

Response to SEM-20-023
Capacity Market Code Working Group 12
Urgent Modification Consultation Paper CMC_05_20
Amendments Relating to the Clean Energy Package

EirGrid and SONI Response

20 March 2020



1 Executive Summary

EirGrid and SONI welcome the opportunity to respond to the consultation on CMC_05_20. The modification proposal provides much needed clarity on the implementation of the CO₂ emissions limits set out in Article 22(4) of Regulation 2019/943/EU.

We broadly agree with the approach proposed in respect of the changes to the CMC and we suggest a number of minor changes to address potential impacts on the operation of the Capacity Market.

We suggest that participants are asked to provide Specific Emissions and Annual Emissions values (for existing units) along with the proposed methodology. We agree with the removal of the requirement for the TSO to develop a methodology as the calculation in many respects is reasonably clear.

We also support the provision of the technical guidance by the RAs to provide for a consistent interpretation of the requirements by participants when submitting their emissions information. We provide a number of comments on this in particular in respect of a potential inconsistency between some of the notes provided regarding the horizon over which the annual emissions calculation should take place. This is a critical consideration.

EirGrid and SONI fully recognise the need to implement Art 22 (4) of Regulation 2019/943/EU and are committed to the implementation of these provisions in the coming qualification process and beyond. We are available to engage further with Regulatory Authorities on these and associated considerations. In particular, we would advocate a pragmatic approach to the implementation of these requirements.

In the transformation of the power system for future generations, it will be necessary to transition away from traditional more carbon intensive generation on which we have relied for decades to a low carbon system powered predominantly by renewable generation. This transformation needs to be done carefully to maintain the reliability of the power system. EirGrid and SONI are committed to this transformation and the Capacity Market represents an important lever to give effect to this change.

2 Introduction

2.1 EirGrid and SONI

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 and MO for Ireland and Northern Ireland, including as operators of the Capacity Market.

3 EirGrid and SONI views on the Consultation Topics

EirGrid and SONI welcome the opportunity to respond to the consultation on CMC_05_20. The modification proposal provides much needed clarity on the implementation of the CO₂ emissions limits set out in Article 22(4) of Regulation 2019/943/EU.

Considering that the calculation may differ considerably across different generator units, we consider it pragmatic to include directly in the Capacity Market Code the requirement to comply with Article 22(4) of Regulation 2019/943/EU. Our understanding is that this will be accompanied by a technical guidance decision that will refer to the ACER Opinion and associated materials and provide necessary clarifications for situations not dealt with directly by ACER (as is outline in Appendix C of the consultation).

We consider this technical guidance key to the efficacy of the proposed approach to ensure that participants are required to apply a consistent approach when calculating their CO₂ emissions.

We have set out more detailed comments in the response template attached and these are covered below:

The proposed calculation considers partial rejection of components of aggregated units e.g. aggregated generator units and demand side units. Currently, the TSOs assess Applications for Qualification at a Candidate Unit level. While there are some very limited provisions for partial acceptance of units, e.g. where existing capacity is accepted and new capacity is rejected, in general the Capacity Market Code and the associated processes operate at a Candidate Unit level where the entire Candidate Unit is either accepted or rejected. It would represent a significant departure from this principle to provide for partial rejection at the Demand Site or Generator level. We consider it the responsibility of the Participant to submit an Application for Qualification that complies with the requirements of the Capacity Market Code in its entirety. If the Regulatory Authorities consider that partial acceptance or rejection is a desirable feature of the Capacity Market, we would be happy to engage in a process to consider this; however, in our view, it would need to be considered more broadly and would need to take into account the impact such a change would have on the operation of the Capacity Market. On this basis, we suggest that this addition to the modification proposal is removed in favour of the current approach provided for throughout the Capacity Market Code where qualification decisions are applied at a Candidate Unit level. For the avoidance of doubt, we agree with the RAs that the emissions calculation should take place at a component level e.g. generator or demand site (as set out in Note 7 of Appendix C); however, in our view, the Qualification Decision should remain at the Candidate Unit level and where a component of a Candidate Unit does not meet the requirements, it should be considered that the entire Candidate Unit as a whole does not meet the requirements.

We also suggest that the modification includes the requirement for participants to submit their Specific Emissions and Annual Emissions as defined in the ACER Opinion as this provides clarity on what is required to be submitted.

Regarding, the requirement included in I.1.2.1(d), we note that the ACER opinion, Specific Emissions are calculated on the basis of design efficiency and Annual Emissions are calculated on the basis production in the three previous calendar years. For this provision, while continuous compliance is implied, we consider that Specific Emissions do not change

unless the Generator Unit is changed. In the case of the Annual Emissions, these values only change on an annual basis. As such, the assessment and enforcement of the proposed I.1.2.1 should be done annually. We do not consider that this needs to be referred to in the CMC; however, it would be helpful if this was included in the technical guidance. In respect of the CMC provisions, we would also consider it constructive to provide more explicit implications of non-compliance with this provision. E.g. in the case of the qualification and substantial/minimum completion processes, the implications are clear, whereas in the case of this provision, there is no explicit implication of non-compliance. As set out in our modification proposal CMC_08_20, EirGrid and SONI would like to see provisions introduced into the CMC that deal with non-compliance with the provisions of Chapter I and we would suggest this should be the case for the proposed I.1.2.1(d). Where explicit measures are not provided for, non-compliance with I.1.2.1(d) may result in activation of default proceedings and this would have broader implications for the Generator Units under other codes e.g. the Trading and Settlement Code. Considering that Article 22(4) of Regulation 2019/943/EU relates prohibits making Capacity Payments to Generator Units that do not comply with the CO₂ Limits; however, it does not require the broader implications of a cross code default. EirGrid and SONI recognise that the requirements of Article 22(4) of Regulation 2019/943/EU must be implemented in the Capacity Market; however, we would have concerns where the provisions were to unintentionally go beyond these requirements in a manner that could impact the operational security of the system.

