

## **M.11 Alternative Secondary Trading Arrangements**

M.11.1.1 For any date prior to the earlier of the First Secondary Trading Day or such date as the Regulatory Authorities notify that it should no longer apply, this section M.11 will apply.

### **M.11.2 Alternative Secondary Trade Notification**

M.11.2.1 A Participant may submit to the System Operators a written notice (called an “**Alternative Secondary Trade Notification**”) in respect of a proposed Secondary Trade specifying:

- (a) The Capacity Market Unit of the Participant seeking to purchase MW quantities (the “**Buyer**”);
- (b) The Capacity Market Unit of the Participant seeking to sell MW quantities (the “**Seller**”);
- (c) A Trade Identifier which, in conjunction with the Capacity Market Unit ID of the Buyer and Seller allows the trade to be uniquely identified;
- (d) The MW quantity of the proposed trade;
- (e) The date and time of the start of the proposed trade;
- (f) The date and time of the end of the proposed trade; and
- (g) The price in £/kW per year or €/kW per year that applies to the proposed trade.

M.11.2.2 A Participant submitting an Alternative Secondary Trade Notification in the role of the Buyer under paragraph M.11.2.1 must provide written confirmation it is seeking to enter into the proposed Secondary Trade for a Legitimate Reason affecting a specified Capacity Market Unit of the Participant during the forward period over which the trade will apply, and reflects the impact of the Legitimate Reason on the capacity of that Capacity Market Unit.

M.11.2.3 If the MW quantity in a proposed Secondary Trade exceeds the Buyer Limit, then the System Operators shall reduce the quantity so that the quantity equals the Buyer Limit.

M.11.2.4 If the MW quantity in a proposed Secondary Trade, as adjusted under M.11.2.3, exceeds the Seller Limit, then the System Operators shall reduce the quantity so that the quantity offered equals the Seller Limit.

M.11.2.5 Alternative Secondary Trade Notifications are firm, unconditional and irrevocable.

M.11.2.6 The System Operators have no obligation to follow up any Participant that has not submitted a valid Alternative Secondary Trade Notification and shall have no liability in respect of any Alternative Secondary Trade Notification they have not received or that contains information that is incorrect or incomplete or does not reflect the Participant’s intentions.

M.11.2.7 A Participant may submit an Alternative Secondary Trade Notification in respect of a Capacity Market Unit only:

- (a) where the Capacity Market Unit is currently Qualified for the Capacity Year, or under section E.10 is to be treated as if it had been Qualified, for the entire forward period over which the proposed trade will apply; and
- (b) to the extent the Capacity Market Unit is providing Existing Capacity.

### **M.11.3 Role of System Operators**

M.11.3.1 The System Operators must do all things necessary to operate and administer the Alternative Secondary Trading Arrangements in accordance with this section M.11 including:

- (a) providing facilities for the receipt and processing of Alternative Secondary

- Trade Notifications;
- (b) validating Alternative Secondary Trade Notifications and the associated proposed Secondary Trades;
  - (c) determining and publishing the outcome of Secondary Trades, including Awarded Capacity and prices;
  - (d) Update the Capacity and Trade Register with the details of a valid trade as soon as reasonable practicable.

M.11.3.2 The System Operators shall reject a proposed Secondary Trade set out in an Alternative Secondary Trade Notification if:

- (a) it does not form part of a matching Trade Pair, where a Trade Pair is formed of matching Alternative Secondary Trade Notifications from Buyer and Seller submitted within **[x] Working Days of each other**;
- (b) the start of the proposed trade is before the time the trade was notified;
- (c) the end of the proposed trade is at or before its start;
- (d) the MW quantity of the proposed trade after adjustment pursuant to M.11.2.4 is zero; or
- (e) it does not comply with the requirements set out in this section M.11.

M.11.3.3 The System Operators shall notify Participants if their proposed Secondary Trade is rejected pursuant to M.11.3.2 as soon as practicable, identifying the reason for such rejection.

#### M.11.4 **Product Load Following Factor**

M.11.4.1 The Product Load Following Factor for a Product is a value that allows for the impact of the Capacity Quantity Scaling Factor (as calculated in accordance with paragraph F.18.2.1 of the Trading and Settlement Code).

M.11.4.2 The Product Load Following Factor for the specific time interval covered by a proposed Secondary Trade shall be determined in accordance with a methodology determined by the Regulatory Authorities from time to time.

#### M.11.5 **Applicable Exchange Rate**

M.11.5.1 The exchange rate applicable to a trade is:

- (a) if the forward period over which the Trade applies will commence more than a year after the date of the Secondary Trade Request, the Annual Capacity Payment Exchange Rate for the relevant Capacity Year (as last calculated under section [K.2](#)); and
- (b) otherwise, the Monthly Capacity Payment Exchange Rate for the Month in which the forward period over which the Trade applies commences (as last calculated under section [K.2](#)).

