Proposal for a Capacity Market Rules Change | Date Submitted: 23 January 2015 | **Appendix A - 2015 Rule Change Proposals**

National Grid Electricity Transmission (EMR Delivery Body) | Details of Proposer: | James Greenhalgh, Capacity Mechanism Manager, National Grid Electricity Transmission, james.greenhalgh@nationalgrid.com, 01926 656169

Type of Change	If applicable, whether you are aware of an alternative proposal already submitted which this proposal relates to?	What the proposal relates to and if applicable, what current provisions of Rules the proposal relates to	Description of the issue that the change proposal seeks to address	If applicable, please state the proposed revised drafting	Analysis and evidence on the impact on industry and/or consumers including any risks to note when making the revision - including any potential implications for industry codes
	Stakeholders have expressed that prequalification could be streamlined. We believe that the prequalification application should be focused on the information that is actually assessed and has a bearing on whether an applicant prequalifies. The following amendments are proposed for this reason.				
Revoke	No	This proposal relates to the information required in a prequalification submission. Rule 3.4.1 (e) requires applicants to state whether they have a generation licence at the time of making the application.	The removal of obligations to provide information not relevant to the pre-qualification process.	Remove Rule 3.4.1 (e)	As far as we are aware there are obligations under the Rules or regulations that apply differently depending on whether an Applicant holds a generation licence; therefore the need for stating whether the applicant has a licence is we fell unnecessary.
Revoke	No	This proposal relates to the information required in a prequalification submission. Rule 3.4.2 (a) (i) requires applicants to provide details of its corporate form and legal status.	The removal of obligations to provide information not relevant to the pre-qualification process.	Remove Rule 3.4.2 (a) (i)	Applicants of any legal status, whether UK based or not, are allowed to submit a prequalification application. The certificate of incorporation and legal opinion also contain this information, duplication is unnecessary.
Revoke	No	This proposal relates to the information required in a prequalification submission. Rule 3.6.2 requires applicants who are Grid Code parties and have not been operational in the 24 months prior to the prequalification window to declare that they are or will be compliant with the Grid Code.	The removal of obligations to provide information not relevant to the pre-qualification process.	Remove Rule 3.6.2	Any generating CMU that must comply with the Grid Code in a delivery year will be managed under the existing Grid Code and CUSC compliance procedures. This declaration does not we believe add additional value to the prequalification application.
Amendment	No	This proposal relates to the information required in a prequalification submission. Rule 3.4.3 (a) (i) requires all applicants to state the MPAN numbers for all relevant meters. Rules 3.6.4 and 3.9.4, require applicants who are existing generating CMUs or proven DSR CMUs to provide detailed line diagrams for each component and complete a metering assessment during prequalification.	This proposal seeks to ease the administrative burden on parties during prequalification, it also seeks to ensure the settlement body receive accurate data. This is achieved by removing the requirement to provide any metering information to the Delivery Body during prequalification. Instead it would be provided direct to the Settlement Body - the party who require the data - post auction.	Remove Rules 3.4.3 (a) (i), 3.4.3 (b), 3.6.4 and 3.9.4. Move the requirement to complete a metering assessment and provide MPANs and SLDs into chapter 6, linking into chapter 13. Exact legal text will need to be agreed with the Settlement Body and take account of any change to incorporate New Build Metering assessments.	The information received through the metering assessment and the SLD is not used by the Delivery Body when assessing a prequalification application. The information received through the metering assessment, and the SLDs, are passed to the Settlement Body. The rules require this for all prequalification applications, though we understand that this information is only likely to be used by the Settlement Body when carrying out metering tests on those CMUs that have actually been awarded capacity agreements. If the Settlement Body were to collect the metering information direct from the applicants, post auction, it would ease the administrative burden on applicants during prequalification. The rules require the Delivery Body to check the MPANs for any duplicate entries at prequalification, we believe that this is a more appropriate activity to include within the metering test as the settlement body could conduct this test against the background of verified metering information.
