

# Proposal for a Capacity Market Rules Change



Making a positive difference  
for energy consumers

Reference number (to be completed by Ofgem):  
CP125

Name of Organisation(s) / individual(s):  
Energy UK

Date Submitted:  
15 January 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:**

We are not aware of any alternative proposal which this proposal relates to.

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

**The proposal relates to setting the Connection Capacity of a Transmission CMU:**

Rules 3.5.2 (a)

Subject to Rules 3.5.3 or 3.5.5, the Connection Capacity of a Generating Unit must be calculated as follows:

(a) for a Generating Unit forming part or all of a Transmission CMU, the Connection Entry Capacity stated in the Grid Connection Agreement for that Generating Unit;

3.5B.1 (c)

3.5B.1 For the purposes of Rules 3.5 and 3.5A, where: .....

(c) reference is made to the Connection Entry Capacity, Transmission Entry Capacity, registered capacity or inverter rating, the values of those terms must be specified net of Auxiliary Load.

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

Rule 3.5.2 (a) specifies how a Transmission CMU should use CEC (Connection Entry Capacity) to set its Connection Capacity for the purposes of the Capacity Market. However in 2015 a requirement was introduced in Rule 3.5B.1(c) that states that CEC must be specified net of Auxiliary Load. This causes problems because:

- Rule 3.5B.1 (c) appears to contradict Rule 3.5.2(a) which says that CEC must be stated as in the Connection Agreement.
- CEC is itself an uncertain number; we understand it may be a Gross figure (no Auxiliary load is deducted) or a Gross-Net figure (the Unit Transformer but not the Station Transformer Load is deducted) or a figure in between the two.
- The need to reduce CEC to take account of Auxiliary Load causes problems with the formula in Rule 3.5.5 in some cases making this Rule useless.

- Looking at the CM Register it is not clear to us how if at all Rule 3.5B.1(c) has been enforced.

We propose that a Rule be added that requires that (if applicable) the Applicant must declare on what basis their CEC has been set (Gross, Gross Net or in-between) and submit an outline of the methodology they have used to calculate Auxiliary Load and then subtract this number from the CEC stated in the Connection Agreement.

The formula in Rule 3.5.5 needs to be modified; probably by simply removing the “min” statement. The problem is that if the UCECs at a station are reduced by the netting off of auxiliary load it is quite possible for the resulting SCEC to be reduced to less than the STEC for a station. Prior to the introduction of Rule 3.5B.1 (c) this could not have been the case for a Transmission connected unit as SCEC must always exceed or equal the Transmission Export Capacity for a station. If however it is not the case this means that the formula in Rule 3.5.5 will lead to the Connection Capacity for a CMU being set at the UCEC rather than the intended fraction of STEC. Since Rule 3.5B.1 (c) also requires TEC to be stated net of auxiliary load the assumed aim of the “min” statement, to ensure than an unreasonably high Connection Capacity is not set, would appear now to already be met.

An addition to the list of checks in Rule 4.4.2 needs to be made to direct the Delivery Body to ensure that Auxiliary Load has been handled as directed by Rule 3.5B.1(c) and our proposed amendments.

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

We propose the following amendment is made to Rule 3.5.2(a):

**Subject to Rule 3.5B.1(c)**, for a Generating Unit forming part or all of a Transmission CMU...

We propose the following Rules should be added.

Rule 3.5B.1(d)

**Where an Applicant has nominated a Connection Capacity pursuant to Rule 3.5.2(a) or 3.5.5 and therefore makes reference to the Connection Entry Capacity for that Generating Unit, the Applicant must**

**(i) Provide a statement explaining whether the Connection Entry Capacity referenced in the Application has been specified:**

**(1) net of Auxiliary Load; or**

**(2) as a gross figure and therefore Auxiliary Load needs to be deducted to comply with Rule 3.5B.1(c) and**

**(ii) If Rule 3.5B.1(d) (i)(2) applies, provide a statement explaining how the Auxiliary Load has been estimated for the CMU and state the resulting value of the Auxiliary Load**

Rule 4.4.2 (i)

**Any statement required by Rule 3.5B.1 has not been supplied**

And the formula in Rule 3.5.5 is amended to:

$$CC_i = \left( \frac{STEC}{SCEC} \right) \times UCEC_i$$

**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:**

Rule 3.5B.1 is ambiguous and has been subject to different interpretation which means it needs to be made simpler in order to make it easier for parties to comply with. The proposal should ensure that the Capacity Market rules are clear on the requirement to net Auxiliary Load from the Connection Capacity calculation

for a Transmission CMU. Reviewing the Capacity Market Register we believe that Rule 3.5 covering setting connection capacity has not been applied in a consistent manner across all applications in 2015 and we consider that the Rules need clarifying to ensure that in future it is clear to Applicants how to apply it.

We consider that it is the Delivery Body's responsibility to ensure that the Rules are followed by the Applicants, see for instance Rule 4.2.1. However given the connection capacities we see in the Register we think it is clear that the Delivery Body needs a more direct instruction to ensure in the future consistency of treatment of applicants on this issue. The proposal also provides clear guidance to the Delivery Body to enable it to ensure that the requirement has been met. This will then ensure that applicants will participate on a level playing field and that applicants are submitting a fair representation of their units' capacities.

This proposal therefore meets Ofgem's objective under the regulations.

*(b) facilitating the efficient operation and administration of the capacity market;*

as it will simplify prequalification arrangements and make the Rules clearer to all parties.

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

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