



**Integrated Single Electricity Market
(I-SEM)**

**Capacity Remuneration Mechanism
2020/21 T-1 Capacity Auction and 2021/22 T-2
Capacity Auction Parameters**

Decision Paper

SEM-19-018

1 May 2019

In the SEM, capacity revenues are allocated by a capacity auction for a relevant capacity year. Prior to each capacity auction, a number of capacity auction parameters must be set. The list of parameters that must be determined by the Regulatory Authorities is described in the Capacity Market Code.

In March 2019, the SEM Committee consulted¹ on the relevant parameters to apply in the 2020/21 T-1 and 2021/22 T-2 transitional capacity auctions, scheduled to take place in December 2019. Nine non-confidential responses and one confidential response were received. The non-confidential responses were received from:

AES	ESB
BGE	PPB
Bord na Móna	SSE
Electricity Association of Ireland	Tynagh
Energia	

Following its review of the consultation responses, this paper sets out the SEM Committee's decisions for the relevant parameters to apply in the 2020/21 T-1 and 2021/22 T-2 transitional auctions, scheduled to take place in December 2019.

The SEM Committee has decided to set the parameters for the 2020/21 T-1 and 2021/22 T-2 capacity auctions at the same values as those proposed in the consultation. In relation to the Existing Capacity Price Cap, the SEM Committee has decided to retain the ECPC multiplier at 0.5, resulting in an Existing Capacity Price Cap of €46.15/de-rated kW.

The parameter decisions are described within the paper, and their values summarised in Chapter 7.

¹ <https://www.semcommittee.com/publications/sem-19-010-capacity-remuneration-mechanism-202021-t-1-capacity-auction-and-202122-t-2>

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3 INTRODUCTION AND BACKGROUND

The SEM Capacity Remuneration Mechanism (“**CRM**”) was developed through an extensive series of consultation and decision papers. The CRM allocates capacity payments through ex-ante capacity auctions, with penalties being issued for capacity that is not delivered when needed.

Before each capacity auction, a number of auction parameters need to be set by the Regulatory Authorities (“**RAs**” (the Utility Regulator in Northern Ireland and the Commission for Regulation of Utilities (“**CRU**”) in Ireland)).

In SEM-18-009, the SEM Committee signalled their intention to hold transitional auctions for Capacity Year 2020/21 and Capacity Year 2021/22 at the same time, around December 2019. In March 2019, the SEM Committee published a consultation² on the parameters to apply for the 2020/21 T-1 and 2021/22 T-2 capacity auctions.

Having reviewed the consultation responses, this paper describes the SEM Committee’s parameter decisions for these transitional auctions.

² <https://www.semcommittee.com/publications/sem-19-010-capacity-remuneration-mechanism-202021-t-1-capacity-auction-and-202122-t-2>

4 CONSULTATION PARAMETERS FOR 2020/21 T-1 AND 2021/22 T-2 CAPACITY AUCTIONS

The values proposed in the consultation for each of the parameters were as follows:

Parameter	Proposed Value for 2020/21 T-1 and 2021/22 T-2 capacity auctions
De-Rating Curves, defining De-Rating Factors by unit Initial Capacity and by Technology Class (including for Interconnectors)	To be calculated by the System Operators and submitted to the Regulatory Authorities for determination.
Capacity Requirement	To be calculated by the System Operators and submitted to the Regulatory Authorities for determination.
Indicative Demand Curve	<p>The Demand Curve will be based on the following principles:</p> <ul style="list-style-type: none"> • The curve will be horizontal at the Auction Price Cap (1.5 x Net CONE) between 0MW and 100% of the Capacity Requirement; • The demand curve will be vertical at 100% of the Capacity Requirement between a price of 1.5 x Net CONE and 1 x Net CONE; • The demand curve will be a straight line slope with a zero-crossing point at 115% of the Capacity Requirement.
Auction Price Cap	1.5 times Net CONE
Existing Capacity Price Cap	The SEM Committee welcomes respondents' views on the appropriate ECPC.
New Capacity Investment Rate Threshold	€300,000 per de-rated MW

