

| 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> |
| ESB GT | 22 nd October 2024 | Standard | CMC_12_24 |
| Contact Details for Modification Proposal Originator | | | |
| Name | Telephone number | Email address | |
| Andrew Kelly | | andrew.kelly@esb.ie | |
| Modification Proposal Title | | | |
| Proportion of Delivered Capacity in respect of incremental New Capacity | | | |
| Documents affected <i>(delete as appropriate)</i> | Section(s) Affected | Version number of CMC used in Drafting | |
| CMC | G.3 | V 11.0 | |
| Explanation of Proposed Change <i>(mandatory by originator)</i> | | | |
| <p>This modification proposes an amendment to the parameters used to calculate the Proportion of Delivered Capacity in respect of Awarded New Capacity where the unit has been awarded a combination of Existing and New Capacity for the same Capacity Year in different Capacity Auctions.</p> <p>Due to changes in de-rating factors that can apply between different auctions, and differences between relevant formulas applied at the Qualification and Substantial Completion phases to calculate capacity, there is a risk that any incremental New Capacity awarded to an existing unit that was physically delivered (either commissioned or in receipt of a Market Readiness Certificate) is unable to achieve Substantial Completion under the Capacity Market Code (CMC).</p> | | | |
| Legal Drafting Change | | | |
| <i>(Clearly show proposed code change using tracked changes, if proposer fails to identify changes, please indicate best estimate of potential changes)</i> | | | |

G.3.1.4 The Proportion of Delivered Capacity in respect of Awarded New Capacity at a given time is a percentage value being:

(a) the greater of:

(i) zero; and

(ii) the lesser of:

(A) the De-rated Grid Code Commissioned Capacity; and

(B) the Awarded Capacity ;

less the ~~Awarded Existing Capacity~~ De-Rated Initial Capacity (Existing);

(b) divided by:

(i) the Awarded Capacity ; less

(ii) the Awarded Existing Capacity,

...

G.3.1.4B For the purpose of calculating the Proportion of Delivered Capacity in respect of New Capacity at a given time, the De-Rated Initial Capacity (Existing) of the Capacity Market Unit shall be the value of the Initial Capacity (Existing) with which the Capacity Market Unit qualified in the Capacity Auction, and where the relevant New Capacity has been awarded, multiplied by the De-Rating Factor applicable to the unit as specified in the Initial Auction Information Pack for the same Capacity Auction.

Modification Proposal Justification

(Clearly state the reason for the Modification)

Currently, the calculation for Proportion of Delivered Capacity in respect of New Awarded Capacity as defined in G.3.1.4 of CMC uses De-rated Grid Code Commissioned Capacity.

This value is calculated as per G.3.1.4A (a) of the CMC as:

Grid Code Commissioned Capacity x De-Rating Factor

as specified in the Initial Auction Information Pack for the relevant Capacity Auction in which the relevant Awarded New Capacity was allocated.

In cases where the incremental New Capacity has been allocated in a different (typically) later Capacity Auction than the Existing Capacity, and both these awards are applicable to the same Capacity Year, the full unit is assessed using the De-rating factor for the auction in which the New Capacity was awarded.

Changes to the De-rating factor between auctions can result in the calculation failing to recognise the New Capacity as delivered, preventing it from achieving Substantial (or even Minimum) Completion, and requiring the Awarded Capacity to be terminated under the CMC, with the unit facing an associated loss of revenue and potential termination charges.

The current approach does not reflect the assessment made by the SOs at Qualification stage, where New and Existing Capacity are assessed using the relevant De-rating factors. This process creates a difference between the De-rating factor used for the relevant qualification process, and the De-rating factor used at the time the Existing Capacity was awarded.

To ensure consistency between the qualification calculations and the calculation of Proportion of Delivered Capacity, we propose replacing 'less Awarded Existing Capacity' with 'De-Rated Initial Capacity (Existing)' in part G.3.1.4 of the CMC, and adding a new section, G.3.1.4B, where De-Rated Initial Capacity (Existing) is defined based on the qualification data for the relevant Capacity Auction where the New Capacity has been awarded.

This approach ensures the delivery of New Awarded Capacity is assessed based on values the unit was qualified with and on which the Capacity Market award was based.

Code Objectives Furthered

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

ESB GT believes that this modification proposal supports the following Capacity Market Code Objectives:

- (a) to facilitate the efficient discharge by EirGrid and SONI of the obligations imposed by their respective Transmission System Operator Licences in relation to the Capacity Market;
- (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 ensure no undue discrimination between persons who are or may seek to become parties to the Capacity Market Code;

Implication of not implementing the Modification Proposal

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

If the proposed modification is not made, incremental New Capacity that is physically delivered may not be remunerated in line with its capacity contract and may even make a financial loss.

The risk of being assessed as not having delivered under the current approach to the calculation of Proportion of Delivered Capacity, may reduce or delay by up to 3 years the volume of incremental New Capacity which is offered into the Capacity Market.

This may necessitate the procurement of more expensive capacity, with potentially longer contract entitlements, ultimately increasing costs for the end consumer.

With the introduction of ILCs this situation may arise more often in cases where the incremental New Capacity is offered and awarded in a different auction than the Existing Capacity.

Impacts

(Indicate the impacts on systems, resources, processes and/or procedures)

No impacts on market systems identified.

Minimal change to SO processes when assessing the conditions for achieving Substantial/Minimal Completion. The new calculation will replace the existing one. All values used in the proposed calculation are already gathered by the SOs under existing Capacity Market processes.

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.