



## Consultation on Capacity Market Rules change proposals – E.ON response

### Executive Summary

E.ON welcomes Ofgem's Consultation on Capacity Market Rules change proposals and its assessment as to whether the Capacity Market (CM) Rules are meeting their objectives and whether those objectives could be met with less burden.

We fully support the objective of achieving the Rules with less administrative and financial burden on participants as per our previous responses and agree that more could be done to facilitate the efficient operation of the CM, prevent inefficient bidding in the auction and provide security of supply at the lowest price to consumers.

We firmly believe ensuring an efficient operation of the CM is highly dependent on the functionality of the EMR Delivery Portal. An improvement and upgrade of the Portal in line with the updated rules is essential for achieving this aim.

We look forward to participating in the next stages of implementing these changes.

In our response we have highlighted areas that we believe are the highest priority in any improvements made to the EMR Portal, these are:

1. Evergreen prequalification
2. Exhibit submission
3. Removal of settlement period performance
4. Reporting and milestones

***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?***

We support the ability to change the configuration of generating units between Prequalification and the relevant Delivery Year. The current prohibition on making changes to a CMU's configuration has had a particularly severe impact when aggregating small generating units. In the event that a single generating unit becomes unavailable, this can invalidate the whole CMU which we believe is disproportionate.

We don't support the same degree of flexibility during Delivery Years. Updates carried out during delivery need to be subject to more rigorous assurance mechanisms, such as introducing tolerance levels to limit allowable modifications. We support the ability to withdraw or change generating units during Delivery Years where these generating units are below a specified size.

***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?***

Our expectation is that the current assurance requirements would continue to satisfy the objective of ensuring security of supply where changes occur pre-Delivery Year or where these generating units are below a specified size if changes occur during delivery.

***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?***

We believe there might be an increased non-delivery risk if material changes are allowed after the auction. This risk could potentially be mitigated by limiting the scope of permitted changes during delivery to ensure there is no impact on the amount of capacity to be provided in the relevant Delivery Year.

***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?***

We believe a CMU should only be allowed to undergo changes in configuration once to ensure that capacity continues to be delivered as planned avoiding potential errors which may be caused by overly complex or numerous updates.

***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?***

We welcome the measures to provide more flexibility and do not believe there should be a point in the lead up to delivery after which changes in components should not be permitted.

***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 comment.

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

We are not aware of any information provided during Prequalification that could prevent this from being an effective change. If any material changes would arise the application would not follow the evergreen process.

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

We are fully in support of reforming the method by which Exhibits are submitted and signed. We firmly believe that as long as there are no changes to the application and no material updates in the company structure there should not be a requirement to provide signed exhibits year on year as this causes a significant administrative burden.

We agree with Ofgem's view that applicants should be required to only provide Exhibits during Prequalification where there is a difference from the previous application, in the event that either a Rules change requires it, or due to a change in the underlying information.

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

We are not aware of any reason to maintain the current requirements, we believe Exhibits should only be provided where there is a difference either in the underlying information or in company structure from the previous application.

**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 are in favour of the proposal to remove the Previous Settlement Period Performance requirement in cases where Applicants are prequalifying a CMU which has previously delivered upon its Capacity Market Agreement obligations in the previous two Delivery Years.

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

We believe there could be low risk of adverse effects on delivery assurance if an Applicant's previous Satisfactory Performance Day ("SPD") data is not reviewed regularly. This could be prevented by introducing a simplified recurring review of the data at regular intervals, such as every five years.

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

No comment.

**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 agree that the requirement to provide RPC at the Prequalification stage should be removed and replaced with a declaration stating that planning consents have been gained.

**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 agree.

**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?**

No comment.

**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 agree with the proposal to add the information to the CM register in line with CP270 and 271 without further comments.

**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?**

No comment.

***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 are supportive of the proposal outlined in paragraph 7.9. The additional reporting is a source of administrative and financial burden disproportionately affecting smaller projects bidding in to the CM.

Removing progress reports and associated ITE assessments, alleviates the regulatory and administrative burden on applicants, whilst still providing the necessary levels of assurance. This proposal supports our position that the onus should be on the Provider to deliver their obligation and that an ability to provide capacity should be assumed from successful prequalification.

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

We believe the timing of the proposal should correspond with the existing milestones set out in the Capacity Market Rules for a new unit.

We would welcome clarification related to the details required for the construction progress reports in order to provide accurate feedback on the timing of the submissions. We don't believe the progress updates need to be validated by an ITE as it could continue to place administrative and financial burdens on participants, especially on small scale suppliers. Financial penalties are already in place in order to deter non-delivery.

***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?***

We agree that the new reporting milestone should be implemented with a corresponding termination event if the volume cannot be delivered within 24 months, however, we believe this should not carry an associated termination fee. We believe a financial penalty would not be appropriate in this scenario, as no income would be generated if the unit was not built.

Our preferred option for simplifying the process is the introduction of a standard form detailing all requirements in order to keep the cost to a minimum.

If the site is already operating and exporting to the network we believe NG EMR DB should be able to use prior validation documents provided.

***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?***

No comment.

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

We believe the current definition of "material change" is clear.

***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 proposed amendments should apply to all capacity providers to ensure no new build participants will have to fulfil obligations that are much more onerous than others.

***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 agree that it is beneficial to amend to rules so that the DB issues a formal notice when an applicant's prequalification status changes.

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

We believe there are other scenarios which could also benefit from more detailed DB notices, especially for new build applicants (e.g. Metering assessment, Metering Statement, FCM, SCM). A clear communication of milestones with their respective deadlines would help reduce the burden on applicants to interpret the current spreadsheet which does not provide sufficient detail or transparency.

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

No comment.

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

No comment.

***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?***

No comment.