



CMC_15_23 – Amendment to Performance Securities for Extended Projects
Capacity Market Workshop 32

Modification Background

- This modification intends to offset the dates for posting higher levels of Performance Securities for projects which have received an extension under the CMC.
- This modification was developed on response to CMC_15_22. Through CMC_15_22, a project is approved an extension from the SEMC in response to a third-party planning delay which is not the fault of the Participant. Extensions under CMC_15_22 extend the Long Stop Date and contract duration of affected projects.
- Performance Security postings are set based on the Capacity Year and so would be unaffected by any extension under CMC_15_22.
- A delay to planning will likely prevent a project from reaching Final Investment Decision (FID) or beginning construction until the status of a planning application is known.
- Without this modification, projects will be required to commit to higher Performance Security postings at a time when the project is still awaiting a final planning decision.
- We believe that this outcome is unfair and exposes New Capacity projects to a higher degree of risk through no fault of their own. A higher level of risk damages the investment case for New Capacity projects.

J.3.2 Obligation to Provide

[...]

J.3.2.9 Where an extension has been granted to Awarded New Capacity in accordance with Section J.5.2, Section J.5.5, or under any other relevant sections of the Code, the Performance Security Posting Dates/Events applicable to that Awarded New Capacity as determined in accordance with paragraph J.3.2.2 shall be extended by a period equal to the Third Party Extension Period or Inflationary Extension Period granted to the Awarded New Capacity.

- The intention of this modification is to apply to Termination Charges as well as Performance Securities postings. This drafting will be updated to reflect this.
- Originally, this drafting referred only to extensions under CMC_15_22 and the *Third Party Extension Period*.
- However, we are aware of several ongoing modifications for extensions, so included drafting on “any other relevant sections of the Code”. This will future proof the modification for future extension modifications.
- We have also added drafting on the *Inflationary Extension Period*, referring to a proposed modification CMC_16_23.
- Under this modifications, delays should not “stack” but rather run in parallel.

Next Steps

- The next date for posting of Performance Securities is 31 August 2023. Based on recent Capacity Modifications, we consider it is unlikely that a SEMC decision on this modification will be made in time.
- Based on this, we requested this modification to be treated as urgent which the SEMC rejected.
- Alternatively, we propose that Performance Security posting dates are postponed until a decision on this modification is made. This will give the SEMC adequate time to properly consult on and assess the modification, while also protecting New Capacity projects from material risk exposure.
- We are open to any other proposals which would protect New Capacity projects from higher Performance Security postings until this modification can be implemented or otherwise is rejected.