



Single Electricity Market

(SEM)

Capacity Market Code Workshop 34

CMC_25_23 Decision Paper

CMC_25_23: Market Readiness Certification

SEM-24-001

12 January 2024

EXECUTIVE SUMMARY

The purpose of this decision paper is to set out the decision relating to a Proposed Urgent Modification to the Capacity Market Code (CMC). The Proposed Urgent Modification, CMC_25_23 was discussed at Workshop 34, held on 16 November 2023.

➤ **CMC_25_23: Market Readiness Certification**

This Proposed Urgent Modification seeks to amend the requirements for achieving Minimum Completion or Substantial Completion by associating these milestones with an additional compliance and testing certification.

The decision within this paper follows on from the associated consultation ([SEM-23-097](#)) which closed on 11 December 2023.

Eight responses were received to the Capacity Market Code Workshop 34 Urgent Modification Consultation Paper (SEM-23-097). One was marked as confidential. The non-confidential responses have been published alongside this decision paper.

Summary of Key Decisions

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

Modification	Decision	Implementation Date
CMC_25_23: Market Readiness Certification	Make a Modification	Effective on publication

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1. OVERVIEW

1.1. BACKGROUND

1.1.1. The SEM CRM detailed design and auction process has been developed through a series of consultation and decision papers, all of which are available on the SEM Committee's (SEMC) website. These decisions were translated into legal drafting of the market rules via an extensive consultative process leading to the publication of the Trading and Settlement Code (TSC) and the Capacity Market Code (CMC). Current versions of the CMC and the TSC are published on the SEMO website.

Process and Timeline for this Modification

1.1.2. On the 09 November 2023, EirGrid and SONI submitted the Urgent Modification Proposal (CMC_25_23) under the terms of B.12.9.1 of the CMC. As per B.12.9.3 of the CMC, the Regulatory Authorities (RAs) assessed the proposal and deemed it Urgent.

1.1.3. 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 timeline 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.”

1.1.4. As Workshop 34 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 34.

1.1.5. On the 20 November 2023, the RAs determined the procedure to apply to the Urgent Modification Proposal. An overview of the timetable is as follows:

- i. The System Operators convened Workshop 34 where the Urgent Modification Proposal was considered on 16 November 2023, alongside one other Standard Modification.
- ii. The System Operators, as set out in B.12.7.1 (j) of the CMC, prepared a report¹ of the discussions which took place at the workshop, provided the report to the RAs and published it on the Modifications website promptly after the workshop.
- iii. The RAs then consulted on the Modification Proposal from the date of publication of the Consultation until the closing date of Monday 11 December 2023.
- iv. As per B.12.11 the RAs would make their decision(s) as soon as reasonably practicable following conclusion of the consultation and would publish a report in respect of this.

¹ [Capacity-Modifications-Workshop-34-Report-V1.0.pdf \(sem-o.com\)](#)

The purpose of the decision paper is to set out the decision relating to the Urgent Modification Proposal discussed during Workshop 34 to:

- a) Make a Modification;
- b) Not make a Modification; or
- c) Undertake further consideration in relation to the matters raised in the Modification Proposals.

1.1.6. This decision paper provides a summary of the consultation proposals and sets out the SEM Committee's decision.

1.2. RESPONSES RECEIVED TO CONSULTATION

1.2.1. This paper includes a summary of the responses made to Capacity Market Code Workshop 34 Urgent Modification Consultation Paper ([SEM-23-097](#)) which was published on 27 November 2023 and closed on 11 December 2023.

1.2.2. A total of eight responses were received to consultation SEM-23-097 with one being marked as confidential. The non-confidential responses are from:

- Bord Gáis Energy
- Statkraft Ireland
- Bord na Móna
- Energia
- EP UK Investments
- ESB Generation and Trading
- SSE

