

Response to SEM-23-034

Capacity Market Code Modifications Workshop 30 Consultation Paper

31st May 2023



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1. Introduction

EirGrid holds licences as independent electricity Transmission System Operator (TSO) and Market Operator (MO) in the wholesale trading system in Ireland. System Operator Northern Ireland (SONI Ltd) is 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.

EirGrid and SONI have been certified by the European Commission as independent TSOs. 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.

1.1. EirGrid and SONI View on the Consultation Topic

EirGrid and SONI, in our role as System Operators, welcome the opportunity to respond to the SEM Committee's consultation paper ([SEM-23-034](#), 24th April 2023) in relation to the proposed Capacity Market Code modifications:

- [CMC_04_23](#) Introduction of Remedial Action for Unforeseeable Delays Due to Extraordinary Supply Chain Impacts
- [CMC_05_23](#) Resolving Inconsistency in Definition of Existing Capacity Arising from CMC_11_22
- [CMC_06_23](#) Outstanding Aspects of the Implementation of ARHL De-Rating Factors
- [CMC_07_23](#) Special Application of ISTA
- [CMC_09_23](#) Removal of Section J.6.1.6 of the Capacity Market Code

EirGrid and SONI have summarised our views on each of the Workshop 30 proposals using the appended templates.

1.1.1. APPENDIX: Response Template

SUMMARY INFORMATION

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

CAPACITY MARKET CODE MODIFICATIONS CONSULTATION COMMENTS:

CMC_04_23 Introduction of Remedial Action for Unforeseeable Delays Due to Extraordinary Supply Chain Impacts	
ID	EirGrid and SONI Response
Proposed Modification and its Consistency with the Code Objectives	EirGrid and SONI contend that the proposal, as presented, would be counter to and inconsistent with Code objectives including facilitation of 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; and the promotion of the interests of consumers of electricity across the Island of Ireland.
Impacts Not Identified in the Modification Proposal Form	<p>The proposal would undermine the competitive nature of an auction by subsequently providing additional time for delivery without the benefit of clear, objective criteria for applying the Remedial Action.</p> <p>Any change to the firmness of the Long Stop Date which is not underpinned by clear criteria and trigger points could have significant upstream impacts on investment decisions, where Participants would be more likely to propose projects which have greater risk of non-delivery. Additional capacity may need to be procured in order to replace such capacity. As proposed, without clear criteria, the Remedial Action could present significant challenge in assessing applications for remediation. EirGrid and SONI can foresee issues in demonstrating and approving that a delay was 'solely as a result of an extraordinary supply chain delay'. A supply chain delay or longest lead time resulting may mask other issues or delays in delivery i.e. other issues may have resulted in the project not meeting its obligations in any event. Untangling these interactions could be onerous.</p> <p>There may be no obligation on local or international suppliers to engage in the remediation process or respond to Regulatory Authority requests for information if required. Determining if alternative suppliers, additional investment or different contractual arrangements could have or should have been explored to mitigate the delay would be extremely involved.</p> <p>The burden of proof placed on the Regulatory Authorities could be considerable with the implementation of the proposal, with precedence being set with each decision and potential for legal challenge.</p>
Detailed CMC Drafting Proposed to Deliver the Modification	<p>The proposed legal drafting introduces terminology which is open to interpretation in the absence of definition such as 'extraordinary supply chain delays'. Clear triggers for the Remedial Action are not specified.</p> <p>The proposal seeks to address the issue of revenue erosion through a revision of the Maximum Capacity Duration however, should the proposal be implemented, the correct approach revises the Capacity Quantity End Date and Time as per J.5.6. (Ref. SEM-23-001, Appendix B).</p>

CMC_05_23 Resolving Inconsistency in Definition of Existing Capacity Arising from CMC_11_22

