



**Single Electricity Market
(SEM)**

**Capacity Market Code Working Group 20
Decision Paper**

SEM-21-080

18 October 2021

EXECUTIVE SUMMARY

The purpose of this decision paper is to set out the decisions relating to the Proposed Modifications to the Capacity Market Code (CMC) discussed at Working Group 20 held on 27 July 2021.

The decision within this paper follows on from the associated consultation ([SEM-21-066](#)) which closed on 15 September 2021.

This paper considers the proposed modifications presented at WG20. The proposed modifications relate to:

➤ **CMC_03_21 v3: Modification to the provisions for Substantial Financial Completion**

This is an updated version of the proposal initially discussed at WG18, which proposed to modify the process for meeting Substantial Financial Completion, with regard to DSUs and AGUs so as to provide greater flexibility in the delivery of Awarded New Capacity. This updated version aimed to take account of the feedback received both during WG18 and the subsequent consultation paper responses ([SEM-21-048](#)).

➤ **CMC_12_21: Modification to the methodology for calculating the De-Rated Grid Code Commissioned Capacity**

This proposal aims to correct inconsistencies within Chapter G of the CMC and to modify changes to the CMC that were implemented as part of CMC_06_19 ([SEM-19-046](#)). The proposal recommends the removal of the Gross De-Rating Factor (from qualification), for all units, from the process of calculating the Proportion of Delivered Capacity to determine Substantial Completion.

Five responses were received to the Capacity Market Code Working Group 20 Modification Consultation Paper, none of which were marked as confidential. It should however be noted that two submissions, from SONI / EirGrid and the DRAI were received after the deadline for submissions. In this instance the late submissions have been considered, however, this should not be relied upon as a precedent for future consultation processes.

The purpose of the proposed modifications was to further the Code Objectives within the CMC, specifically:

A.1.2.1 *This Code is designed to facilitate achievement of the following objectives (the “Capacity Market Code Objectives”):*

CMC_03_21 (v3) –

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

- (f) *to ensure no undue discrimination between persons who are or may seek to become parties to the Capacity Market Code*

CMC_12_21 –

- (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;*
- (f) *to ensure no undue discrimination between persons who are or may seek to become parties to the Capacity Market Code*

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_03_21 (v3) – Modification to the provisions for Substantial Financial Completion	Approve	19/11/2021
CMC_12_21 – Modification to the methodology for calculating the De-Rated Grid Code Commissioned Capacity	Approve	19/11/2021

Contents

EXECUTIVE SUMMARY	2
1. Overview	5
1.1. Background.....	5
1.2. Responses to Consultation	7
2. CMC_03_21 (v3) – Modification to the Provisions for Substantial Financial Completion	8
2.1. Consultation Summary.....	8
2.2. Summary of Responses	9
2.3. SEM Committee Decisions.....	12
3. CMC_12_21 – Modification to the Methodology for Calculating the De-rated Grid Code Commissioned Capacity	13
3.1. Consultation Summary.....	13
3.2. Summary of Responses	14
3.3. SEM Committee Decisions.....	16
4. Next Steps	17

Appendix A – Responses to *SEM-21-066*

Appendix B – Approved Modification Text Drafting – CMC_03_21 (v3)

Appendix C – Approved Modification Text Drafting – CMC_12_21

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, these are all 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). An updated version of the CMC (5.0)¹ was published on 24 May 2021 and the most recent version of the TSC² was published on 3 November 2020.

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 processes for 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 anytime. 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.

¹ Capacity Market Code: <https://www.sem-o.com/rules-and-modifications/capacity-market-modifications/market-rules/Capacity-Market-Code.docx>

² Trading and Settlement Code: <https://www.sem-o.com/rules-and-modifications/balancing-market-modifications/market-rules/>

