



Capacity Market Code Modifications

WORKSHOP 12 REPORT

31 MARCH 2020

CONFERENCE CALL

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Document History

Version	Date	Author	Comment
1.0	9th April 2020	Market Modifications Team	Drafting including all working group comments received following meeting
2.0	21st April 2020	Attendee Review complete and document updated.	Final draft published

Distribution List

Name	Organisation
Working Group Attendees	Various

Reference Documents

Document Name
Capacity Market Code
CMC_09_19 Supplementary Interim Secondary Trading v2
CMC_04_20 Providing greater flexibility for New Capacity to combine candidate units into a single Capacity Market Unit
CMC_05_20 Implement amendments as required by the Clean Energy Package Regulation EU 2019 / 943
CMC_06_20 Combining Capacity units into a Capacity Market Unit Proposed Changes
CMC_07_20 Change in Technology Class
CMC_08_20 Change Awarded Existing Capacity to Awarded New Capacity

In Attendance

Name	Company
Karen Shiels	Utility Regulator
Paul Bell	Uregni
Paraic Higgins	ESB GT
Ian Mullins	Bord Gais Energy
Julie Ann Hannon	Bord Gais Energy
Thomas O'Sullivan	Aughinish
Caoimhe McWeeney	EWIC
Lisa McMullan	GridBeyond
Stacy Feldmann	SSE
Sinead O'Hare	Power NI PPB
Justin Maguire	Bord Na Mona Powergen
Tim Cox	Mutual Energy
Robert Flanagan	Electricity Exchange
Brian Mongan	Power House Generation
Sean McParland	Energia

Cormac Daly	Tynagh Energy
Kevin Lenaghan (Chair)	Uregni
Stuart Ffoulkes	Uregni
Billy Walker	Uregni
Aodhagan Downey	EirGrid
Kevin Hannafin	Energia
Esther Touhey	SONI
Sandra Linnane	EirGrid

1 SECRETARIAT UPDATE

The Secretariat welcomed all to Workshop 12 and gave an update on the meeting management process relating to participation in the call and overall timing of the meeting.

The importance of registering for Capacity Market Modifications Workshops in advance was highlighted. It was noted that on previous occasions the process for registering was not followed and a number of Participants have attempted to attend meetings following the registration closing date. Secretariat asked for interested parties' co-operation in following the processes in place, especially when consideration must be shown by all due to the challenging circumstances that we are working in.

2.1 CMC_09_19

The RAs provided an update on this Modification Proposal confirming that it is working in tandem with the current interim solution. Tynagh Energy worked with the RAs and TSOs in the development of this second version.

The Proposer focused on the key amendments to this Modification that have been added since the last Workshop. The Master Trade relationship has been removed and this version includes trades above De-Rated capacity for 70 days of the year. It was noted that validation would be expedited by adhering to M.10.3.1 to confirm trade requests are followed and forms are identical.

The Proposer advised that the process would be to submit the trade request, validate it, update it and apply it. It was noted that there is potential for fluidity in this functionality.

A TSO Representative confirmed support for this Modification Proposal but advised that there were areas such as the one day turnaround that would require supporting systems. A five working day turnaround would potentially be possible using the current process for Interim Secondary Trading. Other functionality e.g. 70 day limit and publication of Trade Register will need supporting systems as well and this will take longer to develop. The Proposer confirmed these will need to be addressed.

A Generator Participant advised that more transparency was needed relating to the Trade Register as some parts of this were confidential. It was also pointed out that the current interim secondary trading needed to provide greater flexibility as currently it seems like a binary mechanism. A suggestion was made that this could be worked in parallel by creating a separate Modification. The TSO highlighted that the current interim secondary trading does allow the Participant to set the amount that they want to have traded but that this would apply for a whole month. It was agreed this was something that could be considered and a layered version of this Modification Proposal may be needed whereby certain functionality can be achieved without significant system development but remaining functionality could be introduced with more supporting systems available.

A discussion ensued relating to remit for reporting Secondary Trading and if it falls under remit or financial. The RAs agreed that drafting needed to be tidied up on F.10.5.3 highlighting that the maths is over the forecast period. It was noted that a version was needed where they could make use of the existing drafting in Chapter H and some of the same methodology such as texts and concepts will be reused. A Generator Participant requested that the 4th bullet point in this section be clarified noting that the wording from Chapter H was less clear and needed to be more transparent.

Modification Status – RA Consultation

2.2 CMC_04_20

The Proposer summarised that the Capacity Market Code was currently overly restrictive on combining new Capacity Units. This results in higher costs for consumers and a solution to addressing this issue was to combine them into a Single Capacity Unit. It was hoped that this could be in place for the next Capacity Auction.

The RAs supported the need to consider this area again and noted the similarities with Modification CMC_06_20. A point was raised about Technology Class and the issues such as State Aid that may arise and under current instructions those economies of scale can't be represented. The Proposer confirmed he would look into this.