Annual Stop Loss Limit Factor	1.5									
Billing Period Stop Loss Factor	0.5									
Indicative Annual Capacity Exchange Rate	The Exchange Rate will be proposed by the System Operators and included in the Initial Auction Information Pack.									
Increase Tolerance and Decrease Tolerance by Technology Class	<table border="1"> <thead> <tr> <th>Technology Class</th> <th>Increase Tolerance (%)</th> <th>Decrease Tolerance (%)</th> </tr> </thead> <tbody> <tr> <td>All except DSUs</td> <td>0</td> <td>0</td> </tr> <tr> <td>DSUs</td> <td>0</td> <td>100</td> </tr> </tbody> </table>	Technology Class	Increase Tolerance (%)	Decrease Tolerance (%)	All except DSUs	0	0	DSUs	0	100
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500	500									
Values for determining strike price in accordance with the Trading and Settlement Code										
The SEM Committee proposes to retain the existing values for the 2020/21 T-1 and 2021/22 T-2 capacity auctions.										

5 CONSULTATION RESPONSES

Nine non-confidential responses, and one confidential response, were received to the March consultation:

AES	ESB
Bord Gáis Energy (BGE)	PPB
Bord na Móna (BnM)	SSE
Electricity Association of Ireland	Tynagh
Energia	

The non-confidential responses are published along with this decision, and comments received have been separated into each of the parameters consulted upon:

Parameter	Comments Received
<p>De-Rating Curves, defining De-Rating Factors by unit Initial Capacity and by Technology Class (including for Interconnectors)</p>	<p>BGE supports the RAs' proposal to continue applying the current methodology for determining de-rating factors.</p> <p>Energia reiterates its previous comments in response to SEM-18-009 whereby a more conservative de-rating of interconnectors is required as they are less predictable with uncertain directions of flows. Meaningful tolerance bands for de-rating factors should be re-instated as provided for in decision paper SEM-15-103. Energia have previously called for greater transparency around the process to understand the basis for a zero tolerance band. Without this necessary transparency, the purported rationale for a zero tolerance band for gas turbines is not justified.</p> <p>SSE – in the case of interconnector de-rating factors, the External Market De-Rating Factor should be kept under regular review. SSE would also welcome additional detail on the interpretation of the results of the methodology and an opportunity to comment on these.</p>
<p>Capacity Requirement</p>	<p>Energia reiterates that a tightening of the LOLE standard from 8 hours to 3 hours is more appropriate to harmonise standards with neighbouring markets in Europe.</p> <p>ESB – It is unclear whether or not the RAs used CMC F.4.1.5 to change the LCCA values for the T-4 Auction. In the interest of transparency, consistency and impartiality, ESB GT suggests further clarification on what these adjustments to the demand curve are should be provided in all future FAIPs. The construction of the demand curve in FAIP2223T-4 is not clear about which volumes have been held back for the T-1 auction, demand forecast concerns and non-participating generation.</p>

	<p>Considering the auction format for the T-1 CY 2020/21 and T-2 CY2021/22 is the same as the T-4, the breakdown of the capacity requirement for future auctions should be provided in either the Auction parameter decisions or the FAIP.</p> <p>SSE welcome the indication that no capacity should be held out of the T-2 auction, given that there would be no T-1 auction for 2021/22.</p> <p>TEL – the Capacity Requirement for 2022/23 was 7,524MW, but the peak demand in the Generation Capacity Statement was close to 8,000MW under the median demand analysis. Allowing for wind generation to meet this requirement makes little sense, as we know that very cold and very calm days are not uncommon in Ireland. A cold day in Ireland is likely to be a cold day in GB, and the interconnectors are unlikely to help us.</p>
Indicative Demand Curve	<p>BGE supports the demand curve used for the transitional auctions held to date.</p> <p>Energia note that the Demand Curve to be used in the T-1 and T-2 auctions is to revert to that used in the initial transitional auctions. Energia also support the comment in the Consultation Paper that a subsequent T-1 auction for CY2021/22 is not required.</p> <p>ESB GT supports the RAs' minded to position to implement a demand curve similar to the previous T-1 auctions. However, greater clarity should be provided in FAIPs for the adjustments.</p>

