

Proposal for a Capacity Market Rules Change



Making a positive difference
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Reference number (to be completed by
Ofgem): CP217

Name of Organisation(s) / individual(s):
Association for Decentralised Energy

Date Submitted:
11.11.2016

Type of Change:

- Amendment
- Addition
- Revoke
- Substitution

If applicable, whether you are aware of an alternative proposal already submitted which this proposal relates to:
CP95, CP129 and CP130

Proposal summary (short summary, suitable for published description on our website)

This proposal attempts to bring together the two previous proposals to enable DSR component allocation accepted by Ofgem in last year's Rules change process and fill the remaining gaps in the allocation process.

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

Rules 1.2, 8.3.4 and 13.2.

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

The ADE welcomed Ofgem's commitment to take forward proposals to enable flexible portfolio management through DSR component allocation earlier this year. This proposal combines the previous proposals CP129 and CP130 with elements of CP95 and new changes to enable an efficient, comprehensive and coherent process for component allocation. The arguments for these changes are set out below.

While recent reforms announced by Ofgem in May 2016 will make some rules simpler for Capacity Market providers, there remain a number of barriers to participation for DSR participants and smaller players. This challenge was recognised by the National Infrastructure Commission in its 2016 report, which noted that "rules around testing and the makeup of portfolios of capacity, unintentionally precludes the participation of demand flexibility and storage."

Portfolio maintenance is an essential part of the core business of an aggregator, and is necessary to maintain reliability of capacity. The fact that a DSR CMU has a capacity market obligation does not mean that all of the customers within that CMU will stay in business or refrain from changing their processes. There is nothing that an aggregator can do to prevent these things. Instead, the aggregator maintains its portfolio to ensure that the portfolio as a whole can still meet its obligations. If an aggregator realises that a customer is going out of business, is likely to reduce their consumption permanently, or for some reason seems likely to become unreliable, they will seek out one or more new customer sites to add to the portfolio to maintain its capability, either to supplement or to replace the customer whose circumstances are changing.

At present, DSR CMU Components are frozen into a DSR CMU from just before the Metering Test until the end of the Delivery Year. In demand-side response, it is necessary to permit sites to close, reopen or reconfigure their core business operations at any time, and current CM Rules are incompatible with this. It is also in the interests of a competitive market that DSR CMU Components are able to exit one Provider's portfolio and enter another's. Obligation trading and volume reallocation do not address these areas.

The current provisions also contain a problem which requires to be addressed, and these proposals would achieve that. This is the case where a DSR CMU is coming to the end of a Delivery Year for which it has

an agreement, but which does not have an agreement for the forthcoming year. It is reasonable (and economically advantageous for consumers) that some or all of those CMU Components might form part of a new CMU in the forthcoming year. However, a DSR CMU which was to be partly comprised of those Components could not pass its DSR test one month before the start of the new Delivery Year as is required, because at that time those Components comprise the expiring CMU. This would result in such components being forced to take “time off” between obligations, resulting in unnecessary procurement of capacity to fill the cap.

Existing rules in operation in STOR and FCDM permit more flexible allocation and re-allocation and have proven to be highly effective in allowing aggregators to manage portfolios and maximise reliability. These are Relevant Balancing Services and so the allocation rules should reflect these capabilities. The notice period suggested in the modifications proposed reflect that required in STOR.

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

Add to the definition of “De-rated Capacity” in Rule 1.2:

means, for a DSR CMU Component, the product of the DSR evidenced by that DSR CMU Component in its most recent DSR Test and the De-rating Factor.

Replace Rule 8.3.4(b) with:

A Capacity Provider may notify the Delivery Body and the CM Settlement Body, pursuant to Rule 8.3.4(ba), that it wishes:

- (i) to remove a DSR CMU Component from a DSR CMU that is a Capacity Committed CMU; and/or
- (ii) to add one or more prospective new DSR CMU Components to a DSR CMU that is a Capacity Committed CMU, by providing the information specified in Rules 8.3.3A(a) and 13.3.2(b) in respect of the prospective new DSR CMU Components;

and on receipt of a notice pursuant to Rule 8.3.4(b), the CM Settlement Body must remove from the list of prospective new DSR CMU Components any that are part of a CMU that currently has a Capacity Agreement for the same Delivery Year as the DSR CMU to which it is proposed that they be added.

