

**Capacity Remuneration Mechanism
Treatment of Multi-Year Contracts in Simultaneous Capacity
Auctions
Response to Consultation Paper SEM-19-052**

A Submission by EirGrid and SONI

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1 EXECUTIVE SUMMARY

EirGrid and SONI welcome the SEM Committee's consultation SEM-19-052 on the Treatment of Multi-Year Contracts in Simultaneous Capacity Auctions

The treatment of such offers is a key operational component in carrying out each Capacity Auction.

We agree with the intention of proposed modification CMC_07_19 to provide for the potential issues which may arise in the treatment of multi-year offers in simultaneous Capacity Auctions.

Beyond this however, we have concerns that a number of issues have the potential to arise with implications for either or both the T-1 2020/21 & T-2 2021/22 Capacity Auctions.

These issues are explained in the subsequent sections of this document.

In our opinion, it is difficult to address these issues in respect of the upcoming T-1 2020/21 & T-2 2021/22 Capacity Auctions solely by means of modifications to the Capacity Market Code.

In this regard, we believe an amendment to the T-2 2021/22 Capacity Auction Timetable would eliminate the risk of these issues arising more effectively.

We suggest that we proceed with the T-1 2020/21 Capacity Auction as per the current Capacity Auction Timetable.

Further details are contained within the following sections of this document.

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

In the following section, EirGrid and SONI provide their comments on the topics discussed in the consultation paper and put forward its views on the consultation paper proposals and questions.

3.1 TREATMENT OF MULTI-YEAR CONTRACTS IN SIMULTANEOUS CAPACITY AUCTIONS

The T-1 2020/21 & T-2 2021/22 Capacity Auctions are currently scheduled to take place according to the dates listed below.

Table 1: T-1 2020/21 Capacity Auction Timetable Key Dates

| Category | Appendix C | Event | Date & Time |
|---------------|------------|---|------------------|
| Disputes | B.25 | Qualification Dispute Decision date | 21/10/2019 |
| Qualification | A.6 | Final Qualification Submission Date | 23/10/2019 |
| Qualification | A.7 | Final Qualification Results Date | 08/11/2019 |
| Qualification | A.8 | Qualification Results Publication Date | 08/11/2019 |
| Info | A.9 | Final Locational Capacity Constraint Limits Date | 08/11/2019 |
| Info | A.10 | Final Auction Info Pack Date | 08/11/2019 |
| Auction | A.11 | Capacity Auction Submission Commencement | 19/11/2019 |
| Auction | A.12 | Capacity Auction Submission End | 26/11/2019 10:00 |
| Auction | A.13 | Capacity Auction Run Start | 26/11/2019 12:00 |
| Auction | A.14 | Capacity Auction Completion Date | 28/11/2019 |
| Auction | A.15 | Capacity Auction Provisional Results Date | 28/11/2019 |
| Auction | A.15a | Capacity Auction Provisional Results Publication Date | 05/12/2019 |
| Post Auction | A.16 | Capacity Auction Approval Date | 30/01/2020 |
| Post Auction | A.17 | Capacity Auction Results Date | 30/01/2020 |
| Post Auction | A.18 | Performance Security Date | 06/02/2020 |

Table 2: T-2 2021/22 Capacity Auction Timetable Key Dates

| Category | Appendix C | Event | Date & Time |
|----------------------|-------------------|---|------------------------|
| Disputes | B.25 | Qualification Dispute Decision date | 21/10/2019 |
| Qualification | A.6 | Final Qualification Submission Date | 23/10/2019 |
| Qualification | A.7 | Final Qualification Results Date | 08/11/2019 |
| Qualification | A.8 | Qualification Results Publication Date | 08/11/2019 |
| Info | A.9 | Final Locational Constraint Limits Date | 08/11/2019 |
| Info | A.10 | Final Auction Info Pack Date | 08/11/2019 |
| Auction | A.11 | Capacity Auction Submission Commencement | 28/11/2019 |
| Auction | A.12 | Capacity Auction Submission End | 05/12/2019 10:00 |
| Auction | A.13 | Capacity Auction Run Start | 05/12/2019 12:00 |
| Auction | A.14 | Capacity Auction Completion Date | 10/12/2019 |
| Auction | A.15 | Capacity Auction Provisional Results Date | 10/12/2019 |
| Auction | A.15a | Capacity Auction Provisional Results Publication Date | 17/12/2019 |
| Post Auction | A.16 | Capacity Auction Approval Date | 30/01/2020 |
| Post Auction | A.17 | Capacity Auction Results Date | 30/01/2020 |
| Post Auction | A.18 | Performance Security Date | 06/02/2020 |