	<p>PPB agrees with the RAs' minded decision not to hold a T-1 auction for 2021/22 but rather to procure all the required capacity in the T-2 auction.</p> <p>SSE support the view that there is no need for a T-1 auction for 2021/22 and that no volumes will be withheld from the T-2 auction.</p>
Auction Price Cap	<p>BGE agrees with SEMC proposal to set the APC at 1.5 Net CONE, given that it reflects the lower end of the international range.</p> <p>Energia – the APC multiplier of 1.5 times Net CONE is at the lower end of international norms and there is justification for increasing this to two times Net CONE to account for increasing investment costs.</p> <p>PPB agree with the proposal to retain the APC at 1.5 time Net CONE.</p>
Existing Capacity Price Cap	<p>The proposal to reduce the ECPC is not supported by the EAI and its membership. A reduction in the ECPC would significantly heighten the perception of regulatory risk in this market.</p> <p>The determination of ECPC at 50% Net CONE was based on an estimate considered sufficient to cover the NGFC for the majority of capacity required to meet the Capacity Requirement. However, this estimate was based on an analysis of NFOC from historical generator financial reporting which did not include capital costs associated with ongoing operations. According to this methodology, ECPC set as a multiple of 0.5 Net CONE would have underestimated these costs. A reduction of the ECPC would significantly heighten the perception of regulatory risk.</p>

AES does not support the SEM Committee's proposal to reduce the ECPC. It is clear that the level of ECPC is set too low. The fact that the RAs have gained experience in assessing USPC applications would evidence that the ECPC is currently set too low. On the contrary, AES would urge the SEM Committee to assess raising the ECPC, to reduce the USPC time, cost and effort requirements placed on market participants.

Bord na Móna are particularly concerned about the consideration within the consultation to reduce the ECPC. BnM are fully aligned with the EAI position. The case for the value of ECPC to be raised has been vindicated by events such as the unforeseen cost exposure to industry from a series to RODP events to which Capacity Providers have been exposed.

BGE is not in favour of reducing the ECPC.

Energia – rather than decrease ECPC, there is a strong, logical and justifiable case for the ECPC to be adjusted upwards for all future auctions.

ESB believes the current ECPC value of 0.5 is too low and needs to be revaluated. A reduction of the ECPC can only be viewed as the SEMC actively seeking to control participants' auction bids rather than cultivating an auction that enables fair competition. It is not proportional to make a decision to change the ECPC based on the workload placed on the RAs.

PPB do not accept that any reduction to the Existing Capacity Price Cap (ECPC) is justified. There is good reason for the I-SEM caps to be higher than in other markets rather than reducing the ECPC below 50% of Net

	<p>CONE. It would also create a high risk of market distortion when the 50% factor has been used for the first two T-1 auctions and the T-4 auction for 2022/23. As PPB is disallowed from making a USPC application, any reduction in the ECPC will automatically apply to PPB but leave no scope to seek a USPC and which could impact negatively on NI customers.</p> <p>SSE share the EAI view that there should be no reduction in the ECPC. A reduction in ECPC will have an impact on fair and effective competition between capacity providers and may encourage the transfer of some quasi-fixed costs into complex bids, making market prices higher than they need to be.</p> <p>TEL do not agree with the SEMC’s proposal to reduce the ECPC for the 2020/21 T-1 and 2021/22 T-2 capacity auctions. The current ECPC is not sufficient to meet the needs of participants and there will be more participants looking to close as they will not be able to meet their costs.</p>
<p>New Capacity Investment Rate Threshold</p>	<p>BGE agrees with the proposal to continue setting the NCIRT at €300/ de-rated kW. NCIRT should be maintained at a minimum at this level.</p> <p>Energia seeks to introduction of an additional threshold for plant refurbishment at a rate of €50/kW of de-rated capacity. Once this threshold is met, limits should be determined by APC.</p> <p>PPB agree with the proposal to retain the NCIRT at €300/de-rated kW.</p>

