



**Single Electricity Market
(SEM)**

**Capacity Market Code Modifications –
Working Group 6 Decision Paper
SEM-19-046**

12 September 2019

EXECUTIVE SUMMARY

At Working Group 6 held on 23rd May 2019, proposed modifications were submitted by both the Regulatory Authorities (RAs) and the System Operators (SOs) requesting modifications be made to the Capacity Market Code. The decisions within this paper follow on from the initial working group, the follow up working group (held on 19th June 2019) and the associated consultation (SEM-19-034) which closed on 7th August 2019.

This paper considers the two proposed modifications presented at WG6 which related to general housekeeping issues and the calculation associated with the Proportion of Delivered Capacity.

➤ CMC_05_19 – General Housekeeping Modifications

Proposes to correct a number of inconsistencies and typographical errors within the CMC.

➤ CMC_06_19 – Modification to the Proportion of Delivered Capacity Calculation

Proposes to rectify a perceived lack of clarity around how the Proportion of Delivered Capacity (PDC) is calculated.

The purpose of this decision paper is to set out the decisions relating to the proposed modification discussed during Working Group 6 and subsequent follow up group.

Three responses were received to the Capacity Market Code Modifications, none of which were marked as confidential. All responses to the consultation (SEM-19-034) have been published on the SEM Committee website.

Summary of Key Decisions

Following consideration of the proposals and responses received to the consultation the SEM Committee have decided to:

Adopt the minded to position and approve:

➤ CMC_05_19 – General Housekeeping Modifications

➤ CMC_06_19 – Modification to the Proportion of Delivered Capacity Calculation

Contents

EXECUTIVE SUMMARY	2
1. Overview.....	4
1.1 Background.....	4
1.2 Responses to Consultation	6
1.3 Fulfillment of Code Objectives	6
2. CMC_05_19 – General Housekeeping Modifications.....	7
2.1 Consultation Summary	7
2.2 Summary of Responses	7
2.3 SEM Committee Decisions.....	7
3. CMC_06_19 – Modification to the Proportion of Delivered Capacity Calculation	7
3.1 Consultation Summary	7
3.1 Summary of Responses	8
3.1 SEM Committee Decisions.....	9
4. Next Steps.....	10

Appendix A – Approved Modifications Text Drafting

Appendix B – Responses to SEM-19-034 – CMC Modifications Working Group 6 Consultation Paper

