

ELECTRICITY

The Capacity Market Rules 2014

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CHAPTER 1: GENERAL PROVISIONS

1. General Provisions

1.1 Citation and commencement

1.1.1 These Rules may be cited as the Capacity Market Rules 2014.

1.1.2 These Rules come into force on the same day as the Regulations (except for Part 11 and regulation 88) come into force.

1.2 Definitions

In these Rules:

the Act	means the Energy Act 2013
EA 1989	means the Electricity Act 1989
the Regulations	means the Electricity Capacity Regulations 2014, and references to a regulation by number alone are to the regulation so numbered in the Regulations
3 Year Minimum £/kW Threshold	has the meaning given to that term in Regulation 11
15 Year Minimum £/kW Threshold	has the meaning given to that term in Regulation 11
Acceptable Transferee	has the meaning given in Rule 9.2.6, 9.2.7 or 9.2.8 (as applicable)
Active Energy	means the electrical energy produced, flowing or supplied by an electric circuit during a time interval, being the integral with respect to time of instantaneous Active Power, measured in units of watt-hours or standard multiples thereof
Active Power	means the product of voltage and the in-phase component of alternating current measured in units of watts and standard multiples thereof, that is: 1000 watts = 1 kW 1000 kW = 1 MW
Additional Information	means the additional information to be submitted with an Application, being: (a) in the case of an Application relating to an Existing Generating CMU, such information as is required pursuant to Rule 3.6; (b) in the case of an Application relating to a New Build CMU, such information as is required pursuant to Rule 3.7; (c) in the case of an Application relating to a Refurbishing CMU, such information as is required pursuant to Rule 3.8; or (d) in the case of an Application relating to a Proven DSR CMU, such information as is required pursuant to Rule 3.9;

	or
	(e) in the case of an Application relating to an Unproven DSR CMU, such information as is required pursuant to Rule 3.10
Adjusted Clearing Price	means, with respect to a Capacity Agreement for a Capacity Committed CMU: <ul style="list-style-type: none"> (a) if the Capacity Agreement was awarded pursuant to a Capacity Auction that was not a Variable Price-Duration Auction, the Clearing Price for that Capacity Auction; and (b) if the Capacity Agreement was awarded pursuant to a Variable Price-Duration Auction, the Equivalent Actual Price applicable to the Clearing Price for that Capacity Auction
Adjusted E_{ij}	means, for each CMU i , and Settlement Period j , from time to time, the sum of E_{ij} and $ACMV_{ij}$
Adjusted Load Following Capacity Obligation (ALFCO)	has the meaning given in Rule 8.5.2
Administrative Parties	has the meaning given to that term in Regulation 2
Affected Person	has the meaning given to that term in Regulation 2
Agent	means a person nominated by an Applicant pursuant to Rule 3.3.5 to perform its obligations with respect to a CMU (whether as Applicant, Bidder or Capacity Provider) under the Regulations and the Rules
Agent Nomination Form	means an agent nomination form in the form set out in Exhibit E
Aggregate Offered Capacity	means, in relation to a price in a Capacity Auction, the aggregate of the Bidding Capacity for all Bidding CMUs that are not the subject of an Exit Bid with an Exit Price higher than such price
Aggregate Traded Capacity Market Volume (ACMV)	means the quantity determined in accordance with Rule 10.4.2
Anticipated De-rated Capacity	has the meaning given in Rule 3.4.5(d)
Applicable Baseline Methodology	means: <ul style="list-style-type: none"> (a) for the purposes of determining DSR Volume in the calculation of E_{ij} for a DSR CMU during a System Stress Event, the baseline methodology in use at the time the DSR CMU pre-qualified for the relevant delivery year as recorded on the Capacity Market Register; and (b) otherwise, the Baseline Methodology
Applicant	means the person that has submitted, or is entitled to submit, an

	Application with respect to a CMU as determined in accordance with Rule 3.2
Applicant Confidential Information	means all data and other information of whatever nature and in whatever form, including but not limited to written, oral, electronic and in a visual or machine-readable form (including but not limited to CD-ROM, magnetic and digital form) and relating to the affairs of an Applicant that is furnished to the Delivery Body by the Applicant or an Applicant-related Party under or in accordance with the Rules, the Regulations or the Auction Guidelines
Applicant Credit Cover	has the meaning given to that term in Regulation 59
Applicant Declaration	means an applicant declaration in the form set out in Exhibit D
Applicant-related Party	means, in relation to a CMU, its Applicant (or Bidder or Capacity Provider, as applicable) and any Agent its Applicant may appoint
Application	means the application that is to be completed by the Applicant in accordance with Rule 3.3.6(a) and includes a Registration Declaration
Application Process	has the meaning given in Rule 3.1.1
Approved Metering Solution	means an arrangement of Meters for a Generating Unit or a DSR CMU Component that: <ul style="list-style-type: none"> (a) includes all Meters relevant to that Generating Unit or DSR Component; (b) comprises only of Meters that are approved by the CM Settlement Body; and (c) constitutes a metering configuration approved by the CM Settlement Body from time to time
Auction Acquired Capacity Obligation	has the meaning given in Rule 8.5.3
Auction Guidelines	has the meaning given in Rule 2.2.1
Auction Monitor	has the meaning given in Rule 5.14.1(a)
Auction Parameters	has the meaning given to that term in Regulation 11
Auction Results Day	has the meaning given in Rule 5.10.6
Auction Window	has the meaning given to that term in Regulation 2
Auctioneer	has the meaning given to that term in Regulation 24
Authority	means the Gas and Electricity Markets Authority
Automatic Low Frequency Demand Disconnection	means an automatic low frequency demand disconnection pursuant to OC6.6 of the Grid Code
Average Highest Output	has the meaning given in Rule 3.5.4
Back-feed Milestone	means:

	(a) for a Transmission CMU, the date on which its Energisation Operational Notification is received; and
	(b) for any other Generating CMU, the commencement of activities to commission the Generating Unit(s) comprising the Generating CMU which involve energising that Generating Unit
Balancing and Settlement Code (BSC)	has the meaning given to that term in Regulation 2 of the Regulations
Balancing Mechanism	has the meaning given to that term in the NGET Transmission Licence
Balancing Service	has the meaning given to that term in the NGET Transmission Licence
Base Period	has the meaning given to that term in Regulation 2 of the Regulations
Baseline Demand	means, for a DSR CMU Component and a Settlement Period, the baseline Demand of that DSR CMU Component in that Settlement Period calculated in accordance with the Applicable Baseline Methodology
Baseline Methodology	means the methodology set out in Schedule 2
Bid	means a Continuing Bid or Exit Bid made (or deemed to be made) by a Bidder with regard to a Bidding CMU in accordance with Chapter 5 (and “ Bidding ” must be construed accordingly)
Bid-Offer Acceptance	means a confirmed bid-offer acceptance issued by the System Operator to a BM Unit in accordance with BC2.7 of the Grid Code
Bidder	means, for a Capacity Auction: <ul style="list-style-type: none"> (a) each Applicant for a Mandatory CMU which has Prequalified; and (b) each Applicant for any other Prequalified CMU in relation to which a confirmation has been submitted pursuant to Rule 5.5.14
Bidding Capacity	means, for a Bidding CMU: <ul style="list-style-type: none"> (a) if it is a Generating CMU, its De-rated Capacity; and (b) if it is a DSR CMU, its DSR Bidding Capacity
Bidding CMU	means each Prequalified CMU in respect of which a confirmation has been submitted pursuant to Rule 5.5.14
Bidding Round	has the meaning given in Rule 5.5.5
Bidding Round Price Cap	has the meaning given in Rule 5.5.6
Bidding Round Price Floor	has the meaning given in Rule 5.5.6

Bidding Round Price Spread	has the meaning given in Rule 5.5.6
Bidding Window	has the meaning given in Rule 5.5.20
Bilateral Connection Agreement	means an agreement entered into pursuant to paragraph 1.3.1 of the CUSC, a form of which is set out in Exhibit 1 to Schedule 2 of the CUSC
Bilateral Embedded Generation Agreement	means an agreement entered into pursuant to paragraph 1.3.1 of the CUSC, a form of which is set out in Exhibit 2 to Schedule 2 of the CUSC
BM Responsible Party	means the person responsible for an Export under the BSC
BM Unit	has the meaning given to that term in the BSC
Boundary Point	has the meaning given to that term in Regulation 4
BSCCo	means ELEXON Limited (or any successor to that company acting in the capacity as BSCCo under the BSC)
Capacity Agreement	has the meaning given in Rule 6.2.1
Capacity Agreement Notice	means a notice issued by the Delivery Body to a Capacity Provider setting out the terms of the Capacity Agreement of that Capacity Provider for a Capacity Committed CMU
Capacity Auction	means a capacity auction conducted pursuant to Rule 5
Capacity Committed CMU	has the meaning given to that term in Regulation 2
Capacity Market Confidential Information	means all data and other information of whatever nature and in whatever form, including but not limited to written, oral, electronic and in a visual or machine-readable form (including but not limited to CD-ROM, magnetic and digital form) either: <ul style="list-style-type: none"> (a) relating to the affairs of an Applicant or CMU to the extent relevant to its participation in the capacity market or its obligations under the Regulations or the Rules; or (b) supplied to an Applicant Related Party under or in accordance with the Rules, the Regulations or the Auction Guidelines
Capacity Market Register	has the meaning given to that term in Regulation 2
Capacity Market Volume Reallocation Notification or CMVRN	means a notification of Traded Capacity Market Volume in relation to one or more Settlement Periods
Capacity Market Warning	means a warning issued in accordance with Rule 8.4.6
Capacity Obligation	has the meaning given to that term in Regulation 2

Capacity Payment	has the meaning given to that term in Regulation 2
Capacity Provider	means, for any Capacity Committed CMU and Delivery Year or part of a Delivery Year: <ul style="list-style-type: none"> (a) the person who was the Applicant for that CMU at Prequalification; or (b) if a transfer of the Capacity Agreement for that CMU and Delivery Year or part of a Delivery Year has been registered on the Capacity Market Register, the transferee
Capacity Volume Register	means the register maintained by the CM Settlement Body to record the information set out in Rule 10.5 for each CMU from time to time
Capital Expenditure	means capital expenditure under International Accounting Standard 16
Central Meter Registration Service	has the meaning given to that term in the BSC
Certificate of Conduct	means a certificate of conduct in the form set out in Exhibit C
CFD Transfer Notice	has the meaning given to that term in Regulation 34
Clearing Capacity	means a target capacity (in MW) for a Capacity Auction at a particular Clearing Price as determined by the Demand Curve
Clearing Price	means, for any Capacity Auction, the price per MW per year determined by the Capacity Auction to be payable to Capacity Committed CMUs which have been successful in the Capacity Auction, and being the price for a Capacity Agreement for one Delivery Year as at the Base Period for that Capacity Auction
Clearing Round	has the meaning given in Rule 5.9.2
CM Settlement Body	means Electricity Settlements Company Limited (registered number 08961281) or such other person appointed in accordance with Regulation 80
CMRS CMU	means a Transmission CMU or a CMRS Distribution CMU
CMRS Distribution CMU	means a Generating CMU, each Generating Unit of which Exports electricity to a Distribution Network where the Metering System for the corresponding BM Unit is registered in the Central Meter Registration Service in accordance with the BSC
CMU	has the meaning given to that term in Regulation 2
CMVR Transferee	has the meaning given to it in Rule 10.2.1
CMVR Transferor	has the meaning given to it in Rule 10.2.1
Connection Capacity	means, with respect to a Generating CMU or a Generating Unit, the capacity of that Generating CMU or Generating Unit as determined pursuant to Rule 3.5
Connection and Use	has the meaning set out in the NGET Transmission Licence

of System Code (CUSC)	
Connection Entry Capacity	has the meaning given to that term in section 11 of the CUSC
Construction Milestones	means for any Prospective Generating CMU, the Financial Commitment Milestone and the milestones to completion contemplated by Rule 3.7.2(b)
Construction Plan	means all the information provided pursuant to Rule 3.7.2
Consumer Prices Index (CPI)	means the UK Consumer Prices Index (All Items) published by the Office for National Statistics or, if such index ceases to be published, such other consumer prices index or any index which may replace it
Continuing Bid	has the meaning given to it in Rule 5.7.1
Contracted Capacity	means, with respect to a Capacity Auction, the aggregate Bidding Capacity of the CMUs that were awarded a Capacity Agreement pursuant to Rule 5.9.7
Contractual DSR Control	has the meaning given to that term in Regulation 5
Core Industry Document	means each of the Connection and Use of System Code, the Balancing and Settlement Code and the Grid Code
Core Industry Document Owner	means, in relation to a Core Industry Document, the body or entity which is responsible for the management and operation of procedures for making changes to such documents
Customer	has the meaning given to that term in Regulation 2
Defaulting CMU	means, in relation to a Capacity Auction in respect of Delivery Year "t", a CMU that includes a Generating Unit or DSR CMU Component that has previously formed part of any CMU: <ul style="list-style-type: none"> (a) that was disqualified from Bidding under Rule 5.4 in any prior Capacity Auction relating to Delivery Years t, t-1 or t-2; or (b) in respect of which a Capacity Agreement relating to Delivery Years t, t-1 or t-2 has been terminated due to an actual or suspected engagement in one or more of the Prohibited Activities
Delivery Body	has the meaning given to that term in Regulation 2
Delivery Year	has the meaning given to that term in Regulation 2
Demand	means the demand for Active Power (in MW)
Demand Curve	has the meaning given to that term in Regulation 2
Demand Reduction Instruction	means a demand reduction instruction pursuant to OC6.5 of the Grid Code
Demand Side	has the meaning given to that term in Regulation 2

Response

De-rated Capacity	means, for any CMU and Capacity Auction, an amount (in MW) equal to the product of: (a) for a Generating CMU, its Connection Capacity; or (b) for a DSR CMU, its DSR Capacity; and the De-rating Factor, provided that the De-rated Capacity of a Pre-Refurbishment CMU must not exceed the De-rated Capacity of the related Refurbishing CMU
De-rating Factor	means, for a Capacity Auction, the factors (expressed to two decimal places) to be applied to each of the Generating Technology Classes and to DSR CMUs for the purpose of calculating the De-rated Capacity of a CMU
Despatch Control	means, for a Generating CMU, control exercised by a person over whether or not the Generating Unit(s) comprised in that Generating CMU generate(s) in a Settlement Period, provided that a person does not cease to have Despatch Control by: (a) contracting with another person for the service of operating the Generating Unit(s); (b) contracting with another person to supply electricity in a Settlement Period; (c) in the case of a CMRS CMU, agreeing that another person may be the BM Responsible Party under the BSC; or (d) entering into a Balancing Services Contract with the System Operator
Despatch Controller	means, for a Generating CMU, the person exercising Despatch Control with respect to each Generating Unit comprised in that Generating CMU
Distribution CMU	means a CMRS Distribution CMU or a Non-CMRS Distribution CMU
Distribution Code	means the Distribution Code required to be prepared by a DNO in accordance with standard condition 9 (Distribution Code) of the licence granted to it pursuant to section 6(1)(c) of EA 1989
Distribution Connection Agreement	means, for a Distribution CMU, an agreement entered into between a DNO and the person responsible for that CMU for the connection of that CMU to, and use of, a Distribution Network
Distribution Network	has the meaning given to that term in Regulation 2
Distribution Network Operator (DNO)	has the meaning given to that term in Regulation 2
DSR Bidding Capacity	means, in relation to a Prequalified DSR CMU, the De-rated Capacity of that DSR CMU or, if less, the amount which is nominated by the Applicant for that DSR CMU in accordance with Rule 5.5.12
DSR Capacity	means:

	(a) in the case of a Proven DSR CMU, its Proven DSR Capacity; and
	(b) in the case of an Unproven DSR CMU, its Unproven DSR Capacity,
	expressed in MW to one decimal place
DSR CMU	means a demand side response CMU as defined in Regulation 2
DSR CMU Component	means a demand side response CMU component as defined in Regulation 5
DSR Provider	has the meaning given to that term in Regulation 5
DSR Test	means a test of a DSR CMU carried out pursuant to Rule 13.2
DSR Test Certificate	means a certificate issued by the Delivery Body in relation to a DSR CMU following a DSR Test pursuant to Rule 13.2.11
DSR Volume	means the excess (if positive) of: <ul style="list-style-type: none"> (a) the sum of the Baseline Demand of each DSR CMU Component comprised in the DSR CMU in that Settlement Period, over (b) the sum of the Metered Volume (positive or negative) of each DSR CMU Component comprised in the DSR CMU in that Settlement Period, expressed in MWh to one decimal place and, for these purposes, a net imported Metered Volume is positive and a net exported Metered Volume is negative
Duration Bid	means, with respect to a Bidding CMU in a Capacity Auction, a submission by the Bidder specifying the duration of Capacity Agreement in whole Delivery Years that the Bidder requires at any particular price as amended during the Capacity Auction by any Duration Bid Amendment
Duration Bid Amendment	has the meaning given to it in Rule 5.6.4
Dynamic Parameters	means those parameters listed in Appendix 1 to BC1 of the Grid Code under the heading “BM Unit Data – Dynamic Parameters”
Eligible Secondary Trading Entrant	means a Secondary Trading Entrant which has Prequalified in accordance with Rule 4.9
Emergency Instruction	means an instruction issued by the System Operator in accordance with BC2.9 of the Grid Code
EMR Delivery Body Portal	means the IT infrastructure through which the Regulations and the Rules are administered by the Delivery Body and pursuant to which, without limitation: <ul style="list-style-type: none"> (a) Applications are submitted; (b) Prequalification is administered; (c) the Capacity Market Register may be viewed; (d) the IT Auction System may be accessed; and

	(e) all notifications to be made by, or to, the Delivery Body in relation to the Regulations and the Rules must be submitted.
Energisation Operational Notification (EON)	has the meaning given to that term in the Grid Code
Equivalent Actual Price	means, for any price specified in relation to a Variable Price-Duration Auction including: <ul style="list-style-type: none"> (a) the Price Cap; (b) the Price-Taker Threshold; (c) a Bidding Round Price Cap; (d) a Bidding Round Price Floor; (e) a Bidding Round Price Spread; (f) an Exit Price; and/or (g) a Clearing Price, the equivalent price that would be payable to a Bidding CMU if it were awarded a Capacity Agreement for which that price was the Clearing Price, as determined by reference to (i) the duration of Capacity Agreement applicable at that price in accordance with the relevant Contract Length Notice submitted by the Bidder in relation to that Bidding CMU; and (ii) the price-duration equivalence formula specified in the Auction Parameters for that Variable Price-Duration Auction
Excluded CMU	means: <ul style="list-style-type: none"> (a) for a Capacity Auction for Delivery Year “t”, an Existing Generating CMU (or any Generating Unit forming part of an Existing Generating CMU) that is, for any Capacity Auction in respect of Delivery Years t-1 or t-2, Retired; or (b) for a T-1 Auction for Delivery Year “t”, an Existing Generating CMU (or any Generating Unit forming part of an Existing Generating CMU) that was, in the T-4 Auction in respect of Delivery Year t, Non-Operational Opted-out
Exemptable Generating Plant	has the meaning given in the BSC
Existing Generating CMU	means a CMU falling within sub-paragraphs (1)(a) or (1)(c) of the definition of “generating CMU” in Regulation 4
Exit Bid	has the meaning given to it in Rule 5.8.1
Exit Price	has the meaning given to it in Rule 5.8.2(b)
Exit Ranking	has the meaning given to it in Rule 5.9.4(a)
Expert	has the meaning given to it in paragraph 2.1.4 of Schedule 5
Expert Determination Notice	has the meaning given to it in paragraph 2.1 of Schedule 5

Expert Determination Procedure	has the meaning given to it in paragraph 1 of Schedule 5
Export	has the meaning given to that term in Regulation 2
Final Physical Notification Data (FPN)	has the meaning given in the BSC
Financial Commitment Milestone	means, for a Prospective Generating CMU, the provision to the Delivery Body by an Independent Technical Expert of a report meeting the Required Technical Standard confirming the Capital Expenditure and financial commitment requirements specified in Rule 6.6
First Full Capacity Auction	means the T-4 Auction for the Delivery Year commencing on 1 October 2018 (if any)
First Submission	has the meaning given to it in paragraph 3.3.2 of Schedule 5
Gate Closure	has the meaning given in the BSC
GB Transmission System	has the meaning given to the term 'national electricity transmission system' in the NGET Transmission Licence
General Eligibility Criteria	has the meaning given to that term in Regulation 15
Generating CMU	has the meaning given to that term in Regulation 4
Generating Technology Class	means a class of Generating Unit, defined by the technology used to generate electricity, for which the Secretary of State requires the Delivery Body to publish a De-Rating Factor, identified in the list attached as Schedule 3
Generating Unit	means any equipment in which electrical conductors are used or supported or of which they form part which produces electricity, and includes such equipment which produces electricity from storage
Generation Licence	means a licence for the generation of electricity, as modified from time to time, granted pursuant to section 6(1)(a) of EA 1989
Generation Licence Exemption	means an exemption from section 4(1)(a) of EA 1989 granted under section 5 of EA 1989
Generator	means a person who generates electricity under a Generation Licence or a Generation Licence Exemption acting in its capacity as a generator in Great Britain or the Offshore Area
Grid Code	has the meaning given to that term in the Transmission Licence
Grid Connection Agreement	means, in relation to a Transmission CMU, a Bilateral Connection Agreement or a Bilateral Embedded Generation Agreement between the System Operator and a person responsible for the CMU
Grid Entry Point	means an Onshore Grid Energy Point (as defined in the Grid Code) or an Offshore Grid Entry Point (as defined in the Grid

	Code)
Grid Supply Point	means a point of supply from the Transmission Network to DNOs or Non Embedded Customers (as defined in the Grid Code)
Group	Means, for any person, another person who is the direct or indirect Holding Company of that person and any Subsidiary of that Holding Company
Holding Company	means, in relation to a company, any other company in respect of which it is a Subsidiary
Independent	means, for any technical expert and Capacity Provider, that the technical expert is: <ul style="list-style-type: none"> (a) not in the same Group as the Capacity Provider; and (b) neither engaged on terms, nor party to any other arrangements, which could allow the Capacity Provider or any member of its Group to exercise undue influence on any report, assessment, certificate or commentary prepared by that technical expert or otherwise compromise the objectivity of any such report, assessment, certificate or commentary
Independent Technical Expert	means an experienced technical expert with international experience and expertise in the construction and operation of Generating Units, Independent of the relevant Capacity Provider, engaged by that Capacity Provider at its expense to prepare the technical assessment, report, certificate or commentary required by Rules 6.6, 6.7, 6.10, 8.3 or 12.2 to the Required Technical Standard
Initial Over-Delivery Volume	means, in relation to a CMU for any Settlement Period which was a System Stress Event, the amount, being a positive number, by which E_{ij} exceeds $ALFCO_{ij}$
Initial Under-Delivery Volume	means, in relation to a CMU for any Settlement Period which was a System Stress Event, the amount, being a positive number, by which $ALFCO_{ij}$ exceeds E_{ij}
Insolvent	means, for an Applicant or Capacity Provider, that any of the following occurs or has occurred: <ul style="list-style-type: none"> (a) it is, or is deemed for the purposes of section 123(1)(e) or 123(2) of the Insolvency Act 1986 to be, unable to pay its debts as they fall due (save that the words “proved to the satisfaction of the court” are deemed omitted from such sections); (b) it admits its insolvency or its inability to pay its debts as they fall due; (c) it suspends making payments on any of its debts or announces an intention to do so; (d) by reason of actual or anticipated financial difficulties, it begins negotiations with any creditor for the rescheduling

- or restructuring of any of its indebtedness;
- (e) a moratorium is declared in respect of any of its indebtedness;
- (f) any step is taken with a view to a moratorium or a composition, assignment or similar arrangement with any of its creditors;
- (g) a meeting of its shareholders, directors or other officers is convened for the purpose of considering any resolution, to petition for or to file documents with a court or any registrar for its winding-up, administration or dissolution or any such resolution is passed;
- (h) any person presents a petition, or files documents with a court or any registrar for its winding-up, administration or dissolution or seeking relief under any applicable bankruptcy; insolvency, company or similar law other than any such petition or filing which is frivolous or vexatious and is discharged, stayed or dismissed within 15 Working Days;
- (i) any liquidator, trustee in bankruptcy, judicial custodian, compulsory manager, receiver, administrative receiver, administrator or similar officer is appointed in respect of it or any of its assets;
- (j) its shareholders, directors or other officers request the appointment of, or give notice of their intention to appoint, a liquidator, trustee in bankruptcy, judicial custodian, compulsory manager, receiver, administrative receiver, administrator or similar officer in respect of it or any of its assets; or
- (k) any other analogous step or procedure is taken in any jurisdiction

**Insolvency
Termination Event**

means, for a Capacity Provider:

- (a) a liquidator, trustee in bankruptcy, judicial custodian, compulsory manager, receiver, administrative receiver, administrator or similar officer has been appointed in respect of the Capacity Provider or any of its assets; or
- (b) a court in Great Britain has with respect to the Capacity Provider:
 - (i) made a judgment of insolvency or bankruptcy;
 - (ii) entered an order for relief; or
 - (iii) made an order for its winding-up or liquidation; or
- (c) an analogous step has been taken by a court in any other jurisdiction,

and such judgment, order or other analogous step has not been dismissed, stayed, or discharged

**International
Accounting Standard**

means the International Financial Reporting Standard titled "IAS 16 - Property, Plant and Equipment" promulgated by the

16	International Accounting Standards Board (“ IASB ”), together with the IASB’s pronouncements thereon from time to time
ION	means an interim operational notification, within the meaning given to that term in the Grid Code
IT Auction System	means the IT infrastructure hosting the Capacity Auction
kW	means kilowatt
kWh	means kilowatt-hour
LCIA	has the meaning given to it in paragraph 3.1 of Schedule 5
Lead Party	has the meaning given to that term in the BSC
Long-Stop Date	means: <ul style="list-style-type: none"> (a) for any Refurbishing CMU, the date falling at the start of the CMU’s first scheduled Delivery Year; and (b) for any New Build CMU, the date falling 12 months after the start of the CMU’s first scheduled Delivery Year
Low Carbon Exclusion	has the meaning given to that term in Regulation 16
Low Carbon Grant	means a relevant grant as defined in Regulation 17
Major Contract	means, for a Prospective Generating CMU, an agreement or agreements for the supply of major components representing, in aggregate, at least 20 per cent of the Total Project Spend for that CMU, (whether or not as part of a wider agreement) and which is consistent with the resolution of the board of directors of the Applicant in respect of that CMU (or the officers, in the case of an Applicant other than a company) to complete the relevant construction, repowering or refurbishment works on or prior to the date falling at the start of the first scheduled Delivery Year for that CMU
Mandatory CMU	means an Existing Generating CMU each Generating Unit of which is owned by a licensed generator unless all such Generating Units are Exemptable Generating Plant
Market Manipulation	means: <ul style="list-style-type: none"> (a) the submission of Applicant Confidential Information and/or Bidding in a Capacity Auction, in each case which: <ul style="list-style-type: none"> (i) gives, or is likely to give, false or misleading signals as to the supply of, demand for, or price of a Capacity Agreement; (ii) secures, or attempts to secure, by a person, or persons acting in collaboration, the Clearing Price of a Capacity Agreement at an artificial level; or (iii) employs or attempts to employ a fictitious device or any other form of deception or contrivance which gives, or is likely to give, false or misleading signals regarding the Clearing Price obtained in a

	Capacity Auction; or
	(b) disseminating information through the media which gives, or is likely to give, false or misleading signals as to the supply of, or demand for, or likely Clearing Price of a Capacity Agreement in the Capacity Auction or value of a Capacity Agreement in the Secondary Market where the person doing this knows or ought to have known the information to be false or misleading
Matched	means, in relation to a CMVRN, matched by the CM Settlement Body and notified by way of issuance of a notification report in accordance with Rule 10.3.3
Maximum Export Limits	means a series of MW figures and associated times, making up a profile of the maximum level at which a BM Unit may be exporting (in MW) to the Transmission Network at the Grid Entry Point or Grid Supply Point, as applicable
Maximum Obligation Period	means, in respect of the T-4 Auction: <ul style="list-style-type: none"> (a) fifteen Delivery Years for a Prospective Generating CMU for which an Applicant has stated pursuant to Rule 3.7.2(d) that Qualifying £/kW Capital Expenditure is expected to equal or exceed the Fifteen Year Minimum £/kW Threshold, including the first Delivery Year for which the Capacity Agreement is awarded; (b) three Delivery Years for a Prospective Generating CMU for which an Applicant has stated pursuant to Rule 3.7.2(d) that Qualifying £/kW Capital Expenditure is expected to equal or exceed the Three Year Minimum £/kW Threshold and to be lower than the Fifteen Year Minimum £/kW Threshold, including the first Delivery Year for which the Capacity Agreement is awarded; and (c) for all other CMUs (including Prospective Generating CMUs not included in (a) or (b) above), one Delivery Year, and, in respect of the T-1 Auction, means one Delivery Year for all CMUs
Meter	means a device for measuring Active Energy
Meter Point	means a Boundary Point between a Generating Unit and/or DSR CMU Component and: <ul style="list-style-type: none"> (a) for a Transmission CMU, the Transmission System; or (b) for a Distribution CMU, the relevant Distribution Network
Meter Point Administration Number	means the unique identification number assigned (and maintained) by a DNO in relation to a Meter Point
Metered Volume	means, for a CMU or DSR CMU Component or Generating Unit and a Settlement Period, the net aggregate volume of Active Energy, determined as at one or more Meter Points, which flowed in that Settlement Period to or from that CMU or DSR CMU

	Component or Generating Unit
Metering Assessment	means a questionnaire relating to the metering arrangements for an Existing Generating CMU, a Proven DSR CMU or an Unproven DSR CMU, hosted on the EMR Delivery Body Portal
Metering System	has the meaning given to that term in the BSC
Metering Test	has the meaning given in Rule 13.3.1
Metering Test Certificate	means, in relation to a CMU, a certificate issued by the CM Settlement Body pursuant to Rule 13.3.6(a)
Minimum Capacity Threshold	has the meaning given to that term in Regulation 15
Minimum Completion Requirement	has the meaning given in Rule 6.8.3
MW	means megawatt
MWh	means megawatt hours
NGET	means National Grid Electricity Transmission plc
NGET Transmission Licence	means the Transmission Licence granted to NGET, as modified from time to time
New Build CMU	means a Prospective Generating CMU other than a Refurbishing CMU
Non-CMRS Distribution CMU	means a Generating CMU each Generating Unit of which supplies electricity to a Distribution Network that is not a CMRS Distribution CMU
Non-Operational Opted-out	means, for an Existing Generating CMU, the statement in its Opt-out Notification that such CMU is Opting-out pursuant to Rule 3.11.2(f)(ii)
Non-Support Confirmation	has the meaning given to that term in Regulation 16
Offshore Area	has the meaning given to that term in Regulation 2
Operating Margin	means Contingency Reserve (as defined in the Grid Code) plus Operating Reserve (as defined in the Grid Code)
Operational	means, for a Generating CMU or its physical capacity: <ul style="list-style-type: none"> (a) for a Transmission CMU, the issuance of an ION for that Generating Unit and that physical capacity; (b) for a Distribution CMU, an Independent Technical Expert has issued a certificate confirming that all Distribution Network Operator commissioning tests required to commence export have been completed such that that Generating Unit is permitted to despatch that physical capacity into the Distribution Network; and (c) for a Refurbishing CMU, an Independent Technical Expert has issued a certificate confirming that the relevant test

from (a) or (b) above has been met, and the CMU and supporting infrastructure has been fully commissioned (as defined in the Regulations)

Opt-out	means, to state in the Opt-out Notification of an Existing Generating CMU for a Capacity Auction that the CMU is: <ul style="list-style-type: none">(a) opting out of the Capacity Auction and will be closed down, decommissioned or otherwise non-operational by the commencement of the Delivery Year to which the Capacity Auction relates; or(b) opting out of the Capacity Auction and will be temporarily non-operational for all the Winter of the Delivery Year to which the Capacity Auction relates but will be operational thereafter; or(c) opting out of the Capacity Auction but will remain operational during the Delivery Year to which the Capacity Auction relates, (and “ Opted-out ” and “ Opting-out ” must be construed accordingly)
Opt-out Notification	means a notification under Rule 3.11 by the owner of a Mandatory CMU
Permitted On-Site Generating Unit	has the meaning given to that term in Regulation 2
Physically Traded Capacity Obligation	has the meaning given in Rule 8.5.3
Physical Notification	has the meaning given in the BSC
Prequalification	means written confirmation by the Delivery Body pursuant to Rule 4.5 or Part 10 of the Regulations that a CMU has prequalified for a Capacity Auction (and “ Prequalify ” and “ Prequalified ” must be construed accordingly)
Prequalification Assessment Window	means, for any Capacity Auction, the period from the date on which the Prequalification Window closes until the Prequalification Results Day as set out in the Auction Guidelines
Prequalification Certificate	means: <ul style="list-style-type: none">(a) subject to paragraph (b), a directors’ certificate in the form set out in Exhibit A; or(b) where the certificate is to be provided by a body other than a company, a certificate by two officers of the body in the form set out in Exhibit A with such modifications as may be necessary
Prequalification Decision	has the meaning given in Rule 4.4.1
Prequalification Results Day	means, for any Capacity Auction, the Working Day on which the Delivery Body notifies each Applicant of the matters set out in Rule 4.5.1 in accordance with that Rule

