



**Single Electricity Market
(SEM)**

Capacity Remuneration Mechanism

**T-4 2028/29 Capacity Auction Intermediate Length
Contract Exception Application Process**

Guidance Note

SEM-24-033

02 May 2024

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Appendix A – 2028-29 T-4 ILC Exception Application Template

1. INTRODUCTION

- 1.1.1 On 4 April 2024, the SEM Committee published the Briefing Note for the T-4 2028/29 Capacity Auction Exception Application and Opt-out Notification Process (SEM-24-023). SEM-24-023 noted that the Regulatory Authorities are considering the implementation of the Intermediate Length Contracts¹ policy decision into the T-4 2028/29 Capacity Auction, and that Participants should be aware that this process was under refinement and there will be a separate application process for those who wish to apply.
- 1.1.2 The SEM Committee recently published its decision (SEM-24-035) to allow Existing Capacity and New Capacity investing more than €100,000/MWd (the Intermediate Contract Investment Rate Threshold (ICIRT)) to bid for an Intermediate Length Contract (ILC) of up to five years.
- 1.1.3 As noted in SEM-24-035, the SEM Committee has decided to allow market participants to bid for ILCs in the 2028/29 T-4 auction, but **to Qualify to bid for an ILC in the 2028/29 T-4 auction, market participants must submit an ILC Exception Application by 4 June 2024**, the Qualification and Exception Application Date for this auction.
- 1.1.4 Today the SEM Committee has published a new Excel template which must be used to submit ILC Exception Applications to the RAs, and this briefing note provides additional guidance to support applications.
- 1.1.5 A more detailed timeline and communication procedure for the Exception Application and Opt-out notification process is outlined below.

2. CAPACITY MARKET CODE CHANGES

- 2.1.1 As noted in SEM-24-035, the SEM Committee intends to bring forward a CMC modification proposal to implement the ILC decisions outlined in Section 5 of the decision paper as soon as possible and consult on the proposed CMC changes.
- 2.1.2 While changes to the Capacity Market Code will not be in place by the time Qualification and Exception Applications are due on 4 June, these changes will be implemented as soon as possible, and in time to support the grant of ILC Exceptions, with final decisions being issued in early November 2024.

¹ [SEM-23-093 - Proposal to Introduce Intermediate Length Contracts Consultation Paper](#)

3. MANDATORY AND OPTIONAL ELEMENTS OF THE ILC EXCEPTION APPLICATION

3.1.1 To Qualify for the right to submit an ILC offer, the applicant must provide sufficient information to demonstrate to the SEM Committee's satisfaction that:

- The investor plans to invest a minimum of €100,000/MW_d, and that this investment will be efficiently incurred, and delivers relevant benefits to consumers. Relevant benefits to consumers may include inter alia: life extension of the asset; increasing reliability of the asset; increasing efficiency; reducing emissions; and any other benefits which the SEM Committee may deem relevant from time to time. The SEM Committee may also require the applicant to demonstrate that the €100,000/MW_d has been reasonably efficiently incurred, and "gold-plating" of investment to achieve the ICIRT will not be allowed.
- That post-investment, the unit will emit no more than 550gCO₂/kWh. If a unit is subject to run-hour limits, investment made under an ILC contract should aim to remove the emission restriction on run hours or, at the least, not exacerbate the restriction.
- The capacity with an ILC will also be tested against relevant Best Available Techniques (BAT) standards.

3.1.2 An applicant will also be required to submit an Implementation Plan – but the SEM Committee will consider exemptions to certain milestones if requested, where applicants can demonstrate that those milestones are not relevant to their project.

3.1.3 Therefore, to Qualify for the right to submit an ILC offer, an applicant must complete:

- The "Unit and Contact details" tab;
- The "Investment Spend Detail" tab; and
- The "Implementation Plan" tab.

3.1.4 In addition, applicants must submit as a separate document, a certificate signed on behalf of the Participant by a Participant Director that, having made due and careful enquiry and to the best of their knowledge, information and belief:

- (i) All information in the application and any other information provided to the Regulatory Authorities and the System Operators in relation to it is true and correct;
- (ii) The application is not for the purposes of, or connected with, Market Manipulation by the Participant or any of its Associates (CMC E5.1.3(b)); and
- (iii) The Capacity Market Unit will meet required emissions thresholds.