2. CMC_25_23 – MARKET READINESS CERTIFICATION

2.1. CONSULTATION SUMMARY AS PRESENTED BY EIRGRID AND SONI (THE SOS)

- 2.1.1. This Modification Proposal seeks to amend the requirements for achieving Minimum Completion or Substantial Completion by associating these milestones with an additional compliance and testing certification.
- 2.1.2. The SOs, through this Modification Proposal, are seeking to ensure that generation capacity which could be made available to the market to mitigate generation shortfalls and manage risk to security of supply, can be securely facilitated pending the completion of all required Grid Code compliance testing.
- 2.1.3. The certification (“Market Readiness Certification”) would facilitate Minimum Completion or Substantial Completion and associated revenues and obligations in advance of a Final Operational Notification (FON).
- 2.1.4. This Modification Proposal does not seek to change other existing requirements for achieving Minimum Completion or Substantial Completion.
- 2.1.5. The SOs propose that the new Market Readiness Certificate (MRC) would be issued to relevant units which have been issued with an ION once they have demonstrated a subset of Grid Code compliance requirements and demonstrated capacity.
- 2.1.6. Similar to how Grid Code compliance and certification is applied in respect of different technology classes, the SOs intend to publish information on the specific tests that would be required for each technology class/type to achieve the MRC.

2.2. RESPONSES

- 2.2.1. Most respondents were in favour of the Modification Proposal.
- 2.2.2. Bord Gáis Energy (BGE) stated it is supportive of the Modification Proposal as it is currently drafted and welcomed the engagement by the TSO in outlining the subset of grid requirements necessary for generators to contribute to system adequacy in the form of the MRC.
- 2.2.3. BGE noted that the subset of Grid Code requirements outlined in the MRC Specification of Requirements document² strikes the correct balance in terms of ensuring the reliability of capacity while also allowing the capacity to contribute to Security of Supply (SoS) prior to receiving FON. BGE suggested that by maintaining the FON timeline as it is in the CMC, there is still sufficient motivation for units to complete all aspects of Grid Code Testing.
- 2.2.4. BGE also welcomed the clarification provided by the TSO regarding the ability to achieve MRC on secondary fuel and stated this is an important feature to achieve SoS given the risks that exist of

² Current version of this document is available at: [MarketReadinessCertificateRequirements.pdf \(sem-o.com\)](#)

potential delays to gas connection. BGE suggested that this should be outlined in the MRC requirements document as it is not explicitly outlined in the Modification itself.

- 2.2.5. Statkraft Ireland was supportive of the Proposed Modification and considered it to be consistent with the Code Objectives.
- 2.2.6. Bord na Móna (BnM) was also supportive of the Modification and the thrust of the SO's proposal to expediate generation capacity which could be made available to the market to mitigate generation shortfalls and manage risk to SoS.
- 2.2.7. BnM also stated further clarification on what the biggest difference between the MRC and FON would be needed, i.e., in the MRC Specification of Requirements document, to understand what is not included in the MRC, but is included in the FON. BnM also stated its interest in knowing how the period between MRC and FON would be framed.
- 2.2.8. BnM suggested rephrasing the definition of Market Readiness Certificate to avoid any confusion as the current legal drafting reads "Market Readiness Certificate...can be used instead of a market readiness certificate".
- 2.2.9. Energia supported the Proposed Modification and stated that it is crucial that the Modification is applied equally to New and Refurbished Capacity.
- 2.2.10. Energia stated the requirements outlined in the MRC Specification of Requirements document will ensure any generation that meet these requirements can provide capacity to the system in a safe and secure manner and on this basis, it supported the proposal as it represents a reasonable and proportionate change in respect of helping to manage SoS risk. Energia further stated that any future Modifications to the CMC in relation to implementing Intermediate Length Contracts for Existing Capacity undergoing refurbishment also allow the MRC to be issued to these units in order to achieve Minimum Completion and Substantial Completion.
- 2.2.11. Energia also stated that there is still an obligation on any unit availing of an MRC to complete the final testing and reporting requirements to achieve a FON and this must be done before the expiry of the ION. Should the ION expire before the FON is received, however, Energia understand this to mean that the MRC will no longer be valid and therefore the unit will not be allowed to provide capacity to the system nor receive capacity payments.
- 2.2.12. Whilst Energia agreed that an incentive must remain for a unit to obtain the FON, it suggested that the TSO must ensure that the timeframe before expiry of the ION is reasonable or that the expiry date can be extended through an appropriate application process. Energia considered this to be necessary to ensure that the underlying benefits and rationale of introducing the Modification are not undermined through the MRC becoming void.
- 2.2.13. EP UK Investments (EPUKI) stated it broadly supported the purpose of the Modification, and that the Modification is critical in aligning the initiation of Capacity Payments with the provision of capacity to the grid.
- 2.2.14. EPUKI recommended amendments to Sections C.3.7.1, C.3.7.2, G.3.1.1, G.3.1.2, G.3.1.2A and G.3.1.2B of the CMC to remove the requirement for the MRC to be issued under the Grid Code

and therefore removing the need for a Grid Code Modification, which EPUKI considered to be infeasible under the urgent timelines required for this CMC Modification.