ID	EirGrid and SONI Response
Proposed Modification and its Consistency with the Code Objectives	EirGrid and SONI agree that the proposed modification furthers and is consistent with the Code Objectives by providing transparency and facilitating the efficient, economic operation and administration of the Capacity Market.
Impacts Not Identified in the Modification Proposal Form	<p>EirGrid and SONI wish to re-iterate that the intent and legal drafting for this modification proposal should be considered discretely. Perspectives and broader discussions including those in relation to the definition of Initial Capacity (Existing) classification should be considered separately.</p> <p>The System Operators would like to highlight that the introduction of Demand Site with CMC_11_22 requires a broader review under the Capacity Market Code. Unlike Aggregated Generator Units, where the sub component Generator is defined and represented throughout the Code, Demand Side Units are represented at the Generator Unit level and not at the Demand Site level. The System Operators would like to highlight that representation of sub-Generator Unit level does not occur in the Trading and Settlement Code and careful consideration is required here to ensure that any impacts are as intended.</p>
Detailed CMC Drafting Proposed to Deliver the Modification	EirGrid and SONI suggest that the original definition is restored and the sentence, " <i>Where a Demand Site would otherwise be considered New Capacity for the sole reason of a change of its registered Demand Side Unit then it shall be considered Existing Capacity in the determination of the ARHL De-Rating Factor to apply under this Code.</i> " be inserted as a new paragraph in the section C3.8. It is not necessary to include this provision in the global definition of New Capacity as it is confined to the calculation of the ARHL De-Rating Factor.

CMC_06_23 Outstanding Aspects of the Implementation of ARHL De-Rating Factors

ID	EirGrid and SONI Response
Proposed Modification and its Consistency with the Code Objectives	EirGrid and SONI agree that the proposed modification furthers and is consistent with the Code Objectives by facilitating the efficient, economic operation and administration of the Capacity Market and by promoting the interests of consumers with respect to price, quality, reliability and Security of Supply.
Impacts Not Identified in the Modification Proposal Form	N/A
Detailed CMC Drafting Proposed to Deliver the Modification	<p>EirGrid and SONI note the defined terms in the Code are ‘Annual Run Hour Limit’ and ‘Initial Annual Run Hour Limit etc.’ (all singular) whereas the proposed legal drafting appears inconsistent with terms including ‘Annual Run Hours Limit’.</p> <p>The legal drafting appears to introduce a new defined term which is capitalised (‘Commissioned Annual Run Hours Limit’). The term is described in the legal drafting but is not defined with a new Glossary entry.</p>

CMC_07_23 Special Application of ISTA

ID	EirGrid and SONI Response
Proposed Modification and its Consistency with the Code Objectives	EirGrid and SONI agree that the proposed modification furthers and is consistent with the Code Objectives by facilitating the efficient, economic operation and administration of the Capacity Market, the provision of adequate future capacity and facilitating undertakings in the provision of capacity, promoting the interests of consumers with respect to security of supply across the Island of Ireland.
Impacts Not Identified in the Modification Proposal Form	<p>EirGrid and SONI are supportive in principle of this proposed modification given the potential extended contribution the associated Existing Capacity could make to security of supply.</p> <p>Use of the Interim Secondary Trading Arrangements rather than the Alternative Secondary Trading Arrangements provides more flexibility, mitigating the risk that a counter party to the trade may not be available.</p>
Detailed CMC Drafting Proposed to Deliver the Modification	<p>The proposed legal drafting is numbered from M.14 however there is no section M.13 currently effective in the Code.</p> <p>If similar facilities may become enduring beyond the Capacity Years referenced, EirGrid and SONI recommend that the legal drafting omits references to specific dates, Capacity Years or Regulations in order to future-proof the newly codified text i.e. new Regulations may bind for other units in subsequent years. That said, there is precedence for time limited and Auction specific obligations in the Code (e.g. M.10; M.11).</p>

CMC_09_23 Removal of Section J.6.1.6 of the Capacity Market Code

ID	EirGrid and SONI Response
Proposed Modification and its Consistency with the Code Objectives	EirGrid and SONI contend that the proposal is counter to and inconsistent with Code objectives including facilitation of 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; and the promotion of the interests of consumers of electricity across the Island of Ireland.
Impacts Not Identified in the Modification Proposal Form	<p>EirGrid and SONI do not support this proposal and believe such a facility for termination should be retained in the absence of a specific material issue which would justify further consideration e.g. evidence that the clause is materially impacting economic Offers.</p> <p>If it is evident that all or part of New Capacity which was intended will not be delivered by the start of the first Capacity Year, there should be a means to provide the opportunity to deliver to others, if time allows. It should not be the case that known impending shortfalls cannot be addressed through this existing mechanism.</p>
Detailed CMC Drafting Proposed to Deliver the Modification	<p>The proposed modification text legal drafting does not reflect the effective version of J.6.1.6 following the approval of CMC_15_22: ‘Except where an extension has been granted under paragraph J.5.5.2, the System Operators shall terminate all or part etc.’</p> <p>Removing J.6.1.6 in its entirety would undermine the remedial action introduced: J.5.5 Extension of Long Stop Date by Third Party Planning Appeal or Judicial Review.</p>