



**Single Electricity Market  
(SEM)**

**Capacity Market Code Modifications –  
Working Group 10 Consultation Paper**

**SEM-19-075**

**19 December 2019**

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# 1. OVERVIEW

## 1.1 ABSTRACT

1.1.1 Capacity Market Code Working Group 10 took place on 21<sup>st</sup> November 2019, during which two proposed modifications were presented and discussed.

1.1.2 The two proposed modifications presented at WG10 were:

➤ CMC\_08\_19 – General Housekeeping Modifications

Proposes to update sections E.8.2.5 and E.8.2.8 of the CMC to correct a number of typographical errors contained within formulae. The aim with this modification is to avoid ambiguity in regards to the calculations and to remove an error in the current drafting of the formula which has a material effect on checks that are carried out by the Capacity Auction Monitor.

➤ CMC\_09\_19 – Supplementary Interim Secondary Trading

Proposes to modify the code to allow for Reliability Option Contracts (ROs) to be tradable on the Secondary Market.

1.1.3 During WG10 it was agreed by those in attendance that CMC\_09\_19 would be taken away for further development, based on the extensive discussion and feedback provided during the Working Group. It was agreed that this proposal would be discussed again at WG11 due to take place on 30<sup>th</sup> January 2020.

With this being the case, CMC\_09\_19 – Supplementary Interim Secondary Trading *does not form part of this consultation*. Therefore the SEM Committee hereby request feedback in regards to ‘CMC\_08\_19 – General Housekeeping Modifications’ only at this stage.

