



**Single Electricity Market
(SEM)**

**Capacity Remuneration Mechanism
Exception Application and
Opt-out Notification Process
for T-4 2024/25 Capacity Auction**

Briefing note

SEM-20-032

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Appendix A – 2024-25 New Capacity Application Template

Appendix B – 2024-25 USPC Application Template

Appendix C – 2024-25 Opt-out Notification Template

2. INTRODUCTION

- 2.1.1 The I-SEM CRM detailed design and auction process has been developed through a series of consultation and decision papers, these are all available on the SEM Committee's (SEMC) website¹. These decisions were translated into legal drafting of the market rules via an extensive consultative process leading to the publication of the Trading and Settlement Code (TSC) on 12th April 2017 and the Capacity Market Code (CMC) on 2nd June 2017. An updated version of the CMC was published on 10th October 2019 and the most recent version of the Trading and Settlement Code was published on 12th April 2019. Both the TSC and CMC documents are available from the SEMC's website.
- 2.1.2 The CMC describes the process which market participants must follow in relation to participation in a CRM auction. This includes detail in relation to the requirement for market participants to apply for Regulatory Authority (RA) approval for certain exception applications (section E.5 of the CMC) and opt-out notification determination (section E.3 of the CMC).
- 2.1.3 An auction for capacity under the Capacity Remuneration Mechanism (CRM) is planned for January 2021. The auction will procure capacity for Capacity Year 2024/25 with delivery beginning 1st October 2024.
- 2.1.4 This document sets out the Regulatory Authorities final approach to the handling of the Exceptions and Opt-Out processes (as described below) for this T-4 auction.
- 2.1.5 The key processes outlined in this note relate to:
- i. The exceptions application process outlined in section E.5 of the CMC. This can be for proposed new capacity to have a price fix of more than 1 and up to 10 years, and for all or part of existing capacity to be subject to a Unit Specific Price Cap (USPC) in a capacity auction.
 - ii. Those opt-out notification applications for which the RAs are required to make a determination. This specifically relates to a capacity provider's unit which will be undertaking a planned outage of more than three months or will be mothballed during the relevant capacity year to which the auction relates. The circumstances in which an Opt-out Notification may be submitted are set out in section E.3 of the CMC.
- 2.1.6 It should be noted that all other Opt-Out Notifications must be submitted to the System Operator by the date specified within the Capacity Auction Timetable².

¹ <https://www.semcommittee.com/>

² https://www.sem-o.com/documents/general-publications/2024-2025-T-4-Capacity-Auction-Timetable_CAT2425T-4.pdf

3. EXCEPTION APPLICATION AND OPT-OUT NOTIFICATION PROCESS

3.1 Overview

- 3.1.1 The Capacity Market Code (CMC) in section E.5 describes the process for market participants applying for RA approval for exception applications. In addition to the relevant CRM decision papers and workshops the SEM Committee have published Information Notes on the Unit Specific Price Cap (USPC) Application Process in regards to the T-1 CY2018/19 Capacity Auction (SEM-17-090) and the T-4 CY2022/23 Capacity Auction (SEM-19-020). These Information Notes provide a background to the assessment approach applied by the Regulatory Authorities and SEM Committee in assessing previous exception applications received under E.5 of the Capacity Market Code.
- 3.1.2 The Capacity Market Code (CMC) in section E.3 describes the concept of market participants applying for RA approval for an opt-out notification with regard to a unit that will be undertaking a planned outage that results in it not being available for more than three months; or a unit that will be mothballed.
- 3.1.3 A more detailed timeline and communication procedure for the exception application and opt-out notification process is outlined below.

3.2 Communication with Applicants

- 3.2.1 Participants wishing to apply for RA approval for an exception application or an opt-out notification, or to communicate with the RAs during the process shall (unless otherwise notified) only contact the RAs through the use of the email address given below:
- CRMsubmissions@uregni.gov.uk
- 3.2.2 As described in section E.5 in the CMC, an exception application shall contain the information required by the RAs and set out in the templates provided in Appendix A and B of this note.
- This information and any further information, or clarification in respect of the exception applications are to be provided under the electricity licence condition relating to the provision of information to the Commission (CRU) or the Authority (UR).
- 3.2.3 As described in section E.3 in the CMC an opt-out notification submission shall contain the information required by the RAs and set out in the template form given in Appendix C of this note.
- 3.2.4 If an applicant attempts to contact the RAs for the purposes of an exception application or opt-out notification process through another avenue the applicant will be directed to contact the RAs through the above email address.

- 3.2.5 The RAs will use the email address given in the participants submitted template form to acknowledge receipt and for correspondence during the rest of the exception application process. Applicants may include more than one email address in the Contact Email Address field in the template application form.
- 3.2.6 The RAs shall upon receipt of an exception application or opt-out notification assign a unique application file number. This will be included in the RAs acknowledgement to the applicant. Participants are required to quote this application file number in all future communication with the RAs in relation to the specific application.
- 3.2.7 During the exception application process the RAs will, following issuing of the draft determinations, offer the applicant the opportunity to meet the RAs to discuss the draft determination.
- 3.2.8 As part of the opt-out notification RA determination process the RAs may request a meeting(s) with the applicant.
- 3.2.9 During the exception application and opt-out notification process the RAs may request a call with the applicant.

3.3 Process Timeline

- 3.3.1 The expected timelines for the exception application and opt-out processes for this CRM T-4 auction for Capacity Year 2024/25 are set out below in Tables 1 and 2 respectively.