<p>Annual Stop Loss Limit Factor</p>	<p>BGE agrees with both rates set for the stop-loss limit factors. No rationale or reason is currently known to us to justify changing either.</p> <p>Energia remain of the view that this factor is too high. The multiple should be set at a maximum of 1.</p> <p>PPB agree with the proposal to retain the Annual Stop-Loss Limit Factor of 1.5.</p>
<p>Billing Period Stop Loss Factor</p>	<p>BnM see merit in further consideration of the implementation of daily or event-based stop-loss limits. SEM-16-022 expressed that this decision will be kept under review. This could be another measure to contain ‘event’ exposure to providers against the type of events which occurred in October and January, in the main.</p> <p>BGE agrees with both rates set for the stop-loss limit factors. No rationale or reason is currently known to us to justify changing either.</p> <p>Energia are of the view that this factor is too high. It exposes generators to excessive risk of potentially losing more than their entire capacity market revenue over a couple of RO events. Energia recommends a lower Factor of 0.125.</p> <p>PPB agree with the proposal to retain the Billing Period Stop-Loss Limit Factor at 0.5.</p>
<p>Indicative Annual Capacity Exchange Rate</p>	<p>BGE accepts that the SOs will determine and publish the rates as these are the first auctions for each respective Capacity year under consultation.</p>

	<p>ESB GT – the current rules leave new generator and the market open to unnecessary over or under collateralisation. ESB GT suggest this is addressed through the setting of the final exchange rate in the Initial Auction Information Pack.</p> <p>PPB – there must be a linkage between setting the ACPER and the Net CONE. The Net CONE is based on a Distillate Unit located in NI, and therefore a material change in the exchange rate would also affect the value of the Net CONE. If the two were not aligned then if, for example, the exchange rate were to reduce from 0.90£/€ to 0.75, this would reduce RO payments to NI participants by 20%, if the Net CONE were not similarly adjusted.</p>
<p>Increase Tolerance and Decrease Tolerance by Technology Class</p>	<p>BnM do not have an issue with the proposal, while recognising the provisions of note 2 within the paper, whereby under SEM-18-030, where satisfactory evidence is provided to the SOs, the decrease tolerance shall be 100% for a Candidate Unit, that, due to relevant emissions legislation, has its running hours restricted to an extent that would reasonably be considered to prevent reliable delivery of their de-rated capacity at times of scarcity.</p> <p>BGE support the decrease tolerance levels remaining at it is. BGE does however also maintain its view that plants should be permitted to increase tolerances at their own risk and discretion, as plants can be more efficient than others in their technology class and overall the capacity mechanism is seeking to incentivise maximum reliability from efficient plants.</p> <p>Energia has significant concerns in relation to the absence of transparency around the application of this parameter following on from SEM-18-030.</p>

	<p>PPB agree with the proposal to retain the Increase and Decrease Tolerance levels consistent with the first two transitional auctions.</p>
Performance Securities	<p>BGE agrees with the SEMC proposals to retain the Performance Securities and Termination Charges, as per the tables in the consultation</p> <p>PPB agree with the proposal to retain the Performance Securities consistent with the auctions already completed.</p>
Termination Charges	<p>BGE agrees with the SEMC proposals to retain the Performance Securities and Termination Charges, as per the tables in the consultation</p> <p>PPB agree with the proposal to retain the Termination Charges consistent with the auctions already completed.</p>
Full Administered Scarcity Price and Reserve Scarcity Price	<p>BGE supports the SEMC's proposal to retain the values for Full ASP from the 2022/23 T-4 capacity auction for the 2020/21 T-1 and 2021/22 T-2 capacity auctions.</p> <p>Energia is supportive of keeping Full ASP at 25% of VOLL. There is currently no justifiable evidence to amend it from this level.</p> <p>PPB agree with the proposal to retain the Full ASP and Reserve ASP consistent with those used in the 2022/23 T-4 Auction.</p>

