

I-SEM CRM Exception Application / Notification Process

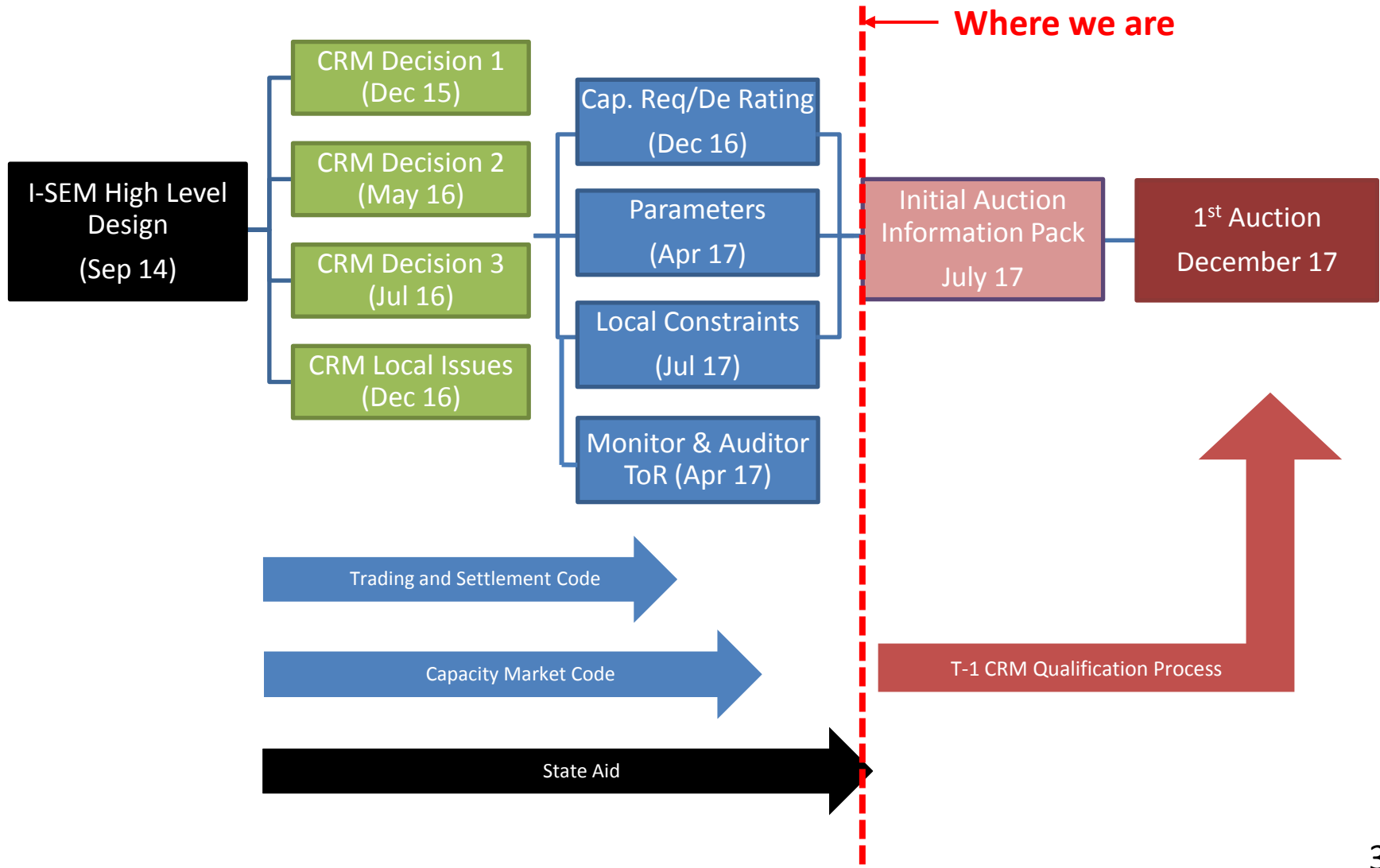
Dundalk, 30 June 2017



Agenda

- 10.00 to 10:30 Introduction and timeline overview
- 10:30 to 11:00 Existing Capacity Exception Application (USPC)
- 11:00 to 11:30 Coffee and questions
- 11:30 to 11:45 New Capacity Exception Application
- 11:45 to 12:00 Opt-Out Notification
- 12:00 to 12:15 Next steps

