Proposal for a Capacity Market Rules Change

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Reference number*(to be completed by Ofgem)*:
CP145

Name of Organisation(s) / individual(s):	**Date Submitted:**
National Grid Electricity Transmission Ltd	**15/01/16**

Type of Change:

- ☒ **Amendment**
- ☐ **Addition**
- ☐ **Revoke**
- ☐ **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)***:**

Rule 8.4 sets out the definition of a System Stress Event, and how a System Stress Event is determined.

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

System Stress Events are currently determined in line with Rules 8.4.1, 8.4.2, 8.4.3 and 8.4.4. The determination is complex and it is not certain, close to real time, whether a stress event has actually occurred.

In November 2015 P305 was implemented into the Balancing Settlement Code. P305 includes the introduction of Demand Control Actions into the imbalance price, priced at the Value of Lost Load (VoLL) £3000/MW. Our explanation below demonstrates that the actions in determining a stress event align with the cash out process, as such we believe that the determination of Stress Events could be simplified by aligning the two. A Stress Event occurs when cash-out (the System Buy Price) equals the Value of Lost Load.

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

1.2 Definitions

System Buy Price (SBP) has the meaning given in the BSC
Value of Lost Load (VoLL) has the meaning given in the BSC.

8.4 Triggering a Capacity Obligation and System Stress Events
8.4.1 Definition of a System Stress Event
"System Stress Event" means a Settlement Period in which ~~a System Operator Instigated Demand Control Event occurs where such event lasts at least 15 continuous minutes (whether the event falls within one Settlement Period or across more than one consecutive Settlement Periods~~, the System Buy Price is at or above the Value of Lost Load, and where the event falls across multiple consecutive Settlement Periods, each of those Settlement Periods will be a "System Stress Event").

8.4.4 Determination of a System Stress Event

~~(a) As soon as reasonably practicable after the System Operator:~~

~~(i) gives a Demand Reduction Instruction to one or more DNOs; or~~

~~(ii) becomes aware that an Automatic Low Frequency Demand Disconnection has taken place,~~

~~the System Operator must:~~

~~(aa) undertake a root cause analysis to determine whether or not a relevant System Operator Instigated Demand Control Event has occurred; and~~

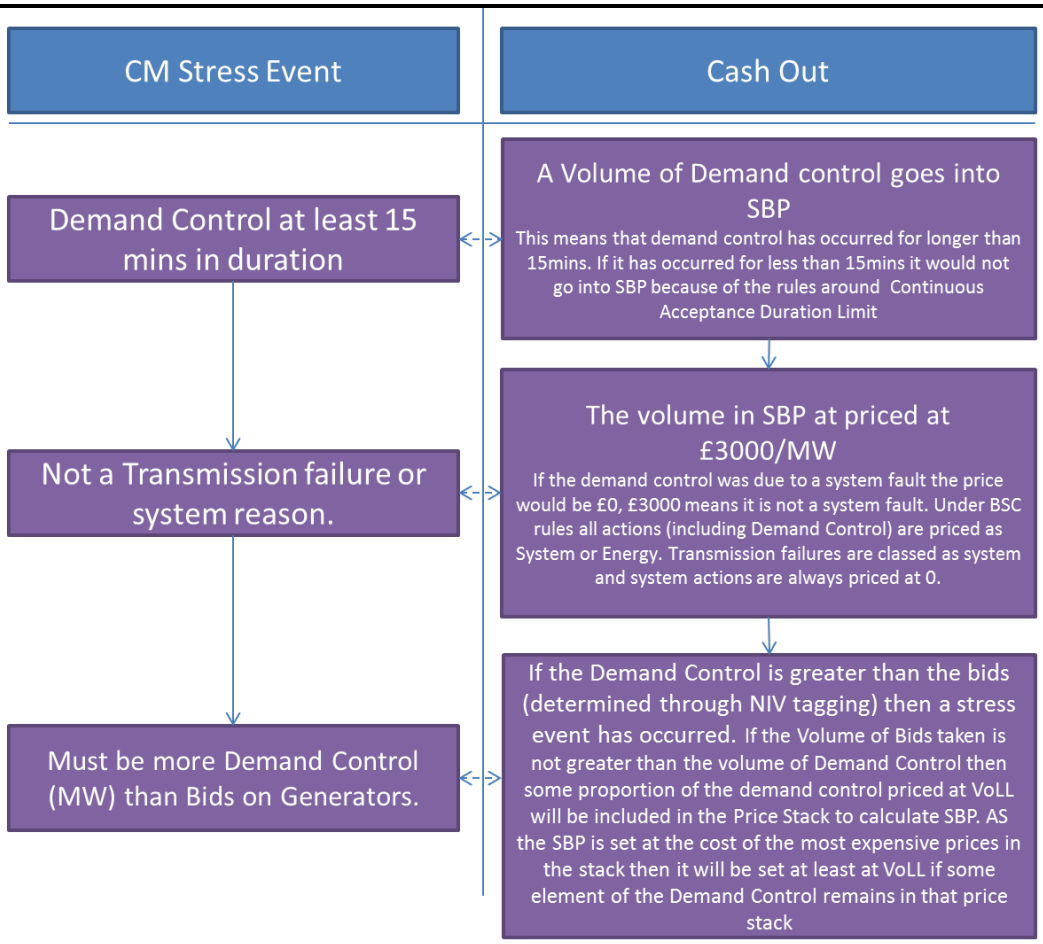
~~(bb) if it determines under Rule 8.4.4(a)(ii)(aa) that a relevant System Operator Instigated Demand Control Event has occurred, determine whether the System Operator Instigated Demand Control Event lasted at least 15 continuous minutes and hence whether a System Stress Event has occurred.~~