Process and Timeline for these Modifications

- 1.1.9. On 14 July 2021 the SOs notified the RAs of the two proposed modifications submitted for discussion at WG20 held on 27 July 2021.
- 1.1.10. Both CMC_03_21 v3 and CMC_12_21 were submitted by the DRAI.
- 1.1.11. CMC_03_21 is an updated version of a proposal originally submitted for discussion during WG18 and, following a consultation process, was deferred for further consideration.
- 1.1.12. Both of the proposed modifications were marked as Standard and were therefore be processed through the normal Modification process.
- 1.1.13. On the 13 August 2021 the RAs determined the procedure to apply to the Modification Proposals. An overview of the timetable is as follows:
 - i. The System Operators convened Working Group 20 where the Modification Proposals were considered on 27 July 2021.
 - 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 then consult on the Proposed Modification, with a response time of 20 Working Days (as defined in the CMC), from the date of publication of the Consultation.
 - 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.
- 1.1.14. The purpose of this decision paper is to set out the decision relating to Modification Proposals discussed during Working Group 20 to either:
 - a) Implement a modification;
 - b) Reject a modification; or
 - c) Undertake further consideration in regards to matters raised in the modification proposal.
- 1.1.15. This decision paper sets out a summary of the consultation proposals and sets out the SEM Committee's decision.

1.2. RESPONSES TO CONSULTATION

1.1.16. This paper includes a summary of the responses made to the Capacity Market Code Modifications consultation paper ([SEM-21-066](#)) which was published on 17 August 2021.

1.1.17. A total of five responses were received by close of the consultation period, none of which were marked confidential. The respondents are outlined below and copies of each response can be obtained from the SEM Committee website.

- ESB GT
- Bord Gáis Energy (BGE)
- Energia
- EirGrid/SONI
- Demand Response Association Ireland (DRAI)

2. CMC_03_21 (V3) – MODIFICATION TO THE PROVISIONS FOR SUBSTANTIAL FINANCIAL COMPLETION

2.1. CONSULTATION SUMMARY

- 2.1.1. This proposal was originally submitted by the DRAI for discussion during WG18 which took place on 11 March 2021. The original version of the modification proposed to enable Participants to voluntarily increase their financial commitment to the delivery of Awarded New Capacity, in lieu of the standard Substantial Financial Completion milestone.
- 2.1.2. Whilst the SEM Committee recognised the issues for demand side participation created by the timing of the Substantial Financial Close milestone and the changes made by DRAI following the Working Group, several respondents raised concerns with the proposal both during WG18 and in response to the consultation paper.
- 2.1.3. Taking account of the discussions at Working Group 18 and the feedback received to the consultation, the SEM Committee decided that further consideration was required in relation to the proposed Modification.
- 2.1.4. Following on from the closure of the consultation process and decision made as part of WG18, the DRAI considered five areas for clarification:
- **Performance Security Sunk Costs** – The DRAI highlighted that given if a unit is able to deliver their capacity, the performance security is recoverable and therefore wouldn't be considered a sunk cost. They elaborated that the ability to recover this cost acts as an incentive to deliver.
 - **Robustness to changes in the profile of Termination Charges** – The DRAI recognised that the termination charges for a capacity auction are not stipulated within the CMC, rather they are set out in the parameters published ahead of each Capacity Auction. They have drafted the proposal as such that it will pull forward the next applicable termination charge, as opposed to specifying a value.

They advised the intention here was to ensure the drafting of the proposal was robust to mitigate any unforeseen issues, were the values in the parameters to change in the future.

However, the approach is not fully robust to a change in the number of termination fee/date pairs. In order to remain agnostic on this point, the DRAI suggested that the Auction Information Packs for a given auction could contain separate sets of Performance Security and Termination Charges values, which would be applicable to units who avail of this alternative route and those who do not.

- **Timing of the election to be made under J.2.1.3** – In drafting the proposal the DRAI intended to allow a participant to decide whether they need to provide a proof of contract up to the point of SFC or terminate, or to follow an alternative route to SFC and increase the required performance security value with the confidence that delivery of the capacity is possible.

The DRAI state that this election should be at the point of SFC and that this wasn't fully clear in the initial version of the proposal and so have amended the drafting of the proposal to reflect this.

- **Enhanced Implementation Progress Reporting** – The DRAI advised they do not believe this would be required, however, were open to the views on this if participants believe it would be required to mitigate risk.
- **Volume cap for the amount of capacity using the alternative route to achieve SFC** – The DRAI were of the view that this would not be required, nor would it be appropriate. They have further advised that they would agree with the position taken by the SEM Committee whereby it wouldn't be possible to apply a cap without dis-incentivising participants. They provided information which showed that the affected DSU capacity was likely to be modest, probably well below 100MW.

