



TYNAGH ENERGY LIMITED

Mod Proposal 01_23 – Remuneration of Commissioning Unit

Mod Explanation

- This modification seeks to ensure that New Capacity Units undergoing Commissioning or Grid Code testing can recover their costs in the Balancing Market.
- Unlike renewable generation, no thermal generation has Commissioned in Ireland since the start of the market. While undergoing Commissioning, a thermal generation unit will incur significantly higher costs than a renewable unit, on account of fuel costs.
- By ensuring the recovery of costs for these units, the Commissioning process – and the delivery of New Capacity – would be expedited.
- This would be a positive outcome for consumers and help to secure system adequacy in the winter period.

Relation to Mod_02_22

- In December 2022, the SEMC rejected a modification which would enable the recovery of complex costs for Units Under Test. However there are a number of key differences in the application of 02_22, and 01_23.
- Units Under Test represent a much larger set of units than addressed by 01_23. We envision that this modification only applies to New Capacity undergoing Commissioning, after which the arrangements proposed under this modification would not apply.
- Commissioning is a ‘one and done’ procedure for New Capacity and would not need to be incurred over the lifetime of a project.
- The specificness of this application will minimise any impact on imperfections charges.

Relation to Mod_02_22

- In discussions relating to Mod_02_22, stakeholders raised concerns around who is best placed to manage risks associated with cost recovery while Under Test.
- Units undergoing Commissioning have no ability to manage the risk of exposure to BM prices. This is due to the inability to take an ex-ante position, and the lack of revenue through Capacity Payments.
- This means that the potential downside for Commissioning Units is very material, particularly if BM prices are low or negative.
- We believe that the benefit of ensuring New Capacity is in place for the entirety of the winter period, by enabling Commissioning to take place as soon as possible, outweighs a possible one-time increase to imperfections costs.

Proposed Solution

- We would propose a similar solution to that which was included in Mod_02_22.
- Firstly we intend to introduce a new status: Under Commissioning, which is a subset of the Under Test category.
- This status would be active from a Unit's Effective Date to its Substantial Completion date. We believe there is merit in discussing the correct definition for the end date. We also considered using "the date of receipt of Operational Certificate". In either case, there will be a need to define the date within the Trading and Settlement Code with reference to the Capacity Market Code.
- Units would need to apply to the TSO for an Under Commissioning status and agree a dispatch profile for same.

Proposed Solution

- Once a dispatch profile is agreed with the TSO, Units Under Commissioning will be able to submit zero PNs for the relevant period.
- The TSO will then dispatch the Commissioning Unit to its agreed profile, enabling it to recover its costs through its commercial offer data.
- This data is audited by the RAs' Market Monitoring Unit which ensures a Commissioning Unit does not recover above its costs.

Conclusion

- This modification, if approved, would allow New Capacity Units to commission more easily without fear of significant downside.
- This will be important with a number of new thermal generators expected to come online in the coming years. Most of these Units will be testing over the summer months and hence will be exposed to low or possible negative prices in the BM.
- If multiple units are commissioning over the summer period (~300 MW), this will have a price dampening effect in the BM.
- Cost impact on consumers will be negligible due to the fact that this modification will only apply in instances where a Unit is commissioning which are infrequent.