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Sent by email to: EMR_CMRules@ofgem.gov.uk

Dear Harry and Mark

Consultation on Capacity Market Rules change proposals

We welcome Ofgem's proposals, which we believe in general will reduce burden in the Capacity Market.

It is welcome that Ofgem has considered and addressed the additional challenges for participation where the applicant is not the legal owner of the asset.

We support the concept of evergreen prequalification. Annual signatures for exhibits at prequalification are very challenging for applicants to obtain where they are not the legal owner of the asset.

We welcome that Ofgem is removing many of the Independent Technical Expert (ITE) reports from the Capacity Market process. ITE reports incur a cost, especially for smaller assets, and we have not demonstrably seen the value of these reports for capacity providers or the Delivery Body.

We believe it is the right decision that Ofgem will not be progressing with introducing limits or de-rating factors for assets connected on the distribution network with non-firm connection agreements. We agree it would be complex to implement. Fundamentally we opposed the proposals, as introducing such amendments would introduce distortion compared to transmission-connected generation.

Ofgem should promptly commence its work on secondary trading. Improving this area of the Capacity Market would greatly improve the operation of the mechanism and should better ensure security of supply.

Yours sincerely

Jack Presley Abbott
Centrica Regulatory Affairs, UK & Ireland

Appendix – responses to consultation questions

Question 1: Do you agree with our suggestion to allow changes to a Generating CMUs configuration between Prequalification and delivery? Do you think that a similar amount of flexibility should be provided to Generating CMUs during Delivery Years?

Yes, the configuration of Generation CMU should be allowed to be changed after prequalification. This should also be allowed during the Delivery Year. This will introduce welcome flexibility for capacity providers while still ensuring security of supply will be maintained.

We support the proposed areas that Ofgem will allow to be changed. The onus is on the applicant to ensure that it continues to meet its entire obligated capacity. The applicant should not receive additional remuneration if the new configuration takes the de-rated capacity to a higher level than the obligated capacity.

Question 2: Do you have any views on the suggested level of assurance that should be necessary for CMUs who would undergo changes of components?

We believe that the CMU will have to complete some form of prequalification process. We believe that the proposed assurances will ensure this. Assurances should broadly mirror the secondary trading requirements.

Question 3: Are you aware of any unintended consequences introduced by our proposals on Rule 4.4.4, including any other Rules which may need amendment to avoid conflict?

Satisfactory Performance Day (SPD) requirements need to be considered if a component is changed within the Delivery Year. We support Ofgem's suggestion that the SPDs would need to be completed with the new configuration. These should be aligned for assets that accept a secondary trade within Delivery Year.

Ofgem will need to consider the Metering Test Certificate for component changes within Delivery Year. The Certificate is at CMU level; therefore a component change would invalidate the meter test certificate. We would suggest that the rules are amended such that meter test certificates are issued at a component level. This will introduce flexibility for this process to work effectively.

Question 4: Should there be a limit of the number of times a CMU undergoes a change of component(s), and the number of components that can be changed? If so, how many and why?

In principle, there should not be a limit. However, there is currently a restriction for component changes in DSR CMUs. These should be aligned.

Question 5: Should there be a point in the lead up to delivery, after which changes in components should not be permitted? If so, when and why?

No, it should be possible to change components within delivery year as is permitted for DSR.

Question 6: Are you aware of any Rules which may need to be changed to ensure that the principle of 'evergreen' Prequalification can be implemented?

No.

Question 7: Is there any information provided during Prequalification which would prevent this from being an effective change?

For CMUs that use the historic performance data to determine its de-rated capacity, Ofgem needs to consider how the evergreen prequalification will work. Over time, this data will become out of date. Ofgem needs to ensure that a rejection cannot occur in this scenario; updating the data must be as simple as possible.

Question 8: Do you have any feedback on the proposal to look at reforming the method by which exhibits are submitted and signed?

Providing annual exhibits is time-consuming and challenging for applicants using customer assets, i.e. when the applicant does not own the asset. We support that exhibits should only be required by difference only and are not year specific.

Ofgem should consider how exhibits should be provided where a legal owner signature is required, but they are not the applicant. It would not be appropriate for a legal owner to be required to access the portal (which they are likely to have never used) to provide exhibits and signatures; owners of assets choose to go with third parties like Centrica as operators of the assets to avoid administrative burden.

The portal should replace the exhibit tool generator to remove administrative burden and improve efficiency in producing the exhibits. It would be a simple system change to capture legal owner and despatch controller company static data in the portal to automatically create the exhibits.

We welcome the confirmation that electronic signatures are accepted.

Question 9: Do you know of a reason to maintain the requirement to provide Exhibits annually?

We strongly believe that there is no reason to provide annual exhibits. This is one of the biggest challenges for us to retain customers, where Centrica is the applicant as dispatch controller.

Our experience is that obtaining the exhibits for previously qualified assets where there are no changes is a challenge and difficult to justify to customers, especially as Directors' signatures are needed. We believe that Ofgem should accept signatures from people in the company which have delegated authority, rather than requiring it to be Directors' signature.

We do agree that an updated exhibit should be required where there is a material change.

Question 10: Do you agree with our proposal to remove the Previous Settlement Period Performance requirement in cases where Applicants are prequalifying a CMUs, which has previously delivered upon its Capacity Market Agreement obligations in the previous two Delivery Years?

We agree with the proposal to allow Prequalification based on previous Satisfactory Performance Day (SPDs). However, this should be an additional option to the current options, rather than replacing options. There may be a need for a CMU to seek a lower obligation than in prior years, for example if there are technical restrictions.

