.

2.3.11. Following the decision taken as part of the Capacity Auction Parameters process, the Capacity Aggregation Threshold will be published within the Initial Auction Information Pack (IAIP).

2.3.12. To facilitate this, the RAs are modifying the CMC as follows:

D.3.1.2 *The Initial Auction Information Pack for a Capacity Auction shall set out:*

(s) the final Capacity Aggregation Threshold for the Capacity Auction.

D.3.1.3 *The Regulatory Authorities shall determine the following parameters for each Capacity Auction and provide them to the System Operators for inclusion in the applicable Initial Auction Information Pack:*

(o) the final Capacity Aggregation Threshold for the Capacity Auction.

2.3.13. To de-couple the association with the de-minimise threshold, the RAs are also modifying as follows:

E.7.6.1 *Subject to paragraph E.7.6.3, the System Operators shall reject an Application for Qualification for a Capacity Year for a proposed Capacity Market Unit comprising a combination of individual Candidate Units unless:*

(i) each of the Candidate Units is either:

(i) a unit with a Registered Capacity (or in the case of a Demand Side Unit, a DSU MW Capacity), whether based on Existing Capacity or a combined Existing and New Capacity, below the Capacity Aggregation Threshold;
or

(ii) a Variable Generator Unit;

Modify paragraph 3 of Appendix D as follows:

- 3 Where the Application for Qualification relates to a proposed Capacity Market Unit which will comprise a group of Generator Units:
- (a) a mapping between the proposed Capacity Market Unit and each Generator Unit to which the application relates;
 - (b) an indication as to whether each Generator Unit to be included is below the *Capacity Aggregation Threshold*;
 - (c) an indication as to whether each Generator Unit to be included is a Variable Generator Unit;

2.3.14. Given the above, the SEM Committee approves the Modification with the revised legal drafting set out in Appendix B.

3. CMC_02_22 – TIMELY PUBLICATION OF FAIP & CMC_03_22 – TRANSPARENCY ON PUBLICATION OF QUALIFICATION RESULTS

3.1. CONSULTATION SUMMARY – CMC_02_22

- 3.1.1. This proposal was submitted by Energia and proposed that, in the event that the publication of a Final Auction Information Pack (FAIP) associated with a given Capacity Auction is delayed, the associated Capacity Auction will subsequently be delayed by an equivalent time period to that of the delay in the FAIP.
- 3.1.2. Energia stated that the FAIP represents a key piece of information that is required by Auction Participants in order to adequately analyse and assess relevant material that will be used in formulating commercial bidding strategies.
- 3.1.3. Energia raised concerns that the CMC does not currently impose any consequences if there is a delay in the publication in the FAIP and the impact of any delay is a reduced timeframe for Participants to consider and analyse the required information.
- 3.1.4. To mitigate this concern, Energia state that it is critical that there is certainty as to when an FAIP would be published and if there is a delay in the publication process, this will result in a delay to the Capacity Auction taking place which would be representative of the equivalent time period to that of the delay in the FAIP.

3.1.5. Energia proposed to amend the code as follows:

F.5.1.2 The System Operators shall use reasonable endeavours to publish the Final Auction Information Pack for a Capacity Auction by ~~the later of:~~

(a) the Final Auction Information Pack Date specified in the applicable Capacity Auction Timetable; and

~~(b) two Working Days after the last of the date the Regulatory Authorities provide the Demand Curve and approval of the final Annual Capacity Payment Exchange Rate for the Capacity Auction to the System Operators.~~

F.5.1.3 In the event that the System Operators do not publish the Final Auction Information Pack on or before the Final Auction Information Pack Date specified in the applicable Capacity Auction Timetable, then the System Operators shall propose the postponement of the Capacity Auction by written notice to the Regulatory Authorities, as per Section D.2.1.12(a), by the equivalent time period that the Final Auction Information Pack has been delayed by.

3.1.6. In the consultation paper, the SEM Committee are cognisant of the delays that have occurred in recent months, however recognised that a higher number of Capacity Auctions have taken place in a relatively short period of time than would normally be the case.

3.1.7. Whilst the SEM Committee agreed that delays to the publication of Auction related material are not ideal, they were 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.

3.1.8. The SEM Committee were therefore minded to reject this proposal.

4.1. CONSULTATION SUMMARY – CMC_03_22

4.1.1. This proposal was submitted by Energia and is in a similar vein to proposal CMC_02_22. However this modification targets a different part of the Capacity Auction process.

