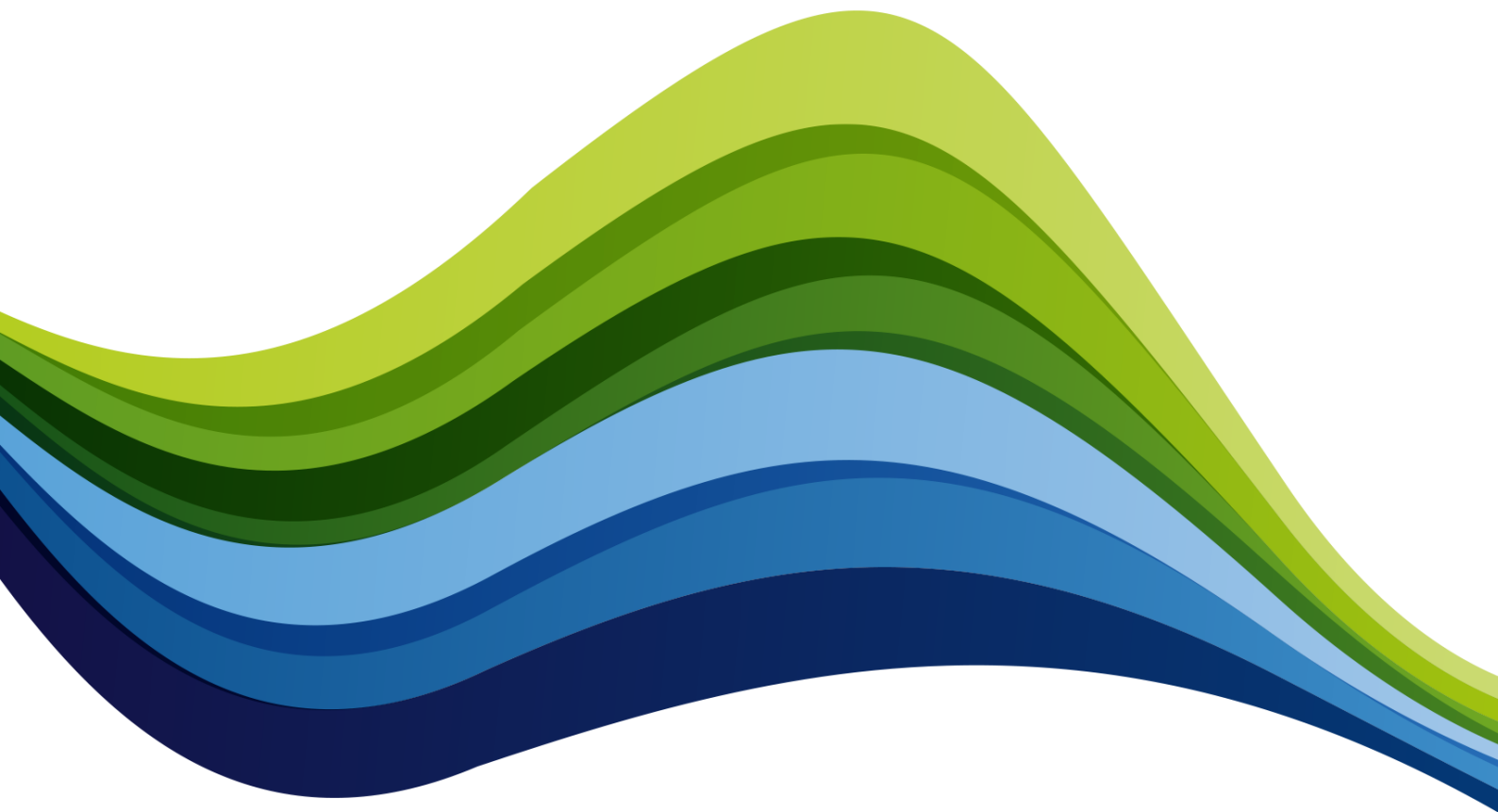

Capacity Market Code Urgent Modifications – CMC 02-2020

SEM-20-005



Introduction

SSE welcomes the opportunity to respond to the SEM Committee's Urgent Capacity Market Code consultation regarding the following modification:

- CMC 02_2020 Modification to the Timeframe for a T-4 Capacity Auction to Take Place

Below we have outlined some high-level comments relating to this consultation. We understand the urgency of this modification is related to the concurrency of previous interim T-1 and T-2 capacity auctions.

