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Gwneud gwahaniaeth gwirioneddol
i ddefnyddwyr ynni

Capacity Market participants,
prospective participants and
other interested parties

Email: EMR_CMRules@ofgem.gov.uk
Date: 19 June 2015

Dear colleague,

Electricity Market Reform (EMR): Decision (following the statutory consultation) on changes to the Capacity Market Rules pursuant to Regulation 77 of the Electricity Capacity Regulations 2014

Summary

- This letter sets out our decisions on changes to the Capacity Market Rules (the "Rules") pursuant to Regulation 77 of the Electricity Capacity Regulations 2014 (the "Regulations") [1].
- Our decisions take into account the 20 responses to our statutory consultation on amending the Rules.
- Alongside this decision letter we are publishing a Schedule that evidences the changes to Rules that implement our decisions.
- We are also publishing a consolidated version of the Rules for information.

Introduction

1. In our open letter[2] of 28 November 2014 we set out our priority areas for changes to the Rules, and invited formal proposals for changes by 23 January 2015. We received 91 proposals from stakeholders, which we published on our website[3] on 2 February 2015.

2. In line with Regulation 79 and our published guidance[4], we consulted on the Rule change proposals submitted to us, including three changes which we identified. The consultation ran from 2 April to 5 May 2015 and we received 20 responses. With the exception of one confidential response, we are publishing these responses alongside this letter.

[1] The Electricity Capacity Regulations 2014 came into force on 1 August 2014 http://www.legislation.gov.uk/ukdsi/2014/9780111116852/
[2] https://www.ofgem.gov.uk/publications-and-updates/electricity-market-reform-open-letter-suggested-priority-areas-changes-capacity-market-rules
[3] https://www.ofgem.gov.uk/electricity/wholesale-market/market-efficiency-review-and-reform/electricity-market-reform/capacity-market-cm-rules
[4] https://www.ofgem.gov.uk/ofgem-publications/89120/finalguidelinesforthecapacitymarketrulesaugust.pdf

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3. We would like to thank those who responded to our consultation. We have considered all the responses carefully and reviewed our decisions on the proposed Rules amendments accordingly. In this letter Annex A sets out the responses we received, our decisions and reasoning. Annex B summarises all the proposals and decisions.

Context

4. The Capacity Market is governed by the Regulations and the Rules. The Regulations permit us to amend, add to, revoke or substitute (change) any provision of the Rules. When changing the Rules, we must have regard to our principal objective and general duties[5], and the specific objectives set out in the Regulations[6]:

   - promoting investment in capacity to ensure security of electricity supply
   - facilitating the efficient operation and administration of the Capacity Market
   - ensuring the compatibility of the Capacity Market Rules with other subordinate legislation under Part 2 of the Energy Act 2013.

Our decision on amendments to the Rules

5. In the majority of cases we have not changed the decision that we consulted on. This includes 18 decisions where we did not receive any comments and in these cases we have not commented further on them in Annex A[7] though they are included in Annex B. In all cases we considered any new arguments or evidence provided by respondents before making our final decision. We have changed some of the decisions we consulted on where we have been persuaded to do so by new evidence and arguments. Annex A summarises the responses we received and our final decision.

6. In a few cases we have concluded that, while no change will be made this year, a change may be appropriate. This includes where the changes could be complex and we need time to ensure they are properly considered. In such cases where we later propose to take these forward they will be subject to consultation.

7. Some of the responses to our consultation wished to simplify or clarify the Rules. As noted in our November 2014 open letter we are not looking to make large numbers of changes to the Rules in this first year. However, where appropriate we have made some changes to accommodate this and will make further clarification and simplification of the Rules a priority area for the next round of Rules changes.

Next steps

8. These Rule changes come into effect from 1 July 2015. We do not plan on making any more changes to the Rules until shortly before prequalification opens in 2016. Though we note we may make changes to the Rules at any time, for example if an issue may affect the efficient operation of the capacity market if not urgently addressed.

9. Following prequalification results day (expected at the end of September 2015), we will run a stakeholder workshop to inform our priorities for the next round of Rule changes. We will publish our priorities in an open letter, which will also include a timeline for the next round of Rule changes. Given the responses we have received

[5] Ofgem's principal objective and general duties can be found on our website https://www.ofgem.gov.uk/publications-and-updates/powers-and-duties-gema

[6] Regulation 78 sets out these objectives. Regulation 77(3)(a) states that the Authority must not make any provision in Capacity Market Rules which is inconsistent with the Regulations

[7] We did not receive comments on the following 18 proposals: Ofgem proposal C, CP08, CP11, CP13, CP16, CP32, CP33, CP37, CP39, CP40, CP43, CP56, CP58, CP61, CP64, CP68, CP78 and CP84.

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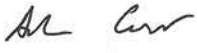
to our consultation, our priorities for the next round of Rule changes will include further clarification and simplification of the Rules.

10. You can submit Rule change proposals at any time using the proposal form on our website[8]. We encourage you to do this rather than waiting for the deadline we will publish in our open letter. This will allow us more time to consider the change. This is especially the case where the change may be complex or where we have flagged in Annex A that we would welcome more developed proposals. In all cases, please provide evidence of the impact of the changes on consumers and the industry, particularly in the context of the capacity market objectives. One of the reasons we rejected some proposals this year was that insufficient rationale for making the change was provided.

Yours faithfully



Adam Cooper
Associate Partner, Wholesale Markets
For and behalf of the Gas and Electricity Markets Authority

[8] https://www.ofgem.gov.uk/publications-and-updates/final-guidance-capacity-market-cm-rules

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Annex A: Responses received and decisions (by Rules chapter)

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1. General Provisions

Proposals rejected

- **Proposal CP12 – Energy UK**

This proposal sought to add a definition for "Settlement Period Penalties" which is currently not defined in the Rules but is in the Regulations.

Consultation responses and decision

We received two responses both disagreeing with our consultation decision to reject this and arguing that the change would increase the clarity of the Rules. One respondent said where definitions are in the Regulations (as in this case) they should be included within the Rules as the Regulations are 'less readable'.

"Settlement Period Penalties" is defined in Regulation 41 and we consider that interested parties will be aware of this. As noted in the covering letter we are not looking to make large numbers of changes to the Rules in the first year but will make clarification and simplification of the Rules a priority area for the next round of Rule changes. So while we are continuing to reject this change this year (as the definition is available we do not think this is urgent), we will review it in the work to further simplify and clarify the Rules.

- **Proposal CP19 – Energy UK**

This proposal sought to add a new definition of 'day' in the Rules.

Consultation responses and decision

We received three responses, all of which disagreed with our initial decision to reject this proposal. These responses said that the change would add greater clarity to the Rules and one argued that the common understanding of 'day' is not sufficient since, in the context of the electricity market, 'day' starts at 11pm.

There are few occurrences in the Rules where 'day' appears undefined. Where this is the case the meaning of the term is clear for the purposes of the Rules. Our decision is to continue to reject the amendment.

- **Proposal CP27 – E.ON**

This proposal sought to amend the definition of Mandatory CMU under Rule 1.2 to exempt Generating Units, that are legally required to close before the Relevant Delivery Year from the obligations associated with Mandatory CMUs. We rejected this proposal as the information submitted by Mandatory CMUs is needed by the Delivery Body.

Consultation responses and decision

One respondent said that retaining this Rule because of the information it provides to National Grid sets an unacceptable precedent for retaining Rules, although they are indifferent to whether the change is made. To clarify, this information is needed by the Delivery Body in order to fulfil Regulation 23. Removing this requirement would make the Rules inconsistent with the regulations and therefore we are continuing with our original decision to reject this proposal.

- **Proposal CP77 – National Grid**

This proposal would add a definition for "minimum exit bid" to the definition of exit bid.

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Consultation responses and decision

One respondent said we should make this change for clarity. We are continuing with our original decision. We do not believe that it is necessary to clarify the concept of a "minimum exit bid" as this is not used in the Rules and can be logically inferred from the definition of exit bid.

Amendments we will make

- **Proposals CP06, CP25, CP34, CP41 and CP50 – GDF SUEZ UK, RWE Supply and Trading, E.ON, Green Frog Power, Scottish Power**

These proposals suggested changes to the period of Qualifying Capital Expenditure in respect of new build. This is because the current 1 May 2012 date is no longer appropriate as it was originally included to ensure that investment decisions were not delayed ahead of the first auction. A number of alternative ranges were suggested ranging from 48 to 77 months before the start of the delivery year.

Consultation responses and decision

In our consultation letter we said the 1 May 2012 starting point for qualifying expenditure needs to be changed. We consider that not changing the date may mean an increasing number of plant could qualify for longer agreements as they could count expenditure made within an ever lengthening time frame. This would be inconsistent with the purpose of long term agreements (which may impose volume and price risks on consumers) which are to provide a period of revenue certainty to allow new investment to come forward[9].

We received 18 responses to consultation Question 1. Seventeen of these agreed with an annual roll-over of the starting date for qualifying capital expenditure for New Build CMUs. Reasons given for this included:

- Retaining the current provision would lead to increasing volume of long-term contracts, and potentially greater burden on consumers;

- May 2012 was chosen to prevent an investment hiatus. The cut-off date should be set in relation to expected lead time for New Build.

One (confidential) response said that the date should stay at 2012 for the time being as expenditure, including expenditure before the final investment decision was made, could take place across many years. We considered the evidence and arguments carefully from this and the other respondents and have concluded that it is necessary to make changes to the period of Qualifying Capital Expenditure in respect of new build for the reasons set out above.

Of the 13 responses expressing a view on timing of a change, 11 were in favour of this being made in time for the 2015 auction, one said 2016 and one said no later than 2016. The evidence and arguments presented indicate that 2015 is the most appropriate date for this change to take effect. It will ensure that all new build CMUs across auctions have the same period in which to meet the Qualifying Capital Expenditure requirements.

In our consultation we asked respondents their views on the appropriate length for the qualifying period for capital expenditure. We said that a period of 77 months would be consistent with an annual roll-over of the current starting date of 1 May 2012. Five respondents preferred to see a qualifying period of less than 77 months. The reasons given for this included that qualifying expenditure should only refer to future, not historic, costs;

[9] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/324430/Final_Capacity_Market_Impact_Assessment.pdf

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the qualifying period should reflect expected project lead times (one cited a Parsons-Brinkhoff report for DECC on this); and the majority of relevant expenditure can be expected to be in the four year period between a T-4 auction and the relevant delivery year. Six responses considered 77 months to be appropriate; one noting that this period may be sufficient to include most early stage development costs. The confidential respondent thought that 77 months was not long enough and that pre-final investment decision (FID) capital expenditure should be counted towards Qualifying Capital Expenditure. We considered the arguments and evidence (including from the confidential response) and have concluded that 77 months ensures consistency between auctions and no compelling arguments for a shorter or longer period have been made. We also note that pre-FID expenditure can count towards Qualifying Capital Expenditure, provided it is incurred within the 77 months.

In conclusion we have made changes to the Rules such that the current starting date of 1 May 2012 is rolled forward by 12 months for each annual auction round from 2015. So for the 2015 auction the starting date will be 1 May 2013 and the current period of 77 months for qualifying capital expenditure in respect of the T-4 auctions is retained.

One respondent suggested an amendment to make our drafting clearer. Consequently we have made an amendment to be more explicit that the start of the relevant period is "the date which is 77 months prior to the commencement of the first Delivery Year to which the Application relates." The same wording has been used to replace "May 2012" in 3.7.2(c) where it was pointed out that a consequential amendment was needed.

- **Proposals CP01, CP07, CP25, CP34, CP41 - GDF SUEZ UK, RWE Supply and Trading, E.ON, Green Frog Power, Scottish Power**

These proposals made suggestions for changes to the period of Qualifying Capital Expenditure in respect of Refurbishing CMUs similar to those changes for New Build considered above.

Consultation responses and decision

In our consultation we noted that DECC published draft Rules on 27 March. In them, and the final version published on 3 June, there is an amendment to the Prequalification Certificate (Exhibit A of the Rules) to the effect that the Company director(s) must declare that:

"Taking into account current economic conditions and the regulatory and legislative framework:

(i) there are reasonable grounds to believe that a Capacity Agreement greater than one year in duration is required to facilitate the improvements programme at the Refurbishing CMU; and

(ii) the Qualifying £/kW Capital Expenditure has been determined, so far as possible, without reference to any substantive routine or statutory maintenance works required at the Refurbishing CMU."

To reflect this policy intent, and given the Rule changes proposals CP01 and CP07 in particular, we consider it appropriate to amend the qualifying expenditure period for refurbishing plant so that it only covers the period in which refurbishment spend is incurred. Our consultation asked whether the starting point for qualifying refurbishing expenditure should be prequalification results day or auction results day and whether this change should take effect from 2016 or from a later date.

