

MODIFICATION PROPOSAL FORM

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|-------------------------------------|--|---|---|
| Proposer <i>(Company)</i> | Date of receipt <i>(assigned by System Operator)</i> | Type of Proposal <i>(delete as appropriate)</i> | Modification Proposal ID <i>(assigned by System Operator)</i> |
| EirGrid / SONI | 26 th February 2026 | Standard | CMC_02_26 |

Contact Details for Modification Proposal Originator

| | | |
|-----------------|-------------------------|--------------------------|
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Modification Proposal Title

F.4.1.1 Submission Information

| | | |
|---|----------------------------|---|
| Documents affected <i>(delete as appropriate)</i> | Section(s) Affected | Version number of CMC used in Drafting |
| Capacity Market Code | Section F.4 | V.14 |

Explanation of Proposed Change
(mandatory by originator)

This modification proposes to remove requirements under Sections F.4.1.6 and F.4.1.7 of the Capacity Market Code ('CMC' or 'the Code') which in the System Operators' ('SOs') view do not facilitate the prudent operation of the Capacity Remuneration Mechanism ('CRM').

By way of background, Section F.4.1.1 requires the SOs to determine capacity volumes and related information for each Locational Capacity Constraint ('LCC') in a Capacity Auction. Sections F.4.1.4 and F.4.1.4A provide that the SOs submit these values to the Regulatory Authorities ('RAs').

Section F.4.1.6 requires that in instances for a Capacity Auction where there is a shortfall in qualified capacity for a LCC then the SOs shall reduce the Required Quantity for that LCC to match the total Gross De-Rated Capacity qualified which can satisfy the LCC. Section F.4.1.7 requires if this occurs that the RAs are notified by the SOs (which if applied means adjusted values would be included in the F.4.1.1 table submission).

The SOs do not view the F.4.1.6 requirement as prudent. The status quo approach to date taken by the SOs has been not to apply F.4.1.6 / F.4.1.7 to ensure that the RAs have full visibility and are sufficiently informed of any shortfalls in qualified capacity which may satisfy a LCC. In the SOs' view, this is necessary to aid RA decision making and to ensure that the RAs are sufficiently informed with a holistic view of potential Security of Supply concerns. The SOs also submit certain supplementary information to the RAs with the F.4.1.1 submission. The SOs are of the view that any shortfalls in capacity volumes are consequential however and should be included in the F.4.1.1 submission table itself (which also ensures consistency across information provided).

Illustrative Examples

1) Status Quo (F.4.1.1 table as currently submitted by the SOs to the RAs without application of F.4.1.6 / F.4.1.7)

| CMC Ref | Location | NI(L1-1) GW | IE(L1-2) GW | Dublin(L2-1) GW |
|-------------|---|-------------|-------------|-----------------|
| F.4.1.1 (a) | LCC Required Quantity | 1.200 | 5.225 | 1.500 |
| F.4.1.1 (b) | Total Gross De-Rated Capacity (qualified) | 1.100 | 5.500 | 1.700 |
| F.4.1.1 (c) | Shortfall based on Total | 0.100 | 0.000 | 0.000 |

In the above illustrative example for a capacity auction, the Required Quantity for NI(L1-1) LCC is 1.200 GW. The Total Gross De-Rated Capacity which qualified and can satisfy this LCC is 1.100 GW resulting in a deficit for the LCC of 0.100 GW.

The status quo approach is that the above values are submitted by the SOs to the RAs in the F.4.1.1 submission as is, ensuring that the RAs have visibility of the initial LCC Required Quantity, the Gross De-Rated Capacity qualified to satisfy the LCC and the resulting shortfall. Even were the LCC Required Quantity not adjusted, the auction currently has a mechanism (under Section F.8.2.3) to ensure that only volumes can be procured up to the capacity which qualified and can satisfy the LCC (1.100 GW). Thus, no further adjustment is necessary to the F.4.1.1 submission with the RAs having full sight of the LCC capacity positions.

