

Proposal for a Capacity Market Rules Change



Making a positive difference
for energy consumers

Reference number (to be completed by Ofgem):
CP95

Name of Organisation(s) / individual(s):
Association for Decentralised Energy

Date Submitted:
15/01/2016

Type of Change:

- Amendment
- Addition
- Revoke
- Substitution

If applicable, whether you are aware of an alternative proposal already submitted which this proposal relates to:

This proposal amplifies a proposal made in the 2014/15 round (CP46), which was held for further consideration by Ofgem.

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

Rules 8.3.3A and 8.3.4 – allocation of DSR CMU Components to DSR CMUs; revisions to allocations; removals and reinstatements.

This revised proposal proposes a mechanism and control gates for component allocation.

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

Rules 8.3.3A and 8.3.4 contain very limited provisions for the allocation and removal of CMU Components from DSR CMUs. At present, DSR CMU Components are frozen into a DSR CMU from just before the Metering Test until the end of the Delivery Year. In demand-side response, it is necessary to permit sites to close, reopen or reconfigure their core business operations at any time, and current CM Rules are incompatible with this. It is also in the interests of a competitive market that DSR CMU Components are able to exit one Provider's portfolio and enter another's. Obligation trading and volume reallocation do not address these areas.

The current provisions also contain a problem which requires to be addressed, and these proposals would achieve that. This is the case where a DSR CMU is coming to the end of a Delivery Year for which it has an agreement, but which does not have an agreement for the forthcoming year. It is reasonable (and economically advantageous for consumers) that some or all of those CMU Components might form part of a new CMU in the forthcoming year. However, a DSR CMU which was to be partly comprised of those Components could not pass its DSR test one month before the start of the new Delivery Year as is required, because at that time those Components comprise the expiring CMU. This would result in such components being forced to take "time off" between obligations, resulting in unnecessary procurement of capacity to fill the cap.

Existing rules in operation in STOR and FCDM permit more flexible allocation and re-allocation and have proven to be highly effective in allowing aggregators to manage portfolios and maximise reliability. These are Relevant Balancing Services and so the allocation rules should reflect these capabilities. The notice period suggested in the modifications proposed reflect that required in STOR.

This proposal improves on the original by addressing the following additional matters:

- Timing and notification of allocations
- Requirements for Components the subject of allocation notices
- Preservation of obligations on CMUs (capacity, penalties, Satisfactory Performance Days)

- DSR testing
- Metering

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

Replace Rule 8.3.4(b) with

“Subject to Rule 8.3.4(ba), a Capacity Provider may notify the Delivery Body and the CM Settlement Body that it wishes, from a date specified in the notice and to a date specified in the notice:

- (i) to remove a DSR CMU Component from a DSR CMU that is a Capacity Committed CMU; or
- (ii) to allocate a DSR CMU Component to a DSR CMU that is a Capacity Committed CMU;

and the removal or allocation of such DSR CMU Component to such DSR CMU will be deemed to have occurred on the date or dates specified in such notice provided always that such notice is valid and the Provider complies with the requirements of Rule 8.3.4(ba).”

Remove Rule 8.3.4(d).

Add the following new rules after Rule 8.3.4(b):

“(ba) Notification under Rule 8.3.4(b) is valid only if:

- (i) the sum of the de-rated capacities of each DSR CMU Component in each affected DSR CMU is equal to or greater than the Capacity Obligation held at the effective date by that DSR CMU;
- (ii) each DSR CMU Component to be allocated to a DSR CMU has previously formed part of a DSR CMU in respect of which a Metering Test Certificate has been issued, failing which the notice will be deemed to give rise to a change to the metering configurations of any such DSR CMU Components and the Provider must comply with Rule 8.3.3(f) accordingly by the effective date of the notice;
- (iii) each DSR CMU Component to be allocated to a DSR CMU has previously formed part of a DSR CMU in respect of which a DSR Test Certificate has been issued, failing which a DSR Test must be conducted in respect only of such DSR CMU Components;
- (iv) the notice provides all of the information required in respect of a Proven DSR CMU;
- (v) all CMUs affected by the notice remain capable of delivering their Capacity Obligations in force at the time;
- (vi) no DSR CMU Component would be simultaneously allocated to more than one CMU at a time; and
- (vii) at least four clear days’ notice is given.

“(bb) Notification under Rule 8.3.4(b) does not affect the Capacity Obligation, De-Rated Capacity, liability to pay Penalties or requirement to provide Satisfactory Performance Days in respect of any CMU.”

Analysis and evidence on the impact on industry and/or consumers including any risks to note when making the revision - including, any potential implications for industry codes:

Existing STOR and FCDM rules permit allocation and re-allocation of DSR CMU Components. There are no code changes apparent.

By removing barriers to DSR participation, you get a more competitive Capacity Market, producing more efficient outcomes and protecting the interests of current and future consumers by minimising the cost of capacity by procuring a more efficient mix of sources of capacity. In addition, by having a higher level of DSR, you reduce the need for network investment.

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

William Caldwell, Association for Decentralised Energy, william.caldwell@theade.co.uk, 020 3031 8740