A TSO Representative also gave support for the general idea of this Modification Proposal but advised that support should be extended to all units and not just new units. There was agreement that for this Modification Proposal to progress some amendments were needed to the legal drafting including clarification on the limits to block size and whether it would extend to all units or only apply to new units.

A Supplier Participant noted that progression of the Modification needed to consider the rationale for the original rules and that any extension should not undermine the principles of competition.

Modification Status – RA Consultation

2.3 CMC_06_20

DRAI presented Modification Proposal ([Presentation Material available here](#))

The Proposer noted that this Modification Proposal is similar to that of CMC_04_20 but with slightly different reasoning. It was noted that the Code currently had registration barriers and this Modification Proposal would remove one of those barriers.

The Modification Proposal allows for DSUs / AGUs to combine CUs which will allow individual demand sites to move across demand site units within one capacity aggregated unit. The Proposer advised that an additional line of text would be added to E.7.6 to allow this to happen. This will increase the flexibility for demand response and decrease cost to the end customer. A TSO Representative made reference to size limit noting this would be on a much smaller scale.

The RAs suggested that I.1.3 may need changes. The TSOs' Representative also agreed an amendment to Section I.1.3 would broaden the variation mix to allow for one or more demand site units and similar for aggregation generator units.

A discussion ensued around the transparency of allowing DSUs to group together. A Generator Participant asked if greater flexibility was provided would it just be at CAU level. This question was discussed with assurance given if DSU operated in Ireland only they would only be at Ireland level. It was advised that this needs to be very clear in the final auction pack. A DSU Participant noted that provisions in the Code already applied for that and each DSU Participant has to state how they want to apply their units. It was noted that all DSUs may not aggregate into one section and CAUs can already aggregate between clean and non-clean.

Another Generator Participant offered support for this Modification Proposal if open to all Participants and not just DSUs. The RAs agreed to hold a consultation on both Modification Proposals and speak with both Proposers.

Modification Status – RA Consultation

2.4 CMC_05_20

Utility Regulator presented Modification Proposal ([Presentation Material available here](#))

The Proposer summarised the slides by confirming that the CMC needs to be brought up to date before the auction which is scheduled for January 2021 and noted that some of the proposed amendments were required for the auction taking place in April 2020. Checks will occur at various stages, such as qualification, substantial and minimal completion. The Modification proposed the introduction of CO₂ Limits methodology but indicated at the workshop the current thinking may be to remove this proposed section.

A discussion began around the proposed new CO₂ Limits methodology and the new definition for CO₂ limits. It was noted that Awarded Capacity obligations needed to be focused on as this is bound by the changes introduced by the Clean Energy Package and impact on the auction in April 2020. The Proposer noted that a timetable and consultation would be prepared. There was a concern on how the calculations would work and what would be deemed to be new and existing. The RAs provided assurance that any assessments of emissions limits that would take place would be subject to the review and dispute processes available to Participants.

A Generator Participant noted that the position on the CO₂ limits were not clear in relation to the 350kg CO₂ average per year referenced in the ACER Opinion. The RAs appreciated that the opinion given by ACER can be less clear so it is hard to define a methodology and in the future more fixed methodology may be implemented.

Further questions were raised around methodology, how it was applied and how to enforce this after qualification. The RAs noted that a separate Modification could be raised to clarify this but the focus at the moment was in respect to future qualifying capacity and future awarded capacity. The RAs noted a number of amendments would be made to the modification including an update to Section I.1.2.1 to reflect the discussion and points raised.

A Participant questioned the RAs if compliance with ACER was more important than the Regulation. The RAs confirmed that they will check with Legal on this point before the Modification is complete.

Modification Status – RA Consultation

2.5 CMC_07_20

EirGrid / SONI presented Modification Proposal ([Presentation Material available here](#))

The Proposer introduced the slides noting that the Capacity Market Code restricts activity. This Modification Proposal provides for change in Technology Class thus adding flexibility. It was explained that Technology Class relies on connection agreement and whenever Technology Class changes there will be a process to modify the Connection Agreement.

A question was raised around the eligibility of Technology Class. The Proposer advised it would be on the basis of application and if new units were allowed to bid up to Auction Price Capacity, the amended investment may be different. It was agreed that this point needed to be captured.

A suggestion was made to bring in an RA step as there was a need to link to the RA exception process. It was advised that Under Section J.2.1.6 it states that it goes through the System Operator. The RAs agreed that it was something they would review.

A Supplier Participant raised the first of three questions asking whether the Modification Proposal arises from concerns regarding current Awarded New Capacity. The Proposer noted that the Modification Proposal arises from a general interest from Participants in whether flexibility exists here. The Proposer advised that when investing in New Capacity rather than being locked into one technology class, they will have flexibility. Risks are also reduced in relation to De-Rated Capacity.

The second question related to Existing Capacity contracts and if they should be replaced with clean or something else or if changes would be limited to for example technology that was not in existence at the time of the original contract award. The Proposer explained that it would be open to all potential solutions such as a longer term battery.

The last question related to timelines to change to Technology and the Proposer advised that the notice would be in the same section as remedial action J.5.1. Where there were delays, various events or insolvency there would be measures to deal with these issues of non-delivery and the original timelines would remain the same.

