



CMC\_16\_23 - Extension to New Capacity Impacted by Indexation  
Capacity Market Workshop 32

## Modification Background

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- This modification proposes to introduce an extension, similar to that available under CMC\_15\_22, for projects which are affected by the SEMC's indexation decision (SEM-23-038).
- Through this decision, the SEMC is acknowledging that the volatile inflationary environment from 2022 onwards was a significant issue for New Capacity and one which needed to be addressed to ensure these projects could proceed.
- As such, a prudent and rational investor could not have been expected to proceed with a final investment decision on their project prior to a decision on indexation.
- The length of time taken for a final decision resulted in delays for these projects which has exposed them to contract erosion, and possible termination if the projects do not achieve Substantial Completion by the Long Stop Date.
- Given that these delays are incurred through no fault of the Participant, we are proposing an extension is available to a maximum of the duration of the decision process. Specifically, a period of 343 days representing the difference between when the indexation modification was raised (2 June 2022) and when a decision was made (11 May 2023).

## Modification Drafting

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- While we have not proposed drafting within the modification proposal, we believe that this modification would fit into the existing sections of the CMC introduced in CMC\_15\_22.
- Any extension awarded as a result of indexation should run in parallel to any other extensions awarded to a project (i.e., not stacking).
- Additionally, we believe that all New Capacity contracts should be limited to a payment period of no greater than 10 years. This means that the extension awarded to a project should be reduced if it is delivering earlier than the extension period forecasts.
- The proposed extension period is 343 days, representing the difference between the date that the modification was raised and the date that the SEMC decision was published.