CRM Development - Process



Key CRM Dates

	Event	Date
1	Initial Auction Information Pack Date	3 rd July 2017
2	Exception Application Date (New and Existing Capacity)	3 rd Aug 2017
-	Opt-out Notification deadline for applications to RAs	14 th July 2017
3	Opt-out Notification Date	3 rd Aug 2017
4	Qualification Application Date	3 rd Aug 2017
5	Provisional Qualification Results Date	6 th Oct 2017
6	Final Qualification Submission Date	17 th Nov 2017
7	Final Qualification Results Date	1 st Dec 2017
8	Qualification Results Publication Date	1 st Dec 2017
9	Date for finalising the Locational Capacity Constraint Limits	1 st Dec 2017
10	Final Auction Information Pack Date	1 st Dec 2017
11	Capacity Auction Submission Commencement	4 th Dec 2017
12	Mock Auction	early Dec 2017
13	Capacity Auction Submission End	10AM on 15 th Dec 2017
14	Capacity Auction Run Start	11AM on 15 th Dec 2017
15	Capacity Auction Completion Date	18 th Dec 2017
16	Capacity Auction Provisional Results Date	18 th Dec 2017
17	Capacity Auction Approval Date	25 th Jan 2018
18	Capacity Auction Results Date	25 th Jan 2018
19	Performance Security Date	1 st Feb 2018

Types of Application

Application	Objective of application	Eligibility
Existing Capacity Exception (USPC)	Obtain right to offer at price above the Existing Capacity Price Cap (0.5 x Net CONE)	<ul style="list-style-type: none"> • Net Going Forward Costs > 0.5 x Net CONE (published 3 July) • Other support income taken into account
New Capacity Exception	Obtain right to multi-year RO	<ul style="list-style-type: none"> • Spend /kW > New Capacity Investment Rate Threshold (€300/kW) • Capacity must be incremental
Opt-Out notification	For an existing mandatory generator to opt out of auction	<ul style="list-style-type: none"> • Capacity must be closing, de-commissioned or otherwise non-operational by end of Capacity Year (with evidence of Grid Code approval, if necessary); or • Mothballing or extended planned outage (E.3.1.1b, application to RAs)

Key Exception Application Dates

Date (2017)	Description
3rd Aug	Qualification & Exception Application deadline
4th Aug	RAs notify System Operators giving details of Exception Applications received
3rd-15th Aug	RAs initial assessment/screening of applications
15th Aug	RAs send follow up questions to exception application participants
15th-24th Aug	RAs offer meeting with exception application participant, with agreed pre-set topics reflected in agenda
24th Aug	Deadline by which exception application participant(s) respond to RA questions
24th-29th Aug	If required, RAs send follow up questions to exception application participant(s), seeking response within 3 working days. Alternatively RAs may request call or meeting
6th Sept	RAs issue draft exception application decision(s) to participant(s)
6th Sept	RAs issue draft exception application decision(s) to System Operators
6th-13th Sept	RAs offer further meeting with exception application participant, with agreed pre-set topics reflected in agenda
13th Sept	Deadline by which exception application participant(s) can provide feedback to draft decision
2nd-4th Oct	RAs submit final exception application decision (s) to System Operators (ahead of deemed approval deadline in CMC)
6th Oct	Provisional qualification results announced

