Captured Carbon

SEM-20-033 Consultation Response
Captured Carbon Limited

07th July 2020

Introduction

Captured Carbon Limited (CCL) welcomes the opportunity to respond to the Consultation on Intermediary Arrangements in the SEM (SEM-20-033). In the consultation paper a number of questions have been provided to guide feedback from participants. This document outlines CCL's views on the questions proposed.

CCL welcomes a review on the arrangements for intermediaries in the SEM and believe it is an area which can provide additional efficiency to registration of Participants and potential Participants. While broadly supportive of the RAs proposals in the consultation paper, CCL proposes high-level changes to the proposed approach and is of the view that:

- Criterion C should be further expanded beyond the RAs proposal in order to be available for all generators, regardless of technology, subject to the proposed limit of not greater than 100MW of capacity;
- Intermediary arrangements should be extended so that suppliers can avail of the intermediary arrangements;
- Intermediary arrangements do not need to be extended to include the ex-ante markets as there is sufficient function in these markets to allow Participants to use a third party where they choose to;
- The Form of Authority (FoA) should be amended to remove reference to specific SEMC decisions as this may cause continual need to amend the Trading and Settlement Code (TSC) to change the FoA where subsequent SEMC decision are made; and
- To provide certainty to potential Participants who may be currently developing assets, any change to the criteria for allowing intermediary arrangements should be applicable from the date of the SEMC decision on the matter even where the SEMC directs the RAs to raise changes to the TSC (i.e. should still apply while the modification is in process).

These points are expanded upon below in answer to the questions outlined in the consultation paper.

Consultation Question 1: The RAs propose to revise Part C of the eligibility criteria to allow for a broader range of market participant categories to apply and also to provide for renewable units which may be dispatchable and/or controllable to take part in such arrangements. The revised criterion would be; where a Wind Power Unit, a Pumped Storage Unit, a Battery Storage Unit, a Demand Side Unit or a Solar Power Unit with a Maximum Export Capacity of less than 100MW is contracted to a Supplier that is Party to the TSC.

CCL welcome the idea of expanding criterion C so that a wider range of units can benefit from the intermediary arrangements in the SEM. CCL is of the view that this will provide a more streamlined route-to-market for to more potential new market entrants and provide overall efficiency in registration in the market.

CCL would, however, suggest that criterion C is further expanded beyond the proposed change such that it is available to any generator unit below 100MW. This would have a number of benefits over the proposed approach, namely:

1. It would provide for a more equitable treatment of differing classes of generator units and avoid undue discrimination between technology classes which would be more in keeping with objective F of the trading and settlement code;
2. It would provide a wider range of participants access to the use of intermediary arrangements which would lead to an overall increase in efficiency of registrations which is beyond the proposed measure;
3. It would minimise the need for further consultation or modification to trading and settlement code by allowing for all current and potential technologies, subject to the 100MW limit; and
4. It would provide immediate certainty about the applicability of intermediary arrangements to new generator units which are being developed and may have taken part in T-4 capacity auctions.

CCL also note the EirGrid data centre connection policy[1] which states that due to local system constraints, in order to guarantee firm import connection, data centres may need to provide dispatchable onsite generation and that where they do this would need to be owned by entity seeking the import connection. This creates a situation where entities which are not primarily based in export power may build generation assets to comply with a TSO policy, but do not have an avenue to seek a third-party intermediary to fulfil its obligations due to the nature of the current SEMC decision as well as the proposed criterion C.

[1] http://www.eirgridgroup.com/site-files/library/EirGrid/Data-Centre-Connection-Offer-Process-and-Policy-paper.pdf

This provides a clear example of how policies may develop which were not contemplated at the time of the original decision and a clear argument for a flexible decision. CCL feels that the best way to deliver a flexible decision which provides clarity to developers of their route-to-market would be to extend criterion C to cover all classes of technology.

As regards the concerns raised in the paper about the concentration of market power, CCL is of the view that putting a capacity limit is an appropriate mitigation measure without the need for further limiting this to specific technology classes. As noted in the consultation, there is no such technology or capacity limitations on allowing a unit to register with a third party in the BSC and CCL feels that this technology neutrality is a better approach to allowing equitable access to the market to all potential participants.

Aside from the above, CCL would note that maximum export capacity is not an accurate measure of a DSU's capacity and that Registered Capacity as defined in the TSC would be a more appropriate measure which would account for all generator unit types.

CCL propose that criterion C be altered so that:

1. It is technology neutral and open to all generators subject to a 100MW limit; and
2. Maximum export capacity is replaced by Registered Capacity as defined in the TSC.

Consultation Question 2: The RAs propose to allow Suppliers to take part in Intermediary arrangements. Do you agree with this proposal and do you have a view on whether this should be available to all suppliers or only to those below a certain threshold of market share?

CCL agrees with the view that intermediary arrangements should be available to suppliers. CCL believes that this is in furtherance of providing equitable access to the market for all and that this could be of benefit for new and potentially existing suppliers. CCL is in support of extending the intermediary arrangements to any supplier who wishes to use them. As suppliers do not submit commercial offer data or other data to the market, CCL feel that the same market power concerns regarding generation assets are not relevant and a size limit is not necessary.

CCL supports extending the intermediary arrangements to suppliers of all sizes.