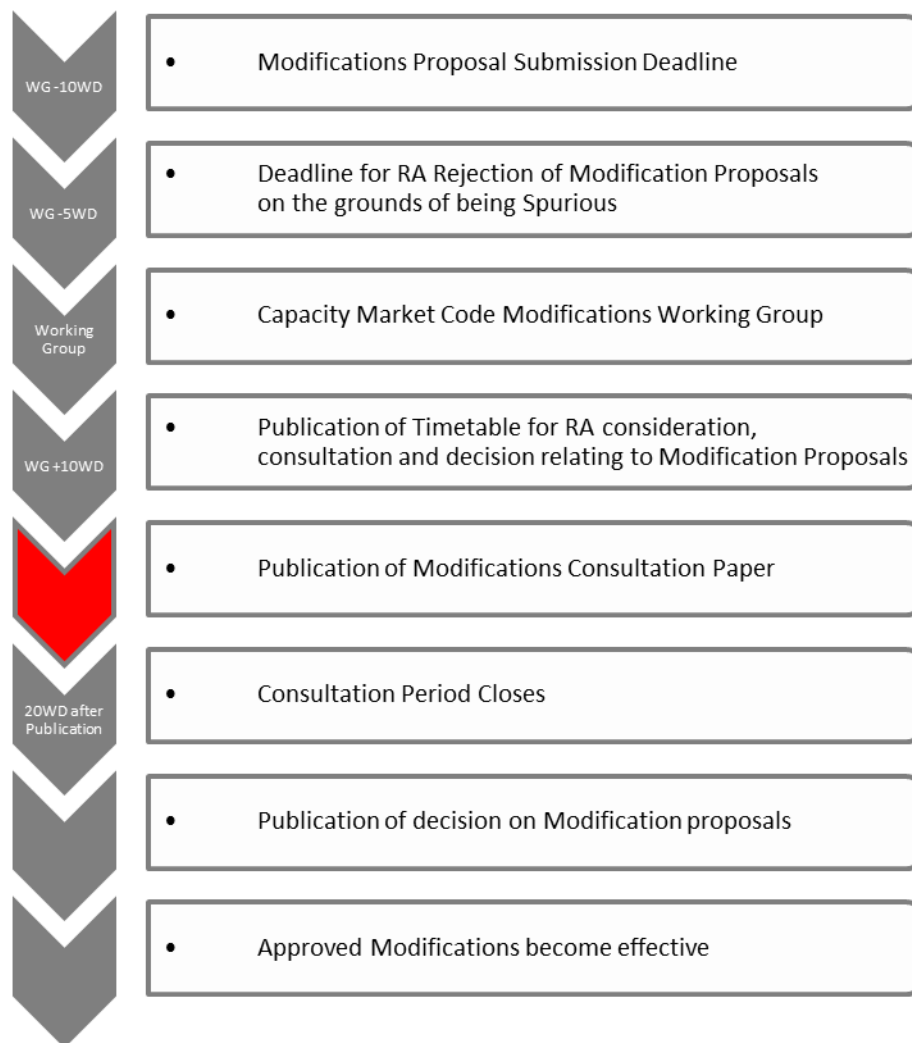
## 1.2 BACKGROUND

1.2.1 Decisions made during the development of the I-SEM CRM Detailed Design were translated into auction market rules to form the Capacity Market Code (CMC) (SEM-17-033) which was published in June 2017, with an updated version being published in June 2019. The CMC sets out the arrangements whereby market participants can qualify for, and participate in, auctions for the award of capacity. The settlement arrangements for the Capacity Remuneration Mechanism (CRM) form part of the revised Trading and Settlement Code (TSC) (SEM-17-024) published in April 2017. Section B.12 of the CMC outlines the process used to modify the code. In particular, it sets out the handling of proposing, consideration, consultation and implementation or rejection of Modifications to the CMC.

1.2.2 Section B.12 of the CMC outlines the process used to modify the code. In particular, it sets out the handling of proposing, consideration, consultation and implementation or rejection of Modifications to the CMC.

- 1.2.3 The purpose of the Modifications process is to allow for modifications to the CMC to be proposed, considered and, if appropriate, implemented with a view to better facilitating code objectives as set out in Section A.1.2 of the CMC.
- 1.2.4 Modifications to the CMC can be proposed and submitted by anyone, at any time and are subsequently discussed at a Working Group held on a bi-monthly basis. Each Working Group represents an opportunity for a modification proposer to present their proposal(s) and for this to be discussed by the workshop attendees.
- 1.2.5 For discussion at a Working Group, Modification proposals must be submitted to the SOs at least 10 working days before a Working Group meeting is due to take place. If a proposal is received less than 10 working days before a Working Group and is not marked as urgent it is deferred for discussion to the next Working Group.
- 1.2.6 If a proposal is received and deemed to be contrary to the Capacity Market Code Objectives or does not further any of those objectives, the Regulatory Authorities (RAs) will reject the proposal on the grounds of being spurious, as set out in section B.12.6 of the CMC.
- 1.2.7 A proposer may choose to mark a Modification proposal as “Urgent”. In this case, the RAs, as per section B.12.9.3 of the CMC, will assess whether or not the proposal should be treated as urgent. If the RAs deem a proposal to be urgent they have the power to fast-track the proposal and request the SOs to convene a Working Group to discuss the proposed Modification.
- 1.2.8 Following each Working Group, and as per section B.12.5.6 of the CMC, the RAs are required to publish a timetable for the consideration, consultation and decision relating to the Modification(s) proposed during a Working Group. Dependent on the level of complexity of proposed modifications, the RAs may choose to consult on some, or all modifications discussed during a Working Group and subsequently form a decision based on this.
- 1.2.9 The consultation period is 20 working days and following the closure of this period the RAs will form their decisions in relation to the modification(s) as soon as reasonably practical after the end of the consultation process.

Figure 1: Capacity Market Code – Modifications Process Overview



### 1.3 PURPOSE OF THIS CONSULTATION PAPER

- 1.3.1 Capacity Market Code Working Group 10 took place on 21<sup>st</sup> November 2019, during which two proposed modifications were presented and discussed.
- 1.3.2 The RAs subsequently published the required timetable for moving forward with the proposed Modifications on 13<sup>th</sup> December 2019. As part of this timetable, the RAs stated the aim to progress the first of the proposed modifications to the consultation phase, with a paper being published on 19<sup>th</sup> December 2019. The modifications timetable is shown in Appendix A.
- 1.3.3 The purpose of this paper is to:
- Consult on the proposed modification CMC\_08\_19 – General Housekeeping Modifications, presented at Working Group 10;

- Assess responses and based on these, along with the submitted revised template by the modification proposer and the report compiled by the SOs, the RAs form a decision to either:
  - a. Implement the modification;
  - b. Reject the modification; or
  - c. Undertake further consideration in regards to matters raised in the modification proposal.
- 1.3.4 The RAs invite Market Participants and the System Operator to make written submissions providing feedback in regards to the proposed modification.
- 1.3.5 Upon closure of the consultation process the RAs intend to assess all valid submissions received and form a decision to either implement or reject a modification or undertake further consideration in regards to matters raised through the consultation process in regards to the proposed modification.

## 2. MODIFICATION PROPOSAL

### 2.1 INTRODUCTION

- 2.1.1 The proposed modification to the CMC was presented at WG10 held on 21<sup>st</sup> November 2019 and was submitted by the Regulatory Authorities (RAs).
- 2.1.2 The proposed modification was presented and feedback from attendees subsequently requested.
- 2.1.3 An overview of the proposed modification, along with the justification and workshop feedback is set out below. For full details of the proposed modification, the template for the proposal discussed at the Working Group is given in Appendix B.