Opt-out notification deadline

Table 2: Opt-out notification RA determination process timeline

Date (2017)	Description
6th - 14th July	Deadline for applying for RA opt-out determination according to the CMC is 6 th July, but for the first auction applications will be accepted by the RAs until 14 th July.
17th July	RAs notify System Operators giving details of opt-out determination submission(s) received
14th-20th July	RAs initial assessment/screening of applications
20th July	If required RAs send follow up questions/request for information to opt-out notification applicant(s). Alternatively RAs may request call or meeting
25th July	Deadline by which opt-out notification applicant(s) respond to RA questions/information requests
25th July	RAs send follow up questions if required to opt-out notification applicant(s), seeking response within 3 working days. Alternatively RAs may request call or meeting
2nd Aug	Date by which RAs notify applicant(s) of determination on opt-out notification
2nd Aug	Date by which RAs notify System Operators of determination on opt-out notification submission(s)
3rd Aug	Opt-out notification deadline to System Operators
6th Oct	Provisional qualification results announced

General requirements / provisions

- All communication through prescribed channels:
CRMsubmissions@uregni.gov.uk, and
CRMsubmissions@cer.ie
- Templates should be used by applicants, but:
 - RAs reserve the right to ask additional questions
 - Applicants may submit additional supporting documents for RA consideration
- Incomplete applications risk being rejected
- Data will be treated as confidential
- Participants will be offered opportunity to meet with RAs and present their case face-to-face

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Approach to setting USPCs: a reminder

- Net Going Forward Costs (NGFCs): The RAs will calculate the NGFC for a generator based on the following formula:

NGFC = Max [(Fixed operating costs – gross infra-marginal rent from the energy and ancillary service markets + appropriate proportion of unavoidable future investment), 0] + Expected Reliability Option difference payments

Appropriate proportion of unavoidable future investment will be determined on a case-by-case basis

- USPC: Unit Specific Price Caps will be set based upon Net Going Forward Costs (NGFCs) according to the following formula:

Max allowed USPC bid = 110% x RAs' NGFC estimate, updated following review of USPC application

RA planned approach to estimating NGFCs

- Default projection of Fixed Operating Costs based on historic Generator Financial Reporting. Includes allocations of overheads to units
- Use PLEXOS model to estimate unit by unit IMR, assumes bids at cost
- Default projection of ancillary service revenue by scaling historic unit values to 2018/19 budget
- No expectation of unavoidable future investment unless included in Existing Capacity exception application

Key data requirements of USPC submission

- Gives market participants opportunity to provide an estimate of Net Going Forward Costs to justify $USPC > 0.5 \times \text{Net CONE}$
- Participants asked to provide projections in format consistent with current Generator Financial Reporting templates
 - Increases in Non-Fuel Fixed Operating Costs must be justified (particularly above inflation increases)
 - We will model IMR based upon:
 - PLEXOS dataset
 - Fuel forward curves for last week of July
 - Latest generation and demand forecasts- updated for 2017 GCS
 - Any material updated information from Opt-Out Notifications
 - Estimates of changes in ancillary service income must be justified
 - Estimates of any unavoidable future investment must be justified
 - Cost breakdown required for items greater than 2% of total Non-Fuel Operating Costs

Key elements of USPC template (1)

- Provide financial forecasts for 12 month Financial / Capacity Year in format consistent with historical Generator Financial Reporting template to facilitate comparisons between projections and previous reports submitted to RAs
- Projections should be at Capacity Market Unit level

Generator Financial Template Summary Financial Year (please specify year end month)	Forecast Revenue, Costs & MWh		Historical Revenue, Costs & MWh				
	Month 2018	Month 2017	Month 2016	Month 2015	Month 2014	Month 2013	Month 2012
Volume of Electricity Sold - MWh							
Revenue	'000	'000	'000	'000	'000	'000	'000
Revenue from SEM Pool/I-SEM energy market, made up of (see Information Note A):							
<i>Net Energy Payments*</i>							
<i>Net Constraints Payments</i>							
Revenue from Contract/Difference Payments (CfDs) (see Information Note B)							
Net revenue from Reliability Option difference payments (see Information Note C)							
Revenue from Capacity Payments							
Other Revenue, made up of:							
<i>Revenue from Ancillary Services</i>							
<i>Revenue from Support Mechanisms</i>							
<i>Other Revenue Sources</i>							
Total Revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Costs	'000	'000	'000	'000	'000	'000	'000
Fuel Related Operating Costs							
Non-fuel Operating Costs							
Total Operating Costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EBITDI	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation							
Impairment							
EBIT	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest							
Tax							
Net Profit	0.00	0.00	0.00	0.00	0.00	0.00	0.00

