

Capacity Market Modifications Workshop 13

**CMC_09_20: Modification to the Long Stop Date for the
CY2020/21 T-1 Capacity Auction due to Covid-19 Restrictions**

26th May 2020

Background

28 CMUs secured a total of 155.5 MW of Awarded New Capacity in the T-1 auction, held Nov 2019, for CY 2020/21:

2020/2021 T-1 Capacity Auction

Table 4 – Awarded New Capacity Implementation Plans

Party / Unit Details		Awarded Capacity	Timelines from Qualification Applications							
CMU ID	Company Name	Awarded New Capacity (MW)	Substantial Financial Completion	Commencement of Construction Works	Mechanical Completion	Completion of Network Connection	First Energy to Network	Start of Performance/Acceptance Testing	Provisional Acceptance/Completion of Performance Testing	Substantial Completion
DSU_503460	Electricity Exchange Limited	3.091	01/05/2020	N/A	N/A	01/04/2020	N/A	N/A	N/A	01/05/2020
DSU_403560	Electricity Exchange Limited	5.614	01/05/2020	N/A	N/A	01/04/2020	N/A	N/A	N/A	01/05/2020
DSU_403520	Electricity Exchange Limited	8.4	01/05/2020	N/A	N/A	01/04/2020	N/A	N/A	N/A	01/05/2020
DSU_501560	Powerhouse Generation Limited	11.455	Complete	N/A	N/A	Complete	N/A	N/A	N/A	06/02/2020
GU_403890	Winter Wind Ltd	2.277	01/04/2019	01/05/2019	01/12/2019	01/01/2020	01/01/2020	01/01/2020	01/01/2020	01/02/2020
GU_403960	Ronover Energy Limited	4.14	Complete	Complete	01/03/2020	01/09/2019	01/03/2020	01/04/2020	01/06/2020	01/09/2020
DSU_401660	Powerhouse Generation Limited	0.635	Complete	N/A	N/A	Complete	N/A	N/A	N/A	06/02/2020
DSU_402100	Electricity Exchange Limited	2.707	01/05/2020	N/A	N/A	01/04/2020	N/A	N/A	N/A	01/05/2020
DSU_402120	Electricity Exchange Limited	3.389	01/05/2020	N/A	N/A	01/04/2020	N/A	N/A	N/A	01/05/2020
DSU_401400	Electricity Exchange Limited	6.216	01/05/2020	N/A	N/A	01/04/2020	N/A	N/A	N/A	01/05/2020
DSU_401870	Electricity Exchange Limited	7.129	01/05/2020	N/A	N/A	01/04/2020	N/A	N/A	N/A	01/05/2020
DSU_402090	Electricity Exchange Limited	9.632	01/05/2020	N/A	N/A	01/04/2020	N/A	N/A	N/A	01/05/2020
GU_501230	Empower Generation Limited	4.081	10/06/2019	N/A	N/A	30/06/2019	N/A	N/A	N/A	31/08/2019
DSU_403620	Energy Trading Ireland Limited	2.81	01/10/2020	N/A	N/A	01/10/2020	N/A	N/A	N/A	01/10/2020
DSU_503480	iPower Solutions Ltd	4.923	31/07/2019	N/A	N/A	31/08/2019	N/A	N/A	N/A	30/09/2019
DSU_501600	Energy Trading Ireland Limited	4.117	01/10/2020	N/A	N/A	01/10/2020	N/A	N/A	N/A	01/10/2020
DSU_403470	EnerNOC Ireland Limited	8.4	20/06/2019	N/A	N/A	31/03/2020	N/A	N/A	N/A	30/09/2020
DSU_403450	EnerNOC Ireland Limited	11.703	20/06/2019	N/A	N/A	06/06/2019	N/A	N/A	N/A	31/09/2020
DSU_403050	EnerNOC Ireland Limited	8.959	31/03/2018	N/A	N/A	31/07/2019	N/A	N/A	N/A	30/09/2020
DSU_403030	EnerNOC Ireland Limited	8.959	31/03/2018	N/A	N/A	31/07/2019	N/A	N/A	N/A	30/09/2020
DSU_403040	EnerNOC Ireland Limited	9.145	31/03/2018	N/A	N/A	31/07/2019	N/A	N/A	N/A	30/09/2020
DSU_401270	EnerNOC Ireland Limited	2.635	01/03/2018	N/A	N/A	01/02/2018	N/A	N/A	N/A	30/09/2020
DSU_401610	EnerNOC Ireland Limited	3.91	01/01/2019	N/A	N/A	30/03/2020	N/A	N/A	N/A	30/09/2020
DSU_501460	Endeco Technologies Limited	5.152	30/09/2019	N/A	N/A	30/11/2019	N/A	N/A	N/A	31/01/2020
GU_401530	Endeco Technologies Limited	3.172	30/09/2019	N/A	N/A	30/11/2019	N/A	N/A	N/A	31/01/2020
GU_400850	ESB	10.954	29/10/2019	N/A	N/A	N/A	N/A	N/A	N/A	29/10/2019
DSU_401910	Endeco Technologies Limited	0.433	30/09/2019	N/A	N/A	30/11/2019	N/A	N/A	N/A	31/01/2020
DSU_401880	Veolia Alternative Energy Ireland Limited	1.5	31/01/2020	N/A	N/A	31/01/2020	N/A	N/A	N/A	31/01/2020



