

MODIFICATION PROPOSAL FORM			
Proposer <i>(Company)</i>	Date of receipt <i>(assigned by System Operator)</i>	Type of Proposal <i>(delete as appropriate)</i>	Modification Proposal ID <i>(assigned by System Operator)</i>
Regulatory Authorities	5 th May 2022	Standard	CMC_06_22
Contact Details for Modification Proposal Originator			
Name	Telephone number	Email address	
Kevin Lenaghan			
Modification Proposal Title			
New Interdependent Combined Units			
Documents affected <i>(delete as appropriate)</i>	Section(s) Affected	Version number of CMC used in Drafting	
CMC	E.7.6 & F.7.1	6	
Explanation of Proposed Change <i>(mandatory by originator)</i>			
<p>CMC_10_21 was originally submitted by the DRAI and proposed to allow the full flexibility capability of the Individual Demand Sites (IDS) that make up a DSU aggregators portfolio to be realised.</p> <p>The original proposal stated that the current rules mean there are administrative barriers to delivering flexibility to the grid and the power system of the future requires flexible assets, especially assets that can respond to the changing needs of the system. The DRAI are of the view that IDSs can do this once they can be set up appropriately within DSUs.</p> <p>This was discussed at WG19 and during this the DRAI put forward a single modification which contained two proposals, both of which they believe are viable options for improving the registration process for DSUs and ultimately improving the level of service delivery from these types of market participants.</p> <p>Following the WG and consultation process, the SEM Committee noted that implementation of Option 1 was likely to be more straightforward but that this also raised concerns around aggregation of CMUs. The Committee also recognised that the DRAI proposal to limit inflexible bidding did address many of the RAs' concerns with previous Modification proposals that sought to allow greater aggregation of CMUs. However, the SEM Committee also noted that while Proposal 1 appears easier to implement, aggregation of CMUs only occurs at Qualification and so provides a much slower process for DSUs to deal with issues of aggregation than Proposal 2.</p> <p>The SEM Committee note that there may be alternative methods to achieve the same objectives. One example might be an analogue of the Volume Reallocation which is permitted under the GB Capacity Market Rules. Clearly, any such process would require adaptation to the specific circumstances of the SEM.</p> <p>Given the feedback received to the original submission the SEM Committee were of the view that there may be alternative methods to achieve the same objectives set out in the original proposal.</p> <p>Taking account of all the comments and responses received to date, the SEM Committee decided that there was value in the Modification undergoing further Working Group discussion</p>			

with the intention of identifying a clear way forward which can deliver against the Code Objectives for DSUs while avoiding undue discrimination.

Legal Drafting Change

*(Clearly show proposed code change using **tracked** changes, if proposer fails to identify changes, please indicate best estimate of potential changes)*

Modify paragraph E.7.6.1 as show below

E.7.6.1 Subject to paragraphs 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:

- (a) each of the Candidate Units is a Generator Unit or a proposed Generator Unit;
- (b) all the Candidate Units are registered or provisionally registered to the same Participant;
- (c) 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;
- (d) all the Candidate Units are Connected in the same Currency Zone;
- (e) the Regulatory Authorities have not approved a Unit Specific Price Cap for any of the Candidate Units in respect of the Capacity Auction;
- (f) 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;
- (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.

Add a new paragraph E.7.6.4

E.7.6.4 Where the Candidate Units to be combined meet all of the conditions set out in E.7.6.1 with the exception of E.7.6.1(i), then the System Operators shall not reject the application. When participating in Capacity Auctions, the Capacity Market Unit will be bound by the restriction that the total quantity offered in respect of price-quantity pairs

that are Inflexible shall not exceed the Gross De-Rated Capacity (Total) of the largest Candidate Unit which comprises the Capacity Market Unit.

Modify paragraph F.7.1.1(c) as shown below:

- (c) [subject to paragraph E.7.6.4](#), each price-quantity pair will have a flag indicating whether it is Flexible or Inflexible:
- (i) if Inflexible, then for the purposes of determining auction outcomes it must be entirely accepted or not accepted at all;
 - (ii) if Flexible, then for the purpose of determining auction outcomes it may be accepted in its entirety or in part;

Modification Proposal Justification

(Clearly state the reason for the Modification)

As set out in the original DRAI submission, the justification stated:

The intent of these modification proposals is to allow the full flexibility capability of the IDS' that make up a DSU aggregators portfolio to be realised.

The current rules mean there are administrative barriers to delivering flexibility to the grid. The power system of the future requires flexible assets, especially assets that can respond to the changing needs of the system. IDSs can do this once they can be set up appropriately within DSUs.

At this time moving capacity from one DSU to another DSU within a DSU aggregators portfolio results in:

- Delays of up to 4 years in implementation and
- Providers posting significant volumes of performance security for 4 years for existing capacity.

As the demand response market evolves to include residential as well as industrial and commercial customers, the simpler the registration process the better for both the system, market, and end consumer.

The current administratively burdensome process will not lend itself to residential demand response participation when larger individual demand sites are already struggling to participate to their full potential.

If the process for market registration is simplified, we believe that there will be more flexibility available to market and system operators. This could result in less volumes being procured in the Capacity Market and System Services market as existing providers are maximising their delivery and type of delivery.

This will ultimately result in less cost to consumers.

Code Objectives Furthered

(State the Code Objectives the Proposal furthers, see Sub-Section A.1.2 of the CMC Code Objectives)

- (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.
- (c) to facilitate the participation of undertakings including electricity undertakings engaged or seeking to be engaged in the provision of electricity capacity in the Capacity Market.
- (d) to promote competition in the provision of electricity capacity to the SEM.
- (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

Implication of not implementing the Modification Proposal

(State the possible outcomes should the Modification Proposal not be implemented)

As set out in the original proposal submission, the DRAI stated that:

The current administrative limitations mean that an IDS within one DSU aggregators portfolio is limited to participation in the unit they initially registered with and for at least for four years and only then moving if a DSU provider can post substantial performance securities for this existing Capacity to move.

The implication of this is that:

- *potential improved response or type of delivery could be lost to system operators, and*
- *market operators may be procuring locational capacity from more expensive plant.*
- *Ultimately impacting the cost to the end consumer.*

We believe that administrative barriers especially those that are unintended, limit the attractiveness of market participation. There is the potential that capability and capacity is being lost because of these administrative barriers.

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

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.