We received 12 responses which addressed our consultation Question 2. Ten of these gave a clear view on a revised date for the start of qualifying expenditure for refurbishing CMUs. Nine preferred that it should be on the results day of the auction for the relevant delivery year. Typically, the reasoning for this was that it is only at this point that the applicant has the financial certainty of a 3-year capacity agreement and can proceed with refurbishing

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expenditure. A more general argument from one respondent was that in determining qualifying expenditure, only future costs should be considered. One respondent argued that for the qualifying period to be long enough to include all relevant costs, from the initial phases of project planning, the start date should be the beginning of the calendar year in which the auction takes place.

Regarding the implementation of this change, nine respondents were in favour of this being made before the 2015 auction, indicating in nearly every case that they could see no reason to delay this change; the other three expressed no preference.

We have decided to make changes to the Rules to reflect a starting date for qualifying expenditure for refurbishing CMUs of the auction results day in respect of the relevant delivery year. This requires the creation of a separate definition from that for New Build; it has also required a consequential amendment to Rule 3.8.1. Having taken account of the consultation responses we will make the change from this year so it will apply to refurbishing CMUs entering the 2015 auction. This will ensure consistency with the changes made by DECC on 3 June to the prequalification certificates, which now require directors to declare that there are reasonable grounds to believe that a Capacity Agreement greater than one year in duration is required to facilitate the improvements.

Finally, on consideration of these changes and the ones above on Qualifying Capital Expenditure for new build plant we believe it will be necessary to make a further amendment to the Rules. This will be to exclude the possibility of a Prospective CMU which has gained a capacity agreement at one auction from citing the same capital expenditure within a subsequent application, in order to qualify a second time for a multi-year agreement. We will consult on an appropriate change to the Rules to address this point in the next round of Rules changes.

- **Proposal CP17 – Energy UK**

This submission proposed to amend the definition of De-rated Capacity, so that the drafting of "physically generated net output" throughout the Rules is followed by "in MWs to three decimal places", thereby giving a more accurate figure.

Consultation responses and decision

In our consultation we indicated that we would make the amendment suggested by this proposal. We received one response supporting this change and one response commenting on the drafting.

We note that physically generated net output and Metered Volume should be specified in MWh, rather than MW. Consequently we have altered our drafting to refer to MWh, where appropriate, to three decimal places.

- **Proposal CP28 – E.ON**

This submission proposed to amend Rules 1.2 and 6.7.5 to allow Prospective CMUs to notify the Delivery Body of the issuance of a Final Operational Notice (FON) if they had not received an Interim Operational Notice (ION).

Consultation responses and decision

In our consultation we proposed changes to the Rules that allow Prospective CMUs to submit FONs to the Delivery Body where no ION has been issued. We received a single response supportive of this and will make the change for the reasons set out in our consultation.

Accordingly we have added in a definition of 'FON' within Rule 1.2 and made the requested amendments to the definition of 'Operational' and to Rule 6.7.5 such that notification of a

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FON may be made where no ION was issued. DECC's draft amendments of 3 June added in provisions for Interconnector CMUs under the definition of 'Operational' which we have accommodated in our changes.

- **Proposal CP57 – National Grid**

This proposal suggested amending the definition of "Clearing Capacity" so that it reads "means a target capacity (in MW) for a Capacity Auction at a particular Clearing Price as determined by the demand curve", so as to align it with the use of the term in the rest of the document.

Consultation responses and decision

Our original decision was to clarify the use of clearing capacity throughout the Rules by defining a new term, "potential clearing capacity" which will be used to mean the capacity at a particular price, as determined by the demand curve. We also said we would reword the definition of Clearing Capacity to remove the term "target capacity" which has a specific meaning in the Regulations, which is not intended in the Rules. We received two responses that supported our proposal. We are going to implement our original decision.

- **Proposal CP90 – DECC**

This proposal would amend the definition of 'Non-CMRS Distribution CMU' so that it refers to '...Generating Unit of which exports electricity to a Distribution Network...' instead of '...Generating Unit of which supplies electricity to a Distribution Network'. This is to align the terminology with that used elsewhere in the Regulations and Rules, and better align with commonly used terminology, such as the Balancing and Settlement Code.

Consultation responses and decision

One respondent agreed with our decision to make the suggested amendment and that decision remains unchanged.

2. Auction Guidelines and De-rating

Proposals Rejected

- **Proposal CP72 – National Grid**

This submission proposed to amend Rule 2.3 to set out that De-rating Factors are calculated for a relevant Delivery Year rather than for a Calendar Year, as is currently stated. We proposed to make the suggested amendment.

Consultation responses and decision

We received two responses. One respondent noted their general disagreement with the de-rating process and argued that applicants should be able to choose their own figures. One respondent disagreed with the proposal, arguing that de-rating factors should not be made for each delivery year as this will result in different factors applying for each year of a multi-year agreement. It would also force de-rating factors to be the same in the T-4 and T1 auction. We note that 'Calendar Year' is in fact correct so we are now not taking this change forward.

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3. Prequalification Information

Proposals rejected

- **Proposal CP03 – RWE Supply and Trading**

This proposal would amend Rule 3.3 (Submitting an Application for Prequalification) to enable an Agent to represent more than one Applicant CMU.

Consultation responses and decision

Three respondents disagreed with our decision to reject this change. One said our concerns over confidentiality were not relevant and one said that the Rule could (and in one case has) prevented industrial users participating in the CM through their energy service companies. Another respondent agreed with our confidentiality concerns but thought that allowing Agents to represent two or more small CMUs could increase participation.

As we said in our consultation, Rule 3.3 contains a clear and deliberate provision that prevents an Agent representing more than one CMU Applicant. We would be concerned about potential confidentiality issues which might compromise the integrity of the auction process if an agent could act for more than one party. While one respondent has said they are aware of one industrial site that was prevented from participating in the 2014 auction by this Rule, we are of the view that this is not sufficient to overcome our confidentiality concerns so our decision is to reject this proposal.

- **Proposal CP21 – Energy UK**

This submission proposed to create a template certificate in the Annex of the Rules for an Existing Generating CMU that is opting-out. This was proposed to help the relevant CMUs avoid the need to interpret the requirements associated with the opt-out notification detailed under Rule 3.11.

Consultation responses and decision

Our initial decision to reject this proposal attracted two responses, which argued that the proposed template would simplify prequalification and that Rule 3.11 is not clear.

Our view is that Rule 3.11 sets out the requirements of a notification clearly and we note that further guidance is provided by National Grid's published Auction Guidelines. We understand that from the 2015 prequalification round, the opt out form will be included within the prequalification application system, thus facilitating the process. So we are continuing with our decision to not change the Rules.

- **Proposals CP22 and CP35 – Energy UK and Green Frog Power**

These two proposals made very similar suggestions to amend Rule 3.4 so that CMUs which pre-qualified in the previous year's auction should not have to re-enter data in later prequalification windows if the data have not changed and/or the Applicant does not wish to make a change. They proposed that the Applicant should be able to confirm or amend the previous year's data, rather than making a completely new application.

Consultation responses and decision

Four respondents commented on our initial decision to reject these proposals, each disagreeing and arguing that the change would simplify prequalification. One respondent considered that it should be possible to make the delivery body responsible for ensuring prequalification information is rolled forward between years, without removing responsibility for accuracy of applications from applicants.

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Our final decision is to reject these proposals. We do not believe a change to the Rules is required to implement the practical aspects of these proposals. We also understand that from 2015 the Delivery Body's user interface will allow applicants to refer back to their previous set of information when making their prequalification application while the legal responsibility to ensure the accuracy of this information remains with the applicant. We are continuing to not make these changes to the Rules.

- **Proposal CP31 – Green Frog Power**

This proposal would amend Rule 3.3.7 so that the Delivery Body is given leeway to use judgement in determining whether a CMU should prequalify. In particular, it proposes that the Delivery Body is able to take into account clear and/or obvious errors that could have a significant impact on the auction outcome or an applicant.

Consultation responses and decision

The four responses we received on this proposal broadly agreed with our initial decision to reject it, since it has the potential to introduce unnecessary uncertainty to the prequalification process, increase disputed prequalification applications and it would change the nature of the Delivery Body's role to require it to make subjective decisions on what constitutes a simple error and apply this consistently. Two responses did suggest that some scope for dialogue is needed to enable the Delivery Body to point out manifest errors to applicants. We are continuing with our decision to not change the Rules.

- **Proposal CP52 – Scottish Power**

This submission relates to the Rules on permitted connection agreements for an Existing Generating CMU that is also a Transmission CMU. It proposed that Rule 3.6.3 be extended so that alternatives to conventional TEC, that are thought adequate by the Delivery Body, can prequalify for the Capacity Market.

Consultation responses and decision

Our initial decision for consultation was to reject this proposal on the understanding that the Rules should reflect existing arrangements only and should not be 'future-proofed' against uncertain future arrangements. We received a response from the proposers of CP52 which asked for reconsideration.

The response argued that our approach could stifle innovation since new arrangements for connection would not be implemented until they were permitted by the Rules. The respondent reiterated that a process with National Grid could be designed to demonstrate adequate access to the system to the Delivery Body prior to the Delivery Year. It was also noted that the Rules currently do not allow for instances where the TEC may change over time.

We have considered these arguments, however it is important that the Rules specify clearly the types for connection agreement that are appropriate for prequalification and do not place discretionary powers on the Delivery Body. We also note that if new TEC arrangements become available our regular Rules change process can assess whether any changes may be necessary. Therefore, following consultation, our decision is to reject the proposed amendment.

- **Proposal CP54 – National Grid**

The proposal suggested reviewing Rule 3.2 which provides that, to apply for a new build generating CMU, that applicant must be the legal owner. We note that a specific rule change was not proposed. We rejected conducting a review in the first year.

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Consultation responses and decision

One respondent believed this proposal warrants further consideration, arguing it would help to create greater consistency between CMUs. The respondent also believes that capacity has been preventing from taking part because of this rule. We reviewed the arguments but note no evidence has been provided that capacity has been prevented from participating. We continue to reject this proposal but welcome fully worked up and evidenced proposals in future years.

- **Proposal CP60 (part) – National Grid**

This proposal sought to amend four aspects of the Rules relating to Prequalification Information. These would: (i) substitute the requirement for a description of a CMU with that for the CMU's address and/or grid reference(s); (ii) modify the Rules to state that the applicant for a Refurbishing CMU may be the despatch controller; (iii) clarify that the Rules relating to setting Connection Capacity which apply to existing generators also apply to pre-refurbishment elements of Refurbishing CMUs, and; (iv) clarify the requirement to state the 24 month period which includes the settlement periods in which the CMU delivered its highest output.

Consultation responses and decision

We deal here with (ii) and (iii) ((i) and (iv) are dealt with elsewhere). We received two responses on this proposal, one of which supported our decision to reject these elements, while the other disagreed.

On (ii), the proposers agreed with our argument that despatch controllers may not individually be responsible for decisions concerning refurbishment of generating stations, but considered that this is a risk for despatch controllers to manage. They also stated their belief that some capacity had been prevented from entering the CM as a result of the restriction. However, we remain to be convinced on this point and continue to reject this proposal for the reasons set out in our consultation.

On (iii), we rejected this in our consultation document because the pre-refurbishment element of a Refurbishing CMU already falls within the meaning of Existing Generating CMU as defined within Regulation 4(8). We now note that Pre-Refurbishment CMU is also defined in similar terms within Rules 1.2, hence our decision is to continue to reject this element of CP60.

- **Proposal CP82 – Anonymous**

This proposal would amend Rule 3.6.1 so that Short Term Operating Reserve (STOR) data held by National Grid in their role as System Operator can be permitted as acceptable evidence of previous performance. Further it would require NGET to provide this information to applicants.

Consultation responses and decision

We rejected this proposal. Two respondents agreed with our decision. National Grid (one of the respondents) said they agreed with our rejection and added that as the Rules require a supplier letter, whilst STOR data may be acceptable evidence of previous performance, the output would still need to be verified by a supplier. We are continuing to reject this proposal.

- **Proposal CP87 – DECC**

This proposal calls for a review of the prequalification process to facilitate a more iterative approach between National Grid and applicants, to reduce the volume of disputes at Tier 1.

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Consultation responses and decision

The three responses we received on this proposal agreed with our initial decision to reject it, suggesting that this is not an appropriate change at the present time. The extent of informal, without prejudice, liaison between Delivery Body and applicants prior to the closure of the prequalification window is for the Delivery Body to consider. We continue to reject this proposal.

- **Proposal CP88 – DECC**

This proposal calls for a review of the information required from applicants during the prequalification window. Specifically this was to ensure applicants are only required to submit information as part of their application which is materially significant to determining their prequalification status. Additional data, such as information provided in response to metering questions, could be requested later in the process.

Consultation responses and decision

We received four responses relating to this proposal. Three expressed disappointment with our decision not to take it forward arguing that a review of prequalification information would be an opportunity to simplify the process, reducing costs and increasing participation.

We repeat our view that that the general intent of the proposal is addressed by several other proposals which we have taken forward and continue to reject it. As noted in our covering letter, we will make clarification and simplification of the Rules a priority area for the next round of Rule changes and would welcome specific justified proposals in this area.

