

APPENDIX C – RESPONSE TEMPLATE

SUMMARY INFORMATION

Respondent's Name	Bord na Móna
Type of Stakeholder	Generator
Contact name (for any queries)	Justin Maguire
Contact Email Address	justin.maguire@bordnamona.com
Contact Telephone Number	086 2378864

CAPACITY MARKET CODE MODIFICATIONS CONSULTATION COMMENTS:

ID	Proposed Modification and its Consistency with the Code Objectives	Impacts Not Identified in the Modification Proposal Form	Detailed CMC Drafting Proposed to Deliver the Modification
CMC_09_19 - Supplementary Interim Secondary Trading (Version 2)	See below	See below	See Below
CMC_07_20 - Change in Technology Class for Awarded New Capacity	Brief comment		
CMC_08_20 - Change of Awarded Existing Capacity to Awarded New Capacity	Brief comment		

NB please add extra rows as needed.

APPENDIX C – RESPONSE TEMPLATE

A. CMC_09_19 Supplementary Interim Secondary Trading (Version 2)

Preliminary Note

Bord na Móna welcomes the opportunity to respond to this important consultation. As members of EAI who have contributed to the EAI response you will note there is much alignment herein, while making some additional points.

In the absence of a well-functioning secondary trading market, which the European Commission (in its State aid decision) understood would be in place by Q4 2018, it is vital that market participants are afforded the opportunity to manage their Reliability Option (RO) risk through other means.

The current Interim Secondary Trading Arrangements under section M.7 of the CMC is overly restrictive in many ways, including for example in being (1) limited to Planned Outages, which itself is subject to TSO designation; and (2) requiring 10 Working Days' notice prior to the month in which the outage is scheduled to occur.

For these reasons, BnM is supportive of the proposed modification to introduce an Alternative Secondary Trading mechanism as a necessary supplement to the existing interim solution. It is important to emphasise that it should not replace the current Interim Secondary Trading Arrangements, as was the intent in the original modification proposal. Our view is that the two Trading mechanisms should operate closely together, working in a complementary manner. We note and support this same sentiment, recently expressed by the RAs and SOs, in discussion of CMC Mod 11-20 To provide greater flexibility for the current Interim Secondary Trading Notification (ISTN) Process.

The effectiveness of the Alternative Secondary Trading arrangements as proposed will depend, among other things, on the flexibility it gives market participants to use it at short notice and in conjunction with the existing Interim Secondary Trading Arrangements. BnM favours the notice period being as short as possible (i.e. 1 Working Day) and alignment of both mechanisms (in terms of notice periods and flexibility) such that they can supplement one another as intended while not undermining transparency and simplicity of use of the mechanism for the TSOs and market participants.

APPENDIX C – RESPONSE TEMPLATE

1. Proposed Modification and its Consistency with the Code Objectives

From 2.1.3 of SEM-20-040, it can be read that the CMC is effectively out of line with SI 445 of 2000 (European Communities (Internal Market in Electricity) Regulations 2000) and with SI 60 of 2005 European Communities (Internal Market in Electricity) Regulations 2005, both of which underpin the T&SC.

‘The modification has been proposed as according to Recital 51 of the State aid Decision, Reliability Options were expected to be tradable on the Secondary Market by Q4 2018. Given that this date has passed the proposer states this modification will allow the Code to comply with the Decision.’

BnM welcomes this timely consultation to restore compliance in so far as is currently possible, while recognising the shortcomings of this modification.

Given that the TSO licences are linked to the above mentioned SIs, **and until a fully effective modification is in place**, there is a shortfall in delivery of the Capacity Market Code Objectives A. 1.2.1 a) and b):

- (a) to facilitate the efficient discharge by EirGrid and SONI of the obligations imposed by their respective Transmission System Operator Licences in relation to the Capacity Market;
- (b) to facilitate the efficient, economic and coordinated operation, administration and development of the Capacity Market and the provision of adequate future capacity in a financially secure manner;

We recognise that it is important to take timely action which will match the SOs capability to deliver required solutions, and we support the notion of a phased solution, with this being the first step.

2. Impacts Not Identified in the Modification Proposal Form

The important impacts not identified in the Proposal Form are:

i) **Timing for the Completion of the Trade**

- The legal drafting proposed in M11 does not provide a clear timeline for completing an Alternative Secondary Trade. Market participants require clear and definitive timelines to be set out for completion of this process from end-to-end, including the publication of all details relating to the trade e.g. price, volume, units affected, counterparties, period of secondary trade covered, legitimate reason.

