



Making a positive difference
for energy consumers

Capacity Market Rules Change

Reference number (to be
completed by Ofgem):
P053

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

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:

Implications for the DECC proposed Rule Amendments on interconnectors.

We have raised another proposal which gives capacity providers the ability to demonstrate they have or will have sufficient financial resources to meet the Total Project Spend. If this option is taken then the penalty outcome could be different.

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

Amendment to the amount of the termination fee payable under Rule 6.10.3(b), if a Capacity Agreement has been terminated in accordance with Rule 6.10.1 (b): the failure of a New Build CMU to achieve its Financial Commitment Milestone. This would increase the fee from £5/kW to £25/kW.

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

The current termination fee alone is not considered sufficient to deter speculative projects participating in a T-4 Auction. Although the relevant T-1 Auction should be able to address any capacity shortfall resulting from a Financial Commitment Milestone termination event, it is highly unlikely that this capacity can be sourced from New Build generation at such short notice.

The prequalification process should be sufficiently robust to ensure only financially viable New Build projects are progressed to the Auction participation stage.

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

6.10.3 Termination Fees

Rule 6.10.3 (b) should be amended as follows:

In Rule 6.10.3(b) (i) delete "Rule 6.10.1(b)"

In Rule 6.10.3(b) (ii) after "grounds specified in" insert "Rule 6.10.1(b)".

Changes to the rules will also be required so that fines are appropriately collateralised.

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:

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

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