2) How the CMC is currently drafted (were F.4.1.1 submission table to apply F.4.1.6 / F.4.1.7)

| CMC Ref | Location | NI(L1-1) GW | IE(L1-2) GW | Dublin(L2-1) GW |
|--|---|-------------|-------------|-----------------|
| F.4.1.1 (a) F.4.1.6 Adjustment | LCC Required Quantity | 1.100 | 5.225 | 1.500 |
| F.4.1.1 (b) | Total Gross De-Rated Capacity (qualified) | 1.100 | 5.500 | 1.700 |
| F.4.1.1 (c) F.4.1.6 Adjustment | Shortfall based on Total | 0 | 0.000 | 0.000 |

Were F.4.1.6 to be applied, as there was a deficit for the NI(L1-1) LCC of 0.100 GW, F.4.1.6 requires that the SOs reduce the shortfall value in the table from 0.100 GW to zero. F.4.1.6 then requires that the LCC Required Quantity be reduced from 1.200 GW to match the Total Gross De-Rated Capacity qualified 1.100 GW.

As noted, this is a redundant and unnecessary requirement as the auction mechanism under F.8.2.3 already provides for instances where there are shortfalls in qualified capacity participating within a LCC (meaning no capacity could be procured for the LCC above the Total Gross De-Rated Capacity qualified of 1.100 GW).

The shortfall of 0.100 GW still exists as against the initial Required Quantity for the LCC of 1.200 GW as determined by the SOs. F.4.1.6 merely requires that the figures be adjusted in the F.4.1.1 table to remove the reporting of the shortfall, which in the SOs' view is not prudent as it obfuscates the true capacity position.

3) Proposed Modification to ensure CMC is aligned with the status quo (F.4.1.1 submission with F.4.1.6 / F.4.1.7 removed)

| CMC Ref | Location | NI(L1-1) GW | IE(L1-2) GW | Dublin(L2-1) GW |
|-------------|---|-------------|-------------|-----------------|
| F.4.1.1 (a) | LCC Required Quantity | 1.200 | 5.225 | 1.500 |
| F.4.1.1 (b) | Total Gross De-Rated Capacity (qualified) | 1.100 | 5.500 | 1.700 |
| F.4.1.1 (c) | Shortfall based on Total | 0.100 | 0.000 | 0.000 |

The above table would align the CMC with the status quo approach taken by the SOs. Here, the LCC Required Quantity, Total Gross De-Rated Capacity (qualified) and the resulting shortfall between

the two are reported to the RAs. As noted, there is no requirement to adjust the LCC Required Quantity to match the Total Gross De-Rated Capacity (qualified) as F.8.2.3 already provides for instances where there is a shortfall between the two.

The SOs view it as important that the RAs have full visibility of LCC volumes and any shortfalls to aid decision making and that the RAs are sufficiently informed with a holistic view of potential Security of Supply concerns. As such, the SOs have not applied F.4.1.6 and F.4.1.7 to date and are of the view that they are redundant and inconsistent with the Code Objectives and should be removed from the Code as proposed. This Proposal will ensure alignment between the Code and the status quo approach applied which in the SOs' view is necessary.

Legal Drafting Change

*(Clearly show proposed code change using **tracked** changes, if proposer fails to identify changes, please indicate best estimate of potential changes)*

F.4 DETERMINATION OF LOCATIONAL CAPACITY CONSTRAINTS FOR A CAPACITY AUCTION

F.4.1.1 For each Locational Capacity Constraint, the System Operators shall, when requested to do so by the Regulatory Authorities and as required under this section F.4.1 determine the following for a Capacity Year:

- (a) the Locational Capacity Constraint Required Quantity, being:
 - (i) the minimum de-rated capacity quantity that is required to satisfy the Locational Capacity Constraint determined under paragraph C.2.2.2(c); less
 - (ii) the de-rated value of capacity that is not existing Awarded Capacity for the relevant Capacity Year but which the System Operators forecast to be operational during the relevant Capacity Year and will not participate in the Capacity Auction;
- (b) the total quantity of Gross De-Rated Capacity (Total) in respect of Capacity Market Units that are Qualified as contributing to satisfying the Locational Capacity Constraint;
- (c) the absolute value of the amount (if any) by which the total quantity determined under sub-paragraph (b) falls short of the Locational Capacity Constraint Required Quantity for the Locational Capacity Constraint;
- (d) the total quantity of Gross De-Rated Capacity (Existing) in respect of Capacity Market Units that are Qualified as contributing to satisfying the Locational Capacity Constraint;
- (e) the absolute value of the amount (if any) by which the total quantity determined under sub-paragraph (d) falls short of the Locational Capacity Constraint Required Quantity for the Locational Capacity Constraint;
- (f) the Awarded Capacity for the Capacity Year in respect of Capacity Market Units that contribute to satisfying the Locational Capacity Constraint; and
- (g) the Locational Capacity Constraint Maximum Quantity, being
 - (i) the maximum de-rated capacity quantity that can be cleared under the Locational Capacity Constraint determined under paragraph C.2.2.2(c); less
 - (ii) the de-rated value of capacity that is not existing Awarded Capacity for the relevant Capacity Year but which the System Operators forecast to be operational during the relevant Capacity Year and will not participate in the Capacity Auction;

For the avoidance of doubt, the minimum de-rated quantity determined in C.2.2.2(c) does not take account of the Awarded Capacity for the Capacity Year in respect of Capacity Market Units that contribute to satisfying the Locational Capacity Constraint.

F.4.1.2 A Capacity Market Unit that has been Qualified only for the purposes of Secondary Trade Auctions under section E.10 shall not be taken into account in the determination and assessment under paragraph F.4.1.1.

F.4.1.3 In making a determination under paragraph F.4.1.1 prior to the conclusion of the Qualification Process in respect of a Capacity Auction, the System Operators shall treat a reference to Capacity Market Units in this section F.4 as including Capacity Market Units that are in their reasonable opinion likely to be Qualified as a result of the Qualification Process.

F.4.1.4 Regarding prospective adjustments, the System Operators shall make a determination under paragraph **Error! Reference source not found.** based on the Provisional SO Qualification Decisions and submit the values to the Regulatory Authorities no later than fifteen Working Days after the Provisional Qualification Results Date and no later than the date set out in the applicable Capacity Auction Timetable, where:

(i) for the purpose of this paragraph, prospective adjustments mean, in respect of each Locational Capacity Constraint, all adjustments to quantity (in MW) proposed by the System Operators to the Regulatory Authorities that are dependent upon provisional qualification data.

F.4.1.4A The System Operators shall submit indicative adjustments to the Regulatory Authorities no later than the date set out in the applicable Capacity Auction Timetable, where:

(i) for the purpose of this paragraph, indicative adjustments mean, in respect of each Locational Capacity Constraint, all adjustments to quantity (in MW) proposed by the System Operators to the Regulatory Authorities that are not dependent upon provisional qualification data.

~~F.4.1.6 Intentionally blank. If the System Operators, based on the Final Qualification Decisions, determine that the value for the purposes of paragraph F.4.1.1(c) is greater than zero, then the System Operators shall reduce the Locational Capacity Constraint Required Quantity for the Locational Capacity Constraint to the total quantity determined under paragraph F.4.1.1(b).~~

~~F.4.1.7 Intentionally blank. If the System Operators reduce the Locational Capacity Constraint Required Quantity for a Locational Capacity Constraint under paragraph F.4.1.6, then they shall notify the Regulatory Authorities.~~

Modification Proposal Justification

(Clearly state the reason for the Modification)

F.4.1.6 and F.4.1.7 stipulate requirements which in the SOs review are redundant and contrary to the Code Objectives with respect to the efficient operation of the CRM. They are redundant in that the present CRM auction mechanism under F.8.2.3 already provides for instances where there are shortfalls in qualified capacity participating within an auction LCC.

Furthermore, the SOs do not view this requirement as prudent and to date have not applied F.4.1.6 / F.4.1.7 to ensure that the RAs have full visibility and are sufficiently informed of any shortfalls in

qualified capacity for a LCC. This approach is necessary to support RA decision making and to ensure that the RAs are fully informed with a holistic view of potential Security of Supply concerns.

Failure to remove these provisions (if the provisions were to be applied) could result in adverse impacts to consumers and Security of Supply if deficits in LCC Required Quantities are obfuscated and appropriate action is not taken. In the SOs' view, it is important that this information is submitted to the RAs in the F.4.1.1 submission, while also aligning the CMC with the status quo approach to ensure compliance with the Code.