3.1.5 An ILC applicant has the option to submit a USPC application, but it is not mandatory to submit a USPC application. If the applicant chooses not to apply for a USPC, it will be bound by the same ECPC rules that apply to Existing Capacity. Therefore, a capacity offer approved for an ILC will be bound by ECPC / USPC unless:

- It is Qualified as New Capacity, in which case, like all other New Capacity it may bid up to APC;
- It is Existing Capacity which is exempt from ECPC such as DSU capacity or intermittent renewables capacity.

4. GUIDANCE ON COMPLETING MANDATORY ELEMENTS OF APPLICATION

4.1 UNIT AND CONTACT DETAILS

- 4.1.1 The “Unit and Contact details” tab requires the applicant to submit basic details about the unit and the contact information. Where a unit is Existing Capacity, it should submit the details of the unit GUID code.
- 4.1.2 An applicant can apply for an ILC for any integer number years up to and including five years. The applicant is required to state the number of years being applied for.
- 4.1.3 Note that the template allows the applicant to notify the RAs of any increase in capacity resulting from the investment. Where the investment results in an increment to capacity, this capacity may be deemed New Capacity by the TSOs. The applicant will still be eligible to apply for a 10-year contract on the incremental capacity, as well as a five-year contract on the Existing Capacity but may not double-count the investment to obtain a five-year contract on the Existing Capacity and a 10-year contract on the New Capacity. Where an applicant is applying for a five-year contract on the Existing Capacity portion of a CMU and a 10-year contract on the New Capacity portion of a CMU, the applicant should set out clearly in additional notes what it is doing, and how it is apportioning investment between Existing and New Capacity and how it meets both the ICIRT on the Existing Capacity and the NCIRT on the New Capacity component without double-counting investment.
- 4.1.4 Where an applicant is expecting to increase capacity as a result of the investment, the RAs will assess spend against the ICIRT against the total derated capacity, post-investment, unless the applicant specifically applies for an ILC on the increment only. For instance, if a CMU has 100MW_d of Existing Capacity and expects to be 110MW_d post-investment, it needs to be spending a total of €11m to be able to be Qualified for an ILC on all 110MW_d. However, if the investor is spending more than €1.1m it can qualify for an ILC on the 10MW_d increment, but not on the 100MW_d of Existing Capacity.

4.2 INVESTMENT SPEND DETAILS

- 4.2.1 The “Investment Spend Detail” tab requires the applicant to provide a breakdown of:
- The Expected Incremental Investment Profile in Local Currency by year (in money of the day, i.e. nominal terms) in which it will be incurred; and

- By category of expenditure, broken down into type of expenditure (e.g. site procurement costs, electrical procurement costs etc).
- 4.2.2 Both of these requirements and formats are similar to the requirement set out in analogous tabs for the New Capacity Exception Application.

4.3 IMPLEMENTATION PLAN

- 4.3.1 All capacity applying for an ILC exemption will be required to submit an Implementation Plan, regardless of whether it is refurbishing Existing Capacity or New Capacity. The format of the “Implementation Plan” tab is very similar to the requirements for New Capacity implementation plans.
- 4.3.2 The SEM Committee recognises that not all milestones will be relevant to all cases, and in particular, some of the milestones may not be relevant to capacity seeking an ILC. Where appropriate, applicants should state why the milestone is not relevant to their case, and the SEM Committee will consider exemptions to certain milestones if appropriate.

5. GUIDANCE ON SUBMITTING USPC APPLICATIONS FOR AN ILC

- 5.1.1 ILC applicants have the option to submit an application for a USPC to cover its multi-year offer. If the ILC applicant chooses to submit a multi-year USPC application, it will be required to project its Net Going Forward Costs (NGFCs) for each of the contract years.
- 5.1.2 The projection follows a similar format to the projections required to accompany a one-year USPC application used for Existing capacity in auctions to date, except:
- The applicant can submit projections of each element of the NGFCs separately for each year of the proposed ILC duration. Therefore, if the applicant is applying for a five-year contract in 2028/29, it can submit its projections of non-fuel operating costs, IMR and Ancillary Service costs in each capacity year from 2028/29 to 2032/33. This allows the applicant to reflect factors such as inflation and variations in expected IMR over a 5-year period in its USPC application;
 - The applicant can apply to have its investment costs apportioned over the contract length. The calculation includes a WACC return on investment. This calculation will work in a similar way to the UFI calculations in one-year USPC applications except that: if the applicant wins a contract for (say) five years it will be guaranteed to recover that investment cost, as opposed to having to re-enter subsequent auctions and win a further four times to recover the investment; and the investment will be spread over the full duration of the contract, whereas with UFI, investments could be spread over one to five years depending on a number of factors.
- 5.1.3 The applicant should complete the projections of NGFCs in the “ILC Submission & Historic Cost” tab in cells E96 to I116.