Exceptions Applications

- 3.3.2 Table 1 below sets out the key dates and deadlines for communications between the applicant and the RAs. As set out in section E.5 in the CMC, there is a requirement for applicants to provide information requested by the RAs within the specified timeframe, otherwise the participant is deemed to have withdrawn the exception application.
- 3.3.3 As described in section E.5 in the CMC an exception application shall:
- contain the information required by the RAs. Information request templates are included in Appendix A and B of this note; and
 - contain a certificate signed on behalf of the participant by a participant director.

Opt-Out Application to the RAs

- 3.3.4 As described in section E.3.2 of the CMC an opt-out notification submission for RA determination shall:
- contain the information required by the RAs. The information request template is included in Appendix C of this note;
 - contain a certificate signed on behalf of the participant by a participant director.
- 3.3.5 As set out in section E.3 in the CMC, applicants are required to submit their opt-out notification to the System Operators by the opt-out notification date. If applicable (under E.3.1.1 (b) of CMC) applicants must provide a copy of the RAs determination as part of their opt-out notification submission to the System Operators.
- 3.3.6 Table 2 below sets out the key dates and deadlines for communications between the applicant and the RAs for the opt-out process. The deadline for applying for an RA opt-out determination was 19 May 2020. Section E.3.2.1³ of the CMC states a Participant is to submit an application to the RAs not later than four weeks prior to the opt-out Notification Date specified in the Capacity Auction Timetable. However, the RAs acknowledge the difficulty this presents for Participants and with this in mind, the RAs have decided to accept opt-out applications at a later time on this occasion.

³ E.3.2.1 “A participant seeking a determination of the Regulatory Authorities for the purposes of paragraph E.3.1.1(b) shall submit an application to the Regulatory Authorities not later than four weeks prior to the Opt-out Notification Date specified in the Capacity Auction Timetable”

Table 1: Proposed exception application process timeline for T-4 CY2024/25 Capacity Auction

Date (2020/21)	Description
3 Jun	Initial Auction Information Pack published
3 Jun – 1 Jul	Qualification & Exception Application window
2 Jul	RAs notify System Operators of all Exception Applications
2 Jul – 16 Jul	RAs initial assessment/screening of applications
16 July	RAs send follow up questions to exception application participants
30 Jul	Deadline by which exception application participant(s) respond to RA questions
9 Sept	RAs issue draft exception application decision(s) to participant(s)
9 Sept	RAs issue draft exception application decision(s) to System Operators
14 Sept – 18 Sept	RAs offer meeting with exception application participant, with agreed pre-set topics reflected in agenda
25 Sept	Deadline by which exception application participant(s) can provide feedback to draft decision
27 Nov	RAs submit final exception application decision (s) to System Operators (ahead of deemed approval deadline in CMC)
4 Dec	Final qualification results announced
8 Dec	Final Auction Information Pack published
21 Jan 2021	T-4 2023/24 Auction date

Table 2: Proposed opt-out notification RA determination process timeline for T-4 CY2024/25 Capacity Auction

Date (2020/21)	Description
3 June	Initial Auction Information Pack published
10 June	Deadline for applying for RA opt-out determination according to the CMC.
10 June	If required RAs send follow up questions/request for information to opt-out notification applicant(s). Alternatively RAs may request call or meeting.
11 June	RAs notify System Operators giving details of opt-out notification submission(s) received
10 June – 12 June	RAs initial assessment/screening of applications
15 June	Date by which RAs notify applicant(s) of determination on opt-out notification
15 June	Date by which RAs notify System Operators of determination on opt-out notification submission(s)
17 June	Opt-out notification deadline to System Operators for opt-outs under CMC E.3.1.1
9 Sept	Provisional Qualification Results announced
6 Dec	Final Auction Information Pack published
21 Jan 2021	T-4 2023/24 Auction date

4. TREATMENT OF CONFIDENTIAL INFORMATION

- 4.1.1 The RAs will put in place procedures to protect confidential information generated by the processes outlined in this note. All reasonable precautions will be taken by both RAs to ensure that:
- any confidential information generated by the process, is kept confidential,
 - confidential information is provided only to those persons to whom it is deemed necessary for the conduct and management of the process,
 - confidential information is clearly labelled and securely stored.
- 4.1.2 Dissemination of applicant's data within the RAs will be limited, with access to storage of physical and electronic copies being protected.
- 4.1.3 Any persons required to assess/review sensitive information will be notified that they are being provided with confidential data (e.g. the SEM Committee members), as above this data will be clearly labelled as such.
- 4.1.4 It is the applicant's responsibility to clearly mark as confidential any information that it considers confidential.

5. NEXT STEPS

- 5.1.1 The System Operators will publish an Initial Auction Information Pack on 3 June 2020, at the start of the Qualification window. The Initial Auction Information Pack will set out a range of information (set out in section D.3 of CMC) that will help market participants to submit their qualification information, and to decide whether to submit an exception application.
- 5.1.2 The qualification and exception application deadlines fall on 1 July 2020.
- 5.1.3 As set out in section E.3 in the CMC, applicants are required to submit their opt-out notification to the System Operators no later than the opt-out notification deadline of 17 June 2020. If applicable (under E.3.1.1 (b) of CMC) applicants must provide a copy of the RAs determination as part of their opt-out notification submission to the System Operators. The deadline for applying for RA approval for opt-out determination is 10 June 2020.
- 5.1.4 As set out in section 3.2 above, any participants wishing to apply for RA approval for an exception application and/or opt-out notification shall contact the RAs through the use of the following email address CRMsubmissions@uregni.gov.uk