The timing of these respective Capacity Auctions gives rise to several potential issues, described below in sections 3.1.1 to 3.1.4.

3.1.1 Issue 1: Information Available to Participants

The T-1 2020/21 Provisional Capacity Market Auction Results are scheduled to become available within the Capacity Market Platform (CMP) on a member private basis on 28/11/2019.

The T-1 2020/21 Provisional Capacity Market Auction Results are scheduled to be published in entirety on 05/12/2019, in line with the provisions of the Capacity Market Code (CMC) Section F.9.

The window for submission of Capacity Market Offers for the T-2 2021/22 Capacity Auction opens on 28/11/2019 and closes on 05/12/2019.

The T-1 2020/21 Provisional Capacity Market Auction Results will therefore not be available in entirety to Participants during the submission window for the T-2 2021/22 Capacity Auction. Whilst this may or may not present a significant issue for each individual Participant, this is nonetheless a departure from all previous Capacity Auctions where the Final Auction Results from all previous Capacity Auctions were available to Participants at the time of offer submission.

3.1.2 Issue 2: Approval of Changes to T-2 Final Qualification Decisions

SEM Committee approval is required to confirm both the T-1 2020/21 and T-2 2021/22 Final Qualification Results. The Final Qualification Results for both Capacity Auctions are due to be published on 08/11/2019, having received this SEM Committee approval.

However, should the T-1 2020/21 Provisional Capacity Auction Results drive changes to the T-2 2021/22 Final Qualification Results, the TSO will be required to act immediately on 28/11/2019 to amend the T-2 2021/22 Final Qualification Results such that such that these changes take effect for the T-2 2021/22 Capacity Auction.

It is our understanding that, procedurally, the TSO is not authorised to take this action and that any such changes would require SEM Committee approval before taking effect. We understand this to be the intention of the proposed modification; however, we consider that it is important that the qualification results used in the auction are subject to regulatory approval.

3.1.3 Issue 3: Validation of T-2 2021/22 Capacity Auction Results

The T-1 2020/21 Capacity Auction Results published on 28/11/2019 are provisional in nature until approved by SEM Committee and published as final on 30/01/2020.

However, as per the current Capacity Auction Timetable, the T-2 2021/22 Capacity Auction will proceed on 05/12/2019. Any changes to the T-2 2021/22 Qualification Data arising due to the T-1 2020/21 Provisional Capacity Auction Results would need to be incorporated into the T-2 2021/22 Capacity Auction.

If the SEM Committee were not to approve the T-1 2020/21 Provisional Capacity Auction Results in entirety (i.e. no changes between provisional and final results) in January 2020, this would undermine the validity of the T-2 2021/22 Capacity Auction Results. It is possible that the SEM Committee may direct that the T-2 2021/22 Capacity Auction must be re-run in this scenario.

3.1.4 Issue 4: Practical Considerations: Capacity Market Platform

As the qualification data is used to validate offers submitted to the Capacity Auction, it would not be possible to proceed with Capacity Auction Commencement until the necessary changes are made to the qualification results.

The Capacity Market Platform (CMP) is built around a controlled step by step workflow process which requires approvals to advance through each stage of the Qualification and Capacity Auction processes.

The issues cited above would require previously approved steps to be reversed and Participant Data amended, prior to re-approving each step in the process and running the Capacity Auction.

As the CMP system has not been designed for use in this way, we would have concerns that this would introduce risks to quality assurance of the qualification data in CMP. While it is possible to modify CMP to provide for this functionality, this would not be possible to achieve in the timescales.

