



**Single Electricity Market
(SEM)**

Capacity Remuneration Mechanism

**T-4 2029/30 Capacity Auction Intermediate Length
Contract Exception Application Process**

Guidance Note

SEM-25-024

13 June 2025

EXECUTIVE SUMMARY

The SEM Committee introduced the option for market participants to bid for Intermediate Length Contracts (ILCs) of up to five years in the 2028/29 T-4 auction, held in December 2024. The option is open to both Existing and New Capacity investing more than the Intermediate Contract Investment Rate Threshold (ICIRT) of €100,000/MW_d. All units bidding for an ILC are subject to the requirement that, post-investment, the unit will continue to meet the requirements in compliance with CO₂ emissions set out in ACER Opinion 22 of 2019 dated 17 December 2019, and with the limits set out in Article 22(4) of the CEP Regulation 2019/943 required for initial qualification under the Capacity Market Code

Existing Capacity, which would otherwise be bound by the Existing Capacity Price Cap (ECPC), also has the option to apply for a multi-year Unit Specific Price Cap (USPC).

The 2028/29 T-4 auction CRM was successful in attracting investment to refurbish and life extend existing capacity, with five-year contracts awarded to refurbish 1,646MW_d of existing units¹ and to build two new “other storage” units, totalling 39MW_d of capacity.

The ILC policy and the associated CMC changes and process changes were introduced at pace for the 2028/29 T-4 auction, with both the policy paper (SEM-24-035) and the ILC Exception Application Process guidance notes (SEM-24-033) published on the 2 May 2024, and the ILC Exception Applications due by 4 June 2024. The applications were submitted prior to the implementation of the requisite CMC Modifications, with the relevant CMC Mod_10_24 decision paper (SEM-24-063) being published on 16 September 2024. The quality of data and evidence included in the initial ILC and Multi-year USPC Exception Applications for the 2028/29 T-4 largely fell below required standards.

This updated 2029/30 T-4 ILC Capacity Auction Intermediate Length Contract Exception Application Process aims to highlight key issues, and clarify requirements going forward. The key points to note are:

- Applicants are reminded that they should have their data fully complete and submitted by the Exception Application Date of 14 August 2025. The SEM Committee may reject incomplete or non-compliant applications at an early stage during the 2029/30 T-4 Exception application process.
- The SEM Committee recognises the scope for gaming by existing capacity seeking an ILC, and requires existing capacity to demonstrate rigorously that there is a genuine need to invest more than ICIRT to achieve the stated aims. Applicants should provide cost quotes that have demonstrably come directly from an independent third-party provider such as Original Equipment Manufacturers (OEMs) where possible or alternatively reports from independent consultants of appropriate standing that provide relevant cost estimates or invoices, or other proof of payments to third-parties in respect of historic projects / equipment purchases of a similar nature.

¹ Note that once awarded, capacity with an ILC is treated as New Capacity, but for the purposes of reporting in this document, they are not included in the 4,169MW_d of New Capacity, which refers to new build as opposed to refurbishment of capacity that already existed.

- If ILC Exception Applications are approved, the Final Determination letters will set out the conditions under which existing Capacity Market Units are permitted to submit multi-year offers, including the “approved financial investment plan” and the “approved physical programme of works”. If a refurbishing unit submits a multi-year offer, it will be deemed to have accepted both the “approved financial investment plan” and the “approved physical programme of works”. It is required to deliver the investment materially in line with the approved plans and submit Director’s certificates to confirm that the approved plans have been delivered before being paid in line with the ILC. If the money is spent on a materially different programme of work as to what was submitted, the RAs/SEM Committee may judge that the investment has not been undertaken materially in line with the plans;
- The SEM Committee has clarified that allowable contingency will be limited to a maximum of 5% of the Engineering, Procurement and Construction (EPC) costs. The 5% of EPC will count towards the ICIRT threshold, will be included in the “approved financial investment plan”, and can be claimed as a legitimate refurbishment investment cost when calculating multi-year USPCs. However, if the 5% contingency is not spent, this will not be regarded as a breach of the requirement to invest materially in line with the “approved financial investment plan”.
- The RAs/ SEM Committee intends to undertake enhanced monitoring of whether projected investments have actually been made, with monitoring expected to be more extensive than has been the case in the past. Notwithstanding the requirement for a Director’s certificate, the RAs may investigate further, and may, for instance require proof of refurbishment investment expenditure, such as invoices or proof of payments.
- It was mandatory for refurbishing units to submit Implementation Plans to the RAs as part of the ILC Exception Application process for the 2028/29 T-4, in order to obtain approval to submit a multi-year offer. However, given the CMC Modifications were implemented after the Qualification Application Date, the TSOs did not seek to enforce a requirement for refurbishing capacity to submit an Implementation Plan to the TSOs. The TSOs need to have visibility of planned refurbishment outages so that they can manage the risks appropriately. All ILC applicants, including refurbishing capacity, will be required to submit Implementation Plans to both the RAs and TSOs for the 2029/30 T-4 and subsequent auctions.
- For the 2029/30 T-4 auction, the RAs are introducing an opportunity for additional bi-lateral meetings between the RAs and the applicants soon after the applicant has submitted its ILC Exception Application, sometime in the window 18 August 2025 to 12 September 2025. The meetings will allow the RAs an early opportunity to discuss and understand what applicants are proposing to do by way of refurbishment, including understanding what the objective of the investment is, why it is beneficial, the evidence that has been provided in writing and what the costings are. The experience of the last T-4 process is that applicants provided a range of documents that were insufficiently explained and did not allow the RAs to relate the documents to the planned projects. It is envisaged that introducing this additional meeting at an early stage will make the process more efficient.

