Consumer-developer NPV sharing mechanism for delayed capacity projects

Modification CMC_21_25

Capacity market modifications meeting, Wednesday 19th November 2025

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CMC_21_25: Overview

Context for new Mod

- CMC_21_25 **drafted in response to rejection of CMC_07_25**
- **Overarching intended effect** of Mod remains the same
  - Update rules to **enable Regulatory Authorities to adjust the NPV** of delayed capacity payments
  - Provide **scope for NPV of capacity payments to be adjusted when extensions are approved** for Capacity Quantity End Date and Time (CQEDT)
  - **Treat market participants equitably by valuing the capacity delivered** albeit later than initially contracted for
- **CMC_21_25 mitigates the concerns** by the TSO (as the sole dissenting party) and SEMC **that drove the rejection** in the SEM-25-045 decision on CMC_07_25

Key aspects of CMC_07_25 retained in new Mod

- **Mechanism to calculate uplift on Capacity Payment Price to compensate for NPV erosion** due to delays
- **BNE WACC** (currently 7.27%) used to determine Capacity Payment Price NPV Adjustment Factor **removing subjectivity**
- **Eligible for projects which have applied for extension to CQEDT** under the CMC
- **Separate RA approval decision** to grant NPV adjustment (not automatic following a CQEDT extension)
- **RA discretion in assessing applications** consistent with the CMC objectives and statutory duties
- Impact of NPV **adjustment spread over contract duration**

→ **Principle: RAs should have a mechanism to adjust capacity payments to compensate for NPV erosion due to delays**

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CMC_21_25: Updates to address RAs' concerns

Rejection reasons (CMC_07_25)

- Impact on RA / developer/ TSO resources – TSO also suggested Impact Assessment
- Shifting of risk of delay/ non-delivery from developer to consumers
- Weakening of delivery incentives
- TSO challenge tracking capacity delivery – consumer cost impact flagged
- Risk of perverse incentive whereby developer could "benefit from a delay"

How CMC_21_25 and existing rules/ processes address concerns

- **No need to identify fault** nor attribute any such fault to any entity
- Can be **assessed together with CQEDT application process - efficiency**
  - BGE determined on average 5 CQEDT applications per year (2024+2025) – justifiable
- **Restricted scope** to electricity/ gas grid and planning delays only
- Only **2 decisions** – a) whether to approve application, b) if yes, number of months delay
- Algebraic change to "uplift" capacity payments-– **IA need is redundant**

- **Risk sharing**: 50:50 NPV erosion of capacity payments shared developer/ consumer
- Paid in line with existing settlement provisions- **no risk of paying undelivered capacity**
- **Broad discretion for RAs**' - bound only by usual legal / statutory obligations - practically impossible to forecast NPV adjustment decision
- CRM a major revenue stream but **in practice prolongation costs can be huge**

- 6-monthly implementation **progress reports / quarterly meetings render concern moot**

- Discretion enhanced in 21_25 **erodes developer ability to forecast outcome of NPV decision and any scope to presuppose the outcome of an NPV adjustment application**

→ **Key concerns raised regarding CMC_07_25 now mitigated: we urge RAs to consider improved balance of valuing capacity delivered with cost to consumer**