



Single Electricity Market

FINAL RECOMMENDATION REPORT

MOD_03_25 TREATMENT OF RELIABILITY OPTION DIFFERENCE PAYMENTS FOR HOURS EXHAUSTED UNITS

4 NOVEMBER 2025

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Document History

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Reference Documents

Document Name
Trading and Settlement Code
Proposal
Presentation

Table of Contents

1. MODIFICATIONS COMMITTEE RECOMMENDATION	3
RECOMMENDED FOR REJECTION – MAJORITY VOTE	3
2. BACKGROUND.....	3
3. PURPOSE OF PROPOSED MODIFICATION	3
3A.) JUSTIFICATION OF MODIFICATION	3
3B.) IMPACT OF NOT IMPLEMENTING A SOLUTION	4
3C.) IMPACT ON CODE OBJECTIVES	4
4. WORKING GROUP AND/OR CONSULTATION	4
5. IMPACT ON SYSTEMS AND RESOURCES.....	4
6. IMPACT ON OTHER CODES/DOCUMENTS.....	4
7. MODIFICATION COMMITTEE VIEWS.....	4
EMERGENCY MODIFICATIONS COMMITTEE MEETING 131B – 4 NOVEMBER 2025	4
8. PROPOSED LEGAL DRAFTING.....	6
9. LEGAL REVIEW.....	7
10. IMPLEMENTATION TIMESCALE	7
APPENDIX 1: MOD_03_25 TREATMENT OF RELIABILITY OPTION DIFFERENCE PAYMENTS FOR HOURS EXHAUSTED UNITS.....	8

1. MODIFICATIONS COMMITTEE RECOMMENDATION

RECOMMENDED FOR REJECTION – MAJORITY VOTE

Recommended for Rejection by Majority Vote		
Andrew Burke (Chair)	Renewable Generator Member	Reject
David Caldwell	Supplier Member	Reject
Colm Oireachtaigh	Supplier Member	Reject
Cormac Daly	DSU Member	Reject
Harry Molloy	Generator Member	Approve
David Morrow	Generator Member	Reject
Niamh Trant	Supplier Member	Reject
Andrew Kelly	Generator Member	Reject
Andrew McCorriston	Generator Member	Reject
Peter Brett	Supplier Member	Reject

2. BACKGROUND

This Urgent Modification Proposal was raised by EPUKI and received by the Secretariat on 14th October 2025. The Proposal was raised and discussed at Emergency Meeting 131B and voted on at Meeting 131B on Tuesday, 4th November 2025.

This modification proposes the introduction of a new term in the Trading and Settlement Code ('TSC') for units which have exhausted run hours permissible under environmental permits issued by either the Environmental Protection Agency or the Northern Ireland Environmental Agency. These units will be identified in the TSC as 'Exhausted'.

This modification further proposes that Hours Exhausted units will not be liable for Reliability Option Difference Payments ('RODPs').

We are requesting that this modification be treated as urgent on the basis that *"if not made it can reasonably be anticipated that the event or circumstance with which the Modification Proposal is concerned would imminently: (i) threaten or prejudice safety, security or reliability of supply of electricity"*.

3. PURPOSE OF PROPOSED MODIFICATION

3A.) JUSTIFICATION OF MODIFICATION

Restrictions on unit run hour limits included in environmental permits may impede a unit's ability to generate and export electricity. During times of system stress, this means that units which are run-hour limited are exposed to a significant risk of incurring Difference Charges. If a large unit is unavailable due to an exhaustion of its permitted run-hour limits, there is an increased likelihood of stress on the

system. This comes with an increased risk of higher market prices and thus exposure to Difference Charges.

A Capacity Market unit whose run hours have been exhausted will be unable to make the unit available during periods when the imbalance price exceeds the RO Strike Price. In this scenario the generator is exposed to significant financial risk including insolvency which would result in closure of the units to the detriment of consumers. This modification would alleviate the financial risk of RODP exposure on units which have exhausted permissible run hours. This benefits generators with run-hour limits and consumers who will not be faced with increased costs.

3B.) IMPACT OF NOT IMPLEMENTING A SOLUTION

Failure to implement this modification would result in significant financial risk including insolvency which would result in closure of units with exhausted run-hour limits to the detriment of consumers.

3C.) IMPACT ON CODE OBJECTIVES

(g) to promote the short-term and long-term interests of consumers of electricity on the island of Ireland with respect to price, quality, reliability, and security of supply of electricity.

4. WORKING GROUP AND/OR CONSULTATION

N/A

5. IMPACT ON SYSTEMS AND RESOURCES

N/A

6. IMPACT ON OTHER CODES/DOCUMENTS

N/A

7. MODIFICATION COMMITTEE VIEWS

EMERGENCY MODIFICATIONS COMMITTEE MEETING 131B – 4 NOVEMBER 2025

The Proposer gave a [presentation](#) on this Modification Proposal noting that the aim was to set Non-Performance Difference Payments Charges to zero for units which have exhausted permissible run-hours under the environmental permit on which the unit relies for operation.