- 2.2.15. EPUKI also suggested amending the MRC definition, to address the issue of the Specification of Requirements document proposing certain requirements that are not compliance tests under the Grid Code.
- 2.2.16. EPUKI stated a change to the definition of the MRC is needed, to explicitly refer to state that the requirements are consulted upon.
- 2.2.17. Regarding the MRC Specification of Requirements document, EPUKI stated the following.
- 2.2.18. EPUKI stated that on the date a unit initiates its commissioning, the requirements to obtain an MRC should not change. EPUKI stated that at the bidding stage, participants will require clarity on costs that will be incurred and certainty on requirements to obtain an MRC. Should the requirements change after this commitment has been made, EPUKI consider this to be inequitable.
- 2.2.19. EPUKI also expressed concern with regard to the current timeline for issuing an MRC and stated this is unnecessarily long and goes against the purpose of the Modification. EPUKI stated that with the current proposed timelines it is entirely possible, and indeed likely for an OCGT and reciprocating engines, that a unit will have completed commissioning and applied for its FON before the MRC is issued by the TSO.
- 2.2.20. Additionally, EPUKI considered the timeline of two weeks for verification of information submitted, difficult to understand. EPUKI stated that the information, apart from the results of the Capacity Test and Declaration, can be submitted to the TSO in advance of commissioning and see no reason why it would take more than one working day to assess the Capacity Results (noting that the contents of the test, reporting requirements and any witnessing requirements will be agreed prior to the test taking place) and that the Declaration is complete.
- 2.2.21. EPUKI also stated that the timeline for issuance of an MRC creates the risk of discrimination if separate projects were to submit the requests for an MRC at the same time. EPUKI stated this is the case as there is no requirement under the current drafting for the TSO to assess the requests and subsequently issue an MRC within a certain timeframe and it proposed this to be an obligation for the TSO to issue within “a maximum of 1 working day”. Alternatively, EPUKI proposed a backdate mechanism to be included whereby a New Capacity project will be retrospectively deemed Substantially Complete.
- 2.2.22. EPUKI stated the timelines for the TSO to consider any revisions to reports or requests for clarification should be reduced from two weeks to one working day and suggested that if the TSO misses this timeline, then the deemed issuance of the MRC should occur.
- 2.2.23. EPUKI also commented on the items included on the requirement list included in the MRC document and requested that they are addressed in an updated publication on the MRC requirements document.