#### M.11.6 **Buyer Limits and Seller Limits**

M.11.6.1 The “**Initial Position**” of a Capacity Market Unit in respect of the period of time to which a proposed Secondary Trade relates is the Net Capacity Quantity of that Capacity Market Unit in respect of that period of time immediately prior to the proposed Secondary Trade

M.11.6.2 The Buyer Limit for a Capacity Market Unit is the Initial Position of the Capacity Market Unit

M.11.6.3 The Seller Limit for a Capacity Market Unit is the value calculated as:

- (a) the Available De-Rated Capacity less the Initial Position of the Capacity Market Unit,
- (b) divided by the Product Load Following Factor for the traded period.

M.11.6.4 For the purposes of paragraph M.11.6.3:

- (a) the level at which a Participant is seeking to trade in a proposed Secondary Trade is the Initial Position of the relevant Capacity Market Unit plus the incremental MW quantity offered in that proposed Secondary Trade; and
- (b) “Available De-Rated Capacity” is the lesser of the Commissioned Capacity and the Gross De-Rated Capacity (Total) of the Capacity Market Unit (when the Capacity Market Unit was last Qualified in respect of the Capacity Year).

#### M.11.7 **Restrictions on secondary trade**

M.11.7.1 For the purposes of this section M.11, each of the following is a “Legitimate Reason”:

- (a) one or more of the Generator Units or the Interconnector comprising the Capacity Market Unit is or are undertaking a Planned Outage;
- (b) one or more of the Generator Units or the Interconnector comprising the Capacity Market Unit is or are adversely affected by a Forced Outage;
- (c) one or more of the Generator Units comprising the Capacity Market Unit is or are adversely affected by an Ambient Outage;
- (d) one or more Variable Generator Units comprising the Capacity Market Unit is or are adversely affected by:
  - (i) fluctuations in the availability of its primary energy source; or
  - (ii) if the primary energy source for the Variable Generator Unit is wave, tidal or run-of-river hydro energy, a restriction or limitation affecting its capacity to generate arising under a Legal Requirement;
- (e) one or more of the Generator Units or the Interconnector comprising the Capacity Market Unit are adversely affected by a condition that the Regulatory Authorities notify the System Operators that they consider to be a Legitimate Reason in respect of the Generator Unit or Interconnector, following an application under paragraph M.11.7.2, during the period the Regulatory Authorities specify in their notice; or
- (f) in the case of paragraph M.11.2.2, if as a result of one or more prior Secondary Trades a Participant’s Net Capacity Quantity in respect of the Capacity Market Unit exceeds its total Awarded Capacity allocated in respect of that Capacity Market Unit as a result of a Capacity Auction for the relevant Capacity Year (and as recorded in the Capacity and Trade Register with a Commissioning Status Flag of “Actual”), and the effect of the proposed Secondary Trade is to cancel the effect of one or more of those prior Secondary Trades on the Net Capacity Quantity, provided that the relevant Secondary Trade Auction is not less than two Working Days prior to the commencement of the forward period over which the relevant Product will apply.

M.11.7.2 A Participant may apply to the Regulatory Authorities for a determination for the purposes of paragraph M.11.7.1(e) in relation to a Generator Unit or Interconnector where the Participant considers that any of the following conditions applies:

- (a) there has been a material long-term unplanned reduction in the reliability of the

plant associated with the Generator Unit or Interconnector since it Qualified;

- (b) the Generator Unit or Interconnector is no longer economic and the Participant wishes to close the Generator Unit or Interconnector before the end of its existing capacity obligation; or
- (c) an equivalent or similar condition to those set out in sub-paragraph (a) or (b).

M.11.7.3 A Participant seeking approval of the Regulatory Authorities under paragraph M.11.7.2 shall provide supporting evidence.

#### M.11.8 Capacity and Trade Register

M.11.8.1 The Awarded Capacity arising from a proposed Secondary trade which is not rejected shall be the MW quantity of such trade, as adjusted pursuant to M.11.2.4.

M.11.8.2 The price of the Awarded Capacity shall be the price specified in the proposed Secondary Trade.

M.11.8.3 The System Operators shall record details of all Secondary Trades in the Capacity and Trade Register, where:

- (a) Awarded Capacity arising from a Secondary Trade sale shall be entered as negative value;
- (b) Awarded Capacity arising from a Secondary Trade purchase shall be entered as a positive value; and
- (c) all Contract Register Entries in the Capacity and Trade Register in respect of a Secondary Trades shall be identified by a Secondary Trade Flag.

#### M.11.9 Secondary Trade Results

M.11.9.1 The System Operators shall notify Participants submitting an Alternative Secondary Trade Notification of the Awarded Capacity and associated price as soon as practicable.

M.11.9.2 The System Operators shall publish the following information about the Secondary Trade Results:

[xxx].

### Glossary

*Modify the definition of Secondary Trade as follows:*

**Secondary Trade** in respect of a Capacity Market Unit, means either:

- (a) Awarded Capacity the subject of a Product acquired in a Secondary Trade Auction; or
- (b) Awarded Capacity the subject of the Alternative Secondary Trade Arrangements set out in section M.11.