



**Single Electricity Market
(SEM)**

**Capacity Market Code
Addendum Update to
Appendix C of SEM-20-064**

SEM-20-077

13 November 2020

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Appendix A – Updated Approved Text to correct issue with the Determination of Seller Limit Text

1. OVERVIEW

1.1 ABSTRACT

- 1.1.1 The purpose of this information paper is to inform Industry of an update to the approved modification text drafting relating to modification CMC_09_19, which was published as part of SEM-20-064¹ on 18 September 2020.
- 1.1.2 As part of the Capacity Market Code Modification *CMC_09_19 – Supplementary Interim Secondary Trading (Version 2)* the RAs consulted on this proposal and invited responses from Industry.
- 1.1.3 This period for consultation closed on 31 July 2020 following a full stakeholder engagement process.
- 1.1.4 Following this the RAs published the decision paper which contained the text for implementation within the CMC (Appendix C² of SEM-20-064).
- 1.1.5 This addendum corrects the drafting, specifically relating to section M.11.6.3.

1.2 UPDATE TO THE APPROVED TEXT

- 1.2.1 The legal drafting of M.11.6.3 in the original decision (SEM-20-064) follows the text of the enduring solution for secondary trading set out in Chapter H and correctly scales up the Seller Limit to take account of load following. This correctly increases the liquidity made available by qualified capacity that was not awarded capacity in a previous auction.
- 1.2.2 However, this drafting fails to release the liquidity that is freed-up from awarded capacity as a result of load following. As noted throughout the process of implementing CMC_09_19 “Alternative Secondary Trading Arrangements” (ASTA), maximising the liquidity that can be made available for secondary trading is important to ASTA and to ameliorating the issues that were identified in the original design decision to require a mandatory, centralised auction platform.
- 1.2.3 A number of respondents to the original consultation had captured the need for this change by scaling down the Initial Position to take account of load following. However, in doing so had removed the key element of scaling up in M.11.6.3 (b) and the need for the proposed change became obscured. This led to the changes proposed by respondents being rejected in paragraph 2.3.3 of SEM-20-064.

¹ SEM-20-064 Decision Paper: https://www.semcommittee.com/sites/semc/files/media-files/SEM-020-064%20CMC%20Mods%20WG12%20CMC_09_19%2007_20%2008_20%20Decision%20Paper.pdf

² SEM-20-064 Appendix C: https://www.semcommittee.com/sites/semc/files/media-files/SEM-020-064%20Appendix%20C%20-%20CMC_09_19%20Approved%20Modification%20Text%20Drafting.pdf

1.3 SEM COMMITTEE DECISION

1.3.1 The SEM Committee are hereby amending the text of M.11.6.3 as follows:

Drafting in SEM-20-064 Appendix C:

M.11.6.3 The Seller Limit for a Capacity Market Unit is the value calculated as:

- (a) the Available De-Rated Capacity less the Initial Position of the Capacity Market Unit,*
- (b) divided by the Product Load Following Factor for the traded period.*

Updated Drafting to be implemented:

M.11.6.3 The Seller Limit for a Capacity Market Unit is the value calculated as:

- (a) (i) the Available De-Rated Capacity; less
- (ii) the Initial Position of the Capacity Market Unit multiplied by the Product Load Following Factor for the traded period,
- (b) divided by the Product Load Following Factor for the traded period.

1.3.2 Given the importance of this change to liquidity in the alternative secondary trading arrangements, it should be implemented with immediate effect.

1.4 NEXT STEPS

1.4.1 Given the importance of updating the text contained within M.11.6.3 the SEM Committee are instructing the System Operator to implement this amendment to the text as of today, 13 November 2020.