

Proposal for a Capacity Market Rules Change



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for energy consumers

Reference number (to be completed by Ofgem):
CP236

Name of Organisation(s) / individual(s):
Department of Business, Energy and Industrial Strategy

Date Submitted:
Click here to enter text.

Type of Change:

- Amendment
- Addition
- Revoke
- 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):

Background – earlier amendments to the Capacity Market Rules

Following our consultation in March 2016, BEIS amended Rule 6.10.3A of the Capacity Market Rules so that Capacity Payments must be repaid (in specific situations) if Existing Generating CMUs or Proven and Unproven DSR CMUs trigger a Termination Event under Rule 6.10.1 (h) and Rule 6.10.1 (i) prior to the start of their Delivery Year. The issue is that currently the termination does not take effect until after the start of the Delivery Year, by which time Capacity Payments will have been made, and must subsequently be clawed back.

The Termination Event in Rule 6.10.1(h) is concerned with an Existing CMU, a Proven DSR CMU or an Unproven DSR CMU which is subject to a Metering Test (pursuant to Rule 4.5.1(b)(xi) or Rule 8.3.3(c)) and for which the Capacity Provider does not comply with Rule 8.3.3(d) by providing a Metering Test Certificate by the deadline for doing so.

BEIS' current proposal

The combination of Rule 6.10.1(h) and 8.3.3(d), even after the BEIS amendments, do not address a separate loophole that we have identified whereby Prospective CMUs, which are not covered by Rule 6.10.1(h), can avoid the need to provide a Metering Test Certificate for up to 12 months. This proposal is concerned with that loophole.

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

Prospective CMUs are excluded from Rule 6.10.1(h) because their requirements for Metering Assessments and Metering Test Certificates are bound up with the requirement for the CMU to meet its Substantial Completion Milestone (SCM) (Rules 6.7.2(b) and 6.7.3(b)), or Minimum Completion Requirement (MCR) before they can receive Capacity Payments. Rules 6.7.2(b) and 6.7.3(b) provide the SCM is not met until a Metering Assessment has been completed and Rule 6.8.3(b) provides that the MCR is not met until a Metering Assessment has been completed. The deadline for achieving the SCM or MCR and so activating the Capacity Agreement is the Long Stop Date, as set out in Rule 6.7.4(a)(ii) for the SCM and 6.8.5 for the MCR. Under Rule 1.2, the Long Stop Date for a New Build CMU (other than following the Supplementary Auction) is the end of the Delivery Year.

The requirement for a Prospective CMU to be subject to a Metering Assessment is reiterated in Rule 8.3.3(ba). If the result of the Metering Assessment is that a Metering Test is required (Rule 8.3.3(c)), the Capacity Provider must provide a Metering Test Certificate under Rule 8.3.3(d) by the deadline specified in Rule 8.3.3(e), which in the case of Prospective CMUs is the Long Stop Date, mirroring the arrangements for the SCM and MCR – Rule 8.3.3(e)(iv).

The consequence of failing to provide a Metering Test Certificate for a Prospective CMU by the Long Stop Date is that the CMU has failed to achieve its Minimum Completion Requirement triggering a termination event under Rule 6.10.1(c).

This combination of provisions could result in a situation where a Prospective CMU completes its Metering Assessment at the start of the Delivery Year allowing the Capacity Agreement to be activated and payments to flow under it, but is informed that a Metering Test is also needed and delays the test for up to 12 months. This delay could mean that CMUs would be operating with non-compliant metering, which may impact the accuracy of the CMU's recorded output, and therefore its liability for non-delivery penalties or entitlement to over-delivery payments.

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

The Rules should be revised so that a Prospective CMU cannot achieve the SCM or MCR until it has undertaken its Metering Assessment and, if required following the Assessment, successfully completed the Metering Test and the Metering Test Certificate has been provided. The deadline for doing this should continue to be the Long Stop Date. This will ensure that Capacity Agreements are not activated, and payments do not start to flow, until there is assurance that a compliant metering solution is in place. We believe this can be achieved by amending Rules 6.7.2(b), 6.7.3(b) and 6.8.3(b) so that each refers to the Metering Test Certificate having been provided where this is required under Rule 8.3.3(d)(i).

The Rules should also be amended so that a clear timetable is set out for completing a Metering Assessment and obtaining a Metering Test Certificate, which will also remove the ability of Capacity Providers to stagger when they do that. The deadline for completing a Metering Assessment should be two weeks after the CMU becomes operational and no later than the Long Stop Date; and the deadline for providing a Metering Test Certificate should be two months after the Metering Assessment has been completed and no later than the Long Stop Date. We believe this can be achieved with amendments along the following lines:

(ba) If a Prospective CMU is awarded a Capacity Agreement then the Capacity Provider must, ~~no later than the day which falls two weeks after the day on which as soon as reasonably practicable after the CMU becomes Operational, or, if earlier, and in any event not later than the Long Stop Date:~~

(i) provide to the Delivery Body detailed line diagrams showing electrical configurations and metering sites at which the Generating Units are located or the location at which the Interconnector CMU is metered; and

(ii) complete a Metering Assessment in relation to the CMU.

(e) The date by which a Capacity Provider must provide a Metering Test Certificate where required to do so under Rule 8.3.3(d) is:

(iv) in the case of a Prospective CMU, ~~the day which falls two months after the day as soon as reasonably practicable after the date~~ on which the Capacity Provider receives notification under Rule 8.3.3 (d)(i), ~~or, if earlier, and in any event not later than the Long Stop Date.~~

BEIS is currently consulting on introducing deadlines by which CMUs that require a Metering Test must request their Test. We will keep Ofgem posted on our proposals for that following consultation to ensure that there is consistency across all the amendments.

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 change delivers policy intention and provides parity between different CMU resources.

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

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