We do not agree with the need to have delivered Capacity Market Agreement obligations over the previous two Delivery Years. We believe that demonstrating this delivery in one of the previous two years is sufficient. This would align with the prequalification requirement (Rule 3.6.1) to deliver three periods in the 24 months prior to the end of the Prequalification Window.

Question 11: Do you see any unintended consequences related to delivery assurance associated with our proposal?

No, not if the Applicant still retains the ability to Prequalify with new historic performance.

Question 12: Should the Previous Settlement Period Performance requirement under Rule 3.6A.1 also be removed for Interconnector CMUs?

Interconnectors should be treated in the same manner as other CMU types to ensure a fair and level playing field.

Question 13: Is the proposal outlined in paragraphs 5.12.1 to 5.12.4 appropriate – do you think any amendments should be made?

We support Option 2 and that it is extended to all planning consent routes. It is important that this includes the Local Planning Authority (LPA). There should be clarification within the rules where Local Planning Authority (LPA) and permitted development schemes are used.

Question 14: Do you agree with our proposal to clarify who should make an associated planning declaration when the Despatch Controller and legal owner are separate companies?

We support this proposal and we welcome that Ofgem has addressed the issues that we raised. At present, we are not willing – from a legal perspective – to make the required declarations for projects as required in the Capacity Market, where we are not seeking the planning consents.

Question 15: Do you have any views on our proposal to clarify the Rules when the RPC states the maximum output of the New Build CMU is smaller than the Connection Capacity?

This seems reasonable, as long as the difference between the two values can be justified.

Question 16: Do you have any comments on our proposals to add the information outlined in paragraphs 6.5.1 to 6.5.7, paragraph 6.6, 6.9.4, along with the CP2701 and 271 proposals to the CMR?

We support the proposals.

The Delivery Body should standardise its Capacity Market Registers. We believe the Delivery Body should move away from Excel and move to one database containing all results. Currently there are two registers (T-1 and T-4) per auction year. These all have a different layout, which makes it difficult to build a system to extract the data.

Question 17: Do you have a view on our proposal outlined in paragraph 6.18, to record the new CMR information items additions proposed for capacity providers who hold valid capacity agreements, where the information has already been collected at the time of application?

This appears sensible.

Question 18: Do you agree with our proposal, outlined in paragraph 7.9, to remove progress reports and corresponding ITE assessments for the scenarios detailed, and replace with an alternative reporting milestone?

We support the removal of as many ITE assessments as possible. We find that many ITE reports do not add value, as they do not appear to be used, or encourage action to be taken, by the Delivery Body. Procuring an ITE report is costly, especially for smaller projects.

We accept the need for an alternative reporting milestone, as long as it is not onerous.

Question 19: Do you have any views on the timing of the proposed new reporting milestone?

We welcome that the Electricity System Operator (ESO) will model delays in CMUs meeting the Substantial Completion Milestone and adjust the T-1 capacity appropriately.

However, it is not clear how much clarity a milestone 22 months out will provide to the ESO. This milestone needs to be closer to the T-1 auction to provide accurate data to the ESO.

On a broader point, we encourage Ofgem to look at how non-delivery can be best factored into the T-1 auction.

Question 20: Do you have a view on whether the new reporting milestone should be implemented with a corresponding termination event? Should the proposed reporting milestone have to be validated by an ITE?

It is appropriate to have a corresponding termination event for non-delivery of the milestone. This is due to the importance of this information in determining auction capacity at the T-1 auction.

We strongly believe that a directors' declaration should be required, rather than an ITE validated report.

Question 21: Do you have a view on what information should be included as part of any update given to the Delivery Body in relation to the proposed reporting milestone?

The Delivery Body should identify the information that is key to aid decision-making for this reporting milestone. The information required should be proportionate and should not exceed the current requirements under the construction milestone report.

Question 22: Is the current definition of “material change” clear enough – do you have any suggestions on how it could be amended/clarified?

It is not clear how “material change” is defined. Ofgem needs to clarify this.

Question 23: Should the proposed amendments to reporting requirements be applied to all capacity providers who hold Capacity Agreements that have not expired or been terminated when these Rules changes come into force?

The amendments should apply to all Capacity Agreements that have not expired or been terminated.

Question 24: Do you believe it is appropriate to amend the Rules to mandate the Delivery Body to send a formal notice to an Applicant, as well as an update to the CMR, when their corresponding Prequalification Status changes from ‘Conditionally Prequalified’ to ‘Not Prequalified’?

We do not have a strong view.

Question 25: Are there any other changes that should be proposed relating to the notice(s) issued by the Delivery Body to an Applicant?

The notices issued by the Delivery Body should be much clearer. Presently, emails notifying notices require a number of steps to discover whether the notice is relevant.

Question 26: Do you agree with our proposal to include Category 2 and 4 intertrips as Relevant Balancing Services in Schedule 4?

Yes. This is imposed by the ESO and therefore is not a commercial decision by the capacity provider.

Question 27: Do you believe Category 3 intertrips should be included as a Relevant Balancing Service in Schedule 4?

No. This intertrip services is a commercial agreement between the customer and the ESO. Therefore, this will have been factored into the decision and the bidding strategy for of the capacity provider.

Question 28: Do you think that the Relevant Balancing Services list in Schedule 4 should be updated to include the Trans European Replacement Reserve Exchange?

There needs to be a more robust methodology to ensure that the Relevant Balancing Services is kept up to date.

TERRE should be included as Relevant Balancing Service, however, it looks unlikely that this will go-live in GB in the short-term.

Ofgem should focus on including Optional Downward Flexibility Management and Dynamic Containment in its Relevant Balancing Services.