



Energia Response to SEM-23-109

Capacity Market Code Workshop 34

25 January 2023

Energia welcomes the opportunity to respond to SEM-23-109 on CMC_24_23. Energia actively participated in CMC Workshop 34 when CMC_24_23 was discussed.

The Exceptions Application process is critical to the successful operation of the CRM. The setting of the Existing Capacity Price Cap at 0.5x Net Cone does not adequately allow existing generators to recover their Net Going Forward Costs or the costs of Unavoidable Future Investment. Energia has set out its concerns regarding the current USPC process in previous consultation responses, including in our response to SEM-23-006 on the parameters for the most recent T-4 auction for 2027/28.

Energia supports the principal of the proposed modification that generating units that are sent an exit signal through their USPC determination should have the ability to opt-out of the relevant auction. The current process, by which participants must decide whether to submit an opt-out notification prior to their USPC determination, could lead to inefficient exit as participants are not willing to risk having to enter a CRM auction without being able to bid in at an economically sustainable level. Energia also supported this principal through our support for CMC_23_23 on the amendment to the timing of opt-out notifications, which is currently under consideration by the RAs.

With regards to the proposed amendments to the Exception Application process timings in CMC_24_23, Energia notes that the practicalities of requiring submission of applications 39 weeks prior to auction would need to be considered. Based on the current approach of holding T-4 auctions four years prior to the start of capacity auctions, it may require the submission of exception applications around the Christmas period where people's availability can be limited. Energia acknowledges that the RAs are seeking to make the USPC process more efficient and easier, which could have implications for the required timelines.

Energia notes that changes are currently being considered as part of the consultation on the introduction of Intermediate Length Contracts (SEM-23-093), which Energia responded to separately. Energia will continue to engage with the RAs on this important issue.