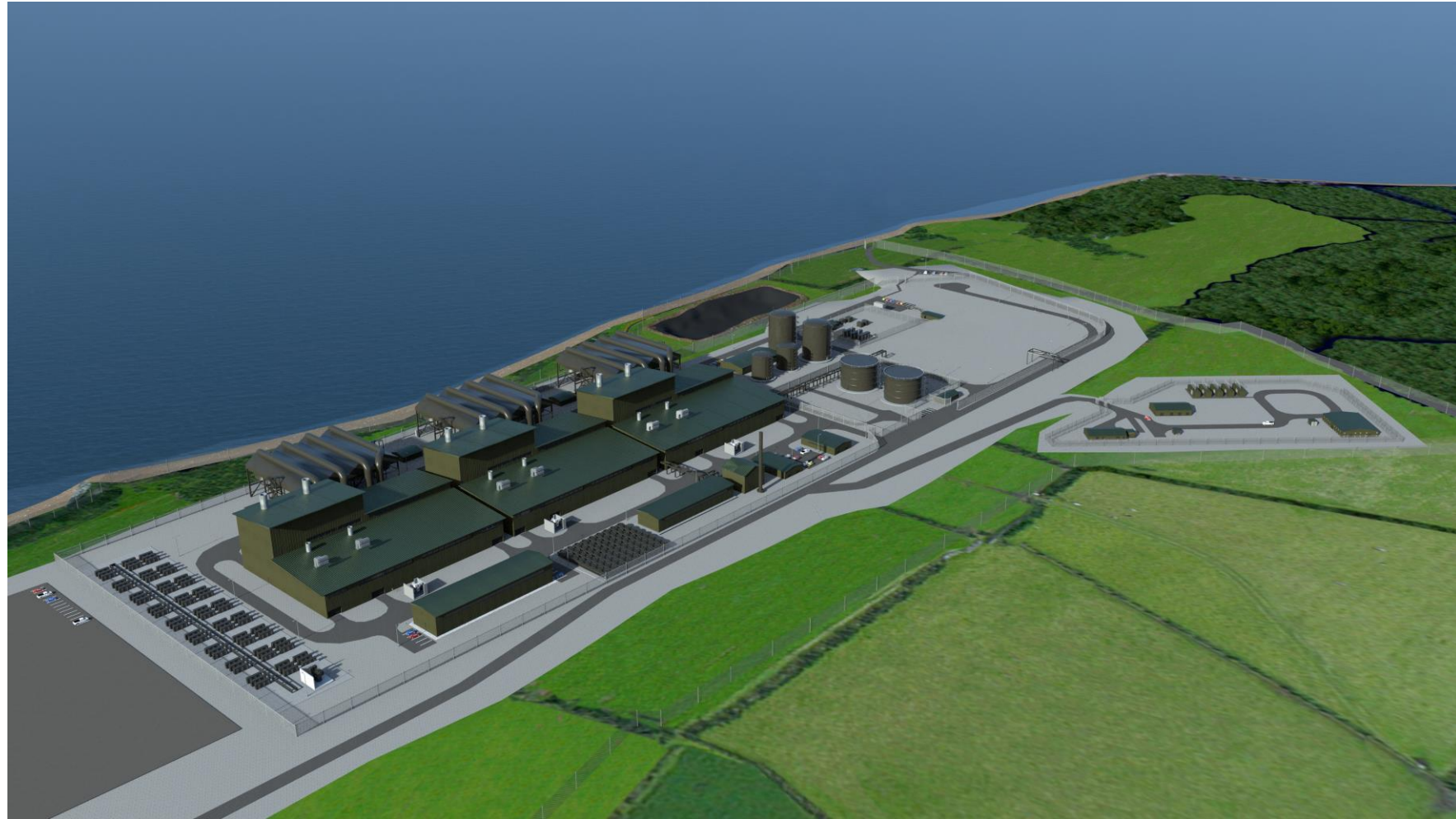


June 2025

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 J.5.5 or J.5.7 in the CMC.