Prequalification Window	means, for any Capacity Auction, the period specified in the Auction Guidelines within which applications for prequalification are to be made
Prequalified CMU	means a CMU that has Prequalified for a Capacity Auction
Pre-Refurbishment CMU	means, in relation to a Refurbishing CMU, the Existing Generating CMU that would remain in the absence of any improvement works being carried out
Price Cap	has the meaning given to that term in Regulation 2
Price-Maker	means, for any Capacity Auction, a Prequalified CMU that has been registered as a Price-Maker on the Capacity Market Register following a notification under Rule 4.5.1(b) or Rule 4.8.3
Price-Maker Certificate	means: <ul style="list-style-type: none"> (a) subject to paragraph (b), a directors' certificate in the form set out in Exhibit B; or (b) where the certificate is to be provided by a body other than a company, a certificate by two officers of the body in the form set out in Exhibit B with such modifications as may be necessary;
Price-Maker Memorandum	means, for an Applicant and Capacity Auction, a memorandum which includes evidence of: <ul style="list-style-type: none"> (a) the decision by the board of directors (or the officers, in the case of an Applicant other than a company) to nominate the Applicant as Price-Maker in that Capacity Auction; and (b) the reasons for that decision, including any information and analysis which the board or the officers consider key to the decision
Price-Taker	means, for any Capacity Auction, any Prequalified CMU that is not a Price-Maker
Price-Taker Threshold	has the meaning given to that term in Regulation 2
Prohibited Activities	means the activities prohibited pursuant to Rules 5.12 and 5.13
Prospective Generating CMU	means a CMU falling within sub-paragraphs (1)(b) or (1)(d) of the definition of "generating CMU" in Regulation 4
Prospective Generating Plant	means plant at which a Generating Unit which forms part of a Prospective Generating CMU will generate electricity
Proven DSR Capacity	means the capacity (in MW) of a DSR CMU as evidenced by the DSR Test Certificate issued for that DSR CMU
Proven DSR CMU	means a proven demand side response CMU as defined in Regulation 5
Qualifying £/kW Capital Expenditure	means, with respect to a Prospective Generating CMU, the Capital Expenditure (excluding contingency) incurred, or expected in the

reasonable opinion of the Applicant to be incurred (either by the Applicant or another person), between 1 May 2012 and the commencement of the first Delivery Year to which the Application relates, divided by the De-rated Capacity of the Generating CMU that is expected in the reasonable opinion of the Applicant to result from such Capital Expenditure

Reconsidered Decision	has the meaning given to that term in Regulation 69
Refurbishing CMU	means an Existing Generating CMU which is the subject of an Application as a Prospective Generating CMU by virtue of an improvements programme that will be completed prior to the commencement of the first relevant Delivery Year
Registered Holder	has the meaning given in Rule 7.4.5(b)
Registration Declaration	means the declaration to be made by an Applicant in a Prequalification Application in accordance with Rule 3.12
Relevant Balancing Service	has the meaning given to that term in Schedule 4
Relevant Exit Bid	means, in relation to a Clearing Round, any Exit Bid submitted: (a) prior to the end of the Bidding Window for the Clearing Round (including in any previous Bidding Round); (b) with an Exit Price higher than the Bidding Round Price Floor for the Clearing Round; and (c) with an Exit Price equal to or lower than the Bidding Round Price Cap for the Clearing Round
Relevant Planning Consent	means, as applicable: (a) a section 36 EA 1989 consent; (b) a section 37 EA 1989 consent; (c) an Order under the Transport and Works Act 1992 or the Transport and Works (Scotland) Act 2007; (d) a Town and Country Planning Act 1990 permission or a Town and Country Planning (Scotland) Act 1997 permission and may include one or more of the same; (e) a Development Consent Order under the Planning Act 2008; or (f) a deemed planning permission granted under section 90 of the Town and Country Planning Act 1990 or section 57 of the Town and Country Planning (Scotland) Act 1997 in conjunction with the consents listed in (a) to (e) above
Relevant Settlement Period	has the meaning given to that term in Regulation 2
Relevant STOR Contact	has the meaning given to that term in Regulation 18
Remaining Auction	means, determined by reference to the end of a Bidding Round:

Capacity	<ul style="list-style-type: none"> (a) the aggregate of the Bidding Capacity of all Bidding CMUs as at the start of the Capacity Auction; less (b) the aggregate of the Bidding Capacity of all Bidding CMUs for which an Exit Bid is submitted prior to the end of the Bidding Window for that Bidding Round (including in any previous Bidding Round) with an Exit Price higher than the Bidding Round Price Floor for that Bidding Round
Remaining Over-Delivery Volume	means, in relation to a CMU, at any given time, the amount, being a positive number, by which Adjusted E_{ij} for a Settlement Period which was a System Stress Event exceeds $ALFCO_{ij}$ in respect of that Settlement Period
Remaining Under-Delivery Volume	means, in relation to a CMU, at any given time, the amount, being a positive number, by which $ALFCO_{ij}$ for a Settlement Period which was a System Stress Event exceeds Adjusted E_{ij} in respect of that Settlement Period
Required Technical Standard	<p>means, with respect to any report or assessment by an Independent Technical Expert that:</p> <ul style="list-style-type: none"> (a) to the best of the Independent Technical Expert's knowledge and belief all information provided in it is accurate, complete and not misleading; and (b) any opinions or forecasts in the assessment have been conservatively prepared on assumptions which it considers to be fair and reasonable
Retired	<p>means, for an Existing Generating CMU and a Capacity Auction, either:</p> <ul style="list-style-type: none"> (a) a statement in the Opt-out Notification that such CMU is Opting-out pursuant to Rule 3.11.2(f)(i); or (b) receipt of a notice from the Delivery Body that it has been identified to be generating electricity during all or part of a Delivery Year for which it has declared itself to be Non-Operational Opted-out pursuant to Rule 3.11.5
ROO Conversion Notice	has the meaning given to that term in Regulation 34
Satisfactory Performance Day	has the meaning given in Rule 13.4.1
Secondary Trading Entrant	<p>means the Applicant for:</p> <ul style="list-style-type: none"> (a) an Existing Generating CMU comprising biomass plant which is exiting the Low Carbon Exclusion(s) in which it participates; or (b) a Proven DSR CMU, <p>wishing to acquire a Capacity Obligation through secondary trading</p>
Security Interest	means a mortgage, standard security, assignation, charge, pledge, lien or other security interest securing any obligation of

	any person or any other agreement or arrangement having a similar effect
Settlement Period	has the meaning given to that term in Regulation 2
Storage Facility	has the meaning given to that term in Regulation 2
Subsidiary	means a subsidiary within the meaning of section 1159 of the Companies Act 2006
Substantial Completion Milestone	has the meaning given in Rule 6.7.2 or Rule 6.7.3, as applicable
System Margin	means the margin in any period between: <ul style="list-style-type: none"> (a) the sum of Maximum Export Limits; and (b) forecast Demand plus the Operating Margin, for that period
System Operator	means NGET or any successor Transmission Licensee with a Transmission Licence pursuant to which Section C of the Transmission Licence standard conditions has effect
System Operator Instigated Demand Control Event	has the meaning given in Rule 8.4.2
System Stress Event	has the meaning given in Rule 8.4.1
Termination Event	means an event referred to in Rule 6.10.1
Termination Fees	means the termination fee calculated with respect to a Capacity Agreement in accordance with Rule 6.10.3
Termination Notice	has the meaning given in Rule 6.10.2
TF1_{rate}	means the rate determined in accordance with Regulation 32
TF2_{rate}	means the rate determined in accordance with Regulation 32
T-1 Auction	has the meaning given to that term in Regulation 2
T-4 Auction	has the meaning given to that term in Regulation 2
Total Project Spend	has the meaning given in Rule 3.7.2(c)
Traded Capacity Market Volume (CMV_{zij})	means, in relation to any CMU i, for any Settlement Period j, a fixed volume in MWh by which E _{ij} will be adjusted for each of the CMVR Transferee and the CMVR Transferor to which the associated CMVRN z refers, to generate Adjusted E _{ij}
Transferee	has the meaning given in Rule 9.3.1
Transitional Capacity Auction	has the meaning given in Rule 11.1.2(a)
Transition Period	has the meaning given in Rule 11.1.2(a)
Transmission CMU	means a Generating CMU each Generating Unit of which Exports electricity to the Transmission Network where the Metering System for the corresponding BM Unit is registered in the Central

	Meter Registration Service in accordance with the BSC
Transmission Entry Capacity	has the meaning given to that term in the Grid Code
Transmission Licence	means any licence for electricity transmission, as modified from time to time, granted pursuant to section 6(1)(b) of EA 1989
Transmission Licensee	means any person who is authorised by a Transmission Licence to participate in the transmission of electricity
Transmission Network	means those parts of the GB Transmission System that are owned or operated by a Transmission Licensee within the transmission area specified in its Transmission Licence
Transmission Restriction	means a continuous restriction on a Generating Unit's ability to export on to the GB Transmission System pursuant to the terms of a bilateral agreement between the generator and the System Operator
Unproven DSR Capacity	means, with respect to an Unproven DSR CMU, the estimated capacity (in MW) that an Applicant or Capacity Provider (as applicable) anticipates (acting in good faith) will be evidenced by a DSR Test for that Unproven DSR CMU
Unproven DSR CMU	means an unproven demand side response CMU as defined in Regulation 5 of the Regulations
Variable Price-Duration Auction	means a Capacity Auction for which a price-duration equivalence formula has been specified in the relevant Auction Parameters
Volume	has the meaning given to that term in Regulation 2
Winter	means a period from 1 October to the following 30 April
Withdrawal Confirmation	has the meaning given to that term in Regulation 16
Working Day	has the meaning given to that term in Regulation 2.

1.3 Interpretation

1.3.1 Unless the context otherwise requires, a reference in the Rules and in each Capacity Agreement Notice to a particular code or licence must be construed, at any particular time, as including a reference to any modification (including re-numbering) of that code or licence in force at that time.

1.3.2 A reference in the Rules and in each Capacity Agreement Notice to:

- (a) an agreement is to such agreement as amended, supplemented, novated or replaced from time to time;
- (b) a document is to the version of such document in force for the time being,

unless the context otherwise requires and subject to any express provision to the contrary in the Rules or a Capacity Agreement Notice.

1.4 Times and dates

1.4.1 Except where otherwise provided:

- (a) where anything is to be done under the Rules or a Capacity Agreement by or not later than a Working Day or any period is to run to a Working Day, such thing may be done or such period must run up to 1700 hours on such Working Day; and
- (b) where anything which is to be done on a Working Day is done:
 - (i) after 1700 hours on a Working Day, or
 - (ii) on a day which is not a Working Day,it is to be treated as having been done on the next following Working Day.

1.4.2 References to times of the day in the Rules or a Capacity Agreement are to London time.

1.5 Hierarchy of documents

In the event of any conflict or inconsistency between the Regulations, the Rules and any Auction Guidelines, the following order of precedence must apply:

1.5.1 the Regulations prevail over the Rules and any Auction Guidelines; and

1.5.2 the Rules prevail over any Auction Guidelines.

1.6 Notices

1.6.1 All notices, submissions and other communications by, or to, the Delivery Body pursuant to the Regulations or the Rules must be in writing and:

- (a) where pursuant to Rule 5.6 or Rule 5.10, submitted via the IT Auction System; and
- (b) for all other purposes, submitted via the EMR Delivery Body Portal.

1.6.2 All notices, submissions and other communications by, or to, the Auctioneer pursuant to the Regulations or the Rules must be in writing and submitted via the IT Auction System.

1.6.3 Neither the Delivery Body nor the Auctioneer has any obligation to respond to, or otherwise act upon, any notice, submission or other communication received by it other than in accordance with Rule 1.6.1 or Rule 1.6.2 (as applicable) which it will be deemed not to have received for any purposes under the Regulations or the Rules.

1.7 Waiver

No delay by, or omission of, a person in exercising any right, power, privilege or remedy under the Rules or the Regulations shall operate to impair such right, power, privilege or remedy or be construed as a waiver thereof. Any single or partial exercise of any such right, privilege or remedy shall not preclude any other or future exercise thereof or the exercise of any other right, power, privilege or remedy.

1.8 Assignment

The rights and obligations of a person under the Rules and the Regulations are personal to that person and that person must not assign and/or transfer and must not purport to assign or transfer any of those rights or obligations save as provided for in the Rules and/or the Regulations.

1.9 Language

Every notice or other communication or document to be given by a person to another under the Rules or the Regulations shall be in the English language.

1.10 Governing law

The Rules shall be governed by, and construed in all respects in accordance with, the laws of England and Wales.

CHAPTER 2: AUCTION GUIDELINES AND DE-RATING

2. Auction Guidelines and De-rating

2.1 Purpose of this Chapter

The Rules describe the process and requirements for publication of the Auction Guidelines and set out the process for determining the de-rating factors by the Delivery Body.

2.2 Capacity Auction Timetable and Guidelines

2.2.1 The Delivery Body must, prior to the opening of the Prequalification Window, publish auction guidelines that will include further specific details as to the running of each individual Capacity Auction (the “**Auction Guidelines**”).

2.2.2 The Auction Guidelines must contain a timetable for the Capacity Auction, including dates for each of the steps in the second column below. The dates for each Capacity Auction other than the First Full Capacity Auction will, unless the Delivery Body or the Secretary of State determines otherwise, be approximately as indicated in the first column.

Date	Activity
T – 22 weeks	Prequalification Window opens
T – 16 weeks	Prequalification Window closes
T – 10 weeks	Prequalification Results Day
T – 7 weeks	Notification of updated Auction Parameters and confirmation of the conditional Prequalified Applicants which have fully Prequalified pursuant to Rule 4.6.3
T – 3 weeks	Notification of Prequalified CMUs pursuant to Rule 5.5.10(b) and associated update of affected Auction Parameters
T – 3 weeks	In relation to T-1 Auction only, reconfirmation of the capacity contracted in the relevant T-4 Auction announced pursuant to Rule 5.5.10(c) and associated update of affected Auction Parameters
T – 10 Working Days	Price-Maker decisions and decisions under Rules 5.5.11 a and 5.5.13 to be notified to Auctioneer
T	Time for first Bidding Window to commence and first Bidding Window to close

The timetable included in the Auction Guidelines for the First Full Capacity Auction will be as directed by the Secretary of State.

- 2.2.3 The Auction Guidelines must also provide the following information:
- (a) the Auction Parameters determined by the Secretary of State for the relevant Capacity Auction;
 - (b) where to access the relevant forms to be completed by Applicants as part of the Prequalification process and relevant file formats for the Application and Additional Information;
 - (c) instructions on using the EMR Delivery Body Portal and the IT Auction System, including how to:
 - (i) register, and complete security and identity checks for, all individuals that require access to such systems (subject, in the case of any Agent, to compliance with Rule 3.3.5);
 - (ii) submit prequalification information (including the required file format for the uploading of any supporting documentation);
 - (iii) participate in the Capacity Auction using the IT Auction System and any backup systems (including how to submit an Exit Bid and a Duration Bid Amendment); and
 - (iv) access the Capacity Market Register and submit notifications to the Delivery Body; and
 - (d) any other information which is to be included in the Auction Guidelines from time to time under the Regulations or the Rules including pursuant to Rule 2.3.
- 2.2.4 If the Secretary of State notifies any adjustments to the Auction Parameters for a Capacity Auction to the Delivery Body pursuant to Regulation 13, the Delivery Body must publish such adjusted Auction Parameters within 5 Working Days of receiving such notification and such adjusted Auction Parameters shall thereafter form part of the Auction Guidelines for the relevant Capacity Auction in substitution for the previous Auction Parameters.

2.3 De-rating of CMUs

- 2.3.1 The Delivery Body must, for each calendar year, calculate:
- (a) a De-rating Factor for each Generating Technology Class; and
 - (b) a De-rating Factor for DSR CMUs.
- 2.3.2 The Auction Guidelines for a Capacity Auction must include each of the De-rating Factors calculated pursuant to Rule 2.3.1 as applicable in the calendar year in which such Auction Guidelines are published.
- 2.3.3 The De-rating Factors published in any Auction Guidelines apply to determine the De-rated Capacity of:
- (a) any CMU participating in the Capacity Auction to which such Auction Guidelines relate; and

- (b) any CMU that acquires a Capacity Obligation through secondary trading of Capacity Agreements awarded in the Capacity Auction to which such Auction Guidelines relate.

2.3.4 A De-rating Factor is:

- (a) for CMUs in a Generating Technology Class, the Technology Class Weighted Average Availability (“**TCWAA**”) of that Generating Technology Class; and
- (b) for DSR CMUs, the Average Availability of Non-BSC Balancing Services (“**AABS**”).

2.3.5 With respect to the first Delivery Year, TCWAA and AABS are calculated by the Delivery Body as follows:

- (a) for TCWAA, by:
 - (i) determining the Average Availability (AA) for each BM Unit directly connected to the Transmission Network in the Generating Technology Class over the seven immediately preceding Core Winter Periods. The Average Availability is a mean average equal to:
 - (aa) the sum of each declared Maximum Export Limit of that BM Unit at real time in High Demand Settlement Periods over the seven Core Winter Periods, excluding any declared Maximum Export Limit which exceeds the 95th percentile of all declared Maximum Export Limits of that BM Unit in those Core Winter Periods, divided by
 - (bb) the sum of the highest declared Maximum Export Limit figure from each Core Winter Period, excluding any declared Maximum Export Limit which exceeds the 95th percentile of the declared Maximum Export Limits of that BM Unit in that Core Winter Period (“**BM Unit Max MEL**”); and
 - (ii) determining the mean average of AA for all BM Units directly connected to the Transmission Network in that Generating Technology Class, weighted according to the BM Unit Max MEL of each such BM Unit; and
- (b) for AABS, by determining the mean average of the declared availabilities of all Non-BSC Balancing Services at real time in High Demand Settlement Periods over the three immediately preceding Core Winter Periods, divided by their contracted volumes.

2.3.6 For the purposes of:

- (a) Rule 2.3.5(a), the Delivery Body must not take account of any data that relates to BM Units that are not, at the time of calculation, governed by the Grid Code or the CUSC; and

- (b) Rule 2.3.5(b), the Delivery Body must not take account of any data that relates to a Non-BSC Balancing Service,
- to the extent that such data is subject to confidentiality restrictions that prevent it being made available for these purposes.
- 2.3.7 For the purposes of this Rule 2.3, a “**Non-BSC Balancing Service**” is the balancing service of short term operating reserve provided on a committed basis pursuant to the Short Term Operating Reserve Standard Contract Terms.
- 2.3.8 The Delivery Body:
- (a) must, with respect to the second, third and seventh Delivery Years, in each case after the conclusion of the T-4 Capacity Auction for the preceding Delivery Year;
- (b) must, promptly following the inclusion of any new Generating Technology Class by the Secretary of State pursuant to the Regulations; and
- (c) may, at any other time,
- consult interested parties as to whether the calculation methodology for TCWAA and/or AABS is achieving its objective and/or whether an alternative calculation (for which it may make proposals) would be more effective.
- 2.3.9 The objective referred to in Rule 2.3.8 is of deriving a percentage which most reliably reflects the mean average availability:
- (a) in the case of TCWAA, to generate in the Delivery Year (taking into account all independent technical and commercial factors) of the fleet of CMUs in that Generating Technology Class in Great Britain or the Offshore Area; and
- (b) in the case of AABS, to provide Demand Side Response in the Delivery Year (taking into account all independent technical and commercial factors) of the fleet of non-BSC Balancing Service CMUs in Great Britain or the Offshore Area.
- 2.3.10 Following any consultation in accordance with Rule 2.3.8, the Delivery Body may propose a revised calculation methodology for the TCWAA or AABS which, if approved by the Authority as part of its process for modifying these Rules, must be applied for subsequent Delivery Years.
- 2.3.11 If no revised calculation methodology is approved under Rule 2.3.10 following any consultation, the calculation methodology applied for the previous Delivery Year must be applied.

CHAPTER 3: PREQUALIFICATION INFORMATION

3. Application for Prequalification: Process and Information

3.1 Purpose of this Chapter

3.1.1 The Rules govern the processes by which:

- (a) an Applicant may apply to the Delivery Body for Prequalification of a CMU to participate in a Capacity Auction for a given Delivery Year (the “**Application Process**”); and
- (b) the owner of a Mandatory CMU for which no Application is made must notify the Delivery Body that the CMU is Opting-out of the Capacity Auction, and whether it will remain operational.

3.1.2 The purpose of the Application Process is to allow the Delivery Body, pursuant to the Rules set out in Chapter 4, to determine for each CMU which is the subject of an Application, *inter alia*:

- (a) whether the CMU is a Transmission CMU, a CMRS Distribution CMU, a Non-CMRS Distribution CMU or a DSR CMU;
- (b) in the case of a Generating CMU, whether the Generating CMU comprises of an Existing Generating CMU, a New Build CMU or a Refurbishing CMU; and
- (c) whether the CMU should Prequalify.

3.2 Identifying the Applicant for a CMU

3.2.1 There must be one Applicant only with respect to any CMU as determined in accordance with this Rule 3.2.

3.2.2 The Applicant for a DSR CMU must be the DSR Provider for that CMU.

3.2.3 Subject to Rule 3.2.4, the Applicant for a Generating CMU must be the person that is, or in the case of a Prospective Generating CMU will be, the legal owner of each Generating Unit comprised in that CMU.

3.2.4 If, for an Existing Generating CMU, the Despatch Controller with respect to each Generating Unit comprised in that Generating CMU is a person other than the legal owner of each such Generating Unit, then the Despatch Controller may be the Applicant with respect to that Existing Generating CMU provided that an Applicant Declaration is submitted with the relevant Application signed by:

- (a) two directors (or officers, in the case of a body other than a company) of the person having legal ownership of each Generating Unit comprised in that Generating CMU; and
- (b) two directors (or officers, in the case of a body other than a company) of the Despatch Controller of each Generating Unit comprised in that Generating CMU.

3.3 Submitting an Application for Prequalification

- 3.3.1 An Application to Prequalify a CMU for a Capacity Auction must only be made:
- (a) by the Applicant for that CMU (subject to Rule 3.3.5); and
 - (b) through the EMR Delivery Body Portal in the form and in the manner prescribed in the Auction Guidelines
- 3.3.2 Subject to Rule 4.2.3, an Applicant may only make one Application for a CMU for a Capacity Auction.
- 3.3.3 An Application may not be made for a CMU for a Capacity Auction if:
- (a) that CMU, or any Generating Unit or DSR CMU Component comprised in that CMU, currently has a Capacity Agreement, or is part of a CMU which currently has a Capacity Agreement for the Delivery Year for which the Capacity Auction is to be held;
 - (b) the Delivery Body has already received an Opt-out Notification for the CMU for that Capacity Auction;
 - (c) the CMU is a Defaulting CMU or an Excluded CMU (but without prejudice to the requirement to submit an Opt-out Notification in accordance with Rule 3.11); or
 - (d) the Application is for a Refurbishing CMU in respect of which:
 - (i) the Pre-Refurbishment CMU was awarded a Capacity Agreement as a Refurbishing CMU in a previous Capacity Auction; and
 - (ii) such Capacity Agreement was reduced pursuant to Rule 6.8.4(a) at any time during the preceding two years,provided that this Rule does not prevent an Application in relation to such CMU as an Existing Generating CMU.
- 3.3.4 An Applicant must make separate Applications for a Capacity Auction with respect to separate CMUs.
- 3.3.5 An Applicant may nominate an Agent to submit an Application for a CMU on its behalf and to otherwise perform its obligations under the Regulations or the Rules (whether in its capacity as Applicant, Bidder or Capacity Provider) provided that:
- (a) an Agent Nomination Form with respect to such Agent is included in the Application;
 - (b) only one Agent is appointed by an Applicant with respect to a CMU at any one time;
 - (c) such Agent is not also the Agent for any other Applicant (unless the other Applicant is a member of the same Group);
 - (d) if the Applicant wishes to revoke the appointment of an Agent or to appoint a different Agent, the Applicant must submit a new Agent Nomination Form to the Delivery Body; and

- (e) the Agent shall have not authority to sign any Prequalification Certificate, Price-Maker Certificate, Certificate of Conduct or any other directors' or officers' certificate or other formal representation required to be submitted by the Applicant pursuant to the Regulations or the Rules.
- 3.3.6 For each CMU which an Applicant wishes to Prequalify, and for each Capacity Auction, the Applicant must:
 - (a) submit a separate application form and the required Additional Information (together, an "**Application**") to the Delivery Body;
 - (b) comply with the requirements of the Application Process; and
 - (c) cooperate with the Delivery Body and other Administrative Parties in the execution of their duties.
- 3.3.7 An Application will not be considered or accepted unless it is submitted:
 - (a) during the Prequalification Window; and
 - (b) in accordance with:
 - (i) the Regulations and the Rules;
 - (ii) the timetable and requirements for submission set out in the Auction Guidelines applicable to the relevant Capacity Auction; and
 - (iii) such other requirements as may be specified by the Delivery Body from time to time.
- 3.3.8 In submitting an Application, an Applicant:
 - (a) is bound to comply with the Auction Guidelines applicable to the relevant Capacity Auction; and
 - (b) consents to the disclosure of Applicant Confidential Information in accordance with the Regulations or the Rules.

3.4 Information to be provided in all Applications

3.4.1 General details about the Applicant

Each Applicant must provide such details in each Application as are required pursuant to the Regulations, the Rules or the Auction Guidelines or as specified by the Delivery Body under Rule 3.3.7(b)(iii), including:

- (a) the name of the Applicant;
- (b) if relevant, the corporate registration number of the Applicant;
- (c) contact details, including registered address of the Applicant and name of authorised contact person at the Applicant or Agent who is responsible for liaising with the Delivery Body in relation to the Application and any resulting Capacity Agreement;
- (d) bank account details for payment of Capacity Payments;

- (e) in the case of an Applicant which is a Generator, whether or not it holds a Generation Licence at the time of making the Application;
- (f) in the case of an Application that is submitted by an Agent, an Agent Nomination Form.

3.4.2 Legal status of the Applicant

- (a) Subject to Rule 3.4.2(b), each Applicant must provide in the Application:
 - (i) details of its corporate form and legal status;
 - (ii) a copy of its certificate of incorporation and other related evidence as required for the relevant type of person under the Auction Guidelines; and
 - (iii) a legal opinion addressed to the Delivery Body by a qualified lawyer acting on behalf of the Applicant, confirming that:
 - (aa) the Applicant is duly formed and validly existing under the laws of the jurisdiction of its formation;
 - (bb) the Applicant has the power to enter into Capacity Agreements and to perform Capacity Obligations; and
 - (cc) the directors of the Applicant (or officers, in the case of an Applicant which is not a company) are duly authorised to provide the directors' or officers' certificates required by these Rules.
- (b) If an Applicant has submitted the information and legal opinion required by Rule 3.4.2(a) with a previous Application and that information and legal opinion remain accurate and up to date, the Applicant may, instead of complying with Rule 3.4.2(a), confirm in the Application that the information and legal opinion previously provided remain accurate and up to date.

3.4.3 Nominations relating to the CMU

Each Applicant must:

- (a) specify in the Application:
 - (i) the CMU to which the Application relates (including a description of, and the location of, the Generating Unit(s) and/or DSR CMU Component(s));
 - (ii) all relevant Meters and Meter Point Administration Numbers for all the relevant Meter(s) if applicable; and
 - (iii) BM Unit Identifiers (as defined in the Balancing and Settlement Code) if applicable; and
- (b) if any Meter Point Administration Number specified in the Application has already been:

- (i) registered to another CMU which is a Capacity Committed CMU in respect of one or more of the same Delivery Years; or
- (ii) specified in a prior Application submitted in respect of another CMU in the same Prequalification Window,

include in the Application a declaration explaining how the two CMUs relate and how metering will separately identify the output of each of them.

3.4.4 Classification of the CMU

Each Applicant must declare whether the CMU to which the Application relates comprises an Existing Generating CMU, a New Build CMU, a Refurbishing CMU, a Proven DSR CMU or an Unproven DSR CMU and, if the CMU is a Generating CMU, whether or not it comprises of a Storage Facility.

3.4.5 Statement as to Capacity

Each Application must specify:

- (a) the Connection Capacity or DSR Capacity (as applicable) of the CMU for the Delivery Year to which the Capacity Auction relates and, in the case of a Generating CMU, the basis on which the Connection Capacity has been determined pursuant to Rule 3.5;
- (b) in the case of a Generating CMU, the Generating Technology Class to which such CMU belongs;
- (c) the applicable De-rating Factor for the CMU; and
- (d) the anticipated De-rated Capacity for that CMU, based on the information provided pursuant to paragraphs (a) to (c) above (the **“Anticipated De-rated Capacity”**).

3.4.6 Declaration of Solvency

Each Applicant must declare in the Application that it is not Insolvent at the time of making the Application.

3.4.7 Low Carbon Exclusion and Low Carbon Grant status

- (a) Each Applicant must, in the Application :
 - (i) declare that at the time of making the Application the CMU to which the Application relates is neither accredited under, nor the subject of an application for accreditation under, a Low Carbon Exclusion, and will not be benefitting from a Low Carbon Exclusion at the commencement of, or during, the relevant Delivery Year or period of Delivery Years;
 - (ii) if the CMU is currently benefitting from a Low Carbon Exclusion, include a Non-Support Confirmation; or

- (iii) if an application has been made (and not determined) for a Low Carbon Exclusion in respect of the CMU, include a Withdrawal Confirmation.
- (b) Each Applicant must, in the Application, declare that at the time of making the Application the CMU to which the Application relates has not benefitted and will not benefit from a Low Carbon Grant either during, or in the ten years prior to the commencement of, the relevant Delivery Year.
- (c) Each Applicant must acknowledge that the Low Carbon Exclusion and Low Carbon Grant status of the CMU may be checked by the Authority at any time following submission of the Application.
- (d) Applicants that provide a Non-Support Confirmation under Rule 3.4.7(a)(ii) must, with the Application, provide a copy of the document which sets out the term of their entitlement to benefit from the Low Carbon Exclusion.

3.4.8 STOR status

Each Applicant must declare at the time of making the Application that the CMU to which the Application relates:

- (a) is not the subject of a Relevant STOR Contract and will not be the subject of a Relevant STOR Contract at the commencement of, or during, the relevant Delivery Year; or
- (b) is currently the subject of a Relevant STOR Contract and the Applicant further irrevocably declares that, if it is awarded a Capacity Agreement in the Capacity Auction for that CMU, it will withdraw from, or request that the System Operator terminates, the Relevant STOR Contract with effect from a date on or before the start of the first Delivery Year to which the Capacity Agreement relates.

3.4.9 Conduct of the Applicant

Each Applicant must declare in the Application that:

- (a) it has complied with all laws intended to prohibit or restrict anti-competitive practices relevant to its Application or proposed participation in the Capacity Auction;
- (b) neither it nor any Applicant-related Party has engaged in Market Manipulation;
- (c) neither it nor any Applicant-related Party has done anything which would constitute a breach of the Bribery Act 2010 as amended from time to time with a view to influencing the outcome of a Capacity Auction;
- (d) neither it nor any Applicant-related Party has offered to pay or give any sum of money, inducement or valuable consideration directly or indirectly to any officer of an Administrative Party; and

- (e) neither it nor any member of the Applicant's Group nor any person to whom Capacity Market Confidential Information has been disclosed, has disclosed Capacity Market Confidential Information, whether directly or indirectly, to another person other than:
 - (i) in accordance with any requirement under:
 - (aa) an enactment;
 - (bb) a licence under section 6(1) of EA 1989 (where the Applicant is the holder of such a licence); or
 - (cc) a document maintained under such a licence;
 - (ii) to the Delivery Body;
 - (iii) to a member of that Applicant's Group;
 - (iv) to its Agent provided that such Agent is not also the Agent of another Applicant (unless the other Applicant is a member of the Applicant's Group); or
 - (v) where the Applicant is not the legal owner of the CMU to which the Application relates, to the legal owner of the CMU;
 - (vi) to any potential purchaser of the CMU;
 - (vii) where the Applicant is the legal owner of the CMU, to any third party having, or potentially having, Despatch Control with respect to that CMU;
 - (viii) to any provider of finance with respect to the CMU;
 - (ix) to any shareholder in the Applicant;
 - (x) to the Applicant's professional advisors;
 - (xi) in respect of information that was already public.

3.5 Determining the Connection Capacity of a Generating CMU

- 3.5.1 The Connection Capacity of a CMU is the aggregate of the Connection Capacity of each Generating Unit comprised in that Generating CMU as determined pursuant to Rule 3.5.2.
- 3.5.2 Subject to Rules 3.5.3 or 3.5.5, the Connection Capacity of a Generating Unit must be calculated as follows:
 - (a) for a Generating Unit forming part or all of a Transmission CMU, the Connection Entry Capacity stated in the Grid Connection Agreement for that Generating Unit;
 - (b) for a Generating Unit forming part or all of an Existing Generating CMU which is a Distribution CMU, the registered capacity (or inverter rating, if applicable) stated in the Distribution Connection Agreement for that Generating Unit or in the written confirmation from the Distribution Network Operator provided pursuant to Rule 3.6.3(c)(ii) (as applicable);

- (c) for a Generating Unit forming part or all of a Prospective Generating CMU which is a Distribution CMU:
 - (i) the registered capacity (or inverter rating, if applicable) for that Generating Unit stated in the Distribution Connection Agreement for that Generating Unit or in the written confirmation from the Distribution Network Operator provided pursuant to Rule 3.7.3(b)(ii) (as applicable); or
 - (ii) where the Generating Unit does not have a Distribution Connection Agreement, the registered capacity (or inverter rating, if applicable) for that Generating Unit stated in the connection offer for that Generating Unit or in the written confirmation from the Distribution Network Operator provided pursuant to Rule 3.7.3(b)(ii) (as applicable); or
 - (iii) where the Generating Unit:
 - (aa) does not have a Distribution Connection Agreement or a connection offer, or
 - (bb) has a Distribution Connection Agreement or a connection offer but such agreement or offer does not state its registered capacity or inverter rating,

the estimated capacity that the Applicant with respect to the Generating CMU that includes that Generating Unit anticipates (acting in good faith) to be the maximum capacity which will be physically capable of being transmitted from the Generating Unit to the Distribution Network,

in each case expressed in whole MW.

