

MODIFICATION PROPOSAL FORM			
Proposer <i>(Company)</i>	Date of receipt <i>(assigned by System Operator)</i>	Type of Proposal <i>(delete as appropriate)</i>	Modification Proposal ID <i>(assigned by System Operator)</i>
EP UK Investments	7 th September 2023	Standard	CMC_20_23
Contact Details for Modification Proposal Originator			
Name	Telephone number	Email address	
Harry Molloy		h.molloy@tynaghenergy.ie	
Modification Proposal Title			
Amendment to the Timing of Opt Out Notifications			
Documents affected <i>(delete as appropriate)</i>	Section(s) Affected	Version number of CMC used in Drafting	
Capacity Market Code			
Explanation of Proposed Change <i>(mandatory by originator)</i>			
<p>EP UK Investments (EPUKI) is proposing a modification which would enable Capacity Market Units (CMU) to Opt-Out of a Capacity Auction, following the exceptions application process. This would enable CMUs which have had a request for a Unit Specific Price Cap (USPC) rejected, to opt-out of the Capacity Auction. This is necessary for older conventional units which are more likely to rely on a USPC to remain open in the future. Failure to obtain a USPC will result in such units being forced to operate at a loss unless they are permitted to opt-out.</p> <p>This risk of exposure to loss creates a negative retention signal for existing capacity in the Single Electricity Market (SEM). This creates a situation where older generation may opt to shutdown rather than make a USPC application and risk exposure to a year-long contract which does not cover their expected costs. We believe that this signal undermines Security of Supply in the SEM. Due to the current critical state of Security of Supply in Ireland and Northern Ireland, we believe that sending positive retention signals to Existing Capacity is essential.</p> <p>This modification is necessitated due to two key market developments in the past five years:</p> <ol style="list-style-type: none"> 1. At the time when the Capacity Remuneration Mechanism (CRM) and Capacity Market Code (CMC) were developed there was an excess of capacity in the SEM and a strong retention signal was not considered as critical as it is at present. During this time, numerous conventional generators have shut down and replacement generation has struggled to deliver through the CRM. This has meant that the criticality of retaining Existing Capacity is much greater than it was when the CRM rules were developed, and the CMC was drafted. 2. Since the introduction of the current SEM arrangements, the CRM has become a much more critical element of generators ability to operate. In October 2015, the maximum System Non-Synchronous Generation (SNSP) in the SEM was 50%. This has since been increased to 75% which means that the SEM can facilitate a much greater volume of renewable generation. This increase in system capability, coupled with renewable support schemes has seen low-carbon generation play a much greater role in the energy and balancing markets. This has meant that conventional generation receives less revenue from these channels. This means that the CRM plays a much greater role in overall generator revenues than it did when it was introduced. Subsequently, failure of a unit to secure a USPC in a Capacity Auction will have a greater impact than would have been the case in previous years. 			

Legal Drafting Change

*(Clearly show proposed code change using **tracked** changes, if proposer fails to identify changes, please indicate best estimate of potential changes)*

This modification would require the removal of Section E.5.1.11 which states:

E.5.1.11 For the avoidance of doubt, the rejection or deemed rejection by the Regulatory Authorities of an Exception Application is not grounds for a Participant giving an Opt-out Notification and does not affect any Qualification Decisions.

Exception applications for Maximum Capacity Duration of greater than one year are only applicable to New Capacity and therefore we would not expect this amendment to affect other types of exception applications.

This modification will also require changes to Appendix C: Capacity Auction Timetable.

35	Opt-out Notification Date: the last date a Participant can submit an Opt-out Notification	A-21 Weeks A-6 Weeks
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This amendment would enable Participants to Opt-out prior to final qualification submission date.

Modification Proposal Justification

(Clearly state the reason for the Modification)

As outlined above, the CMC does not provide strong retention signals for Existing Capacity in the SEM. This is reflective of the state of the market at the time the CRM was designed. The nature of the SEM, and the necessary outcomes of the CRM have changed significantly since then, resulting in a need to retain Existing Capacity to address Security of Supply challenges.

