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## Capacity Market Rules Change

Reference number (to be  
completed by Ofgem):  
**P057**

Name of Organisation(s) / individual(s):  
**National Grid Electricity Transmission Ltd**

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:**

**No**

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

The proposal seeks to clarify the definition of Clearing Capacity

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

The definition of "Clearing Capacity" in Rule 1.2 as "a target capacity (in MW) for a Capacity Auction at a particular Clearing Price as determined by the Demand Curve" does not align with the use of the term in the rest of the document. This is illustrated in the rules below:

5.5.18 Prior to the start of each Bidding Round the Auctioneer must announce:

- (a) the Bidding Round Price Spread for that Bidding Round;
- (b) the Clearing Capacity at the Bidding Round Price Floor for that Bidding Round as determined by the Demand Curve; and
- (c) except in relation to the first Bidding Round, the spare capacity as at the start of the Bidding Round (rounded to the nearest 1 GW in a T-4 Auction and the nearest 100MW in a T-1 Auction) being the Remaining Auction Capacity at the end of the previous Bidding Round minus the Clearing Capacity determined by the Demand Curve at the Bidding Round Price Floor for that previous Bidding Round.

The apparent meaning of Clearing Capacity in this context is the capacity derived from the demand curve at a particular price – in this case the Bidding Round Price Floor. However, if rule 1.2 were to be applied, 5.5.18 (b) and (c) would not make sense, because the Clearing Capacity cannot exist at the Bidding Round Price Floor unless that Price Floor was also the Clearing Price.

There are other examples in chapter 5 where the definition of clearing capacity causes confusion (5.9.2 & 5.9.4).

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

Revised Drafting: "means a target capacity (in MW) for a Capacity Auction at a particular ~~Clearing~~ Price as determined by the demand curve".

**Analysis and evidence on the impact on industry and/or consumers including any risks to note when**

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**making the revision - including, any potential implications for industry codes:**

There is a circularity with the use of clearing price and clearing capacity that can cause unnecessary confusion in certain areas of the rules.

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

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