2.2. SUMMARY OF RESPONSES

- 2.2.1. All respondents to the consultation paper provided commentary on this proposal, with the decision to approve being split amongst the responses.
- 2.2.2. ESB GT, BGE and the DRAI were supportive of this proposal. Whilst Energinet were unable to provide support and SONI / EirGrid were of the view that it remains unclear how this modification would support delivery of awarded capacity and therefore the SOs are still minded not to support the proposed Modification.
- 2.2.3. ESB GT agreed with the principal of this modification in promoting increased competition and efficiency in the CRM and maximising unit's ability to participate in the CRM process.
- 2.2.4. With regard to modelling risk & impacts, ESB GT were of the view that the proposal for this modification needs to balance the alternative opportunities given to DSUs/AGUs with the requirement to ensure awarded capacity is delivered. However, ESB GT also agreed with the SOs concerns that the implementation of the proposal may increase the risk associated with modelling ahead of a T-1 Capacity Auction.
- 2.2.5. ESB GT referred to the SOs comments that the information would feed into reports on generation adequacy and locational constraints. They have elaborated that, if the volume of capacity yet to be delivered became increasingly difficult to predict, then the knock-on impact could have significant cost impacts for the consumer and security of supply concerns.
- 2.2.6. With regards to the Implementation Progress Reports, ESB GT agreed with the RAs minded to decision that, as part of the extended reporting requirements, DSUs/AGUs must include identification of individual demand sites where known as a precautionary measure to ensure no duplication occurs. ESB GT believe that this measure may in turn help create more certainty to the SOs when calculating the volume of capacity yet to be delivered.

- 2.2.7. ESB GT advised that further information and assurance is required on the modelling impacts to the SOs that this modification may have before it is approved.
- 2.2.8. With regards to Termination Charges & Performance Security Posting, ESB GT are concerned that implementation of this proposal may send mixed messages to the market. Elaborating on this they highlighted that, whilst the RAs are trying to promote new capacity to successfully deliver at the same time, certain units are afforded an alternative SFC provision where the certainty of delivery is not required until 4 months prior to delivery.
- 2.2.9. ESB GT agreed that the increased Performance Security Posting & Termination charges on the DSU/AGU units do go some way to promoting delivery but the contractual obligation is not provided for on the SFC date and this will increase delivery risk for the SOs.
- 2.2.10. ESB GT have also suggested an amendment to the draft text contained within the proposal. They have suggested the addition of the following text to the proposal to include demand site details when reporting:
- J.4.2.6(e) Where a unit has achieved Substantial Financial Completion under J.2.1.3 (a) (ii), then report must include details of identified individual Demand Sites*
- 2.2.11. BGE advised that they continue to be supportive, in principle, of this proposal to enable DSUs/AGUs with contracts of 1-year to prove delivery of Awarded New Capacity closer to the start of the relevant Capacity Year than that currently set out in the capacity market code.
- 2.2.12. They reiterated that they are supportive of the proposal for these unit types to use a voluntary alternative to achieving Substantial Financial Completion (SFC) by way of an additional Proof of Contract milestone to be evidenced not less than 4 months before the start of the Capacity Year in exchange for increased Termination Charges payable at the established performance dates.
- 2.2.13. BGE suggested that additional reporting should apply to ensure a balance is maintained between the flexibility this alternative route offers the DSU/AGU participants and the delivery of the contracted capacity. They have advised that Participants electing to use this route should be obliged to follow an enhanced Implementation Progress reporting schedule to provide the SOs and the RAs with increased transparency on the demand sites involved and the progress being made to secure the necessary contracts with the asset owners.
- 2.2.14. BGE believe this enhanced reporting requirement will inform:
- the risk outlined by the RAs in the consultation of the early identification of the situation where the same Demand Site is planned to be included in more than one DSU; and
 - the base risk of delayed or non-delivery of part/all of the contracted capacity.
- 2.2.15. BGE have suggested that the Implementation Progress reporting schedule should follow the schedule as laid out under Section J.4 of the Code, however, with additional requirements to report on achieving the Proof of Contract milestone, and an extra Implementation Progress report by units following the alternative route up to 8 months (for example) before delivery.