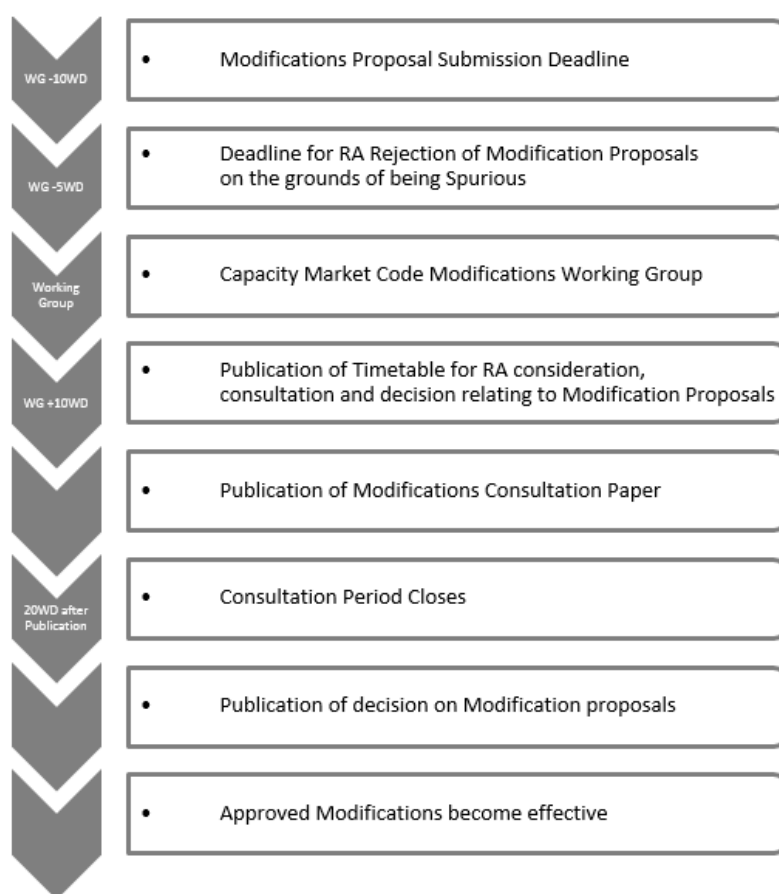
1. OVERVIEW

1.1 BACKGROUND

- 1.1.1 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. Subsequent to this, version 2.0 was published in June 2019. 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 (T&SC) (SEM-17-024) published in April 2017.
- 1.1.2 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.
- 1.1.3 The System Operators (SOs) are 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.
- 1.1.4 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.
- 1.1.5 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.
- 1.1.6 For discussion at a Working Group, Modification proposals must be submitted to the SOs at least 10 working days before a Working Group meeting is due to take place.
- 1.1.7 If a proposal is received and deemed to be contrary to the Capacity Market Code Objectives or does not further any of those objectives, the Regulatory Authorities (RAs) will reject the proposal on the grounds of being spurious, as set out in section B.12.6 of the CMC.
- 1.1.8 A proposer may choose to mark a Modification proposal as “Urgent”. In this case, 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.

- 1.1.9 If a proposal is received less than 10 working days before a Working Group and is not marked as urgent it is deferred for discussion to the next Working Group.
- 1.1.10 During each Working Group the SOs take minutes which will form the basis of a report of discussions that have taken place at the meeting.
- 1.1.11 Following each Working Group, and as per section B.12.5.6 of the CMC, the RAs are required to publish a timetable for the consideration, consultation and decision relating to the Modification(s) proposed during a Working Group. Dependent on the level of complexity of proposed modifications, the RAs may choose to consult on some, or all modifications raised during a Working Group and subsequently form a decision based on this.
- 1.1.12 The Modifications Timetable, outlining the RAs plan for consideration, consultation and decision relating to the Modifications discussed at Working Group 6 on 23rd May 2019, was published on 6th June 2019. A consultation paper was published on 8th July with responses invited up to 7th August 2019.

Figure 1: Capacity Market Code – Modifications Process Overview



- 1.1.13 The purpose of this decision paper is to set out decisions relating to the Proposed Modifications discussed during Working Group 6 on 23rd May 2019 to either:
- Implement a modification;
 - Reject a modification; or
 - Undertake further consideration in regards to matters raised in the modification proposal.

1.1.14 This decision paper sets out a summary of the consultation proposal, provides a summary of responses, and sets out the SEM Committee's decision.

1.2 RESPONSES TO CONSULTATION

1.2.1 This paper includes a summary of the responses made to the Capacity Market Code Modifications consultation paper (SEM-19-034) which was published on 8th July 2019.

1.2.2 A total of three responses to the consultation were received. Of the three responses, none were marked confidential. The respondents are listed below and copies can be obtained from the SEM Committee website.

- SSE
- ESB GT
- Energia

1.3 FULFILLMENT OF CODE OBJECTIVES

1.3.1 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.

1.3.2 The Code Objectives contained with the CMC are set out below:

- To facilitate the efficient discharge by EirGrid and SONI of the obligations imposed by their respective Transmission System Operator Licences in relation to the Capacity Market;
- 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;
- 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;
- To promote competition in the provision of electricity capacity to the SEM;
- To provide transparency in the operation of the SEM;
- To ensure no undue discrimination between persons who are or may seek to become parties to the Capacity Market Code; and
- 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.

2. CMC_05_19 – GENERAL HOUSEKEEPING MODIFICATIONS

2.1 CONSULTATION SUMMARY

- 2.1.1 The Modification was submitted by the RAs and proposed to address a number of inconsistencies and typographical errors within the CMC.
- 2.1.2 The modification proposed changes to paragraphs F.5.1.1 (b), J.5.1.2, J.5.1.3 and F.8.2.1 (b) (ii).
- 2.1.3 The proposal was raised to avoid ambiguity in regards to the provision of the final Annual Capacity Payment Exchange Rate and to correct a number of typographical errors.
- 2.1.4 The SEM Committee were of a minded position to approve the modification proposal in order to avoid ambiguity and ensure duplicate references are removed.

2.2 SUMMARY OF RESPONSES

- 2.2.1 All three parties that responded to the consultation advised of their satisfaction that each proposed update within CMC_05_19 facilitates the CMC objective in regards to providing transparency.
- 2.2.2 Two respondents further elaborated that they accepted that the proposed modification drafting would accurately implement the modification as intended.

2.3 SEM COMMITTEE DECISIONS

- 2.3.1 Given the nature of the proposed modification and the need to avoid ambiguity and interpretation of the code in any other way than intended, the SEM Committee approve this modification as per the drafting shown in Appendix A.

3. CMC_06_19 – MODIFICATION TO THE PROPORTION OF DELIVERED CAPACITY CALCULATION

3.1 CONSULTATION SUMMARY

- 3.1.1 This modification was raised as a result of a number of issues that had been flagged to the System Operators at Q&A sessions in the lead up to previous Capacity Auctions. The SOs had advised that the modification was proposed in order to rectify a perceived lack of clarity around how the Proportion of Delivered Capacity (PDC) is calculated.