- 5.1.4 The requirements to submit historic data are the same as for one-year USPC applications for Existing Capacity.
- 5.1.5 Investment spend details should be entered into the “refurb. inv. for CY2028/29” tab, which will calculate the apportionment of investment costs to each relevant year in the “ILC Submission & Historic” tab in cells E119 to I119.
- 5.1.6 Note that as with one-year applications, applicants have the opportunity to carry forward previously UFI awards, or make UFI applications in respect of years prior to the 2028/29 in the UFI tabs.
- 5.1.7 The spreadsheet calculates the estimated NGFC in each year of the contract as the sum of the above costs, and calculates the average NGFC over the contract duration applied for. The applied for USPC is then the average NGFC divided by the derated kW.
- 5.1.8 As with the USPC process for one-year contracts, the SEM Committee will make its own judgement of allowable costs for each cost item, although in this case it will make judgements for each year of the contract duration applied for, and make its own estimate of the average NGFC per derated kW over the contract duration.
- 5.1.9 When the SEM Committee considers USPCs for ILCs it will apply the same 10% tolerance factor applied in the setting of one-year USPCs.
- 5.1.10 Bidding will remain mandatory for any Existing Capacity which did not submit an opt-out notification by the opt-out notification deadline, and Existing Capacity will not be able to use an ILC application as an alternative route to opt-out later in the process.
- 5.1.11 However, ILC applicants are not required to submit an application for a multi-year contract, even if they are Qualified to do so. Any applicant which is Qualified to submit a multi-year ILC offer but chooses not to do so, can submit a one-year offer. However, if it chooses not to submit a multi-year offer it will be bound by a one-year USPC. Applicants for an ILC USPC do not need to submit a separate application for a one-year USPC, in order to keep their options open. If the applicant notifies the RAs that it may still want the option for a one-year USPC for Existing Capacity it should notify the SEM Committee in its application, and the SEM Committee will use the same information to set a one-year ILC at the same time. The one-year USPC will be based on allowed 2028/29 NGFCs only (instead of the average over the contract duration) and exclude the apportionment of the refurbishment costs to 2028/29.

6. COMMUNICATION WITH APPLICANTS

6.1 OVERVIEW

- 6.1.1 All Participants wishing to apply for RA approval for an ILC Exception Application, or to communicate with the RAs during the process shall (unless otherwise notified) only contact the RAs through the use of the email addresses given below: Submissions must be made to both email addresses below:

- CRMsubmissions@uregni.gov.uk
- CRMsubmissions@cru.ie

An ILC Exception Application shall contain the information required by the RAs and set out in the templates provided in Appendix A of this note. This information and any further information, or clarification in respect of the Exception Applications are to be provided under the electricity licence condition relating to the provision of information to the Commission (CRU) or the Authority (UR).

- 6.1.2 If an applicant attempts to contact the RAs for the purposes of an Exception Application or opt-out notification process through another avenue the applicant will be directed to contact the RAs through the above email addresses.
- 6.1.3 The RAs will use the email address given in the participant's submitted template form to acknowledge receipt and for correspondence during the rest of the Exception Application process. Applicants may include more than one email address in the contact email address field in the template application form.
- 6.1.4 The RAs shall, upon receipt of an ILC Exception Application, assign a unique application file number. This will be included in the RAs acknowledgement to the applicant. Participants are required to quote this application file number in all future communication with the RAs in relation to the specific application.
- 6.1.5 If an applicant does not receive a unique application file number following the submission of an Exception Application, it is the responsibility of the applicant to contact the RAs to ensure safe receipt of their submission.
- 6.1.6 During the ILC Exception Application process the RAs will, following the issuing of the draft determinations, offer the applicant the opportunity to meet the RAs to discuss the draft determination.
- 6.1.7 If an applicant does not receive a draft determination, as per the timetable set out in the below tables, it is the responsibility of the applicant to contact the RAs to query this.
- 6.1.8 As part of the ILC Exceptions Application determination process the RAs may request a meeting(s) with the applicant.