3.5.3 An Applicant for an Existing Generating CMU may, as an alternative to the determination of Connection Capacity set out in Rule 3.5.2, nominate a Connection Capacity for that Generating Unit equal to the Average Highest Output of that Existing Generating CMU.

3.5.4 For the purposes of Rule 3.5.3, the “Average Highest Output” of a Generating Unit is the mean average of the physically generated net outputs of that Generating Unit in the three Settlement Periods identified by the Applicant under Rule 3.6.1(a).

3.5.5 An Applicant for an Existing Generating CMU may, as an alternative to the determination of Connection Capacity set out in Rule 3.5.2 or 3.5.3, nominate a Connection Capacity for a Generating Unit comprised in that Existing Generating CMU in accordance with following formula:

$$CC_i = \min\left(\frac{STEC}{SCEC}, 1\right) \times UCEC_i$$

where:

CC_i is the Connection Capacity of Generating Unit “i”;

STEC is:

- (i) in the case of a Generating Unit which is part of a Transmission CMU, the Transmission Entry Capacity for the power station of which Generating Unit “i” is a component; or
- (ii) in the case of a Generating Unit which is part of a Distribution CMU, the Maximum Export Capacity for the power station of which Generating Unit “i” is a component;

SCEC is:

- (i) in the case of a Generating Unit which is part of a Transmission CMU, the higher of:
 - (aa) the Connection Entry Capacity stated in the Grid Connection Agreement for the power station of which Generating Unit “i” is a component; or
 - (bb) the sum of the Connection Entry Capacities stated in that Grid Connection Agreement for each Generating Unit which is a component of that power station;
- (ii) in the case of a Generating Unit which is part of a Distribution CMU, the higher of:
 - (aa) the registered capacity (or inverter rating, if applicable) stated in the Distribution Connection Agreement for the power station of which Generating Unit “i” is a component; or
 - (bb) the sum of the registered capacities (or inverter ratings, if applicable) stated in that Distribution Connection Agreement for each of the generating sets comprised in that power station;

UCEC_i is:

- (i) in the case of a Generating Unit which is part of a Transmission CMU, the Connection Entry Capacity stated in the Grid Connection Agreement for Generating Unit “i”; or
- (ii) in the case of a Generating Unit which is part of a Distribution CMU, the registered capacity (or inverter rating, if applicable) stated in the Distribution Connection Agreement for Generating Unit “i”;

“generating set” has the meaning given to it in the relevant Distribution Connection Agreement;

“Maximum Export Capacity” has the meaning given to it in the Distribution Connection and Use of System Agreement;

“power station” has the meaning given to it in the relevant Grid Connection Agreement or Distribution Connection Agreement as applicable.

3.6 Additional Information for an Existing Generating CMU

3.6.1 Previous Settlement Period performance

- (a) Each Applicant for an Existing Generating CMU must identify in the Application the three Settlement Periods on separate days in:
 - (i) the 24 months prior to the start of the Prequalification Window; or
 - (ii) if the CMU has not been operational in the 24 months prior to the start of the Prequalification Window:
 - (aa) the most recent 24 months of operation; or
 - (bb) if the CMU has previously been operational for less than 24 months, the most recent period of operation; or,
 - (iii) if the CMU has been subject to a continuous Transmission Restriction for the whole of the 24 months prior to the start of the Prequalification Window, the most recent 24 months in which the CMU was not subject to a Transmission Restriction,

in which such Existing Generating CMU delivered its highest physically generated net outputs, and specify such physically generated net outputs.

- (b) Each Applicant for an Existing Generating CMU that is a Non-CMRS Distribution CMU must provide a letter from the supplier or former supplier to such CMU confirming the CMU's physically generated net output in the three Settlement Periods referred to in Rule 3.6.1(a).

3.6.2 Grid Code Compliance

Each Applicant for an Existing Generating CMU which has not been operational in the 24 months prior to the start of the Prequalification Window and which is party to the Grid Code must declare that:

- (a) it is compliant with the Grid Code in relation to that CMU, taking into consideration any existing derogations (full details of which must be provided), or
- (b) it will be compliant with the Grid Code in relation to that CMU by no later than the date falling six months prior to the commencement of the relevant Delivery Year by virtue of a pending derogation; or
- (c) it will not be compliant with the Grid Code in relation to that CMU by the date falling six months prior to the commencement of the relevant Delivery Year but:
 - (i) it is using, and will continue to use, its best endeavours to become compliant with the Grid Code in relation to that CMU as soon as reasonably practicable; and

- (ii) the facts or circumstances giving rise to its non-compliance do not materially affect its ability to be a Capacity Provider.

3.6.3 Connection Arrangements

- (a) Each Applicant for an Existing Generating CMU that is a Transmission CMU must:
 - (i) confirm that one or more Grid Connection Agreements have been entered into which, subject to Rule 3.6.3(b), secure Transmission Entry Capacity for the relevant Delivery Year for the Generating Units comprised in the CMU at least equal, in aggregate, to the Anticipated De-rated Capacity of that CMU and any other CMU to which any such Grid Connection Agreement applies; and
 - (ii) provide a copy of the Grid Connection Agreement for each Generating Unit comprised in the CMU with the Application.
- (b) In the First Full Capacity Auction only, an Applicant for an Existing Generating CMU that is a Transmission CMU and that is unable to give the confirmation referred to in Rule 3.6.3(a)(i) may instead declare that it will secure the required Transmission Entry Capacity by the date falling 18 months prior to the commencement of the relevant Delivery Year.
- (c) Each Applicant for an Existing Generating CMU that is a Distribution CMU must:
 - (i) confirm that one or more Distribution Connection Agreements have been entered into which permit at least, in aggregate, the Anticipated De-rated Capacity of that CMU and any other CMU to which any such Distribution Connection Agreement applies to connect to the Distribution Network in the relevant Delivery Years; and
 - (ii) provide a copy of the Distribution Connection Agreement for each Generating Unit comprised in the CMU with the Application or, where this is not possible, written confirmation from the Distribution Network Operator that such Distribution Connection Agreement is in effect and confirming:
 - (aa) the registered capacity (or inverter rating, if applicable) of that Generating Unit; and
 - (bb) the capacity that such Generating Unit is permitted to export to the Distribution Network.

3.6.4 Metering Arrangements

- (a) Each Applicant for an Existing Generating CMU must:
 - (i) provide detailed line diagrams showing electrical configurations and metering sites at which the Generating Units are located; and

- (ii) complete a Metering Assessment in relation to that CMU.
- (b) In the First Full Capacity Auction only, an Applicant may elect to defer completing a Metering Assessment for an Existing Generating CMU until after the First Full Capacity Auction in which case the Applicant must declare that it will complete a Metering Assessment for that Existing Generating CMU by no later than the date falling 3 years prior to the start of the relevant Delivery Year.
- (c) The Delivery Body must:
 - (i) on or before the Prequalification Results Day, send to the CM Settlement Body a copy of any completed Metering Assessment or other information provided by an Applicant under (a) or (b); and
 - (ii) in relation to the First Full Capacity Auction, where the Applicant makes a declaration under (b), send to the CM Settlement Body a copy of any completed Metering Assessment which it receives after that date.

3.7 Additional Information for a New Build CMU

3.7.1 Relevant Planning Consents

Each Applicant for a New Build CMU must declare in the Application:

- (a) that, in the case of an Application relating to the First Full Capacity Auction, it will obtain all Relevant Planning Consents by no later than the date falling 17 Working Days prior to the commencement of the first Bidding Window in relation to such Capacity Auction; or
- (b) otherwise, that it has obtained all Relevant Planning Consents required for the construction and commissioning of the Prospective Generating Plant (but excluding any ancillary infrastructure associated with, but not comprised in, the Prospective Generating Plant).

3.7.2 Construction Plan

Each Applicant for a New Build CMU must state in the Application:

- (a) a brief description of the nature of the construction, repowering or refurbishment works to be undertaken;
- (b) a schedule identifying the earliest and latest dates for achieving the following Construction Milestones:
 - (i) commencement of construction works;
 - (ii) achievement of the Back-feed Milestone; and
 - (iii) achievement of the Substantial Completion Milestone;
- (c) the total amount of Capital Expenditure proposed to be incurred in relation to the achievement of the Substantial Completion Milestone, if any (the “**Total Project Spend**”);

- (d) whether the Qualifying £/kW Capital Expenditure is:
 - (i) equal to or greater than the Fifteen Year Minimum £/kW Threshold;
 - (ii) equal to or greater than the Three Year Minimum £/kW Threshold and less than the Fifteen Year Minimum £/kW Threshold; or
 - (iii) less than the Three Year Minimum £/kW Threshold; and
- (e) that the Construction Plan:
 - (i) is, to the best of its knowledge and belief, based on reasonable assumptions;
 - (ii) accurately summarises the planned works; and
 - (iii) is not misleading.

3.7.3 Connection Arrangements

- (a) Each Applicant for a New Build CMU that is or will be a Transmission CMU must:
 - (i) confirm that one or more Grid Connection Agreements have been entered into which secure Transmission Entry Capacity for the relevant Delivery Years for the Generating Units comprised in that CMU at least equal, in aggregate, to the Anticipated De-rated Capacity of that CMU and any other CMUs to which any such Grid Connection Agreement applies; and
 - (ii) provide a copy of the Grid Connection Agreement for each Generating Unit comprised in the CMU with the Application.
- (b) Subject to Rule 3.7.3(c) below, Applicants for a New Build CMU that is, or will be, directly connected to a Distribution Network must:
 - (i) confirm that there are one or more Distribution Connection Agreements or connection offers which permit at least, in aggregate, the Anticipated De-rated Capacity of that CMU and any other CMUs to which the Distribution Connection Agreement applies to connect to the Distribution Network in the relevant Delivery Years, and
 - (ii) provide with the Application a copy of any such Distribution Connection Agreement or connection offer, or where this is not possible, written confirmation from the Distribution Network Operator that such Distribution Connection Agreement or connection offer is in effect and confirming:
 - (aa) the registered capacity (or inverter rating, if applicable) of that Generating Unit; and
 - (bb) the capacity that such Generating Unit is permitted to export to the Distribution Network.

- (c) Except in the case of an Application to participate in a T-1 Auction, an Applicant which is unable to give the confirmation referred to in Rule 3.7.3(b)(i) may, instead of complying with Rule 3.7.3(b), declare that a Distribution Connection Agreement will be in place by the date 18 months prior to the commencement of the relevant Delivery Year.

3.8 Additional Information for a Refurbishing CMU

3.8.1 Refurbishing CMU

Each Application for a Refurbishing CMU must comply with the requirements of Rule 3.7 to the extent they are applicable as if references therein to “New Build CMU” were to “Refurbishing CMU” provided that:

- (a) if there are no Relevant Planning Consents required in relation to the improvements programme to be carried out for the Refurbishing CMU, the Applicant must make a declaration to this effect in the Application rather than any declaration pursuant to Rule 3.7.1; and
- (b) the schedule included in the construction plan pursuant to Rule 3.7.2(b) does not need to include a projected date for achieving the Back-feed Milestone.

3.8.2 Pre-Refurbishment CMU

Each Application for a Refurbishing CMU must:

- (a) include the declaration required by Rule 3.6.1 to the extent applicable to the Pre-Refurbishment CMU;
- (b) if the Pre-Refurbishment CMU is a Mandatory CMU, comply with the requirements of either Rule 3.5 or Rule 3.11; and
- (c) if the Pre-Refurbishment CMU is not a Mandatory CMU but the Applicant wishes to have the option of continuing to bid in the relevant Capacity Auction as an Existing Generating CMU following the submission of an unsuccessful Exit Bid with respect to the Refurbishing CMU, comply with the requirements of Rule 3.5 in relation to such Pre-Refurbishment CMU.

3.9 Additional Information for a Proven DSR CMU

3.9.1 DSR Test Certificate

Each Applicant for a Proven DSR CMU must include in the Application a DSR Test Certificate relating to that DSR CMU.

3.9.2 Permitted On-Site Generating Units

Each Applicant for a Proven DSR CMU must include in the Application details of all Permitted On-Site Generating Units and electricity connections from or through which electricity is or could be supplied to the site where and/or electrical apparatus through which the DSR will be effected.

3.9.3 Business Model

- (a) Each Applicant for a Proven DSR CMU must include in the Application a business model for each DSR CMU Component that comprises that DSR CMU setting out the following:
 - (i) the type of DSR effected by the DSR CMU Component;
 - (ii) a summary of the relationship between the DSR Provider and the DSR CMU Component;
 - (iii) to the extent not already provided in order to obtain a DSR Test Certificate, the information referred to in Rule 13.2.5; and
 - (iv) details of the programme or strategy for procuring that the DSR Capacity is available, including:
 - (aa) method(s) of achieving load reduction;
 - (bb) equipment controlled or installed, or to be controlled or installed; and
 - (cc) details of how the DSR Capacity of the DSR CMU has been secured to the DSR Provider.
- (b) Each Applicant for a Proven DSR CMU must declare that the business model:
 - (i) is, to the best of its knowledge and belief, based on reasonable assumptions;
 - (ii) accurately describes the manner in which any DSR Capacity has been secured; and
 - (iii) is not misleading.

3.9.4 Metering Arrangements

- (a) Each Applicant for a Proven DSR CMU must:
 - (i) provide detailed line diagrams showing electrical configurations and metering sites at which the DSR CMU Components are located; and
 - (ii) complete a Metering Assessment in relation to that CMU.
- (b) In the First Full Capacity Auction only, an Applicant may elect to defer completing a Metering Assessment for a Proven DSR CMU until after the First Full Capacity Auction in which case the Applicant must declare that it will complete a Metering Assessment for that Proven DSR CMU by no later than the date falling 3 years prior to the start of the relevant Delivery Year.
- (c) The Delivery Body must:
 - (i) on or before the Prequalification Results Day, send to the CM Settlement Body a copy of any completed Metering Assessment or other information provided by an Applicant under (a) or (b); and

- (ii) in relation to the First Full Capacity Auction, where the Applicant makes a declaration under (b), send to the CM Settlement Body a copy of any completed Metering Assessment which it receives after that date.

3.10 Additional Information for an Unproven DSR CMU

3.10.1 Business Plan

- (a) Each Applicant for an Unproven DSR CMU must include in the Application a business plan setting out the following:
 - (i) details of the Unproven DSR CMU proposal including steps already taken to acquire the DSR Capacity and/or Contractual DSR Control;
 - (ii) all the information required for a business model pursuant to Rule 3.9.3 in relation to any DSR CMU Component with which the DSR Provider has already established a relationship;
 - (iii) such information required for a business model pursuant to Rule 3.9.3 as is available to the DSR Provider in relation to any DSR CMU Component with which the DSR Provider intends to establish a relationship; and
 - (iv) details of the programme or strategy for procuring any further DSR CMU Components to ensure that the Unproven DSR Capacity is available, including:
 - (aa) method(s) of achieving load reduction;
 - (bb) equipment controlled or installed, or to be controlled or installed;
 - (cc) details of how the DSR Capacity of the DSR CMU has, or will be, secured to the DSR Provider; and
 - (dd) such other requirements as may be specified by the Delivery Body from time to time.
- (b) Each Applicant for an Unproven DSR CMU must declare that the Business Plan:
 - (i) is, to the best of its knowledge and belief, based on reasonable assumptions;
 - (ii) accurately describes the manner in which any DSR Capacity has been, or will be, secured; and
 - (iii) is not misleading.

3.10.2 Required Testing

Each Applicant for an Unproven DSR CMU must confirm that it will complete:

- (a) a DSR Test;

- (b) a Metering Assessment (including providing line diagrams as described in Rule 3.9.4(a)(i)); and
 - (c) if required, a Metering Test,
- in relation to that CMU prior to the date falling one month before the commencement of the Delivery Year to which the Capacity Auction relates.

3.11 Opt-out Notifications

3.11.1 For each Capacity Auction, if no Application is made in relation to a Mandatory CMU, the person who is the legal owner of that Mandatory CMU must, during the Prequalification Window, submit an Opt-out Notification to the Delivery Body.

3.11.2 An Opt-out Notification must state:

- (a) the name of the CMU owner submitting the notification;
- (b) if relevant, the corporate registration number of the CMU owner;
- (c) contact details, including registered address of the CMU owner and name of authorised contact person at the CMU owner who is responsible for liaising with the Delivery Body in relation to the Opt-out Notification;
- (d) the CMU to which the Opt-out Notification relates (including a description of, and the location of, the Generating Unit(s) and/or DSR CMU Component(s) and Meter Point Administration Numbers for all the relevant Meter(s);
- (e) the Connection Capacity of the CMU for the Delivery Year to which the Capacity Auction relates;
- (f) whether the CMU:
 - (i) will be closed down, decommissioned or otherwise non-operational by the commencement of the Delivery Year to which the Capacity Auction relates;
 - (ii) will be temporarily non-operational for all the Winter of the Delivery Year to which the Capacity Auction relates but will be operational thereafter; or
 - (iii) will remain operational during the Delivery Year to which the Capacity Auction relates,

in each case providing a summary of the reasons for that statement.

3.11.3 The Delivery Body must notify the CM Settlement Body of any Opt-out Notification with respect to a CMU that makes a statement pursuant to Rule 3.11.2(f)(ii) and the CM Settlement Body must notify the Delivery Body if any such CMU generates during the relevant Winter.

3.11.4 If a person submits an Opt-out Notification that makes a statement pursuant to Rule 3.11.2(f)(ii) and in fact generates electricity from that CMU during the Winter then, on becoming aware of such facts or being so

notified by the CM Settlement Body, the Delivery Body must serve notice on that person that the Applicant will be treated as though it had made the statement in Rule 3.11.2(f)(i) above and Rule 6.10.1(j) applies.

3.11.5 The person submitting an Opt-out Notification must make a declaration of the matters set out in Rule 3.4.9 as at the date of the Opt-out Notification.

3.11.6 For the purposes of Rule 3.11.5, Rule 3.4.9 is to be read as if references to the Applicant or to Applicant-related Parties were references to the person submitting the Opt-out Notification.

3.12 Declaration to be made when submitting an Application

3.12.1 A person submitting an Application or an Opt-out Notification must ensure and confirm in the Application or the Opt-out Notification that:

(a) in all material respects, the Application or Opt-out Notification and, in the case of an Application, all Additional Information submitted by the Applicant; and

(b) in all respects, each of the specific declarations referred to in Rules 3.4 to 3.11 (where relevant),

is true and correct (or, to the extent that the Additional Information is a copy document, that it is a true and correct copy) and that the Application and Additional Information has been authorised by the board of directors of the Applicant or the person submitting the Opt-out Notification (as applicable).

3.12.2 Each person submitting an Application must ensure that copies of the papers prepared to inform:

(a) such of the specific declarations referred to in Rules 3.4 to 3.11 as are relevant); and

(b) the issuance of a Prequalification Certificate,

are retained for a period up to and including the tenth anniversary of the end of the relevant Delivery Year.

3.12.3 Each Application must be accompanied by a Prequalification Certificate signed by two directors of the Applicant.

3.12.4 Each Application and each Opt-out Notification must be accompanied by a Certificate of Conduct signed by two directors of the Applicant or the person submitting the Opt-out Notification (as applicable).

3.12.5 Each Opt-out Notification must be accompanied by a statement, signed by two of the directors of that person, that the directors of the relevant person have formed the opinion, on the basis of due and careful enquiry as to the Applicant's situation at the date of the statement, that the person can correctly make the declaration in Rule 3.11.5.

3.12.6 In relation to an Applicant or a person submitting an Opt-out Notification which is not a company, references in this Rule to "directors" or the "board of directors" are to be read as references to the officers of that person.

3.13 Application process for Secondary Trading Entrants

3.13.1 A Secondary Trading Entrant may submit an Application at any time from the Auction Results Day for the relevant T-1 Auction up to the end of the relevant Delivery Year, other than during the Prequalification Assessment Window for any Capacity Auction.

3.13.2 An Application submitted in accordance with Rule 3.13.1 must comply with Chapter 3, except to the extent that this Chapter 3 requires the submission of the Application during the Prequalification Window.

3.14 Retention of Applications and Opt-out Notifications by the Delivery Body

3.14.1 Subject to Rule 3.14.2, the Delivery Body must retain all Applications and Opt-out Notifications (including the Additional Information and any evidence submitted with the Application or Opt-out Notification) for a period of ten years from the end of the relevant Delivery Year.

3.14.2 The Delivery Body must retain all Applications which as at the end of the period referred to in Rule 3.14.1 are the subject of a review or appeal brought in accordance with the Rules or the Regulations until such review or appeal has been determined and no further review or appeal may be brought.

CHAPTER 4: DETERMINATION OF ELIGIBILITY

4. Determination of eligibility

4.1 Purpose of this Chapter

The Rules govern the process by which the Delivery Body determines whether to prequalify a CMU on the basis of an Application received pursuant to the Rules in Chapter 3.

4.2 Delivery Body to assess the completeness of an Application

4.2.1 Following receipt of an Application in accordance with Chapter 3, the Delivery Body must check that:

- (a) the Application has been completed and submitted in accordance with the Regulations and the Rules; and
- (b) the required Additional Information appears to have been included.

4.2.2 The Delivery Body has no obligation to consider and check an Application prior to the closing of the Prequalification Window.

4.2.3 If more than one Application or Opt-out Notification is received with respect to a CMU during a Prequalification Window, the most recent in time to be submitted will prevail and any earlier Application or Opt-out Notification will be deemed not to have been submitted.

4.2.4 Any evidence which does not meet the requirements of the Regulations, the Rules or the Auction Guidelines or such other requirements as specified by the Delivery Body under Rule 3.3.7(b)(iii) may be rejected by the Delivery Body. However, failure by the Delivery Body to reject evidence does not constitute, and must not be taken as constituting, a representation that such evidence satisfies the aforementioned requirements.

4.3 Delivery Body to review complete Applications

4.3.1 For each Application submitted in accordance with the Regulations and the Rules, the Delivery Body must:

- (a) review the Additional Information submitted with the Application; and
- (b) where the Application is for a Generating CMU, satisfy itself that the Generating CMU is not a Defaulting CMU or an Excluded CMU for that Capacity Auction; and

4.3.2 Save where Rule 3.6.1(b) applies, the Delivery Body must verify the data submitted by the Applicant with regard to the physically generated net output of an Existing Generating CMU pursuant to Rule 3.6.1.

4.3.3 If:

- (a) an Applicant nominated the Connection Capacity of a Generating Unit comprised in an Existing Generating CMU pursuant to Rule 3.5.3; and

- (b) the Delivery Body determines that the physically generated net output of the Generating Unit in any Settlement Period specified by the Applicant pursuant to Rule 3.6.1 was different to that which was submitted by the Applicant,

the Delivery Body must recalculate the Connection Capacity of the CMU based on its determination of such output.

4.4 Decisions to be made by the Delivery Body

4.4.1 The Delivery Body must, for each CMU for which an Application has been received, determine whether the CMU has prequalified for the Capacity Auction (the “**Prequalification Decision**”).

4.4.2 The Delivery Body must not Prequalify a CMU where:

- (a) it is aware that the Application has not been completed or submitted in accordance with the Rules;
- (b) the required Additional Information is missing;
- (c) any Meter Point Administration Number specified in relation to the CMU pursuant to Rule 3.4.3(a)(ii) has already been registered to another CMU in respect of which a person either:
 - (i) has a Capacity Agreement in relation to one or more of the same Delivery Years; or
 - (ii) has submitted a prior Application in the same Prequalification Window,

unless the Application includes a declaration under Rule 3.4.3(b); or

- (d) any Generating Unit comprised in a CMU which is also a BM Unit has already been registered to another CMU in respect of which a person either:
 - (i) has a Capacity Agreement in relation to one or more of the same Delivery Years; or
 - (ii) has submitted a prior Application in the same Prequalification Window;
- (e) the Delivery Body is unable to obtain any data with respect to the physically generated net output for a Generating Unit comprised in an Existing Generating CMU in any Settlement Period nominated by the Applicant pursuant to Rule 3.6.1; or
- (f) the physically generated net outputs of an Existing Generating CMU in the Settlement Periods nominated by the Applicant pursuant to Rule 3.6.1 are not each greater than the Anticipated De-rated Capacity specified by the Applicant under Rule 3.4.5(d).

4.4.3 Save as may be amended following any dispute resolution or appeals process or a failure to provide Applicant Credit Cover as required by Rule 4.6, the Prequalification Decision will be final and binding on the Applicant and all other persons who participate in the relevant Capacity Auction.

4.4.4 The configuration of Generating Units or DSR CMU Components (as applicable) that comprise a CMU must not be changed once that CMU has Prequalified.

4.5 Notification of Prequalification decision to Applicants

4.5.1 On the Prequalification Results Day, the Delivery Body will notify each Applicant other than a Secondary Trading Entrant that the following information is now available on the Capacity Market Register:

- (a) the Prequalification Decision for each CMU for which it has made an Application;
- (b) where the Prequalification Decision is that the CMU has Prequalified:
 - (i) the De-rated Capacity of the CMU;
 - (ii) if the CMU is a New Build CMU which has not yet satisfied its Financial Commitment Milestone or an Unproven DSR CMU, that its Prequalification is conditional upon the Applicant satisfying the requirement in Rule 4.6 and the amount of Applicant Credit Cover to be provided;
 - (iii) if the CMU is a New Build CMU which will be directly connected to a Distribution Network and has made a declaration pursuant to Rule 3.7.3(c), that its Prequalification is conditional upon the Applicant satisfying the requirement in Rule 4.6 and the amount of Applicant Credit Cover to be provided;
 - (iv) in relation to the First Full Capacity Auction only, if the CMU is an Existing Generating CMU that is a Transmission CMU and the Applicant made a declaration pursuant to Rule 3.6.3(b), that its Prequalification is conditional upon the Applicant satisfying the requirement in Rule 4.6 and the amount of Applicant Credit Cover to be provided;
 - (v) in relation to the First Full Capacity Auction only, if the CMU is a Prospective Generating CMU and the Applicant made a declaration pursuant to Rule 3.7.1(a), that its Prequalification is conditional upon the Applicant satisfying the planning consents requirement in Rule 4.7;
 - (vi) if the CMU is a Prospective Generating CMU or a DSR CMU, that it is a Price-Maker (which status, in the case of a Refurbishing CMU, does not automatically extend to the Pre-Refurbishment CMU);
 - (vii) where the CMU is an Existing Generating CMU, that it is a Price-Taker unless it complies with Rule 4.8;
 - (viii) the Maximum Obligation Period of the Capacity Agreement that the Applicant may bid for in the Capacity Auction for that CMU;

- (ix) the status of the CMU as a Transmission CMU, a CMRS Distribution CMU, a Non-CMRS Distribution CMU or a DSR CMU;
 - (x) in the case of a Generating CMU, whether it is an Existing Generating CMU, a New Build CMU or a Refurbishing CMU;
 - (xi) in the case of an Existing Generating CMU or a Proven DSR CMU, whether or not, based on its Metering Assessment, the metering arrangements for such CMU will be subject to a Metering Test in the event that it receives a Capacity Agreement in the relevant Capacity Auction; and
- (c) the entry to be made on the Capacity Market Register for each of the items in this Rule 4.5.1 in accordance with the Rules set out in Chapter 7.

4.5.2 The Delivery Body must notify all Applicants no later than 15 Working Days prior to the commencement of the Capacity Auction of the list of Applicants with fully Prequalified CMUs as at that date (excluding any Applicant to whom Rule 4.6.4 applies).

4.5.3 The Delivery Body must issue authenticated communication codes/instructions through the EMR Delivery Body Portal, no later than 10 Working Days prior to the commencement of the first Bidding Round in the relevant Capacity Auction, to all Applicants with fully Prequalified CMUs.

4.6 Conditional Prequalification – Applicant Credit Cover

4.6.1 An Applicant that, in relation to a CMU, receives notice from the Delivery Body under Rule 4.5.1(b)(ii), (iii) or (iv) of its conditional Prequalification must, within five Working Days of such notification, provide Applicant Credit Cover to the CM Settlement Body in accordance with the Regulations.

4.6.2 If the CM Settlement Body gives notice to an Applicant that it has approved the Applicant Credit Cover provided by the Applicant, the Applicant must within five Working Days provide the Delivery Body with a copy of such notice.

4.6.3 Within five Working Days of receiving from an Applicant a copy of a notice in accordance with Rule 4.6.2, the Delivery Body must notify that Applicant that it is fully Prequalified.

4.6.4 If the Delivery Body has not received a copy of a notice in accordance with Rule 4.6.2 within 32 Working Days of providing notice under Rule 4.5.1(b) (ii), (iii) or (iv) (as applicable), the Delivery Body must within five Working Days notify that Applicant that it has not Prequalified.

4.7 Conditional Prequalification – Planning Consents

4.7.1 An Applicant for a Prospective Generating CMU in the First Full Capacity Auction that has submitted a declaration pursuant to Rule 3.7.1(a) must submit to the Delivery Body by no later than the date falling 17 Working Days prior to the commencement of the first Bidding Window for the Capacity Auction:

- (a) a declaration that it has obtained all Relevant Planning Consents for the CMU; and
- (b) a director's certificate (or certificate by two officers, in the case of an Applicant other than a company) confirming that the Applicant can correctly make such declaration.

4.7.2 On the date falling 16 Working Days prior to the commencement of the first Bidding Window for the First Full Capacity Auction the Delivery Body must notify the Applicant in relation to each CMU to which this Rule 4.7 applies whether or not it has Prequalified, based solely on whether or not the Delivery Body has received the documentation referred to in Rule 4.7.1.

4.8 Provision of a Price-Maker Memorandum and Certificate by Applicants

4.8.1 Each Applicant for an Existing Generating CMU which receives a notice from the Delivery Body under Rule 4.5.1(b)(vii) and which wishes to be a Price-Maker must:

- (a) lodge a Price-Maker Memorandum with the Authority in accordance with any guidance published by the Authority; and
- (b) no later than 10 Working Days prior to the commencement of the first Bidding Round of the relevant Capacity Auction:
 - (i) provide the Authority's receipt for the same to the Delivery Body; and
 - (ii) submit a Price-Maker Certificate to the Delivery Body.

4.8.2 The Authority must, when an Applicant lodges a Price-Maker Memorandum with it, provide a receipt to the Applicant.

4.8.3 Within two Working Days of receiving a receipt and Price-Maker Certificate pursuant to Rule 4.8.1, the Delivery Body must notify the Applicant that it is a Price-Maker.

4.8.4 The Authority will be required to retain each Price-Maker Memorandum for a period of ten years from the date on which it is lodged pursuant to Rule 4.8.1(a).

4.9 Notification of Prequalification decision to Secondary Trading Entrants

4.9.1 Upon receiving an Application for a CMU from a Secondary Trading Entrant pursuant to Rule 3.13.1, the Delivery Body must notify the Secondary Trading Entrant within three months:

- (a) of the Prequalification Decision for the CMU; and
- (b) where the Prequalification Decision for the CMU is that the CMU has Prequalified, that the Secondary Trading Entrant is an Eligible Secondary Trading Entrant for the purposes of Rule 9.2.6(d).

4.10 Disputes relating to Prequalification

Applicants that wish to dispute the relevant Prequalification Decision may do so in accordance with the process set out in Part 10 of the Regulations.

4.11 Changes to the Auction Parameters

- 4.11.1 If the Delivery Body publishes adjusted Auction Parameters for a Capacity Auction (other than to notify a change to the Demand Curve) after the Prequalification Window for that Capacity Auction has closed, an Applicant with respect to a Prequalified Mandatory CMU may submit an Opt-out Notification at any time up to (but not including) the date falling 17 Working Days prior to the commencement of the first Bidding Window for that Capacity Auction.
- 4.11.2 With effect from the date of an Opt-out Notification pursuant to Rule 4.11.1, the relevant Mandatory CMU shall no longer be Prequalified.
- 4.11.3 If the Delivery Body publishes adjusted Auction Parameters for a Capacity Auction that include a change to the 15 Year Minimum £/kW Threshold or the 3 Year Minimum £/kW Threshold, the Delivery Body will notify each Applicant that the Maximum Obligation Period for each CMU has been updated accordingly on the Capacity Market Register.

CHAPTER 5: CAPACITY AUCTIONS

5. Capacity Auction

5.1 Purpose of this Chapter

The Rules describe the process and requirements for a Capacity Auction, set out the duties of the Auctioneer with respect to Capacity Auctions and set out the rules for Capacity Auction participants.