It was advised that this proposal was in relation to the ongoing issue which is live in Northern Ireland. The Proposer noted that current arrangements created a large exposure and could cause insolvency for a unit. It was advised that the impacted units are Peaking Units and were typically not intended to run at base load. The Proposer provided an example of 2 similar units both with run hours limits getting capacity, but one running for significantly less hours and the other relied upon very frequently due to the System conditions and therefore of greater support to the Operation of the System. In this case, the penalty should not apply to the unit that has its hours exhausted as it is being penalized whilst providing benefits to the System Operator.

The Proposer gave an overview of the legal drafting, which include a provision to freeze the payments due to the Market Operator for Non-Performance Difference Charges when the unit has submitted a Settlement Query with regards to run hour limits for the duration of the Query assessment. This is because of the potentially large cost exposure for a Generator. The Proposer also stated that considerations had been given to impacts on the Market and it was his opinion that the proposal required no system changes, no changes to other payment on the unit, and no direct impact to imperfection

costs. It could bring a slight reduction to Market income due to the Difference Charges not being paid and would avoid the inclusion of risk adders onto the COD submission.

The Chair started the discussion by referring to comments from the RAs given the unusual topic for discussion and asked whether the Modification Committee was the correct forum for such a discussion. RA Member advised they were keen to hear the views of the Committee on the matter but expressed concern with the introduction of a payment exemption introduced within the Settlement Query process and questioned if the Modification Proposal was implemented, should Capacity Payments be stopped also. The Chair also asked about the likelihood of the scenario occurring and the expected frequency.

The Proposer reiterated that the impact on the market would not be significant in his opinion. It was stated that the immunity from Non-Performance Difference Charges would only be levied on units who were run hour exhausted and the units would not be generating. Therefore, an impact on market payments would not be significant as the same units not being levied Non-Performance Difference Charges may also not be getting Balancing Market payments.

In relation to Capacity Payments, the Proposer referred back to the example of units both with run-hour limits and the consideration that, should Capacity Payments be stopped, the unit that is utilized more would be penalized even though providing a benefit.

With regards to the likelihood of this occurring, it was noted from the Proposer that this was currently a live issue in Northern Ireland with units in Kilroot at 1500 hours each and hitting those limits because they are included into the Constraint Report. Even with an extension to run hours limit being granted, the problem is postponed to following years as the extension would impact their multi-year limits eating into those total figures.

A Generator Member commented that this proposal seemed to be trying to manage multiple legal requirements including the ability, granted by the BCOP, to include these costs into Commercial Offer Data and asked the RAs for comment on the hierarchy of the different legal obligations. RA Member stated there are ongoing legal discussions and it would not be appropriate to comment on it at this time, in this forum.

A number of Members questioned the urgency of this proposal given that the situation for this year has been addressed through an extension of run hours. Due to the current extraordinary circumstances in NI this should not be repeated for the coming years. The issue identified should probably be better considered in the Capacity Market going forward and not TSC to also take into account de-rating factors.

The Proposer advised that they had no means to manage this risk as they understood the SEM Committee's position to be that if they were technically available, they could not declare themselves unavailable to save their hours for periods of stress on the system. It was explained that a resolution for this year was not guaranteed and the extension granted might not be sufficient.

A Supplier Member noted their concern with the proposed changes to Settlement Query process because they could run for a significant length of time before a determination is issued creating uncertainty. It was also noted that this proposal could allow bad actors to game the market and create liquidity issues. Concerns were raised about the hole in the hedge, and although sympathizing with the Proposer conundrum, noted it wouldn't be fair to units who don't have an hours limited de-rating factor. It was felt that this proposal may be best discussed among the affected Members, the RAs, and the Environmental Agencies and potentially the Government.

The Proposer advised that the impact of the Modification would be limited cases of Non-Performance Difference Charges and should the operational situation improve, it would not need to be applied.

Further comments were made that there should be a different forum for this proposal the obligations are linked with Capacity Mechanism and that the financing risk and energy orders should be addressed at a higher level.

The Proposer responded that the Modification was raised here as this is considered the least impactful solution and to allow the Committee to question the RAs about addressing it. They have no other means to mitigate against this risk, as it was never envisaged that these units could be so widely included in the constraint groups.

A Supplier Member reiterated some of the issues discussed with regards to this Modification and felt that given the lack of clarity on the legal assessments and the continuing interactions between the RAs and the relevant Departments, it would not be appropriate for the Committee to vote on it. It also mentioned that the units at Kilroot have been providing emergency response for the past 20 years without issues and aside for this particular period, this should continue without problems until the completion of the North South Interconnector, potentially live from 2031. Although recognizing the current circumstances it was therefore felt that the problem lacks the urgency claimed by the Proposer as there was no immediate threat to systems or generators.

