



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

Capacity Market Code Urgent Modification - Set 1

Consultation Paper

SEM-18-162

23 October 2018

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Appendix A – Capacity Market Code Urgent Modification – Set 1 Timetable

Appendix B – Proposed Modification

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1. OVERVIEW

1.1 ABSTRACT

- 1.1.1 The purpose of this consultation paper is to invite industry participants to provide feedback and comments in regards to the proposed modification to the Capacity Market Code (CMC) discussed at Working Group 3 held on 11th October 2018.
- 1.1.2 The modification discussed at Working Group 3 proposed to permit the Regulatory Authorities (RAs) to modify the Location Capacity Constraints (LCC) MW Limits, produced by the System Operator (SO), to a value other than zero, with the aim of the proposal being to enable the RAs to ensure a consistent approach to capacity procurement is taken for both the LCCs and the all island system.

1.2 BACKGROUND

- 1.2.1 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.
- 1.2.2 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.
- 1.2.3 The SO is 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.
- 1.2.4 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.
- 1.2.5 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.
- 1.2.6 The CMC includes the provision for a proposer to mark a Modification proposal as “Urgent”. In the event of a proposal being marked as urgent, 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.

- 1.2.7 In the case of the proposed modification discussed at WG3, the RAs determined this modification is deemed urgent as it fulfils the requirement set out in B.12.9.3 (a):

B.12.9.3 -

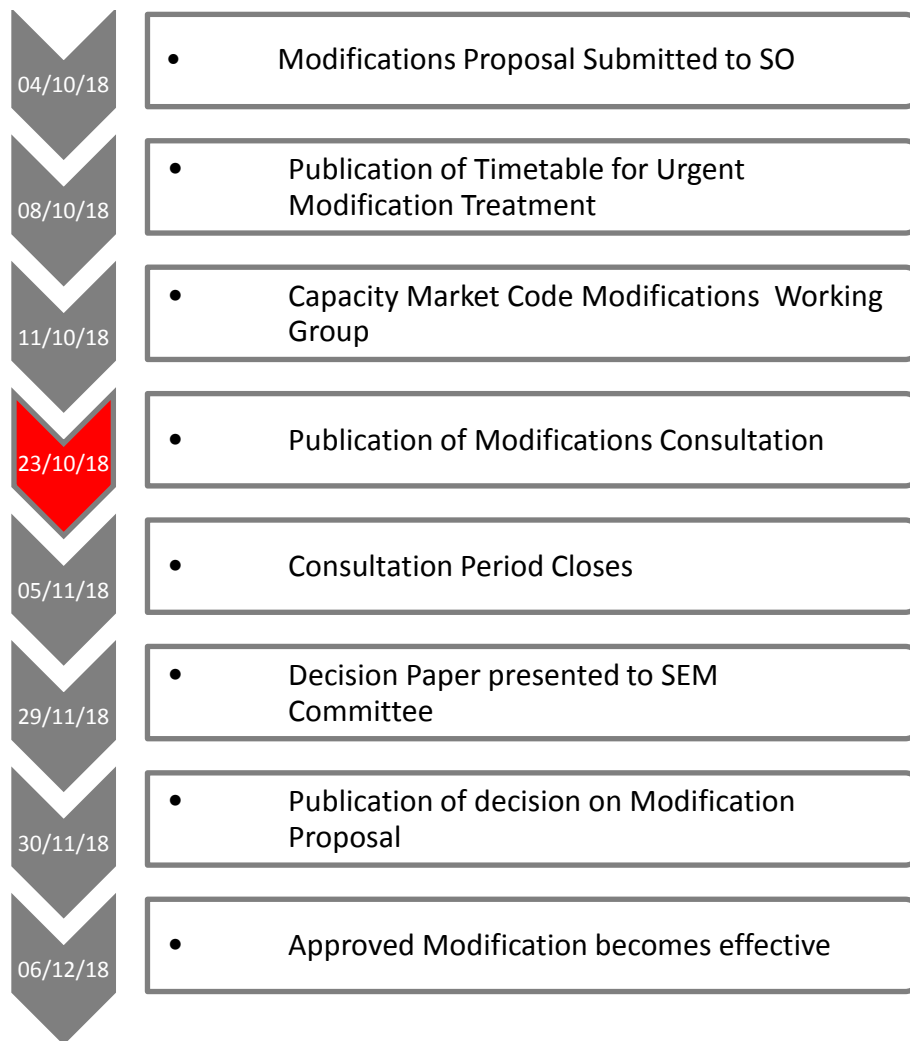
- (a) the matter raised in the Modification Proposal is required before the next Capacity Auction or Secondary Trade Auction and could not otherwise be dealt with in time for the next such auction;*

- 1.2.8 If a proposed modification is deemed urgent by the RAs, CMC Section B.12.9.5 will become active and the RAs shall determine the procedure and timetable to be followed in the assessment of the Modification Proposal. The CMC states that the procedure and timetable may vary from the normal processes set out in the code, allowing for the modification to be fast-tracked.

