

Annex 2: Summary of the contents of the Capacity Market Rules

A summary of the contents of the Rules can be found below, based on the chapter summaries published by DECC in October 2013 within the *Capacity Market Rules: Draft Consultation*.¹

| Chapter | What it covers |
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| Chapter 1: General Provisions | This chapter defines the key terms within the Rules. It also explicitly states what the assumption is with regards to timings and hierarchy of documents. |
| Chapter 2: Auction Guidelines and De-rating | These Rules describe the process and requirements for publication of the Auction Guidelines and sets out the process for determining the de-rating ranges by the delivery body. |
| Chapter 3: Pre-qualification information | <p>These Rules govern the processes by which:</p> <ul style="list-style-type: none"> A. an Applicant may apply to the Delivery Body for Prequalification of a Capacity Market Unit to participate in a Capacity Auction for a given Delivery Year (the “Application Process”) and B. the owner of a mandatory Capacity Market Unit (CMU) for which no Application is made must notify the Delivery Body that the Capacity Market Unit is Opting-out of the capacity Auction, and whether it will remain operational. <p>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 Capacity Market Unit which is the subject of an Application, <i>inter alia</i>:</p> <ul style="list-style-type: none"> A. Whether the Capacity Market Unity is a CMRS CMU or a DSR CMU. B. In the case of a Generating CMU, whether the Generating CMU comprises of an Existing Generating CMU or Prospective Generating CMU and whether a Refurbishing CMU and C. Whether the Capacity Market Unit should Prequalify. |
| Chapter 4: Determination of Eligibility | These Rules govern the process by which the Delivery Body determines whether to pre-qualify a CMU on the basis of an Application received pursuant to these Rules in Chapter 3. |
| Chapter 5: Capacity Auctions | These 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. |
| Chapter 6: Capacity Agreements | <p>These Rules govern:</p> <ul style="list-style-type: none"> i. the issue of Capacity Agreement notices, ii. the express terms that each Capacity Agreement Notice must contain, and iii. the universal provisions that apply to each Capacity Agreement in relation to termination. |
| Chapter 7: Capacity Market Register | These Rules govern the establishment and maintenance by the Delivery Body of the Capacity Market Register. |
| Chapter 8: Obligations of Capacity Providers and System stress events | These Rules describe the specific obligations to be met by a Capacity Provided including where a System Stress Event occurs, and the issue of a Capacity Market Warning by the System Operator. |

¹ The Capacity Market Rules: Draft Consultation can be accessed here: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/249565/capacity_market_rules_consultation_draft.pdf

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| Chapter 9: Trading and Assignment of capacity obligations | <p>This chapter sets out the eligibility requirements for transferring Capacity Agreements. In conjunction with Chapters 5 and 6 it sets out some of the procedures for effecting and consequences of such transfers.</p> |
| Chapter 10: Transitional Arrangements | <p>These Rules govern the arrangements to be put in place to:</p> <ul style="list-style-type: none"> A. facilitate the conduct of a T-4 Auction for the delivery year commencing on October 1st 2018 (the first full capacity auction); and B. progressively facilitate the delivery of Demand Side Response. <p>The arrangements referred to in Rule 10.1.1(a) include changes to enable the First Full Capacity Auction to proceed on an abridged timetable.</p> <p>The arrangements referred to in Rule 10.1.1. (b) include:</p> <ul style="list-style-type: none"> A. T-1 Auctions allowing DSR CMUs to bid for Capacity Agreement in respect of the Delivery Years commencing on 1st October 2016 and 1st October 2017 (such Delivery Years being the ‘DSR transition Period and such Capacity Auctions being the ‘DSR Transition Capacity Auctions’), B. for DSR Transition Capacity Auction, <ul style="list-style-type: none"> i. an additional time banded product available, focusing on certain peak hours during winter only to encourage participation; and ii. a reduction in the bid bond requirement for Applications. C. for delivery of capacity Obligations during the DSR Transition Period, <ul style="list-style-type: none"> i. an adjustment to the incentives and caps applicable to non-delivery; and ii. testing of delivery in the absence of System Stress Events D. the possibility of extending the DSR Transition Period in respect of certain transitional arrangements and E. final transition to the full enduring regime as governed by these Rules (other than this Chapter 10). |
| Chapter 11: Monitoring | <p>These Rules govern the provision of information to and monitoring of Capacity Providers by the Delivery Body, Auction Monitor and the Administrative Parties.</p> |
| Chapter 12: Disputes and Appeals | <p>These Rules prescribe the procedure to be followed where an Affected Person wishes to appeal an Administrative Party decision or determination of the kind identified in this chapter.</p> |
| Chapter 13: Testing Regime | <p>This Rules prescribe the procedures for:</p> <ul style="list-style-type: none"> i. the CDR Testing of Customer Demand Response CMUs; and ii. the Spot Testing of Capacity Committed CMUs. |
| Chapter 14: Capacity Incentives | <p>The purpose of this Chapter is to detail the financial incentives regimes that will apply to incentivise the delivery of capacity by each Capacity Committed CMU, at both the CMU and portfolio level.</p> |