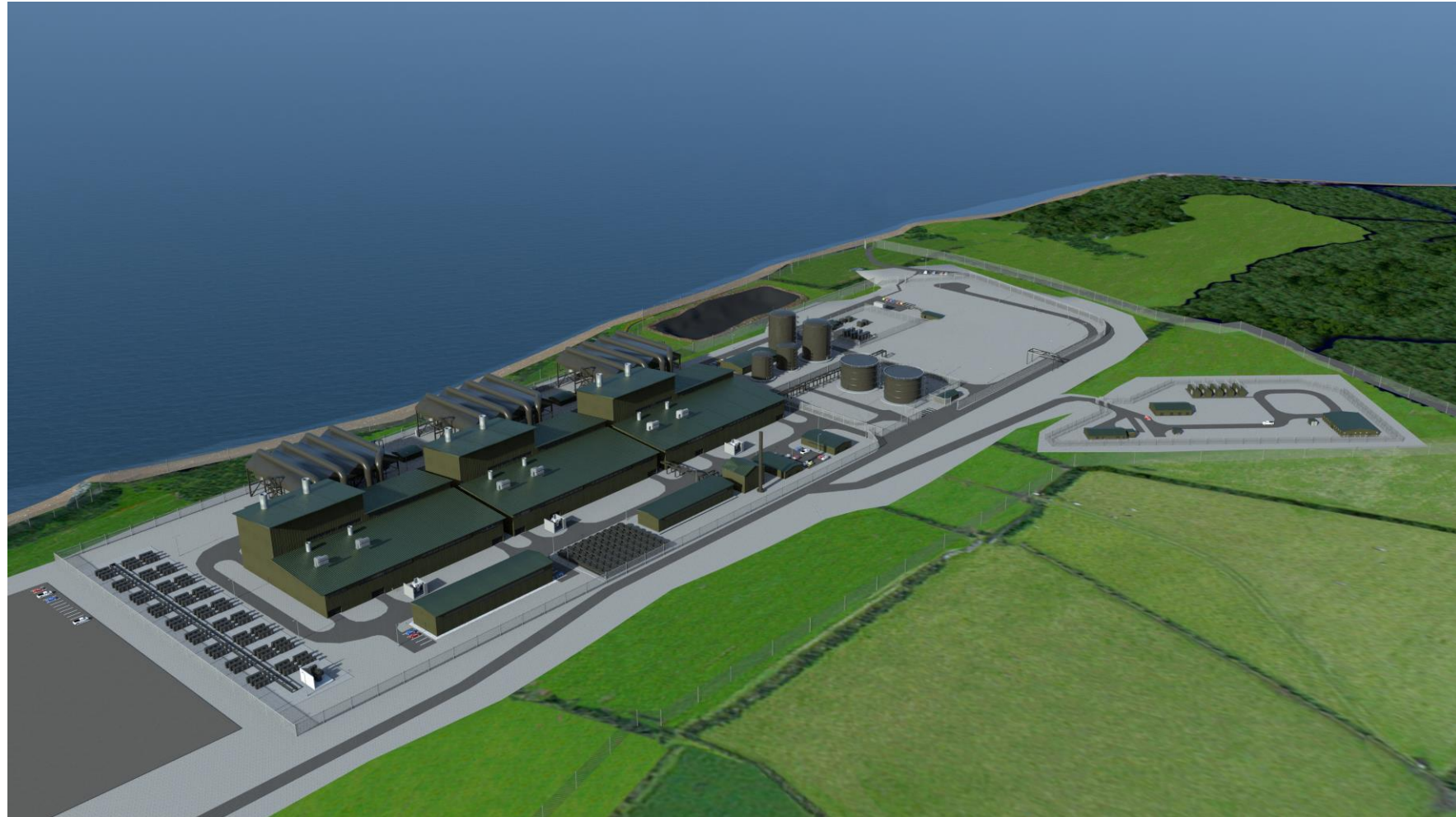


May 2024

Shannon LNG Limited



Performance Securities for Extended Projects

Modification Background

- This modification intends to offset the dates for posting higher levels of Performance Securities for projects which have received an extension under the CMC.
- SEM decisions SEM-23-001 and SEM-23-101 permitted extensions to projects due to delays (initially due to planning)
- CMC_15_23 aligned the dates of performance securities with these extensions but it was only approved for the T-3 24-25 and T-4 25-26 Auctions.
- In the Decision for CMC_15_23 the SEMC correctly stated that it is ...*undesirable for a participant (with an extension) to be exposed to a series of Performance charges that have a timeline structured on the basis that no significant delay has occurred.*

Impact of Modification

- Without this modification some potentially viable projects will terminate in the face of significant increases to Performance Security.
- This is due to the huge additional cost when there is the risk of the delay extending or in the case of planning, being rejected.
- It may make little commercial sense to post the additional bond when the project is already under risk.
- Additional terminations will lead to further auction shortfalls, more auctions and further fears of system alerts.
- This change is vital to ensure the delivery of new capacity, and will ultimately benefit the consumer through increased Security of Supply.
- Costs to the consumer will be greater if new capacity terminates instead of if viable capacity is delivered late.
- Rejecting this change may affect future investors' confidence in the Irish market.

Legal Drafting – Performance Security

J.3.2.9 Where an extension has been granted to Awarded New Capacity in accordance with Section J.5.5, (Extension of Long Stop Date by Third Party Planning Appeal or Judicial Review) the Performance Security Posting Dates/Events applicable to that Awarded New Capacity shall be extended by a period equal to the Third Party Extension Period applicable to such Awarded New Capacity, so that any increase in the Performance Security Rate applicable to such Awarded New Capacity shall be postponed by a period equal to the Third Party Extension Period. ~~This provision applies to Awarded New Capacity in the T-3 2024/2025 and T-4 2025/2026 auctions only.~~

Legal Drafting – Termination Charge

J.7.1.3 The amount of the Termination Charge payable under this section J.7 in respect of each Capacity Market Unit shall be determined in accordance with the formula:

$$TC = TFR \times ACO$$

where:

- a) TC is the Termination Charge payable;
- (a) TFR is the termination fee rate for calculating Termination Charges per MW applicable at the time the Awarded New Capacity is terminated or adjusted or the Defaulting Participant is Terminated, as determined by the Regulatory Authorities and specified in the Initial Auction Information Pack for the relevant Capacity Auction in which the relevant Awarded New Capacity was allocated (and, for this purpose, where the Defaulting Participant's designated currency is Sterling, that termination fee rate shall be converted to Sterling based on the Annual Capacity Payment Exchange Rate specified in the applicable Final Auction Information Pack), with ~~-(but only in respect of Awarded New Capacity in the T-3 2024/2025 and T-4 2025/2026 auctions)~~ the relevant Dates / Events used to calculate the applicable termination fee rate each being extended by a period equal to any relevant Third Party Extension Period, so that any increase in the termination fee rate applicable to such Awarded New Capacity shall be postponed by a period equal to the Third Party Extension Period; and
- a) ACO (expressed in MW) is the amount of the relevant Awarded New Capacity, or, if the relevant Awarded New Capacity has been reduced, the amount by which it has reduced.