4.1.2. This proposal sets out that, in the event of any delay to the publication of the Qualification Results associated with a given Capacity Auction, this will automatically result in a delay to the associated Capacity Auction, by an equivalent time period to that of the delay in the Qualification Results.

4.1.3. Energia stated that the CMC specifies that Qualification Results for each of the Capacity Market auctions should be published by the System Operators at a date specified within the Capacity Auction Timetable.

4.1.4. In their submission, Energia referred to the rationale for this being set out in SEM-16-039: Capacity Remuneration Mechanism Detailed Design: Third Decision Paper, where the initial intention was to “enhance competition level the playing field between large portfolio generators, who will have knowledge of their own retirements and new build, and small non-portfolio bidders”.

- 4.1.5. Energia stated the catalyst for this proposal relates to the decision taken on 22 December 2021, whereby SEMO issued an email in respect of the T-3 CY2024/25 Capacity Auction which set out that the SEM Committee had issued a direction not to publish the Qualification Results Report for this auction “in order to maximise competition”.
- 4.1.6. It is the view of Energia that this contradicted what was set out in SEM-16-039 and this decision provided an unfair competitive advantage to large portfolio generators.
- 4.1.7. Energia have therefore proposed that any future delay to publishing the Qualification Results Report will automatically result in a delay to the Capacity Auction taking place being triggered by an equivalent time period to that of the delay in the Qualification Results.
- 4.1.8. Energia proposed to amend the code by adding the following text:
- E.9.5.2 In the event that the System Operators do not publish the Qualification Results under Section E.9.5.1 on or before the Qualification Results Publication Date specified in the applicable Capacity Auction Timetable, then the System Operators shall propose the postponement of the Capacity Auction by written notice to the Regulatory Authorities, under Section D.2.1.12(a), by the equivalent time period that the Qualification Results have been delayed by.
- 4.1.9. In the consultation paper, the SEM Committee cognisant of the delays that have occurred in recent months, however recognised that a higher number of Capacity Auctions have taken place in a relatively short period of time than would normally be the case.
- 4.1.10. Within the consultation paper, the SEM Committee confirmed that, ahead of the T-3 CY2024/25 Capacity Auction, the SEM Committee instructed the SOs not to publish the T-3 CY2024/25 Final Qualifications Results Report. This was in order to maximise the competitive pressures in the auction and the SEM Committee made this instruction cognisant of the hierarchy of obligations as set out in B.4.1.1 of the Capacity Market Code.
- 4.1.11. The SEM Committee were therefore minded-to reject this proposal.

4.2. SUMMARY OF RESPONSES

- 4.2.1. Both CMC_02_22 and CMC_03_22 were discussed and consulted upon in tandem, given they are both in the same vein. A number of respondents to the consultation have amalgamated their response, and so they are both covered within the summary below.
- 4.2.2. All respondents to the consultation paper provided commentary on this proposal, including the confidential response.
- 4.2.3. ESB GT agreed that the proposal is consistent with CMC objectives set out within the modification and highlighted that the auction process is where a unit either receives a signal to either remain in operation or exit the market and the impact of a delay to the publication of the FAIP should not be dismissed.

They also reiterated the comments made during WG23 that the information in the FAIP and Qualification Results is vital to all participants when participating in the auction.

- 4.2.4. Additionally, ESB GT state that it is only at the point of FAIP and Qualification Results publication that the information imbalance between the sellers (generators and DSUs) and buyers (RAs and TSOs) is addressed. ESB GT highlighted that it is critical that participants are given the necessary time to process all the information.
- 4.2.5. ESB GT referred to the consultation paper where it stated that the SEM Committee were “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” and point 2.2.29 which stated “The SEM Committee made this instruction cognisant of the hierarchy of obligations as set out in B.4.1.1 of the Capacity Market Code.”
- 4.2.6. ESB GT stated that it was unclear as to what process can be applied and if the RAs intended to utilise B.4.1.1 (b) to address this issue. ESB GT stated their view is that, if this is the case, 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.
- 4.2.7. In their response to CMC_02_22, the DRAI stated they support any initiative that looks to reduce the occurrence of such delays or, where they are unavoidable, reduce the impact on Market Participants.
- 4.2.8. The DRAI recognised the high volume of work required by the SOs to manage the Capacity Auctions, especially given the high number of Capacity Auctions which have taken place within the past months and highlighted that it is important that the RAs continue to assess these requirements to ensure that additional resources are allocated by the SOs to this process if necessary.
- 4.2.9. The DRAI highlighted that they note the SEMC position that the issues which have caused delays to the publication of auction related material can be rectified outside the Modification forum and without changes to the CMC. They have also noted the pragmatic way the SOs have dealt with publication delays for the 2025/26 T-4 auction. While the publication of the Final Auction Information Pack, the Final Qualification Decisions, and the Final Qualification Results were each delayed by multiple days vs. the Capacity Auction Timetable, the SOs then subsequently delayed the Capacity Auction Submission Commencement by one week to ensure these delays did not negatively impact Market Participants.
- 4.2.10. In their response to CMC_03_22, the DRAI echoed comments made by the proposer that the publication to all Participants of auction information is a key element of delivering the design intent set out in SEM-16-039; ensuring a level information playing field between all bidders, large and small.
- 4.2.11. With this in mind, the DRAI agreed with the proposer that instruction given by the SEM Committee to not publish the Qualifications Results report appears to be contrary to the intent of SEM-16-039.