- For J.5.7, this will **only apply to extensions due to planning delays** .
- This modification will **apply to the T-4 2026/2027 Capacity Auction only**.
- This seeks for an **extension of the arrangements set out in SEM-23-069**.
- SEM decisions SEM-23-001 (Jan 23) and SEM-23-101 (Nov 23) permitted extensions to projects due to delays (initially due to planning).
- SEM-23-069 (Sep 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.
- CMC-06-24 (May 24) sought to implement the decision in SEM-23-069 to all future Capacity Auctions, given that third party delays are not isolated specifically to participants awarded a contract in the T-3 2024/2025 and T-4 2025/2026 auctions.
- SEM-25-017 (May 25) rejected CMC-06-24 (see next slide for details).

This present modification seeks to address the concerns set out in SEM-25-017.

Concerns Raised in SEM-25-017

1. Projects in the T-3 2024/2025 and T-4 2024/2025 auctions were recognised by SEMC as having been impacted by global events, with subsequent inflation rates impacting their viability. In their view such events have not arisen again since the publication of SEM-23-069 (Sep 23) and SEM-23-101 (Dec 23).
2. SEMC note that in SEM-23-101 two modifications were introduced which allow for extensions to Long Stop Dates and/ or Capacity Quantity End Date and Times on a enduring case by case basis.
3. SEMC are concerned that a key purpose of Performance Security is to protect consumers against non delivery of contracted capacity and shows an intent to deliver from the developer. Delaying the posting of Performance Securities may blunt this purpose and could lead to speculative bids in future auctions.
4. SEMC are particularly aware of delays to Performance Securities under J.5.7 and J.5.8 in instances where the cause of delay cannot be attributed to a third party, as is the case with J.5.5 extensions.
5. SEMC note that it has implemented the EY recommendation that from T-4 2029/2030 auction which requires all applicants without a grid connection to submit evidence of full planning permission ahead of qualification. This will address third party delays from 2029/2030.
6. SEMC further noted that it considered how the proposal may reduce risk mitigation for developers and that instead increasing Performance Securities and Termination charges, as well as posting securities in advance of auctions may be considered going forward.

Addressing Concerns Raised in SEM-25-017

1. The T-4 2026/2027 auction took place in March 2023, with results posted in May 2023. SEM-23-069 which allowed additional provisions for the T-3 2024/2025 and T-4 2025/2026 was published in September 2023. Projects which cleared in T-4 2026/2027 have faced similar challenges with developing as those granted the extension to Performance Securities. This was emphasised in SEM-23-101 *'The SEM Committee has taken this decision in recognition of the consideration that many of the factors contributing to delays at present are unlikely to recede in the short to medium term.'*

2. This proposal is limited in two ways:

1. **Time Limited:** it will only apply to the T-4 2026/2027 auction.

2. **Planning Limited:** for J.5.7 extensions there is a requirement that the reason for an extension is due to planning issues.

This addresses SEMC concerns on

- potential speculative bids in future capacity auction,
- dilution of the value of Performance Securities and potential impact on customers – it is only if it has been delayed because of planning
- Extension of Performance Securities due to non-third party related issues.

3. The EY recommendation which has been implemented for the T-4 2029/2030 auction was not in place in 2023 at the time of the T-4 2026/2027 auction. No evidence of planning permission was required as a prerequisite to Qualification, in fact the RA's had effectively removed this as a requirement for these auctions through the Directions to Eirgrid for connection offers where a planning application had been made.

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), or J.5.7, (Extension of Long Stop Date and/or Capacity Quantity End Date and Time pursuant to Extension of Date for Substantial Financial Completion), in instances where J.5.7 decisions relate specifically to Planning, 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 and T-4 2026/2027 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;
- b) 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 ~~and~~ T-4 2026/2027 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
- c) 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.