- Covid-19 restrictions having a particularly negative impact on the participants which secured New Capacity in the CY2020/21 T-1
- 93% (144.5 MW) of the New Capacity secured 1 year capacity duration, and is therefore subject to Long Stop Date 31st Oct 2020
- Covid-19 restrictions are preventing Participants from completing works to install and test equipment, especially at the industrial sites where DSUs/AGUs have contracted to commission new capacity
- If Minimum / Substantial Completion not achieved by the Long Stop date, SEMO has to terminate capacity and retain Termination Charges / Performance Security
- Affected Participants would incur Termination Charge 30,000 or 40,000 €/MW, and the capacity will not be delivered
- Long Stop Date extension would benefit affected capacity providers and consumers / security of supply (capacity delivered late instead of never)

28 units (across 10 Participants) secured T-1 2020/21 New Capacity. One unit (10.95 MW) secured a 10 year capacity duration (therefore subject to a Long Stop 18 months after CY start). Therefore 27 units across 9 Participants potentially impacted by this Mod.

- 89% DSU/AGU capacity (138.2 MW)
- Likely that a significant portion of this has already been delivered (e.g. to participate in CY 2019/20)
- Volume of capacity at risk of non-delivery due to Covid-19 likely to be **less than 100 MW**

Proposal: urgent Modification to introduce an interim arrangement to extend Long Stop Date

Proposal:

- **Adjust the Long Stop Date** to 31st Dec 2020
- **Only for Awarded New Capacity secured in the 2020/21 T-1 auction**, with capacity duration 1 year
- **Provision for further extension** by the RA's if deemed appropriate

Impact:

- **Less than 100 MW likely to be impacted** (spread over 27 units)
- **9 potentially impacted participants**, 8 of which are AGUs/DSUs
- Impacted Participants will not receive Capacity Payments until Minimum / Substantial Completion achieved - **strong incentive to deliver ASAP**
- Impacted Participants also bear the financial impact of any delay in recovering Performance Securities

Benefit:

- **Reduces Covid-19 risk for new capacity providers** without material impact on supply security or value of the CRM hedge to consumers
- **Beneficial for security of supply and consumers**, by enabling as much as possible of the impacted capacity delivered, as early as possible, rather than (as would happen without the Mod) this capacity being terminated and therefore not delivered at all
- While CMC Force Majeure provisions would cover this situation, the proposed Mod **avoids the complexity** of the mechanics of how this would actually be applied, and the administrative burden (for Participants and SOs) of individual relief claims

Legal Drafting Change

Proposed to add a new section, M11:

M.11. PROVISIONS APPLICABLE TO THE T-1 CAPACITY AUCTION FOR CAPACITY YEAR 2020/21 ONLY

M.11.1 The provisions of this section M.11 apply only to the T-1 Auction for Capacity Year 2020/21, (the **T-1 2020/21 Auction**).

M.11.2 Paragraph J.6.1.1(b)(ii) shall be replaced with “in the case of a Capacity Award with a capacity duration of one year or less, the last day of the **third** full calendar Month after the start of the first Capacity Year in which the Awarded New Capacity is to be provided, or such later date as may be determined by the Regulatory Authorities, due to restrictions implemented in response to Covid-19, and notified to the System Operators.

M.11.3 In the event of any inconsistency or conflict between a provision of this section M.11 and any other provision of this Code, the provision of this section M.11 shall prevail to the extent of the inconsistency or conflict. Save as expressly amended by this section M.11 the Capacity Market Code shall continue to apply to the T-1 2020/21 Auction in accordance with its terms.

- Legal drafting mirrors that recently approved in CMC_02_20 and CMC_03_20 which adjusted the Long Stop Date for the CY2023/24 T-4 auction

Justification / impact of not accepting proposed modification

JUSTIFICATION:

- Significant Covid-19 restrictions were neither within the control of, nor foreseeable by Participants that secured New Capacity for CY2020/21
- In line with intent in CRU letter (dated 22nd April) to Generation Licence holders providing some flexibility on regulatory obligations where issues arise due to Covid-19
- Avoids complexity associated with application of Force Majeure and associated mechanics for individual Participant relief claims
- In line with GB proposals (BEIS consultation on “Capacity Market Proposed Easements in Response to Covid-19 Pandemic” closed 30th Apr and included a proposed extension to Long Stop Date)
- Balanced proposal - helps manage delivery risk on new providers caused by Covid-19 without materially impacting security of supply or the value of the CRM hedge to consumers (only <100 MW affected)
- In line with **CMC Code Objective A.1.2.1(b)** to facilitate the efficient administration of market; pushing multiple Participants into Force Majeure is not an efficient way to deal with the issue faced (for Participants or the Market Operator)

IMPACT OF NOT ACCEPTING MODIFICATION:

- High risk of non-delivery of some New Capacity by the current Long Stop Date (31st Oct) due to Covid-19 restrictions
- Highly concentrated risk, disproportionately impacting a small number (9) of participants, predominantly AGUs/DSUs
- Capacity not achieving Minimum / Substantial Completion by 31st Oct would be terminated, with significant negative impact on the affected providers, and meaning the associated capacity would not be delivered at all (no benefit to consumer / security of supply)
- Likely to result in high administrative burden and complexity associated with the mechanics of how CMC Force Majeure provisions would be applied and managing individual relief claims