



**Single Electricity Market
(SEM)**

**Capacity Remuneration Mechanism
Exception Application and
Opt-out Notification Process
for T-1 2023/24 Capacity Auction**

Briefing note

SEM-22-058

26 August 2022

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Appendix A – 2023-24 New Capacity Application Template

Appendix B – 2023-24 USPC Application Template

Appendix C – 2023-24 Opt-out Notification Template

2. INTRODUCTION

- 2.1.1 The SEM CRM detailed design and auction process has been developed through a series of consultation and decision papers, these are all available on the SEM Committee's (SEMC) website. These decisions were translated into legal drafting of the market rules via an extensive consultative process leading to the publication of the [Trading and Settlement Code \(TSC\)](#) and the [Capacity Market Code \(CMC\)](#). An updated version of the CMC (6.0) was published on 18 February 2022 and the most recent version of the TSC was published on 17 May 2022.
- 2.1.2 The CMC describes the process which market participants must follow in relation to participation in a CRM auction. This includes detail in relation to the requirement for market participants to apply for Regulatory Authority (RA) approval for certain exception applications (section E.5 of the CMC) and opt-out notification determination (section E.3 of the CMC).
- 2.1.3 An auction for capacity under the Capacity Remuneration Mechanism (CRM) is planned for July 2023. The auction will procure additional capacity for Capacity Year 2023/24 with delivery beginning 1 October 2023.
- 2.1.4 This document sets out the Regulatory Authorities final approach to the handling of the Exceptions and Opt-Out processes (as described below) for this T-1 auction.
- 2.1.5 The key processes outlined in this note relate to:
- i. The Exception Application process is outlined in section E.5 of the CMC. This can be for proposed New Capacity to have a price fix of more than 1 and up to 10 years, and for all or part of Existing Capacity to be subject to a Unit Specific Price Cap (USPC) in a capacity auction.
 - ii. Those Opt-out Notification applications for which the RAs are required to make a determination. This specifically relates to a capacity provider's unit which will be undertaking a Planned Outage of more than three months or will be Mothballed during the relevant capacity year to which the auction relates. The circumstances in which an Opt-out Notification may be submitted are set out in section E.3 of the CMC.
- 2.1.6 It should be noted that all other Opt-Out Notifications must be submitted to the System Operator by the date specified within the [T-1 2023/2024 Capacity Auction Timetable](#).

3. EXCEPTION APPLICATION AND OPT-OUT NOTIFICATION PROCESS

3.1 Overview

- 3.1.1 The Capacity Market Code (CMC) in section E.5 describes the process for market participants applying for RA approval for exception applications. In addition to the relevant CRM decision papers and workshops the SEM Committee have published Information Notes on the Unit Specific Price Cap (USPC) Application Process in regards to the T-1 CY2018/19 Capacity Auction (SEM-17-090) and the T-4 CY2022/23 Capacity Auction (SEM-19-020). These Information Notes provide a background to the assessment approach applied by the Regulatory Authorities and SEM Committee in assessing previous exception applications received under E.5 of the Capacity Market Code.
- 3.1.2 The Capacity Market Code (CMC) in section E.3 describes the concept of market participants applying for RA approval for an opt-out notification with regard to a unit that will be undertaking a planned outage that results in it not being available for more than three months; or a unit that will be mothballed.
- 3.1.3 A more detailed timeline and communication procedure for the exception application and opt-out notification process is outlined below.

3.2 Communication with Applicants

- 3.2.1 Participants wishing to apply for RA approval for an exception application or an opt-out notification, or to communicate with the RAs during the process shall (unless otherwise notified) only contact the RAs through the use of the email address given below:
- **CRMsubmissions@uregni.gov.uk**
- 3.2.2 As described in section E.5 in the CMC, an exception application shall contain the information required by the RAs and set out in the templates provided in Appendix A and B of this note.
- This information and any further information, or clarification in respect of the exception applications are to be provided under the electricity licence condition relating to the provision of information to the Commission (CRU) or the Authority (UR).
- 3.2.3 As described in section E.3 in the CMC an opt-out notification submission shall contain the information required by the RAs and set out in the template form given in Appendix C of this note.
- 3.2.4 If an applicant attempts to contact the RAs for the purposes of an exception application or opt-out notification process through another avenue the applicant will be directed to contact the RAs through the above email address.