*This value should not be net of expected difference payments

Key elements of the USPC template (2)

- Provides a breakdown of Non-Fuel Cost estimates
- Template format breakdown more applicable to thermal generators than some other forms of capacity, but other forms of capacity should provide additional breakdown of “other costs”

See Information Note D if USPC application relates to part of a capacity unit

Breakdown of Non Fuel Operating Costs (NFOCs) (based upon Generator Financial Templates)	Forecast NFOC Costs		Historic Non Fuel Operating Costs					
	Financial Year	Month 2018	Latest Forecast Month 2017	Month 2016	Month 2015	Month 2014	Month 2013	Month 2012
Description		'000	'000	'000	'000	'000	'000	'000
Transmission Charges								
Market Operator Charges								
System Operator Charges								
Gas Transportation Charges								
Operating and Maintenance Costs*								
Insurance (please specify in note 6)								
Business Rates								
Cost of Fuel Working Capital								
Other								
Total Non Fuel Operating Costs		0.00	0.00	0.00	0.00	0.00	0.00	0.00

Key elements of USPC template (3)

Shows estimates of other elements that impact Net Going Forward Costs, and how applicant's USPC bid is built up

This template requires a forecast matched to 1 Oct 2018 to 30 Sept 2019 Capacity Year, not your financial year

Unit Specific Price Cap (USPC) Submission		Projected Costs
(Applying Forecast NGFCs above to a 12 month Capacity Year for USPC purposes)		1 Oct 2018 to 30 Sept 2019
Description	Notes	'000
Non-Fuel Operating Costs (NFOCs)		
Transmission Charges	As above	0.00
Market Operator Charges	As above	0.00
System Operator Charges	As above	0.00
Gas Transportation Charges	As above	0.00
Operating and Maintenance Costs	As above	0.00
Insurance	As above	0.00
Business Rates	As above	0.00
Fuel Working Capital (ongoing)	As above	0.00
Other	As above	0.00
Indexation to 2018*	As above	0.00
	As above	0.00
	As above	0.00
Adjustments re Variable Operating and Maintenance Cost elements of NFOCs		
Please describe	13	0.00
Please describe	14	0.00
Less:		
Unit Specific Projected Infra-marginal rent (corresponding note must specify assumptions including fuel price, carbon price and resulting electricity price assumptions)	15	0.00
Unit Specific Ancillary Services Revenue	16	0.00
Unavoidable Future Investment (if relevant)	17	
Please see note 17 in "Notes 13-19" tab for details required in submission		
Project Investment amount being recovered in Capacity Year 2018/19	18	
Unit Specific Net Going Forward Costs (NGFCs)		0.00
De-Rated Capacity as per Qualification (kW)	19	0
Unit Specific Price Cap Submission (Price €(or £)/kW/year)		#DIV/0!

Approach to determining allowance for unavoidable future investment

- Separate document required, with requirements laid out in Notes to Existing Capacity Exception Application template
- SEM Committee will determine an appropriate period, n years, over which the investment can be recovered:
 - Maximum 10 years- i.e. no longer than the maximum fixed price Reliability Option for New Capacity.
 - Will not exceed the remaining economic life of the Capacity Market Unit
- SEM Committee would propose to allow the investor the opportunity to include an amount in its bid for each of the next n years, determined by Discounted Cash Flow calculation to recover SEM BNE WACC, taking into account:
 - Net value of its investment (net of residual value, based upon straight line depreciation e.g. of connection investment);
 - Any increment in annual fixed operating costs, to maintain the investment;
 - **For avoidance of doubt, also net of incremental/decremental IMR and ancillary services;**
- Will only allow investment which is strictly necessary, no “goldplating”

