



Trading and Settlement Code Modifications Committee
c/o Esther Touhey
SEMO Modifications Committee Secretariat
The Oval
160 Shelbourne Rd
Dublin 4

19 March 2024

Our Ref: F/24/950

SEM Committee Decision for the Regulatory Authorities in relation to Mod_07_22 (Final Recommendation FRR_07_22)

Dear Esther,

On 20 October 2022, the Modifications Committee submitted its Final Recommendation Report (FRR) regarding Modification Proposal *Mod_07_22 'Indexation to Calculation of Capacity Payments for New Capacity'* in accordance with Paragraph B.17.18.1 of Part B of the SEM Trading and Settlement Code (TSC). The Modification Proposal *Mod_07_22* was submitted to the Modifications Committee by Tynagh Energy on 2 June 2022 and discussed and voted on at Meeting 113 on 20 October 2022.

This Modification was raised by Tynagh Energy to include a term in the calculation of capacity payments to account for construction-related inflation for new capacity. The concern that prompted the proposal was that new capacity would be unable to build as a result of high and unexpected rates of inflation following, in particular, the invasion of Ukraine. Tynagh Energy proposed that this adjustment would only be activated in circumstances where construction-related inflation exceeded a standard threshold. Tynagh Energy believed that this would help to

mitigate the risk that projects which secure new capacity contracts would be unable to build as a result of rising inflation costs.

The RAs note that this Modification was recommended for approval on a majority basis by the Modifications Committee on 20 October 2022.

In December 2023 the SEM Committee decided to approve a proposed modification to the Capacity Market Code; CMC_19_23 (Modification to Implement the SEMC Decision set out in SEM-23-038 and SEM-23-045 on Indexation of Capacity Payments). This modification to the Capacity Market Code implemented the SEM Committee's decision set out in SEM-23-038 and SEM-23-045 to apply indexation to multi-year New Capacity projects which won in the 2024/25 T-3 and 2025/26 T-4 Capacity Auctions.

Considering the above, and in accordance with Paragraph B.17.20 of Part B of the SEM Trading and Settlement Code, the SEM Committee rejects Modification Proposal *Mod_07_22* 'Indexation to Calculation of Capacity Payments for New Capacity', as set out in Appendix 1 of FRR_07_22.

Yours sincerely,

Kevin Hagan
Manager
Wholesale Electricity Markets
Commission for Regulation of Utilities

Ross McFaul
Manager
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(Sent by email with no signature)