



**Single Electricity Market
(SEM)**

Capacity Remuneration Mechanism

**Information Note: Application of ARHL De-Rating
Factors to DSUs**

SEM-23-008

31 January 2023

APPLICATION OF ARHL DE-RATING FACTORS TO DEMAND SIDE UNITS

The SEM Committee is providing clarification on the application of Annual Run Hour Limit (ARHL) De-Rating factors for DSUs in this information note. The decision on the application of ARHL De-Rating factors was set out in SEM-22-044.

DSUs with Maximum On Times of less than 6.5 hours are already subject to additional de-rating as a result of limitations on their running regime.

The SEM Committee wishes to make clear that the de-rating factor for a DSU CMU (or Candidate Unit) with a Maximum On Time of less than 6.5 hours and an ARHL De-Rating Factor of less than one will be determined as the lesser of:

- (i) *Considering only the ARHL De-Rating Factor:* The de-rating factor determined as though the Maximum On Time were greater than 6.5 hours (e.g., for the 2026/27 T-4 Auction using Tables 1 and 6 of the IAIP); and
- (ii) *Considering only the Maximum On Time De-Rating Factor:* The de-rating factor determined as though the ARHL De-rating factor of the CMU were 1 (e.g., for the 2026/27 T-4 Auction using Table 4 of the IAIP).

The decision in SEM-22-044 makes clear that ARHL De-Rating Factors should apply to DSUs and AGUs. For DSUs, the decision recognises that the run hour limits themselves will apply to the Individual Demand Sites. However, it does not make clear how the IDSs would be aggregated to the DSU level, and more than one methodology could be used. For AGUs, the existing Capacity Market Code explicitly deals with the aggregation issue in E.8.2.7 and E.8.2.8 but no such rules exist for DSUs.

The SEM Committee wishes to make clear that the same principle should be applied to the determination of the impact of ARHLs on DSUs as is applied for other types of aggregated units, e.g., AGUs.

For example, Gross De-Rated Capacity for IDSs should be summed together to create the Gross De-Rated Capacity of the DSU in the same way that the Gross De-Rated Capacity of the individual Generators are summed to form the Gross De-Rated Capacity of an AGU.

As for an AGU (E.8.8.2), the Gross De-Rating Factor of a DSU will be the ratio of its Gross De-Rated Capacity to its Initial Capacity.

For the avoidance of doubt, this information note does not seek to constrain how this principle is enacted through the Capacity Market Code.

The SEM Committee request the RAs to raise any Modifications to the CMC required to deliver this clarification to its decision set out in SEM-22-044. The Committee would hope that any enabling Modification could be presented at the next CMC Modifications Working Group.