

<b>MODIFICATION PROPOSAL FORM</b>			
<b>Proposer</b> <i>(Company)</i>	<b>Date of receipt</b> <i>(assigned by System Operators)</i>	<b>Type of Proposal</b> <i>(delete as appropriate)</i>	<b>Modification Proposal ID</b> <i>(assigned by System Operators)</i>
ESB GWM	25 April 2018	Standard	CMC_05_18
<b>Contact Details for Modification Proposal Originator</b>			
<b>Name</b>	<b>Telephone number</b>	<b>Email address</b>	
<b>Modification Proposal Title</b>			
<b>Requirements for Combining Candidate Units into a Capacity Market Unit</b>			
<b>Documents affected</b> <i>(delete as appropriate)</i>	<b>Section(s) Affected</b>	<b>Version number of CMC used in Drafting</b>	
Capacity Market Code	E.7.6	1.0	
<b>Explanation of Proposed Change</b> <i>(mandatory by originator)</i>			
<p>Under current CMC rules, a capacity market unit is directly linked to a balancing market unit. As a result, any participant with multiple units on the same site are required to bid each unit separately into the auction. The apportionment of shared costs is complicated and one which could compromise the overall efficiency of the CRM auction results.</p> <p>This proposal seeks to allow participants to register multiple generating units, on the same site and above the de-minimis threshold, as a single capacity market unit subject to Regulatory Authority approval.</p> <p>A simple addition to section E.7.6 (Requirements for Combining Candidate Units into a Capacity Market Unit) could implement the necessary alteration to prevent perverse auctions results and ensure the provision of increased flexibility to the System Operator.</p>			
<b>Legal Drafting Change</b> <i>(Clearly show proposed code change using <b>tracked</b> changes, if proposer fails to identify changes, please indicate best estimate of potential changes)</i>			
<p>E.7.6 Requirements for Combining Candidate Units into a Capacity Market Unit</p> <p>E.7.6.1 Subject to paragraph E.7.6.3 and E.7.6.4, the System Operators shall reject an Application for Qualification for a Capacity Year for a proposed Capacity Market Unit comprising a combination of individual Candidate Units unless:</p> <ol style="list-style-type: none"> <li>each of the Candidate Units is a Generator Unit or a proposed Generator Unit;</li> <li>all the Candidate Units are registered or provisionally registered to the same Participant;</li> <li>all the Candidate Units are separately registered under the Trading and Settlement Code, or in the case of New Capacity, are intended to be separately registered under the Trading and Settlement Code;</li> <li>all the Candidate Units are Connected in the same Currency Zone;</li> <li>the Regulatory Authorities have not approved a Unit Specific Price Cap for any of the Candidate Units in respect of the Capacity Auction;</li> <li>none of the Candidate Units are proposed to be included in any other proposed Capacity Market Unit for which an Application for Qualification in respect of the same Capacity Auction has been made;</li> </ol>			

- (g) none of the Candidate Units are Capacity Market Units in their own right, or part of another Capacity Market Unit, allocated Awarded Capacity for the Capacity Year in a prior Capacity Auction;
- (h) the Capacity Market Unit includes all of the individual Candidate Units that it included in any prior Capacity Auction in which it has already been allocated Awarded Capacity for the Capacity Year (though it may include additional Candidate Units);
- (i) each of the Candidate Units is either:
  - i. a unit with a Registered Capacity (or in the case of a Demand Side Unit, a DSU MW Capacity), whether based on Existing Capacity or a combined Existing and New Capacity, below the De Minimis Threshold; or
  - ii. a Variable Generator Unit;
- (j) if any of the Candidate Units proposed to be combined into the Capacity Market Unit is a Demand Side Unit, then all the Candidate Units proposed to be combined are Demand Side Units;
- (k) if any of the Candidate Units proposed to be combined into the Capacity Market Unit is intended to provide New Capacity, then the same Maximum Capacity Duration applies to all of the Candidate Units proposed to be combined; and
- (l) if any of the Candidate Units is an Autoproducer Unit, then all the Candidates Units are Autoproducer Units at the same Autoproducer Site.

E.7.6.4 Where approval is granted by the Regulatory Authorities, the System Operators shall not reject an Application for Qualification for a Capacity Year for a proposed Capacity Market Unit comprising a combination of individual Candidate Units where the requirements of E.7.6.1 (e) and (i) are not met.