Amendment	No	This proposals relates to the information required in a prequalification submission. Rule 3.4.1 (d) requires all applicants to provide the bank account details for the payment of capacity payments.	This proposal seeks to ease the administrative burden on parties during prequalification by removing any unnecessary information. In this case we propose that the requirement to provide bank details is moved to post auction and the information is collected by the Settlement Body as they are the delivery partner who use the information.	Remove Rule 3.4.1 (d) Add requirement into Chapter 6 as it is information required after the award of a capacity agreement.	This information is not assessed at prequalification and is not required by the Delivery Body at any point. At the time of prequalification some applicants, particularly for new build CMUs, will not have the bank details which they require payment into, stakeholders have said they will set the bank account up if they are awarded an agreement. As the Settlement Body is responsible for making capacity payments it would be appropriate for them to capture and process this information when they require it.
	The following group of changes focus on areas of the rules which are necessary for prequalification but would benefit from changes to make the requirement easier to understand and fulfil.				
Amendment	No	This proposal relates to the information required in a prequalification submission. Rule 3.4.3 (a) (i) requires all applicants to provide a description of and the location of the generating units or DSR components in a CMU.	The rule does not thoroughly explain what is required in a description of a CMU and a description is not necessary in order to prequalify.	Modify Rule 3.4.3 (a) (i) such that it requests the address(s) and / or a grid reference(s) of the CMU components rather than a description and location.	The information received in this field during prequalification in 2014 varied hugely. The required information should be clearly set out and the rules should be specific on this.

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Addition	No	This proposal relates to the information required in a prequalification submission. Rule 3.6.1 (b) requires all applicants for non-CMRS generating CMUs to provide a letter from the supplier confirming the output of the CMU in the 3 highest settlement periods identified in part (a) of this rule.	The proposal is to modify this rule such that where the Non-CMRS Generating CMU is made up of multiple components, the output of each component, during the 3 settlement periods, is identified in the supplier letter.	Modify Rule 3.6.1 (b) to add that the output of each component should be specified.	This amendment is proposed because the Delivery Body has to verify the outputs of each generating unit in a CMU (Rule 4.4.2 (e)) and where a unit is a non-CMRS generator the only means of doing this is via the supplier letter. If the individual components are not identified then the CMU may not be able to be prequalified.
Amendment	No	This proposal relates to the information required in a prequalification submission. Rule 3.2.3 states that the applicant for a prospective generating CMU must be the legal owner of each generating unit, and Rule 3.2.4 states that the despatch controller may be the applicant for an existing generating CMU.	A Refurbishing CMU is considered akin to a new build CMU for the most part within the rules, however as the very nature of the refurbishing CMU means that the CMU already exists in its pre-refurbishment state and is akin to an existing generating CMU, we believe that it should be clarified that therefore a despatch controller should be able to make the application for a Refurbishing CMU.	Modify rules 3.2.3 and 3.2.4 to state that the applicant for a refurbishing CMU may be the despatch controller, providing they meet the criteria already stated in Rule 3.2.4	Refurbishing CMUs are existing CMUs to which improvement works are being carried out, as such the Despatch Controller should be able to apply.
Amendment	No	This proposal relates to the information required in a prequalification submission. Rule 3.5.2 sets out the methods available to generating CMUs to set their connection capacity. Rules 3.5.3 and 3.5.5 set out alternative methods which existing generating CMUs may use.	This proposal seeks to clarify that the rules that apply to existing generators also apply to the pre-refurbishment element of refurbishing CMUs.	Modify Rules 3.5.3 and 3.5.5 to include refurbishing CMUs (pre-refurbishment element only).	Pre-refurbishing elements of CMUs are akin to existing generating units and the same rules should apply.
