

Proposed Mod CMC_24_23: Revision of Exception Application Timelines

CM Workshop 34

November 16th 2023

Background

The current interaction between the Exception Application Process and Opt-Out deadline is illogical and undermines the ability for generators to make logical operational decisions in an open market:

- The Opt-Out notification date is the first participant related deadline in the capacity auction timeline. The opt-out decision is made approx. 2 weeks before the final date for Exception Application, and for this year's T-4 auction (CY2027/28), this decision came approx. 6 months before the RAs issued the decisions on Exception Applications on Oct 5th.
- As a result, units which made an application for a USPC but have the Exception Application rejected are unable to avail of the Opt-Out process and are forced to bid into the CM at or below the ECPC, which is likely significantly below costs.
- The Initial auction information pack is the only information made available to participants prior to the Opt-Out deadline and does not provide the appropriate investment and operational signals required.

	Event	Date
1	Initial Auction Information Pack Date: the last publication date for the Initial Auction Information Pack	02/03/2023
2	Opt-out Notification Date: the last date a Participant can submit an Opt-out Notification	30/03/2023
3	Exception Application Date: the last time a Participant can make an Exception Application to the Regulatory Authorities	14/04/2023
4	Qualification Application Date: the last date a Participant can submit an Application for Qualification in respect of the Capacity Auction	14/04/2023

Rationale for the Mod

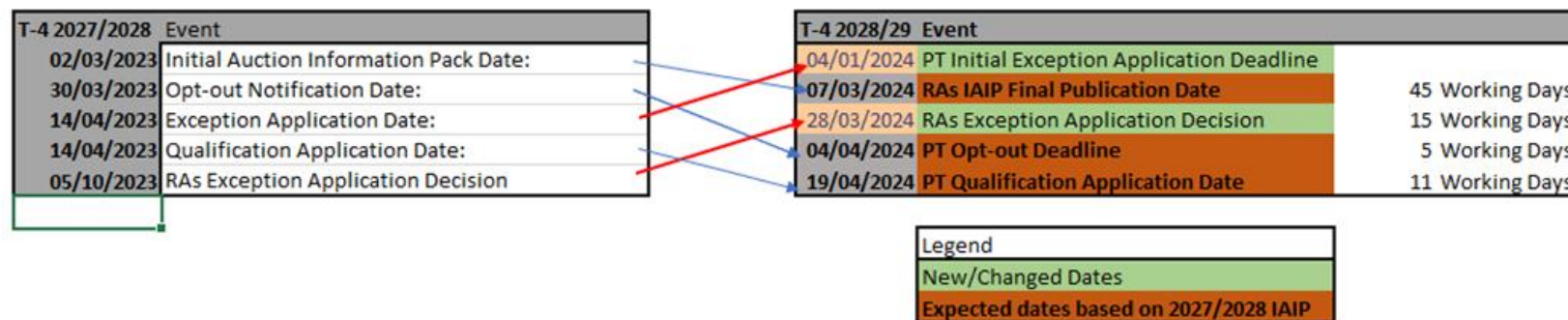
The lack of alignment between the Opt-Out Deadline and the Exception Application Decision date increases the pressure on market participants to decide (perhaps uneconomically) to make early Opt-Out decisions, rather than exposing themselves to the risk of having an USPC application rejected and running at loss for a year.

- This could result in existing units making premature shutdown decisions so unnecessarily increasing the risk of a Security of Supply Crisis.
- Conventional generators investment decision making is undermined by basing it off the IAIP.
- Rejection of a USPC application is clear signal to generators to exit the market.
- This existing generation that may be unnecessarily exiting the market early would need to be replaced by expensive new generation. Without carbon signals in the capacity market this is likely to be inefficient and carbon intensive locked in on long term contracts.
- This would result in a worse economic and environmental outcome for the end consumer.
- This rule was designed when Capacity market revenue was a small portion of existing plants revenue and USPC was not needed. In a high renewable's world, Exception Applications will become increasingly necessary.

Conventional Generation needs clear signaling on Exception Applications, so they can make prudent decisions when evaluating the Opt-Out Decision.

Proposed Changes

We have tried to keep the proposed changes to an absolute minimum to ensure there are no unintended consequences



This shows the actual T-4 timeline for 2027/27 alongside the expected T-4 2028/29 calendar

In summary BGE are proposing moving:

- **Initial Exception Application Date** – moved to be the first Event in the auction calendar. This moves it from 14th of April in last year’s T-4 2027/2028 auction timetable, to the start of Calendar year 2024 for T-4 2028/2029. The rationale for the move is to allow as much time as possible for processing of Exception Applications. We are conscious that the process is arduous for the RAs.
- **Exception Application Decision Date** – This is becoming an explicit date itself rather than being announced on the day of the FAIP. This is moved forward to the 28th of March, a significant shift forward. The reasoning for this is so it is available to participants prior to the Opt-Out deadline on 4th April.

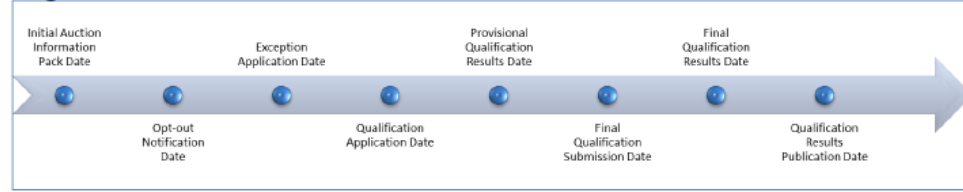
We aren’t proposing removal of E.5.1.11, i.e. rejection of USPC is not itself grounds for an Opt-Out.

Legal Drafting

Agreed Procedure Changes - CMC Agreed Procedure 3 - Qualification and Auction Process

Proposed changes are around the auction timelines, the addition of a new event and the change in order summarised below. We have included tracked changes in our proposed mod, as the numbering of events thought the document needs to be changed.

Original Auction Timeline



Updated Auction Timeline



Exception Application Date: the last time a Participant can make an Exception Application to the Regulatory Authorities.

Initial Auction Information Pack Date: the last publication date for the Initial Auction Information Pack.

Exception Application Decision Date: the date by which Regulatory Authorities must notify a Participant of the outcome of their Exception Application Decision.

Opt-out Notification Date: the last date a Participant can submit an Opt-out Notification.

Qualification Application Date: the last date a Participant can submit an Application for Qualification in respect of the Capacity Auction.

Capacity Market Code Changes:

- Removal of Section E.5.1.9 no longer necessary as under this proposal SOs won't need to make assumptions about Exception Application decisions for Provisional SO Qualification Decisions, as the RAs will already have issued an Exception Application Decision at this stage.
- Removal of E.5.1.10, the RAs will have notified the SOs of the Exception Application Decision long before the Final Qualification Results Date.
- E.7.6.2 change Provisional Qualification Results Date to Exception Application Decision Date
- Glossary Addition to Include new event 'Exception Application Decision Date' and definition.
- Capacity Auction Timetable Indicative Timeframe, includes new event, and change in flow of events.

Feedback and Comments