



**Integrated Single Electricity Market
(I-SEM)**

Capacity Market Code Modifications Set 2

Consultation Paper

SEM-18-152

17 September 2018

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Appendix A – Capacity Market Code Modifications Timetable Set 2

Appendix B – Proposed Modifications

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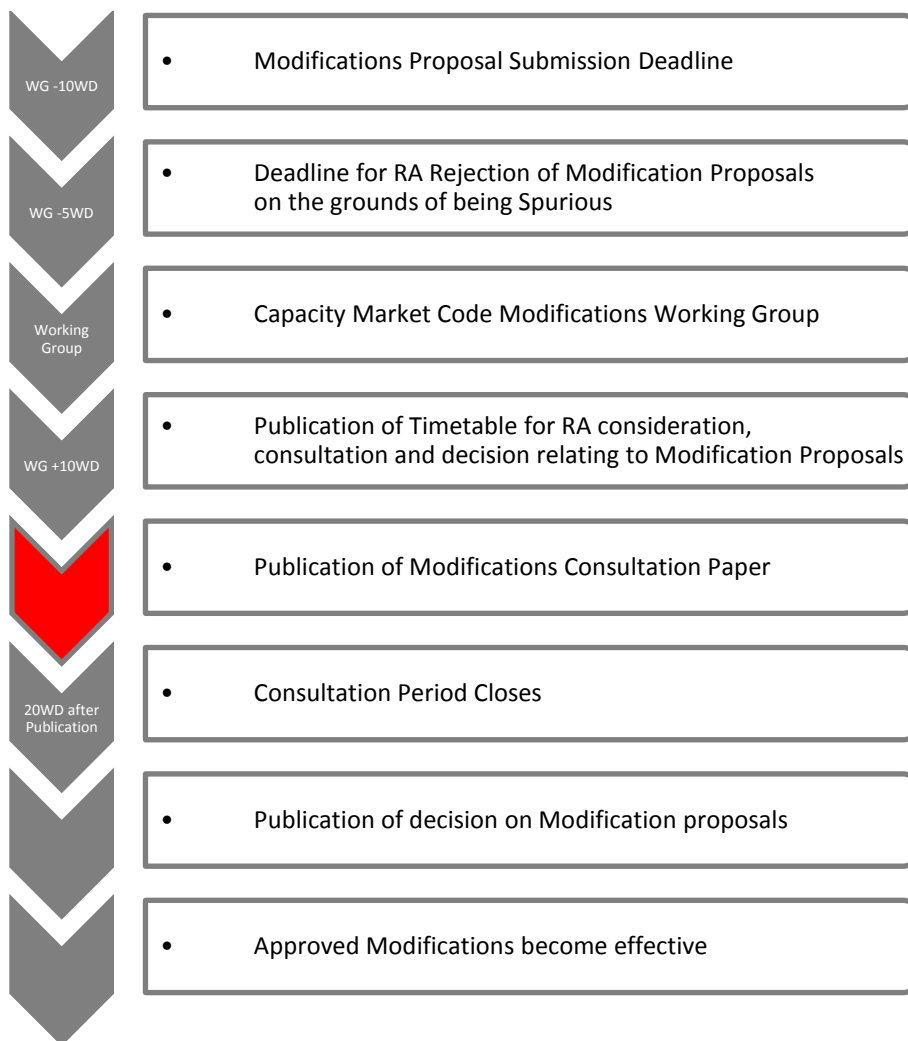
1. OVERVIEW

