

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>
Castlelost FlexGen Ltd	9 th March 2023	Standard	CMC_04_23
Contact Details for Modification Proposal Originator			
Name	Telephone number	Email address	
Paul Collins		Paul.Collins@lumcloonenergy.com	
Modification Proposal Title			
<p>Introduction of remedial action for unforeseeable delays due to extraordinary supply chain impacts.</p>			
Documents affected <i>(delete as appropriate)</i>	Section(s) Affected	Version number of CMC used in Drafting	
Capacity Market Code		Current version 11	
Explanation of Proposed Change <i>(mandatory by originator)</i>			
<p>Units awarded New Capacity contracts are required to submit an implementation plan that includes key milestone dates for delivery under Section J.2 of the CMC. A key milestone is the Substantial Completion milestone (J.2.1.1, Subsection C), which needs to be satisfied for a New Capacity Market Unit to be flagged as 'Actual' in the Capacity and Trade Register. Once the New Capacity Market Unit has been flagged as 'Actual' it receives capacity payments and is liable for RO obligations.</p> <p>When delays in project delivery due to extraordinary supply chain delays which are outside of the control of the participant despite mitigation efforts, then it is reasonable to account for this impact within the scope of the CMC. Although supply chain delays can occur for a variety of reasons, current world events have resulted in supply chain impacts which are completely out of the ordinary. This, in turn, creates the risk of economic stability of a project which thereby creates a risk to the security of supply.</p> <p>This proposed modification would delay all milestone dates associated with the target date for substantial completion to reflect the impact of extraordinary supply chain delays.</p> <p>In effect the modification would mean, for example, that where grid or a gas connection is delayed for extraordinary supply chain delays outside of the control of the participant in the project implementation plan an equivalent extension is added to the Substantial Completion date.</p> <p>Failure to address these extraordinary delays will have a detrimental impact on investment decisions, due to the shortened period of capacity payments linked to New Capacity, in some cases resulting in the non-delivery of impacted projects, all of which are needed. Moreover, failure to address the issue of project delays would reduce the security of supply in Ireland, which goes against the original intention of the T-3 Auction.</p> <p>Given the nature of the extraordinary supply chain impacts and the hope that the disruption will be a temporary event with a short duration, we recommend that the proposed modification be reviewed for renewal or non-renewal 2 years from the date of approval by the SEMO Committee. Moreover, we support the application of the delay of milestone dates specifically to the 2024/25 T-3 Capacity Auction</p>			

recipients who deliver their projects within the first 12 months following the SFC target date. This constraint will limit the use of the mechanism and ensure that projects deliver capacity as originally intended in advance of the original SFC long stop date.

Legal Drafting Change

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

It is proposed that the modification introduces a new Remedial Action under Section J.5X of the Code.

J.5.X Extension Due to extraordinary Supply Chain delays.

J.5.X Where the completion of the Substantial Completion Milestone is delayed solely as a result of an extraordinary supply chain delay, a Participant or an Enforcing Party (on behalf of a Participant) may apply to the Regulatory Authorities for an extension to the Maximum Capacity Duration and Long Stop Date associated with the relevant Capacity Market Unit.

J.5.X.X The application under paragraph J.5.X.X shall include:

- (a) reasons for the request and supporting evidence in sufficient detail to enable the Regulatory Authorities to consider the request regarding supply chain issues; and*
- (b) an updated estimated date for final completion of the Awarded New Capacity with detailed reasoning and action plan.*

J.5.X.X Applications made under paragraph J.5.X.X shall be granted by the Regulatory Authorities in the absence of due cause not to do so.

J.5.X.X Where a request for extension under J.5.X.X is approved, the relevant Maximum Capacity Duration and Long Stop Date must be extended on a day for day basis in accordance with the approved extension, subject to a maximum extension of 12 months.

It is envisioned that a change may also be required to Section E.5 of the CMC to take account of the wording around the exemption application, particularly in relation to the ten-year duration.

E.5 EXCEPTION APPLICATIONS

E.5.1.1 A Participant may seek the approval of the Regulatory Authorities for:

- (a) proposed New Capacity to have a Maximum Capacity Duration of more than one and up to 10 Capacity Years with the addition of any extension period approved under Section J.5.X;*

E.5.1.8 If a Participant makes an Exception Application, then the Regulatory Authorities shall notify the Participant and the System Operators whether or not they approve the Exception Application and, if they do approve it:

- (a) if the Exception Application is seeking a Maximum Capacity Duration for New Capacity of longer than one year, the Maximum Capacity Duration approved by the Regulatory Authorities for the New Capacity (which must be 10 Capacity Years with the addition of any extension period approved under Section J.5.X)*

Modification Proposal Justification

(Clearly state the reason for the Modification)

In the CRM, participants receive revenue from the date that they achieve Substantial Completion. If a participant fails to achieve completion by the start of the Capacity Year, they will not be remunerated

for the period of the delay which is effectively a penalty imposed on the participant. While this is pragmatic in instances where a participant has failed to deliver New Capacity in line with their implementation plan, it is not appropriate in instances where the participant has been impacted by extraordinary supply chain delays outside their ability to mitigate.

We recognise that a capacity market participant will be responsible for achieving the targeted implementation dates. However, we consider it inappropriate for market participants to be exposed to risks resulting from extraordinary supply chain delays associated with the war in Ukraine and resulting economic sanctions on Russia. To underscore this claim, in August 2022 the OECD issued a report “The supply of critical raw materials endangered by Russia’s war on Ukraine.” The report cites severe disruptions to global markets caused by the war, which have exposed the vulnerabilities of the supply chain for industrial production.

The delivery of New Capacity in the SEM is essential to address of security of supply risks and tighter generation margins on the island of Ireland. The risks and costs associated with supply chain delays could seriously undermine the investment case for New Capacity and subsequently put projects at risk, therefore a mechanism is required to allow adjustment of target delivery dates where extraordinary delays result from supply chain delays outside the reasonable control of the Participant(s).

Code Objectives Furthered

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

This proposed change furthers the code objectives, in particular objective (g) “security of supply of electricity across the Island of Ireland”:

- (a) to facilitate the efficient discharge by EirGrid and SONI of the obligations imposed by their respective Transmission System Operator Licences in relation to the Capacity Market;
- (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 proposal would mean that participants in the 2024/25 T-3 capacity auctions will be exposed to an undue amount of risk which is outside of their control. This jeopardises the delivery of New Capacity which is detrimental to the objectives of the CMC and security of supply for the Irish Grid. The financial impact to projects which see a curtailment of the period of capacity payments associated with new capacity construction will reduce investor confidence.

Impacts

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

This modification may require the Regulatory Authorities to assess applications made for extensions under the proposed new Remedial Actions. Such applications would likely only be made in relation to

the 2024/25 T-3 auction(s), and only where a milestone has not been achieved in time solely due to delays associated with the extraordinary supply chain lead times currently being experienced.

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.