



**Single Electricity Market**

**(SEM)**

**Capacity Market Code Workshop 33**

**CMC\_19\_23**

**Appendix A**

**Approved Modification Text Drafting**

**SEM-23-102**

**12 December 2023**

**In Section M, add the following:**

**M.14 Capacity Payment Price Indexation**

- M.14.1 The provisions of this M.14 apply to Awarded New Capacity with a Maximum Capacity Duration of more than one Capacity Year:
- (i) allocated pursuant to the T-3 Auction for the Capacity Year beginning 1 October 2024, and included in the final Capacity Auction Results released by the System Operators on 4 March 2022; and
  - (ii) allocated pursuant to the T-4 Auction for the Capacity Year beginning 1 October 2025, and included in the final Capacity Auction Results released by the System Operators on 6 May 2022.
- M.14.2 The Capacity Payment Price Indexation Start Date shall be 20 January 2022 or 24 March 2022, as the case may be, being the date on which the System Operators conducted the relevant T-3 Auction or T-4 Auction, referred to in M.14.1.
- M.14.3 Unless the Participant notifies the System Operator otherwise in accordance with M.14.4, the Capacity Payment Price Indexation End Date shall be the day before first day of the first Capacity Year to which the Awarded New Capacity relates.
- M.14.4 If, no later than Substantial Financial Completion or within 30 days of the Capacity Payment Price Indexation Detailed Decision Date, the Participant so notifies the System Operators, the Capacity Payment Price Indexation End Date shall be the date of Substantial Financial Completion.
- M.14.5 The System Operators shall determine, and submit to the Regulatory Authorities for approval, the Capacity Payment Price Indexation Factor ( $FPCP_{\Omega_n}$ ) to be:

$$FPCP_{\Omega_n} = (1 + 0.7 * (FINFT_{\Omega_n} / FINFX_{\Omega_n} - 1))$$

where  $FINFT_{\Omega_n}$  is the Capacity Payment Price Total Inflation, being

- (a) for Capacity Market Units connected in Ireland, the ratio of the CSO WPM28 Wholesale Price Index for Building and Construction Materials for the month in which the Capacity Payment Price Indexation End Date falls and the month in which the Capacity Payment Price Indexation Start Date falls; and
- (b) for Capacity Market Units connected in Northern Ireland, the ratio of the ONS Construction Output Price Index for New Work (Infrastructure) for the month in which the Capacity Payment Price Indexation End Date falls and the month in which the Capacity Payment Price Indexation Start Date falls;

and  $FINFX_{\Omega_n}$  is the Capacity Payment Price Expected Inflation, being 1, inflated at a rate equivalent to 2 per cent per year, compounded daily over the period between, and including, the first day of the month following the month in which the Capacity Payment Price Indexation Start Date falls and the last day of the month in which the

Capacity Payment Price Indexation End Date falls.

M.14.6 The System Operators shall determine the Capacity Payment Price to be the Capacity Payment Price determined in accordance with F.9.1, multiplied by the Capacity Payment Price Indexation Factor.

M.14.7 The System Operators shall publish the Capacity Payment Price Indexation Factor within 30 days of the publication of both

- (i) the publication of the CSO WPM28 Wholesale Price Index for Building and Construction Materials for Capacity Market Units connected in Ireland; and
- (ii) the publication of the ONS Construction Output Price Index for New Work (Infrastructure) for Capacity Market Units connected in Northern Ireland.

**In E.8.6.1, replace “Exception Qualification” with “Exception Application”.**

E.8.6.1 Subject to paragraph E.8.6.2, the Maximum Capacity Duration in respect of:

- (a) New Capacity for which the Regulatory Authorities have approved a Maximum Capacity Duration as a result of an Exception ~~Qualification~~ **Application**, shall be the approved Maximum Capacity Duration; and
- (b) otherwise, shall be one Capacity Year.

**Delete F.9.1.2**

~~F.9.1.2—Except to the extent provided for in the Trading and Settlement Code, the Capacity Payment Price shall not be subject to adjustment or indexation.~~

**In the Glossary, amend the definition of Capacity Payment Price, as follows:**

**Capacity Payment Price (PCP<sub>Ωn</sub>)** in respect of Awarded Capacity, means the Capacity Payment Price determined in accordance with section F.9.1 and M.14.

**And, add the following definitions:**

**Capacity Payment Price Total Inflation (FINFT<sub>Ωn</sub>)** means, in respect of Awarded New Capacity to which M.14.1 applies, for Capacity Market Unit Ω and price-quantity pair n, the total inflation between the Capacity Payment Price Indexation Start Date and the Capacity Payment Price Indexation End Date, and has the value determined in accordance with M.14.5.

**Capacity Payment Price Expected Inflation (FINFX<sub>Ωn</sub>)** means, in respect of Awarded New Capacity to which M.14.1 applies, for Capacity Market Unit Ω and price-quantity pair n, the expected inflation between the Capacity Payment Price Indexation Start Date and the Capacity Payment Price Indexation End Date, assuming a deemed rate of 2 per cent per year, and has the value determined in accordance with M.14.5.

**Capacity Payment Price Indexation Start Date** means, in respect of Awarded New Capacity to which M.14.1 applies, for Capacity Market Unit Ω and price-quantity pair n, the start date from which Capacity Payment Price Indexation Factor is calculated, and is determined in accordance

with M.14.2.

**Capacity Payment Price Indexation End Date** means, in respect of Awarded New Capacity, to which M.14.1 applies, for Capacity Market Unit  $\Omega$  and price-quantity pair  $n$ , the end date from which Capacity Payment Price Indexation Factor is calculated, and is determined in accordance with M.14.3 and M.14.4.

**Capacity Payment Price Indexation Factor (FPCP <sub>$\Omega n$</sub> )** means, in respect of Awarded New Capacity to which M.14.1 applies, for Capacity Market Unit  $\Omega$  and price-quantity pair  $n$ , the factor used to multiply the Capacity Payment Price determined in accordance with F.9.1, and has the value determined in accordance with M.14.5.

**Capacity Payment Price Indexation Detailed Decision Date** means 03 July 2023, being the date of publication of SEM-23-045 by the Regulatory Authorities.