Substitution	No	This proposal relates to the information required in a prequalification submission. All applicants are required to submit a prequalification certificate, certificate of conduct and make a declaration that everything is true and accurate (3.12.1). Additionally Rule 3.4.9 requires applicants to make declarations which duplicate those included in the certificate of conduct.	This proposal seeks to reduce the number of additional documents applicants are required to submit and streamline the prequalification process.	Combine exhibits A and C and Rule 3.12.1 into a single certificate. Amend or remove Rule 3.4.9. Amend Rule 3.12.1 to reflect the updated certificates.	Stakeholder feedback indicated that the declarations were duplicated across the application and the additional certificates which made the application significantly larger than was necessary. Stakeholders also commented on the volume of additional documents and expressed a desire for the number to be reduced.
Amendment	No	This proposal relates to the information required in a prequalification submission. Rule 3.6.1 requires applicants for existing generating CMUs to identify the settlement periods in which the CMU delivered its highest output. For a CMU who has not been operational in the 24months prior to the start of the prequalification window, or those subject to a continuous transmission restriction may use the most recent 24 months of operation	The proposal seeks to clarify what is required during prequalification by requesting applicants state the 24 month period of operation, if it is not the 24 months immediately prior to the prequalification window.	Amend Rule 3.6.1 to add requirement to state what the 24 month period is.	When assessing the prequalification applications, the Delivery Body will verify the physically generated net output and confirm the three highest settlement periods, if the applicant does not tell us the complete 24 month period we cannot check the whole period to verify the output.
	The following group of changes are not specific to the prequalification application but have specific impacts on either the processes following prequalification, the auction or the transitional arrangements.				
Amendment	No	This proposal seeks to clarify the credit cover requirements, specifically the timetable for provision of credit cover.	Under the Rules and Regulations it could be implied that if the applicant fails to provide the credit cover to the Settlement body within 5 working days of the original Prequalification decision then they should also be excluded. However the trigger to exclude a provider from the auction is if the applicant is unable to provide evidence to the Delivery Body of posting the required credit cover within 32 working days of Prequalification results Day.	Amend Rule 4.6 to clarify the timetable and make the intent clearer.	The 5 working day requirement is in place to allow an applicant a second chance to provide credit cover should the initial credit be deemed insufficient by the Settlement Body. The timetable is intended to allow applicants chance to make a second credit cover submission within the 35 working day window. If there is no problem with the credit cover the applicant should be able to provide the credit later than the 5 working day deadline, possibly up to 17 working days, giving the settlement body 15 working days to assess the credit in line with the regulations, and provide receipt to the Delivery Body. It could be contemplated to allow submissions even later than 17 working days after prequalification results day, but with no guarantee that the settlement body can assess it. It is noted that in 2014, the Settlement Body was able to assess credit cover within 2 working days.

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Amendment	No	The proposals seeks to amend the current rules for duration bid amendments and exit bids.	Change in duration applies at the price submitted for a DBA (Rule 5.6.8 - A Duration Bid Amendment has the effect of amending the Duration Bid for the relevant Bidding CMU for all prices equal to or lower than the highest price specified in the Duration Bid Amendment) , an exit bid applies at a price that is 1p lower (5.8.2.b - specify the minimum price which, in a Variable Price-Duration Auction, must be expressed as a price for a Capacity Agreement for one Delivery Year at which the Bidder would be willing to commit the Bidding Capacity for that Bidding CMU), and they should both be able to apply at the same price. To ensure consistency they should all apply at 1p below the price entered.	Remove all references to DBAs specifying the duration at a particular price, instead reword to reflect that this should be the minimum price they will accept at this duration before moving to the specified lower duration. Ensure that it is possible to enter a DBA at the round price cap as it takes effect at 1p below the price entered. (Chapter 1 - General Provisions, 5.6.1, 5.6.5, 5.6.8, 5.7.2, 5.9.5)	The current wording is inconsistent and adds additional complexity into the auction. We believe that all DBAs and exit bids should take place a 1pence below the price entered. An unintended consequence of the current wording is that for refurbishing CMUs they could submit a DBA reduce to 1 year and to exit the refurbishing part of the CMU, but because the DBA takes effect at the price entered and an exit bid 1pence below, the CMU could receive an agreement to do the refurbishment but with only a 1 year contract if the auction clears at the price they entered.