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Key data requirements of New Capacity application

- Key requirements:
 - Provide details of investment spend to demonstrate that New Capacity Investment Rate Threshold (NCIRT) exceeded. NCIRT = €300/de-rated kW and GBP equivalent (to be published 3 July)
 - State length of Reliability Option price fix sought (up to 10 year maximum)
 - Provide details of Implementation Plan date milestones, and requested waivers
 - Additional data requirements for Aggregated Generator Units as set out in CMC
- Note that:
 - May include investment incurred before Capacity Year, but must be spend necessary to deliver uncommissioned capacity
 - Will only allow investment which is strictly necessary to deliver the uncommissioned capacity - no “goldplating”

Key elements of new capacity template (1)

- Applicants should provide the break down of spend over time, and the RAs may monitor spend against this profile
- Possible that a single unit can have up to 5 tranches of new investment:
 - Some of which exceed NCIRT, and some do not
 - Have different economic lives and therefore RO fix price length

Investment Spend Detail		
Confirm that you do not expect the capacity associated with your incremental investment to be supported by any support mechanism in Ireland or Northern Ireland (e.g. renewables support mechanisms, PSO)		
Confirm that no spend included in this submission is also included in a submission in respect of a USPC (unavoidable future investment in respect of Existing Capacity)		
Expected economic life of incremental capacity	If different elements of the investment have different economic lives please specify	
Length of Reliability Option being sought	Number must be an integer number of years between 1 and 10 inclusive*	

*Where multiple investments are being made for a single unit, multi-year Reliability Options may be sought for only those which exceed NCIRT. Participants should bear in mind that each CMU can only offer 5 PQ pairs into a Capacity Auction and all the capacity covered by a single PQ pair must have the same RO duration.

Expected Incremental Investment Profile in Local Currency		
Year ending	£/€ to nearest 0.01 £/€	Notes
Before 30/09/2017		For any amounts spent before the auction, explain why this is unavoidably incurred in delivering the incremental capacity. For any amounts spent after the end of the delivery year, please explain how these amounts are unavoidably incurred in delivering the committed capacity.
30-Sep-18		
30-Sep-19		
30-Sep-20		
After 30/09/2020		
Total	0	

Key elements of new capacity template (2)

- Cost categories are most applicable to a thermal generator.
- Other forms of capacity should provide their own breakdown consistent with separate itemisation of any cost greater than €1m

Applicants should, where possible, conform to these categories currently used for the BNE unit calculation, but each separate item of

Breakdown of Total Investment	£/€ Local Currency
EPC costs	
Site Procurement	
Electrical Connection Costs	
Gas Connection Costs	
Water Connection Costs	
Owners Contingency	
Financing Costs	
Interest during Construction	
Construction Insurance	
Initial Fuel Working Capital	
Other non EPC Costs	
Accession and Participation fees	
Total	0

Estimated cost per incremental de-rated kW	up to 5 increments are allowed per Capacity Market Unit
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Key elements of new capacity template- Additional data for aggregated units

Aggregated Generator Units Detail	
Details Required and Guidance (Mapped to CMC requirement under Appendix D.4(k))	Response
For each Generator, which contributes towards New Capacity, within a Candidate Unit that is an Aggregated Generator Unit:	
(i) the identity of the Generator;	
(ii) the Technology Class of the Generator;	
(iii) the quantity proposed in respect of each of:	
a. Initial Capacity (Existing) of the Generator, and (as applicable);	
b. Initial Capacity (Total) of the Generator;	
(iv) the Gross De-Rated Capacity (Existing) in respect of the Generator;	
(v) the Gross De-Rated Capacity (New) proposed in respect of the Generator (such that the sum of (iv) and (v) reflects the Gross De-Rated Capacity (Total) sought for the Generator);	
(vi) evidence that the person who owns or controls the unit has authorised the person submitting the Application for Qualification to include the Generator as part of the Aggregated Generator Unit in the Application for Qualification;	
(vii) whether the Generator is Clean.	