- 2.2.16. BGE have also suggested that the RAs should replicate their existing option to terminate before delivery that awarded capacity using this alternative route if the RAs' opinion from this extra Implementation Progress report is that the DSU/AGU will not meet the delivery milestones.
- 2.2.17. BGE believe that an Implementation Progress reporting template should be provided to participants availing of this alternative so that the information requirements specific to DSUs / AGUs reporting is more focused and appropriate for these units in order to support insights on contracts progressing.
- 2.2.18. BGE have also requested the SOs, or RAs, begin publishing a monthly/ bi-monthly report to market participants from Q1 2022 which will cover the status of negotiations with Demand Sites delivering new capacity against milestones for those capacity contracts following the alternative route up to 4 months before delivery (i.e. at the Proof of Contract milestone) to increase transparency on the process for the rest of the market.
- 2.2.19. The DRAI, the proposer of this modification, fully support minded-to position to approve it. The DRAI believe that between the revised proposal and the clarifications discussed at WG20 and elaborated in the Consultation Paper, the SEM Committee has everything required to finalise the legal drafting and approve the Modification.
- 2.2.20. In their response the DRAI state that the SEMC succinctly captured that the proposals aims which were to strike a careful balance between offering increased flexibility to DSUs, thus allowing additional capacity to come forward, and the potential increased risk of non-delivery. The DRAI are of the view that the proposal is optimally balanced in this regard, and the proposed measures will ensure the same level of certainty relating to the delivery of New Capacity is in place as it would be under the current arrangements – safeguarding the hedge to consumers and security of supply.
- 2.2.21. As highlighted, Energia are not supportive of this proposal on the basis that they believe it accentuates the risk to security of supply and market distortion caused by an underlying tendency for DSU capacity to be collectively overstated in capacity auctions as a consequence of more than one DSU comprising the same Demand Site(s) during qualification.
- 2.2.22. Energia referred to the consultation paper which describes the modification proposal as “a balance between the increased flexibility offered to DSUs, which will allow additional capacity to come forward, and the potential increased risk of non-delivery”.
- 2.2.23. Energia believe the issue of concern goes beyond that of non-delivery and rather, it is the significant risk that DSU capacity, in aggregate, qualifying and participating in capacity auctions is being inadvertently overstated by dint of more than one DSU comprising the same Demand Site(s). This issue is acknowledged in the Consultation Paper whereby it suggests the use of Implementation Progress Reports to enable early identification of the situation where the same Demand Site, where known, is planned to be included in more than one DSU.

- 2.2.24. Energia believe the implicit tendency to overstate qualified DSU capacity participating in auctions underlines the risk of providing extra flexibility for Awarded New Capacity from DSU / AGU to meet Substantial Financial Completion out to 4 months before the start of the Capacity Year, especially in the context of the current tight capacity margins that exist.
- 2.2.25. Energia suggest that an emphasis should be placed on reviewing the qualification process such that the risk of DSU capacity being overstated is mitigated. They have also advised that if awarded New DSU capacity is non deliverable because it has been overstated in qualification, extending the Substantial Financial Completion deadline to just 4 month prior to the start of the capacity delivery year is highly inadvisable given the risk this presents to security of supply that cannot be mitigated in such a short timeframe.
- 2.2.26. Energia are of the view that proposed amendments to Implementation Progress Reports do not address this concern because:
- the capacity in question has already qualified and been awarded a capacity contract;
 - it is unclear if and on what basis such capacity could be terminated, particularly in circumstances where more than one DSU comprises the same Demand Site(s) (by definition only one Demand Site can deliver but which DSU?); and
 - it is entirely ineffective where the Demand Sites comprising DSUs are not identified in these reports.
- 2.2.27. SONI and EirGrid recognised the amendments made in version 3 of the proposal and accept the points raised by DRAI that the intent for Awarded New Capacity being required to achieve Substantial Financial Completion within the Substantial Financial Completion Period 18 months from the Capacity Auction Results Date, is to identify failing projects early to minimise costs to consumers for replacement capacity or as a result of decreased security standards.
- 2.2.28. However, the SOs highlighted that they would still have concerns with any reduction in certainty on delivering new capacity by the Participants involved. They were of the view that it is essential that there is an appropriate commitment model in place for capacity delivery given the importance of it for operating a safe, secure and reliable power system.

