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Capacity Market Rules Change

Reference number (to be
completed by Ofgem):
P007

Name of Organisation(s) / individual(s):

Bill Reed, RWE Supply and Trading GmbH

Date Submitted:

23rd January 2015

Type of Change:

- Amendment
- Addition
- Revoke
- Substitution

**If applicable, whether you are aware of an
alternative proposal already submitted which
this proposal relates to:**

[Click here to enter text.](#)

**What the proposal relates to and if applicable, what current provision of Rules the proposal relates
to (please state provision number):**

Revised definition of “Qualifying £/kW Capital Expenditure for Refurbishing CMUs: The
Rules currently define Qualifying Capital Expenditure in relation to a fixed date (1 May 2012) and the
commencement of the first Delivery Year to which the application relates for all prospective CMUs.

Description of the issue that the change proposal seeks to address:

It is proposed that Refurbishing CMUs must demonstrate in the construction plan a commitment to incur
the Qualifying Capital Expenditure after the Auction in order to qualify for a 3-year Capacity Agreement.

If applicable, please state the proposed revised drafting (please highlight the change):

The following changes could be included in the Capacity Market Rules:

**Qualifying £/
kW Capital
Expenditure**

means, with respect to a Prospective Generating CMU that is not a Refurbishing CMU, the Capital Expenditure (excluding contingency) incurred, or expected in the reasonable opinion of the Applicant to be incurred (either by the Applicant or another person), between 1 May 2012 and the commencement of the first Delivery Year to which the Application relates, divided by the De-rated Capacity of the Generating CMU that is expected in the reasonable opinion of the Applicant to result from such Capital Expenditure and with respect to a Prospective Generating CMU that is a Refurbishing CMU, the Capital Expenditure (excluding contingency and operational expenditure) incurred, or expected in the reasonable opinion of the Applicant to be incurred (either by the Applicant or another person), between Auction Results Day and the commencement of the first Delivery Year to which the Application relates, divided by the De-rated Capacity of the Generating CMU that is expected in the reasonable opinion of the Applicant to result from such Capital Expenditure

Other changes may be required elsewhere in the Rules to reflect this amendment. The proposed changes are not definitive and may require further change to reflect the intent of this amendment.

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:

The proposed change will better meet the applicable CM Rules Change Objectives as stated in the “Change Process for the Capacity Market Rules – Guidance” published by Ofgem. In particular the proposed change will:

- promote investment in capacity to ensure security of electricity supply by ensuring that the qualification for a 3-year agreement relates to the completion of a refurbishment of plant that occurs between the completion of the auction and the commencement of the delivery year, thereby enhancing security of supply by ensuring that additional capacity is being delivered;
- facilitate the efficient operation and administration of the Capacity Market by clarifying the arrangements that apply in relation to the qualification for 3-year agreements; and
- ensure compatibility of the Capacity Market Rules with other subordinate legislation under Part 2 of the Energy Act 2013.6

Details of Proposer (please include name, telephone number, email and organisation):

Bill Reed, RWE Supply & Trading GmbH,

Telephone +44 (0)1793 89 3835, Mobile +44 (0)7795355310,
Email - bill.reed@rwe.com,

RWE Supply & Trading GmbH,
Trigonos,
Windmill Hill Business Park,
Swindon,
Wiltshire
SN5 6PB,
United Kingdom