Add the following after Rule 8.3.4(b):

- (ba) Notification under Rule 8.3.4(b) is valid only if:
 - (i) the sum of the De-rated Capacities of each DSR CMU Component in each affected DSR CMU is equal to or greater than the Capacity Obligation held at the effective date by that DSR CMU;
 - (ii) each DSR CMU Component to be allocated to a DSR CMU has previously formed part of a DSR CMU in respect of which a Metering Test Certificate has been issued, failing which the notice will be deemed to give rise to a change to the metering configurations of any such DSR CMU Components and the Provider must comply with Rule 8.3.3(f) accordingly by the effective date of the notice;
 - (iii) each DSR CMU Component to be allocated to a DSR CMU has previously formed part of a DSR CMU in respect of which a DSR Test Certificate has been issued, failing which a DSR Test must be conducted in respect only of such DSR CMU Components;
 - (iv) the notice provides all of the information required in respect of a Proven DSR CMU;
 - (v) all CMUs affected by the notice remain capable of delivering their Capacity Obligations in force at the time;
 - (vi) no DSR CMU Component would be simultaneously allocated to more than one CMU at a time; and
 - (vii) at least four clear days’ notice is given.
- (bb) Notification under Rule 8.3.4(b) does not affect the Capacity Obligation, De-Rated Capacity, liability to pay Penalties or requirement to provide Satisfactory Performance Days in respect of any CMU.

Add the following rules after Rule 8.3.4(d):

- (e) Rules 13.3.3, 13.3.4, and 13.3.5 apply with respect to a Metering Test on the remaining prospective new DSR Components.
- (f) The CM Settlement Body must issue a new Metering Test Certificate in accordance with Rule 13.3.6(a) for the DSR CMU, including those new DSR CMU Components and excluding any removed DSR CMU Components, and notify the Delivery Body in accordance with rule 13.3.10.
- (g) After receipt of a notification under Rule 8.3.4(f), the Delivery Body must issue new DSR Test Certificates for each affected DSR CMUs showing the DSR evidenced by their constituent DSR CMU Components in each component's most recent DSR Test, and using the sum of these figures as the Proven DSR Capacity of the CMU.
- (h) With effect from the date falling five Working Days after the issue of a new Metering Test Certificate pursuant to rule 8.3.4(f), any determination of the DSR Volume of the DSR CMU must include all DSR CMU Components listed on the Metering Test Certificate.

Amend Rule 8.3.4(d):

A DSR CMU Component that has been removed from a DSR CMU pursuant to Rule 8.3.4(b) cannot be reinstated as part of a DSR CMU for the same Delivery Year.

Amend Rules 13.2.9(ii) and 13.2B.9(ii):

- (ii) the DSR evidenced by each DSR CMU Component and in total (which can be zero); and

Amend Rule 13.2.11(b):

- (b) setting out the Proven DSR Capacity of the DSR CMU and of each DSR CMU Component, which must be that notified by the Delivery Body pursuant to Rule 13.2.9; and

Amend Rules 13.2A.6(b) and 13.2C.6(b):

- (b) the DSR evidenced by each DSR CMU Component and in total (which can be zero); and

Amend Rule 13.2A.11(b):

- (b) setting out the Proven DSR Capacity of the DSR CMU and of each DSR CMU Component, which must be that notified by the Delivery Body pursuant to Rule 13.2A.6; and

Amend Rule 13.2B.11(b):

- (b) setting out the Proven DSR Capacity of the DSR CMU and of each DSR CMU Component, which must be that notified by the Delivery Body pursuant to Rule 13.2B.9~~(iv)~~; and

Amend Rule 13.2C.11(b): [This also corrects an existing cutting-and-pasting error in the Rules]

- (b) setting out the Proven DSR Capacity of the DSR CMU and of each DSR CMU Component, which must be that notified by the Delivery Body pursuant to Rule 13.2~~BC~~.9~~(iv)~~; and

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:

This proposal facilitates Ofgem's commitment to enable the flexible portfolio management of DSR components.

By removing barriers to DSR participation, you get a more competitive Capacity Market, producing more efficient outcomes and protecting the interests of current and future consumers by minimising the cost of capacity by procuring a more efficient mix of sources of capacity. In addition, by having a higher level of DSR, you reduce the need for network investment.

Existing STOR and FCDM rules permit allocation and re-allocation of DSR CMU Components. There are no code changes apparent.

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

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