5.2 The role of the Auctioneer

The Delivery Body may, in consultation with the Secretary of State, appoint a third party to operate the Capacity Auction (including to set up the IT Auction System). In such circumstances, the third party must perform the functions of the Auctioneer as set out in the Rules and the Delivery Body must remain responsible for the discharge of such functions by the Auctioneer in accordance with the Rules.

5.3 Qualification to bid in the Capacity Auction

5.3.1 A Bidder must not participate in a Capacity Auction with respect to any CMU that is:

- (a) not a Prequalified CMU; or
- (b) a Defaulting CMU; or
- (c) an Excluded CMU in relation to that Capacity Auction; or
- (d) a Mandatory CMU that has Opted-out in relation to that Capacity Auction.

5.3.2 A Bidder must not participate in a Capacity Auction with respect to any CMU unless the Bidder has complied with:

- (a) the necessary formalities to obtain authentication codes to be able to submit, modify or withdraw Bids in the IT Auction System; and
- (b) the terms of any continuing Capacity Agreement in relation to any CMU.

5.3.3 If the Auctioneer becomes aware that a CMU is disqualified from a Capacity Auction pursuant to this Rule 5.3, the Auctioneer must:

- (a) disregard any Continuing Bid made (or deemed to have been made) by that CMU in that Capacity Auction after it becomes aware of such disqualification;
- (b) treat that CMU as having submitted an Exit Bid at the Bidding Round Price Cap in the next Bidding Round in that Capacity Auction to occur after it becomes aware of such disqualification (or the current Bidding Round if the announcement specified in Rule 5.5.18 has not been made for the next Bidding Round); and
- (c) not award a Capacity Agreement to that CMU in that Capacity Auction.

5.4 Disqualification from future bid submission

If a CMU is withdrawn from a Capacity Auction pursuant to Rule 5.3.3 as a consequence of a breach of Rule 5.3.1 or Rule 5.3.2(b), no Generating Unit or DSR CMU Component forming part of that CMU may form part of any CMU that participates in any other Capacity Auction relating to the same Delivery Year or either of the two subsequent Delivery Years.

5.5 Capacity Auction format

5.5.1 The Delivery Body must, subject to Rule 5.11, hold a Capacity Auction on the date specified in the Auction Guidelines.

5.5.2 The Auctioneer must conduct the Capacity Auction in accordance with:

- (a) the Capacity Market Rules;
- (b) the Auction Guidelines for the Capacity Auction; and
- (c) the instructions given to the Auctioneer by the Secretary of State pursuant to Rule 5.5.8.

5.5.3 The Auctioneer must use its reasonable efforts to conduct the Capacity Auction in an efficient manner consistent with any guidance from the Secretary of State so as to minimise the Capacity Auction duration.

5.5.4 The Auctioneer must notify and seek advice from the Secretary of State if it considers that the Capacity Auction will not or is likely not to be concluded within 5 Working Days of the beginning of the first Bidding Window.

5.5.5 The Capacity Auction must be run as a series of price spread bidding rounds (each a "**Bidding Round**") on a descending clock basis.

5.5.6 The price spread for a Bidding Round (the "**Bidding Round Price Spread**") must be expressed as a range from a highest price (the "**Bidding Round Price Cap**") to a lowest price (the "**Bidding Round Price Floor**").

5.5.7 The Bidding Round Price Cap in the first Bidding Round must be the Price Cap. In each subsequent Bidding Round, the Bidding Round Price Cap must be equal to the Bidding Round Price Floor in the previous Bidding Round.

5.5.8 The Secretary of State must issue instructions to the Auctioneer as to the process for determining the size of the decrement to be represented in each Bidding Round Price Spread. The Auctioneer must set the Bidding Round Price Spread for each Bidding Round in accordance with such instructions.

5.5.9 Bidding Rounds will continue until the Capacity Auction clears in accordance with Rule 5.9.

5.5.10 No later than 15 Working Days prior to the commencement of the first Bidding Round for a Capacity Auction, the Delivery Body must publish:

- (a) the date and time on which the Capacity Auction will start;
- (b) the identity of the Prequalified CMUs for the Capacity Auction and their aggregate De-rated Capacity as at that date, reflecting the

outcome of any determinations following dispute resolution or appeals which have concluded by the start of the Working Day which precedes the date of the announcement;

- (c) in the case of a T-1 Auction, the aggregate Contracted Capacity in the relevant T-4 Auction adjusted for any cancellation or termination of Capacity Agreements and/or delays in the commissioning of Prospective Generating CMUs; and
 - (d) the identity of the Auction Monitor for the relevant Capacity Auction.
- 5.5.11 By no later than the date falling 10 Working Days prior to the commencement of the first Bidding Window, an Applicant for a Prequalified DSR CMU may issue a notification to the Delivery Body nominating the capacity (in MW) that it wishes to bid into the Capacity Auction with respect to that DSR CMU provided that such capacity is no greater than the De-rated Capacity of such DSR CMU.
- 5.5.12 In the absence of any notification pursuant to Rule 5.5.11, the DSR Bidding Capacity of a DSR CMU must be equal to the De-rated Capacity of that DSR CMU.
- 5.5.13 Where an Applicant for an Unproven DSR CMU nominates a DSR Bidding Capacity which is lower than the De-rated Capacity of that Unproven DSR CMU, that Applicant may submit a request to the CM Settlement Body for a portion of its Applicant Credit Cover to be released in accordance with the Regulations.
- 5.5.14 Between the dates falling 15 Working Days and 10 Working Days prior to the commencement of the first Bidding Window, the Applicant for each Prequalified Prospective Generating CMU, Refurbishing CMU and DSR CMU that wishes to participate in a Capacity Auction must, subject to Rule 5.5.17, submit a notice to the Delivery Body which:
- (a) confirms that it will participate as a Bidder with respect to that CMU in the Capacity Auction; and
 - (b) in the case of a Prospective Generating CMU or a Refurbishing CMU, specifies the duration of Capacity Agreement in whole Delivery Years (not being greater than the Maximum Obligation Period for that CMU) that it requires at the Price Cap.
- 5.5.15 An Applicant for a Refurbishing CMU must specify in any confirmation pursuant to Rule 5.5.14 whether or not it also wishes to participate in the Capacity Auction with respect to the associated Pre-Refurbishment CMU.
- 5.5.16 Failure to submit a confirmation in accordance with Rule 5.5.14 with respect to any Prequalified CMU will result in:
- (a) the Applicant for that Prequalified CMU not being permitted to participate as a Bidder for that CMU in the relevant Capacity Auction; and
 - (b) the release of any Applicant Credit Cover relating to that Prequalified CMU in accordance with the Regulations.

5.5.17 An Applicant for a Prequalified CMU will not be permitted to participate as a Bidder for that CMU in a Capacity Auction if that CMU is:

- (a) a Defaulting CMU;
- (b) an Excluded CMU in relation to that Capacity Auction; or
- (c) an Existing Generating CMU that has Opted-out in relation to that Capacity Auction,

and an Applicant must not submit a confirmation in accordance with Rule 5.5.14 with respect to any such CMU.

5.5.18 Prior to the start of each Bidding Round the Auctioneer must announce:

- (a) the Bidding Round Price Spread for that Bidding Round;
- (b) the Clearing Capacity at the Bidding Round Price Floor for that Bidding Round as determined by the Demand Curve; and
- (c) except in relation to the first Bidding Round, the spare capacity as at the start of the Bidding Round (rounded to the nearest 1 GW in a T-4 Auction and the nearest 100MW in a T-1 Auction) being the Remaining Auction Capacity at the end of the previous Bidding Round minus the Clearing Capacity determined by the Demand Curve at the Bidding Round Price Floor for that previous Bidding Round.

5.5.19 In a Variable Price-Duration Auction, all prices quoted including:

- (a) the Price Cap;
- (b) any Bidding Round Price Cap;
- (c) any Bidding Round Price Floor;
- (d) any Bidding Round Price Spread;
- (e) any Exit Price; and/or
- (f) the Clearing Price,

are the prices for a Capacity Agreement for one Delivery Year. The equivalent price that would be payable for different Capacity Agreement durations may be determined by the Bidders by reference to the price-duration equivalence formula specified in the Auction Parameters for that Capacity Auction.

5.5.20 The Auctioneer must specify in advance the times when the Bidding Round will begin and end (the “**Bidding Window**”).

5.5.21 If a Bidder is unable to submit a Duration Bid Amendment or Exit Bid through the IT Auction System due to a technical fault, it must submit such Duration Bid Amendment or Exit Bid (as applicable) via the Delivery Body in accordance with the backup systems set out in the Auction Guidelines.

5.6 Duration Bids in a Capacity Auction

- 5.6.1 A Duration Bid in relation to a Bidding CMU in a Capacity Auction specifies the duration of Capacity Agreement in whole Delivery Years that the Bidder requires at any particular price.
- 5.6.2 In the first Bidding Round, each Bidder is deemed to have submitted a Duration Bid with respect to a Bidding CMU that:
- (a) is valid for all prices up to and including the Price Cap; and
 - (b) specifies a duration of Capacity Agreement equal to the duration specified with respect to that CMU in the notice submitted (or deemed to have been submitted) pursuant to Rule 5.5.14(b).
- 5.6.3 A Bidder with respect to a Bidding CMU that is an Existing Generating CMU or a DSR CMU shall not be permitted to amend its Duration Bid during a Capacity Auction.
- 5.6.4 A Bidder with respect to a Bidding CMU that is a Prospective Generating CMU may amend its Duration Bid at any time during a Capacity Auction by submitting a notice to the Auctioneer (a **"Duration Bid Amendment"**).
- 5.6.5 A Duration Bid Amendment must:
- (a) specify the highest price to which the Duration Bid Amendment applies which must be lower than the Bidding Round Price Cap in the Bidding Round during which the Duration Bid Amendment is submitted;
 - (b) subject to Rule 5.6.6, specify the duration (in whole Delivery Years) of Capacity Agreement that the Bidder requires with respect to that Bidding CMU in the event that the Clearing Price is equal to or lower than that highest price;
 - (c) be submitted through the IT Auction System in accordance with the Auction Guidelines.
- 5.6.6 The duration of Capacity Agreement specified in a Duration Bid Amendment must be:
- (a) one Delivery Year in any Capacity Auction that is not a Variable Price-Duration Auction; and
 - (b) equal to or less than the Maximum Obligation Period applicable to the relevant CMU in any Variable Price-Duration Auction.
- 5.6.7 A Duration Bid Amendment which:
- (a) relates to a Refurbishing CMU; and
 - (b) specifies a duration of Capacity Agreement of one Delivery Year,
- may also specify that the CMU participating in the Capacity Auction in the event that the Clearing Price is lower than the highest price specified in the Duration Bid Amendment is the Pre-Refurbishment CMU and not the Refurbishing CMU.
- 5.6.8 A Duration Bid Amendment has the effect of amending the Duration Bid for the relevant Bidding CMU for all prices equal to or lower than the highest

price specified in the Duration Bid Amendment and will supersede any previous Duration Bid Amendment to the extent relating to any overlapping prices.

- 5.6.9 A Bidder may submit multiple Duration Bid Amendments in relation to a Bidding CMU provided than no more than fifteen Duration Bid Amendments may be submitted in any Bidding Round.

5.7 Continuing Bids in a Capacity Auction

- 5.7.1 A Bidder will be deemed to have made a bid in accordance with this Rule 5.7 with respect to a Bidding CMU in a Bidding Round (a “**Continuing Bid**”) unless that Bidding CMU is the subject of an Exit Bid:

- (a) submitted prior to the end of the Bidding Window for that Bidding Round (including in any previous Bidding Window); and
- (b) with an Exit Price higher than the Bidding Round Price Floor for that Bidding Round

- 5.7.2 A Continuing Bid in a Bidding Round with respect to a Bidding CMU is deemed to confirm that:

- (a) the Bidder is willing to commit the Bidding Capacity for that Bidding CMU at the Bidding Round Floor Price (or, in the case of a Variable Price-Duration Auction, the Equivalent Actual Price applicable to that Bidding Round Floor Price); and
- (b) the duration of Capacity Agreement in whole Delivery Years that the Bidder would require at the Bidding Round Floor Price is the duration set out in the Duration Bid for that Bidding CMU at the Bidding Round Floor Price.

5.8 Exit Bids in a Capacity Auction

- 5.8.1 A Bidder may submit a notice to the Auctioneer with respect to a Bidding CMU (an “**Exit Bid**”) in accordance with this Rule 5.8 at any time during a Capacity Auction.

- 5.8.2 An Exit Bid must, with respect to a Bidding CMU:

- (a) identify the Bidding CMU for which the Exit Bid is made;
- (b) specify the minimum price (which, in a Variable Price-Duration Auction, must be expressed as a price for a Capacity Agreement for one Delivery Year) at which the Bidder would be willing to commit the Bidding Capacity for that Bidding CMU (the “**Exit Price**”) in accordance with Rule 5.8.3; and
- (c) be submitted through the IT Auction System in accordance with the Auction Guidelines.

- 5.8.3 An Exit Price must not:

- (a) be higher than the Bidding Round Price Cap for the Bidding Round in which the Exit Bid is submitted; or

- (b) in the case of a Bidding CMU which is a Price-Taker, be higher than the Price-Taker Threshold.

5.8.4 A Bidder shall not be deemed to have made a Continuing Bid with respect to a Bidding CMU in any Bidding Round for which the Bidding Round Price Floor is lower than the Exit Price specified in its Exit Bid.

5.9 Capacity Auction clearing

5.9.1 The methodology for determining whether the Capacity Auction clears must be as set out in this Rule 5.9.

5.9.2 The Capacity Auction clears in the first Bidding Round for which the Remaining Auction Capacity at the end of that Bidding Round is less than or equal to the Clearing Capacity for the Bidding Round Floor Price in that Bidding Round (the “**Clearing Round**”).

5.9.3 There must be no further Bidding Rounds after the Clearing Round.

5.9.4 The Clearing Price for the Capacity Auction is the price determined by the Auctioneer by:

- (a) ranking the Relevant Exit Bids in accordance with Rule 5.9.5 (the “**Exit Ranking**”); and
- (b) determining if the Clearing Capacity can be equalled exactly by cumulatively adding the Bidding Capacity of Relevant Exit Bids in the order of their Exit Ranking to the aggregate Bidding Capacity of Bidding CMUs that were not the subject of a Relevant Exit Bid, in which case the Clearing Price is the Exit Price of the Relevant Exit Bid that, when added, causes the Clearing Capacity to be met exactly; and
- (c) in the event that the process in Rule 5.9.4(b) above does not result in a Clearing Price being determined then:
 - (i) where the calculation in Rule 5.9.6 results in a positive number, the Clearing Price must be P_h (as defined in Rule 5.9.6); and
 - (ii) where the calculation in Rule 5.9.6 results in a negative number, the Clearing Price must be P_l (as defined in Rule 5.9.6).

5.9.5 The Auctioneer must rank the Relevant Exit Bids in a Clearing Round as follows:

- (a) the Relevant Exit Bids must first be ranked according to their respective Exit Prices, with the Relevant Exit Bid having the lowest Exit Price given the highest ranking;
- (b) if more than one Relevant Exit Bid has the same Exit Price, such Relevant Exit Bids must be ranked between themselves according to their respective Bidding Capacities, with the Relevant Exit Bid having the highest Bidding Capacity given the highest ranking;

- (c) if more than one Relevant Exit Bid has the same Exit Price and the same Bidding Capacity, such Relevant Exit Bids must be ranked between themselves:
- (i) in a Capacity Auction that is not a Variable Price-Duration Auction, according to the duration of Capacity Agreement specified in the Duration Bid for the applicable Bidding CMU at the Exit Price, with the shortest duration of Capacity Agreement given the highest ranking;
 - (ii) in a Capacity Auction that is a Variable Price-Duration Auction, by random number allocation, with the Relevant Exit Bid allocated the lowest number given the highest ranking; and
- (d) in relation to a Capacity Auction that is not a Variable Price-Duration Auction, if more than one Relevant Exit Bid has the same Exit Price, the same Bidding Capacity and the same duration of Capacity Agreement specified in the Duration Bid for the applicable Bidding CMU at the Exit Price, such Exit Bids must be ranked between themselves by random number allocation, with the Relevant Exit Bid allocated the lowest number given the highest ranking.

5.9.6 For the purposes of Rule 5.9.4(c) the Auctioneer must calculate the integral

$$\int_{Ql}^{Qh} P(Q)dQ$$

and subtract the product of

$$(PhQh - QlPl)$$

Where:

P is the price;

Q is the Bidding Capacity;

P(Q) represents the Demand Curve (price as a function of quantity);

Qh is the sum of the aggregate Bidding Capacity for all Bidding CMUs that were not the subject of a Relevant Exit Bid and the aggregate of the Bidding Capacity of all Relevant Exit Bids in the order of their Exit Ranking up to and including the Relevant Exit Bid that caused the Clearing Capacity to be exceeded;

Ql is Qh minus the Bidding Capacity of the Relevant Exit Bid that caused the Clearing Capacity to be exceeded provided that, if there is no Relevant Exit Bid that caused the Clearing Capacity to be exceeded, Ql must be the Clearing Capacity at the Bidding Round Price Floor;

Ph is the Exit Price of the Relevant Exit Bid that caused the Clearing Capacity to be exceeded provided that, if there is no Relevant Exit Bid that caused the Clearing Capacity to be exceeded, Ph must be the Bidding Round Price Cap for the Clearing Round; and

PI is the Exit Price of the Relevant Exit Bid ranking prior to the Relevant Exit Bid that caused the Clearing Capacity to be exceeded according to the Exit Ranking provided that, if there is no Relevant Exit Bid or only one Relevant Exit Bid, PI must be the Bidding Round Price Floor for the Clearing Round.

5.9.7 The following Bidding CMUs must be awarded a Capacity Agreement pursuant to a Capacity Auction:

- (a) each Bidding CMU that made a Continuing Bid in the Clearing Round; and
- (b) where Rule 5.9.4(b) applies, the Bidding CMU that was the subject of the Relevant Exit Bid that caused the Clearing Capacity to be met exactly according to the Exit Ranking and each Bidding CMU with a higher ranking in the Exit Ranking; and
- (c) where Rule 5.9.4(b) does not apply and the calculation in Rule 5.9.6 results in a positive number, the Bidding CMU that was the subject of the Relevant Exit Bid that caused the Clearing Capacity to be exceeded according to the Exit Ranking and each Bidding CMU with a higher ranking in the Exit Ranking; and
- (d) where Rule 5.9.4(b) does not apply and the calculation in Rule 5.9.6 results in a negative number, each Bidding CMU that was the subject of a Relevant Exit Bid with a higher ranking than the Relevant Exit Bid that caused the Clearing Capacity to be exceeded according to the Exit Ranking.

5.9.8 In relation to a Refurbishing CMU that has been the subject of a Duration Bid Amendment which specifies the price below which such Refurbishing CMU will participate in the Capacity Auction as a Pre-Refurbishment CMU (the “**Trigger Price**”) pursuant to Rule 5.6.7, the Auctioneer must:

- (a) when applying the calculation in Rule 5.9.6, decrease the Bidding Capacity attributable to that CMU to the Bidding Capacity applicable to it as a Pre-Refurbishment CMU when the price being applied for the purposes of performing the calculation (or relevant part thereof) falls below the Trigger Price;
- (b) when deciding whether the auction Bidding Round is also the Clearing Round, take away the reductions in Bidding Capacity between Refurbishment CMUs and the Pre-Refurbishment CMUs from the Remaining Auction Capacity when the price being applied for the purposes of performing the calculation falls below the Trigger Price for the relevant CMUs; and
- (c) for the purpose of applying Exit Rankings to Relevant Exit Bids in Rule 5.9.4, treat the CMU to which the Duration Bid Amendment applies as having submitted an Exit Bid with Bidding Capacity equal to the difference between the Bidding Capacities of the Refurbishment CMU and Pre-Refurbishment CMU.

5.10 Capacity Auction results

- 5.10.1 The Delivery Body must within 24 hours of the Capacity Auction clearing notify Bidders whether, based on the provisional results, they have been successful in a Capacity Agreement with respect to a Bidding CMU. Such notification is provisional only and does not constitute notification of a Capacity Agreement.
- 5.10.2 The Delivery Body must notify the Secretary of State of the provisional results of the Capacity Auction (including the information provided to Bidders in Rule 5.10.1 above) as soon as reasonably practicable following the conclusion of the Capacity Auction.
- 5.10.3 The notification pursuant to Rule 5.10.2 must also specify if a Bidding CMU that was disqualified pursuant to Rule 5.3.3 after the start of the Capacity Auction would have received a Capacity Agreement pursuant to Rule 5.9.7 were it not for Rule 5.3.3(c) and another Bidding CMU that was not disqualified pursuant to Rule 5.3.3 was denied a Capacity Agreement as a consequence of the inclusion of that disqualified CMU in the Exit Ranking.
- 5.10.4 The Secretary of State may, upon receipt of a notice pursuant to Rule 5.10.3, instruct the Delivery Body within 2 working days to award a Capacity Agreement to any Bidding CMU that did not receive a Capacity Agreement as a result of the circumstances described in Rule 5.10.3.
- 5.10.5 The Auction Monitor must report to the Secretary of State, with a copy to the Authority, within 2 Working Days of the conclusion of the Capacity Auction on whether the procedures in the Rules and Auction Guidelines have been properly followed in the conduct of the Capacity Auction.
- 5.10.6 Unless instructed to the contrary pursuant to the Regulations, the Delivery Body must publish the following results of the Capacity Auction to Bidders, the Auction Monitor and the other Administrative Parties within 8 Working Days of the Capacity Auction concluding (the "**Auction Results Day**"):
- (a) the Clearing Price;
 - (b) the aggregate Bidding Capacity of Capacity Agreements awarded;
 - (c) the total forecast cost of the Capacity Obligations (being the product of the Clearing Price and the aggregate Bidding Capacity of Capacity Agreements awarded);
 - (d) the CMUs to which a Capacity Agreement was awarded; and
 - (e) the duration of the Capacity Agreement awarded to each CMU,
- and include such results on the Capacity Market Register. The results of the Capacity Auction must be notified by the Delivery Body to other Applicants and made publicly available at the same time.
- 5.10.7 The result of a Capacity Auction is final when it is entered in the Capacity Market Register in accordance with Rule 7.4.2 and Capacity Agreements come into force from this time.

5.11 Capacity Auction suspension or cancellation

5.11.1 The Delivery Body may recommend to the Secretary of State the suspension and/or cancellation of a Capacity Auction where it has identified potential evidence of non-compliance with Chapter 5 of the Rules.

5.11.2 The Auctioneer may postpone or stop a Capacity Auction if, in the Auctioneer's opinion, the Capacity Auction cannot be conducted fairly and in accordance with Rule 5.5.2 because of a failure of the IT Auction System or any other exceptional circumstances.

5.11.3 The Delivery Body must suspend or cancel a Capacity Auction by issuing a notice to all Bidders on the written instruction of the Secretary of State to do so.

5.11.4 Upon:

- (a) the written instruction of the Secretary of State to suspend a Capacity Auction pursuant to Rule 5.11.3; or
- (b) a Capacity Auction being postponed or stopped by the Auctioneer pursuant to Rule 5.11.2,

the Auctioneer must give Bidders for the relevant Capacity Auction a minimum of 10 Working Days' notice of the resumption of any Capacity Auction suspended under this Rule 5.11 and must notify Bidders whether the Bidding Round Price Cap for the first Bidding Round when the Capacity Auction restarts will be the Price Cap or the Bidding Round Price Cap for the Bidding Round that was current at the time that the Capacity Auction was suspended.

5.11.5 If a Capacity Auction is cancelled pursuant to Rule 5.11.3:

- (a) any Prequalification Decision with respect to any CMU in relation to that Capacity Auction; and
- (b) any Opt-out Notification submitted with respect to any Mandatory CMU in relation to that Capacity Auction,

shall be void.

5.11.6 The cancellation of one or more Capacity Auctions with respect to a given Delivery Year does not affect the validity of a Capacity Agreement that has already been awarded with respect to that Delivery Year.

5.12 Prohibition on Market Manipulation

All Applicant-related Parties must not engage in Market Manipulation.

5.13 Prohibition on other unreasonable business methods

5.13.1 The following activities are prohibited in relation to the Capacity Auction:

- (a) doing anything which would constitute a breach of any law intended to prohibit or restrict anti-competitive practices relevant to participation in the Capacity Auction;
- (b) submitting to the Delivery Body or the Authority any information in connection with the Capacity Auction which is false or misleading;

- (c) doing anything which would constitute a breach of the Bribery Act 2010 as amended from time to time with a view to influencing the outcome of a Capacity Auction;
- (d) offering to pay or give any sum of money, inducement or valuable consideration directly or indirectly to any officer of an Administrative Party;
- (e) disclosing, or attempting to disclose, or inciting another person to disclose, any information relating to any Continuing Bid or Exit Bid made by an Applicant with regard to a Bidding CMU, whether directly or indirectly, to any person, except where the disclosure is:
 - (i) in accordance with any requirement under:
 - (aa) an enactment;
 - (bb) a licence under section 6(1) of EA 1989 (where the Applicant is the holder of such a licence); or
 - (cc) a document maintained under such a licence;
 - (ii) to the Delivery Body;
 - (iii) to a member of that Applicant's Group;
 - (iv) to any Agent nominated by or on behalf of the Applicant to conduct its Application and Bidding provided that such Agent is not also the Agent of any other Applicant (unless such other Applicant is a member of the Applicant's group);
 - (v) to the legal owner of the Bidding CMU;
 - (vi) to any potential purchaser of the Bidding CMU;
 - (vii) where the Applicant is the legal owner of the Bidding CMU, to any third party having Despatch Control with respect to that Bidding CMU;
 - (viii) to any provider of finance with respect to the Bidding CMU;
 - (ix) to any shareholder in the Applicant;
 - (x) to the Applicant's professional advisors; or
 - (xi) in respect of information that was already public; and/or
- (f) obtaining or attempting to obtain information relating to a Continuing Bid or Exit Bid made by any other Applicant save where such disclosure to the Applicant would be permitted under Rules 5.13.1(e)(ii) to 5.13.1(e)(x).

5.14 Auction Monitor and Audit of Capacity Auctions

5.14.1 Appointment of Auction Monitor

- (a) The Delivery Body must appoint a third party to monitor the conduct of each Capacity Auction (an "**Auction Monitor**").

- (b) The duration of the appointment of the Auction Monitor must be determined by the Delivery Body and the cost of such appointment must be for the Delivery Body's account.
- (c) All Capacity Auctions falling within the duration of the appointment of an Auction Monitor must be monitored by that Auction Monitor.

5.14.2 Monitoring during a Capacity Auction

- (a) The Auction Monitor must have full read-only access to the electronic platform provided by the Auctioneer for the purpose of the Capacity Auction including the ability to view all Bids as they occur and all communication during the Capacity Auction between the Auctioneer and the Bidders.
- (b) Each of the Delivery Body and the Auction Monitor must notify the other if it becomes aware of a potential breach or suspected breach of the Regulations or the Rules by the Delivery Body or the Auctioneer or any other potential irregularity or suspected irregularity in the conduct of a Capacity Auction by the Delivery Body or the Auctioneer.
- (c) The Delivery Body may request that the Auction Monitor give its view, and the Auction Monitor must do so if requested, as to the most appropriate course of action regarding any potential breach of the Regulations or the Rules or other potential irregularity with respect to the conduct of a Capacity Auction.

5.14.3 Reporting by the Auction Monitor following a Capacity Auction

- (a) Within two Working Days after the Delivery Body has notified Bidders of the provisional results of a Capacity Auction pursuant to Rule 5.10.1, the Auction Monitor must provide a report to the Secretary of State (with a copy to the Authority) that:
 - (i) confirms the list of Bidders that have been awarded a Capacity Agreement;
 - (ii) sets out whether or not the Auction Monitor considers that the Delivery Body and/or the Auctioneer conducted the Capacity Auction in accordance with the Regulations and the Rules; and
 - (iii) where applicable, identifies any actual or potential breach of the Regulations or the Rules or other actual or potential irregularity in the conduct of the Capacity Auction by the Delivery Body and/or the Auctioneer together with an audit of the calculations made and the Auction Monitor's assessment as to the likely consequences of such actual or potential breach or irregularity.
- (b) The Auction Monitor must, upon request by the Delivery Body, or the Secretary of State, report from time to time on any specific issue related to the functioning of any Capacity Auction process.

CHAPTER 6: CAPACITY AGREEMENTS

6. Capacity Agreements

6.1 Purpose of this Chapter

The Rules govern:

- 6.1.1 the issue of Capacity Agreement Notices;
- 6.1.2 the express terms that each Capacity Agreement Notice must contain; and
- 6.1.3 the universal provisions that apply to each Capacity Agreement in relation to termination.

6.2 Nature of Capacity Agreement Notices and Capacity Agreements

6.2.1 A capacity agreement is the term used to describe the rights and obligations accruing to a Capacity Provider under or by virtue of the Regulations and the Rules in relation to a particular Capacity Committed CMU and one or more Delivery Years ("**Capacity Agreement**").

6.2.2 A Capacity Agreement Notice records for convenience certain details of the Capacity Agreement applying to a Capacity Provider in relation to a Capacity Committed CMU including:

- (a) the Capacity Provider's right under the Capacity Agreement to receive Capacity Payments; and
- (b) the Capacity Obligation of the Capacity Committed CMU.

6.2.3 Neither:

- (a) the registration of a Capacity Committed CMU (or its Capacity Provider) in the Capacity Market Register; nor
- (b) the issuance of a Capacity Agreement Notice; nor
- (c) the existence of a Capacity Agreement,

is intended to create contractual relations between, nor does any of them give rise to contractual rights for the benefit of, a Capacity Provider or an Administrative Party.

6.2.4 Where there is an inconsistency between a Capacity Agreement Notice and the terms of the Capacity Market Register, the terms of the Capacity Market Register prevail.

6.3 Issuing Capacity Agreement Notices

6.3.1 The Delivery Body must issue a Capacity Agreement Notice in the form set out in Schedule 1 for each CMU that is awarded a Capacity Agreement by no later than 20 Working Days after the Auction Results Day for that Capacity Auction. Information contained in a Capacity Agreement Notice must reflect the equivalent information recorded in the Capacity Market Register, and record the terms of the relevant Capacity Agreement.

6.3.2 If a person is the Capacity Provider with respect to more than one CMU that is successful in a Capacity Auction, a separate Capacity Agreement

Notice will be issued for each such CMU. Capacity Agreement Notices will be issued based on the specific CMU, including the precise aggregation of Generating Units and/or DSR CMU Components, nominated in the relevant Application.

- 6.3.3 A Capacity Provider may comment in writing to the Delivery Body on the factual accuracy of a Capacity Agreement Notice issued to it within 10 Working Days of the date on which the Capacity Agreement Notice is issued by the Delivery Body.
- 6.3.4 If no comments are received by the Delivery Body within 10 Working Days after the date on which a Capacity Agreement Notice was issued to a Capacity Provider, the Capacity Agreement Notice will be deemed to be a factually accurate record of the Capacity Agreement.
- 6.3.5 Subject to Rule 6.3.7, if the Delivery Body receives comments from a Capacity Provider with regard to the factual accuracy of a Capacity Agreement Notice and agrees with such comments, the Delivery Body must re-issue that Capacity Agreement Notice to the Capacity Provider with such amendments as are necessary to correct such factual inaccuracy. The Delivery Body must not consider comments other than as to factual accuracy.
- 6.3.6 Subject to Rule 6.3.7, if the Delivery Body receives comments from a Capacity Provider with regard to the factual accuracy of a Capacity Agreement Notice and does not agree with such comments, the Capacity Provider and the Delivery Body must discuss the alleged factual inaccuracy to establish whether any amendments to the Capacity Agreement Notice are necessary.
- 6.3.7 If the Capacity Provider and the Delivery Body are unable to agree whether any amendments to a Capacity Agreement Notice are necessary in respect of comments received from the Capacity Provider pursuant to Rule 6.3.6 (including as to whether any comment relates to factual accuracy or not) within 20 Working Days after the Delivery Body received such comments, the Capacity Provider may, within a further 5 Working Days, refer the determination for dispute resolution in accordance with the process set out in the Regulations, failing which the Capacity Agreement Notice will be deemed to be factually accurate.
- 6.3.8 If a Capacity Provider of a CMU that has been notified of provisional success in a Capacity Auction in accordance with Rule 5.10.1 does not receive a Capacity Agreement Notice from the Delivery Body within 20 Working Days after the relevant Auction Results Day, it may request in writing that the Delivery Body issue a Capacity Agreement Notice.
- 6.3.9 Subject to Rule 6.3.11, if the Delivery Body receives a request from a Capacity Provider pursuant to Rule 6.3.8 and agrees that a Capacity Agreement Notice should have been issued, the Delivery Body must issue that Capacity Agreement Notice to the Capacity Provider.
- 6.3.10 Subject to Rule 6.3.11, if the Delivery Body receives a request from a Capacity Provider pursuant to Rule 6.3.8 and does not agree that a Capacity Agreement Notice should have been issued, the Capacity

Provider and the Delivery Body must discuss the alleged failure by the Delivery Body to establish whether a Capacity Agreement Notice should be issued.

6.3.11 If the Capacity Provider and the Delivery Body are unable to agree on whether a Capacity Agreement Notice should be issued within 20 Working Days after the Delivery Body received a request from a Capacity Provider pursuant to Rule 6.3.8, the Capacity Provider may, within a further 5 Working Days, refer the determination for dispute resolution in accordance with Part 10 of the Regulations, failing which the request will be deemed to have been withdrawn.

