

Response to SEM-22-033

Capacity Market Code WG 25 Consultation Paper

EirGrid and SONI Response
2nd August 2022



Introduction

EirGrid holds licences as independent electricity Transmission System Operator (TSO) and Market Operator (MO) in the wholesale trading system in Ireland, and is the owner of the System Operator Northern Ireland (SONI Ltd), the licensed TSO and MO in Northern Ireland. The Single Electricity Market Operator (SEMO) is part of the EirGrid Group, and operates the Single Electricity Market on the island of Ireland.

Both EirGrid, and its subsidiary SONI, have been certified by the European Commission as independent TSOs, and are licenced as the transmission system and market operators, for Ireland and Northern Ireland respectively. EirGrid also owns and operates the East West Interconnector, while SONI acts as Interconnector Administrator for both of the interconnectors that connect the island of Ireland and GB.

EirGrid and SONI, both as TSOs and MOs, are committed to delivering high quality services to all customers, including generators, suppliers and consumers across the high voltage electricity system and via the efficient operation of the wholesale power market. EirGrid and SONI therefore have a keen interest in ensuring that the market design is workable, will facilitate security of supply and compliance with the duties mandated to us and will provide the optimum outcome for customers.

EirGrid and SONI have duties under licence to advise the CRU and UR respectively on matters relating to the current and expected future reliability of the electricity supply. We have also been allocated responsibility for administering the Capacity Market Code through our TSO licences. This response is on behalf of EirGrid and SONI in their roles as TSOs for Ireland and Northern Ireland.

EirGrid and SONI Views on the Consultation Topic

EirGrid and SONI, in our role as System Operators have considered the points raised during the Capacity Market Workshop 25 and the SEM Committee's subsequent consultation paper ([SEM-22-033](#), 1st July 2022), in relation to the proposed Capacity Market Code modifications,

- [CMC 04 22](#) - New Reference Rates for Default Interest
- [CMC 06 22](#) - New Interdependent Combined Units
- [CMC 07 22](#) - Modification to Provisions for Market Registration of DSUs - Variation in Mix
- [CMC 08 22](#) - Locational Capacity Constraints Maximum Quantities
 - [Amended Modification Text](#)
- [CMC 09 22](#) - Secondary Trade Approval Notification

The System Operators welcome this opportunity to contribute to the Regulatory Authorities' consultation process. Further comments are appended for your consideration.

APPENDIX: Response Template

SUMMARY INFORMATION

Respondent's Name	SONI & EirGrid
Type of Stakeholder	System Operators
Contact name (for any queries)	-
Contact Email Address	-
Contact Telephone Number	-
Confidential Response	No

CAPACITY MARKET CODE MODIFICATIONS CONSULTATION COMMENTS:

ID	EirGrid and SONI Response
CMC_04_22 New Reference Rates for Default Interest	
Proposed Modification and its Consistency with the Code Objectives	<p>EirGrid and SONI welcome the SEM Committee’s minded position on the proposed modification CMC_04_22.</p> <p>EirGrid and SONI have no further comments to those contained in the modification proposal and outlined in Workshop 25.</p>
Impacts Not Identified in the Modification Proposal Form	N/A
Detailed CMC Drafting Proposed to Deliver the Modification	As per the Modification Proposal.

CMC_06_22 New Interdependent Combined Units

<p>Proposed Modification and its Consistency with the Code Objectives</p>	<p>EirGrid and SONI welcome Capacity Market developments which effectively increase flexibility and which reduce the administrative burden on Market participants.</p> <p>EirGrid and SONI note previous proposals which sought to introduce mechanisms by which Capacity could be combined and limitations which prevented their approval by the SEM Committee including in relation to lumpiness. EirGrid and SONI note the SEM Committees recent decision (SEM-22-028) which introduced a new Capacity Aggregation Threshold in place of the De Minimis cap on combining Candidate Units.</p> <p>EirGrid and SONI support the Regulatory Authorities’ proposal CMC_06_22 in principle, to potentially increase the scope for combining Capacity while restricting associated inflexible volumes offered in Capacity Market Auctions.</p>
<p>Impacts Not Identified in the Modification Proposal Form</p>	<p>EirGrid and SONI note the modification proposal assumes that no system changes will be required to implement the changes. Further to the Workshop discussion, and pending an impact assessment, it is expected that system changes will be necessary to implement the modification as proposed in the Auction process.</p> <p>EirGrid and SONI recognise the merits in facilitating the combining of existing awarded capacity and suggest that consideration should be given to cater for this if the benefits of the proposal are to be realised in the short term. Subject to process and system impact assessment, this may also address to some extent the issues CMC_07_22 seeks to address.</p>
<p>Detailed CMC Drafting Proposed to Deliver the Modification</p>	<p>EirGrid and SONI wish to re-iterate concerns raised at Workshop 25 in relation to the potential introduction of a statement that ‘the System Operators shall not reject...’ an application for combining Candidate Unit capacity due to a potentially broad interpretation. It may be the case that the System Operators would reject this unit due to insufficient detail in the submitted Implementation plan, or if the project cannot be delivered by the start of the capacity year. The SOs are concerned that the proposed drafting in Section E.7.6.4 is not properly aligned with other relevant areas in Section E of the Capacity Market Code. Furthermore, the specification of the limit is potentially ambiguous and would benefit from being drafted algebraically to avoid any misinterpretation.</p> <p>The proposed text is also potentially ambiguous with respect to how the validation would be applied in that ‘total quantity offered in respect of PQ pairs that are inflexible’ could be read as the total for each PQ pair that is inflexible or it could be read as the total for all PQ pairs that are inflexible.</p>

