

Proposal for a Capacity Market Rules Change



Making a positive difference
for energy consumers

Reference number (to be completed by Ofgem):
CP98

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:
n/a

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

Firm frequency response providers – Rule 13.2.6(a)

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

Dynamic Firm Frequency response (FFR) is a demand response service classified as a relevant balancing service eligible to participate in the Capacity Market. However, a dynamic FFR provider cannot carry out the DSR test as it is currently stipulated in the rules and regulations and therefore cannot participate in pre-qualification for a capacity market auction.

Dynamic FFR is deemed eligible under Schedule 4: Relevant Balancing Services and is accounted for in Chapter 8: Obligations of Capacity Providers and System Stress Events. Prequalification requires passing a DSR test that identifies three separate settlement periods which demonstrate:

- a measurable baseline demand and,
- a positive DSR volume over each settlement period.

These two forms of evidence are not possible in the provision of FFR which responds to frequency and is thus dynamic.

We are aware of at least one member who is unable to pre-qualify FFR capacity due to the current arrangements.

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

No changes are proposed for Schedule 4: Relevant Balancing Services or Chapter 8: Obligations of Capacity Providers and System Stress, both of which account for the participation of FFR.

To enable FFR to participate, the ADE recommends the addition of an alternative methodology to Section 13.2.6(a) would read as follows:

“Non-zero Contracted Output can be calculated for each DSR CMU Component of the DSR CMU to show a positive DSR volume”

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:

There are no implications for industry codes.

By removing barriers to FFR participation in the Capacity Market, you increase the amount of DSR that can enter. The result will be a more competitive Capacity Market with more efficient outcomes. We believe this will protect the interests of current and future consumers by minimising the cost of capacity (including the long-term contracts that may be entered into) and having 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):*

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