



**Single Electricity Market
(SEM)**

Capacity Remuneration Mechanism

Exception Application and

Opt-out Notification Process

for T-1 2020/21 and T-2 2021/22 Capacity Auctions

Briefing note

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Appendix A – 2020-22 New Capacity Application Template

Appendix B – USPC Application Template

Appendix C – 2020-22 Opt-out Notification Template

2. INTRODUCTION

- 2.1.1 The I-SEM CRM detailed design and auction process has been developed through a series of consultation and decision papers, these are all available on the SEM Committee's (SEMC) website¹. These decisions were translated into legal drafting of the market rules via an extensive consultative process leading to the publication of the Trading and Settlement Code (TSC) on 12th April 2017 and the Capacity Market Code (CMC) on 2nd June 2017. Both these documents are also available from the SEMC's website.
- 2.1.2 The CMC describes the process by which market participants must follow in relation to participation in a CRM auction. This includes detail in relation to the requirement for market participants to apply for Regulatory Authority (RA) approval for certain exception applications (section E.5 of the CMC) and opt-out notification determination (section E.3 of the CMC).
- 2.1.3 The key processes outlined in this note relate to:
- i. The exceptions application process outlined in section E.5 of the CMC. This can be for proposed new capacity to have a price fix of more than 1 and up to 10 years, and for all or part of existing capacity to be subject to a Unit Specific Price Cap (USPC) in a capacity auction.
 - ii. Those opt-out notification applications for which the RAs are required to make a determination. This specifically relates to a capacity provider's unit which will be undertaking a planned outage of more than three months or will be mothballed during the relevant capacity year to which the auction relates. The circumstances in which an Opt-out Notification may be submitted are set out in section E.3 of the CMC.
- 2.1.4 It should be noted that, in regards to Opt-Out Notifications, the RAs invite applications that relate only to the specifications stated in E.3.1.1 (b) of the CMC, in that a Candidate Unit will be undertaking a Planned Outage that results in it not being available for more than three months or will be Mothballed during the Capacity Year to which the Capacity Auction relates. All other Opt-Out Notifications must be submitted to the System Operator by the date specified within the Capacity Auction Timetable.
- 2.1.5 The qualification processes for both the CY2020/21 T-1 and CY2021/22 T-2 capacity auctions follow the same timelines with applicants being notified of Final Qualification and Exceptions Application results on 8th November 2019.

¹ <https://www.semcommittee.com/>

3. EXCEPTION APPLICATION AND OPT-OUT NOTIFICATION PROCESS

3.1 Overview

- 3.1.1 The Capacity Market Code (CMC) in section E.5 describes the process for market participants applying for RA approval for exception applications. This can be for proposed new capacity to have a price fix of more than 1 and up to 10 years, and for all or part of existing capacity to be subject to a Unit Specific Price Cap (USPC) in a capacity auction.
- 3.1.2 In addition to the relevant CRM decision papers and workshops the SEM Committee have published Information Notes on the Unit Specific Price Cap (USPC) Application Process in regards to the T-1 CY2018/19 Capacity Auction (SEM-17-090)² and the T-4 CY2022/23 Capacity Auction (SEM-19-020)³. These Information Notes provide a background to the assessment approach applied by the Regulatory Authorities and SEM Committee in assessing previous exception applications received under E.5 of the Capacity Market Code.
- 3.1.3 The Capacity Market Code (CMC) in section E.3 describes the concept of market participants applying for an opt-out notification. More specifically a participant may seek RA approval for the purposes of paragraph E.3.1.1(b), for a unit that will be undertaking a planned outage that results in it not being available for more than three months; or a unit that will be mothballed. A participant is required, if applicable under E.3.1.1(b) of CMC, to provide a copy of the determination of the RAs as part of their opt-out notification submission to the System Operators, otherwise the System Operators shall reject the opt-out notification. A more detailed timeline and communication procedure for the opt-out notification RA determination process is outlined below.
- 3.1.4 A more detailed timeline and communication procedure for the exception application and opt-out notification process is outlined below.

3.2 Communication with Applicants

- 3.2.1 Participants wishing to apply for RA approval for an exception application or an opt-out notification, or to communicate with the RAs during the process shall (unless otherwise notified) only contact the RAs through the use of both email addresses given below:
- CRMsubmissions@uregni.gov.uk, and
 - CRMsubmissions@cru.ie
- 3.2.2 As described in section E.5 in the CMC, an exception application shall contain the information required by the RAs and set out in the templates provided in Appendix A and B of this note.

² <https://www.semcommittee.com/publication/sem-17-090-information-paper-crm-uspc-application-process>

³ <https://www.semcommittee.com/sites/semc/files/media-files/SEM-19-020%20-%20Info%20Paper%20T-4%20CY202223%20USPC%20App%20Processes.pdf>

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).