- 1.2.9 The RAs, on 8 October 2018, published the timetable for the consideration, consultation and decision relating to the proposed Modification and the Working Group to facilitate industry discussion of the modification (WG3) took place on 11th October 2018.

- 1.2.10 As stated within the CMC (sub-paragraph B.12.9.5 (a)) the normal processes involved in assessing a modification can vary, in this case to allow for the fast-tracking of the Modification, the RAs will proceed with a 10WD consultation period, as opposed to the 20WD period applied under the standard Modification process.

Figure 1: Capacity Market Code – Indicative Urgent Modifications Process



1.3 PURPOSE OF THIS CONSULTATION PAPER

- 1.3.1 An Urgent Capacity Market Code Working Group took place on 11th October 2018, during which the proposed modification was presented and discussed.
- 1.3.2 To allow for clarity in regards to the timelines for assessing the proposed modification, the RAs published the timetable for moving forward with the proposed Modification, as required under CMC subparagraph B.12.9.5 (a) on the 8 October 2018 in advance of the Urgent Working Group subsequently held on 11th October 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 23rd October 2018. The modifications timetable is shown in Appendix A.
- 1.3.3 The purpose of this paper is to consult on the proposed Modification presented at the Urgent Working Group (WG3) and the RAs invite interested parties to make written submissions providing feedback in regards to the proposed Modification.

- 1.3.4 Upon closure of the consultation process the RAs intend to assess all valid submissions received and form a decision to either implement or reject the modification or undertake further consideration in regards to matters raised through the consultation process in regards to the proposed modification.

2. MODIFICATION PROPOSAL

2.1 INTRODUCTION

- 2.1.1 The proposed Modification to the CMC was presented at WG3 held on 11th October 2018. The Proposal was submitted by the Regulatory Authorities.
- 2.1.2 An overview of the proposed modification, along with the justification and workshop feedback is set out below. For full details of the proposed Modification, the template discussed at the Working Group is listed in Appendix B.

2.2 CMC_14_18 – LCC MW LIMITS

Proposer: RAs

Proposal Overview

- 2.2.1 This modification proposes to permit the RAs to modify the LCC MW Limits proposed by the SOs to a value other than zero, enabling the RAs to ensure a consistent approach to capacity procurement is taken for LCCs and the all island system given the changes that the RAs can already make to the all-island capacity requirement in forming the Demand Curve in F.3.1.4.
- 2.2.2 The capacity requirement can be modified by the RAs in forming the Demand Curve under paragraph F.3.1.4 for a range of reasons. In the current drafting of the CMC, there is no route in section F.4 for such changes to be reflected in the LCC MW Limits, therefore leading to an inconsistency in approach to capacity needed at the all-island and LCC levels.
- 2.2.3 The modification has been proposed to implement the T-4 Parameters Decision for CY2022/23 (SEM-18-155), with regards to withholding of capacity set out in section 6.5.
- 2.2.4 The modification proposes the addition of two new paragraphs to section F.4.1.8. (Appendix B).
- 2.2.5 This modification has been deemed urgent as implementation is required in advance of the publication of the CY2019/20 Final Auction Information Pack (FAIP), due for publication on 30th November 2018.

Working Group Feedback

- 2.2.6 Detail was requested as to what stage in the current, and any future auction process, would changes to the LCC MW limits would be made if required. It was queried as to whether changes would be reflected in the Initial Auction Information Pack (IAIP) for an auction.

2.2.7 The RAs stated that since the LCC MW Limits are not published in the IAIP the intention is to reflect any changes to the SO value in the Final Auction Information Pack.

The RAs highlighted that it is not intended to propose a modification to the CMC to show the LCC MW limits within the IAIP.

2.2.8 A number of attendees queried the process the RAs would follow in regards to the formulation of an amended LCC MW limit figure and whether the RAs intend on making changes to the TSO figures without a structure or methodology for doing so in place. One participant highlighted that they would wish to see a full and transparent process being followed in making any changes to the TSO figures.

2.2.9 A query was raised around the process the RAs would follow in regards to the formulation of an amended LCC MW limit figure and whether the RAs intend on making changes to the TSO figures without a structure or methodology for doing so in place. One participant highlighted that they would wish to see a full and transparent process being followed in making any changes to the TSO figures.

2.2.10 If the modification were to be approved, the RAs advised that interactions with the SO would take place in regards to understanding the SO LCC MW Limit process to ensure that any RA amendments that may be required are appropriate. The RAs advised that, if the modification were to be approved, consideration would be given to the publication of the necessary information in regards to any amendments to the LCC MW Limits.

2.2.11 An attendee queried if the RAs were aware that the CRM Reserves Consultation Paper (SEM-18-159) is still out for consultation and asked why modifications are being proposed whilst this consultation period is still open.

2.2.12 The RAs discussed the drivers for this modification being proposed with the key driver being to ensure consistency between the demand curve and LCC MW Limits. The RAs advised that if responses to the reserves consultation created an impact on this modification, this would be considered in the final drafting.

Minded To Position

2.2.13 The SEM Committee are minded to approve this Modification proposal to ensure a consistent approach to capacity procurement is taken for LCCs and the all island system.

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 Monday, 5th November 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.