- 3.2.5 The RAs will use the email address given in the participants submitted template form to acknowledge receipt and for correspondence during the rest of the exception application process. Applicants may include more than one email address in the contact email address field in the template application form.
- 3.2.6 The RAs shall upon receipt of an exception application or opt-out notification assign a unique application file number. This will be included in the RAs acknowledgement to the applicant. Participants are required to quote this application file number in all future communication with the RAs in relation to the specific application.
- 3.2.7 If an applicant does not receive a unique application file number following the submission of an Exception Application, it is the responsibility of the applicant to contact the RAs to ensure safe receipt of their submission.
- 3.2.8 During the exception application process the RAs will, following issuing of the draft determinations, offer the applicant the opportunity to meet the RAs to discuss the draft determination.
- If an applicant does not receive a draft determination, as per the timetable set out in Table 1, it is the responsibility of the applicant to contact the RAs to query this.
- 3.2.9 As part of the Exceptions Application and Opt-out Notification RA determination process the RAs may request a meeting(s) with the applicant.

3.3 APPROVALS PROCESS FOR MULTI-YEAR EXCEPTION APPLICATIONS

- 3.3.1 For the T-4 CY2026/27 Capacity Auction the SEMC amended the approvals process for Multi-Year Exception Applications in order to both streamline the process and reduce the administrative burden on the RAs and Participants.
- 3.3.2 The amended approval process will apply for this T-1 CY2023/24 Capacity Auction.
- 3.3.3 To reduce the administrative burden on both the RAs and Applicants, the SEMC approved amendment to the process as follows:
- If an application is submitted to the RAs and all of the following requirements are fulfilled:
 - ❖ The New Capacity Investment Rate Threshold (NCIRT) is surpassed;
 - ❖ Any and all requests for further information from the RAs are actioned within the correct timeframes set out by the RAs; and
 - ❖ The SEMC have granted approval.

then the application will be deemed as “Final and Approved”.

In this instance, the applicant will receive a confirmation letter from the SEM Committee stating they are approved to submit a multi-year RO bid into the T-1 CY2023/24 Capacity

Auction, up to the amount stipulated within the Final New Net De-Rated Capacity (MW)¹ as set out in the Final Qualification Results (FQRs).

- Should the SEMC reject the RAs recommendation, the rejection will be a draft determination and follow a condensed timeline for engagement followed by Final Determination.
- If an application is submitted to the RAs and is rejected for any reason, this rejection will be deemed “draft” and the standing previous process will be followed.

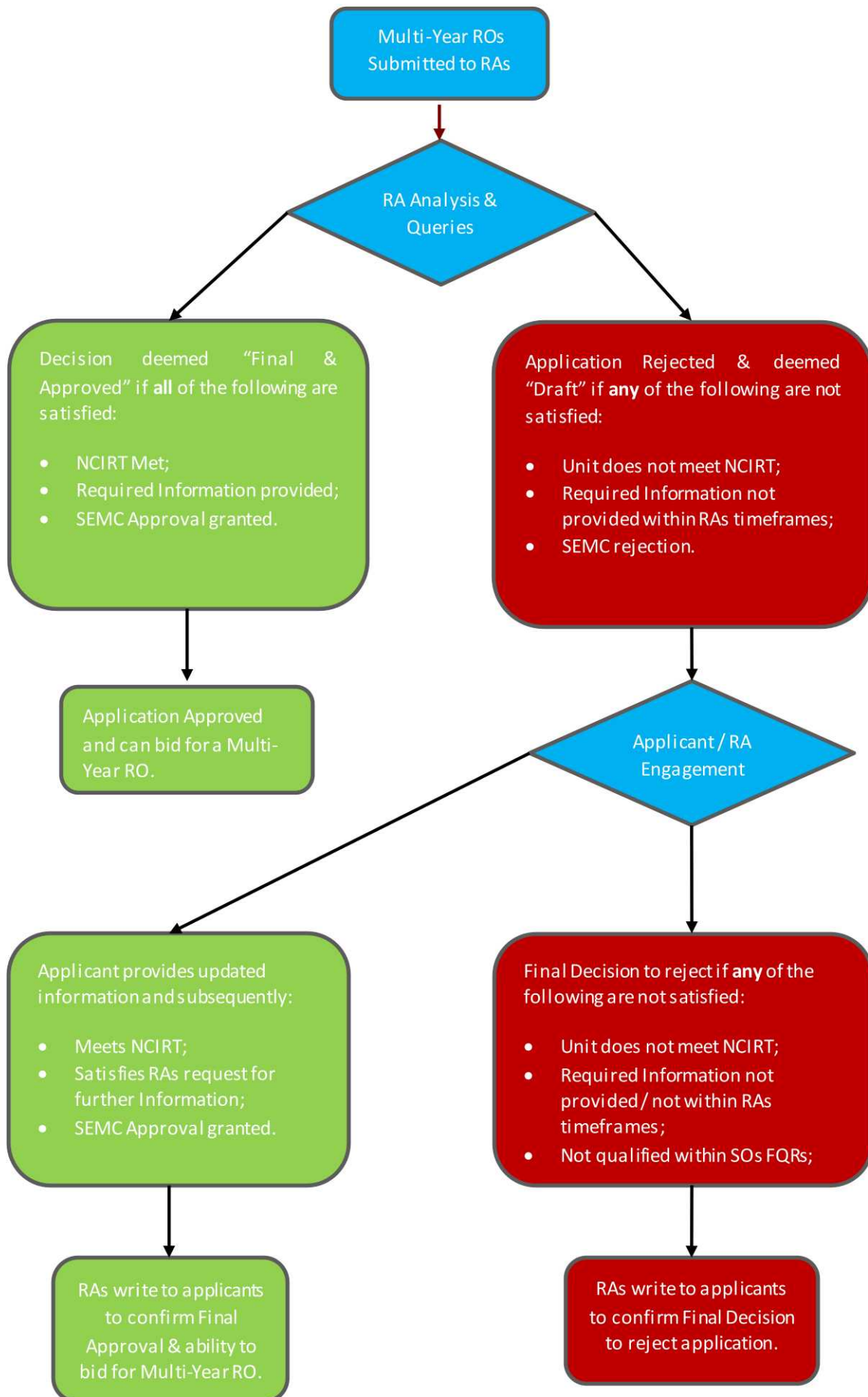
This will allow Applicants the opportunity to engage with the RAs ahead of the production of a Final Determination.

