



CMC Modification – Amendment to ARHL De-Rating to Exclude Intermediate Length Contracts
Capacity Workshop 43

Amendment to ARHL De-Rating to Exclude Intermediate Length Contracts

Background

- Intermediate Length Contracts (**ILCs**) were introduced in CMC_10_24. This modification defined Existing Capacity which received an ILC as New Capacity.
- Section G.3.1.4A of the Capacity Market Code (**CMC**) states that *"De-Rated Grid Code Commissioned Capacity shall be the Grid Code Commissioned Capacity of the Generator Unit or Interconnector multiplied by the De-Rated Factor applicable to a unit of the Technology Class and the Annual Run Hour Limit(s) of that Generator Unit and with an initial capacity equal to the Grid Code Commissioned Capacity as specified in the Initial Auction Information Pack for the relevant Capacity Auction"*.
- This creates a risk whereby the commissioned capacity for an ILC will be de-rated based on the Annual Run Hour Limit (**ARHL**) de-rating factor specified in the Initial Auction Information Pack. ARHL de-rating is set to one for Existing Capacity, but this will not be the case for ILCs which are categorised as New Capacity in the CMC.
- This modification proposes to reflect ILCs in the definition of the CMC which results in the ARHL de-rating factor for Existing Capacity being set to one.

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Rationale

- The risk of ARHL de-rating applying to ILC Capacity means that projects may receive a significantly reduced de-rating factor upon commissioning.
- This would severely undermine the economics associated with refurbishment projects and the risk of same may affect participants' investment decisions.
- This will limit the effectiveness of the ILC mechanism and prevent the optimisation of Existing Capacity to deliver benefit to consumers.
- It is not believed that the intended outcome of CMC_10_24 was to apply further de-rating to Existing Capacity units.
- CMC_10_24 introduced a requirement that an ILC unit would not have a lower ARHL than at the time of the relevant Capacity Auction.
- This modification has been categorised as urgent, so that participants will have clarity on this risk in time for the T-4 2029/2030 Capacity Auction.

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Drafting Changes

- This modification proposes two amendments to the following definitions in the glossary:
- **ARHL De-Rating Factor Total** means the ARHL De-Rating Factor associated with the sum of Existing Capacity and New Capacity. The ARHL De-Rating Factor (Total) for a unit with no New Capacity, *(which is not New Capacity that is repowered or refurbished based on previous Existing Capacity)*, shall be set to one.
- This amendment means that ILC Capacity will not be considered New Capacity for the purpose of determining whether a unit has New Capacity when setting the ARHL De-Rating Factor.
- **ARHL De-Rating Factor** means a factor between zero and one describing the reduction in the contribution of a Generator Unit to satisfying the Capacity Requirement to be used in a Capacity Year. For New Capacity which is produced using combustion plant, *except for New Capacity that is repowered or refurbished based on previous Existing Capacity*, this factor shall be as determined by the Regulatory Authorities and provided to the System Operators under paragraph D.3.1.3. For all other capacity this factor shall be set to one.