

APPENDIX C – RESPONSE TEMPLATE

SUMMARY INFORMATION

Respondent's Name	Moyle Interconnector Limited
Type of Stakeholder	Interconnector
Contact name (for any queries)	Tim Cox
Contact Email Address	tim.cox@mutual-energy.com
Contact Telephone Number	+44 (0)7495 465306

CAPACITY MARKET CODE MODIFICATIONS CONSULTATION COMMENTS:

Summary

Moyle Interconnector Limited ('Moyle') welcomes the opportunity to comment on the proposed modifications to the Capacity Market Code, as presented in SEM-20-040.

In summary, Moyle welcomes the proposed arrangements for secondary trading of capacity obligations in CMC_09_019, which are both an inherent part of the capacity mechanism design and long overdue.

We find the proposal to change the status of awarded capacity from existing to new in CMC_08_20 lacking in detail and potentially problematic.

We therefore agree with the RAs' minded-to position to accept CMC-09_019 and reject CMC_08_20. More detailed remarks follow.

APPENDIX C – RESPONSE TEMPLATE

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
<p>CMC_09_19</p> <ul style="list-style-type: none"> - Supplementary Interim Secondary Trading (Version 2) 	<p>It is the view of Moyle that secondary trading is essential, not least to comply with the state aid decision, but also to allow participants to trade their obligations in accordance with the SEM Committee decisions on design of the capacity mechanism.</p> <p>The present interim solution, which is effectively to suspend capacity obligations (and associated capacity payments) for an outage planned in the previous year, is clearly inadequate. It does not provide for management of capacity obligations in unplanned outages and does not provide for trade among participants that would value capacity obligations appropriately. Further, it does not incentivise provision of adequate capacity.</p> <p>For example, a unit suffering from a long-term unplanned outage has no means to manage its exposure to difference charges. While the design of the capacity mechanism is intended to send an exit signal to unreliable plant, even historically reliable units will suffer from unplanned outages from time to time. Without proper secondary trading arrangements, at</p>	-	-

APPENDIX C – RESPONSE TEMPLATE

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
	<p>present such a unit retains its full potential exposure to difference charges during such an outage, with no ability to manage its exposure, even though other units may have an appetite to trade the capacity obligation, to the mutual benefit of both parties and consumers.</p> <p>Trading will benefit system security. If a unit suffers from an unplanned outage today of estimated one-month duration, its unavailable capacity will not be available to the system during that month. If no arrangement for trading of capacity obligations is in place, the total capacity available to the system that is incentivised through holding a capacity obligation will be reduced, potentially negatively affecting security of supply during that period. If the unit suffering from an outage can trade its obligation, then the full capacity requirement can be incentivised when the capacity obligation (which would normally be delivered by the unavailable plant) is transferred to one or more other suitably qualified units.</p> <p>This is of course part of the rationale behind the design of the capacity</p>		

APPENDIX C – RESPONSE TEMPLATE

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
	<p>mechanism and the state aid approval. That secondary trading arrangements are not yet be available remains a significant concern of many participants, as the RAs are aware.</p> <p>On specific aspects that have been discussed on the consultation document:</p> <ul style="list-style-type: none"> • Fast turn-around is essential and we do not see that this places a major burden on the system operator. To cover unplanned outages, market participants who have together agreed a trade need the trade to be put in place as soon as possible and in a known time scale. We would be concerned that updating the Capacity and Trade Register ‘as soon as reasonably practicable’ is too vague and may result in different response times for requests received in different periods, for example in common holiday windows. Such an inconsistent approach would be unfair on participants. While we acknowledge the RAs’ wish to 		

APPENDIX C – RESPONSE TEMPLATE

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
	<p>converge on a 1 WD arrangement, any longer maximum timescales before 1 WD is implemented should also be codified.</p> <ul style="list-style-type: none"> Noting concern about systems development delaying implementation, we suggest that the Capacity and Trade Register need not be a cumbersome IT project. The number of participating units in the SEM capacity mechanism is not enormous and the number of anticipated trades submitted day to day is likely to be trivial enough to not create a significant workload. <p>For these reasons we agree with the RAs' view that market participants would prefer an enhanced form of secondary trading in the near term than a more complete solution that may require significant systems development and would not be deliverable for a much longer time. We find the modification is consistent with code objectives (b), (c), (d), (e), (f) and (g),</p>		

APPENDIX C – RESPONSE TEMPLATE

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
	<p>without a significantly negative effect on (a). [CMC A.1.2.1]</p> <p>We agree with the RAs' minded-to position to approve the modification proposal, subject to refinements, and with the aim of the modification being implemented as soon as possible.</p>		
<p>CMC_07_20 - Change in Technology Class for Awarded New Capacity</p>	<p>No comments.</p>	<p>-</p>	<p>-</p>
<p>CMC_08_20 - Change of Awarded Existing Capacity to Awarded New Capacity</p>	<p>While we acknowledge a concern about availability of the existing fleet which has led to this modification proposal by the system operators, we have some concerns about the modification as presented, including:</p> <ul style="list-style-type: none"> At this time the modification is a rather crude tool which may have significant knock-on effects, since it makes new and existing capacity, which are for sound reasons handled separately in the code, to some extent interchangeable. There are implications for assessing outages, performance security, implementation plans and 	<p>-</p>	<p>-</p>

APPENDIX C – RESPONSE TEMPLATE

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
	<p>termination which are not fully considered in the modification.</p> <ul style="list-style-type: none"> The proposed 90% available / 50% of the time tests do not discriminate between planned and unplanned outages. A unit may have a legitimate need for a significant outage for maintenance or refurbishment in order to sustain its long-term capacity. Such an outage would have been agreed with the relevant system operator in the annual outage schedule, in coordination with the similar needs of other units so that the outage would not significantly affect security of supply. Yet according to this proposed modification such an outage could result in a major change of status of the unit, with very significant implications. This modification could likely deter a unit from taking a significant outage to ensure future reliability, instead encouraging the unit to take a potentially sub-optimal approach to ensuring availability 		

APPENDIX C – RESPONSE TEMPLATE

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
	<p>with the potential to result in lower availability in times of scarcity.</p> <p>We find the modification aims to be consistent with code objective (b) but does not in its present form significantly facilitate achievement of any of the code objectives.</p> <p>We therefore agree with the RAs that the modification as presented would require very significant work to produce a modification that could be implemented, it should be rejected and the underlying concern of the system operators should be more carefully addressed alongside wider consideration of the reasonable endeavours obligation in the code.</p>		

No part of this submission is confidential and it may be published in full.