<p>Values for determining strike price in accordance with the Trading and Settlement Code</p>	<p>BGE agree with the SEMC proposal to retain these values as set out in the consultation paper.</p> <p>Energia – the Strike Price formula should be amended as per previous Energia submissions to ensure that commodity prices are up to date. It remains incorrect to reference monthly price indices.</p> <p>PPB – These will be well out of date by 2020/21 and 2021/22, whereas they should reflect the latest available information.</p>
<p>Other comments</p>	<p>AES – all future SEMC/RA consultations should be open for a minimum of six weeks.</p> <p>EAI – absent external pressures, the traditional minimum period of six weeks must be re-instated for consultations.</p> <p>Energia – the four week consultation period was inadequate.</p> <p>ESB – this consultation should have been allocated a minimum of a six week consultation period.</p> <p>TEL are disappointed that the SEMC decided that this consultation would only be four weeks in duration.</p>

De-Rating Curves, defining De-Rating Factors by unit Initial Capacity and by Technology Class (including for Interconnectors)

Three comments were received on these parameters. The SEM Committee recognises the need for transparency around the setting of these values. The SEM Committee will work with the System Operators to investigate how transparency can be increased. The current methodology as described in SEM-18-030 will continue to apply.

Capacity Requirement

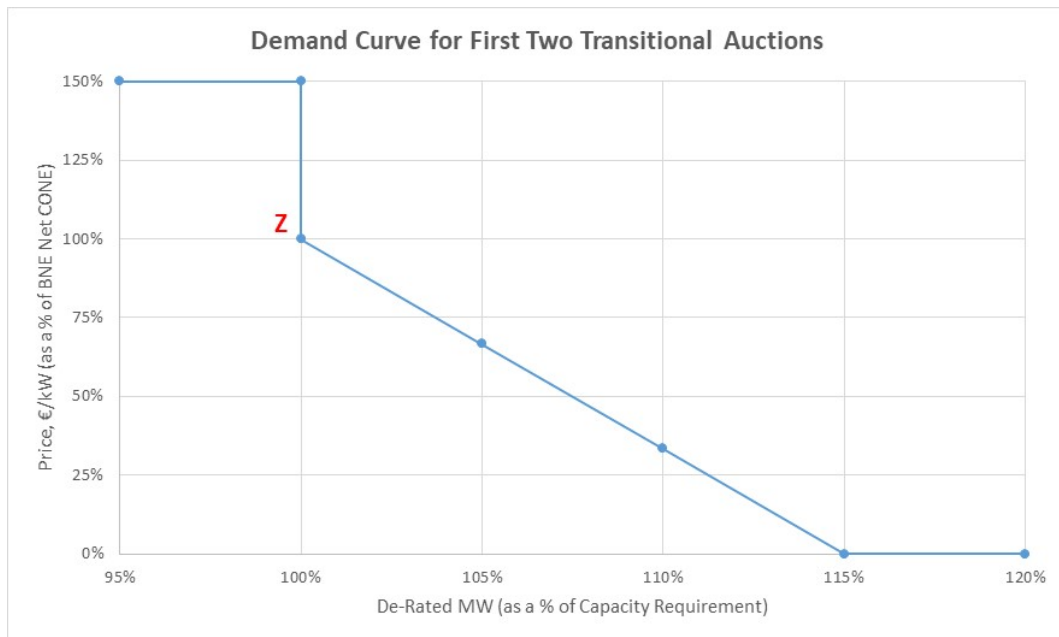
Comments were received from five respondents in this area. Energia asked for a tightening of the LOLE standard from 8 hours to 3 hours. The SEM Committee is not presently re-visiting the decision on an 8 hour LOLE, as described in the CRM Detailed Design ([SEM-15-103](#)).