Regarding the High Level Technical Guidance Note included in Annex C, we have the following comments:

We agree with the opening note that participants should provide evidence of their compliance with the CO₂ Limits using the calculations set out in the ACER opinion unless otherwise stated. We also agree with the need to provide for situations which are not explicitly considered in the ACER Opinion or associated documents.

Note 2 is a pragmatic approach; however, we would suggest that it is more specific in respect of the data it is referring to e.g. the ACER Opinion uses three years of production data (injected into the grid).

Note 3 indicates that the same treatment be applied for existing units with less than 1 years data as for new units. As this calculation relates to Annual Emissions calculations, which do not apply in the case of a new unit, it is not clear what calculation applies here.

There would appear to be a conflict between Note 4 and Note 2 where on one hand all the available calendar years should be used under Note 2 and in only one in the case of Note 4. We also note that the ACER Opinion uses three years of data. The choice of horizon may have material implications for certain units and care should be taken to ensure that the historical period considered does not introduce outcomes that are not representative of a unit's emissions under normal operating conditions.

We would strongly agree with the principle of note 5 in respect of secondary fuel and consider this critical for operational security. We would note that that the ACER Opinion includes a provision for fuel share and where the RAs provide guidance on what should be assumed in terms of fuel share for secondary fuels, this may offer an alternative to proposed

approach. This would be important for new units where there is no historical operation on which to base the calculation.

APPENDIX: PROPOSED AMENDMENTS TO MODIFICATION USING RESPONSE TEMPLATE

SUMMARY INFORMATION

Respondent's Name	EirGrid and SONI
Type of Stakeholder	TSOs and MO
Contact name (for any queries)	Aodhagan Downey
Contact Email Address	Aodhagan.Downey@Eirgrid.com
Contact Telephone Number	+353 1 2370124

Capacity Market Code Modifications Consultation COMMENTS:

ID	Proposed Modification and its Consistency with the Code Objectives	Impacts Not Identified in the Modification Proposal Form	Detailed CMC Drafting Proposed to Deliver the Modification
CMC_05_20_TSOs_1	Add to Glossary: CO2 Limits means the limits on CO2 emissions which apply in relation to participation in capacity mechanisms as set out in Article 22(4) of Regulation 2019/943/EU.	It may be necessary to refer to RAs decision e.g. that the AO applies unless otherwise stated in the decision	Add, "and in accordance any decisions issued by the Regulatory Authorities in this regard from time to time". Minor: Use "CO ₂ " instead of "CO2"

ID	Proposed Modification and its Consistency with the Code Objectives	Impacts Not Identified in the Modification Proposal Form	Detailed CMC Drafting Proposed to Deliver the Modification
CMC_05_20_TSOs_2	E.7.2.3 The System Operators shall reject an Application for Qualification for a Capacity Year in respect of each Candidate Unit, or each Generator Unit forming part of each Candidate Unit, which does not, or will not, comply with the CO2 Limits.	The System Operators consider Applications for Qualification in respect of whole Candidate Units. We do issue decisions from time to time that accept Existing Capacity but reject New Capacity as part of the same Candidate Unit; however, we do not issue partial decisions in respect of Existing or New Capacity. This is would have significant impact on process.	E.7.2.3 The System Operators shall reject an Application for Qualification for a Capacity Year in respect of each Candidate Unit which does not, or will not, comply with the CO ₂ Limits.
CMC_05_20_TSOs_3	E.7.4.4 The System Operators shall reject that element of an Application for Qualification for a Capacity Year for an Aggregated Generator Unit in respect of where any of the Generators comprising it that does not, or will not, comply with the CO2 Limits.	Same as CMC_05_20_TSOs_2	E.7.4.4 The System Operators shall reject an Application for Qualification for a Capacity Year in for an Aggregated Generator Unit where any of the Generators comprising it do not, or will not, comply with the CO ₂ Limits.
CMC_05_20_TSOs_3	E.7.4.5 The System Operators shall reject that element of an Application for Qualification for a Capacity Year for a Demand Side Unit in respect of where any of the Demand Sites comprising it that does not, or will not, comply with the CO2 Limits.	Same as CMC_05_20_TSOs_3	E.7.4.5 The System Operators shall reject an Application for Qualification for a Capacity Year for a Demand Side Unit where any of the Demand Sites comprising it do not, or will not, comply with the CO ₂ Limits.

ID	Proposed Modification and its Consistency with the Code Objectives	Impacts Not Identified in the Modification Proposal Form	Detailed CMC Drafting Proposed to Deliver the Modification
CMC_05_20_TSOs_4	Appendix D4(n) evidence that the Candidate Unit complies with the CO2 Limits, including details of any determination of CO2 emissions;	The ACER Opinion CO ₂ Limits are specified in terms of Specific Emissions and Annual Emissions. We suggest referring to these terms here as requiring them to be submitted as they are very particular values rather than the more general requirement to submit a determination of CO ₂ emissions, which may differ from Specific/Annual Emissions.	Appendix D4(n) evidence that the Candidate Unit complies with the CO ₂ Limits, including Specific Emissions, in the case of Existing Capacity, Annual Emissions and details of the determination of Specific Emissions and Annual Emissions (as applicable);