- 4.2.12. The DRAI were of the view that regulatory intervention, overruling / deviating from the market rules enshrined by the CMC without justification or evidence, is likely to increase perceived regulatory risk associated with the CRM, potentially jeopardising future investment. The DRAI believes that the principles of information transparency, a level information playing field amongst all Market Participants, are critical tenets of the capacity market design and should not be upheld selectively.
- 4.2.13. BGE highlighted their support for all participants preparing bids for a capacity auction to be provided with a guaranteed minimum adequate period between the provision of the key auction data in the Final Auction Information Pack (FAIP) and Qualification Results to them, and the deadlines for them to submit their bids. And therefore, they were in support of both proposals CMC_02_22 and CMC_03_22.
- 4.2.14. BGE reiterated the commentary made during WG23 whereby Participants stated the time between the provision of the auction information and the start of the bidding process is crucial to participants to carry out their internal analysis processes, bid strategy review, and to obtain the appropriate in-house executive level sign-off to authorise the participants' legally binding bids into the auction. BGE added that any reduction in this period can seriously impact in-house processes which could risk sub optimal or even no bids where the participant has been unable to complete the bid building and authorisation process.
- 4.2.15. BGE also acknowledged the parallel processes and considerable processing which needs to be completed by the SOs in the preparation of the final auction information for participants, and the balance they aim to achieve between the auction timescale and the development of new capacity after the auction.
- 4.2.16. BGE commented that they would encourage the sentiment of the RAs to work with the SOs to streamline the auction processes by amalgamation or elimination to reduce future risk of delays. However, in the event that a delay may again occur in the future, they believe that participants require certainty under the Code that the period allocated for their in-house processes will not be impacted by any change to the auction timetable.
- 4.2.17. BGE stated that whilst they appreciated the flexibility shown by the RAs in the recent 2025/2026 T-4 Capacity Auction in the extensions made to key dates in the auction timetable, participants remained uncertain at the time if any extension would be forthcoming which caused unnecessary pressure to the in-house processes across the participating organisations. BGE stated that there is therefore significant merit in both of these proposed modifications to codify and secure for participants the adequate time for their in-house processes to complete.

Taking account of this, BGE would be supportive of these modification proposals.

- 4.2.18. With regards to CMC_02_22, SSE stated that whilst they appreciate that having several processes running in parallel can cause systematic delays to the publication of documents, it is not acceptable that market participants are detrimentally impacted as a result of insufficient resources for SEMO.

4.2.19. SSE commented that a process should be sufficiently and robustly developed with mitigations such as what is being proposed, so that all parties still receive the same length of expected time for analysis and preparation.

They have also noted that where the FAIP has been delayed in the past, there has been no commensurate time given to participants for preparation and confirmed that they support implementation of this proposal, coupled with CMC_03_22 as it would bring greater accountability and transparency to the CRM.

4.2.20. SSE also referred to ESB's suggestion of potentially expanding timeframes associated with auction processes, possibly by starting the processes earlier, and stated that if this were considered as an alternative, they could be supportive of this.

4.2.21. SSE stated that their comments made under CMC_02_22, relating to the delayed publication of key documents also apply to CMC_03_22. SSE highlighted that Qualification Results contain necessary information to inform participants' decisions in the Auction and they would support the push for accountability in this process.

