



Single Electricity Market

(SEM)

Capacity Market Code Workshop 30

Decision Paper

**CMC_05_23: Resolving Inconsistency in Definition of Existing
Capacity Arising from CMC_11_22**

SEM-24-006

08 February 2024

EXECUTIVE SUMMARY

The purpose of this decision paper is to set out the decision relating to a proposed modification to the Capacity Market Code (CMC). This was discussed at Workshop 30, held on 29 March 2023.

The decision within this paper follows on from the associated consultation ([SEM-23-034](#)) which closed on 31 May 2023.

This paper considers the proposed modification that was presented at WS30 relating to:

➤ **CMC_05_23: Resolving Inconsistency in Definition of Existing Capacity Arising from CMC_11_22**

This proposal sets out to modify the definition of New Capacity in order to resolve an incompatibility with the definition of Existing Capacity in the CMC.

Eight responses were received to the Capacity Market Code Working Group 30 Modification Consultation Paper (SEM-23-034). One was marked confidential.

Summary of Key Decisions

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

Modification	Decision	Implementation Date
CMC_05_23: Resolving Inconsistency in Definition of Existing Capacity arising from CMC_11_22	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). Updated versions of the CMC and the TSC are published on the SEMO website.

Process for modification of the CMC

1.1.2. Section B.12 of the CMC outlines the process used to modify the code. 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 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 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 and Timeline for this Modification

- 1.1.9. On the 14 March 2023, the Regulatory Authorities submitted Modification Proposal CMC_05_23 under the terms of B.12.4 of the CMC. This was marked as Standard.
- 1.1.10. The RAs determined the procedure to apply to the Modification Proposal. An overview of the timetable is as follows:
- i. The System Operators convened Workshop 30 where the Modification Proposal was considered on 29 March 2023.
 - ii. The System Operators, as set out in B.12.7.1 (j) of the CMC, were 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 would consult on the Proposed Modifications, with a response time of no less than 20 Working Days (as defined in the CMC), from the date of publication of the Consultation.
 - iv. As stated in B.12.11, the RAs would make their decision(s) as soon as reasonably practicable following conclusion of the consultation and will publish a report in respect of these.
- 1.1.11. The purpose of the decision paper is to set out the decision(s) relating to the Modification Proposals discussed during Workshop 30 to either:
- a) Make a Modification.
 - b) Not make a Modification; or
 - c) Undertake further consideration in relation to the matters raised in the Modifications Proposal.
- 1.1.12. This decision paper provides a summary of the consultation proposal 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 Modifications Consultation Paper [SEM-23-034](#) which was published on the 26 April 2023.
- 1.2.2. A total of eight responses were received to consultation SEM-23-034 with one being marked confidential. The respondents are listed below.
- Bord Gáis Energy (BGE)
 - Bord na Móna (BnM)

- DRAI
- EirGrid / SONI
- Energia
- ESB GT
- Kilshane

2. CMC_05_23 – RESOLVING INCONSISTENCY IN DEFINITION OF EXISTING CAPACITY ARISING FROM CMC_11_22

2.1. CONSULTATION SUMMARY AS PRESENTED BY THE RAS

- 2.1.1. This proposal sets out to modify the definition of New Capacity in order to resolve an incompatibility with the definition of Existing Capacity in the CMC.
- 2.1.2. A Capacity Market Dispute Resolution Board (CMDRB) Decision identified that the revised drafting of the CMC Glossary definition of New Capacity introduced by CMC_11_22, had led to an inconsistency in the CMC.
- 2.1.3. The updated definition was incompatible with, inter alia, the definition of Initial Capacity (Existing) given in paragraph C.3.2.1.
- 2.1.4. Failure to implement this modification proposal would create continued inconsistency in the CMC as well as a failure to take account of recommendations and the possibility of further disputes.

2.2. RESPONSES

- 2.2.1. Not all consultation responses addressed CMC_05_23 but of those that did, the majority were in favour of the modification, mentioning that it removed the inconsistency created off the back of CMC_11_22. Energia also suggested that for transparency purposes, the RAs should ensure that any follow-up engagements or workshops are open to all market participants.
- 2.2.2. The TSOs believed that the intent and legal drafting should be considered discretely. Broader discussions including those in relation to the definition of Initial Capacity (Existing) classification should also be considered separately.
- 2.2.3. They highlighted that the introduction of Demand Site with CMC_11_22 required a broader review as, unlike Aggregated Generator Units where the subcomponent Generator is defined and represented throughout the Code, Demand Side Units are represented at the Generator Unit level

and not at the Demand Site level. The TSOs underlined that representation of sub-Generator Unit level does not occur in the Trading and Settlement Code and careful consideration is required to ensure any impacts are as intended.

- 2.2.4. In their response, DRAI stated that there was no implication in modification CMC_11_22v2, consultation SEM-22-055 or SEMC decision SEM-22-063, that the associated change to the overarching definition of New Capacity would be narrowly used in the application of Annual Run Hour Limits nor that its application would not be universal throughout the Code.
- 2.2.5. They also referred to an issue they raised previously regarding the application of the full suite of New Capacity checks being applied to Demand Sites when they change between DSUs. This was something they considered inappropriate and they had assumed that the challenges in differentiating between new and existing Demand Sites when applying Annual Run Hour Limits had led to the RAs resolving the issue by removing the punitive treatment of fully reverting existing Demand Sites to being considered New Capacity when transferring between DSUs.
- 2.2.6. DRAI stated that if the RAs were concerned that the full application of CMC_11_22 (as implemented by SEM-22_063) caused inconsistencies with other parts of the Code, any further modification should focus on resolving these inconsistencies, as opposed to reversing or restricting the application of the definition of New Capacity which would, in their opinion, be a regressive step.

2.3. SEM COMMITTEE DECISION

- 2.2.7. The SEM Committee welcomes the feedback provided by participants, both as part of the Working Group forum and through the Consultation process.
- 2.2.8. As a result of the inconsistency identified by the CMDRB in the CMC, the SEM Committee believes this issue should be addressed in order to take account of the CMDRB's recommendation and to reduce the possibility of further disputes.
- 2.2.9. The SEM Committee notes DRAI's comments in relation to the wider issue of DSU units which are transferred and treated as New Capacity. The Committee recognise that this has implications in terms of the suite of checks to be undertaken as well as Performance Securities.
- 2.2.10. In terms of DRAI's view that there was no implication in previous documents that the associated change to the overarching definition of New Capacity would be narrowly used in the application of Annual Run Hour Limits nor that its application would not be universal throughout the Code, the RAs would point out that in the 'Minded To Position' (SEM-22-055), paragraph 2.1.2.7 states that *"as part of the changes related to DSUs, and following the raising of the issue at the Working Group, the Glossary definition of New Capacity has been extended to avoid catching Demand Sites moving between Participants as New Capacity"*.
- 2.2.11. On the basis of the reasons cited above, the SEM Committee approves modification proposal CMC_05_23.

3. NEXT STEPS

- 3.1.1. The SEM Committee will make proposed modification CMC_05_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