CMC_07_22 Modification to Provisions for Market Registration of Demand Side Units – Variation in Mix

<p>Proposed Modification and its Consistency with the Code Objectives</p>	<p>EirGrid and SONI support the SEM Committee’s minded to reject position on this proposal for several reasons including those outlined by the Regulatory Authorities at Workshop 25 and subsequent consultation paper. EirGrid and SONI acknowledge that DRAI’s intention, stated during Workshop 25, in submitting the proposal, was in part to ensure the proposal remains under consideration however it requires very significant further development by the Proposer before the impact across the Capacity Market Code could be understood and considered in detail.</p> <p>EirGrid and SONI would further state that a change in markets policy would be required to facilitate the proposal due to the introduction of a portfolio approach to the provision of Capacity whereas the current approach is Unit based.</p> <p>EirGrid and SONI believe a significant structural change should be driven by the Proposer with continued engagement with stakeholders, primarily the Regulatory Authorities, culminating in a comprehensive proposal for consideration. EirGrid and SONI are not able to develop in detail what is at this point conceptual.</p>
<p>Impacts Not Identified in the Modification Proposal Form</p>	<p>EirGrid and SONI are mindful of the merits of another proposed modification, CMC_06_22, and the potential to realise the benefits of that proposal for existing awarded capacity including for Demand Side Units. Subject to the form the implementation of that modification may take and system and process capabilities, EirGrid and SONI believe that proposal could deliver to a large extent on the intention of CMC_07_22 without the necessary change in policy and market structure.</p>
<p>Detailed CMC Drafting Proposed to Deliver the Modification</p>	<p>EirGrid and SONI echo the Regulatory Authorities’ views that significant further development would be required by the Proposer before a comprehensive legal drafting could be considered in context across the Capacity Market Code. However, EirGrid and SONI believe the impact of the proposal goes beyond the Capacity Market Code and underpinning policy may need to be amended in order to facilitate such a proposal.</p>

CMC_08_22 Locational Capacity Constraints Maximum Quantities

EirGrid and SONI welcome the SEM Committee’s minded to approve position on proposed modification CMC_08_22.

Locational Capacity Constraints ensure that Capacity Market outcomes follow the Transmission System Security and Planning Standards (TSSPS) in Ireland and Northern Ireland. Further to the approach that has been taken to date, EirGrid and SONI believe that there is merit applying the Locational Capacity Constraint framework to apply a Maximum Quantity in order to comply with the TSSPS.

During Workshop 25 some Participants queried the rationale for introducing a Maximum Quantity constraint. To summarise the issue, it is possible following an Auction that a volume of Awarded Capacity could be cleared in a part of the power system than cannot feasibly accommodate it operationally e.g. where the simultaneous operation of the units would exceed the short circuit limits. Capacity located in an area of the transmission system that may not be accessible when it is needed may also displace capacity in an area that can be accessed. This issue is more acute where capacity seeking to qualify may not have a connection offer at the time of qualification and therefore limited, if any, network and operational analysis has been undertaken in respect of the capacity. Where there are several units seeking to qualify through a regulatory direction whereby evidence of a connection offer at the qualification stage is not required, cumulative impacts can arise that were previously not considered. Given the above, it may be necessary to make amendments to the Locational Constraints Area post publication of the Initial Auction Information Pack in order to consider the need for additional constraint areas based on the volume of projects that have submitted Application for Qualifications for auctions whereby a connection offer is not needed at the qualification stage. It is very difficult for the TSOs to assess what Locational Constraint Areas are needed without a level of foresight on the type and volume of projects seeking to qualify for an auction.

