



ELECTRICITY
ASSOCIATION
OF IRELAND

6 Merrion Square North,
Dublin
D02 FF95

Date: 23rd February 2024

Re: SEM-24-012 CRM T-3 2027/2028 Capacity Auction Parameters

By email to: CRMSubmissions@uregni.gov.uk and CRMSubmissions@cru.ie

The Electricity Association of Ireland welcomes the chance to respond to this SEMC consultation on the Capacity Auction parameters for a T-3 2027/2028 Capacity Auction, which has followed on from the Senior Stakeholder Forum held on 26th January. After consideration of the auction parameters and timings, industry are not in favour of a T-3 auction as a way to facilitate investment or to ensure security of supply in the future. It is our view that the proposed T-3 auction has a number of fundamental problems:

- The T-3 timeline, as proposed, does not allow sufficient lead time for delivery of new capacity. A key recommendation of the EY Review was to extend auction lead times and the SEMC accepted this. It was also overwhelmingly supported by industry. The proposal to have a T-3 auction and to reduce the lead time for the next T-4 auction is entirely inconsistent with this.
- Holding a T-3 auction effectively takes required volumes out of the T-4 auction and suppresses the clearing price. It is therefore at odds with the design philosophy of the capacity market that new entrants would set the clearing price for existing capacity which is otherwise capped at ECPC (set at 0.5 x Net CONE) and denied recovery of 'sunk costs' through USPC applications. This heightens the perception of regulatory risk which deters investment and increases the cost of capital.

However, if the SEM Committee proceeds with a T-3 auction, any delay to the subsequent T-4 auction should be minimised and any adjustments to the T-3 parameters should be very carefully made to avoid unintended consequences.

As discussed at the Senior Stakeholders forum, consideration should be given to the development of a T-5 capacity auction that has incentives for early delivery. This gives market

A decarbonised future powered by electricity.

Electricity Association of Ireland

Registered Office: 6 Merrion Square North, Dublin 2, D02 FF95

Registered No.443598 VAT No. IE9682114C

T +353 1 524 1046 | E info@eaireland.com | [@electricityAI](https://twitter.com/electricityAI)

www.eaireland.com

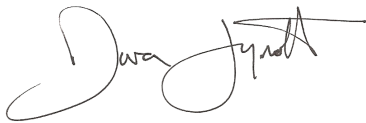
Directors: Kevin Hannafin, Keiran Tubridy, Ciaran O'Brien,
, Peter O'Shea, Brendan Kelly, Jill Murray, Marian Troy, TJ Hunter



participants sufficient time to prepare for the auction and provides additional time for delivery and investment, which is the ultimate goal of this T-3 auction.

While it is to be welcomed that the SEMC took onboard industry comments regarding the Auction Price Cap, there is concern that these are once-off measures and do not give assurance that the SEMC are committed to enduring measures that will facilitate the procurement of the necessary capacity for years to come. Of note is that the price cap for existing units is unchanged, which in our view, undermines and devalues existing capacity by not having regard to ongoing costs or the future development/refurbishment at such sites. Consultation on the enduring framework for incentivising investment in the capacity required for the future is warranted. Furthermore, conspicuous exclusion of existing units from positive changes to price caps, as well as these continuous once-off measures, sends mixed signals to investors who need to consider not only the more immediate revenue recovery as a New Capacity entrant, but the longer-term revenue landscape once such entrants become classed as Existing Capacity.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'Dara Lynott', is written over a thin horizontal line.

Dara Lynott
CEO
Electricity Association of Ireland