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Appendix A: Worked examples of how the ICIRT will be applied

1. INTRODUCTION

- 1.1.1 In May 2024, the SEM Committee published its decision (SEM-24-035) to allow Existing Capacity and New Capacity investing more than €100,000/MW_d (the Intermediate Contract Investment Rate Threshold (ICIRT)) to bid for an Intermediate Length Contract (ILC) of up to five years. Where existing capacity seeks an ILC, it may also apply to the RAs for a 5-year Unit Specific Price Cap (USPC) to allow it to bid at a price in excess of the Existing Capacity Price Cap (ECPC).
- 1.1.2 The ILC policy and the associated CMC changes and process changes were introduced at pace for the 2028/29 T-4 auction, with both the policy paper (SEM-24-035) and the ILC Exception Application Process guidance notes (SEM-24-033) published on the 2 May 2024, and the ILC Exception Applications due by 4 June 2024. The applications were submitted prior to the implementation of the requisite CMC Modifications, with the relevant CMC Mod_10_24 being published on 16 September 2024.
- 1.1.3 The auction ran in December 2024 and was successful in attracting investment to refurbish and life extend existing capacity, with five-year contracts awarded to refurbish 1,646MW_d of existing units² and to build two new “other storage” units, totalling 39MW_d of capacity.
- 1.1.4 Applicants are reminded that they should have their data fully complete and submitted by the Exception Application Date. The SEM Committee may reject incomplete or non-compliant applications at an earlier stage during the 2029/30 T-4 Exception Application process.
- 1.1.5 The Initial Auction Information Pack (IAIP) for the 2029/30 T-4 will be published on 01 August 2025. The IAIP will specify the Intermediate Contract Investment Rate Threshold (ICIRT), which must be met by applicants seeking an ILC. The ICIRT was set at €100,000/MW_d for the 2028/29 T-4 auction and will be consulted on in the 2029/30 T-4 parameters consultation. The consultation paper will set out a proposal that the ICIRT will remain at €100,000/MW_d for the 2029/30 T-4, subject to the outcome of the consultation paper.
- 1.1.6 A number of questions have been raised by market participants, about how the ICIRT test and other elements of the ILC framework will be applied in practice, so we have set out some worked examples in Appendix A. The examples cover cases where a market participant:
- Has obtained approval for an ILC bid but wishes to bid at a rate that applies to only a portion of the works proposed in the approved Exception Application, if the cost associated with these works exceeds the ICIRT but remains below the total Project Spend. As illustrated in Example 1 in Appendix A, if the unit wishes to bid for a multi-year ILC and in accordance with an approved 5-year USPC, it must deliver the investment materially in line with the “Approved Financial Investment Plan” and the “Approved Physical Programme of Works” set out in Final Determination letters. The

² Note that once awarded, capacity with an ILC is deemed as New Capacity is treated as New Capacity, but for the purposes of reporting in this document, they are not included in the 4,169MW_d of New Capacity, which refers to new build as opposed to refurbishment of capacity that already existed.

“Approved Financial Investment Plan” is that portion of the total Project Spend³ that has been approved by the SEM Committee. A market participant cannot decide to deliver on only part of the “Approved Financial Investment Plan” or part of the “Approved Physical Programme of Works”. If the market participant does not agree to deliver materially in line with the whole “Approved Financial Investment Plan” and “Approved Physical Programme of Works”, e.g. because the approved values are substantially different from the claimed total Project Spend, it should submit a 1-year offer;

- Seeks to undertake multiple refurbishment work packages, which do not individually exceed ICIRT, but exceed ICIRT in aggregate (see Example 2). If the RAs approve the multiple packages in the “Approved Financial Investment Plan”, so that the “Approved Financial Investment Plan” in aggregate exceeds ICIRT, then the market participants will be allowed to bid for an ILC on that unit;
- Seeks an ILC on part of the post-investment CMU, but not all of it (see Example 3). In such cases the RAs will calculate whether the ICIRT is met dividing the value of the approved investment by the de-rated MW of the unit. Only if the (approved investment / MW_d of unit) exceeds ICIRT will the unit be eligible to apply for an ILC. However, as illustrated in Example 4, where an existing CMU increases its capacity as a result of the refurbishment, it is possible to be approved for an ILC on the incremental New Capacity if the investment per MW_d of the New Capacity exceeds ICIRT.