6.2 Process Timeline

- 6.2.1 The expected timelines for the ILC Exception Application process for this CRM T-4 auction for Capacity Year 2028/29 is set out below in Table 1 and is aligned with timescales for other Exception Application processes.
- 6.2.2 Table 1 below sets out the key dates and deadlines for communications between the applicant and the RAs with regards to ILC Exception Applications. There is a requirement for applicants to provide information requested by the RAs within the specified timeframe, otherwise the participant is deemed to have withdrawn the Exception Application.

6.2.3 An ILC Exception Application shall:

- contain the information required by the RAs. Information request templates are included in Appendix A of this note; and
- contain a certificate signed on behalf of the participant by a participant director.

6.2.4 In regard to an ILC applicant's USPC Exception Application, the RAs would request that applicants provide sufficient detailed information and calculations to support the submission of cost items within their USPC application. This detailed information assists the RAs in assessing the applicants USPC application and determining a draft and final decision.

Table 1: ILC Exception Application process timeline for T-4 CY2028/29 Capacity Auction

| Date (2024) | Description |
|--------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 02-May | Initial Auction Information Pack published |
| 02 May - 04 Jun | Qualification & ILC Exception Application window |
| 05 Jun | RAs notify System Operators of all ILC Exception Applications and will also issue an acknowledgement to all applicants confirming receipt of Application. |
| 06 Jun- 21 Jun | RAs initial assessment/screening of applications |
| 24 Jun | RAs send follow up questions to ILC Exception Application participants |
| 08 Jul | Deadline by which Exception Application participant(s) respond to RA questions |
| 06 Aug | RAs issue draft Exception Application decision(s) to participant(s), including: <ul style="list-style-type: none"> • Whether the applicant has met the ICIRT and the RAs except to accept the ILC exception application; • The RAs' draft decision with respect to USPCs |
| 06 Aug | RAs issue draft Exception Application decision(s) to System Operators |
| 07 Aug – 28 Aug | RAs offer meeting with Exception Application participant |
| 11 Sep | Deadline by which Exception Application participant(s) can provide feedback to draft decision |
| 01 Nov | RAs submit final Exception Application decision (s) to System Operators |
| 07-Nov | Final qualification results announced |
| 07-Nov | Final Auction Information Pack published |

| | |
|--------|--------------------------|
| | |
| 28-Nov | T-4 2028/29 Auction date |

7. TREATMENT OF CONFIDENTIAL INFORMATION

- 7.1.1 The RAs will put in place procedures to protect confidential information generated by the processes outlined in this note. All reasonable precautions will be taken by both RAs to ensure that:
- any confidential information generated by the process, is kept confidential.
 - confidential information is provided only to those persons to whom it is deemed necessary for the conduct and management of the process.
 - confidential information is clearly labelled and securely stored.
- 7.1.2 Dissemination of applicant's data within the RAs will be limited, with access to storage of physical and electronic copies being protected.
- 7.1.3 Any persons required to assess/review sensitive information will be notified that they are being provided with confidential data (e.g. the SEM Committee members), as above this data will be clearly labelled as such.
- 7.1.4 It is the applicant's responsibility to clearly mark as confidential any information that it considers confidential.

8. NEXT STEPS

- 8.1.1 The ILC Exception Application deadline is 04 June 2024.
- 8.1.2 The RAs recognises that the ILC decision and this briefing note have been published close to the Qualification and Exception Application date, and it is the first time that this process has been run. In view of these circumstances, the RAs recognises that there may be advantages of working closely with market participants to pilot the process, and that a degree of flexibility might be required to implement the new processes. RA staff will be available to meet with potential ILC applicants, if requested, in advance of the ILC Exception Application deadline of 04 June 2024.
- 8.1.3 All participants wishing to apply for RA approval for an ILC Exception Application must submit applications to both Regulatory Authorities via email to both email addresses listed below:

CRMsubmissions@uregni.gov.uk

CRMsubmissions@cru.ie