

Proposal for a Capacity Market Rules Change



Making a positive difference
for energy consumers

Reference number(to be completed by Ofgem):

CP159

Name of Organisation(s) / individual(s): Ferrybridge MFE Limited/Multifuel Energy Limited	Date Submitted: 15 January 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): This proposal is to allow a Voluntary termination of a Capacity Market Contract (Rule 6.10.4) when the Generating CMU transfers to a CHP ROC accreditation (or CFD transfer). The definition of a ROO Conversion Notice in Regulation 34 currently only applies to biomass conversions. This would seem to be in conflict with Rule 6.10.1 (d) which states that if the Eligibility Criteria is no longer met then the CM Contract becomes null and void without Termination Payments. If an Energy from Waste (EfW) plant became qualified for CHP ROCs after securing one or more CM contract it would no longer meet the Eligibility Criteria, but it is unclear whether a Termination Payment would be required. If a termination payment was due, for a CMU with two 1 year contracts this could result in an additional cost of CHP conversion of several £m.	
Description of the issue that the change proposal seeks to address: Capacity Market Rule 6.10.4 sets out a provision for voluntary termination of a Generation CMU transferring to the CFD or RO mechanism. This allows a Capacity Provider to request that its Capacity Agreement is terminated in order to become eligible to participate in a Low Carbon Exclusion, which is reasonable as the capacity would be in service during system stress events. With regards to the Renewables Obligation (RO) the Capacity Provider must send a ROO Conversion Notice to the delivery body no later than 16 months before the commencement of the Delivery Year. On closer inspection of Regulation (article 34) the ROO Conversion Notice is only applicable to "Station conversions" and "unit conversions" that relate to Biomass. As a result other RO eligible technologies, and in particular EfW with CHP, cannot voluntarily terminate using the ROO Conversion Notice. Multifuel Energy Ltd. (MEL) believes the Rules (and Regulations) should be amended to include other RO eligible technologies that have been able to participate in the Capacity Market. For example, EfW plants can get a Capacity Agreement, but can currently seek RO accreditation if they include CHP and deliver renewable heat. MEL advocates that "EfW with CHP" as defined in The Renewable Obligation Order 2015 should be able to submit a ROO Conversion Notice under Rule 6.10.4. This would help avoid any unintentional consequences as a result of current policy	

uncertainties and helps Capacity Agreement holders make decisions on whether to invest in the delivery of renewable heat. Otherwise the omission of EfW with CHP creates significant uncertainty in how a Capacity Agreement holder would be treated if it sought RO accreditation.

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

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:

A Rule change would provide clarity for new CHP ROC accreditations (prior to the March 2017 cut-off) and may also apply in the long term should EfW with CHP continue to be included in future CFD auctions. The risk of incurring a significant transfer charge has the potential to act as a regulatory barrier and a deterrent to developing infrastructure for new heat networks.

This is contrary to the concept of a Low Carbon Exclusion qualifying criteria in the CM Rules and Regulations.

It is also contrary to other Government Policies which are aimed at increasing heat networks and in particular using EfW facilities to provide affordable renewable heat.

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

Dr Andrew Ellis, Multifuel Energy Limited, 07825 015642, andrew.r.ellis@sse.com