- 1.1.7 **To Qualify to bid for an ILC in the 2029/30 T-4 auction, market participants must submit an ILC Exception Application by 14 August 2025**, the Exception Application Date for this auction. All relevant information should be included in the application submitted by 14 August 2025, including the fully completed relevant Excel templates, complete with supporting third-party evidence to support estimated investment as set out in Section 4 of this document.
- 1.1.8 The SEM Committee will publish a new Excel template that must be used to submit ILC Exception Applications (including for 5-year USPCs) to the RAs at the same time as it publishes other Excel Exception application templates⁴, and this briefing note provides additional guidance to support the ILC applications.
- 1.1.9 A more detailed timeline and communication procedure for the Exception Application and Opt-out notification process is outlined below.

³ As set out in the ILC Exception Application ILC template, where the applicant fills in the its proposed total Project Spend

⁴ For 1-year USPC applications and for New Capacity Exception Applications (to be approved to submit a multi-year offer of up to 10 years).

2. MANDATORY AND OPTIONAL ELEMENTS OF THE ILC EXCEPTION APPLICATION

- 2.1.1 To be eligible to apply to the RAs for an Exception Application to bid for a contract of up to five years, 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 extending the asset; increasing the reliability of the asset; increasing efficiency; improving emissions; and any other benefits that 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 will be efficiently incurred. "Gold-plating" of investment to achieve the ICIRT will not be allowed.
- 2.1.2 Post-investment, the unit will continue to meet the requirements in compliance with CO₂ emissions set out in ACER Opinion 22 of 2019 dated 17 December 2019 and with the limits set out in Article 22(4) of the CEP Regulation 2019/943 required for initial qualification under the Capacity Market Code. 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 the Specific Emissions as set out in ACER Opinion 22 of 2019 (17 December 2019).
- 2.1.3 An ILC applicant has the option to submit a multi-year USPC application, but it is not mandatory to submit a multi-year 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 that is exempt from ECPC, such as DSU capacity or intermittent renewables capacity.
- 2.1.4 An applicant will also be required to submit an Implementation Plan to both the TSOs and the RAs. The SEM Committee will consider exemptions to certain milestones if requested, where applicants can demonstrate that those milestones are not relevant to their project.
- 2.1.5 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.

- 2.1.6 It will not be mandatory for a refurbishing existing unit to submit a multi-year offer even if given approval by the SEM Committee to submit a multi-year offer, or if also approved to submit a multi-year USPC. Existing capacity retains the right to submit a 1-year offer, even if approved to submit a multi-year offer. However, it remains mandatory for existing capacity, including refurbishing capacity, which has not submitted an opt-out notification to submit at least a one-year offer. If the refurbishing capacity chooses not to undertake the refurbishment and decides to submit a one-year offer, it will be bound by ECPC, unless it has applied for and received a one-year USPC. Note that existing capacity has the right to submit a separate application for a one-year USPC as a fall-back option, if it chooses not to submit a multi-year offer.
- 2.1.7 Note that as discussed in Section 6, if a refurbishing existing unit chooses to submit a multi-year offer, it is then committed to deliver on the refurbishment programme as set out in the “approved financial investment plan” and the “approved physical programme of works”.

3. GUIDANCE ON COMPLETING MANDATORY ELEMENTS OF APPLICATION

3.1 UNIT AND CONTACT DETAILS

- 3.1.1 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.
- 3.1.2 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.
- 3.1.3 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, provided that the total approved investment exceeds the ICIRT on the Existing Capacity and the NCIRT on the incremental New Capacity⁵. Where an applicant is

⁵ Suppose that pre-refurbishment, a CMU is 100MW_d. Suppose that post refurbishment, the CMU will become 110MW_d, with the incremental 10MW_d qualified as New Capacity. Suppose that the approved investment spend is €12m. The CMU can apply for a 10y contract on the 10MW_d of New Capacity. An investment of €12m to deliver 10MW_d of New Capacity is equal to €1.2m per MW_d of New Capacity, i.e. more than the NCIRT of €300,000/MW_d. Alternatively, the CMU could apply for a 5y ILC contract on all 110MW_d of capacity, since €13m/110MW_d equals €109,091/MW_d, i.e. more than the ICIRT of €100,000/MW_d. However, in this example, the CMU could not be approved for both a 5y ILC on the 100MW_d of pre-existing capacity and a 10y contract on the 10MW_d of New Capacity. To be approved for both a 5y ILC on the 100MW_d and a 10y contract on the 10MW_d of New Capacity, the approved investment spend would have to be at least 100MW_d x ICIRT + 10MW_d x NCIRT = 100 x 100,000 + 10 x 300,000 = €13m.

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.

- 3.1.4 Where an applicant is expecting to increase capacity as a result of the investment, and is applying for an ILC⁶, 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.