SSE response

The purpose of this modification is to provide an interim arrangement to allow for a shorter timeframe between the auction and date for delivery in the specific capacity year. As per D.2.1.5 (d) of the Capacity Market Code, the Capacity Auction Run Start for a T-4 Auction shall fall in the period no less than forty-two and no more than fifty-four months prior to the start of the relevant Capacity Year. However, due to delays relating to previous interim capacity auctions; the auction date for T-4 2023/24 is required to be delayed, which would schedule the auction at a time that is less than the forty-two to fifty-four month timeframe specified under D.2.1.5 (d).

We acknowledge the approach taken as the most practical solution to this issue, whilst allowing the RA's to be able to approve this change, by utilising the facility provided under Chapter M: Interim Arrangements. We are also supportive of the intent to limit this to only T-4 2023/24 by specifying this within M.10. We welcome this step to ensure this change is limited to this specific auction. However, as indicated in our response CMC 07_19, the scenario of concurrent auctions could have been avoided by setting the deliverables for these auctions with a greater convergence of dates between the two processes. It is unfortunate that this overlooked factor of scheduling T-1 and T-2 has now had an impact on the critical path for T-4 2023/24.

In addition, we note that at this time, we are being requested to consider approving this modification in principle, given that the new process dates and date for the T-4 auction have not been finalised. We acknowledge that the modification is designed to simply provide the ability to allow for a deviation to the current approved T-4 schedule of dates, rather than for approval of an Auction Timetable which would be the role of the SEMC. However, draft dates were included in the working group and did not inspire confidence. As indicated in the working group, the 14th to 20th April window for the auction falls during the Easter period. This should have been considered before presenting this as a plausible schedule of dates for stakeholders. Market participants are now in a position that where we support this modification, we do so in the knowledge that given the oversight regarding the Easter break, it is likely that the auction date will be pushed beyond the Easter period, into May or June. This is not an acceptable way to manage such high value auctions. Particularly, where there appears to be a critical need for new generation to offset the projected capacity shortfall expected as early as 2023¹.

The delay and need for a modification also don't demonstrate a well-run process. Unfortunately, this is not the first time we have experienced delays in auction processes and delivery. We are therefore of the opinion that limiting the modification to T-4 2023/24 only as per M.10, does not in any way prevent this from reoccurring, which is what we are most concerned about. Furthermore, it is worth underscoring that the later the T-4 auction is run, the higher the risk of further delays given that the auction date will run closer to the currently projected RESS1 timetable for auction. We have pointed out on numerous occasions that we

¹ High demand scenario in EirGrid's TES 2019.

consider there is a lack of adequate resources in SEMO to administrate these auctions, the volatile market and volume of defects; without now the added burden of ECP2 and RESS1 processes. The risk of future delays must be stringently monitored and prevented.

We raised a point at the working group regarding the fact that the delivery date has not been changed as a result of this delay. If the auction runs within 40 months of the delivery date of 1st October 2023, this effectively means a loss of two project planning months for a project. This must be acknowledged and facilitated if this means a delay in delivery by 1st October 2023, but within the required delivery year of 2023.

Finally, we acknowledge that to meet the original auction date for T-4 2023/24 of the 19th March is not possible without diverting of resources from other projects. However, we would suggest that to counter the effects of a rescheduled auction date, the separate timelines within the revised auction timetable could be reviewed to consider whether any of the periods between deliverables could be condensed.

Taking all this together, we are not confident that the T-4 auction process will not experience future delays. However, we acknowledge the modification as the only practical solution to manage the impacts to T-4 2023/24. We recommend that SEMO & EirGrid need to work harder to ensure that any delays or process changes are communicated promptly and clearly. Furthermore, we recommend an equal consideration of opportunities to condense internal process timelines, at the same time as considering a revision of dates which provides additional time for the market operator but squeezes project planning time for generators seeking to meet stringent delivery year dates. Furthermore, we strongly signal that opportunity must be taken to adequately resource for these and future workstreams that SEMO & EirGrid will be taking on, as currently it is clear that there are severe resource constraints leading to delays.