



**Single Electricity Market
(SEM)**

**Capacity Market Code Workshop 32
Urgent Modification Consultation Paper**

**CMC_17_23 – Updates to Locational Capacity
Constraint (LCC) Areas**

SEM-23-054

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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 regarding the proposed urgent modification to the Capacity Market Code (CMC) discussed at Workshop 32 held on 20 July 2023.
- 1.1.2 During this Workshop, one Urgent Modification Proposal was presented along with two Standard Modification Proposals. This consultation paper only relates only to the following Urgent Modification Proposal:
- **CMC_17_23: Updates to Locational Capacity Constraint (LCC) Areas**
This modification seeks to provide more flexibility in the determination of LCC areas and provides for instances where the defined methodology does not fully capture particular effects on the transmission system.

1.2 BACKGROUND

- 1.2.1 On the 6 July 2023, the System Operator submitted an Urgent Modification Proposal under B.12.9.1. As per section B.12.9.3 of the CMC, the RAs assessed the proposal and deemed it Urgent to a consultation.
- 1.2.2 In this regard B.12.9.5 provides:
- “If the Regulatory Authorities determine that a Modification Proposal is Urgent, then:*
- a) the Regulatory Authorities shall determine the procedure and timetable to be followed in assessing the Modification Proposal which may vary the normal processes provided for in this Code so as to fast-track the Modification Proposal; and*
 - b) subject to sub-paragraph (a), the System Operators shall convene a Workshop.”*
- 1.2.3 As Workshop 32 was already arranged, the RAs determined that a separate Workshop was not required for the urgent modification as it could be considered within the timeline of the already established Workshop 32.
- 1.2.4 On the 18 July 2023 the RAs determined the procedure to apply to the Modification Proposal. The procedure is shown in detail in Appendix A. An overview of the timetable is as follows:
- i. The System Operators convened a Workshop where the Urgent Modification Proposal was considered on 20 July 2023 alongside two other standard modifications.
 - ii. The System Operators, as set out in B.12.7.1 (j) of the CMC, are to prepare a report of the discussions which took place at the workshop, provide the report to the RAs and publish it on the Modifications website promptly after the workshop.

- iii. The RAs will consult on the Proposed Modification (as per B.12.9.5 in the CMC), from the date of publication of the Consultation closing on Friday 04 August 2023.
- iv. As contemplated by B.12.11 the RAs will make their decision as soon as reasonably practicable following conclusion of the consultation and will publish a report in respect of their decision.

1.3 PURPOSE OF THIS CONSULTATION PAPER

- 1.3.1 The purpose of this paper is to consult on the proposed urgent modification. More detail about the modification is set out in the appended modification proposal (Appendix B).
- 1.3.2 The Regulatory Authorities hereby give notice to all Parties, the Proposer and the Market Operator of a consultation on the proposed Modification.
- 1.3.3 Interested Parties and the Market Operator are invited to make written submissions concerning the proposed Modification by no later than 17:00 on Friday, 04 August 2023. **Please note that late submissions will not be accepted.**
- 1.3.4 Upon closure of the consultation process, the Regulatory Authorities intend to assess all valid submissions received and form a decision to either implement, reject or undertake further consideration (as per CMC B.12.11.1) as regards to matters raised through the consultation process in regards to the proposed modification.

2. MODIFICATION PROPOSAL

2.1 CMC_17_23 – UPDATES TO LOCATIONAL CAPACITY CONSTRAINT (LCC) AREAS

Proposer: System Operators

Proposal Overview

- 2.1.1 This modification proposal seeks to provide more flexibility in the determination of LCC areas and provide for instances where the defined methodology does not fully capture particular effects on the transmission system.
- 2.1.2 While the System Operators (SOs) intend to provide as much useful information to Participants to help inform their offers to the Capacity Market, circumstances can arise where an LCC Area is not defined, and based on the Applications for Qualification it would not be possible to clear all qualified capacity without exceeding limits on the transmission system.
- 2.1.3 In these instances, the SOs are of the view that it is preferable to allow units to compete for scarce transmission capacity rather than to reject units outright. As such, the SOs proposal

allows for the specification of additional LCC Areas after the Initial Auction Information Pack (IAIP) in the Final Auction Information Pack (FAIP).