3.2 INVESTMENT SPEND DETAILS

- 3.2.1 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. Note that all applicants should have credible plans to complete the refurbishment/New Capacity before the first day of the first year of the capacity contract (i.e. 1 October 2029 in the case of the 2029/30 T-4 auction), so there should not be any investment expenditure included for 2029/30 and subsequent years; and
 - By category of expenditure, broken down into type of expenditure (e.g. site procurement costs, electrical procurement costs etc).
- 3.2.2 Both of these requirements and formats are similar to the requirement set out in analogous tabs for the New Capacity Exception Application.
- 3.2.3 The investment should be genuine capex, and should not include any opex. If there is any additional opex associated with the refurbishment, participants should include it in the relevant opex line item of their multi-year USPC application, if relevant.
- 3.2.4 The SEM Committee will require applicants to support the numbers submitted in the “Investment Spend Detail” tab with additional evidence, which we would expect to be in the form of additional files (pdfs, emails etc.), including supporting third-party evidence. The evidence required is discussed in more detail in Section 4.
- 3.2.5 The SEM Committee wishes to clarify the situation with regard to allowable contingency in investment spend. In the 2028/29 T-4 auction, some applicants put in substantial estimates for contingency in seeking to show that project spend exceeds ICIRT, and also sought to recover the contingency when applying for a multi-year USPC by including it in the “refurbish. inv. for 202829” tab. The SEM Committee has clarified that allowable contingency will be

⁶ In this case, just an ILC. Not both an ILC in the Existing Capacity and a 10y contract on the incremental capacity.

limited to a maximum of 5% of the Engineering, Procurement and Construction (EPC) costs. This is in line with the CEPA/Ramboll Best New Entrant Study (SEM_23-016a) which included 5% of EPC costs as contingency in their estimates of Gross and Net CONE. For example, if the allowable EPC costs are €80,000/MW_d, allowable non-EPC costs are €20,000/MW_d (excluding contingency) then allowable contingency costs will be a maximum of €4,000/MW_d, and total allowable spend to be assessed against ICIRT will be €104,000/MW_d.

- 3.2.6 As discussed in Section 6, the SEM Committee will recognise that the €4,000/MW_d was contingency, and will not take this into account when assessing whether the applicant has spent the money materially in line with the “approved financial investment plan”.

3.3 IMPLEMENTATION PLAN

- 3.3.1 All capacity applying for an ILC exception 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.
- 3.3.2 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. It is for applicants to justify why any particular milestone is not relevant to their project. In the case of refurbishment projects, the nature of the required works may vary greatly, and as such, it is not appropriate for the RAs to specify in *ex-ante* guidelines, which milestone will be disapplied for any given project.
- 3.3.3 Whilst it was mandatory for refurbishing units to submit Implementation Plans to the RAs as part of the ILC Exception Application process for the 2028/29 T-4, the TSOs did not enforce the requirement for refurbishing existing units to submit Implementation Plans to the TSOs. In part, this was because the relevant CMC Modification (CMC_10_24, see SEM-24-063) was not approved until 16 September 2024, significantly after the Qualification Application Date of 4 June 2024. However, based on the 2028/29 T-4 auction, the TSOs remain concerned that if a significant number of refurbishing units take prolonged and coincident outage in order to refurbish, it could lead to security of supply risks. The TSOs have stated that they need to have visibility of planned refurbishment outages so that they can manage the risks appropriately. Under the CMC_10_24 the definition of New Capacity was amended to include refurbishing capacity, and refurbishing capacity is subject to the same obligations as other New Capacity, except where specifically excluded⁷. All ILC applicants, including refurbishing capacity, will be required to submit Implementation Plans to both the RAs and TSOs for the 2029/30 T-4 and subsequent auctions.

⁷ e.g. requirement to lodge performance securities

4. EVIDENCE TO SUPPORT INVESTMENT SPEND DETAIL

- 4.1.1 The SEM Committee is cognisant of the scope for gaming by existing capacity bidding for a multi-year contract, and requires refurbishing existing capacity to demonstrate rigorously that there is a genuine need to invest more than ICIRT to achieve the stated aims.
- 4.1.2 The SEM Committee would expect that the ILC related refurbishment programmes will predominantly be undertaken with the assistance of third parties such as Original Equipment Manufacturers (OEM), or other external contractors. The SEM Committee expects that the applicant should be able to provide cost quotes that have demonstrably come directly from a third-party provider, such as quotes on OEM or other third-party letterhead, or copies of emails from third parties.
- 4.1.3 The SEM Committee will not consider emails or quotes from affiliated parties as appropriate evidence to demonstrate that investment spend will exceed ICIRT- supporting evidence should be from independent sources of appropriate standing.
- 4.1.4 The SEM Committee recognises that some of the investment costs of the refurbishment project may be provided by internal company resources (e.g. internal project management), and the SEM Committee recognises that it will not always be possible to provide third-party quotes for all the costs. However, where resources are provided from within the company, the application should show clearly how these costs have estimated, including a detailed breakdown of calculations and assumptions. Where resources are procured by an affiliate from an independent third-party, the market participant should get the affiliate to source the quote from the third-party, showing that these quotes are clearly sourced from the third-party (e.g. on third-party letter, from third-party email). Estimates relating to material costs without external corroboration will not be accepted.
- 4.1.5 It should be noted that for the 2028/29 T-4 auction, all ILC Exception Applications which were approved were able to provide OEM or other independent contractor quotes, on OEM letterhead or email, with the independent quotes summing to more than €100,000/MW_d.
- 4.1.6 In some circumstances, where the OEM or third-party contractor declines to provide a quote, or only provides the quote subject to confidentiality clauses which prevents the quotes being released to the RAs, it may be possible to meet evidential requirements via other third-party verification, such as:
- Reports from third-party consultants of appropriate standing which provide relevant cost estimates; or
 - Invoices or other proof of payments to third-parties in respect of other projects / equipment of a similar nature which demonstrate costs the market participant has incurred in the past, suitably indexed for inflation, if appropriate.
- 4.1.7 The SEM Committee notes that the standard of evidence required of refurbishing capacity is higher than that which has typically been required of New Capacity in the past. The SEM