The SOs believe that the proposal still does not provide detail beyond organisational commitment that capacity can be delivered.

2.3. SEM COMMITTEE DECISIONS

- 2.3.1. The SEM Committee welcomes the feedback provided by participants, both as part of the Working Group forum and with regard to the Consultation process.
- 2.3.2. The SEM Committee note that a number of respondents were not in favour of providing an increased level of flexibility to DSUs, whilst some respondents took a more balanced stance in their response.

- 2.3.3. In reviewing the responses, the RAs were of the view that there was merit in ESB GTs proposal of additional text within J.4.2.6 (e) *“Where a unit has achieved Substantial Financial Completion under J.2.1.3 (a) (ii), then report must include details of identified individual Demand Sites”*.
- 2.3.4. The RAs are also of the view that this aligns with comments provided by both Energia and BGE.
- 2.3.5. Within the response provided by BGE, they have suggested that additional reporting should apply to ensure a balance is maintained between the flexibility this alternative route offers the DSU/AGU participants and the delivery of the contracted capacity.
- 2.3.6. In their response, BGE have proposed the addition of *J.4.2.4 (c) (iv) Proof of Contract for DSU/AGU using the Alternative route set out in J.3.2.8*. The RAs deem to be consistent with the treatment of other capacity at SFC and therefore there is merit in its inclusion within the proposal drafting.
- 2.3.7. However, the RAs are of the view that the publication of a monthly/ bi-monthly report to market participants providing an update on the status of negotiations with Demand Sites is not appropriate, given this type of reporting is not be applied to conventional capacity.
- 2.3.8. Within the response provided by BGE, they have suggested the inclusion of a J.6.1.6A. Whilst the RAs believe this inclusion does have some merit, the RAs are of the view that this is already covered within the original drafting under J.6.1.6.
- 2.3.9. Given the above, the SEM Committee approves the Modification with the revised legal drafting set out in Appendix B.

3. CMC_12_21 – MODIFICATION TO THE METHODOLOGY FOR CALCULATING THE DE-RATED GRID CODE COMMISSIONED CAPACITY

3.1. CONSULTATION SUMMARY

- 3.1.1. This proposal aimed to modify previous changes to the CMC made as a result of the implementation of CMC_06_19.
- 3.1.2. The proposer highlighted that CMC_06_19 recognised the numerous reasons why Awarded New Capacity may be less than the de-rated Initial Capacity (New). Further to this, they stated that the intent of that proposal was to clarify that the calculation of the Proportion of Delivered Capacity should be measured against the Awarded New Capacity secured in the auction, and de-linked from measurement against the Initial Capacity (New) qualified for the auction.
- 3.1.3. However, they were of the view that the algebra introduced to G.3.1.4 by CMC_06_19 did not align with the intent of modification CMC_06_19.

The current drafting of G.3.1.4A places a different value on Delivered Capacity depending on the quantity of the Initial Capacity that was qualified.

- 3.1.4. The DRAI advised that CMC_12_21 intends to correct inconsistencies that remain in place, despite the implementation of CMC_06_21. This included:
- The final part of G.3.1.4 includes references to “Initial Capacity (Existing)” and “Initial Capacity (Total)” despite these terms having been removed from the part above by CMC_06_19; and
 - The Capacity and Trade Register calculations in G.3.1.8 still refer to Initial Capacity quantities.
- 3.1.5. Within their proposal, the DRAI suggested that the Gross De-Rating Factor (from qualification) is completely removed, for all units, from the process of calculating the Proportion of Delivered Capacity to determine Substantial Completion.

The DRAI believe that significantly simplifying the drafting in Chapter G would deliver additional flexibility for all units when delivering New Capacity, whilst also mitigating unintended consequences imposed by CMC_06_19.