Amendments we will make

- **Proposal CP04 – RWE Supply and Trading**

This proposal would amend Rule 3.4.5 (Statement as to Capacity) to enable the recognition within the Rules of CMUs containing generating units of different generating technology classes.

Consultation responses and decision

One respondent agreed with us taking this Rule change forward and indicated they would prefer it if all plants used the same calculation to measure aggregated de-rated capacity. We are continuing with our original decision to make this amendment while noting we do not think it is necessary to specify a method of calculating aggregate de-rated capacity.

One respondent suggested that for separate de-rating factors to be applicable we would also need to require Connection Capacity to be submitted for each Generating Unit. However, Rule 3.5.1 already specifies that Connection Capacity is calculated at the level of Generating Units and we have not altered our drafting in relation to this point.

- **Proposal CP23 – Energy UK**

This proposed to remove the requirement of a legal opinion on the legal status of the Applicant to be submitted as specified under Rule 3.4.2. The submission suggested this amendment was needed due to the varying interpretations of what constituted a legal opinion and that the requirement was costly.

Consultation responses and decision

We received seven responses each disagreeing with our decision to reject this proposal. Whereas we noted in our consultation document that the legal opinion was intentionally

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included in the prequalification process to enable determination of eligibility, and that Rule 3.4.2(b) allows previous Applicants to reuse the information and legal opinion, the arguments put forward by respondents included:

- Legal opinions have little practical value in providing additional assurance regarding eligibility of the applicant company, over and above that already given under the Companies Act 2006;
- Their preparation was both onerous and costly for applicants (one respondent estimated each document required four hours to prepare and cost £5,000 – 6,000 to have verified by an external solicitor);
- Removal of the requirement for legal opinions would promote participation of non-traditional business models;
- They are only valid at the time of the lawyer's signature and cannot be re-used as provided for by Rule 3.4.2 (b), hence they must be prepared afresh for each application.

Whilst we take note of the arguments relating to the cost and practicality, in deciding on this matter we have considered in particular what benefit legal opinions have in providing additional assurance of eligibility. We are now persuaded by the arguments set out above that the requirement for legal opinion provides little practical value in this regard and believe that the remaining information and declaration requirements within the Rules, coupled with our existing enforcement powers, provide sufficient protection. Consequently, we have revoked Rule 3.4.2 (a)(iii) and removed references to the legal opinion within Rule 3.4.2 (b).

- **Proposals CP30 and CP60 (part) – Green Frog Power and National Grid**

CP30 sought to amend Rule 3.4.3(a)(i) to clarify that the description and location of the CMU should include a specific address, a site plan, and a satellite photo (e.g. Google Maps). Similarly, CP60 proposed replacing the requirement for a description of a CMU with that for the CMU's address and/or grid reference(s).

Consultation responses and decision

In our consultation we indicated that we are unable to remove the requirement for a description of the CMU as Regulation 31 mandates its inclusion within the Capacity Market Register. We also indicated that we did not think it necessary to mandate the provision of a site plan or aerial photograph of the CMU. However we proposed to make amendments to require that the postal address (including postcode) and Ordnance Survey grid reference should also be required by appropriate amendments. We received three responses, each agreeing with our suggested changes which we have now made.

One respondent suggested that we specify whether the grid reference should be four or six digits. We have amended the drafting to clarify that the grid reference should be to six digits. It was also suggested that a site might cover a number of grid references. In this case we expect applicants to determine the most reasonable grid reference that their site covers. One response suggested that these changes also be made in respect of the Capacity Market Register. See our response regarding CP71 in this regard.

It was also suggested to us informally that the type of CMU (technology) and fuel source could be added into the requirements for the description of an applicant CMU. We believe these could be helpful changes, but are not making the relevant Rules amendments now as we did not include them in our consultation document. Instead we will consider these in the next round of Rule changes where we look at further clarification and simplification of the Rules.

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- **Proposal CP60 (part) – National Grid**

This proposal sought to amend four aspects of the Rules relating to Prequalification Information. This included part (iv) to clarify the requirement to state the 24 month period which includes the settlement periods in which the CMU delivered its highest output. (Parts (i) to (iii) are dealt with elsewhere).

Consultation responses and decision

The three responses we received in regard to CP60 did not address this part of the proposal and the view in our consultation document that there should be an additional requirement within Rule 3.6.1 for Existing Generating CMUs to identify the 24 month period in which the CMU delivered its three highest physically generated net outputs. Consequently we have made the necessary rule change.

- **Proposal CP62 – National Grid**

This proposal sought to amend Rules 3.4 (Conduct of the Applicant) and 3.12 (Declaration to be made when submitting an Application) to reduce the number of additional documents applicants are required to submit, and thus streamline the prequalification process.

Consultation responses and decision

In our consultation we proposed to revoke Rules 3.4.6 (relating to declaration of solvency) and Rule 3.4.9 (conduct of the applicant), because these duplicate declarations within the prequalification application which Rule 3.12 requires (Exhibits A and C). All four of our consultation responses agreed with this decision and we have made this change to the Rules for the reasons set out in our consultation document.

In relation to our drafting, respondents pointed out that square brackets were no longer required in part (e) or Exhibit A and these have now been removed.

- **Proposal CP66 – National Grid**

This proposal sought to revoke certain provisions within Rules 3.4 (Information to be provided in all Applications) and 3.6 (Additional Information for an Existing Generating CMU). These changes would remove the requirements for applicants: (a) to state whether they have a generation licence at the time of making the application; (b) to provide details of their corporate form and legal status; and (c) who are Grid Code parties and have not been operational in the 24 months prior to the prequalification window to declare that they are or will be compliant with the Grid Code.

Consultation responses and decision

Each of the three responses we received supported our consultation decision to make the amendments suggested by this proposal, in order to streamline the prequalification process. We also reviewed this decision in light of our decision following the consultation to remove the need for a Legal Opinion (CP23). We have concluded that it is still appropriate to make this change as the reasons set out in our consultation document still apply.

- **Proposal CP67 – National Grid**

This proposal would remove the requirements to provide metering information and bank details to the Delivery Body during prequalification. Instead it would replace this with requirements to provide such information direct to the Settlement Body after prequalification. Amendments to Rules 3.4.3(a)(i); 3.6.4; 3.9.4; 3.4.1(d) are proposed.

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Consultation responses and decision

Our original decision was to remove the need to submit bank account details during prequalification. As meter numbers are required at the prequalification stage to check for duplicates and confirm applicants have submitted a reason for such duplication we rejected this aspect of the proposal. Five respondents agreed with our decision. One said we should go further and remove metering assessments and Single Line Diagrams from prequalification (they were content for meter numbers to remain). We are going ahead with our original decision and, as set out in our covering letter, we will welcome specific proposals in the next round of rule changes for further simplification and clarification of the Rules.

- **Proposal CP69 – National Grid**

This proposal suggests that an alternative should be found to the use of the capacity figure in the Distribution Connection Agreement to set the connection capacity. It also proposes that a review is undertaken so as to remove the possibility under the present Rules that the connection capacity can be calculated as being above the entry capacity. Amendments to Rules 3.5.2(b) and 3.5.5 would be needed. National Grid suggested that implementation of this proposal may be delayed until after the 2015 prequalification process.

Consultation responses and decision

This proposal comprised two elements relating to the determination of connection capacity. Consultation responses focussed on our consideration of the second element (and the third of our consultation questions). Accordingly, our final decision with regard to the first element is to make amendments, as described in our consultation, to Rule 3.5.2(c) and to introduce a new Rule 3.5.2(ba) to allow the information contained within the Distribution Connection Agreement, Connection Offer or DNO letter to be used to calculate the CMU's registered capacity, where this is not explicitly stated to be the registered capacity. We have slightly amended our drafting 3.5.2(ba) to make it more consistent with the rest of Rule 3.5.

The second element of the proposal highlighted how it is possible for a CMU to specify its connection capacity using its connection entry capacity (CEC) which, once de-rated can produce a value close to a CMU's transmission entry capacity (TEC). Our view is that whilst the current Rules were intended to provide flexibility to applicants in determining their connection capacity, this kind of result was not intended as it represents a risk of under-procurement of capacity in the auction.

Consultation responses were divided on whether the current Rules represent a problem in this regard. Four responses felt there was no issue: amongst other points noting that the requirement to demonstrate that historic performance matches de-rated capacity provides sufficient protection. However, seven responses suggested that the current Rules do require change, but that finding an appropriate solution would not be simple. They supported our proposal to examine the issues further in order to avoid creating unintended consequences.

We are continuing with our original decision to review this area further to see if there is a better solution for defining connection capacity. We will then consider making any appropriate change to the Rules before the 2016 prequalification window.

- **Proposal CP73 – National Grid**

This submission proposed to clarify the discrepancy that exists between Rules 3.3.3(b) and 4.2.3, which determine when an Applicant may not submit an Application, and whether an Application can be considered by the Delivery Body if an Opt-out Notification has been received from the same Applicant.

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DECC's 2014 amendments to the Rules removed the inconsistency between Rules 3.3.3(b) and 4.2.3 and therefore we rejected this proposal. However we proposed making a further amendment to allow Applicants who have submitted opted-out notifications to reverse their decision and submit a prequalification application during the same Prequalification Window.

Consultation responses and decision

It was noted by respondents that we had not proposed specific drafting for our changes. We have now changed the drafting of 3.3.3(b) to clarify when an Application can be submitted if an Opt-out Notification has already been submitted. We have also changed the drafting of 4.2.3 to clarify that the most recent of any applications or Opt-out Notifications should be taken.

- **Proposals CP79 and CP91 – National Grid and DECC**

CP79 would amend the definition of "Distribution Connection Agreement" to clarify that in cases where it is a private wire agreement, there is not a connection to a licenced Distribution Network Operator's network. Rules 3.6.3 and 3.7.3 would be amended.

CP91 would amend the Rules to take account of CMUs on a private network, in particular for demonstrating connection capacity for distribution-connected CMUs (Rule 3.5) and associated requirements related to connection arrangements (Rule 3.6.3 and Rule 3.7.3).

Consultation responses and decision

We received one response in relation to our amendments concerning these proposals. This pointed out that the reference within our proposed Rule 3.6.3(d)(ii) to a 'Distribution Connection Agreement' is not appropriate in this case as this is defined in the Rules as being an agreement between the DNO and the person responsible for that CMU, which is not the case for a CMU on a private network. We note that the same point applies to our proposed Rule 3.7.3(c)(ii). We have revised the wording of these two new Rules appropriately.

- **Proposal CP80 and CP81 – Anonymous**

Proposal CP80 would amend Rule 3.7.1 to require documentary evidence of Planning Permission to be submitted during prequalification. Proposal CP81 would amend Rule 3.4.3 to add an additional requirement for all CMUs to provide evidence (via lease, deed or contract) that the Applicant has the legal right to use the land upon which the CMU is located.

We proposed that Relevant Planning Consents must be submitted to the delivery body in order to prequalify and that participants must declare during prequalification that they have the legal right to use the land upon which the CMU is located.

Consultation responses and decision

We received six responses to these proposals, the majority of which agreed with our decision, noting that it would help to ensure only feasible projects can prequalify. Two respondents argued that we should go further and also require evidence of the right to use land. One respondent noted that a strong delivery incentive could avoid the need for additional regulatory requirements such as these.

We continue to believe these changes will benefit consumers and our decision remains to take them forward. Our recent enforcement action[10] against a company for providing false and misleading information regarding its planning consents when applying to take part in

[10] https://www.ofgem.gov.uk/ofgem-publications/93934/ukcrdecisionnotice-pdf

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the 2014 auction has also persuaded us that requiring evidence of planning consents is necessary. False or misleading statements, made for the purposes of prequalifying for the Capacity Market, are damaging to the Wholesale Electricity Market and Capacity Market function. Prequalification for the Auction (and the proper and fair functioning of the Auction and EMR more generally) relies on participants taking care to provide accurate information. We will continue to take the provision of false and misleading information, whether in respect of planning consents or any other aspects of an application, very seriously.

We do not plan to require evidence of the right to use land, balancing the need to ensure robustness of applications while reducing the administrative burden of prequalification.

There were also several comments on our drafting. One respondent noted that DECC were no longer taking forward 3.7.1A and therefore our reference to it was incorrect. We have removed our drafting in relation to 3.7.1A. Several responses noted that we should refer to the land on which the CMU is to be located. It was also suggested that we should define the right to use land. In response to these comments we have altered the drafting accordingly, making the obligation to have "the Legal Right to use the land on which the CMU is or will be located". We have added a definition for Legal Right in this context.