Committee considers that it is reasonable to apply a higher standard of evidence to refurbishing capacity because:

- The SEM Committee has a range of reports which indicate that it is unlikely that New Capacity can be built for less than ICIRT, which is well below Net CONE; and
- There is greater scope for gaming and the abuse of market power by refurbishing existing units, particularly where the capacity is owned by portfolio players.

5. GUIDANCE ON SUBMITTING MULTI-YEAR USPC APPLICATIONS

- 5.1.1 ILC applicants have the option to submit an application for a USPC to cover its multi-year offer- a multi-year USPC Application. 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 should 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 should 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
- 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 CY2029/30” tab, which will calculate the apportionment of investment costs to each relevant year in the “ILC Submission & Historic” tab.

- 5.1.6 Note that as with one-year applications, applicants have the opportunity to carry forward previous UFI awards, or make UFI applications in respect of years prior to the 2029/30 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 that 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 that 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 who wish to keep their options open to submit a one-year offer at a price above ECPC, should fill in a separate one-year USPC Exception Application template.

6. APPROVED PLANS, CONDITIONALITY, MONITORING AND SANCTIONS

6.1 INTRODUCTION

- 6.1.1 If the SEM Committee approves existing capacity to submit a multi-year offer, the Final Determination letter will set out the terms on which the approval is granted, including both the “approved financial investment plans” and the “approved physical programme of works” which the applicant is deemed to be committing to, if it exercises its option to submit a multi-year offer.

6.2 APPROVED FINANCIAL INVESTMENT PLANS

- 6.2.1 The SEM Committee’s Final Determination letter will set out the “approved financial investment plan”. The “approved financial investment plan”, may be as submitted to the RAs in the ILC Exception Application, or may be a lesser amount, if the SEM Committee decides

that it is appropriate to disallow a portion of the proposed investment. The “approved financial investment plan” will take the form of a profile of spend by capacity year, and will broadly take the format of the example table below.

	Investment €/£k					kWd	Investment €/kWd
	CY 2025/26	CY 2026/27	CY 2027/28	CY 2028/29	Total		
Unit name							

- 6.2.1 The “approved financial investment plan” table above may include allowed contingency (as per Section 3.2).

6.3 APPROVED PHYSICAL PROGRAMME OF WORKS

- 6.3.1 The applicant is expected to set out a “description of the nature of works to be undertaken” in the Implementation Plan tab. As part of the description of works, the applicant should outline the physical programme(s) of work that it will invest in as part of any refurbishment, its associated benefits and why the potential costs justify the benefits.
- 6.3.2 Note that applicants may base their ILC application on two or more different programmes of work that combine to exceed ICIRT, subject to satisfying the SEM Committee that the investment is justified.
- 6.3.3 The Final Determination letter will summarise the physical programme of works which the applicant is required to deliver and the “approved physical programme of works” if it is successful with a multi-year offer. This “approved physical programme of works” will reflect the “description of works to be undertaken” as set out in the application, although the SEM Committee does not guarantee to approve any or all elements of the works proposed.
- 6.3.4 If an applicant submits a multi-year offer, it will be deemed to have accepted the “approved physical programme of works” and to have accepted that it will invest materially in line with the “approved physical programme of works”. It will not be acceptable for a refurbishing unit that is awarded a multi-year ILC to spend in line with the “approved investment plan”, but to deliver a materially different physical programme of work. If an applicant with plans to refurbish existing capacity does not accept the “approved physical programme of works” as set out in the Final Determination letter, it retains the option to reject the conditionality attached to the grant of permission to submit a multi-year offer, and may submit a single-year offer instead.

