

APPENDIX E – RESPONSE TEMPLATE

SUMMARY INFORMATION

Respondent's Name	ESB Generation and Trading
Type of Stakeholder	Generator
Contact name (for any queries)	Paraic Higgins
Contact Email Address	Paraic.higgins@esb.ie
Contact Telephone Number	01 7027119
Confidential Response	No

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_10_22 - Introduction of New Remedial Action in the Event of Third Party Delays	<p>The original CMC rules were designed to prevent unintended consequences. As identified in the EY report, ideally the qualification requirements should be applied but when there are interventions that circumnavigate the qualification requirements careful consideration is needed to ensure unintended consequences are mitigated. ESB GT is of the view that this proposal is in part a necessary response to ongoing issues around</p>	<p>The RAs have identified several perceived risks arising from this proposal. Chief amongst them is the potential for the modification to soften Participant incentives to present realistic plan timelines in their auction bids. To the extent that this concern is valid, it is ESB GT's view that this issue is ultimately the result of the erosion of the full four-year</p>	<p>ESB GT believes the following legal drafting change should be implemented considering the impacts identified if the modification isn't implemented. As identified in the workshop, the proposed drafting is too far reaching and for that reason ESB GT are proposing the following legal drafting.</p> <p><i>J.5.3.1 Where the completion of the Substantial Completion Milestone is delayed solely as a result of a failure</i></p>

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the shortening of the duration between the Auction and the Delivery Year. Anything less than the full four years puts added pressures on developers and reduces timeline tolerances for planning and connection delays which are not in control of the Participant.

ESB Generation and Trading (ESB GT) welcomes a proposal which seeks to introduce new remedial actions in the event of third party delays. Risk associated with uncontrollable delays, which are solely the result of Third Parties and portrayed to the market as guaranteed, like the grid connection direction from the CRU, present a challenge to CM participants who wish to make competitive bids into Capacity Auctions.

The proposal is therefore in accordance with Code Objectives, in particular:

(a) to facilitate the efficient discharge by EirGrid and SONI of the obligations imposed by their

period for project development which the CM was originally designed around. The pressure that this creates is likely to be the key driver of any optimistic timelines, as with sub-four-year timelines there is reduced scope for delay contingency, both in terms of delay risks which Participants are best placed to manage (construction risk, etc) as well as risks which Participants are not best placed to manage (uncontrollable delays in planning permission, grid connections, etc).

Further to this, the RAs raised concerns about the potential for added pressures on the SO to scrutinise New Capacity Applications more than is already the case in order to reject applications which pose more risk of delay. ESB GT is of the view that there are two outcomes possible here: the first, is that the SO has to expend more resources and

of a third party, where directed by a Regulatory Authority, to complete a milestone when required to do so in accordance with the initial Implementation Plan, a Participant or an Enforcing Party (on behalf of a Participant) may apply to the Regulatory Authorities for an extension to the Maximum Capacity Duration and Long Stop Date associated with the relevant Capacity Market Unit.

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respective Transmission System Operator Licences in relation to the Capacity Market;

(b) to facilitate the efficient, economic and coordinated operation, administration and development of the Capacity Market and the provision of adequate future capacity in a financially secure manner;

(c) to facilitate the participation of undertakings including electricity undertakings engaged or seeking to be engaged in the provision of electricity capacity in the Capacity Market;

(d) to promote competition in the provision of electricity capacity to the SEM;

(e) to provide transparency in the operation of the SEM;

(g) through the development of the Capacity Market, to promote the short-term and long-term interests of consumers of electricity with respect to price, quality, reliability, and security of supply of electricity across the Island of Ireland.

ultimately reject more capacity as a result of greater scrutiny. The second is that the SO accepts the risk of insufficiently conservative timelines which results in ‘over-procurement’ of capacity.

While there are costs associated with both of these outcomes, ESB GT takes the view that these costs are asymmetrically distributed, with the threat to Security of Supply resulting from increased application rejections representing a far greater cost than the cost of securing too much capacity which may result from less conservative timelines.

In the consultation paper, “the RAs suggested that there should be some degree of contingency built into the Implementation Plan, with the intention being that if/when a delay occurs there is space to allow for this.

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		<p><i>The RAs were unable to see the reasoning for an extension to the LSD because time set aside as part of a contingency plan is eroded". ESB GT agrees that the implementation plan should account for such risks, however, when the CRU directs EirGrid to provide a connection offer for any new capacity successful in the auction it seems counter intuitive and inefficient to have participants include the time and financial risk in their CRM offers.</i></p> <p>The RAs also raised concerns with regards to the possibility that Participants may, subsequently to any implementation of this proposal, submit unrealistically optimistic implementation plans for the delivery of capacity and the impact that this could have, namely displacing Capacity from other Participants who have included sufficient contingency and have</p>	
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		<p>taken a more realistic view of project delivery. ESB GT believes if this modification is only applicable to the CRU direction for connection offers this concern is removed and any chance of termination (due to delay grid connections), via the RAs or participants, is mitigated.</p> <p>ESB GT again stresses that these issues find their root in the faster process applications where planning and connection agreements are secured after New Capacity Applications, as opposed to the linear process where planning and delivery are secured ahead of the Application. Ensuring that projects have secured the necessary planning and connection agreements in advance and then allowing for the full four years for development of the project (as originally intended) represents the best tool to reducing</p>	
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		<p>project delay risk. Considering this, ESB GT believes this modification should be included for connection agreements not delivered in line with the capacity market, as per the intention of the CRU direction. If the CRU and EirGrid are of the view that the CRU direction does not require a connection agreement for delivery for the start of the capacity year this needs to be clearly identified by the CRU so that this risk can be accommodated in the project plan and bid price (as stated by the RAs in this consultation paper). To perform neither of the above, is grossly unfair to generators and, worse, ultimately exposing the customer to high prices and greater security of supply issues.</p>	
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NB please add extra rows as needed.