

MODIFICATION PROPOSAL FORM

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|-------------------------------------|--|---|---|
| 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> |
| Utility Regulator | 12/08/19 | Urgent | CMC_07_19 |

Contact Details for Modification Proposal Originator

| | | |
|----------------|-------------------------|----------------------|
| Name | Telephone number | Email address |
| Kevin Lenaghan | | |

Modification Proposal Title

Treatment of Multiyear Contracts in the Event of Simultaneous Capacity Auctions

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|---|----------------------------|---|
| Documents affected <i>(delete as appropriate)</i> | Section(s) Affected | Version number of CMC used in Drafting |
| Capacity Market Code | E.9, F.3, F.7, F.9.3 | 2.0 |

Explanation of Proposed Change
(mandatory by originator)

When two auctions are timetabled to run close together, it is possible that the Final Qualification Decisions for the second auction will occur before the results of the first auction are known. If a CMU, which is participating in both auctions, is given a multi-year award in the first auction this would normally be netted off its Gross De-rated Capacity for the second auction to produce the Net De-rated Capacity: however, in the situation described the timing does not permit such a change under the current CMC drafting. In this situation, the CMU could be given a multi-year contract award for the same capacity in both auctions. This is clearly not in line with the Code Objectives and this proposed Modification seeks to deal with this situation in the CMC.

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

Add:

E.9.6 Amendment of the Final Qualification Results

E.9.6.1 - Notwithstanding paragraph E.9.4.8, the System Operators shall modify the Net De-rated Capacities for a Capacity Market Unit if:

- a) the Capacity Auction Results of a previous auction are released, under paragraphs E.9.2.1 or published E.9.4.1, after the RAs have approved, or are deemed to have approved under paragraph E.9.4.7, the Final Qualification Decisions in respect of a Capacity Year; and
- b) these Capacity Auction Results alter the Awarded Capacity in respect of that Capacity Market Unit and Capacity Year.

- **E.9.6.2** - Where the System Operators are required to modify the Net De-rated Capacities for a Capacity Market Unit, they shall re-determine the values of Net De-rated Capacity (Existing) and Net De-rated Capacity (New) using the methodology set out in sub-paragraphs (d) and (e) respectively of paragraph E.8.3.1. Such re-determination will use the updated Awarded Capacity.

- **E.9.6.3** - The System Operators shall notify Participants of any amended Final Qualification Decisions in respect of their Capacity Market Units, as set out in paragraph E.9.4.9, as soon as reasonably practicable.
- **E.9.6.4** - As soon as reasonably practicable following a re-determination under paragraph E.9.6.2, the System Operators shall publish a revised set of ~~Final~~ Qualification ~~Results~~~~Decisions~~ in the form set out in paragraph E.9.5.1.

F.3 DEMAND CURVE

Add:

- **F.3.1.8** - Following a re-determination of Net De-rated Capacities by the System Operators under sub-section E.9.6, the RAs may elect to re-determine the Demand Curve to be used for the Capacity Auction.
- **F.3.1.9** - If the RAs intend to exercise their right to modify the Demand Curve then they shall notify the System Operators of the updated Demand Curve no later than [5] Working Days prior to the Capacity Auction Run Start. If the System Operators do not receive an updated Demand Curve by this time, then they will use the Demand Curve published in the Final Auction Information Pack.
- **F.3.1.10** - If the RAs submit a modified Demand Curve pursuant to paragraph F.3.1.9, the System Operators shall publish a revised Final Auction Information Pack as set out in paragraph F.5.1.3 as soon as reasonably practicable and not later than [5]WD prior to the auction. This revised Final Auction Information Pack will be identical to the originally published version save for containing the modified Demand Curve and any change to the list of Qualified Capacity Market Units that can contribute to satisfying a constraint.

