

MODIFICATION PROPOSAL FORM			
Proposer (Company)	Date of receipt (assigned by System Operator)	Type of Proposal (delete as appropriate)	Modification Proposal ID (assigned by System Operator)
Lumcloon Energy Ltd (on behalf of Coolpowra Flex Gen Ltd)	14 th May 2025	Standard	CMC_04_25
Contact Details for Modification Proposal Originator			
Name	Telephone number	Email address	
Paul Collins		Paul.Collins@lumcloonenergy.com	
Modification Proposal Title			
Adjustment of CMC auction qualification criteria to facilitate complex projects within State Aid approval			
Documents affected (delete as appropriate)	Section(s) Affected	Version number of CMC used in Drafting	
CMC	E 7.2.1 (f), E.7.5.1(c), Glossary	1 st November 2024 Version 12.0	
Explanation of Proposed Change (mandatory by originator)			
<p>This modification proposes the introduction of a definition of “applicable time frame” for the assessment of an Application for Qualification of New Capacity. This definition is proposed to ensure that the CMC is interpreted in a manner that is consistent with SEM-16-022 (Capacity Remuneration Mechanism Detailed Design Decision Paper 2, 10 May 2016) (“CMC Detailed Design Decision Paper”); SEM-18-009 [Capacity Remuneration Mechanism (CRM) State Aid Update, 2019/20 T-1 Capacity Auction Parameters and Enduring Storage De-rating Methodology Consultation Paper SEM-18-009, 13 March 2018] (“CMC State Aid Update”) and the State Aid approval for the Capacity Mechanism [State aid No. SA.44464 (2017/N) – Ireland. Irish Capacity Mechanism] (“CMC State Aid Approval”) (together the “CMC Documents”). A failure to include a definition of “applicable time frame” for the assessment of an Application for Qualification of New Capacity risks pre-qualification assessments being made that are inconsistent with the CMC Detailed Design Decision Paper, the CMC State Aid Update and the CMC State Aid Approval.</p> <p>This modification has been requested as “urgent” to ensure that the necessary changes are made in advance of the assessment for Qualification of New Capacity for the upcoming T-4 2029/2030 auction.</p> <p><u>Principles of the Long Stop Date</u></p> <p>The Long Stop Date (18 months after the start of the Capacity Year) was included within the initial Capacity Market design, for the reasons given below.</p> <p>CMC Detailed Design Decision Paper expressly provided for projects in T-4 auctions to be given an extra 18 months to develop the project for the express purpose of allowing “<i>projects with longer construction times to participate in the capacity market</i>”.</p>			

Significantly, the extra 18 months was not to allow projects whose construction programmes slipped to retain their capacity contracts, it was to allow projects with longer construction timeframes to participate. This was a forward-looking assessment to be made at the time that entitlement to participate was made, namely at the pre-qualification stage,

In CMC State Aid Update it stated:

“In CRM Decision 2 [SEM-16-022], as part of the consideration of New Capacity, a long stop date of 18 months was allowed from the start of the capacity year. This allows projects with longer construction times to participate in the capacity market and sets a timeframe for when a developer would be liable for termination penalties and have its Implementation Agreement terminated. This policy decision was very much developed in the context of the T-4 capacity auctions for new capacity with a multi-year Reliability Option.”

In CMC Detailed Design Decision Paper, the SEM Committee decided that the Commissioning Window for new capacity should be divided into two parts:

- **“Pre-requirement”**: The period from the Auction Date until the start of the first Delivery Year under the Reliability Option; and
- **Long stop**: An additional period after the start of the first Delivery Year to give a project time to commission. This allows projects with longer construction times to participate in the capacity market.

The SEM Committee has decided that:

- A 4-year commissioning window is an appropriate time to allow most plant to be operational before capacity is required in I-SEM; and
- There will be the addition of an extra 18 month long stop window which leaves a total period of 5½ years between the auction results and the termination (with penalties) of the reliability options for any plant that has not become operational. This 5½ year period is sufficiently long to accommodate the more complex plant that the project team is aware of being considered for the I-SEM.”

