MODIFICATION PROPOSAL FORM			
Proposer *(Company)*	**Date of receipt** *(assigned by System Operator)*	**Type of Proposal** *(delete as appropriate)*	**Modification Proposal ID** *(assigned by System Operator)*
Energia	**7th July 2026**	**Standard**	**CMC_06_26**

Contact Details for Modification Proposal Originator		
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Modification Proposal Title
Secondary Trading Above De-Rated Capacity

Documents affected *(delete as appropriate)*	**Section(s) Affected**	**Version number of CMC used in Drafting**
Capacity Market Code	**M.12**	**v15.0**

Explanation of Proposed Change
(mandatory by originator)

<u>Background and Addressing Issues Raised in SEM-26-022</u>

This modification seeks to allow for participants to secondary trade above their de-rated capacity, as was originally envisaged in the design of the Capacity Remuneration Mechanism (CRM). A change to the Capacity Market Code (CMC) to enable trading above de-rated capacity was initially proposed by Energia via modification CMC_11_21 and approved by SEM Committee (SEMC) in September 2021 (SEM-21-077) to be implemented pending an System Operator (SO) impact assessment.

The SO impact assessment and Regulatory Authority (RA) analysis was published in April 2026 (SEM-26-022). The SOs and RAs identified issues with the final legal drafting of CMC_11_21, and the RAs invited the proposer to submit a revised modification proposal explicitly focused on the issues raised and the legal drafting.

This modification is Energia's proposal. The issues raised by the SOs and RAs with CMC_11_21 have been addressed as follows:

1. The first issue identified with CMC_11_21 as set out in SEM-26-022 was with incorrect CMC references in the legal drafting. This has been rectified in this proposal, with all references aligned to version 15.0 of the CMC.

2. The second issue identified with CMC_11_21 was that the proposed calculation of the Seller limit to allow for trading above de-rated capacity did not achieve its intent of allowing for secondary trading above de-rated capacity. This modification contains a revised calculation that will allow for secondary trading above de-rated capacity.

3. The third issue identified was with the 70-day limit on trading above de-rated capacity that was not originally included in CMC_11_21, but that the SEMC had required as part of their decision in SEM-21-077. This revised modification proposes a 70-day limit on Buyers trading with Sellers above their de-rated capacity. Energia's view is that this aligns with the original CRM Design Decision (SEM-16-022) for the enduring secondary trading arrangements and with SEM-21-077.

4. Finally, the RAs required Energia to address the risk of units with very low de-rating factors gaming the system by trading "far above their de-rated capacity". Energia's modification

therefore caps the Seller limit on secondary trading at the lesser of a unit's commissioned capacity or 200% of their de-rated capacity. Energia's view is that this proposal addresses the concern by limiting the extent to which units with low de-rating factors can trade above their de-rated capacity, while ensuring no undue discrimination as required by the CMC Objectives.

Overview of Proposed Changes

The modification would allow CRM participants seeking to sell in the secondary trading market (i.e. to take on additional CRM obligations from other participants) to trade up to the lower of 2 x their gross de-rated capacity or their commissioned (i.e. non-de-rated) capacity.

For example, a 100MW unit with a de-rating factor of 0.7 and a CRM obligation of 70MW would be able to sell an additional 30MW in the secondary trading market, taking their total obligation to 100MW (their commissioned capacity). A 100MW unit with a de-rating factor of 0.07 and a CRM obligation of 7MW would be able to sell an additional 7MW in the secondary trading market, taking their total obligation to 14MW (2x their gross de-rated capacity).

Buyers of secondary trades (i.e. CRM participants seeking to offload their CRM obligations) would be limited to a maximum of 70 days during a capacity year for secondary trades in which the Seller is taking on a total CRM obligation in excess of its de-rated capacity. Buyers would continue to be unlimited in the number of days that they can trade with Sellers trading at or below their de-rated capacity. The SOs would be responsible for enforcing this 70-day limit via the secondary trading module in the Capacity Market Platform.