6.3.12 Rule 6.3.3 applies to any Capacity Agreement Notice issued under Rule 6.3.5 or 6.3.9 or in accordance with a direction from the Authority or the Secretary of State following a referral under Part 10 of the Regulations pursuant to Rule 6.3.11.

6.4 Indexation

6.4.1 Capacity Payments in relation to Capacity Agreements issued following a T-4 auction are to be adjusted with effect from the commencement of each Delivery Year, by the application of the CPI adjustment prescribed in paragraph 3(5) of Schedule 1 to the Regulations.

6.5 Survival

Rights and obligations which accrue prior to the date of expiry or earlier termination of a Capacity Agreement survive such expiry or termination.

6.6 Achieving the Financial Commitment Milestone

6.6.1 A Capacity Provider of a Prospective Generating CMU will be considered to have met its Financial Commitment Milestone obligation if, by no later than 18 months after the Auction Results Day for the Capacity Auction in respect of which the Capacity Agreement was awarded, the Delivery Body has acknowledged receipt of a report prepared by an Independent Technical Expert at the Capacity Provider's cost confirming that the Independent Technical Expert (either directly or indirectly) is satisfied as to either of the matters set out in Rule 6.6.2.

6.6.2 The matters referred to in Rule 6.6.1 are that:

- (a) Capital Expenditure has been incurred and paid in an amount at least equal to 10 per cent of the Total Project Spend for that CMU;
or
- (b) the Capacity Provider has, or will have, sufficient financial resources available to it to meet the Total Project Spend, and the following commitments have been made:
 - (i) the Capacity Provider has entered into a Major Contract;
 - (ii) the board of directors of the Capacity Provider (or officers, in the case of a Capacity Provider other than a company) have resolved to complete the relevant construction, repowering or refurbishment works such that the

corresponding Generating Unit(s) are Operational on or prior to the date falling at the start of that Capacity Provider's first scheduled Delivery Year (such resolution to be annexed to the report); and

(iii) the directors of the Capacity Provider (or officers, in the case of a Capacity Provider other than a company) have certified that:

(aa) the Capacity Provider has or will have sufficient financial resources to meet the Total Project Spend; and

(bb) the Major Contract entered into is legal, valid and binding and in full force and effect and has been entered into with counterparties who are able to perform their obligations under that Major Contract,

(such certificate to be annexed to the report).

6.7 Achieving the Substantial Completion Milestone

6.7.1 A Capacity Provider is not liable for, or entitled to, any payments in respect of a particular CMU if the relevant System Stress Event precedes the date on which the Substantial Completion Milestone for such CMU is reached.

6.7.2 A New Build CMU will have met its Substantial Completion Milestone obligation if the corresponding Generating Unit(s) is/are Operational with an aggregate physical generating capacity (in MW) which, after being multiplied by its De-rating Factor, exceeds 90 per cent of its Capacity Obligation.

6.7.3 A Refurbishing CMU will have met its Substantial Completion Milestone obligation only when the corresponding Generating Unit(s) is/are Operational with an aggregate physical generating capacity which, after being multiplied by its De-rating Factor, equals or exceeds 100 per cent of its Capacity Obligation.

6.7.4 (a) Where the Substantial Completion Milestone is achieved in respect of a Prospective Generating CMU:

(i) on or prior to the start of the first Delivery Year of the Capacity Agreement, the Capacity Agreement will take effect on the first day of such Delivery Year; or

(ii) in the case of a New Build CMU only, after the start of the first Delivery Year of the Capacity Agreement but before the applicable Long Stop Date, the Capacity Agreement will take effect on the date that the Substantial Completion Milestone is achieved,

(but otherwise such Capacity Agreement will only take effect if Rule 6.8.5 applies).

(b) If the physical generating capacity of the relevant CMU which is Operational when the Capacity Agreement takes effect is not, after

being multiplied by its De-rating Factor, sufficient to deliver 100 per cent of its Capacity Obligation, the Capacity Agreement will take effect with respect to that proportion of the De-rated Capacity which is operational only.

- 6.7.5 The Capacity Provider must notify the Delivery Body when an ION is issued (or, in the case of a Generating Unit connected to a Distribution Network, when it passes the relevant tests) for a Generating Unit forming part of a Prospective Generating CMU which is the subject of a Capacity Agreement.
- 6.7.6 At any time up to eighteen months after the start of the first Delivery Year of the Capacity Agreement, a Capacity Provider may notify the Delivery Body that a Generating Unit forming part of a Prospective Generating CMU has increased its Operational physical capacity such that it is now sufficient to deliver a higher proportion (up to but not exceeding 100 per cent) of its Capacity Obligation, and the Capacity Agreement will take effect from such date with respect to that increased proportion.
- 6.7.7 The relevant Long Stop Date must, at the request of the relevant Capacity Provider, be extended day for day for any delay in achieving the Substantial Completion Milestone that results solely from a failure of a Transmission Licensee or the relevant Distribution Network Operator to provide an active connection point when required to do so in accordance with a valid Grid Connection Agreement or Distribution Connection Agreement, including as a result of the failure of their subcontractors (provided that such subcontractor is not the Capacity Provider or in the same Group). To secure such extension, the relevant Capacity Provider must apply to the Delivery Body and provide a report of an Independent Technical Expert substantiating its claim and identifying the relevant number of days of delay.
- 6.7.8 Save as provided in Rule 6.7.7, the relevant Long Stop Date must not be extended by virtue of any delay by a Prospective Generating CMU in achieving the Substantial Completion Milestone, howsoever caused.

6.8 Sanctions for Delay in Achieving Milestones

- 6.8.1 The Delivery Body must notify the Secretary of State and the Capacity Provider if it becomes aware of any Prospective Generating CMU which fails to reach:
 - (a) its Financial Commitment Milestone in accordance with Rule 6.6 and Rule 6.10.1(b) shall apply; or
 - (b) in the case of a Refurbishing CMU, its Substantial Completion Milestone by the Long Stop Date in accordance with Rule 6.7 and Rule 6.8.4 shall apply.
- 6.8.2 If the Delivery Body becomes aware of any New Build CMU that has failed to reach its Minimum Completion Requirement by the Long Stop Date, the Delivery Body must issue a written notice to the Capacity Provider, the Secretary of State, the CM Settlement Body and the Authority (a "Notice of Intention to Terminate") stating that, unless the Minimum Completion Requirement is achieved (as determined in accordance with Rule 6.8.3)

within 120 Working Days from the date of the Notice of Intention to Terminate, a Termination Notice will be issued in accordance with Rule 6.10.2(a).

- 6.8.3 A Prospective Generating CMU has reached its Minimum Completion Requirement if the corresponding Generating Unit is Operational with a physical generating capacity which, after being multiplied by its De-rating Factor, exceeds 50 per cent of its Capacity Obligation.
- 6.8.4 Where the Delivery Body has given notice under Rule 6.8.1 for a CMU which was, in the Capacity Auction pursuant to which the Capacity Agreement was awarded, a Refurbishing CMU for which the Bidder was obliged to participate with respect to the Pre-Refurbishment CMU (either because the Pre-Refurbishment CMU was a Mandatory CMU or because the Bidder issued a confirmation for such Pre-Refurbishment CMU pursuant to Rule 5.5.14):
- (a) the Capacity Agreement is reduced to a one year duration; and
 - (b) the Capacity Obligation of the CMU will be re-set by reference to the De-rated Capacity of the Pre-Refurbishment CMU (i.e. the applicable De-rating Factor multiplied by the Connection Capacity of the Pre-Refurbishment CMU).
- 6.8.5 Where a New Build CMU that did not achieve the Substantial Completion Milestone by the start of the first Delivery Year of the Capacity Agreement has achieved the Minimum Completion Requirement by the Long Stop Date then the Capacity Agreement will take effect at the Long Stop Date with respect to that proportion of the De-rated Capacity of the CMU that has achieved Operational status only.

6.9 Exclusion of Force Majeure

The obligations set out in the Rules and Regulations and forming the Capacity Agreement are not excused by events outside of the control of the Capacity Provider and apply regardless of any assertion of force majeure, frustration or equivalent legal doctrine.

6.10 Termination

6.10.1 Termination Events

Each of the following events is a Termination Event with respect to a Capacity Agreement, and the Capacity Provider must notify the Delivery Body if any of the following events has occurred and is continuing:

- (a) an Insolvency Termination Event affecting the Capacity Provider;
- (b) where the Capacity Agreement is in respect of a New Build CMU, a failure by the Capacity Provider to achieve its Financial Commitment Milestone for that New Build CMU as determined in accordance with Rule 6.6;
- (c) where the Capacity Agreement is in respect of a New Build CMU, a failure by the Capacity Provider to achieve its Minimum Completion Requirement for that New Build CMU as determined in accordance

with Rule 6.8.3 within the period specified in a Notice of Intention to Terminate issued by the Delivery Body to that Capacity Provider in accordance with Rule 6.8.2;

- (d) without prejudice to the operation of any Regulations which render the Capacity Agreement null and void ab initio, the Capacity Committed CMU to which the Capacity Agreement relates no longer satisfies the General Eligibility Criteria set out in the Regulations;
- (e) the Capacity Provider has made a declaration in its Application in accordance with Rule 3.7.3(b)(iii) for a CMU but has not provided a copy of its connection offer to the Delivery Body for that CMU as required by Rule 8.3.1(a);
- (f) the Capacity Provider has made a declaration in its Application in accordance with Rule 3.6.3(b) for a CMU but has not provided a copy of its Grid Connection Agreement evidencing that it has secured Transmission Entry Capacity at least equal to the De-rated Capacity of each CMU to which the Grid Connection Agreement applies as required by Rule 8.3.1(b);
- (g) where the Capacity Agreement relates to a Generating CMU, the Capacity Provider ceases to have a Grid Connection Agreement that secures Transmission Entry Capacity for each relevant Delivery Year at least equal to the De-rated Capacity of the Capacity Committed CMU and any other CMUs to which the Grid Connection Agreement applies;
- (h) where the Capacity Agreement relates to an Existing Generating CMU, a Proven DSR CMU or an Unproven DSR CMU which, in any such case, is subject to a Metering Test pursuant to Rule 4.5.1(b)(xi) or Rule 8.3.3(c) (as applicable), the Capacity Provider has failed to comply with Rule 8.3.3(d);
- (i) where the Capacity Agreement relates to an Unproven DSR CMU, the Capacity Provider has failed to comply with Rule 8.3.2(a); or
- (j) a notice has been served on the Capacity Provider by the Delivery Body under Rule 3.11.4 for the Capacity Committed CMU to which the Capacity Agreement relates.

6.10.2 Procedure for automatic termination

- (a) Where the Delivery Body:
 - (i) has been notified by another Administrative Party or a Capacity Provider of, or otherwise becomes aware of the occurrence of, any of the circumstances referred to in Rule 6.10.1, or
 - (ii) receives a direction from the Secretary of State or the Authority to terminate the Capacity Agreement for an actual or suspected engagement in one or more of the Prohibited Activities by an Applicant-related Party or any member of the Applicant's Group;

it must issue a written notice to the Capacity Provider, the Secretary of State, the CM Settlement Body and the Authority (a "Termination Notice") stating that the Capacity Agreement of the relevant CMU (or, in the case of the circumstances in Rule 6.10.1(a) or Rule 6.10.2(a)(ii), all CMUs for which it is the Capacity Provider) will terminate in 60 Working Days and specifying which of the grounds in Rule 6.10.1(a) to (j) or Rule 6.10.2(a)(ii) applies.

(b) Within 20 Working Days of receipt of a Termination Notice under Rule 6.10.2(a) (other than one which identifies the grounds set out in Rule 6.10.1(j)), a Capacity Provider may submit a written request to the Secretary of State:

- (i) applying to have that Termination Notice extended by up to 60 Working Days;
- (ii) specifying the reasons for requesting the extension of the notice; and
- (iii) specifying a cure plan demonstrating that the Capacity Provider will address the grounds for termination specified in the Termination Notice for any relevant CMUs within the requested extension period.

(c) Within 20 Working Days of receipt of a Termination Notice under Rule 6.10.2(a), a Capacity Provider may make written representations to the Secretary of State in accordance with Regulation 33(4):

- (i) applying to have that Termination Notice withdrawn;
- (ii) specifying the reasons for requesting the withdrawal of the notice; and
- (iii) specifying a cure plan specifying how the Capacity Provider will address the grounds for termination specified in the Termination Notice for any relevant CMUs,

subject always to Regulation 33(7).

(d) The Delivery Body:

- (i) may withdraw or extend a Termination Notice (in whole or in part) in accordance with a Reconsidered Decision pursuant to Part 10 of the Regulations; and
- (ii) must immediately withdraw or extend a Termination Notice on the instruction of:
 - (aa) the Secretary of State in accordance with Regulation 33(2);
 - (bb) the Authority in accordance with Regulation 71;
 - (cc) a court of competent jurisdiction in accordance with Regulation 72; or

- (dd) the Secretary of State following an application under Rule 6.10.2(b) or 6.10.2(c),

in each case by issuing a written notice to the Capacity Provider, the Secretary of State, the CM Settlement Body and the Authority (a "Withdrawal Notice" or an "Extension Notice", as the case may be), such notice to include the period of the extension, if any.

- (e) At the expiry of the notice period referred to in Rule 6.10.2(a) or, where applicable, any extension period referred to in Rule 6.10.2(d), the Capacity Agreement for each relevant CMU is automatically terminated unless the Termination Notice has been withdrawn.
- (f) Where a Capacity Agreement is terminated, the Delivery Body must:
 - (i) update the Capacity Register to reflect the termination of the Capacity Agreement; and
 - (ii) notify the CM Settlement Body of the termination of the Capacity Agreement, and the grounds for its termination.

6.10.3 Termination Fees

- (a) Where a Capacity Agreement is terminated on one of the grounds specified in paragraph (b), (c), (e), (f), (g) or (h) of Rule 6.10.1, the Capacity Provider is liable to pay a termination fee.
- (b) The amount of the termination fee payable under Rule 6.10.3(a) is:
 - (i) TF1, as determined in accordance with Regulation 43(3), where the Capacity Agreement is terminated on one of the grounds specified in Rule 6.10.1(b), 6.10.1(e), 6.10.1(f) or 6.10.1(h); and
 - (ii) TF2, as determined in accordance with Regulation 43(4), where the Capacity Agreement is terminated on one of the grounds specified in Rule 6.10.1(c) or 6.10.1(g).

6.10.4 Voluntary termination for Generating CMUs transferring to CFD or RO

- (a) A Capacity Provider of a Generating CMU may voluntarily request termination of a Capacity Agreement in order to become eligible to participate in a Low Carbon Exclusion.
- (b) In order to have a Capacity Agreement terminated in accordance with Rule 6.10.4(a), the Capacity Provider must send a CFD Transfer Notice or a ROO Conversion Notice (as applicable) to the Delivery Body requesting termination of the Capacity Agreement by no later than 16 months before the commencement of the relevant Delivery Year.
- (c) Upon receiving a request from a Capacity Provider in accordance with Rule 6.10.4(b), the Delivery Body must, prior to the Prequalification Results Day for the T-1 Auction in respect of the relevant Delivery Year, notify the Capacity Provider, the Secretary of

State, the Authority and the CM Settlement Body that the Capacity Agreement is terminated with immediate effect.

CHAPTER 7: CAPACITY MARKET REGISTER

7. Capacity Market Register

7.1 Purpose of this Chapter

The Rules govern the establishment and maintenance by the Delivery Body of the Capacity Market Register.

7.2 Establishment, form and maintenance of the Capacity Market Register

7.2.1 The Delivery Body must establish and maintain a Capacity Market Register in accordance with the Regulations and the Rules.

7.2.2 The Capacity Market Register may be in electronic form.

7.2.3 The Capacity Market Register must be established by the time the Prequalification Window for the first Capacity Auction closes.

7.2.4 The Delivery Body and the CM Settlement Body will make arrangements for such data transmission facilities as are necessary to give the CM Settlement Body secure access to the Capacity Market Register.

7.2.5 The Delivery Body shall retain all data submitted to or stored on the Capacity Market Register (but not the Capacity Market Register itself) for a period of:

- (a) 5 years from the date on which it is received by the Delivery Body, in the case of data referred to in Rule 7.4.1 to Rule 7.4.4; and
- (b) 5 years from the date of the expiry or earlier termination of the Capacity Agreement, in the case of data referred to in Rule 7.4.5.

7.3 Effect of registration determinative

For the purpose of the Regulations and the Rules, and subject to Rule 7.5:

7.3.1 the Prequalification status and De-rated Capacity of a CMU; and

7.3.2 the existence and terms of the Capacity Agreement relating to a Capacity Committed CMU and related right to a Capacity Payment,

is confirmed at the point at which the particulars of the Prequalification Decision or Capacity Agreement (as relevant) are entered in the Capacity Market Register by the Delivery Body.

7.4 Contents of the Capacity Market Register

With respect to each Capacity Auction, the Delivery Body must ensure that the following entries are made on the Capacity Market Register:

7.4.1 On or before the Prequalification Results Day:

- (a) in relation to each Mandatory CMU and any CMU that is the subject of an Application:
 - (i) the name of the Applicant;
 - (ii) a description of the CMU including each Generating Unit or DSR CMU Component comprising such CMU;

- (iii) the location of the CMU;
 - (iv) the Meter Point Administration Numbers for the relevant Meters relating to the CMU;
 - (v) the Connection Capacity or DSR Capacity (as applicable) of the CMU;
 - (vi) the Anticipated De-rated Capacity of the CMU;
 - (vii) the responses submitted in the Metering Assessment (if completed); and
 - (viii) the identity of any Agent nominated for that CMU by the relevant Applicant;
- (b) in relation to any Mandatory CMU that has submitted an Opt-out Notification, the basis of the Opt-out pursuant to Rule 3.11.2(f);
- (c) in relation to any CMU that is the subject of an Application, the Prequalification Decision for that CMU;
- (d) in relation to any Prequalified CMU:
- (i) whether the CMU is a Transmission CMU, a CMRS Distribution CMU, a Non-CMRS Distribution CMU or a DSR CMU;
 - (ii) where the CMU is a Generating CMU, whether the CMU comprises an Existing Generating CMU, a New Build CMU or a Refurbishing CMU;
 - (iii) whether the CMU has Prequalified to participate in the Capacity Auction or to participate as a Secondary Trading Entrant;
 - (iv) where the CMU is a DSR CMU, whether it is a Proven DSR CMU or an Unproven DSR CMU and, in each case, its DSR Bidding Capacity;
 - (v) where the CMU is a Proven DSR CMU, the Proven DSR Capacity of the CMU;
 - (vi) where the CMU is a Refurbishing CMU, whether the Pre-Refurbishment CMU has also Prequalified as an Existing Generating CMU;
 - (vii) whether Prequalification is conditional on the provision of Applicant Credit Cover in accordance with Rule 4.6 and, if so, whether Applicant Credit Cover is required because the CMU is:
 - (aa) a New Build CMU which has not yet satisfied its Financial Commitment Milestone;
 - (bb) an Unproven DSR CMU;

- (cc) a New Build CMU which will be directly connected to a Distribution Network and in respect of which the Applicant has made a declaration under Rule 3.7.3(b)(iii); or
- (dd) in relation to the First Full Capacity Auction only, an Existing Generating CMU that is a Transmission CMU and in respect of which the Applicant has made a declaration under Rule 3.6.3(b);
- (viii) where Prequalification is conditional on the provision of Applicant Credit Cover, the Applicant's bank details;
- (ix) the De-rated Capacity of the CMU;
- (x) the status of the Applicant as Price-Maker or Price-Taker with respect to the CMU;
- (xi) the results of the Metering Assessment for the CMU;
- (xii) whether the CMU is, or includes, a Storage Facility;
- (xiii) the Maximum Obligation Period of the Capacity Agreement that the Applicant may bid for in the Capacity Auction for that CMU;
- (xiv) in relation to the First Full Capacity Auction only, whether Prequalification is conditional upon the Applicant satisfying the planning consents required in Rule 4.7,

provided that the information set out in (iv) to (vii) is not required in relation to a Secondary Trading Entrant.

7.4.2 By no later than 5 Working Days prior to the commencement of the first Bidding Window for a Capacity Auction, whether or not the Applicant with respect to a Prequalified CMU has submitted (or is deemed to have submitted) a notice to the Delivery Body pursuant to Rule 5.5.14 such that the Prequalified CMU is a Bidding CMU and, if so:

- (a) the duration of Capacity Agreement specified for such Bidding CMU at the Price Cap; and
- (b) if such Bidding CMU is a Refurbishing CMU, whether or not the Bidder wishes to participate in the Capacity Auction with the associated Pre-Refurbishment CMU.

7.4.3 By no later than 8 Working Days after the Auction Results Day, in relation to each Bidding CMU, whether or not that CMU has been awarded a Capacity Agreement;

7.4.4 By no later than 14 Working Days after the Auction Results Day, a record of any Exit Bid made with respect to a CMU not awarded a Capacity Agreement in the Capacity Auction;

7.4.5 By no later than 5 Working Days after the date of issue of a Capacity Agreement Notice for a Capacity Committed CMU:

- (a) the unique identification number given to the Capacity Agreement Notice by the Delivery Body;
- (b) the name of the Capacity Provider (the “**Registered Holder**”), being the name of the person to whom the Delivery Body awarded the Capacity Agreement, or, where there has been a subsequent transfer of all or part of that Capacity Agreement, the name of the Transferee;
- (c) BM Unit ID and other identification codes for the relevant Meters (as applicable);
- (d) the date of issue of the Capacity Agreement Notice;
- (e) the term of the Capacity Agreement and the Delivery Year(s) for which it is issued;
- (f) the Auction Acquired Capacity Obligation;
- (g) the Adjusted Clearing Price;
- (h) the Base Period for the Capacity Auction to which the Capacity Agreement relates;
- (i) the relevant Delivery Years;
- (j) in relation to each Capacity Committed CMU which is a Prospective Generating CMU:
 - (i) whether the Capacity Provider is subject to a requirement to meet a Financial Commitment Milestone in accordance with Rule 6.6 and, if so, the date by which the Financial Commitment Milestone must be met
 - (ii) whether the Capacity Provider is subject to a requirement to provide a copy of its connection agreement to the Delivery Body in accordance with Rule 8.3.1(a) and, if so, the date by which it must be provided; and
 - (iii) whether the Capacity Provider is subject to a Minimum Completion Requirement and, if so, the Long-Stop Date in respect of that Minimum Completion Requirement;
- (k) in relation to each Capacity Committed CMU which is an Existing Generating CMU and which has been awarded a Capacity Agreement in the first full capacity auction whether the Capacity Provider is subject to a requirement to provide a copy of its Grid Connection Agreement in accordance with Rule 8.3.1(b) and, if so, the date by which it must be provided;
- (l) in relation to each Capacity Committed CMU which is an Existing Generating CMU or a Proven DSR CMU or an Unproven DSR CMU whether the Capacity Provider is subject to a requirement to complete a Metering Assessment and, if so, the date by which it must be completed;

- (m) the $TF_{1,rate}$ and $TF_{2,rate}$ that will apply in the event that any Termination Fee becomes payable;
- (n) bank account details for payment of Capacity Payments;
- (o) the annual penalty cap and monthly penalty cap applicable in accordance with the Regulations in force at the date of issue of the Capacity Agreement, expressed respectively as percentages of the annual capacity payment and the monthly capacity payments payable under the Capacity Agreement;
- (p) where applicable, the full legal name of any person who has submitted particulars to the Delivery Body of a Security Interest it may have over the rights of a Capacity Committed CMU under a Capacity Agreement, and of the nature of that Security Interest.

7.5 Delivery Body amendments to the Capacity Market Register

7.5.1 The Delivery Body must update the Capacity Market Register:

- (a) to record any change to the Maximum Obligation Period for a CMU, within five Working Days of receiving notice from the Secretary of State pursuant to Rule 2.2.4 of any adjustment to the 15 Year Minimum £/kW Threshold or the 3 Year Minimum £/kW Threshold;
- (b) to reflect an Applicant's Price-Maker status, within two Working Days of receiving a receipt for the Price-Maker Memorandum and a Price-Maker Certificate pursuant to Rule 4.8.1;
- (c) as soon as reasonably practicable, following the re-issuing of a Capacity Agreement Notice under Rule 6.3.5 or the issuing of a Capacity Agreement Notice under Rule 6.3.9 or in accordance with a direction from the Authority or the Secretary of State following a referral under Part 10 of the Regulations pursuant to Rule 6.3.11;
- (d) to record any reduction under Rule 6.7.4(b) in the Capacity Obligation for which a Capacity Agreement takes effect, within 5 Working Days of the Delivery Body receiving notification under Rule 6.7.5;
- (e) to record any increase in the Operational capacity of a CMU under Rule 6.7.6 or any extension under Rule 6.7.7, within five Working Days of being notified of such increase or extension;
- (f) to record a change in the duration of a Capacity Agreement and in De-rated Capacity in accordance with Rule 6.8.4, within five Working Days of the Delivery Body providing the notification in Rule 6.8.1;
- (g) to record any reduction under Rule 6.8.5 in the Capacity Obligation for which a Capacity Agreement takes effect, within five Working Days after the Long Stop Date;
- (h) to record termination of a Capacity Agreement in accordance with Rule 6.10.4(c), prior to the Prequalification Results Day for the T-1 Auction in respect of the relevant Delivery Year;

- (i) where a Capacity Agreement is terminated prior to expiry, to record such termination, not later than five Working Days after the Delivery Body receives notice of the termination;
- (j) to record the issue of a DSR Test Certificate together with the Proven DSR Capacity evidenced by the DSR Test Certificate and the baseline methodology used to carry out the DSR Test, within five Working Days of receipt of the DSR Test Certificate;
- (k) to record the responses to, and result of, any Metering Assessment within five Working Days of the assessment;
- (l) to record the issue of a Metering Test Certificate for a DSR CMU, within five Working Days of receipt of the Metering Test Certificate;
- (m) to record the reduced Capacity Obligation of a Capacity Committed CMU under Rule 8.3.2(c), within five Working Days of the DSR Test Certificate being provided;
- (n) in the circumstances described in Rule 8.3.6(b) and 8.3.6(c), within five Working Days of receipt of the certificate from an Independent Technical Expert described in Rule 8.3.6(a);
- (o) with the value of β as described in Rule 8.5.2 for each CMU for each Settlement Period which is a System Stress Event, within five Working Days of the occurrence of the System Stress Event;
- (p) where the Delivery Body has received valid requests from both the Registered Holder ("the Transferor") and the Transferee in accordance with Rule 9.3, to amend the particulars of the Capacity Agreement recorded in the Capacity Market Register, within five Working Days, to show:
 - (i) the Transferee as the new Registered Holder of the Capacity Agreement or the transferred part thereof;
 - (ii) the CMU which has become subject to a Capacity Obligation as a result of the transfer;
 - (iii) in the case of a transfer under Rule 9.2.4(a), the Physically Traded Capacity Obligation (within the meaning given in Rule 8.5.3) of each CMU for the period of the transfer;
 - (iv) in the case of a transfer under Rule 9.2.4(a) for a period less than the remaining duration of the Capacity Agreement:
 - (aa) the period for which the Transferee is the new Registered Holder of the Capacity Agreement, or (as the case may be) the transferred part; and
 - (bb) the period for which the Transferor remains the Registered Holder of the Capacity Agreement or (as the case may be) the transferred part;

- (q) to record any suspension or repayment of Capacity Payments with regard to a Capacity Committed CMU pursuant to Rule 13.4.1, not later than five Working Days after 1 May in that Delivery Year;
- (r) where a Capacity Provider notifies the Delivery Body that the location of a Generating Unit(s) and/or DSR CMU Component(s) is or will be different from the location described in the Application, within five Working Days of receiving such notification;
- (s) within five Working Days of receiving from a Capacity Provider an Agent Nomination Form;
- (t) where the Authority notifies the Delivery Body that it has made an enforcement decision against a person and that as a consequence an entry on the Capacity Market Register should be corrected, within five Working Days of receiving such notification;
- (u) where the Delivery Body is required by Regulation 73 to amend the Capacity Market Register to give effect to:
 - (i) a decision of the Authority or the court on review or appeal under the Rules or the Regulations; or
 - (ii) a redetermination by the Delivery Body pursuant to a direction by the Authority or the court,
 within five Working Days of receipt of the decision or instruction amend the Capacity Market Register as required by that decision or instruction;

7.5.2 If the Delivery Body receives notice from a Capacity Provider that the bank account details which were submitted pursuant to Rule 3.4.1(d) have changed, then the Delivery Body must, within five Working Days:

- (a) update the relevant entry in the Capacity Market Register to reflect the new bank account details; and
- (b) notify the CM Settlement Body that the entry has been updated to reflect new bank account details.

7.5.3 The Capacity Market Register must only be amended in relation to the registration of a Security Interest upon receipt of notice from both the Registered Holder and the beneficiary of the Security Interest and such amendments must be made within five Working Days of receipt and must be notified to the Registered Holder and the beneficiary of the Security Interest.

7.6 Capacity Market Register to be publicly available

7.6.1 Subject to Rule 7.6.3, the contents of the Capacity Market Register must be available for inspection by the public on request at reasonable notice during the Delivery Body's working hours or on-line.

7.6.2 Subject to Rule 7.6.3, at the request of any person the Delivery Body must provide a written statement of any entry on the Capacity Market Register within five Working Days.

7.6.3 Rules 7.6.1 and 7.6.2 do not apply to entries on the Capacity Market Register made pursuant to Rules 7.4.1(d)(viii) and (x), 7.4.4 and 7.4.5(n).

7.7 Applications for rectification of the Capacity Market Register and Appeals

7.7.1 Where any person considers that an entry maintained in respect of it or any Capacity Committed CMU for which they are the Capacity Provider under this Chapter 7 is factually inaccurate, they may request to the Delivery Body that the entry be amended or deleted.

7.7.2 If the Delivery Body accepts a request received under Rule 7.7.1, the Delivery Body must within five Working Days of receiving the request:

- (a) rectify the relevant entry in the Capacity Market Register as set out in the request; and
- (b) notify the person who made the request for rectification of the Capacity Market Register that it has been rectified.

7.7.3 If the Delivery Body refuses a request for rectification received under Rule 7.7.1, the Delivery Body must within five Working Days notify the person who made the request that the Delivery Body has refused the request and may provide reasons for that decision.

7.7.4 A person who receives a notice under Rule 7.7.3 may dispute the decision and request that the Delivery Body reconsider its decisions to refuse the request for rectification of the Capacity Market Register in accordance with Regulation 69.

7.8 Replacement Capacity Agreement Notice

Following any new or amended entry on the Capacity Market Register which affects information contained in a Capacity Agreement Notice for a Capacity Committed CMU pursuant to this Chapter 7, the Delivery Body must issue a Capacity Agreement Notice to the relevant Capacity Provider recording the new or amended details of the Capacity Agreement for that Capacity Committed CMU.

CHAPTER 8: OBLIGATIONS OF CAPACITY PROVIDERS AND SYSTEM STRESS EVENTS

8. Obligations of Capacity Providers

8.1 Purpose of this Chapter

The Rules describe the specific obligations to be met by a Capacity Provider, including where a System Stress Event occurs, and the procedures for determining when a System Stress Event has occurred and for issuing a Capacity Market Warning.

8.2 General obligation to maintain eligibility

A Capacity Provider must promptly notify the Delivery Body if:

- 8.2.1 the relevant CMU ceases to meet the General Eligibility Criteria; or
- 8.2.2 the Capacity Provider reasonably expects the CMU to fail to meet the General Eligibility Criteria at any time prior to the expiry of the Capacity Agreement.

8.3 Specific obligations and consequences

8.3.1 Connection Arrangements

- (a) Where the Capacity Provider has made a declaration in its Application in accordance with Rule 3.7.3(b)(iii):
 - (i) the Capacity Provider must provide a copy of its connection offer to the Delivery Body by no later than the date falling eighteen months prior to the commencement of the first Delivery Year; and
 - (ii) if it does not comply with Rule 8.3.1(a)(i) then Rule 6.10.1(e) applies.
- (b) Where the Capacity Provider has made a declaration in its Application in accordance with Rule 3.6.3(b):
 - (i) the Capacity Provider must provide a copy of its Grid Connection Agreement evidencing that it has secured Transmission Entry Capacity for all relevant Delivery Years for the Generating Units comprised in the CMU at least equal, in aggregate, to the De-rated Capacity of that CMU by the date falling eighteen months prior to the commencement of the first Delivery Year; and
 - (ii) if it does not comply with Rule 8.3.1(b) then Rule 6.10.1(f) applies.

8.3.2 DSR Tests

If an Unproven DSR CMU is awarded a Capacity Agreement:

- (a) the Capacity Provider must provide a DSR Test Certificate evidencing a Proven DSR Capacity greater than 2MW by no later than one month prior to the start of the first Delivery Year;
- (b) if the Capacity Provider does not comply with Rule 8.3.2(a), then Rule 6.10.1(i) applies; and
- (c) if the Capacity Provider provides a DSR Test Certificate which evidences a Proven DSR Capacity in an amount less than its Unproven DSR Capacity and greater than 2MW:
 - (i) the Capacity Obligation; and
 - (ii) all payments (whether Capacity Payments or penalties),
 with respect to that CMU will be reduced by the proportion which the Proven DSR Capacity bears to the Unproven DSR Capacity.