3.2. SUMMARY OF RESPONSES

- 3.2.1. All respondents to the consultation paper provided commentary on this proposal, with all respondents being generally favourable of the proposal.
- 3.2.2. ESB GT agreed with the proposal and the amendments to remove legacy text in the calculation of the Commissioned Capacity ($qCCOMMISS\Omega y$) in G.3.1.8 and the removal of Gross De-rated Capacity from the calculation of De-Rated Grid Code Commissioned Capacity G.3.1.4.

ESB GT stated that the amendments remove inconsistencies remaining after modification CMC_06_19 and align the code with market design and de-rating principals.

- 3.2.3. BGE supported the proposed modification to clarify the calculation of the Proportion of Delivered Capacity which should be measured against the Awarded New Capacity secured in the auction, and not measure it against the Initial Capacity (New) qualified for the auction. They further agree with the amendment of the algebra and inconsistencies within the Code to fully implement the changes agreed in modification CMC_06_19.

Further to this, BGE agreed the Gross De-Rating Factor from qualification is not used in the calculation of the Proportion of Delivered Capacity when determining Substantial Completion.

- 3.2.4. BGE confirmed that they support the retention of limb (b) of G.3.1.4A to ensure the Code is robust enough in specific circumstances such as to utilise INCTOL in the future where that variable may be given a non-zero value.
- 3.2.5. Energia supported the intent of the proposal as it seeks to rectify the scenario whereby if Awarded Capacity is less than Initial Capacity Qualified for the auction, then the Proportion of Delivered Capacity calculation required for Substantial Financial Completion is unduly affected.

They elaborated that this affects all technology types and is recognised to be an anomaly in the code that should be fixed.

- 3.2.6. Energia recognised that there was some uncertainty in respect of the legal drafting in implementing this modification around G.3.1.4A (b), and particularly around the event of a non-zero INCTOL value. Energia agreed that the changes to the legal drafting in implementing the modification should be sufficiently robust as to not undermine the impact of having a non-zero INCTOL value in the future.
- 3.2.7. As the proposer of this modification, the DRAI reiterated their support for implementation. The DRAI believe the rationale and justification for this proposal has been well documented and discussed in the Proposal, at Working Group 20, and Consultation Paper. They state that the delivery of (de-rated) Awarded Capacity is paramount, and providing Participants maximum flexibility to do so is in the best interests of all parties. The DRAI therefore recommended that the proposal is approved for implementation to ensure the equitability of treatment, including for units which have availed of a voluntary DECTOL factor.
- 3.2.8. The DRAI acknowledged the comments in the consultation that the proposal raises a valid point and that, in the scenarios put forward, the determination of the Proportion of Delivered Capacity does not work properly.
- 3.2.9. The DRAI refer to the consultation paper which highlighted that limb (b) of G.3.1.4A may need to be retained to cover the specific (and exceptional) case where a unit has a non-zero INCTOL value. The DRAI stated that if this is required, this limb could be retained, with the drafting explicitly clarifying that it only applies to units in this specific situation, vs. the current drafting where G.3.1.4A(b) is a “catch-all” covering all units which don’t fall under the specific requirements covered by G.3.1.4A(a).
- 3.2.10. The DRAI highlighted that the application of DECTOL at Qualification is voluntary and further advised that there are a range of reasons why it would be utilised by a Participant. They are of the view that the application of the current CMC algebra appears to be counterintuitive and unduly punitive on Units that have applied it during Qualification.
- 3.2.11. The DRAI referred to CMC_06_19 and advised that, despite its intent to clarify that the calculation of the Proportion of Delivered Capacity should be measured against the Awarded New Capacity secured in the auction, a strong link to qualified values remains, including for units that have voluntarily de-rated their unit using a DECTOL factor.
- 3.2.12. The DRAI referred to the question around the potential impact of applying G.3.1.4A (b) to units using a DECTOL factor and stated their belief that to do so is wholly inappropriate. As per their response to SEM-20-071, they state that the drafting of this part of the CMC needs to ensure the fair and equitable treatment of all units – including those which have availed of a voluntary DECTOL factor – when assessing the delivery of Awarded New Capacity.

