


<h2 style="text-align: center;">Proposal for a Capacity Market Rules Change</h2>		 <p>Making a positive difference for energy consumers</p>
<p>Name of Organisation(s) / individual(s): Eggborough Power Limited</p>	<p>Date Submitted: 15 January 2016</p>	
<p>Type of Change:</p> <p><input checked="" type="checkbox"/> Amendment</p> <p><input type="checkbox"/> Addition</p> <p><input type="checkbox"/> Revoke</p> <p><input type="checkbox"/> Substitution</p>	<p>If applicable, whether you are aware of an alternative proposal already submitted which this proposal relates to:</p> <p>No</p>	
<p>What the proposal relates to and if applicable, what current provision of Rules the proposal relates to (please state provision number):</p> <p>Extension of the period for providing evidence of Relevant Planning Consents - Rule 3.7.1(a)</p>		
<p>Description of the issue that the change proposal seeks to address:</p> <p>In the 2014 and 2015 capacity market prequalification process, a New Build CMU was able to state in its prequalification application that it will obtain all Relevant Planning Consents and will have the Legal Right to use the land on which the CMU will be located by no later than 17 Working Days prior to the commencement of the Capacity Auction (Rule 3.7.1(a)). A further declaration was then required 17 Working Days prior to the commencement of the auction that all Relevant Planning Consents had been obtained and a copy of those consents had to be provided (Rule 4.7). Rule 3.7.1(a) is only applicable to the First and Second Full Capacity Auction and the ability to use this provision therefore falls away in 2016.</p> <p>We propose that the ability to make the declaration under Rule 3.7.1(a) is retained for the third and subsequent full capacity market auctions. This would allow new build projects which are subject to small but unforeseen delays in the planning process to participate in a capacity market auction at the earliest opportunity. This would increase the number of new build projects participating in the auction, increasing competition and reducing the cost of the capacity market for consumers. It would also potentially result in new, more efficient and flexible forms of generation being delivered sooner, which would assist in ensuring security of supply.</p> <p>We consider that this change meets the following Ofgem objectives:</p> <ul style="list-style-type: none"> • promoting investment in capacity to ensure security of electricity supply; • facilitating the efficient operation and administration of the Capacity Market; and • protecting the interests of existing and future consumers. 		
<p>If applicable, please state the proposed revised drafting (please highlight the change):</p> <p>Remove the following from Rule 3.7.1(a):</p> <p>"..., in the case of an Application relating to the First Full Capacity Auction or the Second Full Capacity Auction,..."</p>		

Remove the following from Rule 4.5.1(v):

"...in relation to the First Full Capacity Auction and the Second Full Capacity Auction only,..."

Remove the following from Rule 4.7.1:

"...in the First Full Capacity Auction or Second Full Capacity Auction..."

Remove the following from Rule 4.7.2:

"...for the First Full Capacity Auction or the Second Full Capacity Auction (as appropriate)..."

Remove the following from Rule 7.4.1(d)(xiv):

"...in relation to the First Full Capacity Auction and the Second Full Capacity Auction only,..."

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:

This rule change would allow a larger quantity of new build power station projects to participate in a capacity market auction, which will ensure liquidity in the auction and promote investment in new, more efficient and flexible forms of electricity generation to help ensure security of supply.

We recognise that the original intention had been that by the third capacity auction developers would be familiar with capacity market timescales and would have factored them into their development planning, removing the need for Rule 3.7.1(a). However, the timescales for obtaining planning consents are outside of the control of developers and, in particular, deadlines can be missed where the consenting route is not subject to statutory timescales. We consider it beneficial to allow some additional flexibility around planning deadlines to accommodate the risk of delays.

The continuing advancement of technology in the industry, particularly in relation to flexibility, capacity and efficiency, has increased the options for new build projects. This in turn increases the time required to develop a new project and additionally may require amendments to existing planning consents. We consider that allowing developers additional flexibility around planning deadlines will promote the use of the most flexible and efficient technology.

We consider that requiring developers to have secured the relevant planning consents at the point of application increases the risk that developers will be encouraged to submit prequalification applications for the capacity market auction without holding valid planning consents, which in turn increases the scrutiny which the Delivery Body must apply to the evidence provided and hence the administrative burden.

It is clear that a significant capacity of new build projects made use of Rule 3.7.1(a) in the 2015 prequalification process. The auction results information published by the Delivery Body suggests that if this capacity had not participated in the 2015 auction, the clearing price would have been in excess of £2/kW higher (ie. at or above £20/kW). This 11% increase in the clearing price would have added a minimum of circa £93 million to the cost to the consumer in 2019/20 and about £2 million in each of the subsequent 14 years.

A risk associated with this rule change is that an increased number of projects may attempt to prequalify speculatively without any hope of obtaining planning consent by 17 Working Days prior to the auction, increasing the number of applications and therefore the administrative burden for the Delivery Body and giving a false indication of the volume of projects likely to participate in the auction. We consider that this risk is minimal due to credit cover requirements for new build projects. Furthermore, as all new build projects are able to confirm participation in the auction 10 Working Days prior to its commencement, there is already a risk that projects that prequalify will not eventually participate in the auction.

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

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