


<h2 style="text-align: center;">Proposal for a Capacity Market Rules Change</h2>		 <p>Making a positive difference for energy consumers</p>
		Reference number (to be completed by Ofgem): CP140
Name of Organisation(s) / individual(s): National Grid Electricity Transmission Ltd		Date Submitted: 15/01/16
Type of Change: <ul style="list-style-type: none"> <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:
What the proposal relates to and if applicable, what current provision of Rules the proposal relates to (please state provision number): 12.2 Monitoring of construction progress of Prospective CMUs		
Description of the issue that the change proposal seeks to address: <p>Currently the rules require prospective CMUs to provide 6-monthly reports on their construction progress until they meet their substantial construction milestone (as described rule 6.7). Until they reach this milestone, they must continue to provide these reports. When it becomes apparent the CMU cannot meet their substantial construction milestone before the first day of the delivery year, the delivery body must request that the capacity provider provide a remedial plan.</p> <p>We believe there needs to be a more clear and defined method for assessing these construction milestones, creating a more objective process.</p>		
If applicable, please state the proposed revised drafting (please highlight the change): 1.2.1: Definition of Independent technical expert: Create a new definition		
<div style="display: flex;"> <div style="flex: 1;"> <p>Independent Technical Expert</p> </div> <div style="flex: 2;"> <p>means an experienced technical expert with international experience and expertise in the construction and operation of Generating Units or (as the case may be) Electricity Interconnectors, Independent of the relevant Capacity Provider, engaged by that Capacity Provider at its expense to prepare the technical assessment, report, certificate or commentary required by Rules 6.6, 6.7, 6.10, 8.3 or 12.2 to the Required Technical Standard</p> </div> </div>		

Independent Technical Expert

Means the experienced technical expert appointed by the delivery body independent of Capacity Providers to prepare the technical assessment, report, certificate or commentary required by Rules 6.6, 6.7, 6.10, 8.3 or 12.2 to the Required Technical Standard.

The definitions of Financial Commitment Milestone; Operational; Required technical expert would all have to be changed to from “an Independent Technical Expert” to “the Independent Technical Expert”.

Rules 6.6, 6.7, 6.10, 8.3 or 12.2 would also have to be changed in a similar fashion.

We are willing to work with Ofgem legal team on the precise wording of this rule 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:

The construction progress is an important part of the Capacity Market as it ensures all prospective generators are on track for the delivery year. Allowing delays to be accounted for in the amount of capacity procured in a T-1 auction.

It is noted that the DECC Consultation, returned in December 2015, also proposes changes in this area and that the frequency and content of reporting may change. Nonetheless, we believe the current process (even if amended by DECC) is based too highly on self-reporting. Whereby progress is self-declared by the applicant with the applicant bearing the costs of then hiring an ITE who self declares their competency and eligibility to be an ITE. We propose replacing this by creating a new party under the rules whose sole purpose is the reporting of new build CMUs. This would be beneficial for a number of reasons:

- They could use their expertise to properly assess how far along in the project was and how likely they were to stick to the time scales.
- They would provide consistency on the ITE reports as they would all be completed from the same company using the same parameters.
- They are more able to work with prospective CMUs to create a viable and workable remedial plan
- They could report 6 monthly to the DB, on whether the CMU was on track. If it was not on track, they could provide a likelihood of how far behind they were and how long any delay would be.
- It wouldn't necessarily cost any more as the prospective CMUs already have to pay for an ITE to perform an assessment, so that cost could be passed on in a similar way.

If the delivery body is to continue construction progress then the rules will need to be clarified to make the process of judging the reports as objective as possible.

Justification against the Objectives:

- Promoting investment in capacity to ensure security of electricity supply
By making this process clearer for prospective new builds, would reduce barriers to entry and result in more investment.
- Facilitating the efficient operation and administration of the Capacity Market
By either creating clear rules, it makes for assessing construction progress quicker and more efficient. Whereas by providing it to a third party with expertise in this area would increase efficiency further.
- Ensuring the compatibility of the Capacity Market Rules with other subordinate legislation under Part 2 of the Energy Act 2013

Neutral

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

Matthew Magill
EMR – Capacity Market Manager
National Grid
E: matthew.magill@nationalgrid.com
T: 07790 357992