



## **Single Electricity Market**

**(SEM)**

### **Capacity Market Code Modifications**

#### **Workshop 33 Consultation Paper**

**CMC\_19\_23: Modification to Implement the SEMC Decision set out in SEM-23-038 and SEM-23-045 on Indexation of Capacity Payments**

**SEM-23-082**

**06 October 2023**

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# 1. OVERVIEW

## 1.1 ABSTRACT

1.1.1 The purpose of this consultation paper is to invite industry participants to provide feedback and comments regarding the proposed Modification to the Capacity Market Code (CMC) discussed at Workshop 33, held on 21 September 2023.

1.1.2 During this Working Group, six Modifications were presented. This consultation paper relates only to:

**CMC\_19\_23:                      Modification to Implement the SEMC Decision set out in SEM-23-038 and SEM-23-045 on Indexation of Capacity Payments**

## 1.2 BACKGROUND

1.2.1 On the 07 September 2023, the Regulatory Authorities (RAs) submitted a Modification Proposal (CMC\_19\_23) under the terms of B.12.4 of the CMC.

1.2.2 The RAs reviewed the Modification Proposal prior to submission and determined that it wasn't spurious nor urgent and therefore categorised the proposal as Standard.

1.2.3 The RAs then determined the procedure to apply to the Modification Proposal. This is shown in Appendix A. An overview of the timetable is as follows:

- i. The System Operators convened Workshop 33 where the Modification Proposal was considered on 21 September 2023.
- ii. The System Operators, as set out in B.12.7.1 (j) of the CMC, prepared a report<sup>1</sup> of the discussions which took place at the workshop, provided the report to the RAs, and published it on the Modifications website after the workshop.
- iii. The RAs will now consult on the Modification Proposal, with a response time of no less than 20 Working Days (as defined in the CMC), from the date of publication of the Consultation.
- iv. As required by B.12.11 the RAs will make their decision as soon as reasonably practicable following conclusion of the consultation and will publish a report in respect of their decision.

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<sup>1</sup> [Capacity-Modifications-Workshop-33-Report.pdf \(sem-o.com\)](#)

## 1.3 PURPOSE OF THIS CONSULTATION PAPER

- 1.3.1 The purpose of this paper is to consult on the proposed standard Modification. Further detail is set out in the appended Modification Proposal in Appendix B.
- 1.3.2 The Regulatory Authorities hereby give notice to all Parties and the Market Operator of a consultation on the proposed Modification.
- 1.3.3 Interested Parties and the Market Operator are invited to make written submissions concerning the proposed Modification by no later than 17:00 on Friday 17 November 2023.
- 1.3.4 **Please note that late submissions will not be accepted.**
- 1.3.5 Upon closure of the consultation process, the Regulatory Authorities intend to assess all valid submissions received and form a decision to implement, reject or undertake further consideration of the Modification.

## 2. MODIFICATION PROPOSAL

### 2.1 CMC\_19\_23 – MODIFICATION TO IMPLEMENT THE SEMC DECISION SET OUT IN SEM-23-038 AND SEM-23-045 ON INDEXATION OF CAPACITY PAYMENTS

Proposer: RAs

[CMC\\_19\\_23: Proposal Overview](#)

- 2.1.1 This Modification intends to implement the SEM Committee’s decision set out in SEM-23-038 and SEM-23-045 to apply indexation to multi-year New Capacity projects who won in the 2024/25 T-3 and 2025/26 T-4 Capacity Auctions.
- 2.1.2 The Modification would introduce a new section under Chapter M: Interim Arrangements of the CMC and a total of six subsections under this new section, specifying:
- To whom the indexation measure will apply to,
  - The start date of the period over which indexation will apply,
  - The end date of the period over which indexation will apply,
  - The option to limit indexation until Substantial Financial Completion (SFC) or 30 days after the publication of SEM-23-045,
  - How the Indexation Factor is to be calculated, and
  - That the Capacity Payment Price for the affected projects shall be the Indexation Factor multiplied by the Capacity Payment Price determined in accordance with F.9.1 of the CMC.