Code Objectives Furthered

(State the Code Objectives the Proposal furthers, see Sub-Section A.1.2 of the CMC Code Objectives)

- (a) to facilitate the efficient discharge by EirGrid and SONI of the obligations imposed by their respective Transmission System Operator Licences in relation to the Capacity Market;
- (b) to facilitate the efficient, economic and coordinated operation, administration and development of the Capacity Market and the provision of adequate future capacity in a financially secure manner;
- (c) to facilitate the participation of undertakings including electricity undertakings engaged or seeking to be engaged in the provision of electricity capacity in the Capacity Market;
- (e) to provide transparency in the operation of the SEM;
- (g) through the development of the Capacity Market, to promote the short-term and long-term interests of consumers of electricity with respect to price, quality, reliability, and security of supply of electricity across the Island of Ireland.

Implication of not implementing the Modification Proposal

(State the possible outcomes should the Modification Proposal not be implemented)

Failure to remove F.4.1.6 / F.4.1.7 (if the provisions were to be applied) could result in adverse impacts to consumers and Security of Supply if deficits in LCC Required Quantities are obfuscated and appropriate action is not taken.

Impacts

(Indicate the impacts on systems, resources, processes and/or procedures)

There are no system impacts resulting from the modification. The SOs already apply the proposed approach meaning there are no process impacts.

Please return this form to the System Operators by email to CapacityModifications@sem-o.com

Notes on completing Modification Proposal Form:

1. If a person submits a Modification Proposal on behalf of another person, that person who proposes the material of the change should be identified on the Modification Proposal Form as the Modification Proposal Originator.
2. Any person raising a Modification Proposal shall ensure that their proposal is clear and substantiated with the appropriate detail including the way in which it furthers the Code Objectives to enable it to be fully considered by the Regulatory Authorities.
3. Each Modification Proposal will include a draft text of the proposed Modification to the Code unless, if raising a Provisional Modification Proposal whereby legal drafting text is not imperative.
4. For the purposes of this Modification Proposal Form, the following terms shall have the following meanings:

| | |
|------------------------|---|
| CMC / Code: | means the Capacity Market Code for the Single Electricity Market |
| Modification Proposal: | means the proposal to modify the Code as set out in the attached form |
| Derivative Work: | means any text or work which incorporates or contains all or part of the Modification Proposal or any adaptation, abridgement, expansion or other modification of the Modification Proposal |

The terms "System Operators" and "Regulatory Authorities" shall have the meanings assigned to those terms in the Code.

In consideration for the right to submit, and have the Modification Proposal assessed in accordance with the terms of Section B.12 of the Code, which I have read and understand, I agree as follows:

1. I hereby grant a worldwide, perpetual, royalty-free, non-exclusive licence:
 - 1.1 to the System Operators and the Regulatory Authorities to publish and/or distribute the Modification Proposal for free and unrestricted access;
 - 1.2 to the Regulatory Authorities to amend, adapt, combine, abridge, expand or otherwise modify the Modification Proposal at their sole discretion for the purpose of developing the Modification Proposal in accordance with the Code;
 - 1.3 to the System Operators and the Regulatory Authorities to incorporate the Modification Proposal into the Code;
 - 1.4 to all Parties to the Code and the Regulatory Authorities to use, reproduce and distribute the Modification Proposal, whether as part of the Code or otherwise, for any purpose arising out of or in connection with the Code.
2. The licences set out in clause 1 shall equally apply to any Derivative Works.
3. I hereby waive in favour of the Parties to the Code and the Regulatory Authorities any and all moral rights I may have arising out of or in connection with the Modification Proposal or any Derivative Works.
4. I hereby warrant that, except where expressly indicated otherwise, I am the owner of the copyright and any other intellectual property and proprietary rights in the Modification Proposal and, where not the owner, I have the requisite permissions to grant the rights set out in this form.
5. I hereby acknowledge that the Modification Proposal may be rejected by the Regulatory Authorities and that there is no guarantee that my Modification Proposal will be incorporated into the Code.