



Making a positive difference
for energy consumers

Capacity Market Rules Change

Reference number (to be
completed by Ofgem):
P034

Name of Organisation(s) / individual(s):
Green Frog Power

Date Submitted:
23 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:

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

Qualifying expenditure for a multi-year agreement should be undertaken no earlier than the 12 months prior to the prequalification window for the auction in which the CMU is seeking the multi-year agreement.

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

The current drafting of the Rules permits a CMU to include historical expenditure since May 2012 as part of the assessment of their qualification for a multi-year capacity agreement.

We understand that the qualifying period was extended for the first auction to account for investment decisions that were made with the expectation of the implementation of a capacity mechanism. However, with the first auction now concluded, and in the interest of maintaining competitiveness and reducing the potential for gaming, we believe that any plant that competes for a multi-year agreement should not be credited for sunk costs. We propose a reasonable threshold, such as costs that may be incurred while preparing a project for prequalification.

We therefore believe that the qualifying expenditure for a multi-year agreement should be limited to the twelve months prior to the prequalification window associated with the auction in which the CMU is competing for a multi-year agreement.

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

Qualifying £/kW Capital Expenditure means, with respect to a Prospective Generating 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~~" "the twelve months prior to the auction in which a multi-year agreement is sought" 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

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:

N/A

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

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