A Generator Member suggested that the implementation of the Modification could create opportunistic risks during RO events. If the Units continued to have Capacity Payments while incurring no risks, it would be unfair to other units managing through DECTOL as a way to reduce their market obligation and getting paid less for reduced risk. It was advised that if this proposal was about the balance of risk, this was possibly not the right solution.

The Proposer acknowledged that a unit could use the DECTOL mechanism to reduce its de-rating factor however advised that historically units with much lower run hour limits have not needed to rely on this mechanism to achieve its obligations. The proposer reiterated that current arrangements penalized units supporting the System, and it was unfair for this unit to be exposed to that risk. It was noted that a unit designed as a peak unit is not typically expected to be included in a security constraint and this is not something that could have been planned for.

MO Member noted few practical issues with the proposal. Firstly, the run hour limit was not a value held in the Market Systems and therefore a whole new process would need to be created to measure and validate it and consideration should be given to which authority should hold that role. It was further noted that there was no mechanism to separate a charge from a Settlement Document for the purpose of freezing payments and that the timelines for allowing this do not align with the standard Settlement Query process, therefore a whole new process would need to be introduced in the T&SC.

MO Observer also added that the Capacity Remuneration Mechanism is transparent, and participants are aware of what it entails when going through the qualification process, auctions process and the consequences for not being able to fulfil RO obligations. The Secondary Trading Avenue could be used to mitigate the risks the units may incur and, so far in the discussion, it has not yet been mentioned that Stop Loss Limits would cap the exposure of the units who are applicable for Non-Performance Difference Charges. so that some level of protection is already accounted for. Finally, if this modification is implemented, it could lead to plausible scenarios where the Socialization Fund is depleted so significantly during a price event that it could result in the inability of the MO to pay Suppliers to ensure they are hedged against the cost of energy.

RA Member reiterated that the discussions are ongoing including representatives from the affected units.

The Committee Members agreed to proceed to a vote and the Chair concluded the Proceeding stating that although the Modification was voted to be Recommended for Rejection, the Members have understood that there is a problem to be addressed but that the T&SC is not the right avenue to do it.

8. PROPOSED LEGAL DRAFTING

As per Appendix 1.

9. LEGAL REVIEW

N/A

10. IMPLEMENTATION TIMESCALE

The Committee has voted recommending to reject this Modification.

APPENDIX 1: MOD_03_25 TREATMENT OF RELIABILITY OPTION DIFFERENCE PAYMENTS FOR HOURS EXHAUSTED UNITS

Proposer <i>(Company)</i>	Date of receipt <i>(assigned by Secretariat)</i>	Type of Proposal <i>(delete as appropriate)</i>	Modification Proposal ID <i>(assigned by Secretariat)</i>		
EP NI Energy	14 th October 2025	Urgent	Mod_03_25		
Contact Details for Modification Proposal Originator					
Name	Telephone number	Email address			
Harry Molloy		harry.molloy@epuki.ie			
Modification Proposal Title					
Treatment of Reliability Option Difference Payments for Hours Exhausted Units					
Documents affected <i>(delete as appropriate)</i>	Section(s) Affected	Version number of T&SC or AP used in Drafting			
T&SC	Glossary, G.2, G.3, F.18	v30.0			
Explanation of Proposed Change <i>(mandatory by originator)</i>					
This modification proposes the introduction of a new term in the Trading and Settlement Code ('TSC') for units which have exhausted run hours permissible under environmental permits issued by either the Environmental Protection Agency or the Northern Ireland Environmental Agency. These units will be identified in the TSC as 'Exhausted'. This modification further proposes that Hours Exhausted units will not be liable for Reliability Option Difference Payments ('RODPs'). We are requesting that this modification be treated as urgent on the basis that "if not made it can reasonably be anticipated that the event or circumstance with which the Modification Proposal is concerned would imminently: (i) threaten or prejudice safety, security or reliability of supply of electricity".					
Legal Drafting Change <i>(Clearly show proposed code change using tracked changes, if proposer fails to identify changes, please indicate best estimate of potential changes)</i>					
The following term is proposed for introduction to the Glossary:					

Hours Exhausted means not Available (as defined in the Grid Code) [pursuant to SDC1.4.3.3(e) of the Grid Code] due to the restrictions contained in any Northern Ireland Environmental Agency or Environmental Protection Agency consent, permit or licence on which a Capacity Market Unit relies for operation.

The following addition is proposed to Section F.18.7 which concerns the calculation of Non-performance Difference Quantities and Charges. This change means that Non-Performance Difference Charges will be set to zero during periods when the unit is Hours Exhausted.

F.18.7 Calculation of Non-performance Difference Quantities and Charges

[...]