Amendment	No	The proposal seeks to clarify the clearing algorithm such that if there is excess capacity at the price floor then the normal exit ranking takes place	The remaining capacity exceeds demand at a price of zero, the current wording of Rule 5.9 means there is no way to clear the auction.	DECC recently commented that the auction is void if there is excess capacity at £0. This should be reflected in the rules.	It is possible for the auction to reach the price floor with excess capacity: as such there needs to be a means to clear the auction. The normal exit ranking should apply, or all remaining capacity should get agreements.
Amendment	No	The proposal seeks to clarify the definition of Clearing Capacity	The definition of “Clearing Capacity” in Rule 1.2 as “a target capacity (in MW) for a Capacity Auction at a particular Clearing Price as determined by the Demand Curve” does not align with the use of the term in the rest of the document. This is illustrated in the rules below: 5.5.18 Prior to the start of each Bidding Round the Auctioneer must announce: (a) the Bidding Round Price Spread for that Bidding Round; (b) the **Clearing Capacity at the Bidding Round Price Floor** for that Bidding Round as determined by the Demand Curve; and (c) except in relation to the first Bidding Round, the spare capacity as at the start of the Bidding Round (rounded to the nearest 1 GW in a T-4 Auction and the nearest 100MW in a T-1 Auction) being the Remaining Auction Capacity at the end of the previous Bidding Round minus the **Clearing Capacity** **determined by the Demand Curve at the Bidding Round Price Floor** for that previous Bidding Round. The apparent meaning of Clearing Capacity in this context is the capacity derived from the demand curve at a particular price – in this case the Bidding Round Price Floor. However, if rule 1.2	Revised Drafting: "means a target capacity (in MW) for a Capacity Auction at a particular ~~Clearing~~ Price as determined by the demand curve."	There is a circularity with the use of clearing price and clearing capacity that can cause unnecessary confusion in certain areas of the rules
Amendment	No	This proposal seeks to clarify how a successful bidder in a transitional auction specifies which of the capacity products it wishes to apply to its CMUs	Currently the rules say: 11.3.3 Awarding a Capacity Agreement (a) Any Bidder that is provisionally notified that it has been awarded a Capacity Agreement pursuant to Rule 5.10.1 **must immediately notify the Delivery Body** which of the two products referred to in Rule 11.3.1 above it wishes to provide. As the provisional results are posted on the auction system the use of the term “immediately” could be difficult to enforce and could cause difficulties post auction.	We believe that a bidder in a transitional auction should make a declaration at D-10 as to which of the products would be the default position for each of their CMUs. Bidders would then be allowed to change between the products as they wished from the start of the auction up until 30 minutes after the provisional results have been posted. If a successful bidder did not change their selected product during the auction, then they would get an agreement with the product they selected at D-10.	This would clarify how a successful bidder in the transitional auction informs the delivery body to which capacity product they require.
Amendment	No	This proposal is to account for the provision of balancing services within the DSR tests - this is particularly important for the transitional auctions	The process by which a DSR provider demonstrates its DSR capacity in advance of the delivery year is purely on metered output and ignores any restrictions placed upon it by a balancing service. This should be amended to allow balancing services providers to participate as Proven DSR by adjusting their historic data to account for balancing services provision.	Amendments to Rule 13.2 are required. These should seek to implement equivalent adjustments to the three highest historic metered volume outputs equivalent to those applied to the Load following Capacity Obligation during a stress event when calculating the Adjusted Load Following Capacity Obligation. This would enable metered volumes to be adjusted upwards, where they are lower than the level which is technically capable of being delivered by the potential CMU because of restrictions placed upon them by a balancing services contract.”	It is an established principle that providers of balancing services may participate in the capacity market with their load following capacity obligations adjusted during stress events to not prevent them from acting in accordance with their contracted balancing service.