- **Proposal CP83 – DECC**

This submission proposed to amend Rule 3.5 to clarify that:

- references to the Grid Connection Agreement, Distribution Connection Agreement or connection offer for a Generating Unit are to the agreement or offer in force at that date on which the Application is made;
- where the Distribution Connection Agreement or connection offer states a range of values for the registered capacity of inverter rating of a Generating Unit, the lowest value in that range should be taken forward in the Application;
- references to Connection Entry Capacity, Registered Capacity or inverter rating are net of the Generating Unit's auxiliary load;

And to amend Rules 3.6.3 and 3.7.3 to clarify that:

- where a Distribution Connection Agreement specifies a range of values for the registered capacity or inverter rating both the minimum and maximum values of that range should be specified in the Application.

Consultation responses and decision

In our consultation document we proposed to make the suggested amendment to Rule 3.5 through a new Rule 3.5.6 and, in relation to Rules 3.6.3 and 3.7.3, to make changes to clarify that, where a Distribution Connection Agreement specifies a range of values for the registered capacity or inverter rating, only the minimum value must be confirmed in the Application.

We received four responses concerning these changes, two of which were supportive of the change. In relation to our drafting of 3.5.6(c) one respondent noted that a Grid Connection Agreement may or may not specify the Connection Entry Capacity net of Auxiliary Load. We have clarified that for the purposes of Rule 3.5 the values "must" (rather than "will") be specified net of Auxiliary Load. We have also added a definition for Auxiliary Load.

Another confidential response objected to taking the lowest value in a range of possible values of connection capacity, suggesting that this was inappropriate for many generators whose capacity would be greatest during cold winter periods when they are most likely to be called on to deliver. Instead they proposed taking the highest value or to allow the applicant to choose a value within the specified range.

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Our change is a clarification of the actual practice adopted by National Grid in 2014, reflecting DECC's policy intent[11]. However, in light of the consultation responses, and as noted in our response to CP69, we believe there is merit in a further examination of methods for determining connection capacity. We intend to do further work in this area and welcome proposals with clear evidence.

We have amended our drafting to work with DECC's amendments of 3 June 2015 which add Rule 3.5A for interconnectors.

- **Proposal CP86 - DECC**

The proposal would amend Rules 3.6.1 and 3.6.2 to allow applicants to confirm settlement period data and Grid Code compliance for the 24 months *prior to one month in advance of the prequalification window*. Current arrangements present difficulties for Directors' signing off the accuracy of an application that relates to a period right up to the start of the prequalification window.

Consultation responses and decision

We received two responses. While one was supportive, the other objected on the grounds that the Secretary of State publishes de-rating factors on 30 June, before prequalification begins on 20 July. If the amendment is made a CMU will not know its de-rating factor until after the window has closed for settlement period performance, when it may be too late to demonstrate sufficient performance to satisfy its de-rated connection capacity.

We do not feel this is sufficient argument to outweigh the difficulties which may be posed under the existing arrangements. The applicant will still have had 24 months in which to demonstrate their performance.

This proposal also sought to amend Rule 3.6.2, but we have decided to remove this rule following our consideration of proposal CP66.

We noted a similar requirement exists on DSR CMUs within Rule 13.2.6 to identify three periods within a two year window for the purposes of the DSR test. We do not believe it is necessary to make changes to this provision, as the DSR test does not require providers to demonstrate the three highest values.

4. Determination of Eligibility

Proposals rejected

- **Proposal A - Ofgem**

We proposed to increase the time in which Price-Maker Memorandums (PMMs) could be submitted to Ofgem. This was in response to informal feedback at our stakeholder events and intended to make the process easier for applicants.

Consultation responses and decision

We received one response to this proposal, which disagreed with our amendment. It was noted that neither the Applicant nor the CMU will have been defined until prequalification results day and therefore it was impractical to submit a PMM before this point. We agree with this argument and therefore no longer propose to take the amendment forward.

[11] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/348759/29-08-2014_Capacity_Market_-_FAQ_issue_4.pdf

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- **Proposal CP26 – E.ON**

This proposal sought to amend Rule 4.4.2(f), relating to tests of an Existing Generating CMU's output, to require the Settlement Periods nominated by the Applicant pursuant to Rule 3.6.1 to show physically generated net outputs which are equal to or greater than the Connection Capacity specified by the Applicant under Rule 3.4.5. This amendment was proposed to prevent the possibility of the Connection Capacity not reflecting the CMUs maximum physical output.

Consultation responses and decision

Our initial decision for consultation was to reject the proposed amendment. We noted we are aware of the issues surrounding the calculation of Connection Capacity under Rule 3.5 and the implications that imprecise Connection Capacity statements, and therefore calculated de-rated capacity, could have for security of supply. We further noted that a requirement to provide evidence of physically generated net output in excess of the specified Connection Capacity would lead to units operating in a way that contravenes requirements of the Connection and Use of System Code (CUSC). One of the two responses we received disagreed, arguing that providers will not breach the CUSC and therefore would have to demonstrate performance up to their Connection Capacity, rather than their de-rated capacity.

A second response agreed with our rejection, noting that the proposal could create further problems, for example where a CMU has a TEC that would not allow generation at the connection capacity.

Our consideration of these responses and the linked issues within CP69 lead us to conclude that a review of the options for defining connection capacity is required in order to resolve the problems without incurring unintended consequences. So while we continue to reject this proposal we intend to look at this issue in more detail. We welcome further proposals in this area, backed up with clear evidence.

5. Capacity Auctions

Proposals rejected

- **Proposal CP05 – RWE Supply and Trading**

CP05 would amend Rule 5.5 (Capacity Auction format) and Rule 5.10 (Capacity Auction results) to require the publication of bid and continuing bid data following the completion of each Bidding Round and at the conclusion of a Capacity Auction.

Consultation responses and decision

All six respondents who replied on this proposal disagreed with our initial decision to reject it. Each considered this alongside related proposals CP10 and CP15 (in some cases they were also considered with Ofgem Proposal B). Several arguments for making the combined changes were put forward, mainly that increased transparency was a good thing. The argument was also made that those in and out of the auction should have access to the same information. While this argument is relevant to CP10 and CP15 (dealt with elsewhere) it is not relevant to CP05, as this information is not currently available to participants.

We continue to think that it is unnecessary and possibly undesirable, to make this change. Making this information available raises a risk that auction participants could infer information about individual bidders which could lead to worse outcomes for consumers. We are also not convinced that there is sufficient evidence or reasons for making this change.

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- **Proposal CP42 - SSE**

This proposal would amend Rule 5.5 (Capacity Auction format) to require that prior to the start of the first and each subsequent Bidding Round of the auction, the Auctioneer should announce, for that round, the information set out by Rule 5.5.18 (a) to (c). Also, prior to Auction Round 1, the Auctioneer should announce the final prequalified auction volume to all Auction participants.

Consultation responses and decision

Two responses disagreed with our decision to reject this proposal, both saying that while the information is available in the Capacity Market Register, it is not easily accessible and this is unfair to smaller firms with fewer resources. As we said in our original decision, National Grid has confirmed that this information will be made more easily visible for participants in future auctions. This does not require a rule change and so we are continuing to reject this proposal.

- **Proposal CP55 – National Grid**

National Grid suggested amending the clearing algorithm at Rule 5.9 to clarify that if there is excess capacity at the price floor then the normal exit ranking takes place. In our consultation we rejected this proposal.

Consultation response and decision

We received four responses saying that this change should be made for clarity. One of those responses argued that continuing to administer capacity agreements with no payments or penalties for delivery would be of no benefit to consumers. We agree that consumers are unlikely to benefit in this scenario. We remain of the view that a clearing price of zero would be an exceptional event and not likely to occur in practice. However, as noted, we will focus on clarity in the next round of Rule changes and would welcome fully worked up proposals, including drafting, for this change.

- **Proposal CP74 – National Grid**

This proposal suggested a clarification to the effect that a duration bid amendment is capped at the declared duration ten days before the auction and to clarify that it can only reduce during the auction. National Grid suggested that implementation of this proposal may be delayed until after the 2015 prequalification process.

Consultation response and decision

In our original decision we said we were minded to clarify this, so as to restrict Duration Bids to being for durations lower than any previously bid. We added, as DECC have stated that Price Duration Curves will not be used in the upcoming auction, that we will not make the proposed amendment this year but will consider it for future years. We asked if stakeholders agree that duration bid amendments should only be allowed to reduce during the auction. The 14 responses gave mixed answers to this question. However, there was an almost unanimous consensus that we should wait until DECC have made a further decision on Price Duration Curves before bringing any change forward to the Rules. We have decided to wait and will consult at the appropriate time on any changes.

<u>Amendments we will make</u>

- **Proposal B - Ofgem**

This proposal would amend Rule 5.5.18(c) to create a minimum level for the announcement of spare capacity. Currently the auctioneer announces the spare capacity at the start of

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each Bidding Round, rounded to the nearest GW. In our consultation we proposed to set a minimum amount of 2GW for a T-4 auction and 200MW for a T-1 auction. This would mean in a T-4 auction, if the spare capacity was 1.2GW, the announcement would be "below 2GW".

This proposal was made to reduce the possibility of strategic withholding in the auction, where a portfolio withholds some capacity from the auction in order to get a higher clearing price. An explanation of strategic withholding is given in the Charles Rivers Associates report on gaming risks in the Capacity Market[12].

Consultation responses and decision

We received seven responses to our consultation. One of these agreed we had struck the right balance between gaming risk and transparency. Six of the responses disagreed with the proposal. Two argued that it is not possible to strategically withhold capacity in the auction. Several others said this change could reduce market efficiency by lowering the competitive pressure on bidders to reduce prices. One respondent thought existing arrangements are sufficient to address the possibility of strategic withholding.

In their report on the possibility of gaming in the Capacity Market, Charles Rivers Associates recommend limiting the information given during the auction about remaining supply. Particularly they suggest giving supply as a range of values and that "the amount of information provided should reduce as the auction progresses and the supply/demand margin falls." They note that, "while this reduces the learning benefit from the clock auction, it reduces the probability that a bidder is able to precisely calculate when it might be able to arbitrarily close the auction."

We believe it is in consumers' interests to continue to make this change as it will help to prevent strategic withholding in the auction. We have considered the responses from stakeholders and the specific issues they highlight. In response to arguments that strategic withholding could not occur we have done further analysis on the incentives that portfolios could have to withhold capacity. We continue to believe it is appropriate to set a minimum threshold for excess capacity. To minimise the effect on competition we propose to lower the amounts from our original proposal. This should help to retain competitive pressures in the auction, while still providing protection against strategic withholding. We propose to set a minimum amount of 1GW for a T-4 auction and 100MW for a T-1 or transitional auction.

Our original drafting has been updated to reflect the thresholds.

- **Proposals CP10 and CP15 – Drax Power and Energy UK**

CP10 would add a new paragraph to Rule 5.10 to the effect that the end of round results are made publically available to all market participants, not just participants taking part in the auction.

CP15 would amend Rule 5.10 so that the Delivery Body must publish the high level round results to the market at the end of each round, and must notify the public in advance where these results will be published.

Consultation responses and decision

We received six responses on these proposals (in most cases the responses also covered CP05 and Proposal B). All respondents disagreed with our initial decision to reject CP10 and CP15. Various arguments were put forward but the most significant was that as CMUs in

[12]https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/252746/CRA_Report_on_the_Capacity_Market_Gaming_Risks.pdf

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the auction (whether they are still bidding or have exited the auction) receive information before the start of each auction round, this information should be made public.

Following consideration of the arguments put to us, we have made a change to Rule 5.5.18 so that the information that is made available to those 'in the auction' before each bidding round is also made available to the public. We note that information is not published immediately after the final round as the auction results must remain provisional until approved by the Secretary of State following review of the auction monitor's report.

- **Proposals CP18 – Energy UK**

This proposal suggested an amendment to Rule 5.6.7 (Duration Bid Amendments), replacing the words "is lower than the highest price specified in the Duration Bid Amendment" with "is lower than or equal to the highest price specified in the Duration Bid Assessment". This is to address a situation where, as the clearing unit, the participant may secure an agreement of 1-year in length but for a refurbished CMU. We proposed to make the suggested amendment.

Consultation responses and decision

We did not receive any substantive comments on this proposal and our decision remains to make the amendment. We did receive two drafting comments, one to align with defined terms in the Rules and another to make consequential amendments in 5.6.7 and 5.6.8. As a result we have capitalised Bidder, changed "CMU" to "Bidding CMU" and removed the word "highest" in 5.6.7 and 5.6.8 as these are inconsistent with the concept of a Duration Bid Amendment.

6. Capacity Agreements

Proposals rejected

- **Proposal CP45 – UKDRA**

This proposal suggested that an Unproven DSR CMU may be subject to a 'double forfeit' for the same occurrence, due to the interaction of termination fees as set out in the Rules and credit cover drawdown as set out in the Regulations. It proposed that Rule 6.10.3 be amended to allow for the termination fee to be reduced by the amount drawn-down by the Settlement Body where the forfeit relates to the same CMU and same termination event.

Consultation responses and decision

Originally we rejected this proposal on the grounds that it could not happen in practice. This is because NGET have clarified that a metering assessment and a metering test, if required, must have been successfully completed before a DSR test can take place.