8.3.3 Metering

- (a) If an Existing Generating CMU or a Proven DSR CMU is awarded a Capacity Agreement then, where the Capacity Provider made a declaration in the Application for that CMU in accordance with Rule 3.6.4(b) or Rule 3.9.4(b) (as applicable), the Capacity Provider must complete a Metering Assessment with respect to that CMU by no later than the date falling three years prior to the commencement of the first Delivery Year.
- (b) If an Unproven DSR CMU is awarded a Capacity Agreement then the Capacity Provider must complete a Metering Assessment with respect to that CMU.
- (c) Following the completion of a Metering Assessment pursuant to Rule 8.3.3(a) or 8.3.3(b), the Delivery Body must notify the relevant Capacity Provider whether or not, based on such Metering Assessment, the metering arrangements for such CMU will be subject to a Metering Test.
- (d) If:
 - (i) an Unproven DSR CMU has been awarded a Capacity Agreement and the Delivery Body notifies the relevant Capacity Provider, pursuant to Rule 8.3.3(c), that such CMU is subject to a Metering Test; or
 - (ii) an Existing Generating CMU or a Proven DSR CMU has been awarded a Capacity Agreement and either:
 - (aa) the Prequalification Decision in relation to such CMU specifies, pursuant to Rule 4.5.1(b)(xi), that the CMU is subject to a Metering Test; or
 - (bb) the CM Settlement Body notifies the relevant Capacity Provider, pursuant to Rule 8.3.3(c), that such CMU is subject to a Metering Test,

the Capacity Provider must provide a Metering Test Certificate with respect to that CMU by no later than the relevant date specified in Rule 8.3.3(e).

- (e) The date by which a Capacity Provider must provide a Metering Test Certificate where required to do so under Rule 8.3.3(d) is:
 - (i) in the case of a Unproven DSR CMU, the date falling 1 month prior to the start of the relevant Delivery Year;
 - (ii) in the case of an Existing Generating CMU or a Proven DSR CMU that has been awarded a Capacity Agreement in a T-4 Auction, the date falling 18 months prior to the start of the first Delivery Year;
 - (iii) in the case of an Existing Generating CMU or a Proven DSR CMU that has been awarded a Capacity Agreement in a T-1 Auction, the date falling 1 month prior to the start of the first Delivery Year.

- (f) A Capacity Provider must:
 - (i) notify the Delivery Body and the CM Settlement Body in advance of any proposed change to:
 - (aa) the metering configuration for any Generating Unit or DSR CMU Component; or
 - (bb) the arrangements specified in the information provided pursuant to Rule 3.4.3; and
 - (ii) in the case of a proposed change pursuant to Rule 8.3.3(f)(i)(aa), obtain a Metering Test Certificate for the DSR CMU with the proposed new metering configuration prior to the change taking effect; and
 - (iii) obtain the prior confirmation of the CM Settlement Body that such proposed changes:
 - (aa) will meet the standards required at Prequalification; and
 - (bb) in the case of a DSR CMU or and DSR CMU Component, will not affect its ability to determine the Baseline Demand with accuracy on a half-hourly basis.

8.3.4 Changing DSR Components

- (a) Subject to Rule 8.3.4(b), a Capacity Provider must not change the DSR Components of a DSR CMU that is a Prequalified CMU or a Capacity Committed CMU.
- (b) A Capacity Provider may notify the Delivery Body and the CM Settlement Body that it wishes to remove a DSR CMU Component from a DSR CMU that is a Capacity Committed CMU.

- (c) With effect from the date falling five Working Days after receipt by the CM Settlement Body of a notice pursuant to Rule 8.3.4(b):
 - (i) the Baseline Demand; and
 - (ii) the Metered Volume,
 of the DSR CMU Component referred to in the notice, must not be included in any determination of the DSR Volume of the DSR CMU in which the DSR CMU Component was comprised.
- (d) A DSR CMU Component that is the subject of a notice pursuant to Rule 8.3.4(b) cannot be reinstated as part of a DSR CMU.

8.3.5 Solvency

If an Administrative Party becomes aware that a Capacity Provider has become Insolvent, it must promptly notify the other Administrative Parties.

8.3.6 Evidence of Capital Expenditure

Where a Prospective Generating CMU has been awarded a Capacity Agreement with a duration exceeding one Delivery Year:

- (a) the relevant Capacity Provider must provide the Delivery Body, prior to the start of the first Delivery Year, with a certificate from an Independent Technical Expert confirming that it is satisfied, on the basis of evidence reviewed, that the Capital Expenditure incurred divided by the De-Rated Capacity of the CMU is:
 - (i) less than the Three Year Minimum £/kW Threshold; or
 - (ii) equal to or greater than Three Year Minimum £/kW Threshold and less than the Fifteen Year Minimum £/kW Threshold; or
 - (iii) equal to or greater than the Fifteen Year Minimum £/kW Threshold;
- (b) if the Maximum Obligation Period consistent with the amount of Capital Expenditure so certified is shorter than the duration of the Capacity Agreement specified in the Capacity Market Register, the Delivery Body must update the Capacity Market Register so that the duration of the Capacity Agreement is equal to the Maximum Obligation Period for such Capital Expenditure; and
- (c) if the relevant Capacity Provider fails to provide the Delivery Body with a certificate in accordance with Rule 8.3.6(a), the duration of the Capacity Agreement will be reduced to one Delivery Year and the Delivery Body must update the Capacity Market Register accordingly.

8.4 Triggering a Capacity Obligation and System Stress Events

8.4.1 Definition of a System Stress Event

“**System Stress Event**” means a Settlement Period in which a System Operator Instigated Demand Control Event occurs where such event lasts at least 15 continuous minutes (whether the event falls within one

Settlement Period or across more than one consecutive Settlement Periods, and where the event falls across multiple consecutive Settlement Periods, each of those Settlement Periods will be a “System Stress Event”).

8.4.2 Definition of a System Operator Instigated Demand Control Event

“**System Operator Instigated Demand Control Event**” means where:

- (a) the System Operator gives a Demand Reduction Instruction to one or more DNOs; and/or
- (b) an Automatic Low Frequency Demand Disconnection takes place, except where either:
 - (i) such action results from one or more faults in the Transmission System or a Distribution Network; or
 - (ii) the System Operator issues a Bid-Offer Acceptance(s) to reduce output or an Emergency Instruction(s) to reduce output to the extent that the Volume of that Bid-Offer Acceptance(s) or that Emergency Instruction(s) exceeds the Volume of the Demand Reduction Instruction issued or the Automatic Low Frequency Demand Disconnection that took place.

8.4.3 Duration of a System Operator Instigated Demand Control Event

A System Operator Instigated Demand Control Event:

- (a) commences at the earlier of the time at which:
 - (i) the Demand Reduction Instruction is given by the System Operator; or
 - (ii) the Automatic Low Frequency Demand Disconnection takes place; and
- (b) ends at the time at which the System Operator instructs the last outstanding DNO to:
 - (i) restore Demand in accordance with OC6.5 of the Grid Code; or
 - (ii) reconnect in accordance with OC6.6 of the Grid Code.

8.4.4 Determination of a System Stress Event

- (a) As soon as reasonably practicable after the System Operator:
 - (i) gives a Demand Reduction Instruction to one or more DNOs; or
 - (ii) becomes aware that an Automatic Low Frequency Demand Disconnection has taken place,

the System Operator must:

- (aa) undertake a root cause analysis to determine whether or not a relevant System Operator Instigated Demand Control Event has occurred; and
 - (bb) if it determines under Rule 8.4.4(a)(ii)(aa) that a relevant System Operator Instigated Demand Control Event has occurred, determine whether the System Operator Instigated Demand Control Event lasted at least 15 continuous minutes and hence whether a System Stress Event has occurred.
- (b) A determination by the System Operator that a System Stress Event or a System Operator Instigated Demand Control Event has occurred may be made in its sole discretion and will be final and binding on all Administrative Parties and Capacity Providers for the purposes of the Rules and the Regulations.

8.4.5 Notification of a System Stress Event

As soon as reasonably practicable after determining that a System Stress Event has occurred, the System Operator must:

- (a) notify the CM Settlement Body, and
- (b) publish details on the website specified by the System Operator from time to time,

of the Settlement Period that has been classified as a System Stress Event, or the Settlement Periods that have been classified as System Stress Events.

8.4.6 Capacity Market Warning

- (a) With effect from the beginning of the Delivery Year commencing on 1st October 2018, the System Operator must publish a Capacity Market Warning in accordance with Rule 8.4.6(b) at times when either:
 - (i) a System Operator Instigated Demand Control Event occurs; or
 - (ii) an Inadequate System Margin, as determined under Rule 8.4.7, is anticipated to occur in a Settlement Period falling at least 4 hours after the expiry of the current Settlement Period,

for which a Capacity Market Warning is not already in force.

- (b) A Capacity Market Warning must be published by the System Operator on the website specified by the System Operator from time to time and may be issued by such data transmission facilities for written communications as are in place between the System Operator and the Delivery Body, the CM Settlement Body and Capacity Providers respectively.

- (c) A Capacity Market Warning must contain the following information:
 - (i) the commencement time of the warning;
 - (ii) information about the circumstances that have triggered the warning; and
 - (iii) for information purposes only, the System Operator's expectations as to:
 - (aa) Demand; and
 - (bb) the aggregate capacity that BM Units (whether or not Capacity Committed CMUs) are expected to deliver (based on BSC information previously provided); and
 - (cc) any additional capacity that the System Operator expects to be delivered, based on information then available to it,

for the Settlement Period(s) for which the warning is applicable.
- (d) A Capacity Market Warning will remain in force from the stated time of commencement until such time as an Inadequate System Margin is no longer forecast to arise, as determined under Rule 8.4.7, at any time within the next four hours.
- (e) The System Operator will give notice of the expiry of a Capacity Market Warning by publishing notice of such expiry on the website specified by the System Operator from time to time and may circulate the notice by such data transmission facilities for written communications as are in place between the System Operator and the Delivery Body, the CM Settlement Body and Capacity Providers respectively.

8.4.7 Inadequate System Margin

- (a) The System Operator will monitor the total of the Maximum Export Limits received against forecast Demand and the Operating Margin.
- (b) Taking into account the matters described in Rule 8.4.7(a) above, together with the Dynamic Parameters, the System Operator will calculate whether the anticipated level of System Margin for any Settlement Period is less than 500 MW (an "**Inadequate System Margin**").

8.5 Discharging a Capacity Obligation

8.5.1 Response to a Capacity Market Warning

During a System Stress Event, a Capacity Provider must deliver the Adjusted Load Following Capacity Obligation of its Capacity Committed CMU, provided that a Capacity Provider has no obligation, pursuant to this Rule 8.5.1:

- (a) unless a Capacity Market Warning has been issued with respect to the System Stress Event and the System Stress Event falls four or more hours after the expiry of the Settlement Period in which the Capacity Market Warning is published on the website of the System Operator;
- (b) in any Settlement Period during which the Capacity Committed CMU is affected by a suspension under section G (Contingencies) of the Balancing and Settlement Code; or
- (c) in any Settlement Period during which the Capacity Committed CMU is affected by a “relevant interruption” pursuant to section 5.10 of the CUSC and in each of the eight Settlement Periods falling after the Settlement Period in which the relevant interruption ceases to affect the Capacity Committed CMU; or
- (d) in any Settlement Period during which the Capacity Committed CMU is bound to comply with a direction issued by the Secretary of State pursuant to section 34 of EA 1989 and in each of the eight Settlement Periods falling after the Settlement Period in which the direction ceases to affect the Capacity Committed CMU.

8.5.2 Adjusted Load Following Capacity Obligation (ALFCO)

The Adjusted Load Following Capacity Obligation of a Capacity Committed CMU “i” in Settlement Period “j” is a Volume in MWh calculated as follows:

- (a) for a Generating CMU comprised of BM Units:

$$ALFCO_{ij} = LFCO_{ij} + (1 - \beta)QBOA_{ij} + (1 - \beta)\min(QAS_{ij}, 0) - \beta(QBSCCC_{ij})$$

where

$LFCO_{ij}$ has the meaning given in Rule 8.5.3 below;

$QBOA_{ij}$ has the meaning given in Rule 8.5.4(a) below;

QAS_{ij} has the meaning given in Rule 8.5.4(b) below;

$\beta = 1$ where a Relevant Balancing Service is provided in Settlement Period j by any Generating Unit i comprised in the CMU and 0 otherwise; and

$$QBSCCC_{ij} = \max(0, MEL_{ij} - QME_{ij})$$

where:

MEL_{ij} is the aggregate of the Maximum Export Limit for each BM Unit “i” comprised in the CMU which is providing a Relevant Balancing Service in Settlement Period “j” (expressed in MWh); and

QME_{ij} is the aggregate of the “Period Expected Metered Volume” (as defined in in the BSC) for each BM Unit “i” comprised in the CMU which is providing a Relevant Balancing Service in Settlement Period “j”.

- (b) for a CMU which is a DSR CMU or a Generating CMU that is not comprised of BM Units:

$$ALFCO_{ij} = LFCO_{ij} - \beta(QBSCCC_{ij})$$

where

$\beta = 1$ where a Relevant Balancing Service is provided in Settlement Period j by any Generating Unit or DSR CMU Component i comprised in the CMU and 0 otherwise;

$QBSCCC_{ij}$ is the aggregate of $((\text{Declared_Availability}_{ij}) - (\text{Contracted_Output}_{ij}))$ for each Generating Unit or DSR CMU Component “ i ” comprised in the CMU which is providing a Relevant Balancing Service in Settlement Period “ j ”; and

“**Declared_Availability**” and “**Contracted_Output**” have the meaning given to them in Schedule 4.

- (c) In the case of Rule 8.5.2(a) and (b), $QBSCCC_{ij}$ must be set to 0 where Rule 8.5.4(c) applies.

8.5.3 Load Following Capacity Obligation (LFCO)

The Load Following Capacity Obligation of a Capacity Committed CMU “ i ” in Settlement Period “ j ” (“ $LFCO_{ij}$ ”) is a Volume in MWh calculated as follows:

$$LFCO_{ij} = \frac{AACO_{ij} + PTCO_{ij} - SCO_{ij}}{2} \times \min\left(\frac{([2 \times \sum_i E_{ij}] + [2 \times ILR_j] + RfR)}{\sum_i AACO_{ij} - SCO_{ij}}, 1\right)$$

where

$AACO_{ij}$ is the Auction Acquired Capacity Obligation of that Capacity Committed CMU for Settlement Period “ j ”, being the value in MW of the Capacity Obligation taken on by that Capacity Committed CMU for the Delivery Year in which Settlement Period “ j ” falls but not including any changes in that Capacity Obligation effected by way of a transfer under Rule 9.2.4(a), as set out in the Capacity Market Register for that Capacity Committed CMU;

$PTCO_{ij}$ is the Physically Traded Capacity Obligation of that Capacity Committed CMU, being the aggregate value in MW (positive or negative) of any changes in the Capacity Obligation of that Capacity Committed CMU effected by way of a transfer under Rule 9.2.4(a) for the Delivery Year (or part Delivery Year) in which Settlement Period “ j ” falls, as set out in the Capacity Market Register for that Capacity Committed CMU;

SCO_{ij} is the Suspended Capacity Obligation of that Capacity Committed CMU for Settlement Period “ j ”, being the aggregate value in MW of any Capacity Obligations in respect of which Capacity Payments have been suspended pursuant to Rule

13.4.1(b) during that Settlement Period as determined by the CM Settlement Body on the basis of data provided to it by the Delivery Body pursuant to Rule 13.4.7;

\sum_i is the sum over all Capacity Committed CMUs;

E_{ij} has the meaning given in Rule 8.6;

ILR_j is the Involuntary Load Reduction, being the aggregate volume of load shed by Distribution Network Operators in Settlement Period “j” in order to meet any Demand Reduction Instruction as determined by the Delivery Body on the basis of data provided by the Distribution Network Operators; and

RfR is the reserve for response amount (in MW) published in the most recent electricity capacity report prior to the T-4 Auction for the relevant Delivery Year.

8.5.4 Adjustments to LFCO to account for Balancing Services

The Load Following Capacity Obligation of that Capacity Committed CMU in a Settlement Period must be reduced to account for the aggregate provision and successful delivery by each Generating Unit (in its capacity as a BM Unit) of Balancing Services to the System Operator as follows:

- (a) Reduced output pursuant to Negative Bid-Offer Acceptances (QBOA)

A Generating Unit “i” that is operating at reduced output during Settlement Period “j” because it has, in its capacity as a BM Unit, been instructed to operate at such output by the System Operator through a Bid-Offer Acceptance in the Balancing Mechanism must be accounted for by use of the factor QBOA_{ij} which is calculated as follows:

$$QBOA_{ij} = \sum_{n < 0} (QAO_{ij}^n + QAB_{ij}^n)$$

where:

n has the meaning given to “Bid-Offer Pair Number” in Annex X-2 of the BSC;

QAO_{ij}ⁿ has the meaning given to “Period BM Unit Total Accepted Offer Volume” in Annex X-2 of the BSC; and

QAB_{ij}ⁿ has the meaning given to “Period BM Unit Total Accepted Bid Volume” in Annex X-2 of the BSC.

- (b) Reduced output pursuant to the delivery of a Balancing Service (QAS)

A Generating Unit “i” that is operating at reduced output during Settlement Period “j” because it has, in its capacity as a BM Unit, delivered energy reductions through the provision of Balancing Services must be accounted for by the factor QAS_{ij} which has the

meaning give to “BM Unit Applicable Balancing Services Volume” in Annex X-2 of the BSC.

- (c) Sterilised capacity pursuant to a Balancing Services agreement (QBSCCC)

If:

- (i) the Capacity Provider has not notified the System Operator at the time of entering into such balancing services contract (or, if later, on Prequalification) that a Generating Unit is participating in the Capacity Market; or
- (ii) if the Lead Party of the BM Unit which corresponds to a Generating Unit has given the System Operator notice in accordance with paragraph 6.4.5 of section Q of the Balancing and Settlement Code that it does not wish any volumes of Active Energy to be submitted for the BM Unit (pursuant to paragraph 6.4.5 of Section Q of the Balancing and Settlement Code),

QBSCCC_{ij} for Capacity Committed CMU “i” must be set to zero.

8.5.5 Shortfalls and Excess Volumes

- (a) If a Capacity Committed CMU fails to deliver its Adjusted Load Following Capacity Obligation in any Settlement Period where it is required to do so in accordance with Rule 8.5.1, capacity provider penalty charges will be applied in accordance with Regulation 41.
- (b) If a Capacity Committed CMU delivers more than its Adjusted Load Following Capacity Obligation in any Settlement Period where it is required to deliver such Adjusted Load Following Capacity Obligation in accordance with Rule 8.5.1, the relevant Capacity Provider will be paid for this over-delivery in accordance with Regulation 42.

8.6 Determining the output of a Capacity Committed CMU (E)

The capacity delivered by a Capacity Committed CMU “i” during the occurrence of a Stress Event in Settlement Period “j” is:

8.6.1 in the case of a Generating CMU other than a Generating CMU that constitutes a Storage Facility:

- (a) the aggregate Metered Volume of each Generating Unit comprised in that Generating CMU; or
- (b) if the Generating CMU is connected to the GB Transmission System, the lower of:
 - (i) the aggregate Metered Volume of each Generating Unit comprised in that Generating CMU; and
 - (ii) the aggregate of QME_{ij} (as defined in Rule 8.5.2(a)) for each Generating Unit comprised in that Generating CMU;

8.6.2 in the case of a Generating CMU that constitutes a Storage Facility, the sum of $A + B - C$ where:

A is the electricity generated by the Generating CMU as determined in accordance with Rule 8.6.1(a) and 8.6.1(b) above;

B is the aggregate of the average Metered Volume of each Generating Unit comprised in the Generating CMU in the two Settlement Periods prior to the Settlement Period in which the Capacity Market Warning with respect to the Stress Event was published provided that, if any such Generating Unit was generating electricity during any such Settlement Period, its Demand during that Settlement Period shall be deemed to be zero; and

C is the aggregate of the Metered Volume of each Generating Unit comprised in the Generating CMU in Settlement Period "j"; and

8.6.3 in the case of a DSR CMU, the DSR Volume of that DSR CMU;

(herein, " E_{ij} ").

8.7 Requirement to provide general assistance

A Capacity Provider must provide such other information and assistance as an Administrative Party reasonably requires to determine whether the Capacity Provider is complying with the terms of its Capacity Agreements, the Regulations and the Rules.

CHAPTER 9: TRANSFER OF CAPACITY OBLIGATIONS

9. Transfer of Capacity Obligations

9.1 Purpose of this Chapter

This Chapter sets out the eligibility requirements for transferring Capacity Obligations. In conjunction with Chapters 5 and 6 it sets out some of the procedures for effecting, and consequences, of such transfers.

9.2 Restrictions on transfer and eligibility to trade

9.2.1 No Capacity Obligation may be transferred other than in accordance with this Chapter.

9.2.2 A Capacity Provider may not transfer a Capacity Obligation if a Termination Notice has been issued by the Delivery Body under Rule 6.10.2(a) with respect to the Capacity Agreement pursuant to which such Capacity Obligation exists, unless and until a Withdrawal Notice has been issued by the Delivery Body in relation to such Termination Notice pursuant to Rule 6.10.2(d).

9.2.3 Where a Capacity Provider has taken on a Capacity Obligation pursuant to this Chapter 9, that Capacity Provider has a Capacity Agreement in relation to that Capacity Obligation.

9.2.4 A Capacity Provider may transfer a Capacity Agreement by:

- (a) transferring all or part of its Capacity Obligation in respect of a Capacity Committed CMU (the “**CMU Transferor**”) for all or a specified number of calendar days in a Delivery Year to an Acceptable Transferee in respect of another CMU (the “**CMU Transferee**”) provided that:
 - (i) the Acceptable Transferee nominates a CMU Transferee to perform the Capacity Obligation;
 - (ii) the Capacity Obligation transferred is at least equal to the Minimum Capacity Threshold; and
 - (iii) following the transfer, the aggregate Capacity Obligation of each of the CMU Transferor and the CMU Transferee is at least equal to the Minimum Capacity Threshold; or
- (b) with respect to a Capacity Committed CMU which is a Generating CMU where the Capacity Provider is the legal owner of each Generating Unit comprised in such CMU, transferring all Capacity Agreements relating to that CMU outright to:
 - (i) a person acquiring all such Generating Units (or, if it is a Prospective Generating CMU, all the contractual and other rights and assets then owned by the Capacity Provider and necessary to achieve the Substantial Completion Milestone with respect to such CMU); or

- (ii) a person that is the Despatch Controller with respect to all such Generating Units,

provided in each case that such person is an Acceptable Transferee; or

- (c) with respect to a Capacity Committed CMU which is a Generating CMU where the Capacity Provider is the Despatch Controller with respect to each Generating Unit comprised in such CMU, transferring all Capacity Agreements relating to that CMU outright to a person that is the legal owner with respect to all such Generating Units provided that such person is an Acceptable Transferee,

in each case such transfer of the Capacity Agreement to be in accordance with the Regulations and the Rules (including the requirements relating to the updating of the Capacity Market Register). An individual transfer under Rule 9.2.4(a) may not relate to more than one Delivery Year.

9.2.5 Transfers of a Capacity Agreement:

- (a) under Rule 9.2.4(a) can only be effected on the Capacity Market Register after the T-1 Auction for the relevant Delivery Year has concluded and provided that, in the case of a Prospective Generating CMU and its second or third Delivery Year, it has achieved the Substantial Completion Milestone no later than 10 Working Days prior to the date of the T-1 Auction for that Delivery Year;
- (b) under Rule 9.2.4(a) can only be effected in respect of a CMU Transferor and CMU Transferee:
 - (i) for which no amount payable under the Regulations is due and unpaid;
 - (ii) for which no suspension of capacity payments as described in Rule 13.4.1(b) is in effect for failure to demonstrate satisfactory performance days;
 - (iii) which are not in breach of Rule 8.3.3(f) (metering changes);
- (c) under Rule 9.2.4(b) and 9.2.4(c) can be effected on the Capacity Market Register at any time.

9.2.6 An Acceptable Transferee in relation to Rule 9.2.4(a), for any Delivery Year, is any of the following:

- (a) a Bidder in a Capacity Auction for that Delivery Year (which may include a Bidder in relation to a CMU which Opted-out under Rule 3.11.2(f)(iii) at the T-4 Auction if, and only if, such CMU has since Prequalified in the T-1 Auction) in relation to a Prequalified CMU that does not have a Capacity Agreement for that Delivery Year;
- (b) a Capacity Provider in relation to the De-rated Capacity of a Prequalified Prospective Generating CMU that has achieved the Substantial Completion Milestone prior to the Delivery Year in which

its Capacity Obligation commences (provided that the transfer relates only to the period prior to such Delivery Year);

- (c) a Capacity Provider of a CMU that Prequalified for that Delivery Year and that does not have a Capacity Agreement for that Delivery Year equal to the De-rated Capacity of that Prequalified CMU;
- (d) an Eligible Secondary Trading Entrant;

provided that:

- (i) the Capacity Obligation transferred, when aggregated with all other Capacity Obligations in respect of the CMU Transferee for that Delivery Year, will not exceed the aggregate De-rated Capacity of the CMU Transferee (as recorded on the Capacity Market Register) at any point in time;
- (ii) the CMU Transferee:
 - (aa) satisfies the criteria set out in Rule 9.2.5(b); and
 - (bb) has delivered the requisite capacity on the requisite number of Satisfactory Performance Days in respect of its existing Capacity Obligation (if any) pursuant to Rule 13.4.1; and
- (iii) any such person is not also a Bidder or Capacity Provider of a Defaulting CMU in that Delivery Year.

9.2.7 An Acceptable Transferee for the purposes of Rule 9.2.4(b) or 9.2.4(c) may be the same entity as the Capacity Provider transferring its Capacity Obligation to such Acceptable Transferee.

9.2.8 An Acceptable Transferee for the purposes of Rule 9.2.4(b) or 9.2.4(c) is a person who has obtained written confirmation from the Delivery Body that it:

- (a) has provided a Prequalification Certificate,
- (b) has provided the information and made the statements described in Rules 3.4.1, 3.4.2, 3.4.6 and 3.4.9;
- (c) is not also a Capacity Provider of a Defaulting CMU in that Delivery Year; and
- (d) will comply with any requirement to provide or maintain Applicant Credit Cover that may be applicable.

9.2.9 A Capacity Provider must not transfer, sell or otherwise dispose of any interest in a Capacity Committed CMU such that it ceases to satisfy the necessary Prequalification requirements to be the Applicant of that CMU, unless it transfers the CMU to an Acceptable Transferee that has satisfied the requirements of Rule 9.2.8, and the Capacity Agreement of the CMU must only transfer once these requirements are met.

9.2.10 A Generating Unit comprised in a Generating CMU may not be transferred, sold or otherwise disposed of in whole or material part other than together

with all other Generating Units comprised in such Generating CMU and, where applicable, together with the Capacity Agreement as contemplated in Rule 9.2.4(b)(i).

- 9.2.11 The restrictions in Rules 9.2.5 and 9.2.10 do not prevent the grant or enforcement of Security over the Capacity Committed CMU and/or the Capacity Agreement for the purpose of securing the payment of any indebtedness to any lender or group of lenders (and whether or not acting through a trustee) provided that such Security is registered on the Capacity Market Register and any transfer, sale, entry into possession or other disposal that may occur on the enforcement of the Security may only be effected so that both the Capacity Committed CMU and the Capacity Agreement are transferred to the same person, who is an Acceptable Transferee.

9.3 Registration of transfers

- 9.3.1 Where a Capacity Agreement is to be transferred in whole or in part from the Registered Holder to another person (the “**Transferee**”) in accordance with Rule 9.2.4:

- (a) the Registered Holder and the Transferee must each submit to the Delivery Body in writing requests which are:
 - (i) in the form prescribed by the Delivery Body; and
 - (ii) identical in all material respects;at least five Working Days before the first calendar day to which a Capacity Obligation subject to the transfer relates.
- (b) the Delivery Body must inform both the Registered Holder and the Transferee that the requests have been received and, in the event that the requests are not in the prescribed form and/or identical in all material respects, must draw this to their attention and give them the opportunity to correct the requests;
- (c) the Delivery Body may refuse to accept an incorrect, ambiguous or incomplete request.

- 9.3.2 The Delivery Body must notify the Transferee, the previous Registered Holder and the CM Settlement Body once the Capacity Market Register has been amended in accordance with Rule 7.5.1(p).

- 9.3.3 The Transferee is not the Registered Holder until such time as the particulars of the Capacity Agreement recorded in the Capacity Market Register identify the Transferee as such.

- 9.3.4 A transfer of a Capacity Agreement has effect when it is entered in the Capacity Market Register in accordance with Rule 7.5.1(p).

9.4 Effect of transfer

- 9.4.1 Any transfer of a Capacity Agreement pursuant to Rule 9.2.4(a) results in the transfer of any obligation to pay penalties and any right to receive payments provided for in the Regulations or the Rules that attaches to the performance or failure to perform the transferred Capacity Obligation from

the date of transfer to, in the case of a transfer pursuant to Rule 9.2.4(a), the end of the period of transfer.

- 9.4.2 To the extent that there are any outstanding amounts accrued or payable to or by the transferor due to its rights or obligations under the Capacity Agreement, the Regulations or the Rules at the date of transfer pursuant to Rule 9.2.4(a), those rights and obligations survive and the amounts are, or will when due be, payable to or by the transferor.
- 9.4.3 Any transfer of a Capacity Agreement together with the relevant CMU pursuant to Rule 9.2.4(b) transfers all rights and obligations, (including for the period prior to the date of transfer) to the transferee (and such rights and obligations survive).
- 9.4.4 For the purposes of calculating the penalty caps that may be payable in respect of a Capacity Obligation transferred during a Delivery Year, in the case of a transfer under Rule 9.2.4(a) no account may be taken:
- (a) of any amount which may have been paid or received by the CMU Transferor in that Delivery Year, for the purposes of calculating the CCMUCi of the CMU Transferee; or
 - (b) of any amount which may be paid by the CMU Transferee in that Delivery Year, for the purposes of calculating the CCMUCi of the CMU Transferor.
- 9.4.5 Where a transfer of a CMU for which the Transferor is Insolvent has been effected under Rule 9.2.4(b):
- (a) the Delivery Body must:
 - (i) notify the CM Settlement Body, and
 - (ii) update the Capacity Market Register accordingly; and
 - (b) the CM Settlement Body must resume monthly payments within five Working Days of the transfer being effected on the Capacity Market Register (and must pay the new Capacity Provider any accrued and unpaid Capacity Payment balance, to the extent exceeding accrued incentives).

9.5 Transfers and testing

- 9.5.1 The requirement pursuant to Rule 13.4.1 to demonstrate three Satisfactory Performance Days for a CMU in Winter is adjusted pro rata:
- (a) by the Volume which is required to be demonstrated by that CMU, to take account of any increase or reduction in its Capacity Obligation pursuant to a transfer made under this Chapter 9; and/or
 - (b) by number of Satisfactory Performance Days required to be demonstrated by that CMU, to take account of any reduction in the number of calendar days to which the Capacity Obligation applies in respect of that CMU, save that the number of Satisfactory Performance Days to be demonstrated must always be rounded up to a whole number of calendar days.

9.5.2 A Capacity Committed CMU which has not delivered the requisite capacity on the requisite number of Satisfactory Performance Days during Winter must satisfy the requirements of (and will be subject to the consequences set out in) Rules 13.4.1(a), 13.4.1(b) (if applicable) and 13.4.1(c) irrespective of whether some or all of the Capacity Obligations to which the testing requirements related have since been transferred pursuant to this Chapter 9.

CHAPTER 10: VOLUME REALLOCATION

10. Volume Reallocation

10.1 Purpose of this Chapter and Interpretation

10.1.1 This Chapter sets out the basis on which Capacity Providers may allocate Traded Capacity Market Volume from one CMU to another CMU by submitting CMVRNs to the CM Settlement Body.

10.1.2 In this Chapter, "WD" followed by a number means:

- (a) in relation to a calendar month, the Working Day falling that number of Working Days after the end of the calendar month; and
- (b) in relation to a CMVRN, the Working Day falling that number of Working Days after the end of the calendar month in which the Settlement Period to which the CMVRN relates occurred.

10.2 Capacity Market Volume Reallocation Notification

10.2.1 Subject to the provisions of this Chapter, a Capacity Provider (the "**CMVR Transferor**") may allocate any or all of its Volume E_{ij} to another CMU (the "**CMVR Transferee**") by way of a CMVRN.

10.2.2 A CMVRN may only be submitted by a Capacity Provider or its Agent in accordance with this Chapter 10.

10.2.3 A CMVRN must specify:

- (a) the CMVR Transferor and its CMU to which the CMVRN relates;
- (b) the CMVR Transferee and its CMU to which the CMVRN relates;
- (c) one or more Settlement Period to which the CMVRN relates;
- (d) the Traded Capacity Market Volume in accordance with Rule 10.4.1; and
- (e) a CMVRN identifier provided by the Contract Trading Party in accordance with guidance to be produced by the CM Settlement Body from time to time.

10.2.4 A CMVRN is valid if and only if:

- (a) it is submitted on a Working Day which falls on or between WD11 and WD19;
- (b) the Settlement Period or Periods specified in accordance with Rule 10.2.3(c) was or were a System Stress Event;
- (c) the Traded Capacity Market Volume specified in the CMVRN is not in breach of Rule 10.4.1; and
- (d) it is made in accordance with Rules 10.2.5 and 10.2.6.