Legal Drafting Change

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

M.12.3.3 The System Operators shall reject a proposed Secondary Trade set out in an Alternative Secondary Trade Notification if:

(a) it does not form part of a matching Trade Pair, where a Trade Pair is formed of matching Alternative Secondary Trade Notifications from Buyer and Seller submitted on the same Working Day;

(b) the start of the proposed trade is prior to 5 Working Days after the trade was notified;

(c) the end of the proposed trade is at or before its start;

(d) the MW quantity of the proposed trade after adjustment pursuant to M.12.2.4 is zero; or

(e) it does not comply with the requirements set out in this section M.12.

(f) the proposed trade would exceed the Buyer's 70-day limit as set out in M.12.6.6.

M.12.6.1 The "Initial Position" of a Capacity Market Unit in respect of the period of time to which a proposed Secondary Trade relates is the Net Capacity Quantity of that Capacity Market Unit in respect of that period of time immediately prior to the proposed Secondary Trade.

M.12.6.2 The Buyer Limit for a Capacity Market Unit is the Initial Position of the Capacity Market Unit

M.12.6.3 The Seller Limit for a Capacity Market Unit is the value calculated as:

(A) the lesser of

i. the Commissioned Capacity of the Capacity Market Unit, or ii. 2 x the Gross De-Rated Capacity (Total) of the Capacity Market Unit for the relevant Capacity Year. (B) Less the Initial Position of the CMU multiplied by the Product Load Following Factor for the traded period. ~~(a)~~ ~~(i) the Available De-Rated Capacity; less~~ ~~(ii) the Initial Position of the Capacity Market Unit multiplied by the Product Load Following Factor for the traded period,~~ ~~(b) divided by the Product Load Following Factor for the traded period.~~ M.12.6.4 For the purposes of paragraph M.12.6.~~3~~5 and M.12.6.6: (a) the level at which a Participant is seeking to trade in a proposed Secondary Trade is the Initial Position of the relevant Capacity Market Unit plus the incremental MW quantity offered in that proposed Secondary Trade multiplied by the Product Load Following Factor for the traded period; and (b) “Available De-Rated Capacity” is the lesser of the Commissioned Capacity and the Gross De-Rated Capacity (Total) of the Capacity Market Unit (when the Capacity Market Unit was last Qualified in respect of the Capacity Year). M.12.6.5 The System Operators shall keep a record for each Capacity Market Unit of the total number of days within a Capacity Year for which the relevant Participant has entered into Secondary Trades in respect of its Capacity Market Unit as a Buyer that result in the Net Capacity Quantity of the Seller (as calculated in M.12.6.4 (a)) exceeding its Available De-Rated Capacity. M.12.6.6 Where a proposed Secondary Trade would lead the number of days recorded under paragraph M.12.6.5 in respect of a Capacity Market Unit to exceed 70 days, the System Operators shall reject that proposed Secondary Trade.
Modification Proposal Justification *(Clearly state the reason for the Modification)*
Secondary Trading Above De-Rated Capacity The principle of being able to secondary trade above de-rated capacity was supported in the original SEMC detailed design decision paper SEM-16-022. It was widely supported by participants in response to the 2021 consultation on CMC_11_21 (SEM-21-055). And it was supported by SEMC in its original decision paper SEM-21-077. The ability to secondary trade allows participants to better manage their Reliability Obligation (RO) risk, thus reducing the cost of participating in the CRM to the ultimate benefit of consumers. Current secondary trading arrangements (restricted to ISTNs and ASTNs) are entirely inadequate to efficiently manage RO risk during scheduled and forced outages (noting that more prolonged outages will be required for ILC refurbishments) and RO risk will increase with ASP revisions to be introduced in the near term. Greater flexibility is needed.

The justification for secondary trading above de-rated capacity as set out in detail in CMC_11_21 remains valid from when the SEMC originally approved that modification in 2021. Since 2021, the need for secondary trading above de-rated capacity has increased further. In the first instance, in SEM-25-029 SEMC decided to change the Administered Scarcity Pricing (ASP) calculation such that it is more likely to trigger, increasing risks to participants that can only be effectively managed by enhanced secondary trading arrangements.

