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15th January 2016

Electricity Market Reform: Open letter and consultation on changes to the Capacity Market Rules

Dear Sir/Madam,

RWEST welcomes the opportunity to respond to the Ofgem open letter on changes to the Capacity Market Rules. We are responding on behalf of the RWE companies operating in the UK.

We support Ofgem's attention to simplifying the prequalification process and applying clarity to the Rules. We have responded below to the consultation questions and submitted separate proposed changes to the Rules alongside this response.

Questions

Q1: Do you agree with our priorities? Are there other priorities which we should consider for this round of Rule changes?

We support the focus on simplification and clarification.

Q2: Do you think there are issues with the current methodology for calculating connection capacity? Are there other issues we have not considered?

In determining the appropriate method for calculating Connection Capacity, consideration should be given to how the de-rating methodology works. In order to ensure that sufficient de-rated capacity is procured in the auction, the two calculations should be aligned to the extent possible. We therefore favour using historic metered volumes to determine the Connection Capacity for CMUs, as this most closely aligns with the de-rating calculation, which relies on historic delivery. In addition, thought needs to be given to the existing obligation to maintain connection agreements to allow for only the de-rated capacity. If historic metered output is used, the requirement should be to maintain a connection agreement covering the full Connection Capacity.

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Q3 – Do you believe that any of the options presented would improve the calculation of connection capacity? Are there other options we have not considered?

We believe that the use of historic metered output would provide an unambiguous and consistent basis for calculating Connection Capacity for existing CMUs (capped by the TEC available in the Delivery Year). It would also better align with the de-rating methodology and thereby ensure that sufficient de-rated capacity is procured in the auction.

Q4: Do you believe that the benefits of allowing DSR CMUs to add, remove and reallocate outweigh the costs of increased testing and prequalification? Does volume reallocation already provide sufficient flexibility for DSR CMUs?

We do not favour different treatment of individual classes of participant within the Capacity Market. DSR covers a number of potential means of meeting an obligation, including back-up generation. By changing the Rules to make it easier to meet the requirements for demonstrating satisfactory performance (based on de-rated capacity), the risk that insufficient or unreliable capacity will be procured in the auction is increased. The ability to re-allocate volumes following a System Stress Event is sufficient to enable equitable participation in the market for delivery of firm capacity.

Q5: Do you agree that Emergency Manual Disconnection, as covered in section OC6.7 of the Grid Code, should be included in the definition of System Stress Event, Capacity Market Warning and Involuntary Load Reduction?

We agree that Emergency Manual Disconnection Instructions should be included in the definition of System Stress Event.

Q6: Do you agree with the proposals in Annex 2?

We are concerned that the ability for CMUs that opt out of a T-4 auction on the basis that they would remain operational in the delivery year to participate in the T-1 auction for the same delivery year could give rise to unintended consequences. In particular, the anticipated capacity from such CMUs will be assumed to be available in the assessment of the requirement for the target capacity to be procured in the T-4 auction. By participating in the T-1 auction, this capacity will increase the capacity requirement for the T-1 auction since it will appear to reduce the available capacity and can therefore materially influence the outcome of the T-1 auction.

Yours sincerely,

By email

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