10.2.5 A CMVRN must be submitted by the Capacity Provider which is party to the Capacity Agreement relating to that CMU, or the Agent of such Capacity Provider.

10.2.6 A CMVRN must:

- (a) be submitted in the form prescribed by the CM Settlement Body set out in guidance to be produced by the CM Settlement Body from time to time; and
- (b) be duly completed and contain all information requested on the form, including the information described at Rule 10.2.3.

10.2.7 A valid CMVRN received in accordance with this Chapter 10 comes into force when it is Matched.

10.2.8 The CM Settlement Body must:

- (a) validate (as to compliance with the requirements in Rule 10.2.4) each CMVRN submitted to it); and
- (b) match Settlement Periods where the requirements of Rule 10.3 are met.

10.2.9 The CM Settlement Body must inform the person (being an Agent or Contract Trading Party) who submitted a CMVRN if it does not validate a CMVRN submitted to it pursuant to Rule 10.2.8.

10.3 Matching

10.3.1 For the purposes of this Rule 10.3:

- (a) in relation to a CMVRN, the “**corresponding**” CMVRN is the CMVRN submitted by the other Contract Trading Party relating to the same CMUs and using the same CMVRN identifier; and
- (b) a “**matched**” Settlement Period is a Settlement Period in relation to which the requirements of Rule 10.3.2 are satisfied.

10.3.2 In relation to a CMVRN, a Settlement Period will be matched if and only if:

- (a) the CMVRN is valid;
- (b) the corresponding CMVRN is valid; and
- (c) the Traded Capacity Market Volume for the Settlement Period specified in the CMVRN and the corresponding CMVRN are the same.

10.3.3 The CM Settlement Body must issue a notification report for a Matched CMVRN to the person who submitted that CMVRN as soon as practicable after it is Matched.

10.4 Traded Capacity Market Volume

10.4.1 A CMVRN must specify, for each Settlement Period, a MWh value which:

- (a) in the case of the CMVR Transferee, is a positive number and in the case of a CMVR Transferor, is a negative number;
- (b) in the case of a CMVR Transferor in respect of which there was an Initial Under-Delivery Volume, when reflected in Adjusted E_{ij} of the CMVR Transferor in respect of the Settlement Period to which that

CMVRN relates at the time that the CMVRN becomes effective, does not result in:

- (i) a Remaining Under-Delivery Volume which exceeds the Initial Under-Delivery Volume of that CMVR Transferor; and
 - (ii) a Remaining Over-Delivery Volume;
- (c) in the case of a CMVR Transferor in respect of which there was an Initial Over-Delivery Volume, when reflected in Adjusted E_{ij} of the CMVR Transferor in respect of the Settlement Period to which that CMVRN relates at the time that the CMVRN becomes effective, does not result in:
- (i) a Remaining Over-Delivery Volume which exceeds the Initial Over-Delivery Volume of that CMVR Transferor; or
 - (ii) a Remaining Under-Delivery Volume.

10.4.2 For each CMU i , and Settlement Period j , the Aggregate Traded Capacity Market Volume ($ACMV_{ij}$) from time to time will be determined as follows:

$$ACMV_{ij} = \sum_z CMV_{zij}$$

where the summation on z extends to all CMVRNs in force at that time.

10.5 Information

10.5.1 By 5pm on WD10, the CM Settlement Body must publish on the Capacity Volume Register, for each Settlement Period in the previous calendar month which was a System Stress Event and in respect of each CMU, using the most recent data provided to it under Regulation 35:

- (a) E_{ij} ;
- (b) the ALFCO;
- (c) (if any) the Initial Over-Delivery Volume; and
- (d) (if any) the Initial Under-Delivery Volume.

10.5.2 The CM Settlement Body must determine the Aggregate Traded Capacity Market Volume and Adjusted E_{ij} for each CMU and submit this data to the Capacity Volume Register no later than 5pm on each Settlement Day from WD11 to WD19 inclusive.

10.5.3 If the CM Settlement Body receives updated data for E_{ij} during the period from WD11 to WD19 inclusive under Regulation 35, it must take account of this updated data in determining the Aggregated Trading Capacity Market Volume and Adjusted E_{ij} for each CMU under Rule 10.5.2.

10.6 Failures of the CM Settlement Body System

10.6.1 For the purposes of this Rule 10.6, a “**CM Settlement Body System Failure**” means a failure or breakdown of the system used by the CM Settlement Body to receive and process CMVRNs and update the Capacity Volume Register which has the effect that the CM Settlement Body is unable to receive CMVRNs submitted to it by all or any Capacity Providers and/or (as the case may be) to send the notification report in Rule 10.3.3

within 24 hours after a CMVRN is Matched or to update the Capacity Volume Register in accordance with Rule 10.5.2.

10.6.2 Where a CM Settlement Body System Failure occurs the CM Settlement Body must each use all reasonable efforts as soon as practicable to notify all Agents and all Capacity Providers that have no Agent:

- (a) of the failure and the time at which it started; and
- (b) after the end of the CM Settlement Body System Failure, that the failure has ended.

10.6.3 The CM Settlement Body must resume its functions under this Chapter 10 as soon as practicable after the end of a CM Settlement Body System Failure.

CHAPTER 11: TRANSITIONAL ARRANGEMENTS

11. Transitional Arrangements

11.1 Purpose of this Chapter

11.1.1 The Rules govern the arrangements to be put in place to progressively facilitate the delivery of DSR CMUs and smaller Non-CMRS Distribution CMUs during Delivery Years prior to the Delivery Year for the First Full Capacity Auction.

11.1.2 The arrangements referred to in Rule 11.1.1 include:

- (a) T-1 Auctions allowing bidders of DSR CMUs and smaller Non-CMRS Distribution CMUs to participate in Capacity Auctions in respect of the Delivery Years commencing on 1 October 2016 and 1 October 2017 (such Delivery Years being the “**Transition Period**” and such Capacity Auctions being the “**Transitional Capacity Auctions**”);
- (b) for Transitional Capacity Auctions, an additional time banded product available, focusing on certain peak hours during winter only to encourage participation;
- (c) the possibility of extending the Transition Period in respect of certain transitional arrangements; and
- (d) final transition to the full enduring regime as governed by the Regulations and the Rules (other than this Chapter 11).

11.2 Application of the Rules to transitional arrangements

Save as expressly amended pursuant to this Chapter 11, the Rules apply to each Transitional Capacity Auction.

11.3 Transitional Capacity Auctions

11.3.1 Capacity Products

- (a) Transitional Capacity Auctions will be open to Bidders interested in providing either of the following capacity products:
 - (i) a full capacity product equivalent to that which would be auctioned in a full Capacity Auction and based on the delivery of an Adjusted Load Following Capacity Obligation; and
 - (ii) a time banded capacity product based on the delivery of capacity during the peak hours of 9am-11am and 4pm -8pm on Working Days in Winter.

11.3.2 Prequalification and Eligibility

The following CMUs must be prohibited from participating in a Transitional Capacity Auction (and an Applicant must not submit an Application for a Transitional Capacity Auction in relation to any such CMU):

- (a) any CMRS CMU;

- (b) any Non-CMRS Distribution CMU or DSR CMU that includes any Generating Unit or DSR CMU Component that forms part of a CMU that has been awarded a Capacity Agreement in a Capacity Auction (other than a Transitional Capacity Auction) in any previous year; and
- (c) any Non-CMRS Distribution CMU with a De-rated Capacity of 50MW or higher.

11.3.3 Awarding a Capacity Agreement

- (a) Any Bidder that is provisionally notified that it has been awarded a Capacity Agreement pursuant to Rule 5.10.1 must immediately notify the Delivery Body which of the two products referred to in Rule 11.3.1 above it wishes to provide.
- (b) If a Bidder notifies the Delivery Body that it wishes to provide the time banded capacity product, the Capacity Payment with respect to the Capacity Obligation awarded to that Bidder will be reduced by such percentage as is set out in or determined in accordance with the Regulations.

11.3.4 Delivery Obligations of Capacity Providers of Capacity Committed CMUs awarded Capacity Agreements pursuant to this Chapter 11

- (a) The Capacity Obligation of a Capacity Provider of a Capacity Committed CMU arising from a Transitional Capacity Auction must be determined in accordance with Rule 8.5.1, save that any Capacity Provider of a Capacity Committed CMU with a Capacity Agreement for the time banded capacity product referred to in Rule 11.3.1(a)(ii) will have no Capacity Obligation for any System Stress Event occurring during a Settlement Period falling outside of the periods referred to in Rule 11.3.1(a)(ii).
- (b) For any Capacity Provider of a Capacity Committed CMU with a Capacity Agreement to deliver time banded capacity, the obligation to demonstrate three Satisfactory Performance Days in Winter pursuant to Rule 13.4.1 must be discharged during the period from 1st October to 28th February in the relevant Delivery Year. If such a Capacity Committed CMU fails to demonstrate such Satisfactory Performance Days, its obligation to demonstrate a further three Satisfactory Performance Days pursuant to Rule 13.4.1(a) must be discharged during the period after 1st March and suspension of Capacity Payments pursuant to Rule 13.4.1(b) will be effective from 1st March.

11.3.5 System Stress Events and Capacity Market Warnings

During the Transition Period:

- (a) Rule 8.4.6(a) to (c) will not apply;
- (b) the System Operator must publish a notice at times when either:
 - (i) a System Operator Instigated Demand Control Event occurs; or

- (ii) an Inadequate System Margin, as determined under Rule 8.4.7, is anticipated to occur in a Settlement Period falling at least 4 hours after the expiry of the current Settlement Period,

for which it has not issued a previous notice which remains in force;

- (c) the notice referred to in Rule 11.3.5(b) must be published on the website specified by the System Operator from time to time and must contain the following information:
 - (i) the commencement time of the notice;
 - (ii) information about the circumstances that have triggered the notice; and
 - (iii) details specifying where Capacity Providers can find, or how Capacity Providers can determine, the information set out in Rule 8.4.6(c)(iii);
- (d) the System Operator must inform the Settlement Body of the contents of any notice published under Rule 11.3.5(b); and
- (e) any reference in the Rules to a “Capacity Market Warning” shall be construed as a reference to the notice referred to in Rule 11.3.5(b).

CHAPTER 12: MONITORING

12. Monitoring

12.1 Purposes of this Chapter

The Rules govern the provision of information to and monitoring of Capacity Providers by the Delivery Body and the Administrative Parties.

12.2 Monitoring of construction progress of Prospective Generating CMUs

12.2.1 The Capacity Provider of any Prospective Generating CMU must, no less frequently than every six months from the date of the Capacity Auction until such time as the Substantial Completion Milestone is achieved, or the Capacity Agreement terminates, deliver to the Delivery Body a progress report specifying, for each Generating Unit comprising such CMU:

- (a) a schedule identifying the earliest and latest dates on which each of the Construction Milestones are then expected to be achieved, with an explanation of any material change in such dates since the last report;
- (b) any material changes to the works described in the Construction Plan,

accompanied by:

- (c) an assessment from an Independent Technical Expert; and
- (d) a certificate from two directors of the Capacity Provider (or two officers, in the case of a Capacity Provider other than a company) stating that they believe the report to give a fair view of the matters described above.

12.2.2 The Delivery Body must monitor the construction of Prospective Generating CMUs by reviewing the progress reports provided to the Delivery Body under Rule 12.2.1.

12.2.3 The Delivery Body may seek further information from a Capacity Provider with respect to any of the matters described in a progress report provided under Rule 12.2.1 or any other matter relating to the construction or refurbishment of each of the Generating Units comprising such Prospective Generating CMU, and the Capacity Provider must give the Delivery Body such further information as soon as reasonably practicable.

12.2.4 Where it is apparent from a progress report that the latest date on which a Prospective Generating CMU is expecting to achieve the Substantial Completion Milestone is later than the first day of the relevant Delivery Year, the Delivery Body must request the Capacity Provider to provide it with a remedial plan which demonstrates that steps can and will be taken to accelerate the programme such that the latest date on which the Substantial Completion Milestone is expected to be reached is the first day of the relevant Delivery Year. The relevant Capacity Provider must use all reasonable endeavours to provide a remedial plan meeting such requirements and the remedial plan must be accompanied by:

- (a) a commentary from an Independent Technical Expert addressing whether the remedial plan is achievable; and
 - (b) a certificate from two directors of the Capacity Provider (or officers, in the case of a Capacity Provider other than a company) stating that they believe the remedial plan is fair and achievable.
- 12.2.5 A Capacity Provider must provide a remedial plan where requested by the Delivery Body as soon as reasonably practicable and in any event within no more than 120 days. Where a Capacity Provider fails to provide a remedial plan meeting the requirements of Rule 12.2.4 (or the accompanying commentary and certificate), the Delivery Body must notify the Secretary of State and the Authority.
- 12.2.6 A Capacity Provider must afford an Independent Technical Expert providing an assessment for any purposes under the Rules with reasonable access to the books and records of the Capacity Provider and to the site of the Generating Unit, as and when reasonably requested by the Independent Technical Expert, but subject to such reasonable conditions as to access time and supervision as the Capacity Provider may impose.

12.3 Monitoring of Capacity Providers

- 12.3.1 A Capacity Provider must permit the Delivery Body or any of its officers, agents or representatives (and any Independent Technical Expert appointed for the purposes of this Chapter 12), at reasonable times and intervals and upon reasonable notice to:
- (a) inspect and photocopy extracts from any books and records which are relevant to the delivery of Capacity Obligations by its Capacity Committed CMUs;
 - (b) to meet with the Capacity Provider's officers and auditors for the purpose of discussing its obligations under the Regulations and the Rules; and
 - (c) visit any of its offices for the purposes of facilitating the matters referred to in (a) and (b) above.
- 12.3.2 A Capacity Provider must bear any costs it incurs as a result of the Capacity Provider taking any of the steps referred to in Rule 12.3.1.
- 12.3.3 Where a Capacity Provider is required to provide information to the Delivery Body in accordance with Chapter 8, the Delivery Body may request the Capacity Provider to provide further information for the purposes of verifying that the information required to be provided is in accordance with the obligations imposed upon the Capacity Provider by Rule 8.3, and the Capacity Provider must do so.

12.4 Further monitoring obligations

Further monitoring obligations may be specified in the Auction Guidelines.

12.5 Provision of information for monitoring purposes

Upon request, an Applicant, Bidder or Capacity Provider must provide such information and assistance as an Administrative Party reasonably requires in order

to enable it to discharge the monitoring obligations imposed on that Administrative Party by the Regulations, the Rules or the Auction Guidelines.

CHAPTER 13: TESTING REGIME

13. Testing Regime

13.1 Purpose of this Chapter

The Rules prescribe the procedures for:

13.1.1 the DSR Test;

13.1.2 the Metering Test; and

13.1.3 the demonstration of satisfactory performance by Capacity Committed CMUs.

13.2 DSR Test

13.2.1 Each DSR CMU must carry out a DSR Test in accordance with this Rule 13.2.

13.2.2 A DSR CMU can participate in a DSR Test either:

- (a) prior to the commencement of the Prequalification Window for a Capacity Auction (in which case the DSR CMU may submit an Application for Prequalification as a Proven DSR CMU); or
- (b) after the award of a Capacity Agreement but by no later than one month prior to the commencement of the Delivery Year for that Capacity Agreement (in which case the DSR CMU must submit an Application for Prequalification as an Unproven DSR CMU).

13.2.3 No DSR Test may take place during the Prequalification Assessment Window for any Capacity Auction.

13.2.4 A DSR Test is the same regardless of whether it is carried out pursuant to Rule 13.2.2(a) or 13.2.2(b).

13.2.5 In order to carry out a DSR Test with respect to a DSR CMU, an Applicant or Capacity Provider (as applicable) must provide the Delivery Body with:

- (a) the Meter Point Administration Number(s) of the meters for that site and/or connection point, and details of any other meters necessary to identify and monitor the DSR from any DSR CMU Component in relation to the DSR CMU; and
- (b) either:
 - (i) the Metering Test Certificate for the DSR CMU, in which case each DSR CMU Component comprised in the DSR CMU will be measured against the metering configuration specified for that DSR CMU Component in the Metering Test Certificate; or
 - (ii) where no Metering Test Certificate has been issued for the DSR CMU, confirmation of the metering configuration that each DSR CMU Component is to be measured against (being a configuration approved by the CM Settlement Body at that time).

13.2.6 Following the submission of the information referred to in Rule 13.2.5 above, the Applicant or Capacity Provider (as applicable) must for each DSR CMU either:

(a) prior to Prequalification only, provide historic information to the Delivery Body that identifies three separate Settlement Periods within the 2 years prior to the start of the Prequalification Window in which:

(i) a Baseline Demand can be calculated for each DSR CMU Component of the DSR CMU; and

(ii) the DSR CMU delivered a positive DSR Volume (net of any related imports) in discharge of an obligation to deliver a balancing service;

together with a calculation of the DSR Volume of the DSR CMU which is thereby evidenced in each such Settlement Period, the lowest of which will be doubled to determine the Proven DSR Capacity of the DSR CMU; or

(b) give the Delivery Body no less than 2 Working Days' notice of its intention to test activate the DSR CMU and of the Settlement Period in which such activation will be carried out.

13.2.7 The Delivery Body may:

(a) at any time up to 4 hours prior to the relevant Settlement Period, instruct the Applicant or Capacity Provider (with a copy to the CM Settlement Body) not to activate the DSR CMU in that Settlement Period for any reason, provided that no more than two instructions may be submitted by the Delivery Body to an Applicant or Capacity Provider under this Rule 13.2.7(a) for any proposed DSR Test; and

(b) at any time, instruct the Applicant or Capacity Provider (with a copy to the CM Settlement Body) not to activate the DSR CMU in that Settlement Period if the System Operator has issued an Emergency Instruction in respect of that Settlement Period;

and, on receipt of such instruction, the Applicant or Capacity Provider:

(i) if received no later than 4 hours prior to the Settlement Period, must not activate, and otherwise must seek to not activate or de-activate (as applicable), the DSR CMU; and

(ii) may submit a new notice under Rule 13.2.6(a) above, taking into consideration any reasons given by the Delivery Body in a notice issued under (a) or (b) above.

13.2.8 The Delivery Body's rights to give any instruction under Rule 13.2.7 apply notwithstanding that the effect may be to prevent a DSR Test Certificate from being issued prior to any deadline applicable to the Applicant or Capacity Provider under the Regulations or the Rules.

13.2.9 Within 5 Working Days of:

(a) receipt of historic information under Rule 13.2.6(a) above; or

- (b) receipt of data from the Settlement Body regarding Metered Volumes at the relevant meters during the Settlement Periods referred to in Rule 13.2.6(b),

the Delivery Body must, for each of the relevant Settlement Periods in the case of Rule 13.2.6(a) above and for the activation Settlement Period in the case of Rule 13.2.6(b), notify the Applicant or Capacity Provider of its verified calculations of:

- (i) Baseline Demand;
- (ii) the DSR evidenced (which can be zero); and
- (iii) the Proven DSR Capacity calculated by multiplying the DSR by two (and in the case of Rule 13.2.6(a) using the Settlement Period which evidenced the lowest DSR).

13.2.10 The Applicant or Capacity Provider (as applicable) may, within 2 Working Days of receiving a notice from the Delivery Body pursuant to Rule 13.2.9, issue a notice under Rule 13.2.6(b) above, in which case Rules 13.2.7 to 13.2.9 above once again apply provided that the Applicant or Capacity Provider (as applicable) may only exercise the right to require a retest pursuant to this Rule on one occasion. To the extent such right is exercised, the outcome of the second DSR Test will be conclusive as to the Proven DSR Capacity of the relevant DSR CMU even if such outcome demonstrates a lower Proven DSR Capacity than the first DSR Test.

13.2.11 Within five Working Days of receipt of the notice under Rule 13.2.9, and provided that no notice has been issued under Rule 13.2.10, if applicable, the Delivery Body must issue a DSR Test Certificate to the Applicant or Capacity Provider (as applicable):

- (a) confirming that the DSR Test has occurred;
- (b) setting out the Proven DSR Capacity of the DSR CMU, which must be that notified by the Delivery Body pursuant to Rule 13.2.9; and
- (c) detailing the metering configuration for each DSR CMU Component comprised in the DSR CMU.

13.2.12 A DSR Test Certificate issued pursuant to this Rule 13.2 will only be valid for the DSR CMU for so long as the details relating to the configuration of such DSR CMU as detailed pursuant to Rule 13.2.5 remain valid (provided that the addition of new DSR CMU Components will not be deemed to change such configuration). In the event that the DSR CMU configuration changes, such DSR CMU will be deemed to be an Unproven DSR CMU until such time as a new DSR Test Certificate has been issued.

13.2.13 The Delivery Body shall notify the CM Settlement Body of the outcome of any DSR Test carried out pursuant to this Rule 13.2.

13.2.14 A DSR Test Certificate will be invalidated if the Metering Test Certificate for a DSR CMU specifies a different metering configuration for any DSR CMU Component comprised in the DSR CMU than that specified in the DSR Test Certificate.

13.3 Metering Test

- 13.3.1 A Metering Test is a test conducted by the CM Settlement Body to determine whether or not the metering arrangements for each Generating Unit or DSR CMU Component comprised in a CMU constitutes an Approved Metering Solution.
- 13.3.2 A Capacity Provider for a CMU that is subject to a Metering Test must notify the CM Settlement Body that it requires a Metering Test to be carried out with respect to that CMU and specifying the metering configuration that each Generating Unit or DSR CMU Component comprised in the CMU is to be tested against (being, in each case, a configuration approved by the CM Settlement Body at that time).
- 13.3.3 The CM Settlement Body must notify the Capacity Provider if it requires access to any Generating Unit, DSR CMU Component, Meter, Meter Point or any other facility, plant, property or assets relating to a CMU for the purposes of conducting a Metering Test.
- 13.3.4 Following issue of a notice pursuant to Rule 13.3.3, the Capacity Provider and the CM Settlement Body must liaise to determine the nature of the access required to enable the CM Settlement Body to conduct the Metering Test and the times when such access shall be granted to the CM Settlement Body (the “**Access Right**”).
- 13.3.5 The Capacity Provider must grant (or, if the Capacity Provider is not the owner of the relevant property or asset, shall procure that the owner grants) the Access Right to the CM Settlement Body and any suitably-qualified persons nominated by the CM Settlement Body.
- 13.3.6 Following the completion of a Metering Test in relation to each Generating Unit or DSR CMU Component comprised in a CMU, the CM Settlement Body must either:
- (a) issue a Metering Test Certificate to the relevant Capacity Provider with respect to that CMU:
 - (i) confirming that the Metering Test has occurred;
 - (ii) detailing the metering configuration for each Generating Unit or DSR CMU Component comprised in the CMU; and
 - (iii) confirming that the metering arrangements for each Generating Unit or DSR CMU Component comprised in a CMU constitutes an Approved Metering Solution; or
 - (b) notify the Capacity Provider that one or more Generating Units or DSR CMU Components comprised in the CMU has failed a Metering Test.
- 13.3.7 If the CM Settlement Body gives notice to a Capacity Provider pursuant to Rule 13.3.6(b), the Capacity Provider must, within 5 Working Days of receipt of such notice, notify the CM Settlement Body specifying whether or not the Capacity Provider accepts the decision of the CM Settlement Body.

13.3.8 If the Capacity Provider accepts a decision of the CM Settlement Body pursuant to Rule 13.3.7, the Capacity Provider must:

- (a) submit to the CM Settlement Body a rectification plan with respect to the relevant Metering Test failure(s) within 15 Working Days of receipt of the notice pursuant to Rule 13.3.6(b);
- (b) implement the rectification plan by no later than the date falling 40 Working Days after receipt of the notice pursuant to Rule 13.3.6(b); and
- (c) notify the CM Settlement Body within 5 Working Days after completion of all steps identified in the rectification plan,

and, thereafter, the CM Settlement Body must conduct a further Metering Test with respect to the relevant Generating Units or DSR CMU Components and Rules 13.3.3 to 13.3.6 shall apply.

13.3.9 If the Capacity Provider does not accept a decision of the CM Settlement Body pursuant to Rule 13.3.6(b):

- (a) the Capacity Provider must submit to the CM Settlement Body within 15 Working Days of receipt of the notice pursuant to Rule 13.3.6(b) written representations setting out the reasons why the Capacity Provider believes that a Metering Test Certificate should have been issued together with supporting information from an independent metering specialist;
- (b) within 5 Working Days of receiving the submissions referred to in Rule 13.3.9(a), the CM Settlement Body will convene a meeting with the Capacity Provider and the independent meeting specialist to seek a resolution to the dispute;
- (c) if a resolution is agreed pursuant to Rule 13.3.9(b), either the CM Settlement Body will issue a Metering Test Certificate or Rule 13.3.8 will apply as applicable;
- (d) if no resolution is agreed pursuant to Rule 13.3.9(b), the dispute shall be submitted to an expert for determination in accordance with the Expert Determination Procedure; and
- (e) following the determination by the expert in accordance with the Expert Determination Procedure, either the CM Settlement Body will issue a Metering Test Certificate or Rule 13.3.8 will apply as applicable.

13.3.10 The CM Settlement Body shall notify the Delivery Body of the outcome of any Metering Test carried out pursuant to this Rule 13.3.

13.4 Demonstrating satisfactory performance

13.4.1 If a Capacity Committed CMU has not demonstrated to the Delivery Body (in accordance with Rule 13.4.2 or Rule 13.4.3 as applicable) capacity at a level equal to or greater than its Capacity Obligation (subject to Rule 9.5.1) for at least one Settlement Period (which Settlement Periods may fall within

a System Stress Event) on three separate days (each a “**Satisfactory Performance Day**”) during the Winter of the relevant Delivery Year:

- (a) the Capacity Committed CMU must demonstrate three additional Satisfactory Performance Days after 1 May in that Delivery Year or at any time in any subsequent Delivery Year;
- (b) the Capacity Committed CMU’s entitlement to Capacity Payments will be suspended in accordance with the Regulations from 1 May in that Delivery Year until the day on which the third Satisfactory Performance Day is demonstrated pursuant to Rule 13.4.1(a) above; and
- (c) if the Capacity Committed CMU fails to satisfy the requirements of Rule 13.4.1(a) by the end of the relevant Delivery Year then, without prejudice to the ongoing suspension of Capacity Payment pursuant to Rule 13.4.1(b), the Capacity Provider with respect to such Capacity Committed CMU must repay all Capacity Payments received (net of any Settlement Period Penalties paid) in that Delivery Year in accordance with the Regulations.

13.4.2 The Capacity Provider of a Generating CMU must notify the Delivery Body of the occurrence of the requisite number of Satisfactory Performance Days by the end of Winter.

13.4.3 The Capacity Provider of a DSR CMU must:

- (a) notify the Delivery Body of at least three and no more than six separate days within the relevant period which it expects to be Satisfactory Performance Days;
- (b) in relation to a day which it expects to be a Satisfactory Performance Day, notify the Delivery Body of the relevant Settlement Period, any such notice to be issued:
 - (i) between the hours of 9am and 4pm on a Working Day; and
 - (ii) no less than 6 hours in advance of the relevant Settlement Period;
- (c) following such notice, the Delivery Body must notify the Capacity Provider of a fixed value of DSR Volume to be achieved by the DSR CMU during the relevant Settlement Period (the “**Target DSR Volume**”) no later than four hours prior to such Settlement Period; and
- (d) if the DSR Volume of the DSR CMU during that Settlement Period is equal to or greater than the Target DSR Volume, the Capacity Provider must notify the Delivery Body of the occurrence of a Satisfactory Performance Day within 5 Working Days of its occurrence (failing which it must notify a further day which it expects to be a Satisfactory Performance Day),

provided that a Capacity Provider of a DSR CMU may also notify the Delivery Body of the occurrence of a Satisfactory Performance Day within five Working Days after its occurrence where such Satisfactory

Performance Day occurs as a consequence of the DSR CMU achieving a DSR Volume equal to or greater than ALFCO_{ij} for that DSR CMU in a Settlement Period in response to a System Stress Event or a request for balancing services.

- 13.4.4 The Delivery Body must notify the Capacity Provider if it is aware that any Satisfactory Performance Day notified in accordance with Rules 13.4.2 or 13.4.3 is not a Satisfactory Performance Day properly notified in accordance with this Rule 13.
- 13.4.5 Any Satisfactory Performance Day demonstrated on a Winter day during a Delivery Year may be counted towards the obligation in Rule 13.4.1 with respect to that Delivery Year and towards the obligation in Rule 13.4.1(a) with respect to a previous Delivery Year.
- 13.4.6 If, in two or more months in which System Stress Events occur in a Delivery Year, a Capacity Committed CMU fails to achieve a calculation of E_{ij} in relation to at least one System Stress Event in each such month of 1kWh, then:
- (a) each obligation pursuant to Rule 13.4.1 that requires the demonstration of three Satisfactory Performance Days during a period must be amended to require demonstration of six Satisfactory Performance Days in the same such period; and
 - (b) in relation to a DSR CMU, the obligation pursuant to Rule 13.4.3(a) must be amended to require the notification of at least six and no more than nine separate days during the relevant period which the relevant Capacity Provider expects to be Satisfactory Performance Days.
- 13.4.7 The Delivery Body must notify the CM Settlement Body of:
- (a) any failure by a Capacity Committed CMU to demonstrate three Satisfactory Performance Days during Winter pursuant to Rule 13.4.1;
 - (b) any failure by a Capacity Committed CMU to satisfy its obligations (where applicable) pursuant to Rule 13.4.1(a) by the end of the relevant Delivery Year; and
 - (c) the date on which a Capacity Committed CMU satisfies its obligations pursuant to Rule 13.4.1(a).

CHAPTER 14: DATA PROVISION

14. Data provision

14.1 Purpose of this Chapter

These Rules govern the requirements for the provision of data to the CM Settlement Body.

14.2 General

14.2.1 The requirements to provide data set out in Rules 14.3 to 14.5 apply as follows:

- (a) all requirements, except for the requirement in Rule 14.3.1(b), apply in respect of each Delivery Year; and
- (b) the requirement in Rule 14.3.1(b) applies from the date on which these Rules come into force.

14.2.2 A person (“P”) who is required to provide data to the CM Settlement Body under this Chapter must comply with any directions by the CM Settlement Body as to the format in which the data is to be provided.

14.2.3 Where P:

- (a) has provided data in respect of a matter under this Chapter and revised data becomes available to P in respect of that matter; or
- (b) has not provided data by the date required by this Chapter but is able to provide the missing data after that date,

subject to Rule 14.2.4, P must provide the revised or missing data to the CM Settlement Body as soon as reasonably practicable.

14.2.4 P is not required to provide any revised or missing data to the CM Settlement Body after the expiry of 28 months from the date on which data in respect of that matter was first required (other than under Rule 14.2.3) to be provided under this Chapter.

14.2.5 Where this Chapter requires P to provide any data to the CM Settlement Body:

- (a) the CM Settlement Body may direct P to provide that data to a settlement services provider, either instead of or in addition to providing it to the CM Settlement Body;
- (b) P must comply with the direction; and
- (c) if P does so, P is to be treated as having complied with the requirements of this Chapter.

14.2.6 In Rule 14.2.5, “settlement services provider” means a person providing services to the CM Settlement Body in connection with the performance of its functions under the Regulations or these Rules.

14.3 BSCCo: Data provision

14.3.1 The BSCCo must provide to the CM Settlement Body:

- (a) the data described in Rule 14.3.2 for each Capacity Committed CMU which is a Generating CMU comprised of BM Units, in respect of:
 - (i) each Settlement Period in which a System Stress Event occurs; and
 - (ii) any other Settlement Periods for which the CM Settlement Body requests the data; and
- (b) in respect of each Settlement Period, the BM Unit Metered Volume for each Capacity Committed CMU which is a Generating CMU comprised of BM Units.

14.3.2 The data referred to in Rule 14.3.1 means:

- (a) the following as defined in the BSC:
 - (i) BM Unit Applicable Balancing Services Volume;
 - (ii) Period Accepted Bid Volumes;
 - (iii) Period Accepted Offer Volumes; and
- (b) the following as defined in Rule 8.5.2(a):
 - (i) MEL_{ij} ;
 - (ii) QME_{ij} .

14.3.3 BSCCo must provide the data to which Rule 14.3.1 applies;

- (a) by no later than 9 Working Days after the end of the month in which the Settlement Period occurs; and
- (b) where, after the provision of the data under Rule 14.3.3(a), BSCCo revises that data, as soon as practicable after the revision.

14.4 System Operator and Delivery Body: Data provision

14.4.1 The System Operator must notify the CM Settlement Body and the Delivery Body after it:

- (a) gives a Demand Reduction Instruction to one or more DNOs; or
- (b) becomes aware that an Automatic Low Frequency Demand Disconnection has taken place.

