EP UK Investments Response to SEM-23-097

EP UK Investments (**EPUKI**) welcomes the opportunity to respond to this consultation. EPUKI broadly supports the purpose of CMC_25_23 which is critical in aligning the initiation of Capacity Payments with the provision of capacity to the grid. EPUKI has a number of important amendments related to the modification as currently drafted, and the TSO requirements for issuance of a Market Readiness Certificate (**MRC**). These are necessary to ensure that the modification works as intended and is implemented as efficiently and effectively as possible. This response has addressed these recommendations to each document separately.

The purpose of CMC_25_23 is to accelerate the availability of new generation to support Security of Supply concerns. It incentivises project developers to re-order their commissioning activities to enable power generation to be made available as early as possible to meet Security of Supply requirements. Project developers will incur additional costs for re-ordering commissioning (including gas, carbon, BM imbalance, acceleration payments to contractors, additional testing, etc.) to enable earlier availability and therefore investors expect reasonable degree of certainty that this investment will be justified by receipt of earlier Capacity Market payments.

Modification Legal Drafting

Definition of Market Readiness Certificate Within Grid Code

EPUKI recommends amendments to the structuring of C.3.7.1, C.3.7.2, G.3.1.1, G.3.1.2, G.3.1.2A, and G.3.1.2B. Currently these sections read "*based on the Final Compliance Certificate, Operational Certificate, Market Readiness Certificate, or Final Operational Notification for that Generator/Demand Side/Interconnector Unit under the applicable Grid Code*". It is understood that the MRC will not be issued under the Grid Code. Further, it is not currently defined under the Grid Code and hence, the above structuring would necessitate a Grid Code modification. Under the urgent timelines required for this modification, such a modification is not feasible.

EPUKI recommends the drafting for the above sections is amended to read "*based on the Final Compliance Certificate, Operational Certificate, or Final Operational Notification under the applicable Grid Code, or Market Readiness Certificate for that Generator/Demand Side/Interconnector Unit".* This removes the requirement for the MRC to be issued under the Grid Code, therefore removing the need for a Grid Code modification, and is consistent with the drafting applied in other areas of the modification (such as Sections J.2 and J.6).

Definition of Market Readiness Certificate within Modification

EPUKI has some concerns around the definition of MRC as currently drafted.

The MRC definition refers to the MRC being a certificate issued by the relevant System Operator confirming that the new or refurbished Generator Unit or Interconnector has successfully completed the relevant compliance tests under the Grid Code. We note that EirGrid's Specification of Requirements document published alongside CMC_25_23 proposes certain requirements that are not compliance tests under Grid Code. Therefore, to address this issue we suggest amendment to the MRC definition as follows *"…means a certificate issued by the relevant System Operator confirming relevant requirements including*

that the new or refurbished Generator Unit or Interconnector has successfully completed the relevant compliance tests."

Further, the MRC definition refers to compliance tests under the Grid Code "successfully *completed, the relevant compliance tests, as published from time to time by the relevant System Operator".* This means that the requirements for receiving an MRC can be amended or changed at any time without robust justification and with no prior industry engagement. This introduces investment uncertainty for New Capacity projects which will not have foresight of MRC requirements prior to testing or may be exposed to changes to these requirements while undergoing testing.

EPUKI recommends that the following change is made:

- Amend the definition of MRC to explicitly refer to state "*successfully completed the list of compliance tests and requirements as consulted upon and published from time to time by the relevant System Operator".*

- If this is not deemed acceptable the EPUKI proposes the following alternative: Amend the definition of the MRC in the Capacity Market Code to explicitly include the requirements for MRC as included in EirGrid's Specification of Requirements document published alongside the modification.

Finally, EPUKI requests a freeze to the requirements for receipt of an MRC with respect to a given Capacity Market Unit, which is triggered on the date that the unit initiates its Commissioning. The Participant will require, at the bidding stage, clarity on costs that will be incurred and certainty of requirements to obtain an MRC. It would be inequitable for the requirements for an MRC to change after this commitment has been made.

This amendment adds certainty for new projects participating in a Capacity Auction in order to deliver on their capacity obligations.

An amended version of the modification legal drafting, with these changes included, has been submitted as an appendix to this response.

Requirements for Market Readiness Certificate

EPUKI has concerns around the requirements for issuing an MRC as currently drafted. While it is understood that this consultation refers to the modification only, (and therefore it appears that the accompanying Specification of Requirements document is not within the direct scope of this consultation), it is nonetheless the most appropriate place to include these comments.

Timeline for Issuing a Market Readiness Certificate

EPUKI is concerned that the current timeline for issuing an MRC is unnecessarily long which goes against the whole purpose of this modification, which is to accelerate power generation availability to meet Security of Supply concerns. Extended timelines in issuing an MRC will lead to the loss of earlier capacity market revenues which were rightly due to the project.