3.2 RECOMMENDATIONS

An alternative approach to addressing the issue, which would not require rules or system changes, would be to amend the Capacity Auction Timetable for the T-2 2021/22 Capacity Auction.

Possible amendments to the T-2 2021/22 Capacity Auction Timetable as presented in Table 3 below. We believe that this may remove the need for modification CMC_07_19.

For clarity, we suggest that we proceed with the T-1 2020/21 Capacity Auction as per the current Capacity Auction Timetable.

Table 3: Proposed Amendments to T-2 2021/22 Capacity Auction Timetable

| Category | Appendix C | Event | Current Date & Time | Proposed Date & Time | Comment |
|---------------|------------|---|---------------------|----------------------|-------------------|
| Disputes | B.25 | Qualification Dispute Decision date | 21/10/2019 | 21/10/2019 | Date Unchanged |
| Qualification | A.6 | Final Qualification Submission Date | 23/10/2019 | 14/01/2020 | New Date Proposed |
| Qualification | A.7 | Final Qualification Results Date | 08/11/2019 | 30/01/2020 | New Date Proposed |
| Qualification | A.8 | Qualification Results Publication Date | 08/11/2019 | 30/01/2020 | New Date Proposed |
| Info | A.9 | Final Locational Constraint Limits Date | 08/11/2019 | 30/01/2020 | New Date Proposed |
| Info | A.10 | Final Auction Info Pack Date | 08/11/2019 | 30/01/2020 | New Date Proposed |
| Auction | A.11 | Capacity Auction Submission Commencement | 28/11/2019 | 04/02/2020 | New Date Proposed |
| Auction | A.12 | Capacity Auction Submission End | 05/12/2019 10:00 | 12/02/2020 10:00 | New Date Proposed |
| Auction | A.13 | Capacity Auction Run Start | 05/12/2019 12:00 | 12/02/2020 12:00 | New Date Proposed |
| Auction | A.14 | Capacity Auction Completion Date | 10/12/2019 | 18/02/2020 | New Date Proposed |
| Auction | A.15 | Capacity Auction Provisional Results Date | 10/12/2019 | 18/02/2020 | New Date Proposed |
| Auction | A.15a | Capacity Auction Provisional Results Publication Date | 17/12/2019 | 25/02/2020 | New Date Proposed |
| Post Auction | A.16 | Capacity Auction Approval Date | 30/01/2020 | 31/03/2020 | New Date Proposed |
| Post Auction | A.17 | Capacity Auction Results Date | 30/01/2020 | 31/03/2020 | New Date Proposed |
| Post Auction | A.18 | Performance Security Date | 06/02/2020 | 07/04/2020 | New Date Proposed |

In terms of impact assessment, we feel that this action will eliminate the issues outlined in the consultation. Additionally, we feel that the above amendments will deliver the following benefits:

1. All relevant information available to Market Participants at offer submission stage
2. Procedural issues with timing of regulatory approvals addressed
3. Validity of T-2 2021/22 Capacity Auction Results safeguarded
4. T-2 2021/22 Capacity Auction Timetable can be amended in compliance with CMC section D.2 (subject to SEM Committee approval for proposed amendments)
5. CMP will be employed as designed, tested and used for all previous Capacity Auctions

3.3 SUMMARY

In summary, EirGrid and SONI welcome the SEM Committee's consultation SEM-19-052 on the Treatment of Multi-Year Contracts in Simultaneous Capacity Auctions

We agree with the intention of proposed modification CMC_07_19 to provide for the potential issues which may arise in the treatment of multi-year offers in simultaneous Capacity Auctions.

However, we feel that the issues cited in modification CMC_07_19 and within sections 3.1.1 to 3.1.4 of this document would be best addressed by amending the T-2 2021/22 Capacity Auction Timetable as presented in Table 3 above.

In our opinion, this represents a prudent approach to preventing the issues set out in the consultation from occurring whilst delivering the benefits cited in section 3.2 of this document.