3.3.4 Further to the changes set out above, all approvals are worded as such that:

- (a) the amount of capacity that may be bid multi-year is capped at the size of the ultimate FQR for the unit, or a lower value as the SEMC see fit; and
- (b) will reiterate that the ability to bid for a Multi-Year RO is ultimately conditional on the Unit being deemed qualified at the FQR stage.

3.3.5 In this way, at the time the approval is given, there is not a firm value but rather a rule encoded in the decision to give effect to this. This decision does not prejudice Qualification.

¹ Final New Net De-Rated Capacity (MW) is issued later in the auction process.



3.4 Process Timeline

3.4.1 The expected timelines for the exception application and opt-out processes for this CRM T-1 auction for Capacity Year 2023/24 are set out below in Tables 1 and 2 respectively.

Exception Applications

3.4.2 Tables 1 and 2 below set out the key dates and deadlines for communications between the applicant and the RAs with regards to Unit Specific Price Cap (USPC) applications (Table 1) and Multi-Year RO New Capacity Applications (Table 2). As set out in section E.5 in the CMC, there is a requirement for applicants to provide information requested by the RAs within the specified timeframe, otherwise the participant is deemed to have withdrawn the exception application.

3.4.3 As described in section E.5 in the CMC an exception application shall:

- contain the information required by the RAs. Information request templates are included in Appendix A and B of this note; and
- contain a certificate signed on behalf of the participant by a participant director.

Opt-Out Application to the RAs

3.4.4 As described in section E.3.2 of the CMC an opt-out notification submission for RA determination shall:

- contain the information required by the RAs. The information request template is included in Appendix C of this note;
- contain a certificate signed on behalf of the participant by a participant director.

3.4.5 As set out in section E.3 in the CMC, applicants are required to submit their opt-out notification to the System Operators by the opt-out notification date. If applicable (under E.3.1.1 (b) of CMC) applicants must provide a copy of the RAs determination as part of their opt-out notification submission to the System Operators.

3.4.6 Table 3 below sets out the key dates and deadlines for communications between the applicant and the RAs for the opt-out process. The deadline for applying for an RA opt-out determination is 21 November 2022.

3.4.7 As set out in Section E.3.2.1² of the CMC states a Participant is to submit an application to the RAs not later than four weeks prior to the Opt-out Notification Date specified in the Capacity Auction Timetable.

² E.3.2.1 "A participant seeking a determination of the Regulatory Authorities for the purposes of paragraph E.3.1.1(b) shall submit an application to the Regulatory Authorities not later than four weeks prior to the Opt-out Notification Date specified in the Capacity Auction Timetable"

Table 1: USPC Exception application process timeline for T-1 CY2023/24 Capacity Auction

Date (2022/23)	Description
05-Dec	Initial Auction Information Pack published
05-Dec – 16-Jan	Qualification & Exception Application window
17-Jan	RAs notify System Operators of all Exception Applications and will also issue an acknowledgement to all applicants confirming receipt of Application.
17 Jan - 31 Jan	RAs initial assessment/screening of applications
31-Jan	RAs send follow up questions to exception application participants
14-Feb	Deadline by which exception application participant(s) respond to RA questions
03-Apr	RAs issue draft exception application decision(s) to participant(s)
03-Apr	RAs issue draft exception application decision(s) to System Operators
03-Apr - 14-Apr	RAs offer meeting with exception application participant
21-Apr	Deadline by which exception application participant(s) can provide feedback to draft decision
12-Jun	RAs submit final exception application decision (s) to System Operators (ahead of deemed approval deadline in CMC)
30-Jun	Final qualification results announced
30-Jun	Final Auction Information Pack published
18-Jul	T-1 2023/24 Auction date