Additionally, since 2021 there has been a persistent increase in Product Load Following Factors, meaning that the already severely limited ability to secondary trade for RO-holders has decreased further. For example, in the period from January – September, PLFFs in 2021 ranged from 0.659 to 0.883. For the same period in 2026 the range is from 0.79 to 1.0. While the risk of uncovered RO events is to be increased, the ability for participants to manage that risk via secondary trading under the current arrangements has significantly decreased in recent years.

Furthermore, in consultation paper SEM-26-037 on the new State aid approval for the CRM, the RAs are proposing a supplementary availability mechanism, further increasing risks for participants that would need to be managed by secondary trading if introduced.

<u>70-Day Limit</u>

The original rationale for a 70-day Limit on trading above de-rated capacity applying to Buyers rather than Sellers came from the detailed design decision (SEM-16-022). The rationale was that a participant should only need to utilise secondary trading above de-rated capacity to cover an outage and based on historic data it was unlikely that a unit would be on outage for longer than 70 days in a Capacity Year.

The RAs noted that in SEM-26-022 that the 70-day figure was based on SEMO data from 2014 to 2017, and that as part of a revised modification proposal the RAs may consider requesting up-to-date data from SEMO to establish whether the figure is still representative or whether it should be higher or lower. Whilst such a review can be undertaken in due course, it is not necessary for it to be completed in the context of Energia's revised modification. Therefore, Energia has maintained the original 70-day figure from the detailed design decision, and from SEM-21-077.

<u>Restriction on Ability to Secondary Trade above 200% of Gross-De-Rated Capacity</u>

The SO and RA concerns regarding gaming by units with low de-rated factors are set out in SEM-26-022 and the associated SO Impact Assessment.

Energia's proposal is a cap on secondary trading at the lesser of commissioned capacity and 200% of gross de-rated capacity. This ensures that any unit with a de-rating factor of less than 0.5 cannot trade up to their full commissioned capacity, with the absolute MW restriction on trading above de-rated capacity increasing for less reliable units (e.g. a unit with a de-rating factor of 0.4 is restricted less than a unit with a de-rating factor of 0.1 in absolute MW terms).

While taking account of units with lower de-rating factors, this proposal crucially retains the principle of no undue discrimination, as the calculation is based on de-rating factor and is not specific to any one technology class. While an alternative to the 200% figure could be proposed, there is some precedent for the application of the cap to units with a de-rating factor of 0.5 or below: previous CRU directions regarding CRM qualification have applied only to units with de-rating factors of 0.5 or more (see CRU202317).

Code Objectives Furthered

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

(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; (d) to promote competition in the provision of electricity capacity to the SEM; (f) to ensure no undue discrimination between persons who are or may seek to become parties to the Capacity Market Code; and (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)*
The SEMC has already proposed measures that would increase the risk of RO events taking place. The change to the ASP calculation, as per SEM-25-029, is expected to be in place later this year, which will increase the likelihood of ASP triggering more frequent RO events. Furthermore, the recently released consultation paper on the High Level Design of CRM 2.0 (SEM-26-037) includes a proposal for a supplementary availability mechanism which would further increase the financial risk for RO holders. Particularly in the context of increased risk, if the secondary trading arrangements are not enhanced then CRM participants will inevitably have to factor that increased risk into auction bids, increasing prices and ultimately increasing the cost of the CRM for consumers. Additionally, by making the CRM a riskier investment without increasing the ability for RO holders to manage that risk, it will become more difficult to attract any new capacity that is required for future capacity years. Finally, if uncovered RO risk is increased during the lifetime of existing multi-year CRM contracts without a corresponding enhancement to secondary trading arrangements, a missing money issue may emerge whereby the value of those contracts does not reflect the increased risks faced by RO holders.
Impacts *(Indicate the impacts on systems, resources, processes and/or procedures)*
Secondary Trading in the CRM now takes place via a module in the Capacity Market Platform. Energia's view is that this modification should be relatively straightforward to implement from a systems perspective as it does not require complex calculations and any further system change is justified and necessary to improve the functioning of the secondary trading market. The TSO Impact Assessment of CMC_11_21 completed over a 4.5-year period did not identify any system limitations as a barrier to its implementation, but rather focused on the legal drafting and potential unintended consequences, all of which have been addressed in this revised modification.
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.**