- 2.2.24. ESB Generation and Trading (ESB GT) also supported the Proposed Modification and stated it is in line with the Code Objectives. The proposal, in ESB GT's view, reflects the need for secure and stable generation to be available as soon as possible and reduces the administrative burden of the commissioning process on the developer's and TSOs' side.
- 2.2.25. ESB GT suggested that the approach to allow for an earlier start for Awarded New Capacity without reducing the final amount of Grid Code compliance testing and reporting that needs to be undertaken, will allow developers to avoid significant levels of contract erosion and provides the TSOs with sufficient time to review the final documents prior to issuing FON.
- 2.2.26. ESB GT stated that there is a need for the RAs to recognise that a unit achieving Substantial or Minimum Completion through the application of the MRC will not necessarily have completed the full suite of Grid Code testing and related reporting processes required to receive the FON.
- 2.2.27. ESB GT requested the RAs to confirm that a market participant can reasonably interpret that the balance of the Grid Code testing and related reporting processes can be deemed a matter which does not prevent Substantial Completion as provided for under CMC clause J.2.1.1 (i).
- 2.2.28. If this confirmation cannot be given, ESB GT is concerned that the value of the additional flexibility introduced as a result of the MRC will be lost.
- 2.2.29. SSE agreed with the Proposal to associate either Minimum or Substantial Completion with a Market Readiness Certificate and suggested the Modification would mitigate the risk of units that are either minimally or substantially complete and could contribute to SoS terminating, because they are unable to achieve FON by their Long Stop Date.
- 2.2.30. SSE stated the Modification is consistent with the recent SEM Committee decision that facilitates the delivery of New Capacity that are facing third-party delays and is loosely aligned to EY's recommendation in its review of the CRM to adopt a more permissive approach to requests for extensions from New Build projects.
- 2.2.31. SSE suggested that it is also important that this change results in consistent amendments or clarity added to the Grid Code. SSE considered the MRC in timing and approval would need to properly align with the ION, FON, etc., process. In the absence of parallel clarity, SSE stated that contradictions and inefficiencies could arise that would jeopardise its intended affect.
- 2.2.32. SSE also noted, regarding the MRC Specification of Requirements document, that the MRC contains some proposed requirements that already duplicate some aspects of FON. SSE stated the impact to the FON process of an already secured MRC to avoid the unnecessary cost and inefficiency of duplicated effort to the TSOs and project developer must be made clear.
- 2.2.33. SSE stated that it is critical that the requirements of the MRC are published in advance of each auction and any significant changes to the original requirements published are consulted on to ensure transparency.

2.3. SEM COMMITTEE DECISION

- 2.3.1. The SEM Committee welcomes the feedback provided by participants both as part of the Workshop and through the consultation process.
- 2.3.2. The SEM Committee notes the support amongst respondents for this Modification and its urgent implementation and acknowledges the potential of this Proposal to securely enable generation capacity to be available to the market to mitigate generation shortfalls and manage risk to SoS pending the completion of all required Grid Code compliance testing.
- 2.3.3. The SEM Committee also notes that several of the comments made by respondents related to the MRC Specification of Requirements document and consultation on these requirements. As stated in SEM-23-097, the consultation paper related only to the Modification Proposal CMC_25_23 itself and was not a consultation on the MRC Specification of Requirements document. As such, the contents of the MRC Specification of Requirements document were out of scope for this consultation and the SEM Committee is of the view that it would not be appropriate to make changes to this document as a result of the consultation on the Modification Proposal. However, the SEM Committee expects the System Operators to revise the requirements as appropriate going forward, based on any learnings gained during implementation and feedback received from participants engaged in the process.
- 2.3.4. The SEM Committee acknowledges the request for clarification on whether participants can reasonably interpret that the balance of Grid Code testing and related processes can be deemed not to prevent Substantial Completion as provided for under J.2.1.1 (c) (i) of the CMC and understands that this provision is not affected by the present Modification.
- 2.3.5. As regards comments on the legal drafting, the SEM Committee's response is as follows.
- 2.3.6. The SEM Committee acknowledges the comment for amendments to the structuring of C.3.7.1, C.3.7.2, G.3.1.1, G.3.1.2, G.3.1.2A and G.3.1.2B of the CMC and has amended these sections accordingly. These sections are thus consistent with the proposed legal drafting published alongside the consultation paper in J.2.1.1(c)(ii) and J.6.1.1(a)(iii).
- 2.3.7. The SEM Committee also acknowledges the comment for the MRC definition to be rephrased to avoid any confusion. The SEM Committee is satisfied that by defining the MRC in what may appear to be a circular reference, this ensures that there is no gap in the ability to use the MRC facility should, for instance, the name of the MRC change.
- 2.3.8. The SEM Committee notes the suggestion that the definition of the MRC be amended to address the issue of the Specification of Requirements document proposing certain requirements that are not compliance tests under the Grid Code. The SEM Committee has amended the definition of the MRC to explicitly state that the MRC is a certificate confirming that a unit has "met the specified requirements, as published from time to time by the relevant System Operator".
- 2.3.9. On the basis of the reasons outlined above, the SEM Committee approves Modification Proposal CMC_25_23, with the amendments discussed, and shown in Appendix A.

3. NEXT STEPS

- 3.1.1. The SEM Committee will make proposed modification CMC_25_23 using the draft legal text accompanying this Decision Paper.
- 3.1.2. All SEM Committee decisions are published on the SEM Committee website: www.semcommittee.com