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L I M I T E D

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Ref: TEL/PH/17/089

16th May 2017

RE: Response to Locational Capacity Constraints Methodology Consultation Paper (SEM-17-027)

Dear Lesley, Thomas,

Tynagh Energy Limited (TEL) welcomes the opportunity to respond to this Locational Capacity Constraints Methodology Consultation Paper (SEM-17-027).

Prior to highlighting TEL's comments on the consultation paper, TEL would like to take this opportunity to comment on the recent Day 2 Request to the CRM secondary trading market (D2R 01) and implications of the current interim arrangements in the Capacity Market Code (CMC) Consultation (SEM-17-004). TEL believe a simple change to M.6.2.1 (e) of the CMC consultation is required to allow a participant the "option" to "*reduce the awarded capacity of the capacity market unit to the level it can deliver over the duration of the planned outage*" rather than the awarded capacity automatically reducing.

TEL agree with the SEMC's view to consult on the merits of including locational constraints in T-4 auctions¹ when more information is available. The identification of locational capacity constraint requirements should not only be based on the forecasted portfolio of plant and demand forecast but also forecasted transmission networks. Therefore, if Locational Capacity Constraints are to be included in T-4 Capacity Market auctions the proposed North-South interconnector should also be included. In the event the North-South is delayed the Locational Capacity Constraint can be amended in the T-1 auction.

TEL has expressed its thoughts on a lower LOLE standard in previous CRM consultations, however the SEMC have taken the view that a LOLE of 8 hours is appropriate for I-SEM. Section 5.2.2 of the Proposed Locational Capacity Constraints Methodology paper discusses the "*possibility to use different standards for the different non-meshed area, if required*". TEL do not agree with the possibility of two different standards for three reasons. Firstly, it goes against the initial SEMC decision² that was based on an appropriate security standard for the all-island system. Secondly, a two-standard approach was not consulted upon in the capacity requirement consultation³. Thirdly, it does not provide identical market conditions for all I-SEM participants.

¹ Capacity Remuneration Mechanism Locational Issues Decision Paper (SEM-16-081)

² Capacity Remuneration Mechanism Detailed Design Decision Paper (SEM-15-103)

³ Methodology for the Calculation of the Capacity Requirement and De-Rating Factors (SEM-16-082a)

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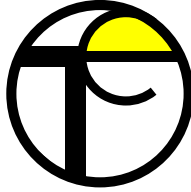
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TEL does not believe that the demand scenario for the Unconstrained Auction Capacity Requirement should be used to identify the constraint area requirements. The potential cost of excess capacity in the unconstrained market should be significantly lower than the constrained market as the generating units in the constrained areas will have the ability to submit bids higher than the existing auction price cap in the knowledge they will be accepted due to the locational constraint requirements. Hence, the Regret Cost of Excess Capacity should be higher for the calculation of capacity requirement in constraint areas than the Unconstrained Auction Capacity Requirement.

Finally, TEL fully agree with the SEMC that the CRM should focus on power transfer only and TEL would like to restate our opposition to CRM being used to address the safe and secure operation of the power system. If a mechanism is required to address the secure operation of the system, it should be a standalone mechanism with a distinct consultation.

Should you have any queries, please do not hesitate to contact me.

Yours sincerely,

Paraic Higgins
I-SEM Analyst