- 3.2.13. The DRAI highlighted the importance of this proposal and, reiterating that given it impacts the achievement of Substantial Completion for units delivering New Capacity, that it should be approved and implemented prior to the Long Stop Date for New Capacity with a one year duration secured in the T-2 CY2021/22 Capacity Auction, which is 31 October 2021.
- 3.2.14. SONI and EirGrid welcomed some of the changes this Modification Proposal is trying to introduce but highlighted that they would have reservations on the need of some of the proposed alterations to the existing CMC legal drafting. However, they have advised that should this proposal be approved for implementation, it would require process changes to the calculation of the Proportion of Delivered Capacity. Whilst these are not significant, the SOs did request that the RAs make the effective date of any proposal at least one month after the decision to effect the necessary changes to the process.
- 3.2.15. SONI and EirGrid agreed that the proposed removal of the text in limb (b) of paragraph G.3.1.4 is necessary and puts the CMC in line with the changes introduced by previously approved CMC_06_19.
- 3.2.16. However, with regards to changes proposed to paragraph G.3.1.4A, the SOs do not agree with the proposed removal of limb (b) and therefore do not agree with the changes proposed to limb (a). EirGrid and SONI agree with the RAs analysis that the retention of limb (b) in paragraph G.3.1.4A is necessary.
- 3.2.17. Within their response, the SOs noted that the naming of paragraphs G.3.1.4 and G.3.1.4A in the proposal had been reversed.
- 3.2.18. The SOs have referred to the request from the Proposer to provide commentary on a section of G.3.1.8 of the CMC, which was highlighted in yellow in the proposal. The SOs stated that they do not consider those changes necessary. The SOs elaborated that the Initial Capacity is the correct variable to be included in the affected columns in table G.3.1.8, where the heading refers to Commissioned Capacity. Further to this, the SOs state that both variables (Initial and Commissioned Capacity) relate to rated quantities while the proposed replacement of Initial Quantity with Awarded Quantity (which is instead a de-rated quantity) introduces an unnecessary inconsistency in the use of those variables in the CMC.

3.3. SEM COMMITTEE DECISIONS

- 3.3.1. The SEM Committee welcomes the feedback provided by participants, both as part of the Working Group forum and with regard to the Consultation process and notes that in general, most responses were in favour of the minded-to position to approve this proposal.
- 3.3.2. In their Minded-to position, the SEM Committee stated that, as currently drafted, the CMC creates a strong incentive not to offer capacity into auctions on a flexible basis as a CMU which is awarded less capacity than was qualified will struggle to achieve Substantial Completion and that this issue has negative consequence for both capacity providers and consumers. The minded-to position was also conditional on the retention of limb (b) of G.3.1.4.

3.3.3. In their proposal, the DRAI had proposed the removal limb (b) of G.3.1.4A and stated that whilst this sub-para is understood to have been intended to provide for exceptional cases they were of the view that the original drafting has resulted in unintended consequences.

They elaborated to advise that this could result in the situation whereby any unit which qualified in a larger size category would always fall under limb (b) and subsequently would be impacted by a lower Gross DRF when assessed to determine the delivery of their Awarded Capacity.

3.3.4. However, the RAs were of the view that limb (b) of G.3.1.4A should be retained as it is required to apply in a specific set of circumstances, in particular where a non-zero INCTOL has been used by a participant in qualifying a CMU.

The requirement to retain limb (b) was also view that was echoed by a number of respondents.

3.3.5. Following the discussions during the Working Group, where participants were vocal about the retention of limb (b), the DRAI, in their response, highlighted that were limb (b) to be retained the drafting should clarify that it is only to apply to units in this specific situation, as opposed to the current drafting, which they feel is a “catch-all” statement that covers all units which don’t fall under the specific requirements covered by G.3.1.4A(a).

3.3.6. Whilst the RAs recognise the merit in this suggestion, they are of the view that amending limb (b) to cover this specific situation, may narrow the scope of this sub-paragraph and therefore intend to retain limb (b) of G.3.1.4A in its current form.

3.3.7. Given the above, the SEM Committee approves the Modification with the revised legal drafting set out in Appendix B.

4. NEXT STEPS

4.1.1. 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 Modifications are to become effective by no later than:

Modification	Implementation Date
CMC_03_21 v3	19/11/2021
CMC_12_21	19/11/2021

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