We received one response, which disagreed with our rejection. It argued that there were still instances where credit cover could be withdrawn and a termination fee could be levied for the same incident.

On review of the points raised and the Rules and Regulations we agree that both payments can occur in practice, though it may be rare. However, both the termination fee levels and the credit cover are set out in legislation. Taking this proposal forward in a way that amends the amount of the fee or the cover would make the Rules inconsistent with the Regulations and therefore we continue to reject this proposal.

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- **Proposals CP51 and CP53 – Scottish Power**

Both of these proposals suggested changes to the Termination Fee regime for New Build CMUs. CP51 would place a requirement on such CMUs to certify at Prequalification that they have sufficient financial resources to meet Total Project Spend and to provide evidence of such resource upon request by the Authority. It further proposed that the relevant Directors certify that the CMU will act in accordance with the financial mandate in the relevant auction. In the absence of such a certification process the applicable Termination Fee for New Build CMUs would be TF2 in the event that they fail to meet their Financial Commitment Milestones, rather than TF1 if such a certification is made.

CP53 proposed to raise the Termination Fee for all New Build CMUs failing to achieve their Financial Commitment Milestone by amending Rule 6.10.1 (b). The applicable termination fee rate would change from TF1 to TF2.

Consultation responses and decision

The two responses we received on these linked proposals both disagreed with our rejection of them. One expressed the view that termination fees for new plant are too low which is likely to promote inefficient entry into the auction and that increasing TF1 to the TF2 level would ensure only those projects able to make a firm commitment bid in the auction. The other response suggested that we use foresight to assess this issue, however we maintain that while the existing arrangements have yet to be tested we need to see strong arguments before making any change. We note that DECC are likely to review this area and aim to bring forward consultation proposals in autumn 2015[13].

- **Proposal CP76 – National Grid**

Proposal CP76 seeks to add a method for indexation of total project spend, possibly using the definition of indexation in the Regulations.

Consultation responses and decision

Six respondents disagreed with our decision to reject this proposal. The reasons included a desire for clarity, but also arguments about fairness and consistency – with different companies possibly using different methods that could confer advantages. We are persuaded that clarification here would be useful. However, the best approach to indexation for total project spend is not obvious. The method used in the Regulations, Consumer Price Index, may not be the most appropriate. As we do not have a methodology we think is appropriate, we are continuing to reject this proposal but we invite fully worked up and justified suggestions from stakeholder that can be considered in the next round of Rule changes.

Amendments we will make

- **Proposal C - Ofgem**

In our consultation we identified three typographical errors within the Rules which we are correcting. Two of these related to Rules 6.10.1(e) and 8.3.1(a) which should cross reference to 3.7.3(c) instead of a non-existent "3.7.3(b)(iii)". Although we received no formal consultation responses on this proposal, it has been pointed out to us that the same amendment also needs to be made in respect of Rules 4.5.1(b)(iii) and 7.4.1(d)(vii)(cc). We have made the appropriate amendments to these Rules as well.

[13] See: https://www.gov.uk/government/consultations/consultation-on-capacity-market-supplementary-design-proposals-and-changes-to-the-rules

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- **Proposal CP47 – UKDRA**

This submission proposed that amendments should be made to clarify how Line Loss Factors are incorporated in the relevant areas of the Rules for Distribution CMUs.

Consultation responses and decision

Two respondents agreed with our decision to take this forward, one suggesting we look to the example of how Line Loss Factors are treated in other CMs, specifically New England. We will continue with our decision to make this change for the reasons set out in our consultation.

In response to drafting comments we have now capitalised the term Unlicensed Network, which has been defined in DECC's changes to the Rules. Where used in our original drafting, we have changed "Licenced Distribution System Operator" to "Distribution Network Operator", changed "Distribution System" to "Distribution Network" and changed "Transmission System Boundary" to "Boundary Point on a Transmission Network". These terms now align with terminology used elsewhere in the Rules.

7. Capacity Market Register

Proposals rejected

- **Proposals CP09 and CP89 – GDF SUEZ UK and DECC**

These proposals would amend Rule 7.4 to clarify the status and obligations of CMUs which prequalify as Refurbishing CMUs but subsequently gain Capacity Agreements of only one year. The Capacity Market Register would make clear where CMUs have reverted to Pre-Refurbishing status. If this is not the case, and the Refurbishing CMU has opted for a one year agreement, then the Register would indicate whether the CMU has an obligation to undertake the relevant Qualifying Capital Expenditure. The Provisional & Final Auction Results would accurately record this information.

Consultation responses and decision

All three responses we received to our consultation on this proposal disagreed with our decision to reject it, considering that it would be a useful, low cost clarification which would provide additional market transparency.

We disagree that it is not possible to clarify the status of refurbishing plant on the CM Register and therefore we are continuing to reject this change.

- **Proposal CP36 – National Grid**

This proposal from National Grid, calls for a review of Rules 8.3 and 7.5.1(r) to clarify the consequences of relocating a CMU.

Consultation responses and decision

We did not receive any comments on our rejection of this proposal and continue to do so for the reasons set out in our consultation. One respondent commented on DECC's 27 March draft Rule amendments in relation to Rule 7.5.1(r) and we will pass this part of their consultation response to DECC.

- **Proposal CP71 – National Grid**

This proposal suggested a review to determine whether all of the information currently contained in the Capacity Market Register needs to be published. No specific information

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was mentioned. National Grid suggested that implementation of this proposal may be delayed until after the 2015 prequalification process.

Consultation responses and decision

Our consultation decision was to reject this proposal as it made no specific proposals for Rules changes. The general intent of this proposal has been addressed in part by our decisions on CP30, CP36 and CP60.

We received a single response from National Grid offering to work with us to further review the information requirements in respect of the Register. We intend to take up this offer if we receive fully worked-up and justified proposals.

8. Obligations of Capacity Providers and System Stress Events

Proposals rejected

- **Proposal CP14 – Energy UK**

This submission proposed that for the Load Following Capacity Obligation (LFCO) formula within Rule 8.5.3, the definition of Reserve for Response (RfR) should be amended to clarify that the "most recent capacity report" refers to the most recent National Grid Capacity Report prior to the T-4 Auction for the relevant Delivery Year.

Consultation responses and decision

We received three responses each disagreeing with our consultation decision to reject this proposal. One respondent argued that in an industry governed by codes and rules, absolute clarity is required in all cases. Another felt that the clarity of this and some other terms is not universally agreed.

As we stated in our consultation, "Annual electricity capacity report" is defined within Regulation 7 and we consider that interested parties will be aware of this. As we say in the covering letter, we will make clarification and simplification of the Rules a priority area for the next round of Rule changes. While we are continuing to reject this change this year (as the definition is available) we will reconsider it during the next round of Rule changes.

- **Proposal CP24 – E.ON**

CP24 sought to expand the definition of 'Demand Reduction Instruction' (DRI) under Rule 1.2 to include load reductions made according to Operating Code (OC) 6.6 of the Grid Code (Automatic Low Frequency Demand Disconnection) as well as OC6.5 (Demand Control on the Instructions of NGET). This would have the effect of similarly amending the definition of Involuntary Load Reduction (ILR), which references the DRI definition in Rule 1.2, so that both forms of load reduction are included in the calculation of Load Following Capacity Obligations (LFCO) under Rule 8.5.3.

Consultation responses and decision

We received nine responses in regard to CP24. There was general agreement over the inclusion of OC6.6 - Automatic Low Frequency Demand Disconnections (ALFDD) within the scope of Involuntary Load Reduction (ILR), although one respondent voiced concerns, contending that this kind of event is not necessarily associated with an energy shortfall.

With regard to our consultation question 6 concerning the inclusion of OC6.7 – Emergency Manual Disconnection (EMD) within the meaning of Demand Reduction Instruction (DRI), views were more mixed. Four respondents supported this; four were content provided that

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emergency actions unrelated to system adequacy were excluded, as this could lead to non-delivery penalties in absence of a stress event. One opposed this change for similar reasons. Two respondents also suggested that the changes (including that for OC6.6) should not apply until the second delivery year as, for the first delivery year, participants will not have been able to take into account the increased risk of system stress events in their bidding strategies during the first auction.

Our understanding of the original policy intent is that any form of demand control may potentially lead to a stress event, unless post-event analysis reveals it to have been taken exclusively for system reasons. Rules 8.4.2 (b)(i) and (ii), and 8.5.1 provide for the relevant exclusions.

However, we recognise that there are complexities. For example, while action may be taken at a particular location for system reasons, it may also meet a requirement to reduce demand due to a shortage of capacity. In addition it may be difficult, practically, to establish under which provision (OC6.5 or 6.7) the instructions are issued. We are advised by National Grid that at the time of issuance it will not have been determined which provision an event falls under. This suggests that in practice the number of stress events would not be expected to increase if OC6.7 were to be included within the meaning of DRI.

In view of the complexities, and the mixed views of respondents on this point, we have decided to review the possible inclusion of OC6.7 further with a view to making a decision on this in time for the 2016 auctions. We also intend to make changes to the Rules to include OC6.6 within the scope of ILR at that time, rather than make them immediately.

Although we are not making a change this year, if we make changes next year we intend that they will apply from the first delivery year. The terms which govern a stress event are not grandfathered and it would be unreasonable to make them so. Otherwise, for certain New Build CMUs the changes would not be applied for the whole term of their 15 year agreements.

- **Proposal CP46 – UKDRA**

This submission proposed to amend the provisions for allocation and removal of CMU components from DSR CMUs under Rules 8.3.3 and 8.3.4 to align them with the Rules governing strategic operating reserve and frequency control by demand management balancing services. Increasing the flexibility of component allocation was proposed to aid demand-side participation and increase the volume of DSR available.

Consultation responses and decision

We said that we thought there could be some merit in allowing DSR providers to manage their risk through addition of components and that we were minded to consider this proposal further with a view to making a decision before the first transitional delivery year begins. We also noted that increasing the flexibility in the Rules to allow component reallocation for DSR CMUs could introduce risks during the testing regime and undermine processes to the detriment of consumers. We asked for views on this change and on the potential risks.

We received 15 responses. Eight were broadly supportive of the concept while noting that implementation would have to be carefully thought through to ensure DSR CMUs can meet their obligations, gaming is prevented, and that any process is transparent and fair. Three responses were broadly neutral: it could be a good idea depending on the details of implementation. Four responses thought the change was unnecessary and DSR did not need any additional flexibility and that the focus should be ensuring secondary trading works for all CMUs. Concerns over security of supply were also mentioned. One respondent who opposed this change pointed to the differences between the CM and Balancing Services and that tracking DSR components would be necessary and challenging. This respondent

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also noted there would be an administrative cost created through the need for additional Metering and DSR tests.

As set out in our consultation, we wish to consider this change further, ensuring that security of supply, practical feasibility, proportionality and the administrative implications of any change are taken into account. We welcome more detailed proposals on how reallocation of components could work, with justification. We note rule change proposals can be submitted to Ofgem at any time. An earlier submission will allow more time for us to consider the change and make it more likely that we would be able to take the change forward for the following year.

Amendments we will make

- **Proposal CP38 – National Grid**

This proposal would revise the timescale for new build CMUs to submit their evidence of capital expenditure to six months after the start of the relevant delivery year, rather than "prior to the start of the delivery year".

Consultation responses and decision

One respondent agreed with our decision to make this amendment, believing it was a practical change. We intend making this change and also to apply this change to refurbishing as well as new build CMUs. Prospective CMUs will have three months after the start of the delivery year to provide evidence of capital expenditure.

Drafting changes were not included in our original consultation. We have replaced "prior to" with "no later than three months after" in Rule 8.3.6(a).

- **Proposal CP59 – National Grid**

This proposal sought to amend Rule 8.4 (Triggering a Capacity Obligation and System Stress Events). It proposed Rules 8.4.2 and 8.4.6 are reviewed and amended such that a Capacity Market warning is issued in response to an OC6 Demand Control Event, rather than a System Operator Instigated Demand Control Event. This is because not all the information needed to determine whether a SO Instigated Demand Control Event has occurred is available at the time of making the Capacity Market Warning.

Consultation responses and decision

In our consultation we proposed to partially make the suggested amendment. Rather than cover all parts of OC6 as proposed, we suggested that only those parts relating to a System Operator Demand Control Event are taken forward.

We received three stakeholder responses. One of these agreed with the proposal, while two others did not give a clear view. All three responses noted that applicants would have made expectations about the number of Capacity Market warnings. It was also noted there is a need to test changes with industry. We recognise the points made by stakeholders but believe it is reasonable to take forward the amendments this year. This is because currently the System Operator will not know whether a Demand Control Event falls under one of the exceptions listed under the definition of a System Operator Demand Control Event. A practical change to the Rules is therefore required to ensure they work in the first Delivery Year.

Several stakeholders also asked us about the amended wording, as it appears to simply replace the words System Operator Demand Control Event with the definition of the term. The key difference is that the exceptions are no longer included. This prevents a situation where the System Operator does not have the required information to comply with the Rules.