4.2.22. Pertinent to both CMC_02_22 and CMC_03_22, SSE state they appreciate that the SOs are keen to streamline auction processes in the coming months and would welcome engagement on this.

4.2.23. SSE stated they understood the justification as to why the SOs and SEMC may want to make amendments to the process without modifying the entire CMC, however, are of the view that this does not address the fundamental need for consequences and accountability, which a CMC change would help to codify.

4.2.24. SSE stated that whilst they would welcome a review of the auction process, they believe this does not promote transparency or accountability alone and recommended that this proposal be accepted alongside a fuller review of the process.

4.2.25. Energia, the proposer of both CMC_02_22 and CMC_03_22, reiterated that the proposals are in respect of the timely and accurate publication of key information, namely the FAIP and Qualification Results and that they are key pieces of information that market participants rely on to formulate their bidding strategies for the corresponding Capacity Auction.

4.2.26. Energia stated that for many market participants, board approval will often be required for finalising bidding strategies prior to participation in an auction. They elaborated that inaccurate or delayed publication of this 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.

4.2.27. Energia referred to comments made at WG23, 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. They highlighted the SOs response 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".

4.2.28. Energia stated their disappointment at the reluctance 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, Energia emphasised 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.

4.2.29. EirGrid / SONI stated they support the SEM Committee's 'minded to reject' position on the proposed modifications CMC_02_22 and CMC_03_22.

4.2.30. EirGrid / SONI also support the SEM Committee's view that the issues the proposed modification seeks to address are better addressed through process, procedure and system changes rather than through the introduction of text which would add a new requirement on the System Operators to propose a delay, a decision on which would remain at the discretion of the Regulatory Authorities.

4.2.31. EirGrid / SONI acknowledged that there have been delays in the publication of the FAIP across recent auctions and that any deviation from the Capacity Auction Timetable is unwelcome.

4.2.32. They highlighted that within the last 15 months there have been four Capacity Auctions completed: T-4 2024/25, T-1 2022/23, T-3 2024/25, and T-4 2025/26. Elaborating, the SOs state that running these auctions was critical for addressing Security of Supply concerns and has been an exceptionally challenging period for the SOs involving Qualification and Capacity Auction windows across multiple auctions. EirGrid / SONI advised that they also received a significantly higher volume of applications for the T-3 and T-4 Capacity Auctions.

4.2.33. In response to the proposed changes put forward within the modification, EirGrid / SONI highlight that they are conscious that delaying the auction reduces the amount of time available to participants to meet Substantial Completion by the start of the Delivery Year. EirGrid / SONI also echoed the SEM Committee's view that the appropriate response to resolving issues in relation to the publication of auction information is to address the contributory causes to the greatest practicable extent.

4.2.34. EirGrid / SONI stated that they are currently developing an online Application for Qualification portal. They advise that this portal will reduce the administrative burden on participants by allowing them to submit their application online. Further, they advise that the use of the online process is intended to increase the efficiency of the qualification process for the TSOs, which reduces the risk to milestones.

- 4.2.35. In response to the concerns raised by Participants under CMC_03_22, EirGrid / SONI stated that whilst, in accordance with E.9.5 of the CMC, the SOs are required to publish a Final Qualification Results Report, the SOs were directed not to publish the Final Qualification Results Report for the T-3 2024/25 Capacity Auction. They stated that unless they are directed otherwise, the System Operators will continue to meet obligations under E.9.5 of the Capacity Market Code.
- 4.2.36. EirGrid / SONI welcome the RAs statement, during WG23, that a review of the auction process will be initiated with the goal of simplifying and streamlining the process to the benefit of all stakeholders and confirmed that they will be supporting this review.

4.3. SEM COMMITTEE DECISIONS

- 4.3.1. The SEM Committee welcomes the feedback provided by participants, both as part of the Working Group forum and with regard to the Consultation process and notes that several responses were in favour of approving this proposal.
- 4.3.2. Whilst a number of responses were in favour of implementation, the SEM Committee still have concerns around the impacts / issues that would be encountered upon delaying the publication of both Auction materials and a Capacity Auction itself.
- 4.3.3. From the inception point of an Auction, the formulation and publication of a Capacity Auction Timetable, there is a significant amount of processes that must be completed in order for an Auction to be completed.