APPENDIX C – RESPONSE TEMPLATE

- M.11.3 sets out the role of the System Operators in processing Alternative Secondary Trades however no specific timelines are provided. The only reference to a timeline is in M.11.3.1 (d) which states that the Capacity and Trade Register will be updated as “soon as reasonably practicable”. This does not go far enough, and we propose remedial text in Section 3 below.
- BnM is of the view that the above timeframe of 1 Working Day is practically achievable and provides the necessary flexibility required for Alternative Secondary Trading. However, BnM understands that it may take some time to bed-in system changes and processes to achieve this and as such would be willing to consider a gradual transition to this 1 Working Day timeline over perhaps a 6-12 month period, where such initial timeline does not exceed [3] Working Days.
- BnM would also welcome clarity on the verification process for buyers and sellers of secondary capacity from and to units within an LCCA. There are potential impacts of constraints on delivery across these areas during an RO event and who the RO risk lies with will be important to understand.

ii) **Interaction of the Alternative Secondary Trading (M11) and Interim Secondary Trading (M7)**

- First, it is assumed that secondary trades can be stacked by a capacity holder when wishing to cover/sell his/her obligation and that all trades are physically backed.
- As emphasised above, it is imperative that the Alternative Secondary Trading arrangements (in M11) and the Interim Secondary Trading arrangements (in M7) can be used flexibly together. This is necessary because it may not be possible to fully trade out a Planned Outage using the Alternative Trading Arrangements alone, particularly given the cap proposed for it. In this case, an Interim Secondary Trade would be required to supplement an Alternative Secondary Trade to fully trade out the RO exposure.
- For reasons explained above, BnM would encourage the RAs and TSOs to implement and expedite any changes required to support the interoperability of both mechanisms by 1 October 2020 while ensuring that the publication of trade details facilitates monitoring and transparency of trades.

iii) **Product Load Factor**

- The legal drafting in M.11.4.2 outlines that the Product Load Following Factor for periods covered by Alternative Secondary Trades will be determined by a methodology determined by the RAs.

APPENDIX C – RESPONSE TEMPLATE

- BnM is of the view that this methodology should be published in advance for market participants to understand and use so that they have certainty over the volumes that can be submitted in an Alternative Secondary Trade. Thus, BnM asks that this methodology be published by no later than 1st September 2020 thereby allowing 30 days for participants to understand same before 1st October.
- It is proposed, for consideration, to increase liquidity by allowing the tradable volume for a given period be calculated by ‘de-rating’ the FSQC. We note the intention of the RAs to monitor the new secondary trading arrangements in terms of liquidity and the ability of all parties to gain equal access to this liquidity when required.

iv) **Need for Timely Action**

- BnM notes that the proposed modification has been reduced in scope by removing the ability to trade above de-rated capacity, so that it can be implemented as soon as possible.
- Whilst this is not ideal, BnM acknowledges the timing imperative and the value of having Alternative Secondary Trading Arrangements in place (that can be used in conjunction with the Interim Secondary Trading Arrangements) by 1 October 2020. However, BnM asks that a commitment be given to when the ability to trade above the de-rated capacity will be possible, and that such date should not be after 1st October 2021. BnM also requests that in parallel the enduring central platform solution should be developed and that any positive synergies that could be realised from implementation of the interim and supplemental arrangements should be applied to ensure that both platforms, if not one and the same, act in a complementary manner.

3. Detailed CMC Drafting Proposed to Deliver the Modification

Making reference to the relevant parts of Section 2:

2. Impacts Not Identified in the Modification Proposal Form

i) **Timing for the Completion of the Trade**

- M11 needs to provide a clear timeline for completing an Alternative Secondary Trade. Market participants require clear and definitive timelines to be set out for completion of this process from end-to-end, including the publication of all details relating to the trade e.g. price, volume, units affected, counterparties, period of secondary trade covered, legitimate reason.
- M.11.3.1 (d) states that the Capacity and Trade Register will be updated as “soon as reasonably practicable”. BnM recommends that more definitive timelines for end to end completion of the process are included within M.11.3, as suggested below:

