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Capacity Market Rules Change

Reference number (to be
completed by Ofgem):
P056

Name of Organisation(s) / individual(s): National Grid Electricity Transmission Ltd	Date Submitted: 23/01/2015
Type of Change: <input checked="" type="checkbox"/> Amendment <input type="checkbox"/> Addition <input type="checkbox"/> Revoke <input type="checkbox"/> Substitution	If applicable, whether you are aware of an alternative proposal already submitted which this proposal relates to: No
What the proposal relates to and if applicable, what current provision of Rules the proposal relates to (please state provision number): The proposals seeks to amend the current rules for duration bid amendments and exit bids.	
Description of the issue that the change proposal seeks to address: 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.	
If applicable, please state the proposed revised drafting (please highlight the change): 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)	
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 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.	
Details of Proposer (please include name, telephone number, email and organisation):	

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