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9. Transfer of Capacity Obligations

No proposals received.

10. Volume Reallocation

No proposals received.

11. Transitional Arrangements

Proposals rejected

- **Proposal CP48 – UKDRA**

This submission proposed to remove Rule 11.3.2(b) which prohibits Non-CMRS Distribution CMUs or DSR CMUs that have been awarded a Capacity Agreement in a Capacity Auction (other than a Transitional Capacity Auction) from participating in the transitional arrangements.

Consultation responses and decision

We noted in our decision to reject this that the policy aim of the Transitional Arrangements is to help develop and grow the DSR sector so that it is able to participate in the first year-ahead auction in 2017, and subsequent auctions thereafter. Allowing existing DSR (or, equally, generation) with capacity agreements to take part in the transitional auctions would go directly against that policy intent and may crowd out the emerging resources the transitional auctions were designed to support. We are of the view that this would be against the interests of consumers in the medium and long term as it could lead to less DSR in total participating in CM auctions.

One respondent agreed that making a change here would directly contradict the policy intent and could lead to DSR being dominated by a small number of players that are established early. Two respondents disagreed. In the main they submitted arguments and evidence that had been presented to us previously (including in meetings prior to us publishing our consultation document, in the proposal for this change, and in a published consultancy report). One respondent argued exclusivity would reduce the overall level of DSR. However, we are not persuaded by this argument and refer back to the point that removing exclusivity could allow developed DSR to crowd out emerging resources in the transitional auctions. Exclusivity was also referred to as a 'handcuff' on DSR as other technologies are able to receive subsidies during the 'transitional auction years' while still participating in the CM via the T-4. We note that the intention of the transitional auction is not to address any real or perceived differences between CMU types in what subsidies are received when. We also note that participation in the transitional auctions is an option for DSR providers without capacity agreements rather than a requirement. We are continuing with our decision to reject this change.

Amendments we will make

- **Proposal CP65 – National Grid**

This submission proposes that bidders in the Transitional Auctions should specify a default position regarding their choice of product. Should they win an agreement in the auction, bidders choose between a time-banded and load-following equivalent obligation in the Transitional Auctions. It is proposed that a default position be declared by the Bidder at D-10, and that this default could be altered up to 30 minutes after the provisional auction

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results have been published. After this point the declared default position is taken as final for the relevant Capacity Agreement.

Consultation responses and decision

We proposed to take forward this proposal but with a longer period of time for Bidders to alter their type of obligation. We proposed that Bidders should declare a default position at D-10 alongside additions to the Rules to allow Bidders to change from their default position up until the end of the Working Day following the day on which the Clearing Round occurs. One respondent said that we must ensure any Rule change does not allow market manipulation and that we scrutinise behaviour and take action if needed. We think our proposed design means the risk of manipulation is low. We also monitor and, where appropriate, we can take enforcement action across the CM, including in this area. We are not changing our original decision and will proceed as set out in our consultation.

As a result of drafting comments we have added "or assigned" in 11.3.3(c) and "or assigned by the Delivery Body" in 11.3.3(d) to cover the case that the default position was assigned by virtue of 11.3.3(b).

12. Monitoring

Proposals rejected

- **Proposal CP02 – GDF SUEZ UK**

Rule 12.2 (Monitoring of construction progress of Prospective Generating CMUs) requires the CMU to report to the Delivery Body every six months on progress made against the Construction Plan until the Substantial Completion Milestone. This proposal would require an independent audit of these reports. Unsatisfactory audit findings would result in the CMU being entitled only to a one-year capacity agreement and not being permitted to bid as a Refurbishing CMU in future auctions.

Consultation responses and decision

In our consultation we set out our view that the Rules already set out a proportionate approach to monitoring progress against the Construction Plan, including the steps the Delivery Body can take if there is a risk that the CMU will not meet the relevant Substantial Completion milestone. We argued that implementation of this proposal would create an additional audit which would not be justified. We received one response in regard to this proposal pointing out that the intention was to allow public scrutiny of the proposed independent audit. Nevertheless, it remains our view that in the absence of evidence of a significant risk of inaccurate progress reports from CMUs, the costs of such an approach would not be justified.

- **Proposal CP75 –National Grid**

This proposal suggests a review of the requirements in the Independent Technical Expert report and to write these into the Rules. Changes to Rules 1.2, 6.6 and 8.3.6 are proposed.

Consultation responses and decision

No specific proposals for changing the Rules were made and we were not able to conduct a formal review and make proposals given the limited time available. We welcome a more developed proposal on this point during the next (or subsequent) round of Rule changes. NGET said they would work with delivery partners on this. We are not changing our original decision and will proceed as set out in our consultation.

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13. Testing Regime

Amendments we will make

- **Proposal CP44 and CP63– UKDRA and National Grid**

This submission proposed to amend Rule 13.2 (DSR Test) to enable past performance of a DSR CMU to be calculated using a newly defined "Balancing Service Delivery Period" rather than Settlement Periods. This amendment was proposed in order to allow DSR CMUs involved in the provision of balancing services, services which are not tied to settlement periods and may not begin on an hour or half-hour, to provide performance data that is not restricted to the Settlement Period requirements.

Consultation responses and decision

Two responses supported our decision to take this amendment forward and one opposed our decision. The response opposing this change said it gave DSR an unfair advantage. We think DSR is different to generation and therefore can be treated differently where appropriate. In this case, some DSR CMUs are likely to have less opportunity than generating CMUs to demonstrate performance within settlement periods. The respondent also said that this change would allow DSR CMUs to use alternative (and it implied) inferior metering arrangements. We note here that the Rules already contain provisions addressing metering arrangements. Therefore we continue to take this proposal forward for the reasons set out in our consultation.

In relation to our drafting one respondent noted "user" was not a defined term and we have replaced it with "Applicant or Capacity Provider" in 13.2.6A(ii) and Schedule 2, 1.2.2 to make it more consistent with the rest of Rule 13.2.

14. Data Provision

No proposals with consultation responses

15. Schedules & Exhibits

Proposals rejected

- **Proposal CP20 – Energy UK**

This proposal sought to remove the reference to 'form of' from the Exhibit certificates in the Rules to clarify the certificates were final versions. The proposal also suggested these certificates be made available to applicants in a more easily editable form.

Consultation responses and decision

We received three responses each of which disagreed with our rejection of this proposal and argued that it would ease the process of prequalification. We continue to believe that the proposed amendments to the Rules are inappropriate since the Exhibits are 'forms of' the required documentation. We understand that in future prequalification rounds, National Grid will provide the documents in editable form.

- **Proposal CP49 - UKDRA**

This submission proposed a new baseline methodology be added to Schedule 2 that applies to behind-the-meter generation such as CHP and emergency generation so that these

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generators can participate as DSR CMUs. We rejected this proposed based on the understanding that behind-the-meter generators such as the CHP technologies cited in this submission are able to participate in the Capacity Market by qualifying as existing generating units. However, in our consultation, we asked for evidence that these technologies are failing to prequalify, or that there are benefits to allowing embedded generation to bid as a DSR component (Question 8 of our consultation).

Consultation responses and decision

We received ten responses, specifically addressing the question. Several other respondents noted they had no evidence on embedded generation's ability to prequalify.

In relation to their ability to prequalify, it was noted that in the first year embedded generators could not aggregate to above the 2MW de minimis threshold unless they participated as DSR, where their full capacity would not be recognised due to the baselining methodology. It was also noted that there was difficulty for plant on private wire networks to prequalify. Other rule changes have been taken forward in relation to these points and it is not thought that they will prevent these forms of technology prequalifying in future auctions. The majority of responses did not have evidence that these forms of technology were failing to prequalify. Two responses argued that the barriers could be explored further.

In relation to participating as DSR, several arguments were put forward on why it could be beneficial. One of these noted that it would allow these generators to prequalify as unproven DSR, allowing aggregators to identify and advertise for new sources of capacity. Another argument put forward was that it would stop CHP portfolios from splitting, especially when located on the same site. It was noted this can increase complexity for DSR providers as load flexibility on the same site is often contracted together. We can see the possible benefit in this, especially as the combination of both types of technology could allow applicants to meet the 2MW minimum threshold. One respondent believed that allowing participation would also align with the definition of DSR in the balancing market and it would remove confusion where a CHP asset was defined as generation in the CM but defined as DSR in the balancing market.

The majority of respondents noted their support for DSR and the technological neutrality of the Capacity Market. One respondent noted the view of the Energy and Climate Change Committee which argued that embedded generators should not be included in the definition of DSR. The same stakeholder would not support that generation connected to a distribution network could be treated as DSR.

In our view the main barriers to participation of embedded generation have been removed. We do not propose to make the proposed Rule amendment as we believe the Regulations prevent such a baseline methodology from being created. Specifically it would make the Rules inconsistent with the definition of demand side response in the Regulations, "the activity of reducing the metered volume of imported electricity of one or more customers below a baseline, by a means other than a permanent reduction in electricity use."

- **Proposal CP70 – National Grid**

This proposal sought to remove the following items from the Capacity Agreement Notice (CAN) (Schedule 1): (a) bank details; (b) Meter Point Administration Number (MPAN) information; (c) type of CMU; (d) registered address: and (e) de-rated capacity. National Grid suggested that implementation of this proposal may be delayed until after the 2015 prequalification process.

Consultation responses and decision

We rejected the proposal but note that the CMU's Bank details will be removed from the CAN by virtue of CP67. One respondent indicated they looked forward to developing further

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proposals for change in this area. We are continuing to reject this proposal for the reasons set out in our consultation.

- **Proposal CP85 - DECC**

This submission proposed to make amendments to the Rules that would place an obligation on the Delivery Body to publish a principles statement for calculating non-BM Adjustment Formulae for Frequency Control for Demand Management services.

Consultation responses and decision

We rejected the proposed (temporary) solution as there was no urgency for this change. We said we would consider this further, making amendments so that the relevant formula can be derived and added to Schedule 4, rather than introduce a temporary solution that would likely have to be amended before the first Delivery Year. One respondent expressed general support for change here. We are rejecting this change for the reasons set out above but welcome detailed proposals from stakeholders on how this change could be made.

Amendments we will make

- **Proposal CP29 – E.ON**

This submission proposed a review of the list of bodies provided on Exhibit C (Certificate of Conduct) to which an Applicant can disclose Capacity Market Confidential Information. It was proposed that Ofgem and the Competition and Markets Authority (CMA) should be included on the list of bodies.

Consultation responses and decision

One respondent said we should reconsider our decision to only add Ofgem and not the CMA to the list of bodies. As the CMA can, like Ofgem, compel the disclosure of Capacity Market Confidential Information, we have decided to add the CMA to the list. Our drafting in Exhibit C has been updated to reflect this.

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Annex B: Summary Table of Proposals and Decisions

Ref. No.	Summary of submitted proposal	
A	We propose to streamline the Price-Maker Memorandum (PMM) submission process as noted in our Open Letter published in November 2014. Feedback from stakeholders included suggestions to allow more time for submission between the date on which auction participants were confirmed and the PMM submission deadline.	Reject
B	This proposal would amend Rule 5.5.18(c) to create a minimum level for the announcement of spare capacity. Currently the auctioneer announces the spare capacity at the start of each Bidding Round, rounded to the nearest GW. This proposal would set a minimum amount of 1GW for a T-4 auction and 100MW for a T-1 auction.	Make Amendment
C	We identified three typographical errors within the Rules. Two are within Rules 6.10.1(e) and 8.3.1(a). Both are references to a non-existent Rule "3.7.3(b)(iii)". The third error is in Rule 7.4.5(j)(i) where the last word of the sub-paragraph is incorrect.	Make Amendment
CP01	This proposal from GDF Suez would amend the definition of Qualifying Capital Expenditure within Rules area 1.2 (Definitions). It seeks to remove the reference date of 1 May 2012 from when Qualifying Capital Expenditure is measured for Refurbishing CMUs. It would instead refer to a 3 year continuous period within the four years prior to commencement of the Delivery Year.	Partially Make Amendment
CP02	This proposal from GDF Suez would make an addition to Rule 12.2 (Monitoring of construction progress of Prospective Generating CMUs). Rule 12.2 requires the CMU report to the Delivery Body every six months on progress made against the Construction Plan until the Substantial Completion Milestone. The proposed change would require an independent audit of these reports. Unsatisfactory audit findings would result in the CMU being entitled only to a one-year capacity agreement and not being permitted to bid as a Refurbishing CMU in future auctions.	Reject
CP03	This proposal from RWE seeks to amend Rule 3.3 (Submitting an Application for Prequalification) to enable an Agent to represent more than one Applicant CMU. This would be achieved by the deletion of Rule 3.3.5(c). A consequent change would also be required to Rule 3.4.9 (Conduct of the Applicant).	Reject
CP04	This proposal from RWE would amend Rule 3.4.5 (Statement as to Capacity) to enable the recognition within the Rules of CMUs containing generating units of different or mixed generating technology classes.	Make Amendment
CP05	This proposal from RWE seeks to amend Rule 5.5 (Capacity Auction format) and Rule 5.10 (Capacity Auction results) to require the publication of bid and continuing bid data following the completion of each Bidding Round and at the conclusion of a Capacity Auction.	Reject
CP06	This proposal from RWE seeks to amend the definition of Qualifying Capital Expenditure for Prospective Generating CMUs within Rules area 1.2 (Definitions). It would remove the fixed reference date of 1 May 2012 for the start of the period for eligible expenditure and replace it with wording which refers to the commencement of the Calendar Year that immediately precedes the year in which the Prequalification Window commences.	Partially Make Amendment