- 2.1.4 Within the CMC, the presence of the word 'final' in respect of the nodes specified in the IAIP restricts any updates on LCC Capacity Constraint Areas being made post the IAIP stage. The LCC Capacity Constraint Quantities are decided upon at the FAIP stage.
- 2.1.5 With regards to the Maximum Constraints in the Capacity Market, the SOs are currently in the process of implementing these. While the systems and process development are underway, adapting the enduring methodology to account for short circuit current assessments is a complex undertaking and will not be completed by the next T-4 2027/2028 Capacity Auction to be held in September 2023.
- 2.1.6 The modification is proposed to enable the SOs to determine and submit reasonable values to the RAs for consideration and if approved, inclusion within the auction process at the FAIP stage.
- 2.1.7 The SOs believe it is necessary to introduce a degree of flexibility into the definition of LCC Areas and the associated Required and Maximum Quantities to ensure competition can be maximised within the tolerable limits of the transmission systems. To SOs would like to propose and define additional Locational Capacity Constraints at the FAIP stage.
- 2.1.8 If the proposal is not implemented, the SOs believe it will not be possible to ensure that the Capacity Auction outcomes are technically feasible in terms of transmission system capability as emerging constraints may not be fully captured as is currently, during an auction process.
- 2.1.9 Further details on the Modification Proposal are set out in the appended Modification Proposal Appendix B, which includes the draft changes to the CMC.

Workshop Feedback

- 2.1.10 Capacity Market Code Modifications Workshop 32 took place on Thursday 20 July 2023 where this Urgent Modification Proposal was presented by the System Operators and discussed.
- 2.1.11 EP Dublin Energy Limited (EPDEL) stated they have major concerns about the modification and ongoing focus on maximum constraints. They also referenced the 2022 EY Report¹ which they felt recommended greater focus on delivery of infrastructure and reduce pressure on specific locations. This modification appears to step away from that recommendation.
- 2.1.12 EPDEL stated they have raised numerous modifications recently but stated these modifications are trying to address roadblocks already within the process, but this modification appears to add more constraints into a market that is already struggling to deliver New Capacity.
- 2.1.13 The System Operator stated in response, that this modification enables the market to reflect the realities as they are, recognising there are limits on the power system. The TSO wants to

¹ [EY Report - Performance of the SEM CRM](#)

move away from potential risk of an auction procuring more generation capacity which can't feasibly be utilised within a Capacity Year, which may then lead to reliability issues.

- 2.1.14 BGE concurred with the concerns raised by EPDEL, particularly with changes at FAIP stage on LCC areas. They questioned why the System Operator can't communicate this earlier as constraints on the system are known prior to qualification at IAIP stage.
- 2.1.15 BGE stated it would be good to understand the rationale on the short circuit analysis and methodology sooner to allow participants to digest the information. They also pointed to the EY report which highlighted 'transparency' as vital.
- 2.1.16 The System Operator in response clarified the LCC Areas being finalised within an FAIP would be for scenarios where a number of new units may come forward during the Qualification stage which weren't previously known in advance. If more capacity comes forward in an area which can't be reasonably accommodated, the decision must be made to either qualify them knowing they can't be utilised due to constraints on the system, which can lead to reliability issues or a rejection of the qualification which would impact competition.
- 2.1.17 The System Operator stated that specifying such LCCs within an FAIP, would allow participants to know they are competing within an LCC area in advance of the auction therefore allowing for an auction outcome within realistic limits.
- 2.1.18 The System Operator suggested that text could be provided in the FAIP could be improved for greater transparency particularly in relation to section C.2.1.2.
- 2.1.19 Viotas raised a concern around defining LCC Areas and how this would work around DSUs with individual sites in various geographical locations. They stated that a DSU has to decide on the composition of sites at the point of Qualification and are therefore concerned how this change in LCC Areas would be workable if made post the Qualification process.
- 2.1.20 They also raised a general concern about introducing max limits and redefining LCC areas, where these changes are being made mid process conflicting with connection offer decisions.
- 2.1.21 The System Operator in response agreed DSUs don't have a single location but provisions in the CMC allow for site changes. The modification proposal is not seeking to change application of the Code with respect to DSUs but appreciate a change to the LCC Area post IAIP may need further consideration for DSUs.
- 2.1.22 The System Operator reiterated their aim is to ensure an auction process that reflects the limits on the system and that auction outcomes are feasible.
- 2.1.23 Bord na Mona (BnM) echoed previous concerns raised by other participants, particularly around consistency with the EY Report. Previous Mod_08_22 refers to one or more levels of constraints and asked if it is possible to say at this stage where those constraint areas are. They raised awareness that this appears to introduce further max constraints where there is already scarcity on the system.