APPENDIX C – RESPONSE TEMPLATE

*“The System Operators must do all things necessary to operate and administer the Alternative Secondary Trading Arrangements **such that Trade Requests are validated, and the Capacity and Trade Register is updated within [1 Working Day]** in accordance with this section M.11 including:”*

Recognising the system difficulties in achieving a 1 working day turnaround, and that that this may need to be achieved over a phase-in period we propose:

- i) Work with the minimum turnaround time operable by the System Operators and agree phase-in timelines to reach a 1 working day turnaround
 - ii) Consider further the *concept of an **effective date** for the trade – i.e. the date being the day when both party to the trade submit identical ‘trade details’, which are later validated (in as short a period as possible) and included in the Trade Register. And doing this outside of this consultation process – noting the desire to not introduce any delays before implementation of an initial solution. We believe this is worth pursuing post the ratification of this existing modification.*
- Text is required to clarify the verification process for buyers and sellers of secondary capacity. This is particularly required where capacity is trading from and to units within an LCCA, to make it clear where the responsibility sits should constraints could lead to an RO event.

ii) **Interaction of the Alternative Secondary Trading (M11) and Interim Secondary Trading (M7)**

- Text may be required so secondary trades can be stacked by a capacity holder when wishing to cover/sell his/her obligation.
- It is noted from the Consultation Paper (in paragraphs 2.1.41 to 2.1.43) that further amendments may be needed to facilitate interaction between the two Secondary Trading mechanisms in the same period, potentially requiring:
 - Minor modification to M7 and M11;
 - Engagement with System Operators to see if/how systems can be updated to allow trades under both mechanisms, even when they overlap
- Paragraph 2.1.48 of the Consultation highlights the need for text to incorporate that, once implemented, the RAs will monitor the new secondary trading arrangements in terms of liquidity and the ability of all parties to gain equal access to this liquidity when required.

APPENDIX C – RESPONSE TEMPLATE

iii) Product Load Factor

- As referred to above we believe that the legal drafting in M.11.4.2, that the Product Load Following Factor for periods covered by Alternative Secondary Trades will be determined by a methodology determined by the RAs is an inadequate provision, and one which needs be rectified using an appropriately detailed description, which will allow parties to set their trading quantities.
- Suitable text would be required to facilitate the proposed de-rating of the FSQC, when and if this measure is deemed appropriate.

iv) Need for Timely Action

Other Areas Requiring CMC Drafting

- We believe that there is an error in the proposed Mod in relation to the proposed text under M.11.6.3, regarding Seller Limits.

We propose the text be changed to:

'The Seller Limit for a Capacity Market Unit is the value calculated as:

the Available De-Rated Capacity less (the Initial Position of the Capacity Market Unit multiplied by the maximum Product Load Following Factor for the traded periods multiplied by the De-rating factor)'*

* with the '*multiplied by the De-rating factor*' red wording conditional on agreeing the proposal to increase liquidity by allowing the tradable volume for a given period be calculated by 'de-rating' the FSQC.'

The proposed wording would revert to the text shown – without the red wording – should this provision be held over to a subsequent modification.

APPENDIX C – RESPONSE TEMPLATE

Concluding Comments

BnM supports this proposed modification subject to the above comments. Its effectiveness will depend on the flexibility it gives market participants to use it at short notice (suggesting 1 Working Day) and in conjunction with, and complementary to, the existing Interim Secondary Trading Arrangements. It should be implemented in a timely manner – i.e. by 1 October 2020. The enduring central platform plans and development should however progress in parallel such that they will offer a complementary solution between the two trading arrangements. With a view to not impacting the immediate effectiveness of the enduring platform once implemented, consideration should be given to limiting how far in advance any temporary secondary trades can be completed (e.g. <12 months). We note that further modifications, post ratification of this modification, may be required in relation to a) tying down an effective trade and b) de-rating the load following factor, should these not be affected within this modification.

B. CMC_07_20 Change in Technology Class for Awarded New Capacity

BnM is opposed to this proposed modification and supports the minded to position of the RAs' to reject it.

C. CMC_08_20 Change of Awarded Existing Capacity to Awarded New Capacity

BnM is opposed to this proposed modification and supports the minded to position of the RAs' to reject it. We do acknowledge that there is value to ensuring that contracted units are reliable. We believe that the current rejected proposal is too broad in its scope but would welcome alternative proposals to those presented.