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Approval process for Opt-out Notifications

- Some Opt-out Notifications require prior approval by the RAs
- If the capacity is to be either:
 - On Planned Outage for more than 3 months; or
 - Mothballedthen the Opt-out requires approval by the RAs. Application for this approval must be made by 14th July 2017
- If the capacity is closing, de-commissioning or otherwise becoming permanently non-operational before 30 Sept 2019, then RA approval is not necessary
- In all cases, an Opt-out Notification must be submitted to the TSOs by 3rd August 2017

Evidence required to support applications for RA approval

- All Applications
 - Details of the unit(s) involved
- Planned Outage applications
 - The period covered by the Planned Outage
 - Evidence supporting the existence of the Planned Outage
- Mothballing applications
 - The date from which the unit is to be mothballed
 - Evidence supporting the fact that the unit has, or will be, mothballed

Key elements of Opt-out template (1)

For all applications for RA approval:

<p>Opt-Out Information Required</p> <p>Have the Regulatory Authorities notified you prior to the Opt-out Notification Date that they have determined that it is not necessary for the Candidate Unit to be the subject of an Application for Qualification for a Capacity Auction? If yes, please provide evidence.</p>
<p>Initial Capacity of Candidate Unit/Capacity Market Unit(before Opt-out), MW</p>
<p>Locational Capacity Constraint(s) to which the unit contributes (with reference to definition in the Initial Auction Information Pack):</p>
<p>Please set out the reason why you are applying for an Opt-out.</p>
<p>If Opt-out is sought for a Planned Outage (CMC E.3.1.1(b)(i)) please complete the Prolonged Planned Outage sheet</p>
<p>If Opt-out is sought for a unit being Mothballing (CMC E.3.1.1(b)(ii)) please complete the Mothballing sheet</p>
<p>Other Documents to be Provided Separately</p> <p>Director's Certificate: A certificate signed on behalf of the Participant by a Participant Director that, having made due and careful enquiry and to the best of their knowledge, information and belief:</p> <ul style="list-style-type: none"> (i) all information in the application and any other information provided to the Regulatory Authorities and the System Operators in relation to it is true and correct; and (ii) the application is not for the purposes of, or connected with, Market Manipulation by the Participant or any of its Associates (CMC E3.2.2(b)).

Key elements of Opt-out template (2)

For applications for RA approval relating to prolonged Planned Outage:

Opt-Out Information Required
Start of Planned Outage: Please outline the date on which the Capacity Market Unit/Candidate Unit will start its Planned Outage
End of Planned Outage: Please outline the date on which the Capacity Market Unit/Candidate Unit will complete its Planned Outage
Please provide evidence supporting the Planned Outage, e.g. its inclusion in the Provisional Outage Programme issued under OC2 of the Grid Codes

Key elements of Opt-out template (3)

For applications for RA approval relating to Mothballing:

Opt-Out Information Required
Date from which the unit will be mothballed
Please provide evidence that the unit has, or will be, placed into a mothballed state, e.g. relating to drying out, acid neutralisation.
Please provide evidence that the appropriate changes to the Registered Operating Characteristics for the unit have been, or will be, updated under the relevant Grid Code

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Next steps

- TSOs publish Initial Auction Information Pack on **3 July**
 - provides data on ECPC, APC in EUR and GBP to inform Exception Applications
- Submit Opt-Out Notifications:
 - to RAs by **14 July** and
 - to TSOs by **3 Aug**
- Participants must accede to Capacity Market Framework Agreement by **28 July** so as to Qualify (**3 Aug**) and submit Exception Applications (**3 Aug**)
- All templates will be available from SEMC website