1.1 BACKGROUND

- 1.1.1 Decisions made during the development of the I-SEM CRM Detailed Design were translated into auction market rules to form the Capacity Market Code (CMC) (SEM-17-033) which was published in June 2017. The CMC sets out the arrangements whereby market participants can qualify for, and participate in, auctions for the award of capacity. The settlement arrangements for the Capacity Remuneration Mechanism (CRM) form part of the revised Trading and Settlement Code (TSC) (SEM-17-024) published in April 2017.
- 1.1.2 Section B.12 of the CMC outlines the process used to modify the code. In particular, it sets out the handling of proposing, consideration, consultation and implementation or rejection of Modifications to the CMC.
- 1.1.3 The System Operators (SOs) are required to facilitate the modification process via (but not limited to) the following:
- co-ordinating with the Parties to facilitate the development and processing of a Modification Proposal;
 - organising workshops for Parties to discuss Modification Proposals; and
 - compiling reports and making recommendations on Modification Proposals to the Regulatory Authorities.
- 1.1.4 The purpose of the Modifications process is to allow for modifications to the CMC to be proposed, considered and, if appropriate, implemented with a view to better facilitating code objectives.
- 1.1.5 Modifications to the CMC can be proposed and submitted by anyone, at any time and are subsequently discussed at a Working Group held on a bi-monthly basis. Each Working Group represents an opportunity for a modification proposer to present their proposal(s) and for this to be discussed by the workshop attendees.
- 1.1.6 For discussion at a Working Group, Modification proposals must be submitted to the SOs at least 10 working days before a Working Group meeting is due to take place.
- 1.1.7 If a proposal is received and deemed to be contrary to the Capacity Market Code Objectives or does not further any of those objectives, the Regulatory Authorities (RAs) will reject the proposal on the grounds of being spurious, as set out in section B.12.6 of the CMC.
- 1.1.8 A proposer may choose to mark a Modification proposal as “Urgent”. In this case, the RAs, as per section B.12.9.3 of the CMC, will assess whether or not the proposal should be treated as urgent. If the RAs deem a proposal to be urgent they have the power to fast-track the proposal and request the SOs to convene a Working Group to discuss the proposed Modification.

- 1.1.9 If a proposal is received less than 10 working days before a Working Group and is not marked as urgent it is deferred for discussion to the next Working Group.
- 1.1.10 During each Working Group the SOs take minutes which will form the basis of a report of discussions that have taken place at the meeting.
- 1.1.11 Following each Working Group, and as per section B.12.5.6 of the CMC, the RAs are required to publish a timetable for the consideration, consultation and decision relating to the Modification(s) proposed during a Working Group. Dependent on the level of complexity of proposed modifications, the RAs may choose to consult on some, or all modifications discussed during a Working Group and subsequently form a decision based on this.
- 1.1.12 The consultation period is 20 working days and following the closure of this period the RAs will form their decisions in relation to the modification(s) as soon as reasonably practical after the end of the consultation process.

Figure 1: Capacity Market Code – Modifications Process Overview



1.2 PURPOSE OF THIS CONSULTATION PAPER

- 1.2.1 Capacity Market Code Working Group 2 took place on 31st July 2018, during which three proposed modifications were presented and discussed.
- 1.2.2 The RAs subsequently published the required timetable for moving forward with the proposed Modifications on 14th August 2018. As part of this timetable, the RAs stated the aim to progress the proposed modifications to the consultation phase, with a paper being published on 17th September 2018. The modifications timetable is shown in Appendix A.
- 1.2.3 The purpose of this paper is to:
- Consult on the proposed Modifications presented at Working Group 2;
 - Assess responses and based on these, along with the submitted templates by the modification proposers and the report compiled by the SOs, the RAs form a decision to either:
 - a. Implement a modification;
 - b. Reject a modification; or
 - c. Undertake further consideration in regards to matters raised in the modification proposal.
- 1.2.4 The RAs invite Market Participants and the System Operator to make written submissions providing feedback in regards to the proposed Modifications.
- 1.2.5 Upon closure of the consultation process the RAs intend to assess all valid submissions received and form a decision to either implement or reject a modification or undertake further consideration in regards to matters raised through the consultation process in regards to the proposed modification.

