

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)
EP UK Investments	14 th May 2025	Standard	CMC_05_25
Contact Details for Modification Proposal Originator			
Name	Telephone number	Email address	
Harry Molloy		Harry.molloy@epuki.ie	
Modification Proposal Title			
Early Termination of Intermediate Length Contract Capacity			
Documents affected (delete as appropriate)	Section(s) Affected	Version number of CMC used in Drafting	
Capacity Market Code	J.6	Version 12.0	
Explanation of Proposed Change (mandatory by originator)			
<p>This modification proposes to introduce a new remedial action to the Capacity Market Code which will enable a Participant with an Intermediate Length Contract (ILC) to terminate the second and subsequent years of their contract. This modification intends to ensure that Participants who are unable to achieve their ILC requirements will be able to continue to provide capacity in subsequent Capacity Years.</p> <p>Under the current ruleset, where a Participant has been awarded an ILC contract, they are required to submit a Director's Certificate to confirm that investment has been made in line with the approved exception application, and that the relevant improvements as a result of this investment have been achieved. Failure to provide this Certificate by one year after the beginning of the first Capacity Year (i.e., by 1 October 2029 with respect to the T-4 2028/2029), will result in all subsequent years of the ILC being terminated.</p> <p>This means that if a Participant is unable to achieve the obligations associated with an ILC, all latter years of their contract will be terminated effectively acting as a standard single-year capacity contract which Existing Capacity not undergoing refurbishment would typically be entitled to.</p> <p>An issue arises however, in cases where a Participant may discover that it has become impossible to achieve their ILC obligations ahead of the beginning of the Capacity Year. Because the above termination will be triggered until one year into the ILC, the Participant will have already missed the opportunity to participate in subsequent Capacity Auctions despite being existing capacity with an obligation to participate.</p> <p>This modification proposes that a Participant may trigger the termination of the latter years of its ILC where it considers that it will be unable to achieve the requirements for Substantial Completion of the ILC. This means that the Participant will then be able to provide Security of Supply by participating in T-4 or T-1 Capacity Auctions to secure single-year contracts for the subsequent years.</p>			
Legal Drafting Change (Clearly show proposed code change using tracked changes, if proposer fails to identify changes, please indicate best estimate of potential changes)			
<p><i>This modification will introduce a new section to the Code under J.5 Remedial Actions:</i></p> <p>J.5.9 Early Termination of Intermediate Length Contract</p> <p>J.5.9.1 With respect to Awarded Capacity with a capacity duration greater than one year and less than or equal to five years, where a Participant acknowledges in an Implementation Progress Report that it does not expect to achieve Substantial Completion by the Long Stop</p>			

Date, the Awarded Capacity will be paid the Auction Clearing Price for the first Capacity Year of the Capacity Award and all subsequent years of its Awarded Capacity will be terminated.

This drafting is based on the fact that for an ILC, Substantial Completion is dependent on the submission of a Director's Certificate confirming that investment has been made and that associated performance improvements have been achieved. Thus, where a project will not achieve the Substantial Completion milestone, a Director's Certificate cannot be submitted.

EPUKI notes that this drafting requires a unit to expect to fail to achieve Substantial Completion in order to terminate the latter years of its contract. This is necessary as the completion of investment and achievement of performance upgrades (confirmed through submission of a Director's Certificate) are inherently linked to the Substantial Completion milestone.

However, the downside risk of ILC projects not achieving Substantial Completion are less significant than for New Capacity projects. This is because ILC projects are already existing capacity – therefore it would be possible for these projects not to achieve Substantial Completion while still providing generation capacity to the system. Existing Capacity does carry a risk of market exit as a result of ILC works becoming technically or economically infeasible.

Modification Proposal Justification
(Clearly state the reason for the Modification)

Under the current ILC ruleset, an ILC project is only deemed Substantially Complete when it submits a Director's Certificate confirming that it incurred capital expenditure in line with an Exception Application which has been approved by the Regulatory Authorities (**RAs**) and achieved related performance improvements associated with its ILC. Failure to submit this Certificate within one year of the beginning of the first Capacity Year (1 October 2029), will result in subsequent years of the ILC being terminated.

This delay in terminating subsequent years of the ILC means that Existing Capacity may be economically unviable as it will be prevented from participating in Capacity Auctions which it would otherwise be available for. This could lead to Security of Supply risks as insufficient capacity would have been procured in the Capacity Auctions set out below.

For example, termination of subsequent Capacity Years on 1 October 2029 would mean that an Existing Capacity project which was awarded but ultimately did not execute and ILC will be prevented from participating in:

- The 2029/2030 T-4 and T-1 Capacity Auctions;
- The 2030/2031 T-4 and T-1 Capacity Auctions;
- The 2031/2032 T-4 Capacity Auction;
- The 2032/2033 T-4 Capacity Auction;

This represents at least two, and up to four Capacity Years which Existing Capacity will not be available to participate in, increasing the risk of higher clearing prices in Capacity Auctions and challenges in meeting the capacity requirement. As well as creating a Security of Supply risk, this outcome may lead to higher Auction Clearing Prices due to less competition in the market.

Existing Capacity may therefore exit the market due to inability to secure financing for operations during that period. This risk is greater where a project is unable to obtain capacity contracts for subsequent years, as it would be expected to do in the absence of an ILC.

EPUKI believes that this modification proposal is consistent with the intended design of the ILC mechanism. Specifically, cancelling the latter years of a multi-year contract, means that projects which have been awarded ILCs but expected to fail to achieve Substantial Financial completion will be treated as if they are standard Existing Capacity (awarded a single-year contract).

The exclusion of these projects from future Capacity Auctions which they would otherwise be obliged to participate in is irrational and impractical, with a number of practical downsides for the consumer. This modification will ensure that projects which identify early in the ILC delivery window, that achieving Substantial Completion may be impossible (which could occur due to evolving external circumstances), can communicate this at an early stage to the RAs and TSOs and plan accordingly to participate in

subsequent Capacity Auctions. It additionally means that the RAs and TSOs can procure the required amount of capacity in those auctions, rather than running a Security of Supply risk of having under procured. This is prudent both from a competition point-of-view and for system planning and demand forecasting.

Code Objectives Furthered

(State the Code Objectives the Proposal furthers, see Sub-Section A.1.2 of the CMC 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;
- (d) To promote competition in the provision of electricity capacity to the SEM;
- (g) Through the development of the Capacity Market, to promote the short-term and long-term interests of the 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)

Failure to implement this modification will mean that a risk will exist whereby Existing Capacity discovers that it has become impossible to carry out planned investment associated with an ILC, it will be prevented from participating in a number of Capacity Auctions which it would otherwise be obliged to, which could result in Existing Capacity being underfunded and exiting the market, and also creating a capacity shortfall with corresponding Security of Supply risks.

Impacts

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

There are no material resource impacts associated with this modification. Any changes necessary to cancel subsequent years of an ILC would be required anyway under the current ILC ruleset.

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.