EP UK Investments Response to SEM-24-024

EP UK Investments (**EPUKI**) welcomes the opportunity to respond to this consultation paper. New Capacity is critical to ensuring Security of Supply. Due to the incorrect auction parameters being set, the T-4 2027/2028 Capacity Auction failed to attract investment in New Capacity. This has increased the need for early delivery of New Capacity in the T-4 2028/2029 Capacity Auction. EPUKI believes that appropriate incentives for the T-4 2028/2029 Capacity Auctions may result in earlier delivery of New Capacity.

Overall design of the early delivery options.

EPUKI supports the overall design of triggering Capacity Payments from the date that a project achieves Substantial Completion (or Minimum Completion). EPUKI welcomes the decision to enable New Capacity projects to receive payments without eroding the length of the original capacity contract.

Minded-to position to restrict eligibility for early delivery payments to multi-year New Capacity.

EPUKI considers this minded-to position to be reasonable.

Minded-to position to allow payments to start no more than a year before the start of the capacity delivery year for the auction in question.

EPUKI has no views on the proposal to limit early deliver payments to no more than one year before the beginning of the relevant Capacity Year.

EPUKI believes that Termination Charges associated with previously Awarded Capacity should mitigate the risk of unintended or perverse outcomes. EPUKI would consider a time restriction on allowing a project to re-enter the Capacity Auction after terminating a project would protect from potential gaming.

Minded-to position to not employ payment multipliers for early delivery.

EPUKI supports the inclusion of upwards multipliers for the early delivery of New Capacity. Based on the reasons outlined in the consultation paper, namely the benefit to the consumer compared to capacity procured outside of the market. While it is unclear how feasible early delivery is within the current Capacity Market timelines, EPUKI believes that any such multipliers would be a strong incentive and a statement of intent, as well as a positive investment signal for New Capacity. This is also consistent with the objectives of the Capacity Market Code and the roles of the respective Regulatory Authorities to prioritise Security of Supply and consumer benefit.

EPUKI is strongly opposed to any negative multipliers for early delivery which would reflect a negative market signal and is contradictory to the functions of the Capacity Market and the Regulatory Authorities. The consultation paper states that "*the value of capacity to consumers in the summer is still less than the value of capacity in the winter".* EPUKI disagrees with this statement based on the timing of scarcity events in recent years and the general trend of lower wind capacity and scheduled outages taking place in the summer months.

Based on the above, EPUKI recommends applying a multiplier of 1.25 to Capacity Payments received in advance of the beginning of the relevant Capacity Year, up to a maximum of one-year in advance. This multiplier would represent the offset of increased cost in the procurement and activation of TEG.

Whether there are any changes required to Qualification and Exception Application rules or processes.

EPUKI does not envision any changes to Exception Application rules at this time.

EPUKI considers that amendments may be required to the manner in which qualification is considered for accelerated delivery projects. EPUKI has experienced potential New Capacity projects which have not been qualified for Capacity Auctions due to the Transmission System Operator (**TSO**) stating that it would not be possible to deliver a connection within the required timeline. EPUKI considers this to be unreasonable, particularly in the context of the ongoing Security of Supply Crisis.

In order to avoid further significant costs being incurred by the consumer through Temporary Emergency Generation (**TEG**), the relevant parties need to prioritise the delivery of New Capacity as early as possible. This must include the TSO, particularly where Participants are being asked to accelerate delivery. EPUKI notes that the CRU recently published a consultation paper (CRU202411) which stated that EirGrid's Regulated Asset Base would increase from approximately €40m by the end of the Price Review 5 period, to €5bn by 2030. Based on this plan for investment in transmission infrastructure, EPUKI does not accept that it is not possible to deliver new connections within a four-year period. Furthermore, in order to facilitate accelerated delivery and commissioning of New Capacity, EPUKI would expect connections to be completed in three years (from the award of New Capacity).

EPUKI notes that in recent years the CRU has issued directions to electricity and gas grid operators to instruct that connection offers be issued to projects which have been successful in Capacity Auctions. Future directions should emphasise the need to prioritise delivery of these connections above all other workstreams in the interest of Security of Supply and the consumer benefit. There is merit in introducing an incentive mechanism for system operators to deliver connections for New Capacity in a timely manner.

The minded to position to apply early delivery incentives to all auctions until further notice.

EPUKI supports the proposal to retain early delivery incentives in future Capacity Auctions. However, clarity is requested on how many additional auctions the SEMC envisions under the existing State Aid approval for the Capacity Remuneration Mechanism. It is understood that the current State Aid approval is due to expire and the SEMC workplan for 2024 included a review of CRM design and renewal of this approval. EPUKI believes that this issue may be better considered under such a review.

Any other incentives that may be appropriate to promote early delivery of capacity.

EPUKI has no further comments at this time.