2. MODIFICATION PROPOSALS

2.1 INTRODUCTION

- 2.1.1 Three proposed Modifications to the CMC were presented at Working Group 2. Proposals were submitted by the Regulatory Authorities and System Operators.
- 2.1.2 Each proposed modification was presented by the proposer and feedback from attendees subsequently provided.
- 2.1.3 In a number of cases, feedback provided during the Working Group suggested a clear need to modify the detailed drafting of the CMC drafting included as part of the proposed Modification. This updated drafting is given in the proposed Modification templates appended to this paper.
- 2.1.4 An overview of the proposed modifications, along with the justification and workshop feedback are set out below. For full details of the proposed Modifications, the templates (including those updated to reflect feedback) discussed at Working Group 2 are listed in Appendix B.

2.2 CMC_11_18 – LONG STOP DATE

Proposer: RAs

Proposal Overview

- 2.2.1 The Modification proposes to reflect SEMC Decision SEM-18-030 in respect of Long Stop Date for single year capacity awards and the deadline for Substantial Financial Completion.
- 2.2.2 The Modification proposed changes to the CMC to D.2 / D.3.1.2 / J.5.2.1 / J.6.1.1(b) and J.6.1.2(a)
- 2.2.3 It is also proposed to include the definition of Substantial Financial Close Period to the glossary section of the CMC.
- 2.2.4 The Modification is a required to leave the CMC consistent with the SEM Committee Decision SEM-18-030.

Working Group Feedback

- 2.2.5 The RAs noted that the proposed amendment to J.5.2.1 used the new entity “*Substantial Financial Close Period*” but suggested, for improved consistency with the rest of the CMC, that this be renamed “*Substantial Financial Completion Period*”. The RAs noted that they would amend the drafting accordingly.
- 2.2.6 One attendee queried the reasoning for the choice of a one month Long Stop Date. The RAs advised this was to strike a balance between recognising the risk of late delivery while providing a strong incentive to deliver capacity for the winter and was seen by the SEM Committee as reasonable in making its decision SEM-18-030.
- 2.2.7 It was noted that the Long Stop Date is already defined within the Capacity and Trading Register and so clearly applies to a specific award of capacity. One attendee proposed that it could also be included within the Initial Auction Information Pack published for each Capacity Auction.
- 2.2.8 Discussion on how best to implement changes in the CMC to ensure that changes do not apply to processes that are already complete e.g. if Long Stop Date was changed now in the CMC, is there a risk that it would apply to auctions that have already taken place? It was suggested that it may be necessary to assign a Capacity Year or Capacity Auction dimension to variables being modified to ensure that they can be applied to a specific Capacity Year or Capacity Auction rather than applying more generally.

Minded To Position

- 2.2.9 The SEM Committee are minded to approve this Modification proposal to ensure consistency with the SEM Committee’s decision in SEM-18-030.

2.3 CMC_12_18 – TOLERANCE CLASS

Proposer: RAs

Proposal Overview

- 2.3.1 The Modification proposes to reflect SEMC Decision SEM-18-030 in respect of allowing separate negative tolerance values to be applied to units with emission or run-hour limits.
- 2.3.2 The Modification proposes changes to the CMC to D.3.1.2 /D.3.1.3 / E.8.2.3 / E.8.2.6 and E.8.2.8.
- 2.3.3 It is also proposes to include the definition of Tolerance Class in the glossary section of the CMC.
- 2.3.4 The Modification is a required to leave the CMC consistent with SEMC Decision SEM-18-030.

Working Group Feedback

- 2.3.5 Queries raised as to how Tolerance Classes would be defined. This could be with the intention of having a minimum set or to having Tolerance Classes nested within the existing Technology Classes.
- 2.3.6 It was highlighted that there could be systems impacts associated with this proposed change which would need to be assessed.
- 2.3.7 One attendee suggested that, with DECTOL being applied to DSUs, it would make sense to allow other generators to apply DECTOL at the CMU level. The RAs advised that to allow for this there would be the requirement for an exceptions process which would be best avoided as this would raise more issues as opposed to a situation where a “global” set of rules are implemented.
- 2.3.8 A query was raised about how future proof this Proposal would be. The RAs noted that both Technology Class and Tolerance Class can be re-defined as new technologies are introduced or if further categories of capacity requiring separate treatment of tolerances are identified.
- 2.3.9 The timeline around this Proposal was raised. It was asked if the intention was to implement for the upcoming T-4 Auction due to be held in March 2019.

