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Capacity Market Rules Change

Reference number (to be
completed by Ofgem):
P047

Name of Organisation(s) / individual(s):
UK Demand Response Association

Date Submitted:
23/01/2015

Type of Change:

- Amendment**
- Addition**
- Revoke**
- Substitution**

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

Paragraphs 144 and 145 of DECC's "Consultation on Capacity Market supplementary design proposals and Transitional Arrangements", published 25th September 2014, considers these points but does not set out a coherent plan to deal with them

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

Distribution CMUs, including embedded generation and DSR, reduce transmission and distribution line losses when they deliver, and that reduction in line losses reduces the total capacity that needs to be procured. Elimination of these line losses are not currently accounted for. The proposed change would credit the Distribution CMUs for eliminating these losses.

DECC has recognised (see above) the importance of this in the CM but at present the matter is not dealt with in any Rule.

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

Incorporating DSR as a resource in electricity markets avoids transmission and distribution losses associated with the quantity of DSR provided.

In any electricity system, some of the power produced by generators is lost on the electricity networks before it reaches consumers. Reducing demand at the point of consumption reduces the need for additional generation, and at the same time avoids the losses associated with that reduced demand. Thus, a MW of DSR as measured at the customer meter is represents more than a MW of generation, from an adequacy perspective.

Unlike other Capacity Markets, the current UK Capacity Market design does not account for this, meaning that to the extent that DSR participates in the market, the market is procuring more capacity than it needs AND DSR is not being compensated for the full range of benefits it provides.

This proposal seeks clarity of the treatment of line loss factors (LLFs) for distribution CMUs (note that some distribution CMUs pre-qualified capacity which had been "grossed up" by distribution LLFs, but most did not).

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

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It is likely that this change will require revisions in several parts of the Rules, so as to state clearly that the capacity of a DSR CMU Component or Distribution CMU is “grossed up” to reflect the distribution LLF and transmission loss factors that apply to that Component or CMU.

This must also be reflected in the requirement to submit letters from suppliers under rule 3.6.1(b) to ensure that suppliers understand the data that they are to validate.

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:

This change would make use of existing industry codes concerning distribution LLF. Currently, LLFs for DSR sites approach 1.05 during Core Winter Periods and . It would add consideration of transmission losses. This has the potential to significantly reduce the total cost of the CM.

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

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