As raised by ESB, under the CMC (as amended by CMC_14_18), the RAs may amend the Locational Capacity Constraint Required Quantity for one or more Locational Capacity Constraints. A methodology paper published by the RAs in April 2019 describes how the LCCAs in the FAIP for the 2022/23 T-4 auction were derived.

Indicative Demand Curve

Comments on the Indicative Demand Curve were received from five respondents. All were supportive with the proposal to continue to use the same curve from the first two transitional auctions.

The Demand Curve will therefore be determined in accordance with the following chart and principles:



- The curve will be horizontal at the Auction Price Cap (150% of Net CONE) between 0MW and 100% of the Capacity Requirement;
- The demand curve will be vertical at 100% of the Capacity Requirement between a price of 150% of Net CONE and 100% of Net CONE (point Z on the above diagram);
- The demand curve will be a straight line slope between point Z and a zero-crossing point at 115% of the Capacity Requirement.

Auction Price Cap

Comments on the Auction Price Cap (“**APC**”) were received from three respondents. All were supportive of the proposal to set the APC at 1.5 times Net CONE, with BGE and Energinet adding that this is at the lower end of the international range.

The Auction Price Cap will therefore be set at 1.5 times Net CONE.

For the first two transitional auctions, the Net CONE value was based on the Best New Entrant (“**BNE**”) valuation from the Capacity Payments Mechanism under the SEM. For the 2022/23 T-4 capacity auction, a full re-assessment of the BNE value was carried out. The value determined was €92.30/de-rated kW compared to a value of €82.13/de-rated kW for the first two transitional auctions.

The SEM Committee have decided to use a Net CONE value of €92.30/de-rated kW in determining the Auction Price Cap for the 2020/21 T-1 and the 2021/22 T-2 capacity auctions. This will result in an APC of €138.45/de-rated kW, increased from €123.19/kW for the first two transitional auctions.

Existing Capacity Price Cap

This parameter received the most responses. There was no support for the potential of reducing the value of the ECPC multiplier. It was commented that this would heighten the perception of regulatory risk and was argued that the fact that the RAs have gained experience in assessing USPC applications is evidence that the ECPC is set too low.

Since the publication of the consultation, the SEM Committee has been able to review the bid prices from the 2022/23 T-4 capacity auction, and consider them alongside those from the first two transitional T-1 auctions. The SEM Committee has decided not to amend the ECPC at this time and to retain its value for the 2020/21 T-1 and 2021/22 T-2 capacity auctions at 0.5 times Net CONE. Using the updated Net CONE value of €92.30/kW, this results in an Existing Capacity Price Cap of €46.15/de-rated kW. The SEM Committee will continue to review this approach for future auctions.

New Capacity Investment Rate Threshold

Three comments were received on this parameter. BGE and PPB agreed with the proposal to continue to set the NCIRT at €300/de-rated kW. Energia sought the introduction of an additional threshold for plant refurbishment at a rate of €50/de-rated kW.

The SEM Committee has decided to proceed with the proposal in the consultation. NCIRT will continue to be set at €300/de-rated kW.

Annual Stop Loss Limit Factor.

Three responses were received on this parameter. BGE and PPB both agreed with continuing to set the Stop Loss Limit Factor at 1.5. Energia remain of the view that the factor is too high, and wish for it to be set at a maximum of 1.

The SEM Committee has decided to proceed with the proposal in the consultation. The Annual Stop Loss Limit Factor will be set at 1.5.