- 3.2.3 As described in section E.3 in the CMC an opt-out notification submission shall contain the information required by the RAs and set out in the template form given in Appendix C of this note.
- 3.2.4 If an applicant attempts to contact the RAs for the purposes of an exception application or opt-out notification process through another avenue the applicant will be directed to contact the RAs through the two above email addresses.
- 3.2.5 All communication by participants in relation to the exception application or the opt-out notification process will be to these email addresses, including applying for RA approval for an exception application or opt-out notification, providing information requested by the RAs or organising a meeting as part of the process.
- 3.2.6 The RAs will put in place procedures to ensure a fair and equitable process for all applicants, with all applicants having equal access to the same information necessary to prepare and advance their exception applications in a timely manner.
- 3.2.7 The RAs will use the email address contact given in the participants' submitted exception application or opt-out notification 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.
- 3.2.8 The RAs shall upon receipt of an exception application or opt-out notification assign 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.
- 3.2.9 During the exception application process the RAs will, following issuing of the draft determinations, offer the applicant the opportunity to meet with staff involved in processing the application. Minutes will be taken of any meetings and the RAs will endeavour to have representation from both RAs in attendance at each meeting.
- 3.2.10 As part of the opt-out notification RA determination process the RAs may request a meeting(s) with the applicant. Minutes will be taken of any meeting(s) and the RAs will endeavour to have representation from both RAs in attendance at each meeting.
- 3.2.11 During the exception application and opt-out notification process the RAs may request a call with the applicant. Minutes will be taken of any call and the RAs will endeavour to have representation from both RAs on each call.
- 3.2.12 In the event that in the course of meetings or calls concerning an application the RAs provide any information to the applicant that has not otherwise been made public, if appropriate the RAs will provide that information publicly in an appropriate manner.

3.3 Process Timeline

3.3.1 The expected timeline for the exception application process for the CRM T-1 and T-2 transitional auction for Capacity Years 2020/21 and 2021/22 are set out below in Table 1 and the expected timelines for the opt-out notification RA determination process for the CRM T-1 and T-2 transitional auctions for Capacity Years 2020/21 and 2021/22 are set out below in Table 2. These tables provide more detail on the proposed process timeline.

Exceptions Applications

3.3.2 Table 1 sets out the key dates and deadlines for communications between the applicant and the RAs. As set out in section E.5 in the CMC, 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.

3.3.3 As described in section E.5 in the CMC an exception application shall:

- contain the information required by the RAs. Information request templates are included in Appendix A and B of this note; and
- contain a certificate signed on behalf of the participant by a participant director.

3.3.4 An important point to note is the distinction between the general process the System Operators will carry out as part of their Provisional Qualification Results Date processes and the RAs processes and timings associated with those qualification exception applications which require the RAs determination. In summary, the distinction is:

- **General capacity auction qualification applications to System Operators:** applicants will be advised by the System Operators of their Provisional Qualification Results by the date specified in the corresponding Capacity Auction Timetable. For CY2020/21 T-1, the capacity auction date is 26th November 2019. For CY2021/22 T-2, the capacity auction date is 5th December 2019. This allows for applicants to request a review by the TSOs and if necessary go through the disputes process.
- **Capacity auction qualification exception applications submitted to RAs for which this briefing note is particularly relevant:** The exception application process timelines are detailed below. The RAs will provide the applicant with the provisional qualification decision and allow time for the applicant to respond. It is important to be aware that the RAs will not be in a position to advise the System Operators as to whether or not they have approved an exception application before the Provisional Qualification Results Date within the Capacity Auction Timetable (30th August 2019). The CMC allows for this circumstance and therefore when issuing the Provisional Qualification Results to all applications the System Operators will assume the exception application has been approved (CMC E.5.1.9).

The CMC clarifies further that if the RAs do not notify the System Operators that they approve an exception application in respect of a Capacity Auction before the Final Qualification Results date, then the RAs shall be deemed not to have approved it (CMC E.5.1.10).

As can be seen from the timeline in Table 1 below, it is the RAs intention to notify the System Operators of the RAs decision regarding exception applications by the end of October 2019.