### 2.2 CMC\_05\_19 – GENERAL HOUSEKEEPING MODIFICATIONS

#### Proposer: RAs

#### Proposal Overview

- 2.2.1 The Modification proposes to correct a number inconsistencies and typographical errors within the CMC which had been identified by the Capacity Auction Monitor.
- 2.2.2 The modification proposes amendments to the formulae contained within paragraphs E.8.2.5 and E.8.2.8.

2.2.3 The RAs proposed this modification as it is required to avoid ambiguity in regards to the calculations within the above sections of the CMC.

2.2.4 With regard to paragraph E.8.2.8, the proposal aims to correct the current drafting within the CMC as, in the current drafting, the error in the formula has a material effect on checks that are carried out by the Capacity Auction Monitor.

2.2.5 As part of the proposal the RAs intent to correct E.8.2.5 and E.8.2.8 as follows

**E.8.2.5** – The formula contains a surplus bracket “]” contained within the formula. To correct the formula this will require removal.

$$GDRCN = \text{MAX}[0, \text{MIN}[ \text{DRFT} \times \text{ICT} \times (1 + \text{INCTOL}), \text{NDRVE} + \text{NDRVN}] - \text{GDRCE}]$$

**E.8.2.8** – The brackets within the formula do not balance. There is a surplus bracket “(“ which needs to be removed to allow the SOs to determine the value in accordance with the formula.

There is a second more significant issue with the formula in paragraph E.8.2.8. The formula comprises two elements: the first replicates E.8.2.4 and the second E.8.2.5, in each case summed over the components of the AGU.

In the second summation (applying to variable units), the formula makes reference to the existing initial capacity (ICE) and the applicable existing capacity de-rating factor (DRFE). This is not appropriate for determining the New Gross De-rated Capacity (GDRCN), particularly when compared to the equivalent operation carried out in E.8.2.5 which performs the same function for units that are not AGUs. The formula should refer to total initial capacity (ICT) and the applicable total capacity de-rating factor (DRFT), as shown below:

$$GDRCN = \text{MAX}[0, \sum_{i=VU} \text{MIN}[\text{DRFT}_i \times \text{ICT}_i \times (1 + \text{INCTOL}_i), \text{MAX}[\text{DRFT}_i \times \text{ICT}_i \times (1 - \text{DECTOL}_i), \text{NDRVE}_i + \text{NDRVN}_i] + \sum_{i=VU} \text{MIN}[\text{DRFE}_i \times \text{ICE}_i \times (1 + \text{INCTOL}_i), \text{NDRVE}_i + \text{NDRVN}_i] - \text{GDRCE}]$$

### Working Group Feedback

2.2.6 Following the presentation of the proposed modification no feedback was provided by attendees.

### Minded To Position

2.2.7 To avoid any ambiguity and to ensure there are no issues relating to checks performed by the Capacity Auction Monitor, the SEM Committee are minded to approve this Modification proposal.

### 3. CONSULTATION QUESTION

- 3.1.1 The SEM Committee welcomes views and responses on the proposed modification raised within this consultation paper.
- 3.1.2 Respondents are invited to provide comments and feedback for the proposed Modification in respect of:
- the proposed modifications and their consistency with the Code Objectives;
  - any impacts not identified in the Modification Proposal Forms, e.g. to the Agreed Procedures, the Trading and Settlement Code, IT systems etc.; and
  - the detailed CMC drafting proposed to deliver the Modifications.
- 3.1.3 A template has been provided in Appendix C for the provision of responses.

### 4. NEXT STEPS

- 4.1.1 The SEM Committee intends to make a decision by early February 2020 on the implementation of the Modification outlined within this consultation paper.
- 4.1.2 Responses to the consultation paper should be sent to Kevin Lenaghan ([Kevin.Lenaghan@uregni.gov.uk](mailto:Kevin.Lenaghan@uregni.gov.uk)) and Billy Walker ([Billy.Walker@uregni.gov.uk](mailto:Billy.Walker@uregni.gov.uk)) by 17.00 on Thursday, 30<sup>th</sup> January 2020.
- 4.1.3 Please note that we intend to publish all responses unless marked confidential. While respondents may wish to identify some aspects of their responses as confidential, we request that non-confidential versions are also provided, or that the confidential information is provided in a separate annex. Please note that both Regulatory Authorities are subject to Freedom of Information legislation.