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CP07	This proposal from RWE seeks to amend the definition of Qualifying Capital Expenditure for Prospective Generating CMUs within Rules area 1.2 (Definitions). For Refurbishing CMUs only, it would remove the fixed reference date of 1 May 2012 for the start of the period for eligible expenditure and replace it with wording which refers to the Auction Results Day to which the application relates.	Partially Make Amendment
CP08	This proposal from RWE seeks to amend Rule 3.12 (Declaration to be made when submitting an Application). It would introduce a new provision to require a statement from an Applicant that the Total Project Spend (where relevant) is conditional on securing a Capacity Agreement of more than one-year.	Reject
CP09	This proposal from GDF Suez would add a new provision to Rule 7.4 (Contents of the Capacity Market Register) to clarify the status and obligations of CMUs which prequalify as Refurbishing CMUs but subsequently gain Capacity Agreements of only one year. The provision would require that the Capacity Market Register makes clear when this is because the CMU has reverted to Pre-Refurbishing status in the Capacity Auction; if this is not the case, but the Refurbishing CMU has simply opted for a one year agreement, then the Register should indicate whether the CMU has an obligation to undertake the relevant Qualifying Capital Expenditure. The proposal also requires that the Provisional & Final Auction Results accurately record this information.	Reject
CP10	This submission proposes to add a new paragraph to Rule 5.10 to the effect that the end of round results are made publically available to all market participants, not just participants taking part in the auction	Make Amendment
CP11	This submission proposes to amend Rule 13.4.1(b) to the effect that penalties for failing to demonstrate satisfactory performance are capped at 100% of annual payments received, rather than 100% of scheduled payments.	Reject
CP12	This submission proposes to add a definition for "Settlement Period Penalties" which is currently not defined in the Rules but is in the Regulations. Rule 1.2 would be amended, with implications for Rule 13.4.1(c).	Reject
CP13	This submission proposes to amend Rule 8.5.3 to correct an error in the formula for the calculation of the Load Following Capacity Obligation (LFCO): there should be an additional set of brackets around the "min" function: ∑(AACOij – SCOij). Where AACOij is the Auction Acquired Capacity Obligation and SCOij is the Suspended Capacity Obligation.	Make Amendment
CP14	This submission proposes changes to the formula for Load Following Capacity Obligation (LFCO) under Rule 8.5.3 by amending the definition of Reserve for Response (RFR) to clarify that the "most recent capacity report" refers to the most recent National Grid Electricity Capacity Report prior to the T-4 Auction for the relevant Delivery Year.	Reject
CP15	This submission proposes to amend Rule 5.10 to the effect that the Delivery body must publish the high level round results to the market at the end of each round, and must notify the public in advance where these results will be published. The "High level round results" are proposed to include: (a) Round number, (b) Price Floor (£/kw), (c) Clearing Capacity at the Price Floor (MW), (d) Status: the round has cleared / not cleared and (e) Excess Capacity (rounded to 1,000MW).	Partially Make Amendment
CP16	This submission proposes to amend Rules 3.11.4 and 3.12.5 to make reference to a 'person' submitting the Opt-out Notification rather than the 'Applicant' as is currently drafted. It is proposed 'Applicant' is not an applicable term where an Existing CMU is opting out.	Reject
CP17	This submission proposes to amend the definition of 'De-rated Capacity', so that the drafting of 'Physically generated net output' throughout the Rules is followed by 'in MWs to 3 decimal places', thereby giving a more	Make Amendment

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	accurate output figure.	
CP18	This submission proposes to amend Rule 5.6.7 (Duration Bid Amendments) by replacing the words "is lower than the highest price specified in the Duration Bid Amendment" with "is lower than or equal to the highest price specified in the Duration Bid Assessment". This is to address a situation where, as the clearing unit, the participant may secure an agreement of one year in length but for a post-refurbishment (i.e. increased) de-rated connection capacity.	Make Amendment
CP19	This submission proposes to add a new definition for a "Day" as "the period from 00:00 hours to 24:00 hours on each day", so as to reflect common industry practice.	Reject
CP20	This submission proposes to remove the reference to "form of" in the certificates in the Rules, so that it is clear that the templates are finished products. It is also proposed that certificates should be presented in a form that allows easy completion or editing.	Reject
CP21	This proposal from Energy UK would create a template certificate in the Annex for an Existing CMU which is opting out, thereby avoiding the need for companies to have to interpret the requirements set out in 3.11 of the Rules.	Reject
CP22	This proposal from Energy UK would amend Rule 3.4 so that CMUs which pre-qualified in the previous year's auction do not have to re-enter data for following years, provided all information is the same.	Reject
CP23	This proposal from Energy UK, would remove requirement for a Legal Opinion on the legal status of the applicant within Rule 3.4.2(a)(iii) and 3.4.2(b).	Make Amendment
CP24	This proposed amendment from E.ON would expand the definition of 'Demand Reduction Instruction' (DDI) under Rule 1.2 to include reductions described in Operating Code (OC) 6.6 of the Grid code and direct demand reduction by the System Operator (OC6.5). This would have the effect of similarly amending the definition of Involuntary Load Reduction (ILR), which references the DDI definition in Rule 1.2, so that both forms of load reduction are included in the calculation of Load Following Capacity Obligations (LFCO) under Rule 8.5.3.	Consider Further
CP25	This amendment from E.ON would change the definition of 'Qualifying Capital Expenditure' under Rule 1.2, removing the reference to 1 May 2012 and instead referencing the relevant 'Prequalification Window'.	Partially Make Amendment
CP26	This proposal from E.ON would substitute the current drafting of Rule 4.4.2 (f) with drafting that requires that prequalified Existing Generating CMUs show that physically generated net output nominated pursuant to Rule 3.6.1 is equal to or greater than the Connection Capacity specified by the Applicant. Currently Rule 4.4.2 (f) requires prevents prequalification of Existing Generating CMUs that display physically generated net output that does not exceed Anticipated De-rated Capacity.	Consider Further
CP27	This amendment from E.ON would extend the definition of 'Mandatory CMU' under Rule 1.2 to include drafting that also excludes Generating Units that are legally required to close before the Relevant Delivery Year.	Reject
CP28	This amendment to Rule 6.7.5 from E.ON would require that Prospective CMUs notify the Delivery Body of the issuance of a Final Operational Notice (FON) if they have not been issued with an Interim Operational Notice (ION). The proposal would also see the definition of 'Operational' under Rule 1.2 redrafted to allow for FONs to be accepted in place of IONs.	Make Amendment
CP29	This submission from E.ON proposes the review of the list of bodies, provided on the Certificate of Conduct (Exhibit C) to which an Applicant can disclose Capacity Market Confidential Information. Specifically it is proposed that Ofgem and the CMA should be included in the list provided on the Certificate of Conduct.	Make Amendment

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CP30	This proposal from Green Frog Power Ltd, would amend Rule 3.4.3 (a) (i) to clarify that the description and location of the CMU should include a specific address, a site plan, and a satellite photo (e.g. Google Maps).	Make Amendment
CP31	This proposal from Green Frog Power Ltd, would amend Rule 3.3.7 so that the delivery Body is given leeway to use judgement in determining whether a CMU should prequalify. In particular, that the Delivery Body is able to take into account clear and/or obvious errors that could have a significant impact on the auction outcome or an applicant.	Reject
CP32	This proposal from Green Frog Power Ltd would amend Rules so that the Delivery Body is able to conduct random site checks to ensure that the metering configuration and other site details are as outlined in the Capacity Register. A new Rule 12.3.1(d) is proposed.	Reject
CP33	This proposal from Green Frog Power Ltd, notes that Existing plant that prequalifies as a refurbishment CMU in a given auction but fails to win a Capacity Agreement for refurbishment (i.e. receives a one-year non-refurbishing agreement instead) should not be able to tender as both refurbishing and non-refurbishing plant in the following auction. The proposal would remove 3.6.2 and add a new 3.3.3(e) to address this.	Reject
CP34	This proposal from Green Frog Power Ltd, would amend the definition of Qualifying capital expenditure, with effect that for a multi-year agreement it should be undertaken no earlier than the 12 months prior to the prequalification window for the auction in which the CMU is seeking the multi-year agreement, rather than historical expenditure since May 2012 as currently provided for in the Rules.	Partially Make Amendment
CP35	This proposal from Green Frog Power Ltd would amend Rules to the effect that CMUs that have prequalified in the past should not have to re-enter data in later prequalification windows if the data have not changed and/or the Applicant does not wish to make a change.	Reject
CP36	This proposal from National Grid Electricity Transmission, calls for a review of Rules 8.3 and 7.5.1(r) to clarify the consequences of relocating a CMU, eg on metering tests (no specific suggestion given). National Grid have suggested that implementation of this proposal is not urgently required before prequalification for the 2015 capacity auctions.	Reject
CP37	This proposal from National Grid Electricity Transmission would revise the timescale for the System Operator to provide information to the Settlement Body, changing five working days with "as soon as reasonably practicable". An amendment to Rule 14.4.5 is proposed.	Reject
CP38	This proposal from National Grid Electricity Transmission would revise the timescale for new build CMUs to submit their evidence of capital expenditure to six months after the commissioning takes place, rather than "prior to the start of the delivery year". Amend Rule 8.3.6(a). National Grid have suggested that implementation of this proposal is not urgently required before prequalification for the 2015 capacity auctions.	Make Amendment
CP39	This proposal from SSE proposes the addition of a new provision within Rule 3.5 (Determining the Connection Capacity of a Generating CMU). This would, at prequalification, introduce the ability for any CMU without a Capacity Agreement for the relevant Delivery Year to make a permanent adjustment to the Connection Capacity of a CMU in future Delivery Years.	Reject
CP40	This proposal from SSE proposes an amendment to Rule 6.10 (Termination) to allow a Generating CMU consisting of multiple generating units to transfer to some of their capacity to a low carbon exclusion scheme and to reduce their capacity obligation rather than terminate their Capacity Agreement in full.	Reject

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CP41	This proposal from SSE seeks to amend the definition of Qualifying Capital Expenditure for Prospective Generating CMUs within Rules area 1.2 (Definitions); it also references Rule 3.7 (Additional Information for a New Build CMU). In the definition it would remove the fixed reference date of 1 May 2012 for the start of the period for eligible expenditure and replace it with wording which refers to a period of 77 (or other number of) months prior to the commencement of the first Delivery Year to which the Application relates.	Partially Make Amendment
CP42	This proposal from SSE seeks to amend Rule 5.5 (Capacity Auction format) to require that prior to the start of the first and each subsequent Bidding Round of the auction, the Auctioneer should announce, for that round, the information set out by Rule 5.5.18 (a) – (c). Also, prior to Auction Round 1, the Auctioneer should announce the final prequalified auction volume to all Auction participants.	Reject
CP43	This submission contains two alternative proposals relating to the Price-Maker component of the auction design. Firstly it is proposed that the Price-Maker Status of participants could be made publically available on the Capacity Market Register ahead of the auction. Secondly, and as an alternative to the above change, it is proposed that CMUs that have Price-Maker status should be restricted to bidding between the price-taker threshold and the auction cap. It is suggested that either of these changes would create a more transparent and robust market design and capture the objectives of including a price-maker/price-taker divide.	Reject
CP44	This proposed amendment would redraft Rule 13.2 (DSR Test) to enable past performance of a Demand Side Response CMU to be calculated in respect of balancing service delivery periods rather than requiring calculations to be based on whole settlement periods. There is also a proposed Rule addition that defines a 'Balancing Service Delivery Period' so as to clarify the amendments stated above.	Make Amendment
CP45	This proposal would prevent Unproven DSR CMUs from being subject to a 'double forfeit' upon termination (via drawdown of credit cover by the Settlement Body and the payment of a termination fee) by adding new Rules 6.10.3 (c) and (d) that allow for the termination fee to be reduced by the amount of credit drawn by the Settlement Body. A further proposed Rule addition would require the Settlement Body to reimburse termination fees where it subsequently draws credit cover following the termination of the same Unproven DSR CMU.	Reject
CP46	This proposal would see the provisions for allocation and removal of CMU Components from DSR CMUs under Rules 8.3.3A & 8.3.4 made more flexible and aligned with the Rules governing STOR and FCDM balancing services. The proposal involves the substitution of Rule 8.3.4(b) and the removal of Rule 8.3.4(d).	Consider Further
CP47	This submission proposes that DSR CMU and distribution-system CMUs avoidance of line losses relative to non-distribution CMUs be better accounted for in the Rules.	Make Amendment
CP48	This submission proposes to remove the exclusivity rule that prohibits DSR CMUs which have secured an obligation via T-4 auction from participating in the Transitional Arrangements. The proposal is to revoke Rule 11.3.2(b).	Reject
CP49	This submission proposes to add a new alternative baselining methodology to Schedule 2 of the Rules to be specifically applicable for behind-the-meter generation.	Reject
CP50	This amendment would change the definition of 'Qualifying Capital Expenditure' under Rule 1.2, removing the reference to 1 May 2012 and instead referencing the relevant T-4 Auction Prequalification Window.	Partially Make Amendment