Billing Period Stop Loss Limit Factor

Four responses were received on this parameter. BGE and PPB agree with the proposal to retain the value at 0.5.

Energia are of the view that this factor is too high, and recommend a lower value of 0.125. A value of 0.5 exposes generators to the risk of potentially losing more than their entire capacity revenue over a couple of RO events. BnM see merit in consideration of the implementation of daily or event-based stop-loss limits.

The SEM Committee has decided to proceed with the proposal in the consultation. The Billing Period Stop Loss Limit Factor will be set at 0.5.

Indicative Annual Capacity Payment Exchange Rate

Three responses were received on this this parameter. PPB stated that there must be a linkage between the setting the ACPER and the Net CONE; a material change in the exchange rate would also affect the value of the Net CONE.

ESB GT highlighted in the 2019/20 T-1 capacity auction, the finalisation of the APC and the ECPC, but not the exchange rate, in the IAIP resulted in different price caps for CMUs in Northern Ireland compared to Ireland. In addition to the difference between auction price caps, if a new generator was awarded a contract in sterling at the Auction Price Cap, it is liable to performance securities and termination charges based on the exchange rate of the FAIP, which could result in over/under collateralisation. ESB GT suggest this is addressed through the setting of the final exchange rate in the Initial Auction Information Pack.

The SEM Committee acknowledges the risk raised by PPB. However, there is an equal and opposite possibility that there could be a significant change in the exchange rate in the other direction.

The issue of fixing the final exchange rate in the IAIP was raised previously within Capacity Market Code Modification CMC_04_19. Following an assessment of the submitted proposal, discussions at the CMC Working Group and the responses to the consultation, the SEM Committee decided to reject the proposed modification.

Therefore, an Indicative Annual Capacity Payment Exchange Rate will continue to be provided within the Initial Auction Information Pack. A final Annual Capacity Payment Exchange Rate will be included in the FAIP.

Increase Tolerance and Decrease Tolerance by Technology Class

Four responses were received on these parameters. BnM, BGE and PPB agreed with the proposal to retain the Increase Tolerance and Decrease Tolerance levels consistent with the first two transitional auctions. Energia had significant concerns in relation to the absence of transparency around the application of this parameter.

The SEM Committee will continue to set the Increase and Decrease Tolerances as in the table below:

Technology Class	Increase Tolerance (%)	Decrease Tolerance (%)
All except DSUs	0	0
DSUs	0	100

Note 1: the decrease tolerance for the DSU technology class also applies to any demand reduction component of a Candidate Unit that is part of an Autoproducer Site (where the demand reduction component is calculated as the Autoproducer Demand Reduction Volume / Maximum Export Capacity).

Note 2: in accordance with SEM Committee decision SEM-18-030, where satisfactory evidence is provided to the System Operators, the decrease tolerance shall be 100% for a Candidate Unit that, due to relevant emissions legislation, has its running hours restricted to an extent that would reasonably be considered to prevent reliable delivery of their De-

rated Capacity at times of scarcity, e.g. the 500 hour limits set out in Annex V of the Industrial Emission Directive (2010/75) in relation to NO_x emissions.

Performance Securities

There was two comments received on this parameter. BGE and PPB both agreed with the SEM Committee's proposal.

The Performance Securities will therefore be retain at the values proposed in the consultation i.e.:

Date / Event	Performance Security Rate (€/MW)
More than 13 months prior to the beginning of Capacity Year	10,000
From 13 months to beginning of Capacity Year	30,000
From beginning of Capacity Year	40,000

Termination Charges

Two responses were received on this parameter. Both BGE and PPB agreed with the proposal to keep the Termination Charges consistent with the auctions already completed.

The Termination Charges will therefore be retained at the following values:

Date / Event	Performance Security Rate (€/MW)
More than 13 months prior to the beginning of Capacity Year	10,000
From 13 months to beginning of Capacity Year	30,000
From beginning of Capacity Year	40,000

Full Administered Scarcity Price and Reserve Scarcity Price

Three responses were received on these parameters. BGE, Energia and PPB were all supportive of the proposal to retain Full ASP at 25% of VOLL (Value of Lost Load).

