



Single Electricity Market

(SEM)

Capacity Market Code Workshop 30

Decision Paper

CMC_07_23: Special Application of ISTA

SEM-23-077

27 September 2023

EXECUTIVE SUMMARY

The purpose of this decision paper is to set out the decision relating to a proposed modification to the Capacity Market Code (CMC). This was discussed at Workshop 30, held on 29 March 2023.

The decision within this paper follows on from the associated consultation ([SEM-23-034](#)) which closed on 31 May 2023.

This paper considers the proposed modification that was presented at WS30 relating to:

- **CMC_07_23: Special Application of ISTA**
This modification proposes to allow extensions to the Interim Secondary Trading Arrangements (ISTA) to cover capacity that cannot operate for the whole Capacity Year but could still make an important contribution to security of supply.

Eight responses were received to the Capacity Market Code Working Group 30 Modification Consultation Paper (SEM-23-034). One was marked as confidential.

Summary of Key Decisions

Following consideration of the proposal and the responses received to the consultation, the SEM Committee has decided:

Modification	Decision	Implementation Date
CMC_07_23: Special Application of ISTA	Make a Modification	2 October 2023

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Appendix A Legal Text

1. OVERVIEW

1.1. BACKGROUND

1.1.1. The SEM CRM detailed design and auction process has been developed through a series of consultation and decision papers, all of which are available on the SEM Committee's (SEMC) website. These decisions were translated into legal drafting of the market rules via an extensive consultative process leading to the publication of the Trading and Settlement Code (TSC) and the Capacity Market Code (CMC). Updated versions of the CMC and the TSC are published on the SEMO website.

Process for modification of the CMC

1.1.2. Section B.12 of the CMC outlines the process used to modify the code. It sets out the processes for proposing, consideration, consultation and implementation or rejection of modifications to the CMC.

1.1.3. 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. (B.12.1.2).

1.1.4. Modifications to the CMC can be proposed and submitted by any person, (B.12.4.1), at any time. Unless the modification is urgent, modifications are discussed at the next Workshop. Workshops are normally held on a bi-monthly basis. Each Working Group gives an opportunity for the modification proposer to present their proposal(s) and for this to be discussed by the workshop attendees.

1.1.5. For discussion at a Working Group, Modification Proposals must be submitted to the System Operators 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.

1.1.6. 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.

1.1.7. If a proposal is received and deemed contrary to the Capacity Market Code Objectives or does not further any of those objectives, the Regulatory Authorities (RAs) will reject the proposal as set out in section B.12.6 of the CMC.

1.1.8. If a proposed modification is deemed urgent by the RAs, CMC Section B.12.9.5 will become active and the RAs will determine the procedure and timetable to be followed in the assessment of the Modification Proposal. The CMC states that the procedure and timetable may vary from the normal processes set out in the code, allowing for the modification to be fast-tracked.

Process and Timeline for this Modification

- 1.1.9. On the 14 March 2023, the RAs submitted Modification Proposal CMC_07_23 under the terms of B.12.4 of the CMC. This was marked as Standard.
- 1.1.10. The RAs determined the procedure to apply to the Modification Proposal. An overview of the timetable is as follows:
- i. The System Operators convened Workshop 30 where the Modification Proposal was considered on 29 March 2023.
 - ii. The System Operators, as set out in B.12.7.1 (j) of the CMC, were to prepare a report of the discussions which took place at the workshop, provide the report to the RAs and publish it on the Modifications website promptly after the workshop.
 - iii. The RAs would consult on the Proposed Modifications, with a response time of no less than 20 Working Days (as defined in the CMC), from the date of publication of the Consultation.
 - iv. As stated in B.12.11, the RAs will make their decision(s) as soon as reasonably practicable following conclusion of the consultation and will publish a report in respect of these.
- 1.1.11. The purpose of the decision paper is to set out the decision(s) relating to the Modification Proposals discussed during Working Group 29 to either:
- a) Make a Modification.
 - b) Not make a Modification; or
 - c) Undertake further consideration in relation to the matters raised in the Modifications Proposal.
- 1.1.12. This decision paper provides a summary of the consultation proposals and sets out the SEM Committee's decision(s).

