



**Single Electricity Market
(SEM)**

**Capacity Market Code Modifications –
Working Group 10 Decision Paper**

SEM-20-009

13 February 2020

EXECUTIVE SUMMARY

The purpose of this decision paper is to set out the decisions relating to the Proposed Modification to the Capacity Market Code (CMC) discussed during Working Group 10 on 21 November 2019.

The decisions within this paper follow on from the associated consultation (SEM-19-075¹) which closed on 30 January 2020.

This paper considers the proposed modification presented at WG10. The proposed modification related to a general housekeeping modification.

➤ CMC_08_19 – General Housekeeping Modifications

Proposes to update sections E.8.2.5 and E.8.2.8 of the CMC to correct a number of typographical errors contained within formulae. The aim with this modification is to avoid ambiguity in regards to the calculations and to remove an error in the current drafting of the formula which has a material effect on checks that are carried out by the Capacity Auction Monitor.

No responses were received following the end of the consultation process.

Summary of Key Decision

The purpose of the proposed modification was to avoid any ambiguity and to ensure there are no issues relating to checks performed by the Capacity Auction Monitor. At the time of consulting upon the proposal, the SEM Committee were minded to approve this Modification proposal.

Given that there were no responses to the consultation, and that the proposal will further the code objectives, specifically, *A.1.2.1 (e) to provide transparency in the operation of the SEM*, the SEM Committee have adopted the minded to position and therefore approve the proposal for implementation.

¹ SEM-19-075 – Capacity Market Code Modifications WG10 Consultation Paper:
<https://www.semcommittee.com/sites/semc/files/media-files/SEM-19-075%20CMC%20Mods%20%E2%80%93%20Working%20Group%2010%20Consultation%20Paper.pdf>

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_08_19 – General Housekeeping Modification 7

 2.1 Consultation Summary 7

 2.2 Summary of Responses 7

 2.3 SEM Committee Decisions..... 8

3. Next Steps..... 8

Appendix A – Approved Modifications Text Drafting

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. The most recent version was published on 10 October 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. The most recent version of the Trading and Settlement Code was published on 12 April 2019. 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.

Process for modification of the CMC

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 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 as set out in Section A.1.2 of the CMC. (B.12.1.2).

1.1.4 Modifications to the CMC can be proposed and submitted by any person, (B.12.4.1), at any time. Unless the modification is urgent modifications 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.

1.1.5 For discussion at a Working Group, Modification proposals must be submitted to the System Operators at least 10 working days before a Working Group meeting is due to take place. 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.

1.1.6 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.

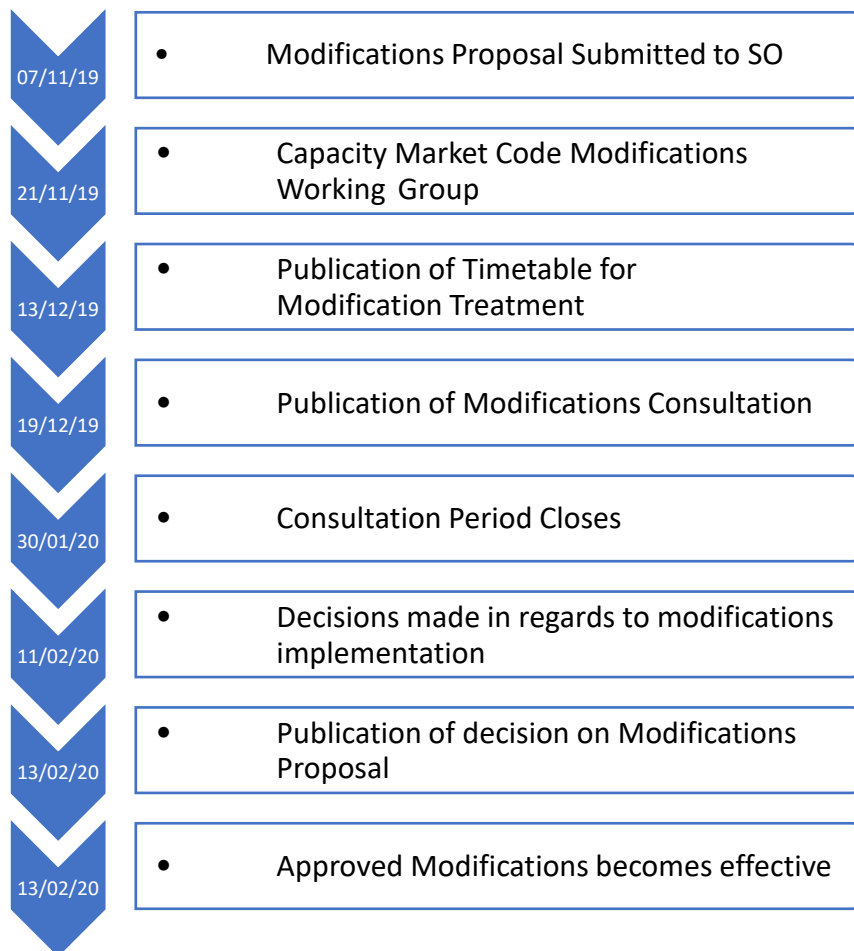
1.1.7 If a proposal is received and deemed to be contrary to the Capacity Market Code Objectives or does not further any of those objectives, the Regulatory Authorities (RAs) will reject the proposal on the grounds of being spurious, as set out in section B.12.6 of the CMC.