Given this level of work and processing, each Capacity Auction has taken place in close proximity to the stipulations set out in section D.2.1.5 of CMC:

“D.2.1.5 Subject to paragraph D.2.1.17, the Capacity Auction Run Start included in the Capacity Auction Timetable will:

- (a) for a T-1 Auction, fall no less than two and no more than thirteen months prior to the start of the relevant Capacity Year;*
- (b) for a T-2 Auction, fall in the period no less than fourteen and no more than twenty-eight months prior to the start of the relevant Capacity Year;*
- (c) for a T-3 Auction, fall in the period no less than twenty-nine and no more than forty-one months prior to the start of the relevant Capacity Year; and*
- (d) for a T-4 Auction, fall in the period no less than forty-two and no more than fifty-four months prior to the start of the relevant Capacity Year.”*

- 4.3.4. Taking account of this, there is little room for manoeuvrability with regards to delaying a Capacity Auction.

4.3.5. Aside from issues around manoeuvrability, the SEM Committee recognise that any delays here can subsequently lead to an overlap between the processes associated with other Auction programs, given that the System Operators are usually running processes one after another.

Delaying the publication, or an Auction itself can lead to “process bottlenecks”, which the SEM Committee want to avoid.

4.3.6. Following the consultation process, the SEM Committee concerns still prevail, and therefore the SEM Committee are upholding their minded-to position to reject these proposals – albeit in their current form.

4.3.7. The SEM Committee do not think there is merit in codifying delays to Capacity Auctions and note that delays to publication of Auction papers and Auction Run Start Dates is not expected to become the norm.

4.3.8. The SEM Committee also note that, in the event of any issues that may occur, a Capacity Auction can be delayed through the use of section B.4.1.1 of the CMC, such as was utilised in the delay to the T-4 CY2025/26 Capacity Auction.

However, the SEM Committee would reiterate that this is not expected to be normal process.

4.3.9. Whilst the SEM Committee are rejecting the modifications in their current form, they are cognisant of the impacts any such delays have on Market Participants and therefore propose to make an amendment to the Code which did not form part of the proposed modification, though a similar approach was mentioned by Energinet in their consultation response.

4.3.10. Within section B.12.11.4 of the CMC, the RAs are afforded the ability to:

“make a Modification that is different (including one that is materially different) from that proposed in a Modification Proposal, Workshop or consultation notice if the Regulatory Authorities are satisfied that, having regard to the issue or issues that were raised by the Modification Proposal, that the different Modification will or is likely to better contribute to the achievement of the Capacity Market Code Objectives.”

4.3.11. Taking account of this, the RAs are amending *Table A: Capacity Auction Timetable Indicative Timeframe*, contained within *Appendix C* of the CMC.

4.3.12. As things currently stand, the CMC states as part of the Indicative Timeframe, the following items are expected to be made available at A-2 Weeks i.e. two weeks prior to the Auction Run Start Date:

- Final Qualification Results Date;
- Qualification Results Publication Date;
- Date for finalising the Locational Capacity Constraint Limits for the Capacity Auction; and
- Final Auction Information Pack.

4.3.13. The SEM Committee are amending this indicative timeframe from A-2 Weeks to A-3 Weeks which, in the event of no delays occurring, Market Participants will have additional time to perform their analysis / Auction related processes.

4.3.14. The updated timetable is able to absorb a delay of up to a week in the publishing of data which is currently published at A-2 Weeks, without reducing the time available for Market Participants relative to the current timetable.

This additional buffer is intended to cover a delay going forward and, in the exceptional case of more serious delay, the RAs are still able to delay the auction as occurred for the T-4 CY2025/26.

4.3.15. The changes to Appendix C, also include consequential changes to the timing of other events within both *Table A: Capacity Auction Timetable Indicative Timeframe* and *Table B: Indicative Timeframe for Reviewable Decisions and Qualification Disputes* to ensure that other parts of the Qualification Process are not squeezed, potentially increasing the risk of process delays.

4.3.16. Given the above, the SEM Committee is implementing a modified version of the proposal, with the revised legal drafting set out in Appendix C.

4. NEXT STEPS

5.1.1. The SEM Committee require that the SOs incorporate the approved Modifications contained within this paper into the CMC via an appropriate version control process and the Modifications are to become effective by no later than:

| Modification | Implementation Date |
|--------------|---|
| CMC_01_22 v2 | Rejected in its original form – RA amendments to go live from 08/07/2022 |
| CMC_02_22 | Rejected in their original form – RAs amendments to go live from 08/07/2022 |
| CMC_03_22 | |

5.1.2. All SEM Committee decisions are published on the SEM Committee website: www.semcommittee.com