

CMC Mod on Performance Security



Current situation

- Changes in recent years have **increased the Performance Security burden** on participants (e.g. introduction of a fourth rate & 10 k€ increase on all rates)
- **No differentiate** between 1-year and greater-than-1-year Awarded New Capacity regarding Performance Security
- **Other parts of the CMC does differentiate** between 1-year and greater-than-1-year Awarded New Capacity e.g. setting Long Stop Date
- **Disproportional impact** on 1-year Awarded New Capacity compared to greater-than-1-year Awarded New Capacity
- Creates a **material barrier** for 1-year capacity
- Example below of 2 units that secured 10 MW Awarded New Capacity in 27/28 T-4 at Auction Clearing Price

	Unit A (1 year)	Unit B (10 year)
> 27 months prior to Capacity Year	19%	2%
27 - 13 months prior to Capacity Year	28%	3%
< 13 months prior to Capacity Year	37%	4%
From beginning of the Capacity Year	47%	5%

Performance Security as a percentage of total Capacity Payments with current rates

Proposal

- Update the CMC to allow the RA's the ability to **differentiate between 1-year and greater-than-1-year Awarded New Capacity** when setting the Performance Security Rates (and associated Termination Charges) for each Capacity Auction
- Same example, however, Performance Security Rates halved for 1-year Awarded New Capacity
- **More balance** between deterring any speculative offers / disincentives the termination of Awarded New Capacity, while also not posing too much of a barrier to one year Awarded New Capacity
- Will **reduce material barrier** to delivering New Capacity, which is in the **best interest of the end consumer**, especially true given recent margins outlook in the latest GCS

	Unit A (1 year)	Unit B (10 year)
> 27 months prior to Capacity Year	9%	2%
27 - 13 months prior to Capacity Year	14%	3%
< 13 months prior to Capacity Year	19%	4%
From beginning of the Capacity Year	23%	5%

Performance Security as a percentage of total Capacity Payments with proposed rates

Draft Text

Amend J.3.2.3:

- **J.3.2.3** The Regulatory Authorities shall determine and publish the following information in sufficient time for the System Operators to include it in the Initial Auction Information Pack:
 - (a) the Performance Security Posting Dates/ Events; and
 - (b) for each Performance Security Posting Date/ Event, the €/MW rate to be applied to Awarded Capacity in setting Performance Securities **for Capacity Award with a capacity duration greater than one year, and for Capacity Award with a capacity duration of one year or less.**

Amend J.7.1.3:

- J.7.1.3 The amount of the Termination Charge payable under this section J.7 in respect of each Capacity Market Unit shall be determined in accordance with the formula:

$$TC = TFR \times ACO$$

where:

(a) TC is the Termination Charge payable;

(b) TFR is the termination fee rate for calculating Termination Charges per MW applicable at the time the Awarded New Capacity is terminated or adjusted or the Defaulting Participant is Terminated, as determined by the Regulatory Authorities and specified in the Initial Auction Information Pack **for Capacity Award with a capacity duration greater than one year, and for Capacity Award with a capacity duration of one year or less**, for the relevant Capacity Auction in which the relevant Awarded New Capacity was allocated (and, for this purpose, where the Defaulting Participant's designated currency is Sterling, that termination fee rate shall be converted to Sterling based on the Annual Capacity Payment Exchange Rate specified in the applicable Final Auction Information Pack), with, (but only in respect of Awarded New Capacity in the T-3 2024/2025 and T-4 2025/2026 auctions) the relevant Dates / Events used to calculate the applicable termination fee rate each being extended by a period equal to any relevant Third Party Extension Period, so that any increase in the termination fee rate applicable to such Awarded New Capacity shall be postponed by a period equal to the Third Party Extension Period; and

(c) ACO (expressed in MW) is the amount of the relevant Awarded New Capacity, or, if the relevant Awarded New Capacity has been reduced, the amount by which it has reduced.