



CMC_20_23 – Amendment to Timing of Opt Out Notifications
Capacity Market Workshop 33

Modification Background

- This modification proposes to amend the dates for Participants to submit an Opt-Out Notification, to after the outcome of the exceptions application (USPC) process.
- This would enable Participants who have Existing Capacity to Opt Out in the event that a USPC decision is insufficient for a unit to recover costs.
- This modification does not propose to make changes to Section E.3.1 of the CMC which details the circumstances under which a unit may submit an Opt Out notification. These circumstances are:
 - The unit is to be closed down, decommissioned, or otherwise rendered non-operational by the end of the year to which the Capacity Auction relates; or
 - The unit will be undertaking a Planned Outage that results in it not being available for more than three months, or will be mothballed during the Capacity Year to which the Capacity Auction relates.

Modification Justification

- This modification seeks to address the substantial risk associated with an Existing Capacity unit having a USPC decision which does not cover costs.
- This would force the Existing Capacity unit to operate at a loss for the Capacity Year to which the Capacity Auction relates.
- In order to avoid such a scenario, it is possible that Existing Capacity will Opt Out prior to seeking a USPC, as it would be more practical to close down, rather than operate at a loss for a year.
- Increasing volumes of renewables means that older conventional generation will receive lower revenue from the Energy and System Services Markets. This means that Capacity revenue is more critical to these plants. Therefore, not receiving a USPC is far more critical for a project's feasibility than it has been to date.
- When the CRM was designed, there was a surplus of generation in the SEM. This meant that the risk of older conventional generation choosing to Opt Out (rather than seeking a USPC) was an appropriate signal to the market. However, the failure to replace this capacity has meant that a stronger retention signal for Existing Capacity is required.

Modification Justification

- If a unit is awarded a USPC, it still must be successful in the Capacity Auction in order to secure a capacity contract. This means that where a USPC has been approved with respect to a unit it is reflective of the Security of Supply value that unit brings to the system.
- Conversely, if a unit is deemed 'too expensive', and its USPC does not cover its costs, it would be reasonable to allow that unit to opt out and subsequently announce an intention to close, mothball, or undergo a Planned Outage of at least three months during the Capacity Year in question.

Modification Drafting

- The modification drafting proposes to amend the Opt Out date from A-21 Weeks to A-6 Weeks. The intent of the modification is for the Opt Out date to be after the USPC decision date. Unfortunately, there is no timeline for USPC decisions so exact placement of the Opt Out date is difficult.
- However, the A-6 week point is one week prior to final qualification submissions. This is therefore, the latest feasible point that Opt Out could occur. This modification assumes that a decision on USPC will have been reached by this point.