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| **MODIFICATION PROPOSAL FORM** | | | | | |
| **Proposer**  *(Company)* | **Date of receipt**  *(assigned by System Operator)* | | **Type of Proposal**  *(delete as appropriate)* | | **Modification Proposal ID**  *(assigned by System Operator)* |
| **EirGrid & SONI** | **09 May 2019** | | **Standard** | | **Mod\_06\_19** |
| **Contact Details for Modification Proposal Originator** | | | | | |
| **Name** | | **Telephone number** | | **Email address** | |
| **Aodhagan Downey** | |  | | **aodhagan.downey@eirgrid.com** | |
| **Modification Proposal Title** | | | | | |
| **Modification to the Proportion of Delivered Capacity calculation (G.3.1.4)** | | | | | |
| **Documents affected**  *(delete as appropriate)* | | **Section(s) Affected** | | **Version number of CMC used in Drafting** | |
| **Capacity Market Code** | | **G.3.1.4, G.3.1.5, Glossary** | | **June 2017** | |
| **Explanation of Proposed Change**  *(mandatory by originator)* | | | | | |
| Currently, the calculation of Proportion of Delivered Capacity in the CMC is not clear. On one hand, G.3.1.4 compares Grid Code Commissioned Capacity to Initial Capacity. On the other hand, where there are multiple tranches, G.3.1.5 allows for the reduction of the Initial Capacity to take into account e.g. “that other Tranches that Qualified but were not allocated the full amount in the relevant Capacity Auction”.  Under G.3.1.4, the CMC implies that Proportion of Delivered Capacity should be measured against Initial Capacity (New); however, there are many reasons why Awarded New Capacity could be less than the de-rated Initial Capacity (New) e.g. where the CMU did not submit a Capacity Auction Offer for the full de-rated Initial Capacity (New) or where the CMU did not clear the full Capacity Auction Offer in the Capacity Auction.  As such, we consider that it is not reasonable to expect the delivery of Awarded New Capacity to be assessed against Initial Capacity (New). We believe it should be measured against the Awarded New Capacity as obligations under the CMC pertain to Awarded Capacity.  If we go back to the design on this in CRM2 decision, it states:  *The SEM Committee has decided that 90% of contracted capacity will be the definition for Substantial Completion and 50% of contracted capacity for Minimum Capacity.*  The decision does not specify exactly what the 90% refers to but if we go back to the CRM2 consultation, the RAs state:  *Substantial Completion: would mean that the new capacity is operational and has demonstrated the ability to deliver (after de-rating) a significant proportion of its Reliability Option capacity. It is anticipated that a definition of Substantial Competition similar to that used for GB would be appropriate for the I-SEM. Notably;*  *• In GB, “operational” is defined in terms of the Grid Code for transmission connected capacity and requires an independent expert to certify that a distribution connected unit has passed all the necessary commissioning tests and is permitted to export onto the distribution network.*  *• To achieve Substantial Completion in GB, new capacity must be capable of producing 90% of its Reliability Option capacity, after de-rating.*  *• The definition of Substantial Completion used in GB is consistent with the Implementation Agreements previously used in Ireland when contracting for new capacity in 2003, i.e. that the capacity is operational and has met a certain performance standard.*  This second bullet is consistent with the GB rules, where the approach is:  *In the case of a Generating CMU, a New Build CMU or a Refurbishing CMU will have met its Substantial Completion Milestone obligation if: (a) the corresponding Generating Unit(s) is/are Operational with an aggregate physical generating capacity (in MW) which, after being multiplied by its De-rating Factor, equals or exceeds 90 per cent of its Capacity Obligation.*  On this basis, we consider that the current drafting reflects this in G.3.1.5 but that this is not applied in the case where there is only one tranche and only G.3.1.4 applies. While this may have been intentional e.g. to provide for instances where units de-rate themselves further than the de-rating approach required under the CMC, the reason for Awarded New Capacity being less than the de-rated Initial Capacity tends to arise where units do not submit their full Qualified amount or are not successful in the Capacity Auction.  As such, we consider that the below changes address are more appropriate. They simplify the calculation of Proportion of Delivered Capacity and also provide flexibility in the delivery of energy limited capacity such as that provided by DSUs or Storage units. So long as 90% of the de-rated Grid Commissioned Capacity is achieved, the duration that the unit can run for is not an issue.  Two new definitions are proposed to be added to the Capacity Market Code Glossary, ‘De-Rated Grid Code Commissioned Capacity’ and ‘Awarded Existing Capacity’.  Paragraph G.3.1.4 of the CMC has been amended to reflect their application in the calculation of the Proportion of Delivered Capacity. | | | | | |