The RAs advised this was addressed within the SEM Committee decision SEM-18-030 and would check the wording within the decision. Following this the RAs can confirm the SEM Committee decision stated:

“4.4.4 The above decision results in changes to the Capacity Market Code and the RAs will propose a modification as soon as possible to go through the modification process set out in the Capacity Market Code, with a view to being effective for the capacity year 2019/20.”

- 2.3.10 Query raised around whether there would be retrospective changes made in regards to previously run auctions to reflect this Proposal. The RAs clarified that there was no intention to make this change to past auctions. Tolerance class only directly affects the Qualification process and, in general, changes would not be made to a Qualification process that had already closed.

However, it was noted that SEM-18-030 was published prior to the opening of Qualification for the CY2019/20 T-1 Auction and was clear that this change would apply to that auction.

- 2.3.11 The RAs and SOs noted, in general, that care would need to be taken in regards to implementing changes to future auctions and the effect these could have in relation to on ongoing processes.
- 2.3.12 The SOs noted that there would be systems impacts arising from the change and the RAs agreed to reflect this in the Modification Proposal to be consulted on.
- 2.3.13 The RAs noted that Tolerance Class could sensibly be added to the Qualification Register (CMC Appendix D, 4(k)) in addition to Technology Class.

Minded To Position

- 2.3.14 The SEM Committee are minded to approve this Modification proposal to ensure consistency with the SEM Committee’s decision in SEM-18-030.

2.4 CMC_13_18 – LETTER OF CREDIT

Proposer: TSOs

Proposal Overview

- 2.4.1 The modification proposes changes to Appendix H of the CMC. These involve making amendments to the template for Letters of Credit.
- 2.4.2 The Modification requires amending two references to the “SOs Bank” within the Letter of Credit template to show as “SEM Bank”. Following amendments the template should read as “SEM Bank acting on behalf of the System Operators.
- 2.4.3 The proposer has stated the purpose of the modification is merely as a correction and would not represent a material change to the CMC.

Working Group Feedback

- 2.4.4 It was queried if there would be any plausible occasion on which the SEM Bank referred to in this Modification would be acting in another process. The proposer advised that in this case this simply represents a change to System Operator reference for which the Letter of Credit will provide details on.

Minded To Position

- 2.4.5 Following Working Group 2 and the justification provided by the Proposer, the SEM Committee are minded to approve this Modification.

3. CONSULTATION QUESTION

- 3.1.1 The SEM Committee welcomes views and responses on the proposed modifications raised within this consultation paper.
- 3.1.2 Respondents are invited to provide comments and feedback for each of the proposed Modifications in respect of:
- the proposed modification and its consistency with the Code Objectives;
 - any impacts not identified in the Modification Proposal Form, e.g. to the Agreed Procedures, the Trading and Settlement Code, IT systems etc.; and
 - the detailed CMC drafting proposed to deliver the Modification.
- 3.1.3 A template has been provided in Appendix C for the provision of responses.

4. NEXT STEPS

- 4.1.1 The SEM Committee intends to make a decision by the end of November 2018 on the implementation of the Modifications outlined within this consultation paper.
- 4.1.2 Responses to the consultation paper should be sent to Kevin Lenaghan (Kevin.Lenaghan@uregni.gov.uk) and Karen Shiels (Karen.Shiels@uregni.gov.uk) by 17.00 on Thursday, 15th October 2018.
- 4.1.3 Please note that we intend to publish all responses unless marked confidential. While respondents may wish to identify some aspects of their responses as confidential, we request that non-confidential versions are also provided, or that the confidential information is provided in a separate annex. Please note that both Regulatory Authorities are subject to Freedom of Information legislation.