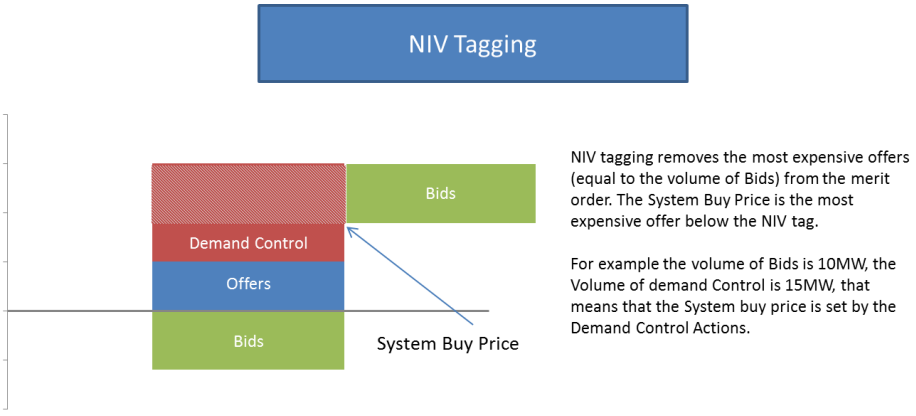
(b) A determination by the System Operator that a System Stress Event ~~or a System Operator Instigated Demand Control Event~~ has occurred may be made in its sole discretion and will be final and binding on all Administrative Parties and Capacity Providers for the purposes of the Rules and the Regulations.

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:

Applicants have fed back that understanding how a stress event is determined is complex and they dislike that it may not be known for several days whether a stress event has occurred. The Electricity Balancing Significant Code Review (EBSCR), from which P305 resulted, was a huge, cross-industry piece of work. The impacts have been well communicated and the process is well understood. We think that aligning the Stress Event process with P305 will increase understanding, and will give the added benefit of identifying stress events within 15 minutes of the relevant Settlement Period ending because imbalance prices are published within 15 minutes of the settlement period ending.

The table below demonstrates the current process and how those steps align with the Cash Out process.





Justification against the Objectives

- promoting investment in capacity to ensure security of electricity supply - *Aligning stress events with a regime applicants are already aware of may increase the chance of their participation and thus the possibility to secure capacity*
- facilitating the efficient operation and administration of the Capacity Market - *Aligning stress events with the cash out arrangements will save on a large amount of post event analysis and increase the transparency around stress events for Applicants, particularly as notification of events will be almost immediate*

- 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)***:**

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