



Modifications Committee 131B
4 November 2025

Mod_03_25 – Treatment of Reliability Option Difference Payments for Hours Exhausted Units

Treatment of Reliability Option Difference Payments for Hours Exhausted Units

- This modification seeks to remove Difference Payments for units which have exhausted permissible run-hours under an environmental permit on which the unit relies for operation.
- Under the current market arrangements an hour-limited unit can be run by a System Operator to the point that it exhausts available run-hours.
- This means that for the remainder of the year, the unit will be exposed to potential Difference Payments during price events with no legal means to turn on in response to the event.
- In some cases, it is possible to obtain extensions for annual run-hour limits. Annual extensions delay, rather than address the issue, in some cases units may remain subjected to a total multi-year run-hour cap. This means that any extension granted for one year, will consequently reduce available run-hours in future years.

- Failure to amend existing rules will mean that hour-limited generation will continue to be exposed to unsustainable levels of risk, whereby exposure to maximum levels of Difference Payments could result in insolvency. This could result in the exit from market of hour-limited generation.
- The closure of hour-limited generation will be detrimental to Security of Supply and to competition, which is not in the short-term or long-term interest of consumers.
- In addition, the potential exposure to Difference Payments would necessitate the inclusion of risk-adders to a unit's bid prices representing an immediate additional costs borne by the consumer.
- This modification seeks to address the above risk by removing the risk exposure for units which have exhausted their permitted run hours.

- Hour-limited generation is typically expected to operate as peaking generation when required for Security of Supply, rather than running at baseload.
- Where an hour-limited unit is included in a System Operator constraint group it can result in units being run for a significantly greater number of hours than the unit is planned or permitted to run to.
- This can subsequently result in a unit exhausting its available run-hours, leaving the unit exposed to Difference Payments for the remainder of the year.
- This outcome is not fair or rational, given that the unit has exhausted its available hours as a result of being relied upon by the System Operator to provide System Services and address constraints throughout the year. This effectively penalises a unit based on the fact that it is reliable or that it can respond to specific system constraints.
- Based on the above, EP believes that Difference Payments should not apply where a unit's hours are exhausted.

- The modification introduces a definition of *Hours Exhausted* unit, meaning units which are not Available as a result of restrictions from any EPA or NIEA consent, permit, or licence.
- An addition is made to Section F.18.7 which addresses the Calculation of Non-Performance Difference Quantities and Charges. This addition states that a value of zero shall be assigned for the calculation of Non-Performance Difference Charges during periods where a unit is Hours Exhausted.
- Section G.3.2.5 is amended to introduce a new issue under which a dispute may be raised. Specifically, that disputes can be raised for Difference Charge calculated for Hours Exhausted Units.
- Amendments are made to G.2.5.7 and G.3.3.4 to postpone any payments due on Settlement Documents which have been queried in relation to Non-Performance Difference Charges being applied to Hours Exhausted units until the query is resolved.