6.4 COMMITMENT, MONITORING AND SANCTIONS

- 6.4.1 The Final Determination letter will make clear that the SEM Committee's decision to permit the applicant to bid for an ILC is contingent on the 'Substantial Completion' milestone (as described in sub-clause J.2.1.1(c) of the CMC) (the **SC Milestone**) being successfully achieved in line with the "approved financial investment plan" and the "approved physical programme of works" set out in line with the table above.
- 6.4.2 If the refurbishing capacity bids for a multi-year contract, it will be deemed to have accepted both the "approved financial investment plan" and the "approved physical programme of works". It will also be deemed to accept that, post-investment, it will continue to meet the requirements in compliance with CO₂ emissions set out in ACER Opinion 22 of 2019 dated 17 December 2019 and with the limits set out in Article 22(4) of the CEP Regulation 2019/943 required for initial qualification under the Capacity Market Code. Section D.4 of the CMC sets out that participants shall take account of the latest technical guidance published from time-to-time by the RAs when determining CO₂ limits and their compliance with the CO₂ limits.
- 6.4.3 In addition, under Section I.1.2A of the CMC, there are specific ex-post verification requirements for units burning certain fuel types.
- 6.4.4 If the refurbishing capacity is awarded a multi-year USPC and chooses to bid above the greater of ECPC, or it's awarded one-year USPC it will also be deemed to have accepted the "approved financial investment plan" and the "approved physical programme of works".
- 6.4.5 If an applicant with plans to refurbish existing capacity does not accept either the "approved financial investment plan" or the "approved physical programme of works" as set out in the Final Determination letter, it retains the option to reject the conditionality attached to the grant of permission to submit a multi-year offer, and must submit a single-year offer instead. The single-year offer must be at a price no higher than ECPC, or its single-year USPC, if relevant.
- 6.4.6 If the applicant is successful with a multi-year offer in the auction, as noted in SEM-24-035, and in accordance with CMC sub-clause J.4.3.2(c) and Mod CMC_10_24, in order to be paid in line with the multi-year contract, they will be required to submit a Director's certificate affirming achievement of the SC Milestone in line with the "approved financial investment plan" and "approved physical programme of works" prior to the start of the first day of the Capacity Year (i.e. 1 October 2029), and after it has undertaken the investment. CMC Mod_10_24 ensures that this requirement is reflected in the description of the 'Substantial Completion' milestone in sub-clause J.2.1.1(c) and in sub-clause J.4.3.2(c) of the CMC. By definition, this means that the refurbishment investment spend should have been incurred and the physical programme of work completed prior to first day of the first capacity year (i.e. 1 October 2029).
- 6.4.7 If the money has not been spent materially in line with the approved financial and physical plans (and submitted the Director's certificate to say so), before the first day of the first capacity year, the following sanctions will be applied:

- The unit will be paid at the auction clearing price, not at a pay-as-bid price, until it has submitted the certificate.
 - The second and subsequent years of the ILC will be terminated if the relevant investment (as confirmed in a Director's certificate) has not been completed by the first day of the second contract year (i.e. 1 October 2030).
- 6.4.8 The RAs intend to undertake enhanced monitoring of whether projected investments have actually been made in line with monitoring expected to be more extensive than has been the case in the past. Notwithstanding the requirement for a Director's certificate, the RAs may investigate further, and may, for instance require proof of refurbishment investment expenditure, such as invoices or proof of payments.
- 6.4.9 Where the applicant is also applying for a multi-year USPC, the same investment spend profile will be used to calculate the multi-year USPC. The profile of spend makes a difference to the multi-year USPC calculation, which includes a WACC return on capital. Therefore, the RAs will also be monitoring the timing of the investment spend versus the "approved investment plan", as well as the total amount actually spent, to ensure that market participants are not seeking to game the multi-year USPC application process by putting in plans which have a materially different profile from outturn spend. In particular, the RAs may seek to investigate if the investments are made in later years than set out in the "approved financial investment plan" to see if the market participant has sought to game the multi-year USPC application process by claiming that investments would be spent earlier, increasing the WACC return built into the multi-year USPC.
- 6.4.10 If the refurbishing unit submits a multi-year offer and does not invest materially in line with either the "approved financial investment plan" or the "approved physical programme of works", the RAs may investigate the applicant for market manipulation, including under the terms of B.9 of the CMC.

6.5 EXTENSIONS TO DELIVERY OF REFURBISHMENT

- 6.5.1 Market participants have questioned how potential requests for extensions by parties awarded ILCs will be treated under key CMC provisions such as:
- J.5.5 (Extension of Long Stop Date by Third Party Planning Appeal or Judicial Review);
 - J.5.6 (Extension of Capacity Quantity End Date and Time);
 - J.5.7 (Extension of Long Stop Date and/or Capacity Quantity End Date and Time pursuant to Extension of Date for Substantial Financial Completion); and
 - J.5.8 (Extension to Long Stop Date and/or Capacity Quantity End Date and Time after achieving Substantial Financial Completion).
- 6.5.2 Capacity that was previously Existing Capacity but wins an ILC to refurbish becomes New Capacity, once it is awarded the ILC. Therefore, it is treated as New Capacity in all respects, unless otherwise specifically provided for by the terms of the CMC.

6.5.3 For instance, specific relevant terms include:

- The application of a 12-month Long Stop Date for Awarded New Capacity (including refurbishing capacity that was previously Existing Capacity) that has been awarded a contract of duration of 2 to 5 years;
- No requirement to lodge performance security and termination payments to cover non-delivery of refurbishing capacity; and
- Specific payment terms for refurbishing capacity, which is late in delivering the approved refurbishment programme, but can provide capacity for up to 12 months based on its unrefurbished previously existing capacity (under G.3.1.9 of the CMC).

