


<h1>Proposal for a Capacity Market Rules Change</h1>		 Making a positive difference for energy consumers
		Reference number (to be completed by Ofgem): CP92
Name of Organisation(s) / individual(s): Association for Decentralised Energy	Date Submitted: 15/01/2016	
Type of Change: <input checked="" type="checkbox"/> Amendment <input type="checkbox"/> Addition <input type="checkbox"/> Revoke <input type="checkbox"/> 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): Base line loss estimates on periods of system stress, not average annual		
Description of the issue that the change proposal seeks to address: The current rules state that line loss factors are based on annual average losses, in accordance of Section K1.7 of the Balancing and Settlement Code. However, this does not account for the fact that line loss factors are significantly higher during times of system stress, which is when stress events will occur and the capacity will be required. We agree with Government's aim to ensure on-site generating units have line loss adjustments. However, the line loss factor should be done on the basis of estimates of marginal losses during times of system stress, rather than annual average losses, since that's when the capacity matters. The use of line loss estimates is already accepted in other areas of Government policy, such as the CfD.		
If applicable, please state the proposed revised drafting (please highlight the change): We recommend that the line loss factors are applied in line with the private wire network arrangements found in the CfD scheme. This would match other areas of Capacity Market Rules, such as the technical metering arrangements, which are also based on private network arrangements in the CfD scheme. Under the CfD private wire network arrangement 1, loss adjustment (both distribution and transmission losses) will be applicable to output that is supplied to the licensed transmission system, the licensed distribution system, or an on-site customer, and will be applied to metered data volumes recorded at the generation site (i.e. at "station gate"). These line loss factors (both LLF and TLM) are applied to all output generated by an on-site or "hybrid" generator, including any electricity supplied to an onsite customer.		
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: No known risks or code implications.		
Details of Proposer (please include name, telephone number, email and organisation):		

¹https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/348208/20140812_-_PNG_Government_response_to_issues_raised_by_stakeholders_FINAL.pdf

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