F.7 CAPACITY AUCTION OFFERS

Add:

- **F.7.1.2A** - Where a Participant submits a Capacity Auction Offer for a Capacity Market Unit which is rendered inconsistent with sub-paragraphs (h) and (i) of paragraph F.7.1.1 as a result of a change to the Net De-rated Capacity of that unit following a re-determination pursuant to sub-section E.9.6, the System Operators shall:
 - c) notify the affected Participant as soon as reasonably practicable of the inconsistency;
 - d) allow at least [2] Working Days to permit the Participant to submit an updated Capacity Auction Offer for the affected Capacity Market Unit which will replace the original offer; and
 - e) if necessary to allow re-submission of Capacity Market Offers under sub-paragraph (b), delay the Auction Run Start.

F.9.3 Approval of Final Capacity Auction Results by Regulatory Authorities

Add:

- **F.9.3.3A** - If the RAs determine that the sum of the Awarded Capacity for a Capacity Market Unit exceeds its Net De-rated Capacity as modified pursuant to sub-section E.9.6 then they may choose to either:

- a) approve modified Awarded Capacity associated with one or more price-quantity pairs for the affected Capacity Market Unit to ensure that the total Awarded Capacity is consistent with the Net De-rated Capacity; or
- b) annul the auction pursuant to paragraph F.9.3.3.

Modification Proposal Justification
(Clearly state the reason for the Modification)

The new sub-section E.9.6 is intended to allow the Net De-rated Capacity of a unit to be adjusted, even after the Final Qualification Decisions, if the Awarded Capacity for a CMU in the Capacity Auction has changed since these Decisions were made as a result of the publication of the Auction Results of an earlier auction.

The addition to section F.3 recognises that changes in Awarded Capacity also have an impact on the setting of the Demand Curve (see F.3.1.1(a) and F.3.1.4(a)). The drafting allows the RAs to recognise the impact of a late change to the Awarded Capacity in the Demand Curve, without extending the Capacity Auction Timetable and delaying the auction.

The addition to section F.7 recognises that a late change to Net De-rated Capacity may arise after a Participant has submitted its offer to the second Capacity Auction. In this situation, rather than expecting the System Operators to estimate how the Participant would have adjusted its offer, the Participant is given time to amend its original offer to one consistent with the results of the first auction. It is important, in this situation, that the CMU is not assigned the default offer set out in F.7.1.3 as the failure to submit a valid set of price-quantity pairs is not the fault of the Participant.

Finally, the addition to sub-section F.9.3 is designed to manage the situation where the change to Net De-rated Capacity is not discovered until after the second auction has taken place. This is most likely to occur if the Final Auction Results of the first auction differ from their provisional values. In this situation, the RAs are left with the choice of either trying to modify the Auction Results from the second auction to remove capacity that was awarded a multi-year contract in the first auction or to annul the auction results, with the intention of re-running the auction with corrected input offers.

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

A.1.2.1 This Code is designed to facilitate achievement of the following objectives (the “Capacity Market Code Objectives”):

- (e) to provide transparency in the operation of the SEM;

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

Non-implementation of proposed Modification leaves the possibility open that a CMU could be given a multi-year contract award for the same capacity in both auctions being run simultaneously. This is clearly not in line with the Code Objectives.

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

- In order to facilitate the modification proposed above under F.7.1.2A a system change may

be required to allow for the re-submission of Capacity Market Offers from Participants. This could also impact upon resourcing in regards to operation of the Capacity Market Platform.

- Implementation of F.3.1.9 may impact on processes set out within the Capacity Auction Timetable.

Please return this form to the System Operators by email to modifications@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 Modifications Committee.
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:

| | |
|-------------------------------|---|
| Agreed Procedure(s): | means the detailed procedures to be followed by Parties in performing their obligations and functions under the Code as listed in Appendix D "List of Agreed Procedures". |
| T&SC / Code: | means the Trading and Settlement 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 "Market Operator", "Modifications Committee" 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 2 of the Code (and Agreed Procedure 12), 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 Market Operator and the Regulatory Authorities to publish and/or distribute the Modification Proposal for free and unrestricted access;
 - 1.2 to the Regulatory Authorities, the Modifications Committee and each member of the Modifications Committee 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 Market Operator 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 Modifications Committee and/or the Regulatory Authorities and that there is no guarantee that my Modification Proposal will be incorporated into the Code.