- 2.1.3 This Modification would also introduce new definitions into the glossary of the CMC to account for the new terms used within the legal drafting.
- 2.1.4 The Modification also seeks to correct what appear to be errors within the CMC to maintain consistency with the proposed changes to the code and to avoid conflict with the new proposed arrangements under Chapter M.
- 2.1.5 Clause E.8.6.1 of the CMC, which the new provisions proposed to be introduced under Chapter M depend on, currently refers to the term “Exception Qualification”. This term is not defined within the CMC and is not used anywhere else in the code and is therefore proposed to refer instead to the defined term, “Exception Application”.
- 2.1.6 This Modification also proposes to delete clause F.9.1.2 of the CMC which states “Except to the extent provided in the Trading and Settlement Code, the Capacity Payment Price shall not be subject to indexation or adjustment” of any sort. This clause appears to have no effect and would create conflict with the new arrangements under Chapter M proposed to be introduced. This clause, therefore, is being proposed to be deleted to avoid any confusion.
- 2.1.7 As currently drafted, the Modification proposed to introduce this wording under M.13 of the CMC. However, given the recent decision to approve CMC\_07\_23 (SEM-23-077)<sup>2</sup>, the wording under the new arrangements in Chapter M should fall under M.14.
- 2.1.8 Failure to implement this Modification would mean the CMC would not reflect the decision set out in SEM-23-038 and SEM-23-045.
- 2.1.9 Further details on the Modification Proposal are set out in the appended Modification Proposal Appendix B, which includes the draft changes to the CMC.

#### CMC\_19\_23: Working Group Feedback

- 2.1.10 Capacity Market Code Modifications Workshop 33 took place on Thursday, 21 September 2023 where the Modification was presented and discussed.
- 2.1.11 The RAs presented the Modification and highlighted an error in the Modification Proposal Form. This error was in relation to the definition of “Capacity Payment Price Indexation Detailed Decision Date”. The RAs advised that where the definition refers to the date of 11 May 2023, it should instead be referred to **03 July 2023**, the actual date of publication of SEM-23-045.
- 2.1.12 Kilshane Energy sought clarification on the options to limit the period over which Indexation is to be applied, i.e., the options to limit Indexation up until the date SFC is declared or within 30 days after the publication of SEM-23-045.
- 2.1.13 The RAs explained the rationale for giving affected projects these options, clarifying that investors could achieve SFC early and can choose to limit the period over which indexation is to

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<sup>2</sup> [WP-05: Institutional Arrangements \(semcommittee.com\)](#)

be calculated. This would reduce exposure for investors to inflation risk beyond the point they fix their CapEx costs, at the time they sign their key contracts.

### CMC\_19\_23: Minded To Position

- 2.1.14 The SEM Committee welcomes feedback and comments regarding the proposed Modification.
- 2.1.15 As this Modification is needed to implement the decision set out in SEM-23-038 and SEM-23-045, the SEM Committee is minded to approve the Modification.

## 3. CONSULTATION QUESTIONS

- 3.1.1 The SEM Committee welcomes views and responses on the proposed Modification raised within this consultation paper.
- 3.1.2 Respondents are invited to provide comments and feedback in respect of:
- the proposed Modification and its consistency with the Code Objectives.
  - any impacts not identified in the Modification Proposal Form, e.g., to the Agreed Procedures, the Trading and Settlement Code, IT systems etc.; and
  - the detailed CMC drafting proposed to deliver the Modification.
- 3.1.3 A template has been provided in Appendix C for the provision of responses.

## 4. NEXT STEPS

- 4.1.1 The SEM Committee intends to decide at the earliest, by Wednesday 06 December 2023 and publish their decision by 11 December 2023 on the implementation of the Modification outlined within this consultation paper as per B.12.11.1 of the CMC.
- 4.1.2 Responses to the consultation paper **must** be sent to both the UR and CRU CRM Submissions inboxes ([CRMsubmissions@uregni.gov.uk](mailto:CRMsubmissions@uregni.gov.uk) and [CRMsubmissions@cru.ie](mailto:CRMsubmissions@cru.ie)), **by close of business 17:00pm on Friday 17 November 2023. Please note that late submissions will not be accepted.**
- 4.1.3 We intend to publish all responses unless marked confidential. While respondents may wish to identify some aspects of their responses as confidential, we request that non-confidential versions are also provided, or that the confidential information is provided in a separate annex. Please note that both Regulatory Authorities are subject to Freedom of Information legislation.