14.4.2 The System Operator must provide to the CM Settlement Body in respect of each Settlement Period in which a System Stress Event occurs, for each Capacity Committed CMU which is a Generating CMU not comprised of BM Units:

- (a) whether the CMU was providing a Relevant Balancing Service in that Settlement Period and, if so, which Relevant Balancing Service;
- (b) values for “Declared_Availability” and “Contracted_Output” in accordance with Schedule 4; and

- (c) any other values, except those referred to in Rule 14.4.1(a) and Rule 14.4.2(c), required for the calculation of ALFCO for that CMU.
- 14.4.3 The Delivery Body must provide to the CM Settlement Body the following data:
- (a) the times (if any) given by the Delivery Body of the:
 - (i) issue and expiry of a Capacity Market Warning;
 - (ii) commencement and completion of a System Stress Event;
 - (b) the bank account details of a Capacity Provider provided under Rule 3.4.1(d) or Rule 7.5.2;
 - (c) each of the values of ILRj, RfR and SCOj required for the calculation of ALFCO;
 - (d) the identity of any Capacity Provider who is:
 - (i) ineligible to receive a capacity payment (in whole or part) by reason of the termination of their Capacity Agreement or suspension of Capacity Payments in accordance with the provisions of these Rules; or
 - (ii) liable to have Applicant Credit Cover drawn down (in whole or part) under Regulation 59;
 - (e) details of any notice given by the Delivery Body to an Applicant that Applicant Credit Cover must be lodged with the CM Settlement Body;
 - (f) details of any Termination Notice given by the Delivery Body to a Capacity Provider, including whether a Termination Fee is payable; and
 - (g) notice of any event entitling the Capacity Provider to the release of Applicant Credit Cover.
- 14.4.4 The details provided under Rule 14.4.3(e) or (f) must include, in particular:
- (a) the amount of the payment or credit required;
 - (b) the date on or by which it is due; and
 - (c) identification of the CMU to which the requirement relates.
- 14.4.5 The data described in Rules 14.4.1, 14.4.2 and 14.4.3 must be provided as soon as practicable and, in the case of the data described in Rules 14.4.1, 14.4.2 and 14.4.3(a), (c) and (d)(i) no later than 5 Working Days after the end of the month to which the data relates.
- 14.4.6 The System Operator must provide to the CM Settlement Body outturn electrical demand in MWh in respect of each month which is part of the calculation period for calculating the weighting factor for that Delivery Year under paragraph 2 of Schedule 1 of the Regulations.
- 14.4.7 The Delivery Body must by the date 5 Working Days after the end of Winter in a Delivery Year give a notice to the CM Settlement Body (a "payment

suspension notice”) in respect of a Capacity Committed CMU if satisfactory performance days have not been demonstrated for the CMU as required by these Rules.

14.4.8 Where the Delivery Body has given a payment suspension notice in respect of a Capacity Committed CMU, it must give a further notice to the CM Settlement Body (a “payment resumption notice”) if Additional Satisfactory Performance Days are subsequently demonstrated for the CMU as required by these Rules.

14.4.9 A payment resumption notice must:

- (a) be given within 5 Working Days after the Delivery Body is satisfied that the requirement referred to in Rule 14.4.8 has been met; and
- (b) state the date on which the requirement was complied with.

14.5 Capacity providers: data provision

14.5.1 Rule 14.5.2 applies to a Capacity Provider (“C”) in relation to each Capacity Committed CMU in respect of which C is the Capacity Provider, except for any such CMU which is a Generating CMU comprised of BM Units.

14.5.2 Where this Rule 14.5.2 applies, C must provide to the CM Settlement Body the following data for each Capacity Committed CMU referred to in Rule 14.5.1:

- (a) for each Generating CMU, the metered volume of electricity produced measured in MWh in respect of each Relevant Settlement Period;
- (b) for each DSR CMU, the metered demand value measured in MWh in respect of:
 - (i) each relevant Settlement Period, and the Settlement Period immediately before and immediately after each relevant Settlement Period;
 - (ii) each Settlement Period which is used for baselining or capability testing, and the Settlement Period immediately before and immediately after each such Settlement Period or which is used for de-rating;
 - (iii) such other Settlement Periods as the CM Settlement Body may request.

14.5.3 Rule 14.5.4 applies where:

- (a) a Capacity Provider is a party to the BSC and compliance with that code does not require the Capacity Provider to provide data to BSCCo in relation to the compilation of the data described in Rule 14.3.2 which other Capacity Providers are required to provide (“the missing data”); and
- (b) BSCCo has not provided one or more of the items of data described in Rule 14.3.2.

14.5.4 Where this Rule 14.5.4 applies, the Capacity Provider must provide to the CM Settlement Body data which is equivalent to the missing data.

14.5.5 A Capacity Provider to whom Rule 14.5.2 or Rule 14.5.4 applies must provide the data specified in that Rule:

- (a) as soon as practicable and no later than 9 Working Days after the end of the month in which the Settlement Period occurs; and
- (b) where after the provision of any data under Rule 14.5.5(a) the data is revised, as soon as practicable after the revision.

Amber Rudd

Amber Rudd
Parliamentary Under Secretary of State
Department of Energy and Climate Change

31 July 2014

SCHEDULE 1: TEMPLATE CAPACITY AGREEMENT NOTICE

CAPACITY AGREEMENT NOTICE

This Capacity Agreement Notice is issued pursuant the Capacity Market Rules (the “Rules”). Terms have the meaning prescribed to them in the Rules unless otherwise indicated.

The Registered Holder of the Capacity Agreement to which this Capacity Agreement Notice relates has the rights and obligations of a Capacity Provider pursuant to the Regulations and the Rules.

Neither the registration of a Capacity Committed CMU (or its Capacity Provider) nor the issuance of a Capacity Agreement Notice is intended to create contractual relations and does not give rise to contractual rights for the benefit of a Capacity Provider or any Administrative Party. Where there is an inconsistency between a Capacity Agreement or a Capacity Agreement Notice and the terms of the Capacity Market Register, the terms of the Capacity Market Register prevail.

Part A: Capacity Obligation

Capacity Obligation

In accordance with Rule 8.5, the Registered Holder must deliver electrical energy or reduce demand at the Capacity Committed CMU to which this Capacity Agreement Notice relates in accordance with Rule 8.5.1.

Capacity Payment

The Registered Holder is entitled to a Capacity Payment for the Capacity Committed CMU to which this Capacity Agreement relates in accordance with the Regulations.

Part B: Capacity Agreement Details

(i)	Identification number	
(ii)	Relevant Delivery Year(s)	
(iii)	Auction (T-4 or T-1)	
(iv)	Date of Auction Results Day	
(v)	Adjusted Clearing Price to be used to determine Capacity Payment	
(vi)	the Auction Acquired Capacity Obligation	
(vii)	Base period for indexation (if applicable)	
(viii)	Date(s) of amendment to or transfer of Capacity Agreement (if any) and details	

Part C: Capacity Provider Details

(i)	Registered Holder	
(ii)	Corporate registration number (if applicable)	
(iii)	Registered address	
(iv)	Name and contact details of authorised contact person or any Agent appointed	
(v)	Bank account details for payment of Capacity Payments/Over-delivery Payments	
(vi)	Names of previous Registered Holders, if any, and dates of transfer	

Part D: CMU Details

(i)	Description and location of Generating Unit(s) and/or DSR CMU Component(s)	
(ii)	Meter Point Administration Numbers for relevant Meter(s) or details of metering and communications arrangements	
(iii)	BM Unit ID (if applicable)	
(iv)	Type of CMU (Transmission, CMRS Distribution, Non-CMRS Distribution or DSR)	
(v)	Classification <i>(for Generating CMUs only – Existing, Prospective and, if applicable Refurbishing)</i>	
(vi)	Construction Milestone Dates <i>(for Prospective Generating CMUs only)</i>	
(vii)	Longstop Date <i>(for Prospective Generating CMUs only)</i>	

(viii)	De-rated Capacity	
(ix)	Applicable Termination Fees	
(x)	Applicable annual liability cap	
(xi)	Applicable monthly liability cap	

Part F: Transferability

The Capacity Agreement to which this Capacity Agreement Notice relates may be amended, transferred or terminated only in accordance with the Regulations and the Rules.

SCHEDULE 2: BASELINE METHODOLOGY

1 Purpose of the methodology

- 1.1 The purpose of this methodology is to establish the baseline Demand (in MW) for a DSR CMU Component. This baseline can be compared against actual demand during a System Stress Event in order to determine the volume of capacity generated through DSR at that DSR CMU Component.
- 1.2 The baseline Demand will be determined for each Settlement Period based on the relevant data points for that Settlement Period.

2 Relevant baseline data points

- 2.1 The relevant data points for determining the baseline Demand for a DSR CMU Component with respect to a Settlement Period must be the Demand at that DSR CMU Component in the equivalent Settlement Period:

- 2.1.1 in the same day of the week for each of the last 6 weeks (provided that where the Settlement Period for which the baseline is being calculated is on a Working Day and the same day of the week in the last 6 weeks is a non-Working Day that these equivalent Settlement Periods are disregarded); and

- 2.1.2 where the Settlement Period for which the baseline is being calculated is on a Working Day, on the last 10 Working Days; and

- 2.1.3 where Settlement Period for which the baseline is being calculated is not on a Working Day, on the last ten days that are not a Working Day,

as evidenced to the CM Settlement Body and ignoring:

- 2.1.4 any such equivalent Settlement Period for which there is no data available; and

- 2.1.5 any such Settlement Period which falls while a Capacity Market Warning is in force;

(each such data point in a Settlement Period being a “**Demand Sample**”).

3 Baseline calculation

- 3.1 Each Demand Sample must be amended by:

- 3.1.1 adding any energy being provided by the reduction of consumption or increase in generation; and

- 3.1.2 subtracting any energy being consumed or generation not being provided,

in each case for the purposes of a balancing service defined as such pursuant to Standard Condition C16 of the Transmission Licence and provided by the DSR CMU Component during the Settlement Period to which it relates (each an “**Adjusted Demand Sample**”).

- 3.2 The mean average of the Adjusted Demand Samples for a DSR CMU Component in a Settlement Period will be the Provisional Baseline Demand for that DSR CMU Component during that Settlement Period.

- 3.3 In the event of a Capacity Market Warning, the Provisional Baseline Demand for a DSR CMU Component must be determined for each of the 6 Settlement Periods prior to the Settlement Period in which the Capacity Market Warning is issued and compared to the actual Demand of such DSR CMU Component in each such Settlement Period with excess

actual Demand over Provisional Baseline Demand being expressed as a positive number and excess Provisional Baseline Demand over actual Demand being expressed as a negative number (each such comparison determination being a “**Pre-CMW Adjustment**”).

- 3.4 The Baseline Demand for a DSR CMU Component during any Settlement Period to which a Capacity Market Warning relates will be the Provisional Baseline Demand for that DSR CMU Component during such Settlement Period adjusted by the average of the Pre-CMW Adjustments relating to that Capacity Market Warning.

4 **Monitoring**

- 4.1 The CM Settlement Body must monitor for any manipulation of Demand at any DSR CMU Component intended to give a false indication of the baseline Demand at such DSR CMU Component (“**Baseline Manipulation**”). Such monitoring may include (without limitation):

- 4.1.1 checking Demand in periods other than the Demand Samples; and

- 4.1.2 examining any data available from meters other than the meter through which DSR with respect to the DSR CMU Component is being measured to determine whether a genuine DSR has been delivered.

- 4.2 If the CM Settlement Body suspects any Baseline Manipulation, it must notify the Authority providing details of its suspicions.

SCHEDULE 3: GENERATING TECHNOLOGY CLASSES

1.1 The Generating Technology Classes for the purposes of these Rules are the classes specified in the first column of the following table. The second column of the table contains further details about plant types included in each such class.

Generating Technology Class	Plant Types Included
Oil-fired steam generators and oil burning reciprocating engines (non-autogeneration)	<ul style="list-style-type: none"> • Conventional steam generators using fuel oil • Oil burning reciprocating engines not used for autogeneration
OCGT and gas burning reciprocating engines (non-autogeneration)	<ul style="list-style-type: none"> • Gas turbines running in open cycle fired mode • Gas burning reciprocating engines not used for autogeneration
Nuclear	<ul style="list-style-type: none"> • Nuclear plants generating electricity
Hydro	<ul style="list-style-type: none"> • Generating Units driven by water, other than such units: <ul style="list-style-type: none"> (a) driven by tidal flows, waves, ocean currents or geothermal sources; or (b) which form part of a Storage Facility
Storage	<ul style="list-style-type: none"> • Conversion of imported electricity into a form of energy which can be stored, the storing the energy which has been so converted and the re-conversion of the stored energy into electrical energy • Includes hydro Generating Units which form part of a Storage Facility (pumped storage hydro stations).
CCGT	<ul style="list-style-type: none"> • Combined Cycle Gas Turbine plants
CHP and autogeneration	<ul style="list-style-type: none"> • Combined Heat and Power plants (large and small-scale) • Autogeneration – including reciprocating engines burning oil or gas
Coal/biomass	<ul style="list-style-type: none"> • Conventional steam generators using coal or biomass

1.2 In the above table:

“autogeneration” means the generation of electricity by a person whose main business is not electricity generation, the electricity being produced mainly for that person’s own use; and

a “reciprocating engine” means an engine in which one or more pistons move up and down in cylinders.

SCHEDULE 4: RELEVANT BALANCING SERVICES

This Schedule 4:

- (a) defines which services are Relevant Balancing Services and thus are eligible for a β adjustment (Part 1); and
- (b) sets out the terms “Declared_Availability” and “Contracted_Output” for a CMU that is not also a BM Unit, depending on which balancing service the CMU is providing (Part 2).

Part 1: Relevant Balancing Services

- (i) A balancing service entered into by National Grid pursuant to the licence condition C16 of its transmission licence must be classified as a “**Relevant Balancing Service**” for the purposes of the Rules if and only if it is included in paragraph (ii) below.
- (ii) Relevant Balancing Services are:
 - “Short Term Operating Reserve”
 - “Fast Reserve”
 - “Firm Frequency Response”
 - “Constraint Management Service”
 - “Frequency Control by Demand Management”

$\beta = 1$ in any Settlement Period where any of the above services are being provided by a CMU.

Part 2: Non-Balancing Mechanism Adjustment Formulae

For the purpose of the formulae in Rule 8.5.2(b) the variables “Declared_Availability_{ij}” and “Contracted_Output_{ij}” will be defined as follows:

Short Term Operating Reserve

<p>“Declared_Availability_{ij}”</p>	<p>“Declared_Availability_{ij}” will be equal to “$0.5 \times CM_{sj} \times FF_{sj} \times FM_{sj}$” in all Settlement Periods j that are in “Contracted Availability Windows”, “Pre-Window Instruction Periods”, “Post-Window Ramping Periods” and (where relevant) “Contracted Optional Windows” where the terms “CM_{sj}”, “FF_{sj}”, “FM_{sj}”, “Contracted Availability Windows”, “Pre-Window Instruction Periods”, “Post-Window Ramping Periods” and “Contracted Optional Windows” are as defined in Annexure 1 to Section 3 of the Short Term Operating Reserve Standard Contract Terms - Issue 8, 23 November 2013; and, STOR Site “s” is equivalent to CM Unit “r”</p>
<p>“Contracted_Output_{ij}”</p>	<p>“Contracted_Output_{ij}” will be equal to “R_{sj}” where “R_{sj}” is as defined in Annexure 1 to Section 3 of the Short Term Operating Reserve Standard Contract Terms - Issue 8, 23 November 2013.</p>

Firm Frequency Response (Non-Dynamic Providers)

<p>“Declared_Availability_{ij}”</p>	<p>“Declared_Availability_{ij}” will be equal to the “Maximum Available Output” or the “Maximum Available Demand” (as applicable) in each case multiplied by 0.5 and as defined in the provider’s Firm Frequency Response Agreement.</p>
<p>“Contracted_Output_{ij}”</p>	<p>“Contracted_Output_{ij}” will be equal to the “Automatic Response Energy Deliverable” for unit “i” in settlement period “j” where such amount is calculated in accordance with the “Firm Frequency Response Standard Contract Terms Issue 5 – 23 December 2011”.</p>

Firm Frequency Response (Dynamic Providers)

The parameters “Declared_Availability_{ij}” and “Contracted_Output_{ij}” will be:

<p>“Declared_Availability_{ij}”</p>	<p>“Declared_Availability_{ij}” will be equal to $\text{Max}(\text{FRP}, \text{FRS}) + \text{FRH}$ Where FRP is equal to the maximum volume of primary response that may be delivered as set out in the relevant “FFR Capability Data Tables” and FRS is equal to the maximum volume of secondary response that may be delivered as set out in the relevant “FFR Capability Data Tables” and FRH is equal to the maximum volume of high frequency response that may be delivered as set out in the relevant “FFR Capability Data Tables”.</p>
<p>“Contracted Output_{ij}”</p>	<p>“Contracted_Output_{ij}” will be equal to $\text{RE}_{ij} - \text{DRE}_{ij}$ where “RE_{ij}” is as defined in the Connection and Use of System Code and “DRE_{ij}” is the response energy actually delivered by the balancing services unit “j” in the relevant settlement period “i”.</p>

SCHEDULE 5: EXPERT DETERMINATION PROCEDURE

1 Purpose of expert determination procedure

If a Capacity Provider does not accept a decision of the CM Settlement Body pursuant to Rule 13.3.6(b) and no resolution is agreed pursuant to Rule 13.3.9(b), the Capacity Provider may submit the dispute to expert determination in accordance with Rule 13.3.9(d) and the procedure set out in this Schedule 5 (the “**Expert Determination Procedure**”).

2 Submission of dispute to expert determination

2.1 In order to submit the dispute to expert determination in accordance with Rule 13.3.9(d), the Capacity Provider must give a notice (an “**Expert Determination Notice**”) to the CM Settlement Body, no later than 10 Working Days after the meeting held under Rule 13.3.9(b), which includes:

2.1.1 a statement that the Capacity Provider considers that the dispute should be referred for expert determination in accordance with Rule 13.3.9(d) and the Expert Determination Procedure;

2.1.2 a description of the subject matter of the dispute and the issues to be resolved;

2.1.3 where the Capacity Provider considers it appropriate, copies of any supporting information on which the Capacity Provider intends to rely; and

2.1.4 a proposal as to the identity, and terms of reference, of the person to be appointed in accordance with the Expert Determination Procedure to determine the dispute (“**Expert**”) and the relevant expertise that the Capacity Provider considers qualifies the Expert to determine the relevant matter.

2.2 Any Expert appointed to determine a dispute in accordance with this procedure shall be required to have an appropriate level of experience in relation to matters of the same general description as the matter in dispute.

2.3 The CM Settlement Body must, within 10 Working Days of service of the Expert Determination Notice, give notice to the Capacity Provider which specifies whether or not the CM Settlement Body accepts:

2.3.1 the Expert proposed by the Capacity Provider (and, if the CM Settlement Body does not accept the Expert proposed by the Capacity Provider, it shall specify an alternative Expert for consideration by the Capacity Provider); and

2.3.2 the terms of reference for the Expert proposed by the Capacity Provider (and, if the CM Settlement Body does not accept the terms of reference for the Expert proposed by the Capacity Provider, it shall propose alternative terms of reference for the Expert for consideration by the Capacity Provider).

3 Appointment of Expert

3.1 If the Capacity Provider and CM Settlement Body fail to agree on the identity of the Expert within 20 Working Days of the date of service of the Expert Determination Notice, either the Capacity Provider or the CM Settlement Body may request that the Expert be nominated by the London Court of International Arbitration (“**LCIA**”), which shall be requested to choose a suitably qualified and experienced Expert for the dispute in question. The LCIA’s nomination shall, subject to paragraph 3.2.1(i), be binding on the Capacity Provider and CM Settlement Body.

3.2 The Capacity Provider and the CM Settlement Body must:

3.2.1 use reasonable endeavours to procure that within 10 Working Days of them agreeing the identity of the Expert to be appointed (or the LCIA having nominated an Expert in accordance with paragraph 3.1):

- (i) the Expert confirms in writing to the Capacity Provider and CM Settlement Body that:
 - (a) he is willing and available to act in relation to the dispute; and
 - (b) he has no conflict of interest which prevents him from determining the dispute;
- (ii) (subject to the confirmation referred to in paragraph (i) having been given) the terms of appointment and the terms of reference of the Expert are agreed between the Capacity Provider, CM Settlement Body and the Expert (and an appointment letter entered into among them), such terms:
 - (a) to include an undertaking that the Expert shall not disclose to any person any supporting information disclosed or delivered by the Capacity Provider or CM Settlement Body to the Expert in consequence of, or in respect of, his appointment as the Expert; and
 - (b) to exempt the Expert (and any employee, agent or adviser of or to the Expert) from liability for anything done or omitted in the discharge or purported discharge of the Expert's functions, unless such act or omission is fraudulent or in bad faith;

3.2.2 instruct the Expert:

- (i) to act fairly and impartially;
- (ii) to take the initiative in ascertaining the facts and the law, including by:
 - (a) considering any supporting information submitted to him by the Capacity Provider or CM Settlement Body;
 - (b) instructing an expert and/or taking Counsel's opinion as to any matter raised in connection with the dispute, provided that the Expert shall not be entitled to delegate any decision to such expert or Counsel;
 - (c) requiring the Capacity Provider and CM Settlement Body to produce any supporting information (excluding any of the foregoing which would be privileged from production in court proceedings); and
- (iii) if requested by either the Capacity Provider or the CM Settlement Body in writing, to provide reasons for his decision, which shall be communicated to the Capacity Provider and CM Settlement Body;

3.2.3 afford the Expert the discretion to establish the procedure (including the timetable) for the determination of the dispute, it being agreed by the Capacity Provider and CM Settlement Body that:

- (i) the Expert shall be requested to confirm to the Capacity Provider and CM Settlement Body the proposed procedure for the relevant dispute as soon

as reasonably practicable after the appointment of the Expert and, in any event, within 10 Working Days of such appointment and, in so doing, the Capacity Provider and CM Settlement Body agree that:

- (a) the Expert shall be requested to afford the Capacity Provider and CM Settlement Body the opportunity to address him in a meeting at which both the Capacity Provider and CM Settlement Body shall have the right to be present, where either the Capacity Provider or CM Settlement Body requests such a meeting in writing or the Expert otherwise considers it to be necessary or desirable to reach a determination in respect of the relevant dispute, with the format and procedure applicable to any such meeting being a matter for the Expert to decide in his sole and absolute discretion; and
 - (b) the Expert may (without limitation) modify the time periods provided for in paragraph 3.3 and otherwise modify the procedure contemplated by that paragraph;
- (ii) all submissions made to the Expert (including all supporting information provided to him) shall, contemporaneously with such submissions being made to the Expert, be provided to the Capacity Provider or the CM Settlement Body, as applicable; and
 - (iii) the Capacity Provider and CM Settlement Body shall (without prejudice to paragraph 3.2.3(i) request the Expert to determine the dispute within the earlier of:
 - (a) 30 Working Days following the date on which a reply to the First Submission has been provided by each of the Capacity Provider or the CM Settlement Body; and
 - (b) 60 Working Days after the deadline specified in paragraph 3.3.2 for the First Submission; and
- 3.2.4 afford the Expert all supporting information and assistance which the Expert requires to determine the dispute (and, if either the Capacity Provider or the CM Settlement Body fails to produce any such supporting information or assistance, the Expert may continue the determination process without that supporting information or assistance).

3.3 Subject to paragraph 3.2.3:

- 3.3.1 the Capacity Provider shall provide the Expert with a copy of the Expert Determination Notice no later than 10 Working Days after the appointment of the Expert;
- 3.3.2 each of the Capacity Provider or the CM Settlement Body may, but is not obliged to, provide a written statement of its case, together with any supporting information, to the Expert (the "**First Submission**") within 20 Working Days of the Expert receiving the Expert Determination Notice and, without limitation, the First Submission may cover any of the matters required to be contained in the Expert Determination Notice pursuant to paragraphs 2.1.2 to 2.1.4 (inclusive) and a copy of such First Submission shall be provided to the other at the same time as it is provided to the Expert; and

- 3.3.3** each of the Capacity Provider or the CM Settlement Body may submit a reply, together with any supporting information, to the other's First Submission within 30 Working Days of receipt of the First Submission.
- 3.4** The Arbitration Act 1996 and the law relating to arbitrators and arbitrations shall not apply to the Expert or his determination or the procedure by which he reaches his determination.
- 3.5** If the Expert is at any time unable or unwilling to act, either the Capacity Provider or the CM Settlement Body may proceed to seek the appointment of a replacement Expert as if the Expert Determination Notice had just been served. The provisions of the Expert Determination Procedure shall apply, mutatis mutandis, to any replacement Expert and the replacement Expert shall be authorised to determine any dispute which was submitted to his predecessor but which his predecessor had not determined at the time when his predecessor became unable or unwilling to act.
- 3.6** The Expert's determination shall be final and binding upon the Capacity Provider and CM Settlement Body, except in the event of fraud or manifest error.
- 3.7** The Expert may, in his determination, provide that one or other or both of the Capacity Provider and CM Settlement Body pay the Expert's fees and expenses and each other's costs (including the fees and expenses of external advisers and consultants) in such proportions as he may specify on the general principle that the allocation of costs should reflect the relative success of the Capacity Provider and CM Settlement Body and failure in the Expert Determination Procedure. Without such a direction, each of the Capacity Provider and CM Settlement Body shall bear its own costs and the fees and expenses of the Expert shall be paid in equal shares by the Capacity Provider and CM Settlement Body.

EXHIBIT A: FORM OF PREQUALIFICATION CERTIFICATE

[NAME OF APPLICANT]

(Incorporated in England and Wales or Scotland under Registered No. [●])
[ADDRESS OF REGISTERED OFFICE]

Prequalification Certificate

We, being directors of [APPLICANT] (the “**Company**”), HEREBY CERTIFY as at the date of this certificate that, having made due and careful enquiry and to the best of our knowledge, information and belief:

- (a) there is no ground on which the Company could be found to be Insolvent, taking into account all of the Company’s liabilities (including any contingent or prospective liabilities);
- (b) there is no ground for concluding that the Company will become Insolvent as a result of entering into a Capacity Agreement;
- (c) the Company is seeking to enter into a Capacity Agreement in good faith, for the purposes of carrying on its business;
- (d) there are reasonable grounds for believing that a Capacity Agreement would benefit the Company; and
- (e) [the Company can correctly make those of the declarations in Rules 3.4 to 3.11 of the Capacity Market Rules as may be applicable]/[the Company can correctly make the declarations in Rule 3.4.9].¹

Capitalised terms in this certificate have the meaning given to them in the Capacity Market Rules 2014 unless otherwise indicated.

DATED: [●]

Signed

.....
Director

.....
Director

Print Name:

Print Name:

¹ Delete as applicable. The second alternative must be used by an entity submitting a Prequalification Certificate in accordance with Rule 9.2.8(a). Otherwise, the first option must be used.

EXHIBIT B: FORM OF PRICE-MAKER CERTIFICATE

[NAME OF APPLICANT]

(Incorporated in England and Wales or Scotland under Registered No. [●])
[ADDRESS OF REGISTERED OFFICE]

Price-Maker Certificate

We, being directors of [APPLICANT] (the “**Company**”), HEREBY CERTIFY as at the date of this certificate that, having made due and careful enquiry and to the best of our knowledge, information and belief:

- (a) the Company has applied for Prequalification in a Capacity Auction in accordance with the Capacity Market Rules with respect to the following Existing Generating CMU:
- (b) *[Insert details of the relevant CMU as per the application information submitted pursuant to Rule 3.4.3]* (the “**Relevant CMU**”);
- (c) the Company has received notice from the Delivery Body that the Relevant CMU has Prequalified for the purposes of the Capacity Market Rules;
- (d) the Company’s forecast economics are such that for the Relevant CMU to continue in economic operation into the Delivery Year will require the Company to secure a Capacity Agreement in the Capacity Auction with respect to the Relevant CMU at a Clearing Price which is above the Price-Taker Threshold; and
- (e) the Company’s estimated net going forward costs with respect to the Relevant CMU (being the Company’s total revenue requirement with respect to the Relevant CMU less risk-adjusted market value from sales of energy and ancillary services with respect to the Relevant CMU) exceed the Price-Taker Threshold.

The Company accordingly wishes to be a Price-Maker with respect to the Relevant CMU and has prepared a Price-Maker Memorandum which supports the statements in this certificate and lodged such Price-Maker Memorandum with the Authority.

Capitalised terms in this certificate have the meaning given to them in the Capacity Market Rules 2014 unless otherwise indicated.

DATED: [●]

Signed

.....
Director

.....
Director

Print Name:

Print Name:

EXHIBIT C: FORM OF CERTIFICATE OF CONDUCT

[NAME]

(Incorporated in England and Wales or Scotland under Registered No. [●])
[ADDRESS OF REGISTERED OFFICE]

Certificate of Conduct

We, being directors of [name] (the “**Company**”), HEREBY CERTIFY as at the date of this certificate that, having made due and careful enquiry and to the best of our knowledge, information and belief:

- (a) the Company has complied with all laws intended to prohibit or restrict anti-competitive practices relevant to its Application or proposed participation in a Capacity Auction;
- (b) neither the Company nor any other Applicant-related Party (if any) has engaged in any Market Manipulation;
- (c) neither the Company nor any other Applicant-related Party (if any) has done anything which would constitute a breach of the Bribery Act 2010 as amended from time to time with a view to influencing the outcome of a Capacity Auction;
- (d) neither the Company nor any other Applicant-related Party (if any) has offered to pay or give any sum of money, inducement or valuable consideration directly or indirectly to any officer of an Administrative Party; and
- (e) neither the Company nor any member of the Company’s Group nor any person to whom Capacity Market Confidential Information has been disclosed, has disclosed Capacity Market Confidential Information, whether directly or indirectly, to another person (including advisors and providers of finance) except where the disclosure was:
 - (i) to the Delivery Body; or
 - (ii) to a member of that Applicant’s Group; or
 - (iii) to its Agent provided that such Agent is not also the Agent of another Applicant (unless the other Applicant is a member of the Applicant’s Group); or
 - (iv) where the Applicant is not the legal owner of the CMU to which the Application relates, to the legal owner of the CMU;
 - (v) to any potential purchaser of the CMU;
 - (vi) where the Applicant is the legal owner of the CMU, to any third party having Despatch Control with respect to that CMU or any potential ;
 - (vii) where the CMU Is a Prospective Generating CMU, to any provider of finance with respect to that CMU;
 - (viii) shareholder in the Applicant;
 - (ix) to the Applicant’s professional advisors; or
 - (x) in respect of information that was already public.

Capitalised terms in this certificate have the meaning given to them in the Capacity Market Rules 2014 unless otherwise indicated.

DATED: [●]

Signed

.....
Director

.....
Director

Print Name:

Print Name:

EXHIBIT D: FORM OF APPLICANT DECLARATION

Applicant Declaration

The following confirmations and declarations are made jointly by *[Party A]* (the “**Legal Owner**”) and *[Party B]* (the “**Despatch Controller**” and, together with the Legal Owner, the “**Relevant Parties**”) with respect to the following Generating CMU:

[Description of CMU to be inserted],

(the “**Relevant CMU**”) and in relation to the Application to which this declaration relates (the “**Relevant Application**”).

- (a) Each of the Relevant Parties hereby confirms that:
 - (i) the Legal Owner is the legal owner of each Generating Unit comprised in the Relevant CMU; and
 - (ii) the Despatch Controller has Despatch Control with respect to each Generating Unit comprised in the Relevant CMU.
- (b) Each of the Relevant Parties hereby declares that:
 - (i) the Despatch Controller is the Applicant for the Relevant CMU in relation to the Relevant Application;
 - (ii) in the event that the Relevant CMU becomes a Prequalified CMU for the Capacity Auction to which the Relevant Application relates, the Despatch Controller will be the Bidder for the Relevant CMU in that Capacity Auction; and
 - (iii) in the event that the Relevant CMU becomes a Capacity Committed CMU pursuant to the Capacity Auction to which the Relevant Application relates, the Despatch Controller will be the Capacity Provider for the Relevant CMU.

Capitalised terms in used herein have the meaning given to them in the Capacity Market Rules 2014 unless otherwise indicated.

DATED: [●]

Signed for and on behalf of the Legal Owner

.....
Director

.....
Director

Print Name:

Print Name:

Signed for and on behalf of the Despatch Controller

.....
Director

.....
Director

Print Name:

Print Name:

EXHIBIT E: FORM OF AGENT NOMINATION FORM

1	Applicant Details	
1.1	Applicant:	
1.2	Address:	
1.3	Telephone number:	
1.4	Email:	
1.5	CMUs to which Agent Nomination Form relates:	
1.6	Matters for which the Agent is appointed:	<p><i>[Delete as appropriate]</i></p> <p>Applications</p> <p>Bidding</p> <p>Receiving / sending correspondence and notices to / from Administrative Parties</p> <p>Obligation Trading</p> <p>Volume Reallocation</p>
2	Agent Details	
2.1	Agent:	
2.2	Address:	
2.3	Telephone number:	
2.4	Email:	
3	Appointment of Agent	
3.1	<p>[Names of Applicant] (the “Applicant”) hereby gives notice that:</p> <ul style="list-style-type: none"> • it appoints [Name of Agent] (the “Agent”) to act as its Agent in relation to all matters set out in 1.6 above; • it acknowledges and agrees that the Administrative Parties can rely on representations made by the Agent; • it acknowledges and agrees that it is bound by the Agent’s acts and omissions; • it is responsible for every act, breach, omission, neglect and failure of the Agent (in relation to the Applicant) and must itself comply and must procure compliance by the Agent, with the relevant provisions of the Rules; and • it will take such actions and provide such information as is reasonably necessary to enable the Agent for which it is responsible to discharge its functions in accordance with the relevant provisions of the Rules. 	

3.2	Date from which appointment is to be effective:	
4	Termination of appointment of Agent	
4.1	Date from which termination is to be effective:	
4.2	Resignation of Agent	
4.3	Date from which resignation is to be effective:	

Authorised Signature of Applicant:	
Authorised Signature of Agent:	