1.1.8 If a proposed modification is deemed urgent by the RAs, CMC Section B.12.9.5 will become active and the RAs will determine the procedure and timetable to be followed in the assessment of the Modification Proposal. The CMC states that the procedure and timetable may vary from the normal processes set out in the code, allowing for the modification to be fast-tracked.

Process for this Modification

- 1.1.9 The RAs, on 13 December 2019, published the timetable for the consideration, consultation and decision relating to the proposed Modification with the Working Group to facilitate industry discussion of the modification (WG10) took place on 21 November 2019.
- 1.1.10 As stated within the CMC (sub-paragraph B.12.9.5 (a)) the normal processes involved in assessing a modification can vary, in this case to allow for the fast-tracking of the Modification, the RAs proceeded with a 10WD consultation period, as opposed to the 20WD period applied under the standard Modification process.
- 1.1.11 As set out in the Modifications Timetable the RAs published a consultation paper on 19 December with responses invited up to 30 January 2020.

Figure 1: Capacity Market Code – Modification Process Overview



- 1.1.12 The purpose of this decision paper is to set out the decision relating to the Proposed Modification discussed during Working Group 10 to either:
- Implement a modification;
 - Reject a modification; or
 - Undertake further consideration in regards to matters raised in the modification proposal.

1.1.13 This decision paper sets out a summary of the consultation proposal and sets out the SEM Committee's decision.

1.2 RESPONSES TO CONSULTATION

1.2.1 No responses to the consultation paper were received from Industry.

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_08_19 – GENERAL HOUSEKEEPING MODIFICATION

2.1 CONSULTATION SUMMARY

- 2.1.1 The Modification was proposed in order to correct a number inconsistencies and typographical errors within the CMC which had been identified by the Capacity Auction Monitor.
- 2.1.2 The modification proposed amendments to the formulae contained within paragraphs E.8.2.5 and E.8.2.8. With regard to paragraph E.8.2.8, the proposal aims to correct the current drafting within the CMC as, in the current drafting, the error in the formula has a material effect on checks that are carried out by the Capacity Auction Monitor.
- 2.1.3 As part of the proposal the RAs intent to correct E.8.2.5 and E.8.2.8 as follows:

E.8.2.5 – The formula contains a surplus bracket “]” contained within the formula. To correct the formula this will require removal.

$$\text{GDRCN} = \text{MAX}[0, \text{MIN}[\text{DRFT} \times \text{ICT} \times (1 + \text{INCTOL}), \text{NDRVE} + \text{NDRVN}] - \text{GDRCE}]$$

E.8.2.8 – The brackets within the formula do not balance. There is a surplus bracket “(“ which needs to be removed to allow the SOs to determine the value in accordance with the formula.

There is a second more significant issue with the formula in paragraph E.8.2.8. The formula comprises two elements: the first replicates E.8.2.4 and the second E.8.2.5, in each case summed over the components of the AGU.

In the second summation (applying to variable units), the formula makes reference to the existing initial capacity (ICE) and the applicable existing capacity de-rating factor (DRFE). This is not appropriate for determining the New Gross De-rated Capacity (GDRCN), particularly when compared to the equivalent operation carried out in E.8.2.5 which performs the same function for units that are not AGUs. The formula should refer to total initial capacity (ICT) and the applicable total capacity de-rating factor (DRFT), as shown below:

$$\text{GDRCN} = \text{MAX}[0, \sum_{i \neq \text{VU}} \text{MIN}[\text{DRFT}_i \times \text{ICT}_i \times (1 + \text{INCTOL}_i), \text{MAX}[\text{DRFT}_i \times \text{ICT}_i \times (1 - \text{DECTOL}_i), \text{NDRVE}_i + \text{NDRVN}_i] + \sum_{i = \text{VU}} \text{MIN}[\text{DRFT}_i \times \text{ICT}_i \times (1 + \text{INCTOL}_i), \text{NDRVE}_i + \text{NDRVN}_i] - \text{GDRCE}]$$

2.2 SUMMARY OF RESPONSES

- 2.2.1 Following the conclusion of the consultation period on 30 January 2020, no responses were received from industry.

2.3 SEM COMMITTEE DECISIONS

- 2.3.1 Given that there were no responses to the consultation, and that the proposal will further the code objectives, specifically, A.1.2.1 (e) to provide transparency in the operation of the SEM, the SEM Committee have adopted the minded to position and therefore approve the proposal for implementation.

3. NEXT STEPS

- 3.1.1 All SEM Committee decisions are published on the SEM Committee website: www.semcommittee.com