The possibility of being locked into a twelve-month contract where your costs of operation are not recovered through a capacity contract represents a significant risk for older generation. This is compounded by the fact that older units may receive less revenue through the energy and System Services market. As such, Existing Capacity may choose to leave the market in order to avoid this scenario.

Code Objectives Furthered

(State the Code Objectives the Proposal furthers, see Sub-Section A.1.2 of the CMC Code Objectives)

A.1.2 Capacity Market Code Objectives

(b) to facilitate the efficient, economic, and coordinated operation, administration, and development of the Capacity Market and the provision of adequate future capacity in a financially secure manner.

(c) to facilitate the participation of undertakings including electricity undertakings engaged or seeking to be engaged in the provision of electricity capacity in the Capacity Market

(g) through the development of the Capacity Market, to promote the short-term and long-term interests of consumers of electricity with respect to price, quality, reliability, and security of supply of electricity across the Island of Ireland.

Implication of not implementing the Modification Proposal

(State the possible outcomes should the Modification Proposal not be implemented)

Failure to implement this modification will result in continued and growing exposure for conventional generation units to material levels of risk. This risk exposure may result in Existing Capacity leaving the SEM due to being economically infeasible. This will worsen a critical Security of Supply issue and result in a continued reliance on temporary emergency generation at cost to the consumer.

Impacts

(Indicate the impacts on systems, resources, processes and/or procedures)

Please return this form to the System Operators by email to CapacityModifications@sem-o.com

Notes on completing Modification Proposal Form:

1. If a person submits a Modification Proposal on behalf of another person, that person who proposes the material of the change should be identified on the Modification Proposal Form as the Modification Proposal Originator.
2. Any person raising a Modification Proposal shall ensure that their proposal is clear and substantiated with the appropriate detail including the way in which it furthers the Code Objectives to enable it to be fully considered by the Regulatory Authorities.
3. Each Modification Proposal will include a draft text of the proposed Modification to the Code unless, if raising a Provisional Modification Proposal whereby legal drafting text is not imperative.
4. For the purposes of this Modification Proposal Form, the following terms shall have the following meanings:

CMC / Code:	means the Capacity Market Code for the Single Electricity Market
Modification Proposal:	means the proposal to modify the Code as set out in the attached form
Derivative Work:	means any text or work which incorporates or contains all or part of the Modification Proposal or any adaptation, abridgement, expansion or other modification of the Modification Proposal

The terms "System Operators" and "Regulatory Authorities" shall have the meanings assigned to those terms in the Code.

In consideration for the right to submit, and have the Modification Proposal assessed in accordance with the terms of Section B.12 of the Code, which I have read and understand, I agree as follows:

1. I hereby grant a worldwide, perpetual, royalty-free, non-exclusive licence:
 - 1.1 to the System Operators and the Regulatory Authorities to publish and/or distribute the Modification Proposal for free and unrestricted access;
 - 1.2 to the Regulatory Authorities to amend, adapt, combine, abridge, expand or otherwise modify the Modification Proposal at their sole discretion for the purpose of developing the Modification Proposal in accordance with the Code;
 - 1.3 to the System Operators and the Regulatory Authorities to incorporate the Modification Proposal into the Code;
 - 1.4 to all Parties to the Code and the Regulatory Authorities to use, reproduce and distribute the Modification Proposal, whether as part of the Code or otherwise, for any purpose arising out of or in connection with the Code.
2. The licences set out in clause 1 shall equally apply to any Derivative Works.
3. I hereby waive in favour of the Parties to the Code and the Regulatory Authorities any and all moral rights I may have arising out of or in connection with the Modification Proposal or any Derivative Works.
4. I hereby warrant that, except where expressly indicated otherwise, I am the owner of the copyright and any other intellectual property and proprietary rights in the Modification Proposal and, where not the owner, I have the requisite permissions to grant the rights set out in this form.
5. I hereby acknowledge that the Modification Proposal may be rejected by the Regulatory Authorities and that there is no guarantee that my Modification Proposal will be incorporated into the Code.