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CP51	This proposed addition would place a requirement on New Build CMUs to certify they have sufficient financial resources to meet Total Project Spend and to provide evidence of such resource upon request by the Authority. It further proposed that the relevant Directors certify that the CMU will act in accordance with the financial mandate in the relevant auction. In the absence of such a certification process the applicable Termination Fee for New Build CMUs would be TF2 in the event that they fail to meet their Financial Commitment Milestones, rather than TF1 if such a certification is made.	Reject
CP52	This submission proposes to extend the Rules on permitted connection arrangements for an Existing Generating CMU that is a Transmission CMU so that alternatives to conventional TEC that are thought adequate by the SO can prequalify. An addition to Rule 3.6.3 is proposed.	Reject
CP53	This proposed amendment would raise the Termination Fee for all New Build CMUs failing to achieve their Financial Commitment Milestone by amending Rule 6.10.1 (b). The applicable termination fee rate would change from TF1 to TF2.	Reject
CP54	This submission proposes to amend Rule 3.2 which provides that, to apply for a new build generating CMU, that applicant must be the legal owner. It is proposed this amendment is needed as it could be preventing capacity from coming forward and there may be scenarios where a developer wishes to bring forward a project on behalf of the legal owner.	Reject
CP55	This submission proposes to amend the clearing algorithm under Rule 5.9 to clarify that if there is excess capacity at the price floor then the normal exit ranking takes place. It is proposed that when the remaining capacity exceeds demand at a price of zero the current wording of Rule 5.9 means there is no way to clear the auction.	Reject
CP56	This submission proposes to amend the current Rules for Duration Bid Amendments (DBA) (5.6.8) and exit bids (5.8.2). A change in duration applies at the price submitted for a DBA, an exit bid applies at a price that is 1p lower, and they should both be able to apply at the same price. It is proposed that, to ensure consistency, all bids should apply at 1p below the price entered.	Reject
CP57	This submission proposes to amend the definition of "Clearing Capacity" so that it reads "means a target capacity (in MW) for a Capacity Auction at a particular Clearing Price as determined by the demand curve", so as to align with the use of the term in the rest of the document.	Make Amendment
CP58	This proposal from National Grid seeks to amend Rule 4.6 (Conditional Prequalification – Applicant Credit Cover) in order to clarify the credit cover requirements, specifically the timetable for provision of credit cover.	Reject
CP59	This proposal from National Grid seeks to amend Rule 8.4 (Triggering a Capacity Obligation and System Stress Events). Specifically, it calls for Rules 8.4.2 and 8.4.6 to be reviewed and amended such that a Capacity Market warning is issued in response to an OC6 Demand Control Event, rather than a SO Instigated Demand Control Event.	Make Amendment
CP60	This proposal from National Grid seeks to amend several aspects within Chapter 3 (Prequalification Information). The proposed changes would substitute the requirement for a description of a CMU with that for the CMU's address and/or grid reference(s); they would modify the Rules to state that the applicant for a Refurbishing CMU may be the despatch controller; they would clarify that the Rules relating to setting Connection Capacity which apply to existing generators also apply to pre-refurbishment elements of Refurbishing CMUs; they would also clarify the requirement to state the 24 month period which includes the settlement periods in which the CMU delivered its highest output.	Partially Make Amendment

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CP61	This proposal from National Grid seeks to amend Rule 3.6 (Additional Information for an Existing Generating CMU) such that where the Non-Central Meter Registration Service (CMRS) Generating CMU is made up of multiple components, the output of each component, for each settlement period, is identified in the supplier letter required by Rule 3.6.1(b).	Make Amendment
CP62	This proposal from National Grid seeks to amend Rules 3.4 (Conduct of the Applicant) and 3.12 (Declaration to be made when submitting an Application) to reduce the number of additional documents applicants are required to submit, and thus streamline the prequalification process.	Make Amendment
CP63	This proposal from National Grid seeks to amend Rule 13.2 to account for the provision of balancing services within Demand Side Response (DSR) tests	Make Amendment
CP64	This proposal from National Grid suggests that a methodology is developed to state how the "target Demand Side Response (DSR) volume" for DSR tests is calculated (no methodology proposed). An amendment to Rule 13.4.3(c) is proposed.	Make Amendment
CP65	This proposal from National Grid would require bidders in the Demand Side Response (DSR) transitional auctions to specify a default position on which capacity product they wish to acquire, which could be changed up to 30 minutes after the auction results have been announced. This would involve an amendment to Rule 11.3.3 (Awarding a Capacity Agreement).	Make Amendment
CP66	This proposal from National Grid would revoke certain provisions within Rules 3.4 (Information to be provided in all Applications) and 3.6 (Additional Information for an Existing Generating CMU). These changes would remove the requirements for applicants to: state whether they have a generation licence at the time of making the application and to provide details of their corporate form and legal status; they would also remove the requirement for applicants who are Grid Code parties and have not been operational in the 24 months prior to the prequalification window to declare that they are or will be compliant with the Grid Code.	Make Amendment
CP67	This proposal from National Grid would remove the requirements to provide metering information and bank details to the Delivery Body during prequalification. Instead it would replace this with requirements to provide such information direct to the Settlement Body after prequalification. Amendments to Rules 3.4.3(a)(i); 3.6.4; 3.9.4; 3.4.1(d) are proposed.	Make Amendment
CP68	This proposal from National Grid suggests correction of some typographical errors, including incorrect cross referencing, publication of Capacity Market register on results day, the term used in the formula for Load Following Capacity Obligations and use of "applicant" rather than person in one instance. Rules 3.8.2(b)(c); 7.4.3; 8.5.3 and 7.4.5(b) would be affected.	Partially Make Amendment
CP69	This proposal from National Grid suggests removal of option to use the capacity figure in the Distribution Connection Agreement to set the connection capacity. And removal of possibility that the connection capacity can be above the entry capacity. Amendments to Rules 3.5.2(b); 3.5.5 are proposed. National Grid have suggested that implementation of this proposal may be delayed until after the 2015 prequalification process.	Partially Make Amendment
CP70	This proposal from National Grid seeks to remove the following items from the Capacity Agreement Notice (Schedule 1): (a) bank details; (b) Meter Point Administration Number (MPAN) information; (c) type of CMU; (d) registered address: and (e) de-rated capacity. National Grid have suggested that implementation of this proposal may be delayed until after the 2015 prequalification process.	Reject

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CP71	This proposal from National Grid suggests a review of whether all of the information currently contained in the Capacity Market Register needs to be published. No specific information specified. National Grid have suggested that implementation of this proposal may be delayed until after the 2015 prequalification process.	Reject
CP72	Proposal to amend Rule 2.3 to clarify that de-rating factors are calculated for a Delivery Year rather than a Calendar Year. National Grid have suggested that implementation of this proposal may be delayed until after the 2015 prequalification process.	Reject
CP73	This proposal from National Grid seeks to clarify whether a prequalification application should be considered if an opt-out decision has previously been submitted. Amendments to Rules 3.3.3 (b) and 4.2.3 are proposed. National Grid have suggested that implementation of this proposal may be delayed until after the 2015 prequalification process.	Partially Make Amendment
CP74	This proposal from National Grid suggest a clarification to the effect that a duration bid amendment is capped at the declared duration ten days before the auction and to clarify whether it can only reduce during the auction. National Grid have suggested that implementation of this proposal may be delayed until after the 2015 prequalification process.	Reject
CP75	This proposal from National Grid suggests a review of the requirements in the Independent Technical Expert report and to write these into the Rules. Changes to Rules 1.2, 6.6 and 8.3.6 are proposed. National Grid have suggested that implementation of this proposal may be delayed until after the 2015 prequalification process.	Reject
CP76	This proposal from National Grid seeks to add a method for indexation of total project spend, possibly using the definition of indexation in the regulations (no alternative suggested). National Grid have suggested that implementation of this proposal may be delayed until after the 2015 prequalification process.	Reject
CP77	This proposal from National Grid would add a definition for "minimum exit bid" to the definition of exit bid. National Grid have suggested that implementation of this proposal may be delayed until after the 2015 prequalification process.	Reject
CP78	This proposal from National Grid would clarify that the price taker threshold is at the bidding round price floor. National Grid have suggested that implementation of this proposal may be delayed until after the 2015 prequalification process.	Reject
CP79	This proposal from National Grid would amend the definition of "Distribution Connection Agreement" to clarify that in cases where it is a private wire, there is not a connection to a licenced District Network Operator's network. Rules 3.6.3 and 3.7.3 would be amended. National Grid have suggested that implementation of this proposal may be delayed until after the 2015 prequalification process.	Make Amendment
CP80	This anonymous proposal would amend Rule 3.7.1 to the effect that documentary evidence of Planning Permission must be submitted in the prequalification process.	Make Amendment
CP81	This anonymous proposal would amend Rule 3.4.3 to add an additional requirement for all CMUs such that evidence (via lease, deed or contract) that the Applicant has the legal right to use the land upon which the CMU is located is provided to the Delivery Body during Prequalification.	Partially Make Amendment
CP82	This anonymous proposal would amend Rule 3.6.1 so that Short Term Operating Reserve (STOR) data, as held by National Grid in their role as System Operator, can be permitted as acceptable evidence of previous performance.	Reject

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CP83	This submission proposes to amend Rules 3.5 to clarify that: references to the Grid Connection Agreement, Distribution Connection Agreement or connection offer for a Generating Unit are to the agreement or offer in force at the date on which the Application is made; where the Distribution Connection Agreement or connection offer states a range of values for the registered capacity or inverter rating of a Generating Unit, the lowest value in that range should be taken in the Application; any references to Connection Entry Capacity, Registered Capacity or Inverter Rating are net of the Generating Unit's auxiliary load. These additions would also require amendments to Rules 3.6.3 and 3.7.3 clarifying that where a Distribution Connection Agreement specified a range of values for the registered capacity or inverter rating, the minimum and maximum values in that range are to be confirmed.	Make Amendment
CP84	This submission proposes to amend Rule 3.5.5 to allow applicants in respect of both existing and prospective generating CMUs to elect to utilise the TEC/CEC ratio methodology under Rule 3.5.5 to determine Connection Capacity.	Make Amendment
CP85	This submission proposes to place an obligation on the Delivery Body to publish a Principles Statement for calculating Non-Balancing Mechanism Adjustment Formulae for Frequency Control by Demand Management (FCDM) services.	Reject
CP86	The proposal from DECC would amend Rules 3.6.1 and 3.6.2 to allow applicants to confirm settlement period data and Grid Code compliance for the 24 months prior to one month in advance of the prequalification window. Current arrangements present difficulties for Directors' signing off the accuracy of an application that relates to a period right up to the start of the prequalification window.	Make Amendment
CP87	This proposal from DECC calls for a review of the prequalification process to facilitate a more iterative approach between National Grid and applicants. Specifically this might determine where earlier feedback on prequalification applications may be provided in order to reduce the volume of disputes being raised in the Tier One. An amendment to Rule 4.2.2 may be required.	Reject
CP88	This proposal from DECC calls for a review of the information required to be submitted by applicants during the prequalification window. Specifically this could examine current requirements to ensure applicants are only required to submit information as part of their application which is materially significant to determining their prequalification status. Additional data, such as information provided in response to metering questions, could be requested later in the process.	Reject
CP89	This proposal would amend Rule 7.4 so that, in respect of a CMU which pre-qualified as a Refurbishing CMU and which is awarded a capacity agreement, the Capacity Market Register will state whether that agreement is for the Refurbishing CMU or Pre-Refurbishment CMU.	Reject
CP90	This proposal would amend the definition of 'Non-CMRS Distribution CMU' so that it refers to '...Generating Unit of which exports electricity to a Distribution Network...' instead of '...Generating Unit of which supplies electricity to a Distribution Network'. This is to align the terminology with that used elsewhere in the Regulations and Rules, and better align with commonly used terminology, such as the Balancing and Settlement Code.	Make Amendment
CP91	This proposal seeks to amend the Rules to take account of CMUs on a private network, in particular for Demonstrating connection capacity for distribution-connected CMUs (Rule 3.5) and associated requirements related to Connection Arrangements (Rule 3.6.3 and Rule 3.7.3).	Make Amendment

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