| **Legal Drafting Change**  *(Clearly show proposed code change using* ***tracked*** *changes, if proposer fails to identify changes, please indicate best estimate of potential changes)* | | | | | |
| G.3.1.4 The Proportion of Delivered Capacity in respect of Awarded New Capacity at a given time is a percentage value being:   * + - * 1. the greater of:   zero; and  the lesser of:  the De-Rated Grid Code Commissioned Capacity; and  the Awarded Capacity;  less the Awarded Existing Capacity;   * + - * 1. divided by:   the Awarded Capacity; less  the Awarded Existing Capacity,  G.3.1.4A For a Capacity Market Unit, the De-Rated Grid Code Commissioned Capacity shall be the Grid Code Commissioned Capacity of the Generator Unit or Interconnector multiplied by the De-Rating Factor applicable to a unit of the Technology class of that Generator Unit or Interconnector and with an Initial Capacity equal to the Grid Code Commissioned Capacity of that Generator Unit or Interconnector.  G.3.1.5 Where at a given time there is more than one Tranche of Awarded New Capacity in respect of a Capacity Market Unit (whether for the same Capacity Year or different Capacity Years), the System Operators shall calculate the Proportion of Delivered Capacity in respect of each Tranche by applying the methodology under paragraph G.3.1.4 but with such modifications to the values of Awarded Existing Capacity and Awarded Capacity as are necessary to account for the multiple Tranches. The required modifications shall include (as applicable):   * + - * 1. increasing Awarded Existing Capacity of the relevant Tranche to account for the contribution of other Tranches commissioned since the relevant Tranche Qualified;         2. decreasing Awarded Capacity of the relevant Tranche to account for other Tranches that Qualified but were not allocated the full amount in the relevant Capacity Auction or that have been terminated or reduced under section J.6 after the relevant Tranche Qualified; and         3. reducing the Grid Code Commissioned Capacity in respect of any increased capacity of the Capacity Market Unit that was not Qualified as New Capacity and that was not otherwise accounted for in the Awarded Capacity.   **Glossary** (new definition)   |  |  | | --- | --- | | **De-Rating Factor** | means a factor between zero and one describing the proportion of Initial Capacity of a Generator Unit or Interconnector that can contribute to the satisfying the Capacity Requirement to be used in a Capacity Auction. | | **De-Rated Grid Code Commissioned Capacity** | In respect of a Capacity Market Unit is determined in accordance with paragraph G.3.1.4A. |  |  |  | | --- | --- | | **Awarded Capacity** | in respect of a Capacity Market Unit, means a specified amount of de-rated capacity which under this Code must be dedicated and made available using the Generator Unit(s) or Interconnector comprising the Capacity Market Unit. Awarded Capacity may be allocated pursuant to a Capacity Auction or may be the subject of a Product acquired in a Secondary Trade Auction. | | **Awarded Existing Capacity** | in respect of a Capacity Market Unit, means Awarded Capacity which is Existing Capacity at the time of the relevant Capacity Auction. | | **Awarded New Capacity** | in respect of a Capacity Market Unit, means Awarded Capacity which is New Capacity at the time of the relevant Capacity Auction. | | | | | | |
| **Modification Proposal Justification**  *(Clearly state the reason for the Modification)* | | | | | |
| To achieve the Substantial Completion milestone, the Proportion of Delivered Capacity should not be less than 90%. CMC paragraph G.3.1.4 requires amendment to reflect how the Proportion of Delivered Capacity should be calculated in line with the intention of the Capacity Market Design and the experience gathered to date in the operation of the Capacity Market. | | | | | |
| **Code Objectives Furthered**  *(State the Code Objectives the Proposal furthers, see Sub-Section A.1.2 of the CMC Code Objectives)* | | | | | |
| A.1.2.1 This Code is designed to facilitate achievement of the following objectives (the “**Capacity Market Code Objectives**”):   * + - * 1. 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; | | | | | |
| **Implication of not implementing the Modification Proposal**  *(State the possible outcomes should the Modification Proposal not be implemented)* | | | | | |
| CMC paragraph G.3.1.4 will place unreasonably onerous delivery requirements that are not based on the Awarded New Capacity. | | | | | |
| **Impacts**  *(Indicate the impacts on systems, resources, processes and/or procedures)* | | | | | |
| No material impact to systems, resources and processes/procedures. | | | | | |
| ***Please return this form to the System Operators by email to*** [***CapacityModifications@sem-o.com***](mailto:CapacityModifications@sem-o.com) | | | | | |

**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. **to the System Operators and the Regulatory Authorities to publish and/or distribute the Modification Proposal for free and unrestricted access;**
  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;**
  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.**