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22 May 2014

### **Consultation on draft guidance for the Capacity Market Rules change process**

EDF Energy is one of the UK's largest energy companies with activities throughout the energy chain. Our interests include nuclear, coal and gas-fired electricity generation, renewables, and energy supply to end users. We have over five million electricity and gas customer accounts in the UK, including residential and business users.

EDF Energy welcomes the opportunity to comment on the draft guidance for the Capacity Market Rules (Rules) change process. We support Ofgem's work to establish a robust and transparent process to facilitate changes to the Rule and support the introduction of an annual window for Rules proposal submissions. However, we believe that there are additional considerations and issues that should be incorporated into the Capacity Market (CM) Guidance.

Our detailed responses are set out in the attachment to this letter. Should you wish to discuss any of the issues raised in our response or have any queries, please contact Natasha Ranatunga on 020 3126 2312, or me.

I confirm that this letter and its attachment may be published on Ofgem's website.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Mark Cox".

**Mark Cox**  
**Head of Transmission and Trading Arrangements**

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## Attachment

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#### EDF Energy's response to your questions

- **Do you think that an annual process of managing changes to the CM Rules is appropriate? If not, please outline your reasons and your preferred alternative approach.**

EDF Energy believes that Ofgem's proposed annual review process for its consideration of Rule changes is appropriate. It is important that the Rules are not subject to any changes during the prequalification or auction stages: the introduction of an annual process with clear milestones and deadlines will provide the confidence to all parties that changes to the Rules will not occur during these critical periods.

We believe that it is important to highlight that whilst there should be a defined window for Ofgem to consider proposed Rule changes, the industry development of potential Rules changes will not be limited to the two month annual window.

It may be that when the CM enters the "delivery phase" in 2018, there may be a need to change this process to enable Rule changes to deal with operational issues but this does not need to be considered at this stage.

- **Does the draft CM Guidance cover the necessary issues?**

The draft CM Guidance needs to provide further clarity on the following issues:

- The first capacity auction is due to take place in December 2014, Ofgem must publish its final decision on the revised Rules (if appropriate) well in advance of the prequalification for the next auction. We believe that the proposed timings for the annual review process are challenging for the 2015/16 prequalification period and auction. We believe that Ofgem should reconsider its review process for 2015/16 in recognition of the timing constraints and the likely quantity of proposed Rules changes following the 2014 auction by extending the window following the first auction to the end of January 2015.
- How will DECC's Rule change proposals be incorporated into the Rules? DECC has indicated that it is considering a number of potential Rule changes (including for example, solutions to enable the participation of interconnected capacity and introduction of a price duration curve into the auction). We suggest that Ofgem should consider how these changes will be managed within the proposed annual review process.

- The draft CM Guidance assumes that the prequalification and auction windows for delivery years 'T-4' and 'T-1' could take place concurrently. Ofgem may need to reconsider its approach if there is a divergence of timings. We would expect that the CM Guidance would detail how Ofgem would address this issue.
- How consequential changes to the electricity codes are to be managed following changes to the Rules needs to be detailed. We would welcome Ofgem's views on how these interactions should be managed.
- What constitutes an urgent issue; criteria for when Rule changes may occur outside of the proposed annual review process need to be defined.

■ **Do you have any other comments on the draft CM Guidance?**

We recognise that the CM Rules are not codes but we believe that some of the principles from Ofgem's Code Governance Reviews still apply. These include ensuring that where applicable there should be a simple change process and applying a familiar approach to that used in existing industry codes ensures that the CM Rules are more transparent and accessible.

Ofgem should consider how it could facilitate involvement by industry representatives in working groups or review panels to provide more detailed input into the development and assessment of Rule changes than will be possible through a single round of consultation.

**EDF Energy**  
**May 2014**