Full ASP will therefore be set at 25% of VOLL. The RAs recently provided the following indexed values of VOLL to the System Operators:

Capacity Year	VOLL (€/MWh)
2020/21	11,458.77
2021/22	11,581.37

ASP will therefore be set in relation to these values and the following characteristics:

Short Term Reserve (MW)	Administered Scarcity Price (€/MWh)
Demand Control	25% of VoLL
0	25% of VoLL
500	500

Anticipated values used in determining the Strike Price for the Capacity Year

Three comments were received on these parameters. BGE agreed with the proposal to retain these values as set out in the consultation. Energia and PPB commented that the Strike Price formula should be amended to ensure that commodity prices are up to date.

The Initial Auction Information Pack will continue to describe where these values will be taken from. In setting the Strike Price, the most recent up to date value of the Index is taken.

The values used in determining the Strike Price will therefore be retained for the 2020/21 T-1 and 2021/22 T-2 auctions.

Other comments

Five responses were received on the duration of the consultation, requesting that a minimum consultation period of six weeks is appropriate.

The SEM Committee will endeavour to adhere to a six week minimum consultation period in future.

7 SUMMARY OF DECISIONS

The decisions described in the paper are summarised in the table below.

Parameter	Consultation Proposal	Decision
De-Rating Curves, defining De-Rating Factors by unit Initial Capacity and by Technology Class (including for Interconnectors)	To be calculated by the System Operators and submitted to the Regulatory Authorities for determination.	To be calculated by the System Operators and submitted to the Regulatory Authorities for determination.
Capacity Requirement	To be calculated by the System Operators and submitted to the Regulatory Authorities for determination.	To be calculated by the System Operators and submitted to the Regulatory Authorities for determination.
Indicative Demand Curve	<p>The Demand Curve will be based on the following principles:</p> <ul style="list-style-type: none"> • The curve will be horizontal at the Auction Price Cap (1.5 x Net CONE) between 0MW and 100% of the Capacity Requirement; • The demand curve will be vertical at 100% of the Capacity Requirement between a price of 1.5 x Net CONE and 1 x Net CONE; • The demand curve will be a straight line slope with a zero-crossing point at 115% of the Capacity Requirement. 	<p>The Demand Curve will be based on the following principles:</p> <ul style="list-style-type: none"> • The curve will be horizontal at the Auction Price Cap (1.5 x Net CONE) between 0MW and 100% of the Capacity Requirement; • The demand curve will be vertical at 100% of the Capacity Requirement between a price of 1.5 x Net CONE and 1 x Net CONE; • The demand curve will be a straight line slope with a zero-crossing point at 115% of the Capacity Requirement.

Auction Price Cap	1.5 times Net CONE	1.5 times Net CONE i.e. €138.45/de-rated kW																		
Existing Capacity Price Cap	The SEM Committee welcomes respondents' views on the appropriate ECPC.	0.5 times Net CONE i.e. €46.15/de-rated kW.																		
New Capacity Investment Rate Threshold	€300/de-rated kW	€300/de-rated kW																		
Annual Stop Loss Limit Factor	1.5	1.5																		
Billing Period Stop Loss Factor	0.5	0.5																		
Indicative Annual Capacity Exchange Rate	The Exchange Rate will be proposed by the System Operators and included in the Initial Auction Information Pack.	The Exchange Rate will be proposed by the System Operators and included in the Initial Auction Information Pack.																		
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Values for determining strike price in accordance with the Trading and Settlement Code	The SEM Committee proposes to retain the existing values for the 2020/21 T-1 and 2021/22 T-2 capacity auctions.	The SEM Committee proposes to retain the existing values for the 2020/21 T-1 and 2021/22 T-2 capacity auctions.																