Table 2: Multi-Year RO Exception application process timeline for T-1 CY2023/24 Capacity Auction

Date (2022/23)	Description	
05-Dec	Initial Auction Information Pack published	
05-Dec – 16-Jan	Qualification & Exception Application window	
17-Jan	RAs notify System Operators of all Exception Applications and will also issue an acknowledgement to all applicants confirming receipt of Application.	
17 Jan - 31 Jan	RAs initial assessment/screening of applications	
31-Jan	RAs may send follow up questions to exception application participant	
14-Feb	Deadline by which exception application participant(s) respond to RA questions	
03-Apr	If applicant does not meet criteria in E.5.1.3 RAs issue draft exception application decision(s) to participant(s) and the steps below will follow	If applicant satisfies criteria in E.5.1.3 – RAs will issue a Final Decision and approve Application for a Multi-Year RO
03-Apr	RAs issue draft exception application decision(s) to System Operators	RAs issue Final exception application decision(s) to System Operators
03-Apr - 14-Apr	RAs offer meeting with exception application participant	No further Application action required
21-Apr	Deadline by which exception application participant(s) can provide feedback to draft decision	
12-Jun	RAs submit final exception application decision (s) to System Operators (ahead of deemed approval deadline in CMC)	
30-Jun	Final qualification results announced	
30-Jun	Final Auction Information Pack published	
18-Jul	T-1 2023/24 Auction date	

**Table 3: Proposed Opt-Out notification RA determination process timeline for T-1 CY2023/24
Capacity Auction**

Date (2022/23)	Description
21-Nov	Deadline for applying for RA opt-out determination according to the CMC.
22-Nov	RAs notify System Operators giving details of opt-out notification submission(s) received and will also issue an acknowledgement to all applicants confirming receipt of Application.
28-Nov	If required RAs send follow up questions/request for information to opt-out notification applicant(s). Alternatively, RAs may request call or meeting.
05-Dec	Initial Auction Information Pack published
12-Dec	Date by which RAs notify applicant(s) of determination on opt-out notification
12-Dec	Date by which RAs notify System Operators of determination on opt-out notification submission(s)
19-Dec	Opt-out notification deadline to System Operators for opt-outs under CMC E.3.1.1
14-Apr	Provisional Qualification Results announced
30-Jun	Final qualification results announced
30-Jun	Final Auction Information Pack published
18-Jul	T-1 2023/24 Auction date

4. TREATMENT OF CONFIDENTIAL INFORMATION

- 4.1.1 The RAs will put in place procedures to protect confidential information generated by the processes outlined in this note. All reasonable precautions will be taken by both RAs to ensure that:
- any confidential information generated by the process, is kept confidential;
 - confidential information is provided only to those persons to whom it is deemed necessary for the conduct and management of the process;
 - confidential information is clearly labelled and securely stored.
- 4.1.2 Dissemination of applicant's data within the RAs will be limited, with access to storage of physical and electronic copies being protected.
- 4.1.3 Any persons required to assess/review sensitive information will be notified that they are being provided with confidential data (e.g. the SEM Committee members), as above this data will be clearly labelled as such.
- 4.1.4 It is the applicant's responsibility to clearly mark as confidential any information that it considers confidential.

5. NEXT STEPS

- 5.1.1 The System Operators will publish an Initial Auction Information Pack on 5 December 2022, at the start of the Qualification window. The Initial Auction Information Pack will set out a range of information (set out in section D.3 of CMC) that will help market participants to submit their qualification information, and to decide whether to submit an exception application.
- 5.1.2 The exception application deadline is 16 January 2023.
- 5.1.3 The qualification deadline is 3 February 2023.
- 5.1.4 As set out in section E.3 in the CMC, applicants are required to submit their opt-out notification to the System Operators no later than the opt-out notification deadline of 19 December 2022.
- 5.1.5 If applicable (under E.3.1.1 (b) of CMC) applicants must provide a copy of the RAs determination as part of their opt-out notification submission to the System Operators. The deadline for applying for RA approval for opt-out determination is 21 November 2022.
- 5.1.6 As set out in section 3.2 above, any participants wishing to apply for RA approval for an exception application and/or opt-out notification shall contact the RAs through the use of the following email address CRMsubmissions@uregni.gov.uk