



**Single Electricity Market
(SEM)**

**Capacity Market Code Modifications
Workshop 37**

Approved Modification Text Drafting for CMC_07_24

SEM-26-006

20 February 2026

1. Introduction

1.1. Background

CMC_07_24 was raised by Energia and discussed at Capacity Market Code (CMC) Modifications Workshop 37 held on 29 May 2024. The proposal seeks to amend how Exempt Price Quantity Pairs are treated in the resolution of constraints in an auction run by maintaining the primacy of one-year contracts in the resolution of constraints, but giving next preference to shorter duration Exempt Price Quantity Pairs over longer duration Exempt Price Quantity Pairs.

The RAs consulted on this proposal in [SEM-24-047](#), alongside three other proposals, from 01 July 2024 until the closing date of 02 August 2024. On 27 September 2024, the SEM Committee published its decision in [SEM-24-070](#) to undertake further consideration in relation to the matters raised in the Modification Proposal. In its decision, the SEM Committee requested that the System Operators (SOs) assess the solution and provide an impact assessment to give effect to this Modification. The SEM Committee would then consider the proposed solution, assess any unintended consequences that might arise and progress the appropriate legal drafting. The two key considerations in the SEM Committee's decision were to maintain the primacy of one-year offers in the resolution of constraints and to prioritise shorter duration offers in the resolution of constraints.

2. SO Impact Assessment

On 30 January 2026, the SOs provided their final impact assessment with proposed amended legal text for implementation of CMC_07_24, which has been published alongside this document. In this impact assessment, the SOs propose an alternative approach where the price that is used for Exempt Price-Quantity (PQ) Pairs is redefined for the purposes of clearing in an auction, so that it equates to the offer price multiplied by the offered capacity duration. This gives priority to shorter duration Exempt PQ Pairs.

The SOs' proposed legal drafting seeks to maintain the primacy of one-year offers via wording in F.8.4.4(f), which requires the total of non-Exempt PQ Pairs to be greater than or equal to the Net Required Quantity, or, if this is not possible, it states explicitly that all PQ Pairs of one-year duration that contribute to satisfying the constraint shall clear. For clarity, this wording relates to satisfying the

Net Required Quantity in respect of a Locational Capacity Constraint (LCCA). Examples are provided in the SOs' assessment.

Where the LCCA requirements are not binding, the SOs state that as the offered prices of Exempt PQ Pairs are being multiplied by their duration, the requirement to prevent Exempt PQ Pairs clearing ahead of one-year offers for Net Social Welfare is no longer required.

According to the SOs' assessment, the inclusion of duration in the price of Exempt PQ Pairs ensures that Exempt PQ Pairs clearing ahead of one-year offers is highly unlikely. An example is provided to illustrate that, where the LCCA requirements are not binding, for a five-year offer to displace a one-year offer, the only way that the Net Social Welfare of the one-year offer would be less than that of the five-year offer is where the one-year offer is inflexible and significantly overshoots the demand curve, which would likely require an offer from a unit much larger than anything on the system today. This example is illustrated in detail in the impact assessment.

The RAs have reviewed this legal drafting, engaged with the SOs and are satisfied that the amended legal drafting is in line with the SEM Committee's decision in SEM-24-070 and achieves the objective of CMC_07_24. Importantly, the SEM Committee considers that the SOs have correctly interpreted its decision SEM-24-070 in regard to the two key considerations, namely, maintaining the primacy of one-year offers, and prioritising shorter duration offers in the resolution of constraints. The SEM Committee, therefore, will make the modification CMC_07_24 using the approved legal drafting below.

3. Summary of Decision

Following consideration of the SOs' impact assessment, the SEM Committee have decided:

Modification	Decision	Implementation Date
CMC_07_24: Treatment of Capacity Contracts of Varying Duration in Constrained Auction Solution	Make a Modification	04 March 2026*

* This Modification will be implemented on the 04 March 2026, in line with the Final Auction Information Pack for the T-4 2029/30 Capacity Auction, subject to confirmation that the changes have been implemented correctly in the CMP.