- 3.1.2 Across Working Group 6 and the subsequent follow up working group, the SOs highlighted that the calculation of PDC within the CMC is not fully clear. On one hand, G.3.1.4 compares Grid Code Commissioned Capacity to Initial Capacity. On the other hand, where there are multiple tranches of New Capacity, G.3.1.5 allows for the reduction of the Initial Capacity to be taken into account, e.g. in the drafting “that other Tranches that Qualified but were not allocated the full amount in the relevant Capacity Auction”.
- 3.1.3 G.3.1.4 currently implies that delivered capacity should be measured against Initial Capacity, however, the SOs highlighted several instances where Awarded New Capacity could be significantly less than the de-rated Initial Capacity (New).
- 3.1.4 The SOs consider that it was not reasonable to expect the delivery of Awarded New Capacity to be assessed against Initial Capacity (New). They stated their belief that PDC should be measured against the Awarded New Capacity as obligations under the CMC pertain to Awarded Capacity.
- 3.1.5 In order to ensure clarity and remove ambiguity around this issue, the SEM Committee had adopted a minded to position of approving the proposed modification for implementation.

3.1 SUMMARY OF RESPONSES

- 3.1.1 Two respondents to the consultation advised they were comfortable with the modification with ESB stating they believe that the proposal would result in the implementation of the intention set out by the SEM Committee previously in CRM Detailed Design Decision Paper 2 (SEM-16-022¹).
- 3.1.2 ESB highlighted their belief that the proposal increases flexibility to new entrants whilst also removing any ambiguity around the SEM Committee decision. They stated they agree with the SOs in that that the proposal would be a more reasonable and appropriate approach to assess the delivered capacity against Awarded New Capacity, as opposed to Initial Capacity (New) as the obligations under the CMC pertain to Awarded Capacity.
- 3.1.3 Energia took the opportunity to state they recognise the intention of the proposal and advised that whilst they support the general intention of the proposal, upon review of the proposal and changes to the drafting of the CMC, they believe it is not clear whether implementation would act in a fair and consistent manner across different technology types.
- 3.1.4 They have further elaborated that, in order to implement what they understand to be the intention of proposal, amendments to the CMC must be carried out in a manner that results in the equal treatment of various types of generation.
- 3.1.5 Energia stated they conditionally support of the proposal with support being dependant on the addition of changes to the legal drafting of the CMC that would deliver upon the intent that the modification is relevant across all technology types.

¹ <https://www.semcommittee.com/sites/semcommittee.com/files/media-files/SEM-16-022%20I%20SEM%20CRM%20Detailed%20Design%20Decision%20Paper%202.pdf>

- 3.1.6 Energia also highlighted their belief that the proposed legal drafting contained within the revised version CMC_06_19 template is not clearly highlighted within the paper, stating that any proposed legal drafting changes, as a pre-requisite, should be clearly identifiable from reviewing each consultation paper.
- 3.1.7 SSE requested that the definitions of IMOT(T) and IMOT(E) are clear in the draft and that the terms appear in the glossary.

3.1 SEM COMMITTEE DECISIONS

- 3.1.1 Upon a review of the responses to the consultation paper and in regards to the specific point raised around ensuring any amendments to the CMC must be carried out in a manner that results in the equal treatment of various types of generation, the SEM Committee are of the view that the proposed drafting is technology neutral. The drafting proposes identical treatment for all technologies, only varying in its detail to reflect the different naming of the variable which represents the period for which capacity can be delivered by DSUs.
- 3.1.2 In regards to the request for the inclusion within the glossary of definitions for IMOT(T) and IMOT(E), the SEM Committee note that the definition associated with each is contained within the additional drafting to be added to the Capacity Market Code and that both terms appear in the glossary:
- IMOT(E) – C.3.7.1 (or C.3.7.2)
 - IMOT(T) – C.3.7.3 (or C.3.7.4)
- 3.1.3 The SEM Committee therefore maintain their minded to position to approve this modification for implementation as per the drafting shown in Appendix A.
- 3.1.4 The SEM Committee note that the additions to Appendix D will require changes to the SOs systems to enable the extra data to be properly captured within the Qualification Capacity Register (as required under Appendix E 2(f)(i) of the CMC). It is assumed that initially this requirement can be handled manually.

4. NEXT STEPS

- 4.1.1 Given that the Proposed Modifications approved within this decision paper do not have any immediate systems implications, the SEM Committee require that the SOs incorporate the approved Modifications contained within this paper into the CMC via an appropriate version control process and the Modification is to become effective by no later than 12th September 2019.
- 4.1.2 All SEM Committee decisions are published on the SEM Committee website: www.semcommittee.com.