Consultation Question 3: The RAs propose that an additional criterion is added to the Trading and Settlement Code to allow for specific registrations to be approved once they meet the SEM Committee's specific objectives in this area. A Modification to the TSC would be raised following this Consultation to provide for this change. Do you agree with this proposal?

CCL agree that it is prudent to allow for a such a change to the TSC. As noted in our response to question 1 above, CCL feels that the best solution for the criteria for intermediary arrangements would allow for an equitable treatment of units and a flexible solution which can be used to cover circumstances which may arise in the future.

CCL note that this is not the first consultation in this area and would welcome changes to the TSC which would allow the RAs to grant intermediary consent subject to their review even where the criteria are not strictly met. CCL would note that any such change should also change the FoA to remove reference to a specific SEMC decision and our views on this are expanded upon in response to question 7.

CCL is in support of the RAs proposing a modification to the TSC as contemplated in this question.

Consultation Question 4: The RAs propose to publish a quarterly report on the SEM Committee website setting out the details of the current Intermediary arrangements in place in the SEM. Participants involved in these arrangements would be required to notify the RAs and SEMO of any changes to these. Do you agree with this proposal?

CCL does not have any objection to the RAs proposal of issuing a quarterly report on intermediary arrangements; however, CCL is not of the view that there should be any additional obligations on Participants for reporting of these arrangements.

CCL note that an intermediary arrangement requires registration in the balancing market and any change to an intermediary for a unit would require de-registration of the existing unit and registration of a new market unit (though it would be representing the same physical asset). Accordingly, and as any intermediary arrangement will need to be verified by SEMO as part of registration, CCL is of the view that the obligation for reporting of arrangements would be better suited to be handled by SEMO centrally as they will have access to all information of existing, new and changing intermediary relationships.

CCL would also note that for upcoming changes still in the registration process that SEMO would be better able to keep the RAs updated and answer any queries as the de-registration and new registration may be handled by different Participants.

CCL has no objections to the RAs reporting quarterly on intermediary arrangements; however, CCL feels that the obligation to report on these arrangements would be more efficiently handled by SEMO who will through the registration process have access to all necessary data.

Consultation Question 5: What is your view on the potential added value of the application of Intermediary Arrangements in the Ex-Ante Markets?

CCL note that as currently stands the ex-ante markets allow for registration of any balancing market unit to a third party. This provides equal access to the efficiencies of third-party aggregation to any all current and potential market participants. CCL feels that this provides the necessary access to the use of third parties to any unit owner and does not feel a change is warranted. Furthermore, applying the intermediary arrangements to the ex-ante markets may retroactively invalidate some current arrangements which do meet the intermediary criteria. As the ex-ante markets are voluntary, CCL is of the view that the same criteria used in the balancing market to limit the use of intermediaries are not required and would be concerned about the potential to invalidate existing market trading arrangements.

Under the current SEMOpx arrangements, the third-party intermediary is the only party to the SEMOpx rules and operating procedures, and the original unit owner does not take on any ex-ante market obligations. CCL is of the view that this allows for the obligations of market participation to remain the party who is actively participating in the market and that no change is required here.

As the current ex-ante arrangements allow for sufficient access to the use of third parties and the correct assignment of obligations under the SEMOpx rules, CCL does not see a need for a change to the intermediary arrangements to the ex-ante markets.

Consultation Question 6: Are there limitations to the current arrangements which could be revised to better facilitate corporate PPAs?

CCL is not of the view that the current arrangements, or those proposed by this response, cause any limitations which have an impact on the facilitation of corporate PPAs. CCL welcomes the RAs intention to better provide for corporate PPAs and notes the importance of corporate PPAs in helping Ireland to meet renewable energy targets but does not see a need to change the intermediary arrangements to better facilitate this.

Consultation Question 7: Are there further changes to the FoA that the Regulatory Authorities should consider?

CCL note that as currently stands the FoA refers to the most recent existing decision on intermediary arrangements. This creates a situation where the FoA needs to be updated each time a new decision on this matter is issued and potentially creates a situation where intermediary arrangements outside of this (e.g. allowed for through a TSC modification) would not be catered for.

CCL is of the view that reference to a specific SEMC decision should be removed from the FoA to avoid unnecessary modifications being raised and to better facilitate the regulatory authorities in issuing consent using a TSC modification as contemplated in question 3.

Furthermore, CCL is concerned that the reference to the existing decision paper may cause an issue where a new decision paper is issued. Specifically, if the criteria are extended as proposed via SEMC decision but the FoA is not updated the FoA would refer to an out-of-date decision which does not cater for the extended criteria. This may cause an issue whereby the criteria have been extended to a unit but they cannot proceed to registration due to the FoA being outdated. CCL is keen to avoid this situation as it may mean that existing units in development may not be eligible to register using intermediary arrangements despite the SEMC issuing a decision that they would apply due to waiting for the modifications process. CCL propose that in addition to the change to the FoA that any decision also provides clarity that on an interim basis any unit which is granted a letter of consent by the relevant regulatory authority in line with the SEMC decision should be allowed to register under an intermediary even where the FoA is in the process of being updated.

In line with our response to question 5, CCL is not of the view that any changes are required to the ex-ante arrangements for third parties and consequently do not see a need to alter the FoA to account for the ex-ante markets.