

MODIFICATION PROPOSAL FORM			
<b>Proposer</b> (Company)	<b>Date of receipt</b> (assigned by System Operator)	<b>Type of Proposal</b> (delete as appropriate)	<b>Modification Proposal ID</b> (assigned by System Operator)
EPUKI	14 <sup>th</sup> May 2025	Standard	CMC_06_25
<b>Contact Details for Modification Proposal Originator</b>			
<b>Name</b>	<b>Telephone number</b>	<b>Email address</b>	
Harry Molloy		harry.molloy@epuki.ie	
<b>Modification Proposal Title</b>			
Amendment of ARHL De-Rating Factor Definition to Exclude Intermediate Length Contracts			
<b>Documents affected</b> (delete as appropriate)	<b>Section(s) Affected</b>	<b>Version number of CMC used in Drafting</b>	
Capacity Market Code	Glossary	12.0	
<b>Explanation of Proposed Change</b> (mandatory by originator)			
<p>This modification has been marked as urgent in accordance with Section B.12.9.3 (a) of the Capacity Market Code as it is required before the next Capacity Auction and could otherwise not be dealt with in time for that auction.</p> <p>This modification seeks to address an issue whereby Intermediate Length Capacity ('ILC') contracts may incur significant de-rating as a result of the Annual Run Hour Limit ('ARHL') de-rating factors applying to New Capacity. The implementation of ILCs (CMC_10_24) categorises ILCs as New Capacity in order to facilitate a Maximum Capacity Duration of greater than one year. This creates uncertainty regarding whether ARHL de-rating would apply to existing capacity once it reached Substantial Completion for refurbishment or replanting works in relation to an ILC.</p> <p>This modification seeks to address this issue by excluding ILCs from the definition of ARHL Derating Factor (Total) in the glossary of the Capacity Market Code ('CMC').</p>			
<b>Legal Drafting Change</b> (Clearly show proposed code change using <b>tracked</b> changes, if proposer fails to identify changes, please indicate best estimate of potential changes)			
<p><b>Glossary</b></p> <p><b>ARHL De-Rating Factor Total</b> means the ARHL De-Rating Factor associated with the sum of Existing Capacity and New Capacity. The ARHL De-Rating Factor (Total) for a unit with no New Capacity, (which is not New Capacity that is repowered or refurbished based on previous Existing Capacity), shall be set to one.</p> <p><b>ARHL De-Rating Factor</b> means a factor between zero and one describing the reduction in the contribution of a Generator Unit to satisfying the Capacity Requirement to be used in a Capacity Year. For New Capacity which is produced using combustion plant, except for New Capacity that is repowered or refurbished based on previous Existing Capacity, this factor shall be as determined by the Regulatory Authorities and provided to the System Operators under paragraph D.3.1.3. For all other capacity this factor shall be set to one.</p>			
<b>Modification Proposal Justification</b> (Clearly state the reason for the Modification)			
Due to the categorisation of ILCs as New Capacity under CMC_10_24, an Existing Capacity unit which is awarded an ILC contract could be exposed to significant de-rating as a result of the ARHL de-rating factor. Specifically, though Section G.3.1.4A of the CMC which calculates the commissioned capacity of a unit based on "the De-Rating Factor applicable to a unit of the Technology Class and the Annual Run			

*Hour Limit(s) of the Generator Unit*". This calculation does not include a reference time for this calculation which means that an Existing Capacity could enter a Capacity Auction with no ARHL de-rating, but for the purposes of calculating commissioned capacity the ARHL de-rating would apply if the unit received an ILC.

For reference, the ARHL de-rating factors for New Gas Turbine Capacity in the T-4 2028/2029 Capacity Auction ranged from 0.14 to 0.43. This means that Existing Capacity with Annual Run Hour Limits which is awarded an ILC could have their expected capacity revenue reduced by more than half. This effectively removes any business case for a unit seeking to undergo refurbishment through an ILC.

This is a suboptimal outcome for consumers and for the wider electricity system. ILCs were introduced to facilitate refurbishment which would be beneficial to consumers and may have positive environmental benefits. This includes improvements to unit efficiency, reliability, and potential reductions in minimum generation, all of which are beneficial for the market. Additionally, securing improved Existing Capacity on a multi-year contract reduces the risk of market exit and supports Security of Supply without requiring extensive investment in New Capacity.

EPUKI does not believe that the intention of CMC\_10\_24 was to apply ARHL de-rating to ILCs as this was not flagged or discussed when the legal drafting was discussed and consulted upon. This amendment addresses this unintended outcome in a manner which has minimal impact on the Code. If approved, it is important that this modification be implemented prior to the T-4 2029/2030 Capacity Auction. The presentation for CMC\_10\_24 states that the "*intent is to ensure that refurbished capacity continues to be treated as Existing Capacity up to Substantial Completion*". It is further noted that one of the requirements for ILCs to achieve Substantial Completion is for the unit to have an ARHL no less than the ARHL at the time of the auction and will be tested against Best Available Techniques (BAT) standards.

Based on improved performance, customer benefit, and standards and run-hours consistent with those in place pre-refurbishment, it would be irrational to de-rate units following a refurbishment.

#### **Code Objectives Furthered**

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

The following objectives would be furthered as a result of this modification:

*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;*

*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;*

*to promote competition in the provision of electricity capacity to the SEM;*

*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)*

Failure to implement this modification would mean an ongoing risk undermining the business case for ILCs. This would represent a suboptimal implementation of the ILC mechanism for consumers and for the energy transition.

#### **Impacts**

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

The impact of this modification is expected to be relatively minor. The interaction between ILCs and ARHL appears to be unintentional, and it is expected that works to accommodate ILCs will be carried out as part of CMC\_10\_24 regardless of whether this modification is implemented.

***Please return this form to the System Operators by email to [CapacityModifications@sem-o.com](mailto: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:

<b>CMC / Code:</b>	means the Capacity Market Code for the Single Electricity Market
<b>Modification Proposal:</b>	means the proposal to modify the Code as set out in the attached form
<b>Derivative Work:</b>	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.