1.2. RESPONSES RECEIVED TO CONSULTATION

- 1.2.1. This paper includes a summary of the responses made to Capacity Market Code Modifications Consultation Paper [SEM-23-034](#) which was published on the 26 April 2023.
- 1.2.2. A total of eight responses were received to consultation SEM-23-034 with one being marked confidential. The non-confidential respondents are listed below and copies of each response can be obtained from the SEM Committee website.
- Bord Gáis Energy (BGE)

- Bord na Móna (BnM)
- DRAI
- EirGrid / SONI
- Energia
- ESB GT
- Kilshane

2. CMC_07_23 – SPECIAL APPLICATION OF ISTA

2.1. CONSULTATION SUMMARY AS PRESENTED BY REGULATORY AUTHORITIES

- 2.1.1. This modification proposes to allow extensions to the Interim Secondary Trading Arrangements (ISTA) to cover capacity that cannot operate for the whole Capacity Year but could still make an important contribution to security of supply.
- 2.1.2. Existing capacity which does not meet the CO2 limits set out in Article 22.4(b) of Regulation (EU) 2019/943, the ‘Clean Energy Package’ (CEP) can only participate in the CRM for the first nine months of CY2024/25.
- 2.1.3. Similarly, some capacity is limited by the Industrial Emissions Directive (IED) to only being able to operate for the first three months of CY2023/24.
- 2.1.4. The proposed modification allows the RAs the option of permitting this capacity to participate for CY2024/25 and CY2023/24 respectively by extending the usage of ISTA to allow the capacity to secondary trade the obligation that it cannot satisfy. This is the same mechanism currently available to capacity undergoing a Planned Outage.
- 2.1.5. The RAs will decide prior to each of the two auctions whether the ISTA will be extended to allow its use in this situation.

2.2. RESPONSES

- 2.2.1. The majority of submissions which provided an opinion on CMC_07_23 either supported the modification or supported it in principle.
- 2.2.2. BGE supported the modification subject to the option being open to units to use either the Interim Secondary Trading Arrangements (ISTA) or the Alternative Secondary Trading Arrangements (ASTA).
- 2.2.3. BGE asked that the modification provide for options for units to remain compliant with their obligations under their awarded capacity contract and the legislative requirements on emissions.

They also stated that they would not support the use of ISTAs for this purpose should they be made mandatory.

- 2.2.4. They argued that as the obligation is on the unit to remain compliant with the CMC and emissions requirements, the choice of route they take to enable this should be for them to decide.
- 2.2.5. ESB GT thought the modification was not only a pragmatic solution to deliver much needed capacity in accordance with the rules but that it was prudent to explore options that would permit the retention of existing units as long as possible.
- 2.2.6. Referring to the CY2023/24 T-1 Capacity Auction Timetable, they requested clarification as to when market participants could be expected to receive confirmation as to whether the ISTA extension would be applied to this auction.
- 2.2.7. ESB GT also drew attention to the fact that the inclusion of units with a contract for less than a Capacity Year will have an impact on the auction outcome. To ensure sufficient capacity procurement in the auction, they believed it would be necessary to adjust the demand curve, on top of the usual calculation, to offset the inclusion of the partial year contracts.
- 2.2.8. In their submission, the TSOs were supportive in principle of the proposed modification and thought that the use of the ISTAs rather than the ASTAs provided more flexibility by mitigating the risk that a counterparty to the trade may not be available.
- 2.2.9. The TSOs also pointed out an inconsistency in the numbering within the legal text and recommended that references to specific dates be omitted with the aim of future-proofing the newly codified text.
- 2.2.10. While Energia had no specific objections to the modification, they thought that as those units potentially utilising the mechanism would only be entitled to capacity payments for a short number of months, the market needed to understand whether the units would receive additional out-of-market support to ensure economic viability during the relevant capacity years.
- 2.2.11. Energia recommended that the RAs provide this clarity to industry and allow for further feedback as it would only be then that a final decision on the proposal should be made.

2.3. SEM COMMITTEE DECISION

- 2.3.1. The SEM Committee welcomes the feedback provided by participants, both as part of the Workshop and the Consultation process.
- 2.3.2. The SEM Committee is of the view that the volume of capacity which can contribute to the security of supply in the SEM should be maximised.
- 2.3.3. For those units which can only contribute to the first three months of CY2023/24 (due to the IED) or the first nine months of CY2024/25 (due to the CEP), the Modification Proposal enables their capacity to retain value for part of those Capacity Years.

- 2.3.4. However, the SEM Committee recognises that the implementation of this Modification Proposal no longer provides the same level of benefit to those units impacted by the IED as it does for units impacted by the CEP. For that reason, the legal text has been updated to only apply to the CEP in CY2024/25.
- 2.3.5. The SEM Committee emphasise that the modification proposal is auction specific and, at this time, it is not anticipated that it will continue after CY2024/25. The SEM Committee believes that, for CY2024/25, the use of ISTAs provides a greater level of flexibility than the use of ASTAs as the latter arrangements could increase the risk of a trade not being available.
- 2.3.6. On the basis of the reasons cited above, the SEM Committee approves Modification Proposal CMC_07_23.

3. NEXT STEPS

- 3.1.1. Given The SEM Committee will make proposed modification CMC_07_23 using the draft legal text accompanying this Decision Paper.
- 3.1.2. All SEM Committee decisions are published on the SEM Committee website: www.semcommittee.com