APPROVED MODIFICATION TO CAPACITY MARKET CODE DRAFTING FOR CMC_07_24: TREATMENT OF CAPACITY CONTRACTS OF VARYING DURATION IN CONSTRAINED AUCTION SOLUTION

Include the following in Chapter F:

F.7 CAPACITY AUCTION OFFERS

F.7.1.1 A capacity auction offer (“**Capacity Auction Offer**”) shall relate to a single Capacity Market Unit and shall comply with the following requirements:

...

(j) the offered capacity duration in any price-quantity pair shall be a whole number of Capacity Years between one and the Maximum Capacity Duration for the capacity associated with that price-quantity pair and shall not decrease with increasing price;

F.8.4 Capacity Auction Clearing

...

Finding the initial single solution

F.8.4.2 The objective of the System Operators in applying the methodology set out in this section F.8.4 is to seek to maximise the Net Social Welfare which is the value of:

- (a) the area under the Demand Curve between a demand of zero MW and the cumulative quantity cleared from price-quantity pairs; less
- (b) the sum over all price-quantity pairs of the price of the price-quantity pair multiplied by the quantity cleared,

subject to the restrictions set out in paragraphs F.8.4.3 and F.8.4.4.

F.8.4.3 Any price-quantity pair associated with New Capacity with both:

- (a) an offered price greater than the Auction Clearing Price; and
- (b) an offered capacity duration greater than one Capacity Year,

shall be cleared to a level of zero MW and shall not otherwise be considered in the process described in this section F.8.4, unless the Capacity Market Unit has been exempted by the Regulatory Authorities under paragraph F.4.1.9~~it is an Exempt Price Quantity Pair~~.

F.8.4.3A In respect of any Capacity Market Unit that has been exempted from paragraph F.8.4.3 by the Regulatory Authorities under paragraph F.4.1.9, any price-quantity pair with both:

- (a) an offered price greater than the Auction Clearing Price; and
- (b) an offered capacity duration greater than one Capacity Year,

shall be considered an Exempt Price-Quantity Pair and for the purposes of section F.8.4 shall have a price equal to the offered price multiplied by the offered capacity duration.

F.8.4.4 Subject to paragraphs F.8.4.6, F.8.4.6A and F.8.4.7, the System Operators shall determine the remaining price-quantity pairs contained in Capacity Auction Offers cleared in a Capacity Auction by applying the following rules:

...

(e) from the set of price-quantity pairs relating to Capacity Market Units that contribute to satisfying the Net Required Quantity determined in respect of a Locational Capacity Constraint: either:

(i) either

(A) the cumulative quantity cleared equals or exceeds the Net Required Quantity (subject to any violations determined in accordance with paragraph F.8.2.3); or

(B) if sub-paragraph (A) does not apply, all of those price-quantity pairs shall be cleared; and

(ii) the cumulative quantity cleared does not exceed the Net Maximum Quantity (subject to any violations determined in accordance with paragraph F.8.2.3); and

(f) from the set of price-quantity pairs relating to Capacity Market Units that contribute to satisfying the Net Required Quantity determined in respect of a Locational Capacity Constraint and are not Exempt Price-Quantity pairs, either: Exempt Price-Quantity Pairs are not to be cleared to satisfy a Locational Capacity Constraint or to maximise Net Social Welfare until all applicable price-quantity pairs with an offered capacity duration of one Capacity Year have been cleared.

(i) the cumulative quantity cleared equals or exceeds the Net Required Quantity (subject to any violations determined with paragraph F.8.2.3); or

(ii) if sub-paragraph (i) does not apply, all of those price-quantity pairs with an offered duration of one year shall be cleared.

...

F.8.4.6A An Exempt Price-Quantity Pair and an price-quantity pair with a Maximum Capacity Duration of one year which both offer the same price shall not be considered as tied price-quantity pairs for the purposes of paragraph F.8.4.6.

Amend the following in the Glossary:

**Exempt Price-
Quantity Pair**

means a price-quantity pair with a price greater than the Auction Clearing Price and an offered capacity duration greater than one Capacity Year, where the relevant Capacity Market Unit has been exempted from the application of paragraph F.8.4.3 by the Regulatory Authorities under paragraph F.4.1.9.has the meaning given in paragraph F.8.4.3A.