- 2.1.24 BnM stated that previous Mod_08_22, Mod_14_23 and this Mod_17_23 create difficulty for larger projects, particularly those which are required for achieving zero carbon and meeting security of supply. BnM stated this should be taken into consideration to ensure units seeking to make a pathway to zero carbon are not rejected.
- 2.1.25 The System Operators in response reiterated that attempting to add capacity generation to the system in an area in which it can't be feasibility connected and utilised does not contribute to security of supply. Constraints already on the system are noted, and the System Operators are focused on security of supply and reliable capacity which can be used to meet demand.
- 2.1.26 The System Operators stated their primary focus is on ensuring feasible auction outcomes within current boundaries and this Modification Proposal allows this.
- 2.1.27 Energia agreed with all comments raised by other participants. They stated the Modification Proposal is explicit that the new methodology for maximum constraints isn't ready and this process therefore feels rushed. They questioned why the process used in the T-4 2026/2027 auction, where a non-binding value was used, cannot be used within the upcoming T-4 2027/2028 auction, when it was satisfactory last year.
- 2.1.28 Energia voiced concerns and cautioned the RAs against proceeding with this Modification Proposal until all other options have been considered first.
- 2.1.29 The System Operators in response reiterated they are trying to prevent having to outright reject the qualification of units in impacted areas and that this Modification Proposal appears a better way forward, allowing new units to come in and compete against existing units.
- 2.1.30 ESB questioned the System Operators role in determining values and LCC areas and in deciding what units connect and clear. A wider comment was posed of how new generation and demand shape the transmission systems development or if the transmission system determines development of new generation and the connection of demand.
- 2.1.31 The System Operator in response noted the point and confirmed this modification is addressing the current scenario and ensuring feasible auction outcomes to delivery capacity in that year and how to provide for this.
- 2.1.32 Bord na Mona asked if maximum constraint is only to be introduced in a short circuit scenario or if there is too much capacity in a particular area.
- 2.1.33 The System Operator in response clarified this is not only a short circuit issue, but all issues captured in the Transmission Planning Standards.
- 2.1.34 FERA added a written comment to the chat box stating the Qualification process occurs under the Initial Auction pack and any subsequent changes to LCCs will impact the viability of qualified units and thus their ability to meet any RO following any awarded capacity.

Minded to Position

- 2.1.35 The SEM Committee welcomes feedback and comments with regards to this proposed modification.
- 2.1.36 The SEM Committee acknowledge the challenges faced by the System Operator in ensuring feasible auction outcomes, particularly for reliability and security of supply.
- 2.1.37 The SEM Committee also acknowledges the challenges currently faced by industry in terms of this modification in understanding the LCC areas and quantities for a particular auction.
- 2.1.38 The SEM Committee will consider this proposed modification in the context of the design and evolution of the Capacity Remuneration Mechanism, which must balance its decision to ensure security of supply, at a reasonable cost to consumers.

3. CONSULTATION QUESTIONS

- 3.1.1 The SEM Committee welcomes views and responses on the proposed modification raised within this consultation paper.
- 3.1.2 Respondents are invited to provide comments and feedback on the proposed Modification 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 in August 2023 on the implementation of the Modification outlined within this consultation paper.
- 4.1.2 Responses to the consultation paper **must** be sent to **both** the CRU and UR CRM Submissions inboxes (CRMsubmissions@urgeni.gov.uk and CRMsubmissions@cru.ie) **by no later than 17:00 on Friday, 04 August 2023. Please note that late submissions will not be accepted.**
- 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.