F.18.7.9 The Market Operator shall assign a value of zero in respect of the Non-Performance Difference Charges for any Capacity Market Units that are Hours Exhausted in the relevant Imbalance Settlement Period.

The following amendment is proposed to Section G.3.2.5. This amendment would enable Participants to raise Settlement Queries in relation to the calculation of Difference Charges for Hours Exhausted units:

G.3.2.5 Subject to paragraphs G.3.2.6 and G.3.2.7, a Participant, an External Data Provider or the Market Operator may raise a Settlement Query in respect of the application or the calculation of any one or more of the following:

- (a) Physical Notifications;
- (b) Accepted Bid Offer Quantities (including any components of same) and Bid Offer Prices;
- (c) Day-ahead Trade Quantities, Intraday Trade Quantities and associated durations;
- (d) Metered Generation or Metered Demand;
- (e) Dispatch Quantities;
- (f) the application (but not the calculation) of Imbalance Prices, Imbalance Settlement Prices and Market Back Up Prices;
- (g) Curtailment Prices calculated under section E.6;
- (h) Availabilities;
- (i) Fixed Cost Payments or Charges; ~~and~~
- (j) Capacity Payments or Capacity Charges; ~~and~~
- (k) Non-Performance Difference Charges calculated with respect to Capacity Market Units which are Hours Exhausted.

The following amendment is proposed to Section G.3.3. This amendment would suspend payment of the relevant Settlement Statements where a Participant raises a query in relation to the calculation of Difference Charges:

G.3.3 Consequences

G.3.3.1 **Subject to section G.3.3.4,** Any payment due under the Code by any Party or Participant shall continue to be due and payable in accordance with its terms (including as to timing) notwithstanding:

- (a) any Settlement Queries or Disputes in respect of such payments; or

(b) any Shortfall, Unsecured Bad Debt, Default, Suspension, Deregistration or Termination or similar event arising in relation to any such Party or Participant.

G.3.3.2 Subject to sections G.3.2 and B.19, where the resolution of a Settlement Query or Dispute requires a Settlement Rerun, the Market Operator will procure the carrying out of a Settlement Rerun in relation to the period that is the subject of the Settlement Query or Dispute.

G.3.3.3 Subject to sections G.3.2 and B.19, where the resolution of a Settlement Query or Dispute raised by a Participant requires a Settlement Rerun, the Market Operator shall apply the result of that Settlement Rerun to all Participants, where applicable.

G.3.3.4 Where a Settlement Query has been raised by a Participant in relation to Non-Performance Difference Charges in accordance with G.3.2.5, the Participant shall not be required to pay any amounts outlined in the Settlement Document to which the Settlement Query relates, until such a time as the Settlement Query has been resolved and a Settlement Rerun has been undertaken.

The following amendment is proposed to Section G.2.5.:

Settlement Documents

G.2.5.7 For the avoidance of doubt, where a Settlement Query has been raised by a Participant in relation to Non-Performance Difference Charges in accordance with G.3.2.5, the Participant shall not be required to pay any amounts outlined in the Settlement Document to which the Settlement Query relates, until such a time as the Settlement Query has been resolved and a Settlement Rerun has been undertaken.

Modification Proposal Justification

(Clearly state the reason for the Modification)

Restrictions on unit run hour limits included in environmental permits may impede a unit's ability to generate and export electricity. During times of system stress, this means that units which are run-hour limited are exposed to a significant risk of incurring Difference Charges. If a large unit is unavailable due to an exhaustion of its permitted run-hour limits, there is an increased likelihood of stress on the system. This comes with an increased risk of higher market prices and thus exposure to Difference Charges.

A Capacity Market unit whose run hours have been exhausted will be unable to make the unit available during periods when the imbalance price exceeds the RO Strike Price. In this scenario the generator is exposed to significant financial risk including insolvency which would result in closure of the units to the detriment of consumers. This modification would alleviate the financial risk of RODP exposure on units which have exhausted permissible run hours. This benefits generators with run-hour limits and consumers who will not be faced with increased costs.

Code Objectives Furthered

(State the Code Objectives the Proposal furthers, see Section 1.3 of T&SC for Code Objectives)

(g) to promote the short-term and long-term interests of consumers of electricity on the island of Ireland with respect to price, quality, reliability, and security of supply of electricity.

Implication of not implementing the Modification Proposal

<i>(State the possible outcomes should the Modification Proposal not be implemented)</i>	
Failure to implement this modification would result in significant financial risk including insolvency which would result in closure of units with exhausted run-hour limits to the detriment of consumers.	
Working Group <i>(State if Working Group considered necessary to develop proposal)</i>	Impacts <i>(Indicate the impacts on systems, resources, processes and/or procedures)</i>
Please return this form to Secretariat by email to modifications@sem-o.com	