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Amendment	No	This proposal aims to deliver further clarity on the process by which DSR CMUs demonstrate satisfactory performance, specifically Rule 13.4.3 (c)	The process by which a DSR CMU has to demonstrate satisfactory performance requires the Delivery Body to specify a "Target DSR Volume". However there is no methodology specified on how this value should be determined. This needs to be developed and included within the Rules.	The methodology to be developed should state how the target volume is to be determined. It should be based upon the Unproven DSR CMU's DSR Capacity. Consideration should also be given to making allowances for performance under a balancing services contract. For example an alternative testing arrangement could be permitted reflecting the proposals also put forward above to Rule 13.2. This would also allow Unproven DSR to demonstrate that capacity delivered under a balancing services contract after a Capacity Agreement has been awarded could also be used to validate Unproven DSR	There needs to be a defined methodology for DSR CMUs to demonstrate their performance.
Amendment	No	Rule 8.4.2 defines the term "SO Instigated Demand Control Event" in connection with a CM Warning	The determination of whether an SO Instigated Demand Control Event has occurred requires information on transmission failures, distribution failures, demand control information and bid-offer acceptance data. This requires information to be provided to National Grid from both DNOs and the BSCCo. The availability of this data is unlikely to be available for potentially a number of days after a demand control under OC6 of the Grid Code has occurred and the analysis of the data may further extend the timescales to determine whether a SO Instigated Demand Control Event has occurred. However the Rules require a CM Warning to be issued in response to the determination of a SO Instigated Demand Control Event	Review Rule 8.4.2 we suggest that the CM Warning is issues in response to a OC6 Demand Control Event, rather than a SO Instigated Demand Control Event.	The information flows and availability of the data mean this definition requires review.
	The following group of changes are issues such as typographical errors, incorrect cross references and other minor issues.				
Amendment	No	Rule 3.8.2 part (b) and (c) cross refer to Rule 3.5	Rule 3.8.2 should cross refer to Rule 3.6	Change 3.5 to 3.6	The reference is incorrect.
Amendment	No	Rule 7.4.3 states that no later than 8 working days after auction results day each bidding CMU should know whether that CMU has been awarded an agreement.	We believe this should that's that the CM register is published on auction results day to be consistent with the requirements of chapter 5.	Review wording a Rule 7.4.3	The Rules should be consistent
Amendment	No	Rule 8.5.3 sets out the load following capacity obligation (LFCO)	The formula is incorrect and cites that ALFCO = rather than LFCO =	Revise the formula to state that LFCO =	The formula is incorrect.
Amendment	No	Rule 14.4.5 sets out the timescales to provide information to the Settlement Body	The timescales for the System Operator to provide all information to the Settlement Body within 5 working days of the end of the month rely on DNOs and Elexon (as BSCCo) providing data in a timely manner to support this. The timescales may need to be extended as the determination of the parameters referred to in this clause may not be able to be provided in the currently stated timescales as they are reliant on third parties providing information to National Grid.	Propose that the data is to be provided as soon as reasonably practicable.	If a stress event occurred near the end of the month it is likely to be very difficult to provide the relevant information in the timescales set out in the Rules.
Amendment	No	Rule 7.4.5 (b) sets out who the registered holder of the capacity agreement notice is	The Rules currently states the capacity agreement notice is held by the person to whom the Delivery Body awarded the capacity agreement notice. We believe this should be applicant rather than person.	(b) the name of the Capacity Provider (the "Registered Holder"), being the name of the ~~person~~ **Applicant** to whom the Delivery Body awarded the Capacity Agreement, or, where there has been a subsequent transfer of all or part of that Capacity Agreement, the name of the Transferee;	A person is not awarded an agreement, an applicant can be awarded an agreement.