A Generator Participant noted that a change in Technology type may impact the USPC process (e.g. it may impact on the technology assumed for studies to calculate infra-marginal rent). The Proposer assured that the probability of this would be low and the RAs would check everything is based on how it is cleared in the auction. A Generator Participant also questioned whether the location of the unit could be changed too. The Proposer confirmed this is not the case, location must remain the same.

Modification Status – RA Consultation

2.6 CMC_08_20

EirGrid / SONI presented Modification Proposal ([Presentation Material available here](#))

The Proposer summarised that this Modification Proposal will ensure that there is physical capacity for both Awarded New and Awarded Existing Capacity as currently there is limited provisions to deal with Awarded Existing Capacity. The desired outcome was to address some issues without unintended consequences.

This Proposal will introduce the possibility of termination charges so as to ensure Awarded Existing Capacity is physically backed. The Proposer summarised that all units need to be available at the maximum level they are capable of.

A Generator Participant asked about treatment of the ambient conditions. Another commented that the slide pack implied something different from the Grid Code. Another Representative asked for clarification of the understanding of declaring your technical capability. It was argued that a plant should not do anything more than it could safely achieve in line with the Grid Code. It was agreed by both that you should only declare what you can do and this may not be your Registered Capacity. The TSOs' Representative emphasised the need to follow Grid Code and that the Modification Proposal is not intended to weaken this any way.

A DSU Participant spoke of issues they had with the approach in this Modification Proposal. There was support for Part A of the Modification but it was felt that Part B was excessive. It was advised that by introducing availability measures into a delivery environment there would be more potential for perverse outcomes and variable units would be exposed. The concept of De-rated availability was noted and explained that if used will become a double De-Rating. The Proposer agreed that the risk of double de-rating in case of scheduled and forced outages but that this would not be the case for run hour restrictions.

The Proposer agreed to take the comments made on board and decide if changes were needed. Participants were advised that any comments that the participants felt had not been discussed on the call or not in sufficient detail due to time constraints could be raised directly with the RAs.

Modification Status – RA Consultation

3 AOB

Secretariat thanked all for attending the Workshop and confirmed that Capacity Market Workshop 13 will take place on Tuesday, 26th May 2020 with a submission deadline of 12th May 2020.

3.1 NEXT STEPS

1. TSO to publish Working Group Report.
2. RAs to update legal drafting on CMC_09_19 before putting forward for consultation and issue timetable.
3. RAs to validate Section 10.3.1 and 10.3.2 against buyer limit for CMC_09_19.
4. Proposer to make updates to legal drafting on CMC_04_20 and submit a version 2 of this proposal for consultation.
5. RAs / TSO to submit another Modification Proposal from CMC_06_20 to modify Section I.1.3 which would broaden the variation mix to allow for one or more demand site units similar for aggregation units.
6. RAs to take this CMC_06_20 and CMC_04_20 to consultation and discuss combining both with Proposers.
7. RAs to check with Legal if ACER opinions are given priority over Regulation for CMC_05_20.
8. Proposer for CMC_08_20 to take all comments given on board and decide if changes need to be made to this Modification.
9. Secretariat to circulate email to all attendees requesting written submissions to the Modification Proposals by 5.00pm on Friday, 3rd April 2020.

APPENDIX 1 – PROGRAMME OF WORK AS DISCUSSED AT WORKING GROUP 12

Status as at 31 March 2020

Modification Proposals 'Under Consultation' without System impacts			
Title	Sections Modified	Sent	Decision Due
N/A	N/A	N/A	
Modification Proposals 'Under Consultation' with System impacts			
N/A	N/A	N/A	
Modification Proposals 'Recommended for Rejection'			
N/A	N/A	N/A	
RA Decision 'Further Work Required'			
N/A	N/A	N/A	
RA Decision Approved Modifications with System Impacts			
N/A	N/A	N/A	
RA Decision Approved Modifications with no System Impacts			
CMC_03_20 Modification to the Long Stop Date for the CY2023 / 24 T-4 Capacity Auction	M. Interim Arrangements	30 th March 2020	
CMC_02_20 Modification to the required timeframe for a T-4 Capacity Auction to take place	M. Interim Arrangements	12 th February 2020	
CMC_08_19 Housekeeping Mod E.8.2.5 & E.8.2.8	E.8.2.5 & E.8.2.8	17 th February 2020	
RA Decision Rejected			
CMC_07_19 Treatment of Multiyear Contracts in the Event of Simultaneous Capacity Auctions	E.9, F.3, F.7, F.9.3	30 October 2019	
Withdrawal Notifications			
CMC_03_18 E.5.1.1.A	E, J, Appendix D	01 Oct 2018	
CMC_01_20 Modification to the required timeframe for a T-4 Capacity Auction to take place	D.2.1.5, Glossary	22 January 2020	
Modification Proposal Extensions			
N/A	N/A	N/A	
Capacity Working Group 13 – 26 May 2020 (Conference Call)			