Finally, in the **CMC State Aid Approval**, paragraph (53) states (**emphasis** added):

*“(53) In terms of rights, the main distinction between existing and new capacity is that the latter can acquire capacity contracts of up to ten years vs. one year for the former. **New capacity can also benefit from a longer lead time, up to 18 months longer in T-4 auctions**, which leaves a total period of 5½ years between the auction results and the termination date to complete their project. And, as explained above, new capacity can bid up to the general auction price cap.”*

Practice of the Long Stop Date and Delivery of Complex Projects with Longer Construction Times

Note that the T-4 auction has never been run four years in advance of the Capacity Year, further shortening the 5½ years delivery timeframe anticipated under the CMC State Aid Approval and CMC Detailed Design Decision Paper.

Auction Date	Capacity Year	"Pre-Requirement" (Years)
28/03/2019	01/10/2022	3.5
27/04/2020	01/10/2023	3.4
21/01/2021	01/10/2024	3.7
24/03/2022	01/10/2025	3.5
23/03/2023	01/10/2026	3.5
26/10/2023	01/10/2027	3.9
05/12/2024	01/10/2028	3.8

Source: <https://www.sem-o.com/markets/capacity-market-overview>

Furthermore, during the assessment for the Application for Qualification for New Capacity, the System Operators are required to make two assessments (amongst others):

“E.7.2.1 The System Operators may reject an Application for Qualification for a Capacity Year in respect of a Candidate Unit or combination of Candidate Units where:

...

(f) they consider the delivery of a part or all of any New Capacity proposed in the Application for Qualification is not feasible (either technically or in the applicable time frame)”

and

“E.7.5.1 The System Operators shall reject an Application for Qualification for a Capacity Year in respect of New Capacity for a Generator Unit or Interconnector comprising a Candidate Unit unless they consider that:

(c) Substantial Completion of the Generator Unit or Interconnector can be achieved prior to the start of the relevant Capacity Year;”

Taken in combination, these requirements frustrate the stated intent of the Long Stop Date to support the delivery of complex generation projects. Complex generation projects simply cannot Qualify for participation in the Capacity Auction if it is the System Operator’s assessment that they, including required grid or gas network connection, cannot be delivered prior to the start of the Capacity Year (which in practice has been less than even the 4 years for most plant to commission as per the SEM Committee’s own assessment).

Proposed Change

Where New Capacity’s delivery is deemed infeasible by the start of a Capacity Year for a T-4 Auction due to delays in network (electricity, gas) connections, the Capacity Market Code should only require the System Operator to reject that Application for Qualification if those connections cannot be delivered by the Long Stop Date. We suggest that this change is limited to T-4 Auctions.

Legal Drafting Change

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

Tracked changes in **red**

Change to section E.7.2.1 (f)

they consider the delivery of a part or all of any New Capacity proposed in the Application for Qualification is not feasible (either technically or with in the ~~applicable time frame~~ **Applicable Time Frame**); or

Change to section E.7.5.1 (c)

Substantial Completion of the Generator Unit or Interconnector can be achieved ~~prior to the start of the relevant Capacity Year~~ with in the ~~applicable time frame~~ **Applicable Time Frame**;

Insertion of defined terms in the CMC Glossary:

Applicable Time Frame

means the time frame to be considered in the assessment of an Application for Qualification for New Capacity, being,

- i. where the New Capacity is not a Complex Project or where the Capacity Auction is not a T-4 Auction, from the date of the final Capacity Auction Results to the start of the first Capacity Year for which the New Capacity is to be delivered; or
- ii. where the New Capacity is a Complex Project and the Capacity Auction is a T-4 Auction, from the date of the final Capacity Auction Results to the last day of the eighteenth full calendar Month after the start of the first Capacity Year in which the New Capacity is to be delivered.