6.5.4 The RAs consider that a key advantage of refurbishment projects is that they typically come with lower delivery risk than new build projects. Many, if not most refurbishment projects may avoid the need for planning permission, and may avoid the need for building additional electricity or gas connection assets, reducing the risk of delays. However, once awarded, ILCs refurbishing capacity will be deemed to be New Capacity under the terms of the CMC and will be eligible to apply to the RAs for extensions under J.5.5, J.5.6, J.5.7 and J.5.8. **These provisions are not considered to be enduring and may be reviewed by the SEM Committee ahead of future auctions.**

6.5.5 As stated in J.5.7.1 “The provisions of this section J.5.7 apply to Awarded New Capacity with a Maximum Capacity Duration of more than one Capacity Year, allocated pursuant to T-3 or T-4 Auctions for the Capacity Year beginning 1 October 2024 and to Auctions for subsequent Capacity Years, until such time as the Regulatory Authorities consider appropriate.” J.5.8.1 makes a similar statement in respect of Section 5.8.1. As there is no specific carve out in respect of refurbishing capacity in respect of Sections 5.7 or 5.8, these sections are applicable to refurbishing capacity as well as applying to capacity which did not previously exist, which is seeking an ILC.

6.5.6 Market participants should note that RAs are aware that refurbishing capacity could seek to game the system, by using the provisions of G.3.1.9 (payment for up to one year of late delivery using unrefurbished capacity) and the provisions within sections J.5.5 to J.5.8 to extend the contract, with a view to receiving payment for up to six years. Such misuse of the provisions is not acceptable, and market participants are reminded of the Market Manipulation provision in Section B.9 of the CMC.

7. COMMUNICATION WITH APPLICANTS

7.1 OVERVIEW

7.1.1 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 to be published in June. 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).

- 7.1.2 All contact with the RAs for the purposes of an Exception Application or opt-out notification processes should be through the above email addresses.
- 7.1.3 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.
- 7.1.4 The RAs shall, upon receipt of an ILC Exception Application, assign it 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.
- 7.1.5 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.
- 7.1.6 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.
- 7.1.7 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.
- 7.1.8 As part of the ILC Exceptions Application determination process the RAs may request a meeting(s) with the applicant.

7.2 Process Timeline

- 7.2.1 The expected timelines for the ILC Exception Application process for this CRM T-4 auction for Capacity Year 2029/30 is set out below in Table 1 and is aligned with timescales for other Exception Application processes.
- 7.2.2 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.

7.2.3 An ILC Exception Application shall:

- Contain the information required by the RAs. Information request templates will be published alongside other Exception Application templates in June; and
- Contain a certificate signed on behalf of the participant by a participant director.

7.2.4 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. **In particular, the RAs draw potential applicants' attention to the requirements to provide third-party evidence, as set out in Section 4, to support their estimates of Investment Spend.** This detailed information assists the RAs in assessing the applicants USPC application and determining a draft and final decision.

7.2.5 The RAs are introducing an opportunity for an additional bi-lateral meeting between the RAs and the applicant soon after the applicant has submitted its ILC Exception Application, sometime in the window 18 August 2025 to 12 September 2025. The meeting will allow the RAs an early opportunity to discuss and understand what applicant is proposing to do by way of refurbishment, including understanding what the objective of the investment is, why it is beneficial, the evidence that has been provided and what the costings are. The experience of the last T-4 process is that applicants provided a range of documents that were insufficiently explained and did not allow the RAs to relate the documents to the planned projects. It is envisaged that introducing this additional meeting at an early stage will make the process more efficient. The RAs would then be in a better position to issue a more informed set of written questions, and receive more informed responses prior to the draft decisions on 17 November 2025.

Table 1: ILC Exception Application process timeline for T-4 CY2029/30 Capacity Auction

Date	Description
1 August 2025	Initial Auction Information Pack published
1 August to 14 August 2025	ILC Exception Application window
18 August 2025	RAs notify System Operators of all ILC Exception Applications and will also issue an acknowledgement to all applicants confirming receipt of Application.
02 Sept 2025	Qualification Application deadline
15 August to 30 September	RAs initial assessment/screening of applications
18 August to 12 September 2025	Initial meeting with ILC Exception Applicants to discuss and clarify application and documents submitted
30 September 2025	RAs may send follow up questions to ILC Exception Application participants
14 October 2025	Deadline by which Exception Application participant(s) respond to RA questions
17 November 2025	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 accept the ILC exception application; • The RAs' draft decision with respect to USPCs
17 November 2025	RAs issue draft Exception Application decision(s) to System Operators
1 December to 9 December 2025	RAs offer meeting with Exception Application participant
15 December 2025	Deadline by which Exception Application participant(s) can provide feedback to draft decision
27 February 2026	RAs submit final Exception Application decision (s) to System Operators
4 March 2026	Final qualification results announced
4 March 2026	Final Auction Information Pack published
26 March 2026	T-4 2029/30 Auction date

8. TREATMENT OF CONFIDENTIAL INFORMATION

- 8.1.1 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.
- 8.1.2 Dissemination of applicant's data within the RAs will be limited, with access to storage of physical and electronic copies being protected.
- 8.1.3 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.
- 8.1.4 It is the applicant's responsibility to clearly mark as confidential any information that it considers confidential.