Opt-Out Application to the RAs

- 3.3.5 As described in section E.3.2 of the CMC an opt-out notification submission for RA determination shall:
- contain the information required by the RAs. The information request template is included in Appendix C of this note;
 - contain a certificate signed on behalf of the participant by a participant director.
- 3.3.6 As set out in section E.3 in the CMC, applicants are required to submit their opt-out notification to the System Operators by the opt-out notification deadline (which for both the T-1 CY2020/21 and T-2 CY2021/22 auctions is 14th June 2019). If applicable (under E.3.1.1(b) of CMC) applicants must provide a copy of the RAs determination as part of their opt-out notification submission to the System Operators.
- 3.3.7 Table 2 sets out the key dates and deadlines for communications between the applicant and the RAs. The deadline for applying for an RA opt-out determination is 27th May 2019. Section E.3.2.1⁴ of the CMC states a Participant is to submit an application to the RAs not later than four weeks prior to the Opt-out Notification Date specified in the Capacity Auction Timetable. However, the RAs acknowledge the difficulty this presents for Participants and with this in mind, the RAs have decided to accept Opt-Out applications at a later time on this occasion.

⁴ E.3.2.1 “A participant seeking a determination of the Regulatory Authorities for the purposes of paragraph E.3.1.1(b) shall submit an application to the Regulatory Authorities not later than four weeks prior to the Opt-out Notification Date specified in the Capacity Auction Timetable”

Table 1: Proposed exception application process timeline for T-1 CY2020/21 and T-2 CY2021/22 Capacity Auctions

Date (2019)	Description
31 st May	Initial Auction Information Pack published
31 st May – 28 th June	Qualification & Exception Application window
1 st July	RAs notify System Operators giving details of Exception Applications received.
28 th June – 26 th July	RAs initial assessment/screening of applications
19 th July	RAs send follow up questions to exception application participants
12 th Aug	Deadline by which exception application participant(s) respond to RA questions
6 th Sept	RAs issue draft exception application decision(s) to participant(s) and System Operator
13 th Sept	Deadline by which applicants can request a meeting to discuss Draft Determinations
20 th Sept	Deadline by which any and all in-person meetings must be held
24 th Sept	Deadline by which exception application participant(s) can provide feedback to draft decision.
31 st Oct	RAs submit final exception application decision(s) to System Operators (ahead of deemed approval deadline in CMC)
8 th Nov	Final qualification results announced
8 th Nov	Final Auction Information Pack published

Table 2: Proposed opt-out notification RA determination process timeline for T-1 CY2020/21 and T-2 CY2021/22 Capacity Auctions

Date (2019)	Description
27 th May	Deadline for applying for RA opt-out determination according to the CMC is 17 th May.
28 th May	RAs notify System Operators giving details of opt-out notification submission(s) received
27 th May – 31 st May	RAs initial assessment/screening of applications
31 st May	If required RAs send follow up questions/request for information to opt-out notification applicant(s). Alternatively RAs may request call or meeting.
31 st May	Initial Auction Information Pack published
14 th June	Deadline by which opt-out notification applicant(s) respond to RA questions/information requests
5 th June	RAs send follow up questions if required to opt-out notification applicant(s), seeking response within 3 working days. Alternatively RAs may request call or meeting.
10 th June	Deadline by which opt-out notification applicant(s) respond to RA additional follow up questions.
14 th June	Opt-out notification deadline to System Operators
6 th Sept	Date by which RAs notify applicant(s) and System Operator of draft determination on opt-out notification
31 st Oct	RAs submit final application decision(s) to System Operators (ahead of deemed approval deadline in CMC)
8 th Nov	Final Qualification Results announced
8 th Nov	Final Auction Information Pack published

4. TREATMENT OF CONFIDENTIAL INFORMATION

- 4.1.1 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.
- 4.1.2 Dissemination of applicant's data within the RAs will be limited, with access to storage of physical and electronic copies being protected.
- 4.1.3 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.
- 4.1.4 It is the applicant's responsibility to clearly mark as confidential any information that it considers confidential.

5. NEXT STEPS

- 5.1.1 The System Operators will publish an Initial Auction Information Pack at the end of May, at the start of Qualification window. The Initial Auction Information Pack will set out a range of information (set out in section D.3 of CMC) that will help market participants to submit their qualification information, and to decide whether to submit an exception application.
- 5.1.2 The qualification window will open on 31 May 2019, with the qualification window closing and the exception application deadline falling on 28 June 2019.
- 5.1.3 As set out in section E.3 in the CMC, applicants are required to submit their opt-out notification to the System Operators no later than the opt-out notification deadline of 14th June 2019. If applicable (under E.3.1.1(b) of CMC) applicants must provide a copy of the RAs determination as part of their opt-out notification submission to the System Operators. The deadline for applying for RA approval for opt-out determination is 27th May 2019.
- 5.1.4 As set out in section 3.2 above any participants wishing to apply for RA approval for an exception application and/or opt-out notification shall contact the RAs through the use of both email addresses below:
- CRMsubmissions@uregni.gov.uk, and
 - CRMsubmissions@cru.ie