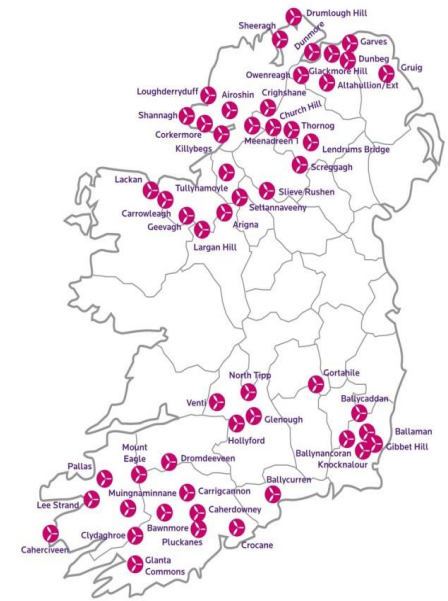


CMC_11_20 Modification Proposal

Providing greater flexibility for the current Interim Secondary Trading Notification (ISTN) Process

23rd July 2020



Restrictions applicable to Interim Secondary Trading Arrangements

- The Interim Secondary Trading Arrangements are highly restrictive in many ways, including:
 - (1) Being limited to 'Planned Outages' (as designated by the SO), in circumstances where the ISTN does not appear to dynamically adjust if a plant delays going on outage, is on partial outage or returns from outage early
 - (2) Being subject to a lengthy notice period to activate and/or cease an ISTN.
- This proposed modification is designed to provide greater flexibility in terms of notice periods to activate and cease/amend an ISTN.
- Currently, an ISTN must be submitted to the SO no later than ten Working Days prior to the beginning of the Month specified in the ISTN. This is overly restrictive.
- Consequently, an ISTN that must be activated or ceased in accordance with the current notice periods could needlessly suspend an RO in circumstances where the start date of the outage has been delayed, or a plant becomes partially available during the outage (e.g. a CCGT in open cycle mode), or returns from outage early.
- This unfairly penalises plants that are fully or partially available and are unable to amend their ISTN accordingly, which in turn exasperates the 'hole in the hedge' and weakens the incentive for plants to adjust their outages to maximise availability and accommodate system requirements.

Proposed amendments to Interim Secondary Trading Arrangements

- We propose that:
 - (1) The time frame for submitting an ISTN be reduced to five Working Days in advance of becoming active; and
 - (2) allow an existing ISTN to be amended by providing notice of one Working Day.
- It is also imperative that the proposed modification is implemented in a timely manner – i.e. by 1 October 2020, coinciding with the start of the next Capacity Year, particularly given the impact of COVID-19 on outage schedules which has required outage dates to be amended creating additional uncertainties and risks for participants.

Worked Example of proposed changes to Interim Secondary Trading

An example of how these proposed changes would allow the ISTN to operate in contrast to how the existing process currently works in real time is provided below:

	Current Process	Proposed Process
Full De Rated Capacity of GU	300MW	300 MW
Planned Outage Date Starting	18th August - Full outage to 0MW	18th August - Full outage to 0MW
Planned Outage Date Ending	26th August - Full capacity of 300MW	26th August - Full capacity of 300MW
Actual Outage Dates / Volumes	18 Aug - 200 MW available 19-23 Aug- 0MW available 24 Aug - 200MW available 25 Aug - 300MW available	18 Aug - 200 MW available 19-23 Aug- 0MW available 24 Aug - 200MW available 25 Aug - 300MW available
Date ISTN submitted to SO to Activate Secondary Trading	20th July 2020 - reflecting 0MW available	11th August 2020 - reflecting 0MW available
Date ISTN submitted to SO to amend Secondary Trading	Not Possible	17th Aug – amend to 200MW available 18th Aug – amend to 0MW available 23rd Aug – amend to 200MW available
Date ISTN submitted to SO to cease Secondary Trading	Not Possible	24th August – cease Secondary Trading
Date Interim Secondary Trading arrangements are in effect	18–26 Aug - for Full outage to 0MW	18 Aug - reflecting 200MW availability 19-23 Aug- reflecting 0MW availability 24 Aug - reflecting 200MW availability

Summary of benefits from proposed amendments

- The current restrictions in the ISTN process unfairly penalise plants that are fully or partially available and are unable to amend their ISTN accordingly.
- This in turn exasperates the 'hole in the hedge' and weakens the incentive for plants to adjust their outages to maximise availability and accommodate system requirements.
- The proposed changes would provide much needed flexibility to market participants and would help address some of the restrictive deficiencies of the current process.
- The enduring solution for Secondary Trading was envisaged to be in place by Q4 2018 (as reflected in the European Commission State aid decision) but there is still no clear timetable for its implementation, and it is highly unlikely to be place in the near future. Furthermore, it is far from certain that it will be a well functioning market thus creating a requirement for the current Interim Secondary Trading Arrangements to be more flexible.
- We also note the current modification proposal to introduce Alternative Secondary Trading Arrangements. Whilst this would be a welcome addition, it is intended to supplement (rather than replace) the current interim arrangements. As such a more flexible ISTN process (in terms of notice periods and flexibility) will align better with the proposed Alternative Secondary Trading Arrangements such that they can supplement one another as intended.