



Response by Energia to SEM-24-052

***Capacity Market Code Urgent Modifications Workshop
37B Consultation***

12 August 2024

Energia welcomes the opportunity to respond to SEM-24-052. Energia participated in CMC Workshop 37B at which the proposed modifications were discussed.

CMC 10_24 – Introduction of Intermediate Length Contracts

Overall Energia supports the approach the RAs propose in CMC_10_24 as the most efficient manner of implementing decision SEM-24-035. Treating refurbishing capacity as New Capacity with carve-outs added to the CMC where necessary to reflect the decision paper is less complex than creating an entirely new category of capacity.

Energia shares the concerns of other participants regarding proposed clause M.15. This clause gives the RAs the ability to adjust the CMC by direction without consultation. While this provision may only be used in relation to the T-4 28/29 and for the purposes of giving effect to or facilitating in whole or in part the decisions in Section 5 of SEM-24-035, making changes to the CMC without proper stakeholder consultation is bad practice.

Stakeholder consultation allows for rigorous scrutiny of proposed modification changes by experienced CRM participants. In the process, unintended consequences of proposals are identified and improvements to drafting are made. Particularly for a decision as important as that set out in SEM-24-035, it is essential for the sound functioning of the CRM that market participants are afforded the opportunity to undertake such scrutiny.

Energia understands the tight time constraints that the RAs are operating under, and the need to make changes to the CMC to implement SEM-24-035 prior to the T-4 28/29 auction in November. It would be helpful if the RAs were specific as to which parts of Section 5 of SEM-24-035 are not implemented by CMC_10_24 and may require a change by direction as proposed in M.15. In any case, the urgent modifications process allows for changes to the CMC to be made at short notice while still affording market participants the ability to scrutinise and comment upon proposals.

Finally, it is important to note that there are aspects of the decision set out in Section 5 of SEM-24-035 that may be subject to change. Specifically, the decision to treat all multi-year bids the same in the constrained auction regardless of duration has been amended by proposed modification CMC_07_24, with the RAs having agreed with the underlying logic of the proposed change, pending a decision on whether to approve the modification.

CMC 11_24 – Implementation of Early Delivery Incentives according to SEMC Decision Paper SEM-24-037

Energia responded to the original consultation paper on the introduction of early delivery incentives into the CRM.

Energia understands that from the T-4 2028/29 auction, successful bidders for New Capacity (excluding refurbishing capacity) will be eligible to receive CRM payments early at their contract price up to a year prior to the start of the relevant capacity year.

Energia's understanding of the modification is that participants will have to reach substantial completion prior to receiving capacity payments. If a participant reaches minimum completion early but confirms that it does not expect to achieve substantial completion, it will be able to receive early CRM payments to its revised level of capacity with the non-delivered part of the de-rated volume terminated.

Energia has no further comments on the proposed drafting of this modification.