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All interested parties

Tel: 0207 901 7000

Email: EMR_CMRules@ofgem.gov.uk

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Dear Stakeholder,

Statement on the Capacity Market Regulation 60(2) in Capacity Auction transitional arrangements

On the 29th June 2015, the Department of Energy and Climate Change (DECC) published some Frequently Asked Questions (FAQs) which, among other things, address an issue arising out of Regulation 59(2) (b) of the Electricity Capacity Regulations 2014¹.

Regulation 59(2)(b) of the Electricity Capacity Regulations 2014 states that the amount of credit cover to be provided in a transitional auction is equal to £500/MW. However, if an applicant for a Prequalified DSR CMU subsequently nominates a lower bidding capacity ahead of the auction (in accordance with rule 5.5.11), under regulation 60(2) it is required to maintain credit cover at an increased level of £5,000/MW. DECC's response to question 1 in its FAQ states "The policy intent is that credit cover for DSR CMUs participating in the transitional auctions should be maintained at the level of £500/MW, as set out under regulation 59(2)(b). As long as applicants for the transitional auctions maintain credit cover at £500/MW this will be accepted by the Electricity Settlements Company."

If Ofgem were to become aware of a failure by a CMU to have £5000/MW of credit cover in these circumstances, it would take DECC's FAQ into account when considering whether to take enforcement action².

Yours sincerely,

Anthony Pygram

Partner
Enforcement and Competition Policy
Ofgem

¹ See <https://www.gov.uk/government/publications/electricity-market-reform-capacity-market-frequently-asked-questions-2015-volume-1>

² Ofgem takes decisions on enforcement action in line with its [Enforcement Guidelines](#).