**Modification Proposal Justification**

*(Clearly state the reason for the Modification)*

I-SEM and DS3 has been designed, to the consumer benefit, to encourage participants to reduce a unit's minimum generation level in order to reduce wind curtailment and to support the system at least cost. In the Capacity Market Code (CMC), the qualification of a capacity market unit is linked to the registration of units in the Balancing Market (BM) under the T&SC. As a result, any participant with multiple units greater than the de-minimis threshold and on the same site are required to bid each unit separately into the auction.

Based on the experience gained from the CY 2018/19 auction, the implementation of this proposal should assist in the proportionate treatment of all participants when determining a plant's Net Going Forward Costs. The current methodology prevents participants with plant structures that provide the System Operator with the necessary flexibility from ensuring the full cost recovery available to all other participants.

This proposed modification would also lead to improve exit signals and the possible removal of regulatory intervention following the auction results. Rather than possible perverse auction results where one unit of a plant clears but the other doesn't, the auction will be able to provide the necessary exit signal to the whole plant.

The increased system flexibility provided through this modification and the net social welfare calculations of the CRM auction, without the need for a Generation Plant Closure mitigation measure, should improve the benefit to the consumer.

<b>Code Objectives Furthered</b>
<i>(State the Code Objectives the Proposal furthers, see Sub-Section A.1.2 of the CMC Code Objectives)</i>
<p>(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;</p> <p>(d) to promote competition in the provision of electricity capacity to the SEM;</p> <p>(g) through the development of the Capacity Market, to promote the short-term and long-term interests of consumers of electricity with respect to price, quality, reliability, and security of supply of electricity across the Island of Ireland.</p>
<b>Implication of not implementing the Modification Proposal</b>
<i>(State the possible outcomes should the Modification Proposal not be implemented)</i>
<p>If this proposal is not implemented market participants that can offer flexibility to the system operator are discriminated against and the possibility of inefficient auction results still exists.</p>
<b>Impacts</b>
<i>(Indicate the impacts on systems, resources, processes and/or procedures)</i>
<p>No impact on systems, resources, processes or procedures for either market participants or SEMO.</p>
<b>Please return this form to the System Operators by email to <a href="mailto:modifications@sem-o.com">modifications@sem-o.com</a></b>

### Notes on completing Modification Proposal Form:

1. If a person submits a Modification Proposal on behalf of another person, that person who proposes the material of the change should be identified on the Modification Proposal Form as the Modification Proposal Originator.
2. Any person raising a Modification Proposal shall ensure that their proposal is clear and substantiated with the appropriate detail including the way in which it furthers the Code Objectives to enable it to be fully considered by the Regulatory Authorities.
3. Each Modification Proposal will include a draft text of the proposed Modification to the Code unless, if raising a Provisional Modification Proposal whereby legal drafting text is not imperative.
4. For the purposes of this Modification Proposal Form, the following terms shall have the following meanings:

CMC / Code:	means the Capacity Market Code for the Single Electricity Market
Modification Proposal:	means the proposal to modify the Code as set out in the attached form
Derivative Work:	means any text or work which incorporates or contains all or part of the Modification Proposal or any adaptation, abridgement, expansion or other modification of the Modification Proposal

The terms "System Operators" and "Regulatory Authorities" shall have the meanings assigned to those terms in the Code.

In consideration for the right to submit, and have the Modification Proposal assessed in accordance with the terms of Section B.12 of the Code, which I have read and understand, I agree as follows:

1. I hereby grant a worldwide, perpetual, royalty-free, non-exclusive licence:
  - 1.1 to the System Operators and the Regulatory Authorities to publish and/or distribute the Modification Proposal for free and unrestricted access;
  - 1.2 to the Regulatory Authorities to amend, adapt, combine, abridge, expand or otherwise modify the Modification Proposal at their sole discretion for the purpose of developing the Modification Proposal in accordance with the Code;
  - 1.3 to the System Operators and the Regulatory Authorities to incorporate the Modification Proposal into the Code;
  - 1.4 to all Parties to the Code and the Regulatory Authorities to use, reproduce and distribute the Modification Proposal, whether as part of the Code or otherwise, for any purpose arising out of or in connection with the Code.
2. The licences set out in clause 1 shall equally apply to any Derivative Works.
3. I hereby waive in favour of the Parties to the Code and the Regulatory Authorities any and all moral rights I may have arising out of or in connection with the Modification Proposal or any Derivative Works.
4. I hereby warrant that, except where expressly indicated otherwise, I am the owner of the copyright and any other intellectual property and proprietary rights in the Modification Proposal and, where not the owner, I have the requisite permissions to grant the rights set out in this form.
5. I hereby acknowledge that the Modification Proposal may be rejected by the Regulatory Authorities and that there is no guarantee that my Modification Proposal will be incorporated into the Code.