With the currently proposed timelines it is entirely possible, and indeed likely for OCGT and reciprocating engines, that a unit will have completed commissioning and applied for its Final Operational Notification

(FON) before the MRC is issued by the TSO. The result of this is that the MRC could be issued by the TSO a small number of days before the FON. This means that the MRC, with the timeline proposed in this consultation, will mostly fail in its primary objective of accelerating the availability of new capacity to meet Security of Supply concerns.

The document currently states that "*A minimum two weeks must be allowed for the TSO to review or issue any reports and coordinate the relevant checks and data sharing across multiple teams".* It is very difficult to understand why a minimum of two weeks is required for this verification. The MRC requirements set out in the document includes (1) information that will be available well before the MRC application (ION, programme of works, SEM registration, verification of SCADA signals), (3) a Declaration and (4) the results of the Capacity Test (or Registered Capacity Test).

All this information, apart from the results of the Capacity Test and Declaration, can be submitted to the TSO well in advance of commissioning and we can see no reason why it would take more than 1 working day to assess the Capacity Tests results (noting that the contents of the test, reporting requirements and any witnessing requirements will be agreed prior to the test taking place) and that the Declaration is complete.

The timeline for issuance of an MRC also creates the risk of discrimination if separate projects were to submit requests for an MRC at the same time. Under the current drafting, there is no requirement for the TSO to assess these requests and subsequently issue an MRC within a certain timeframe. This may result in one participant receiving an MRC significantly in advance of another, with limited transparency as to why this is the case.

EPUKI recommends that the following change is made:

- We recommend the TSO should be under an obligation to expedite the issuing of the MRC without undue delay and in any case, within "a maximum of 1 working day". If the TSO misses this timeline, then then deemed issuance of the MRC should occur.

If this proposal is not deemed acceptable then EPUKI proposes the following alternative:

- Include a backdate mechanism whereby a New Capacity project will be retrospectively deemed Substantially Complete on the day on which its request for an MRC was submitted (provided the MRC was subsequently granted, and that all other conditions for Substantial Completion were satisfied at the time that the MRC was submitted). This should include the back payment of missed capacity revenue during the period of assessment.

<u>Clarifications and Revisions</u>

EPUKI has significant concerns around the statement that "*Any revisions to reports or requests for clarifications will require an additional two weeks upon receipt of the updated report or information".* Again, this goes against the whole purpose of this modification which is to accelerate power generation availability to meet Security of Supply concerns and will lead to loss of earlier capacity market revenues which were rightly due to the project. It creates a risk that the timeline for issuing an MRC could extend substantially, or even indefinitely, and that the unit will have completed commissioning and have

requested a FON before the MRC is issued. This also increases the potential for discrimination between projects as outlined above.

While EPUKI recognises the potential for extensions to the issuance period in instances where a Participant has submitted information which is incorrect, such extensions cannot be applied in the blanket manner as currently set out and should be limited to "*material information that would prevent the Synchronised operation of the power plant*". EPUKI also request that the timeline for the TSO to consider such updated information be reduced to a maximum of 1 working day and that if the TSO misses this timeline, then then deemed issuance of the MRC should occur.

Given the level of uncertainty this clause introduces project developers are unlikely to modify their commissioning plans to accelerate the issue of an MRC.

Items Required for MRC Completion

EPUKI has comments on the items included on the requirement list included in the MRC document. Specifically, we believe that these requirements may benefit from additional clarity or redefinition. In particular, we have the following comments:

- Under requirement 5, the Participant must submit a declaration of readiness from an OEM. We propose that this text is amended to refer to "a Director from the Participant associated with the relevant Capacity Market Unit". An OEM will almost certainly be unwilling to provide any declarations or requirements beyond those which have already been agreed at the point of contract agreement and changing this to a 'Director from the Participant' aligns with other relevant sections of the Capacity Market Code such as J2.1.1 (iv), J.4.3.2 (i) and J.5.5.2 (b).

- EPUKI are unclear on the necessity to include both requirements 5(a) and 5(b). There appears to be a significant overlap between these two requirements. EPUKI would recommend removing 5(a) and altering 5(b) to "*Unit is available for dispatch and can remain Synchronised over the following operating range….".* This requirement would appear to satisfy both of the requirements included in 5(a) and 5(b) and the amendments proposed are consistent with relevant terminology established in the Grid Code.

- Requirement 5(b) states that the unit is "*fit and ready for secure, stable dispatch*". However, there is no definition or meaning behind this term under the Grid Code or other industry standard accepted meaning. Therefore, this term should be removed, as a unit which is available for Synchronised dispatch, as noted in the previous comment, would be "fit and ready for secure, stable dispatch" as required by, and in compliance with, the Grid Code as necessary.

- We believe that the option for the TSO to witness operation would be more appropriate in the Capacity Test under requirement 4.

- We understand that requirement 3 that refers to verification of SCADA signals is a pre-requisite to the issuance of the ION and can, therefore, be removed.

EPUKI requests that the above comments are addressed in an updated publication on the Requirements for Market Readiness Certificate document. An amended version of the MRC, with these changes

included, has been submitted as an appendix to this response. We are happy to engage further on these recommendations or to meet to discuss them in more detail.