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Consultation on draft guidance for the Capacity Market Rules change process – RWE Response

Dear Emma,

RWE welcomes the opportunity to respond to this consultation. We are responding on behalf of RWE companies operating in the UK:

- 1 RWE npower supplies gas, electricity and energy services to over 6.5 million households and businesses.
- 2 RWE Generation produces over 10% of the UK's electricity from our eight gas, coal and oil-fired power stations. We also manage a portfolio of gas and biomass-fired combined heat and power plants across the country.
- 3 RWE Innogy is one of the UK's leading renewable energy developers with an operational portfolio in the UK of 750MW and a potential UK development portfolio of over 7,700MW, including wind farms, hydro plant and biomass generation to produce sustainable electricity.

RWE Supply & Trading is one of the leading companies in European energy trading and is responsible for all of RWE's activities on the international procurement and wholesale markets for energy

The Ofgem guidance on the proposed Capacity Market Rules process provides a high level overview of the events required to deliver potential changes to the Rules on an annual basis. We support the role of Ofgem in managing the Rule changes and the proposal to ensure that all interested parties have a role in proposing changes. However, we have a number of concerns and we believe that the process of managing change could be developed to improve the administration of the process, enable industry participation where this is beneficial and deliver robust decision making.

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With regard to the specific questions posed in the Consultation letter:

- The proposal for an annual process for managing changes is appropriate subject to this relating to annual changes to rules in defined timescales rather than restricting change proposals to specific windows;
- The guidance is not comprehensive enough to “cover the necessary issues”. Further detail is required on change management administration, industry participation and consultations.
- We have a number of additional comments on the draft CM Guidance (see below).

The draft CM Guidance would benefit from development in a number of areas. These include:

- All change proposals should be subject to an assessment process prior to Ofgem making a final determination;
- Ofgem should introduce a change administration function (“Rules Administrator”) for the change proposals so that any proposal can be effectively and efficiently managed;
- Participants in the capacity market should be provided with a formal role in the change process including the creation of working groups to develop proposals and potential alternatives;
- Ofgem should facilitate the appointment of an “independent chair” to working groups to manage the process and formally represent the views of all market participants;
- The role of market participants in working groups should be defined as independent of any interests (as in the BSC);
- Ofgem as Rules administrator should be responsible for legal drafting of any change proposal;
- Ofgem as Rules administrator should be responsible for an impact assessment associated with any modifications to processes and system required by a change proposal (including impact on Capacity Market participants);
- There should be an opportunity for a consultation on the proposed change including the details of the required drafting prior to consultation on the Ofgem determination
- Ofgem should consult on their proposed determination prior to a final decision;
- Ofgem should publish the reasons for any final determination on a change proposal in the light of their Capacity Market duties and their wider statutory duties;
- There should be no restriction on the timing of any change proposal but there should be a restriction on the effective date of any change (similar to the concept of a release date under the BSC); and
- Differentiation between “simple” and “complex” rules changes is required with the more difficult changes requiring the completion of a wider industry impact assessment.

If you have any comments or wish to discuss the contents of this letter then please do not hesitate to contact me.

Yours sincerely

By email

Bill Reed
Market Development Manager