

ESB GT'S RESPONSE TO SEM-20-040

SUMMARY INFORMATION

Respondent's Name	ESB Generation and Trading
Type of Stakeholder	Generator
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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)	<p>ESB Generation and Trading (ESB GT) agrees that the proposed modification facilitates CMC Objectives (d) (promote competition) and (g) (promote short-term and long-term interests of consumers), and at the same time assist in delivering Recital 51 of the State aid Decision, where Reliability Options were expected to be tradable on the Secondary Market by Q4 2018</p> <p>It is unfortunate that implementation of system developments for facilitating</p>	<p>Clarification on the continued availability of the Interim Secondary Trading Arrangement (M.7), in parallel with this proposed interim secondary trading modification would be welcome.</p>	<p>Clarification could be provided to the proposed seller limit as per M.11.6.3. through the following change "M.11.6.3 The Seller Limit for a Capacity Market Unit is the value calculated as:</p> <p>(a) the Available De-Rated Capacity less,</p> <p>(b) the Initial Position of the Capacity Market Unit multiplied by the Product Load Following Factor for the traded period."</p>

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	<p>the 70 days limit requirements would likely take 12 to 18 months to complete. That said, the approach taken by the RAs to descope the modification and continue to engage with the SOs to look at introducing this additional trading capability in the medium term is pragmatic and beneficial to market participants. ESB GT suggests if this is the decision by the SEMC then the most recent SEMO Roadmap should reflect the next modification requirements.</p> <p>As mentioned in Workshop 14, ESB GT supports the amalgamation of IT requirements for Mod_09_19 and Mod_11_20 once it does not hinder the progress of Mod_09_19.</p>		<p>The secondary trade result information to be published under M.11.9.2 could include;</p> <ul style="list-style-type: none"> • Price (£/kW or €/kW) • MW quantity of trade • The date and time of the start of the proposed trade; • The date and time of the end of the proposed trade • CMU ID of buyer and seller
<p>CMC_07_20 - Change in Technology Class for Awarded New Capacity</p>	<p>ESB GT supports greater flexibility in the CMC, especially a modification like this that provides participants with flexibility to meet their obligations in light of other aspects that may be out of their control. The modification does</p>	<p>The potential impacts on future auctions and the USPC application process have not been fully determined. Considering the RAs comments that an issue with the USPC</p>	

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	<p>facilitate objective C of the CMC, however, there are a number of issues (USPC applications and exit signals as per point 2.2.29 of the consultation paper) highlighted that would need to be addressed before the modification could be progressed.</p>	<p>would most likely be improbable (but did recognise that whilst the probability would be low any impact could be high), this impact needs to be further assessed before the modification could be progressed.</p>	
<p>CMC_08_20 - Change of Awarded Existing Capacity to Awarded New Capacity</p>	<p>ESB GT questions if the proposed modification furthers the CMC. The obligation under section 1.1.2.1.b requires a participant, with respect to each of its CMUs to dedicate and use its reasonable endeavours to make available the Awarded Capacity. This obligation should ensure “<i>that less reliable existing capacity does not enjoy a cost advantage over more reliable capacity</i> (from Mod_08_20 Justification)” rather than introducing an additional requirement which would appear to be opposite to objective (c) of the code, by increasing the difficulty of participating in the capacity market.</p>	<p>As highlighted in the consultation paper, the modification does not address the cross-default issues and the undesirable knock-on effects in the TSC. To address this issue requires an industry consultation and a significant review as it could have substantial implications to market participants in future auctions and participants that hold existing contracts from previous auctions.</p> <p>It is ESB GT’s understanding that the outage rates (forced and scheduled) are taken into</p>	<p>ESB GT rejects the proposed modification for the reasons and significant unknown impacts discussed.</p>

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		<p>consideration when determining the de-rated capacity for the auction. Section I.1.4.1.b would appear to be a double count of the outage rates of the unit. This approach wouldn't appear to be proportionate or an effective means of determining the contribution of the unit classification to system security during stress events. ESB GT considers the methodology and role of de-rating must be reviewed before the proposed I.1.4.1.b modification was to be considered in the future.</p> <p>The CRM moved away from the old Capacity Payment Mechanism of payment for availability to a mechanism of payment/penalty for reliability during stress events. The addition of I.1.4.1.b would suggest a reversal to the old</p>	

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		<p>CPM where availability is the driver of payment/penalties. If this is the case changes to the difference charges would need to be addressed. ESB GT believes the impact this proposed modification could have on the SEMC decisions needs to be demonstrably presented as there is a lack of clarity to how I.1.4.1.b could be incorporated in its current format.</p> <p>ESB GT questions if the proposed section I.1.4.1.a creates any unintended issues from participants seeking to exit the market for reasons that are outside of their control and if the modification is internally consistent with potential LRSA type contracts.</p> <p>ESB GT acknowledges that this modification is to be judged on</p>	

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		<p>its own merits but an impact that would need to be addressed is the relationship with the proposed modification CMC_09_19. Could CMC_09_19 (Termination Charges for Awarded Capacity / reclassifying Existing Capacity as New Capacity) impact the liquidity in 2nd trading.</p>	

NB please add extra rows as needed.