9. NEXT STEPS

- 9.1.1 The ILC Exception Application deadline is 14 August 2025.
- 9.1.2 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

Appendix A: Worked examples of how the ICIRT will be applied

Example 1:

Suppose there is an existing CMU, which is looking to do a refurbishment programme, which consists of multiple work packages (projects). The market participant submits an ILC and 5-year USPC application proposing to invest €12m in Project A, and €20m in Project B, i.e. a total of €32m. Suppose that it submits a 5y USPC claim of €129/kW_d/yr to cover its refurbishment costs, and other Net Going Forward Costs.

It is qualified as 100MW_d by the TSOs, and is 100MW_d both before and after the investment programme.

Suppose that the SEM Committee reduces the allowed investment on Project B from €20m to €10m. As set out in their Final Determination letter, the total “Approved Financial Investment Plan” is €22m, and the “Approved Physical Programme of Works” covers both Project A and Project B. The SEM Committee approves a 5y USPC of €115/kW_d/yr, due to the approved investment being lower than the applied for value.

At that point, if the market participant wishes to bid for an ILC, it must deliver both projects and investment materially in line with the “Approved Financial Investment Plan” of €22m. It cannot decide at that point it only wants to do Project A, even though Project A alone entails a spend of €12m, which equates to €120,000/MW_d. That is because if it bids for a multi-year contract it will be deemed to have accepted the “Approved Financial Investment Plan” and the “Approved Physical Programme of Works”, and must deliver materially in line the approved plan and physical programme of works.

The market participant can choose to bid for a 5-year contract and deliver both Project A and B, and spend more than the €17m, provided it bids at no more than the approved USPC of €115/kW_d/yr.

If the market participant is not prepared to bid at €115/kW_d/yr, then it must revert to submitting a 1 year offer at ECPC, or at its 1-year USPC if it has applied for and been approved for a 1-year USPC.

It should be noted that if at Provisional Determination stage, the applicant has submitted all necessary information, it would have allowed the RAs to calculate the provisional value of the “Approved Financial Investment Plan” as being €22m, and the provisional 5-year USPC determination as being €115/kW_d/yr, and communicated them to the applicant at Provisional Determination stage. The applicant could then have revised its submission following receipt of the Provisional Determination, informing the RAs that it now only wants to undertake Project A. That would have allowed the SEM Committee to have reflected only Project A in the “Approved Financial Investment Plan” and the “Approved Physical Programme of Works” set out in the Final Determination letters. This emphasises the benefit to applicants of ensuring that the RAs have all necessary information at start of the process, submitted with initial applications.

Example 2:

Suppose there is an existing CMU, which is looking to do a refurbishment programme, which consists of multiple work packages, Project A that cost €5m and Project B that costs €6m, i.e. a total of €11m.

It is qualified as 100MW_d by the TSOs, and is 100MW_d both before and after the investment programme.

If the SEM Committee approves both projects (and both have to be deliverable before the start of the first day of the first Capacity Year), then the “Approved Financial Investment Plan” will total €11m, i.e. €110,000/MW_d. The “Approved Physical Programme of Works” will refer to both Project A and Project B, and the market participant will be permitted to bid for an ILC, subject to delivering materially in line with the “Approved Financial Investment Plan” and the “Approved Physical Programme of Works”, which means delivering both Projects and spending materially in line with the approved €11m.

Example 3:

Suppose there is an existing CMU, which is looking to do a refurbishment programme.

It is qualified as 100MW_d by the TSOs, and is 100MW_d both before and after the investment programme. It is looking to spend €8m, this would equate to €80,000/MW_d and therefore will fail the ICIRT (€100,000/MW_d) test. It cannot meet the ICIRT by only refurbishing a portion of its existing capacity to meet the threshold, for example by getting a 5y contract on the first 80MW_d and a 1y contract on the remaining 20MW_d.

Example 4:

Suppose there is an existing CMU, which is looking to do a refurbishment programme. Let us assume that the TSOs qualify it as having 100MW_d of Existing Capacity, and 15MW_d of additional New Capacity, which is a result of the refurbishment.

In this example, to be eligible to apply for a 5-year ILC on the whole 115MW_d the investor must be spending at least €11.5m. However, suppose they are spending less than €11.5m but more than €1.5m, then we would allow them to bid for a 5y contract on the incremental 15MW_d New Capacity. This is analogous to the way a market participant would be allowed to bid for a 10y contract on the incremental New Capacity if they were spending more than NCIRT on the 15MW_d increment, i.e. more than €4.5m.