Where only a portion of the capacity that has applied to qualify can be accommodated within the limits specified in the TSSPS, the application of a Locational Capacity Constraint Maximum Quantity would enable the System Operators and ultimately the Regulatory Authorities to qualify more capacity than can be accommodated in particular Locational Capacity Constraint Area. This qualified capacity could then go on to compete in a Capacity Auction for the amount of capacity that can be accommodated. This strikes a balance between the two extremes: all – some of which will be inaccessible - or nothing. The proposed approach promotes competition by allowing for the increased participation in the auction for units that may not have been qualified in the absence of this maximum limit; does not unduly discriminate between capacity market participants and ultimately promotes the short- and long-term interests of consumers of electricity in Ireland and Northern Ireland.

Proposed Modification and its Consistency with the Code Objectives

<p>Impacts Not Identified in the Modification Proposal Form</p>	<p>In accordance with the Capacity Market Code and the Capacity Market: Locational Capacity Constraints Methodology (SEM-17-040a), the System Operators are tasked with identifying Locational Capacity Constraint Areas and Required Quantities (Minimum MWs) to ensure that outcomes of Capacity Auctions can comply with the TSSPS. EirGrid and SONI view the implementation of Maximum Quantities is consistent with the Locational Capacity Constraint Methodology insofar as it seeks to provide for Capacity Market outcomes which are compliant with the TSSPS. However, EirGrid and SONI recognise that the methodology is subject to Regulatory approval including consultation where appropriate.</p> <p>Accordingly, EirGrid and SONI are of the view that Capacity Auctions should provide for Maximum Quantities and where these constraints are identified in accordance with Capacity Market: Locational Capacity Constraints Methodology (SEM-17-040a) that they should be included in a Capacity Auction with the associated Locational Capacity Constraints Areas.</p>
<p>Detailed CMC Drafting Proposed to Deliver the Modification</p>	<p>As per the original modification proposal, as amended in Appendix D(4ii) of the consultation paper SEM-22-033.</p>

CMC_09_22 Secondary Trade Approval Notification

<p>Proposed Modification and its Consistency with the Code Objectives</p>	<p>EirGrid and SONI support the principles of transparency as applied to timely processing and communications in relation to Secondary Trades. The Capacity Code currently provides numerous references for the timing of submission, validation, registration and notification of Secondary Trades.</p> <p>Specific provisions include:</p> <ul style="list-style-type: none"> • Requirements that a Participant must submit an Interim Secondary Trade Notification at least five working days before the relevant period (M.7.2.4) • Requirements that the System Operators to validate and register Alternative Secondary Trade Notifications within five working days (reducing to 2 hours with the implementation of CMC_11_21) (M.12.3.1) • System Operators’ notification of rejection of proposed Secondary Trade as soon as practicable (M.12.3.3) • System Operators’ notification of the Awarded Capacity and Price associated with an Alternative Secondary Trade Notification as soon as practicable (M.12.9.1) <p>The first proposal within CMC_09_22 introduces an additional requirement for the System Operators to send a validation notification of Interim Secondary Trade Notifications within five working days of submissions. EirGrid and SONI already aim to achieve this through existing business processes. EirGrid and SONI note the SEM Committee’s intention to approve the proposal and welcome the codification of this existing standard.</p> <p>The second proposal within CMC_09_22 introduces an additional requirement for the System Operators to send a validation notification of Alternative Secondary Trade Notifications within 2 hours of submission. Existing business processes could not facilitate the achievement of this proposal. Considerable automation would be required to achieve a sustainable 2-hour processing timeframe on a 24-hour basis. EirGrid and SONI note the SEM Committee’s intention to approve the proposal subject to implementation of the necessary Secondary Trading platform functionality. EirGrid and SONI welcome this approach.</p>
<p>Impacts Not Identified in the Modification Proposal Form</p>	<p>Taking into account of the volume of work and complexity involved in validating Secondary Trades under the current process, The TSOs are supportive of the SEM Committee’s minded to position that the SEM Committee are minded-to approve the proposal, with the initial 5WD notification which will then reduce to the intended 2 hour period, upon implementation of the required system changes.</p>

Detailed CMC Drafting Proposed to Deliver the Modification	N/A
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