Complex Project

means New Capacity where the assessment of feasibility under E.7.2.1 (f) and E.7.5.1 (c) determines that there is a reasonable likelihood that the delivery of any new Transmission System or Distribution System to the Connection Point, or new gas network connection infrastructure will not be achieved by the start of the relevant Capacity Year.

Modification Proposal Justification

(Clearly state the reason for the Modification)

As stated above, taken in combination, the current interpretation of the 'applicable time frame' in section E.7.2.1 and subsection (c) of E.7.5.1 which requires 'Substantial Completion of the Generator Unit or Interconnector can be achieved prior to the start of the relevant Capacity Year' frustrate the stated intent of the Long Stop Date to support

the delivery of complex generation projects. As a result, a large proportion of complex generation projects currently cannot Qualify for participation in the Capacity Auction. This is particularly troubling when the reason or primary reason for such failure to Qualify is due to activities outside of the control of the Applicant, such as the activities of the System Operators, the planning authorities and other statutory undertakers. Applicants are essentially being penalised for activities outside of their control when the delivery of complex generation projects is considered infeasible due to the System Operator, planning authority or other statutory undertakers' inability to comply with timeframes specified by SEM Committee's own assessment of reasonable time frames for CCGT projects and more complex plant (being 4 years and > 5 years respectively) in the CMC Detailed Design Decision Paper.

The proposed modification will allow generation projects with longer construction times to qualify and compete in the capacity auction while maintaining a strong commercial incentive to deliver at the earliest date possible before the Long Stop Date in accordance with the principles laid out in the CMC Documents. This will allow more strategic generation infrastructure to compete and contribute to security of supply and market competition. It will also enable development of the grid and gas infrastructure in some cases which will further facilitate future generation and interconnection.

While, Lumcloon Energy Limited acknowledges that the CRU must be cognisant of the consequences of a failure by Applicants to deliver Awarded New Capacity to both the security of supply and the price of supply, it does not believe that allowing Complex Projects to Qualify based on a revised 'Applicable Time Frame' jeopardises such supply or price based on the inherent fail safes that have been built into the CMC. Further, the exclusion of such Complex Projects further jeopardises the ultimate security of supply by preventing complex and larger projects from becoming part of the Capacity Market.

The participation of projects where the SO considers the applicable timeframe to be challenging during the qualification stage of the process have been excluded from participation, frustrating the original intent of the Long Stop Date to allow for participation of projects with longer construction times as set out in the CMC Documents. The modification proposed is aligned to the original intent of the capacity market design and the intent of the Long Stop Date, as highlighted above with reference to the published CMC Documents.

Code Objectives Furthered

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

Underlined relevant code objectives furthered:

CMC A.1.2.1

(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 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;

(e) to provide transparency in the operation of the SEM;

(f) to ensure no undue discrimination between persons who are or may seek to become parties to the Capacity Market Code; and

(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)

Non implementation of this proposed modification will result in exclusion of projects which the System Operators assess as requiring longer construction times where such projects could otherwise deliver strategic improvements in security of supply, development of grid and gas infrastructure and enhance competition to the benefit to the consumer and in a manner which is inconsistent with the CMC Documents

In recent capacity auctions significant generation projects were put forward for qualification and were not able to participate due to the assessment by the SO that they would not be feasible within the applicable timeframe. (T-4 2028/29: 4+ projects were excluded).

Given the difficulty and varied assessment of required timescales associated with delivery of grid connection infrastructure or gas network infrastructure of any scale, failure to implement this modification will prevent the CRM from supporting such necessary network development.

Impacts

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

The assessment of qualification applications by the SO will require a change to assess each project to determine if it falls into the Complex Project category. This is not a difficult assessment given the proposed definition.

No other process impact has been identified.

Please return this form to the System Operators by email to CapacityModifications@sem-o.com