

# Proposal for a Capacity Market Rules Change



Making a positive difference  
for energy consumers

Reference number (to be completed by  
Ofgem): CP226

**Name of Organisation(s) / individual(s):**

Tim Collins, Centrica

**Date Submitted:**

11 November 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:**

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

We propose that, prospectively, New Build Distribution CMUs should no longer be able to defer their Distribution Connection Agreement or Private Network agreement with the relevant DNO to after prequalification. Currently a deferral of these agreements to 18 months before the delivery year is permitted under Rule 3.7.3 (c). We believe this is no longer justifiable, given that ~6GW of New Build Distribution CMUs are likely to enter this year's t-4 Auction without any surety they will be able to export their output. This is creating systemic risk in the CM arrangements and threatening security of supply.

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

The proposal relates to Rule 3.7.3(c).

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

Rule 3.7.3(c) allows New Build CMUs intending to connect to a Distribution Network or Private Network to defer their Distribution Connection Agreement or Private Network agreement to 18 months before the delivery year. We believe this is no longer justifiable, given that ~6GW of New Build Distribution CMUs are likely to enter this year's t-4 Auction without any surety they will be able to export their output. This is creating systemic risk in the CM arrangements and threatening security of supply. If the status quo is left unaddressed, systemic risk in the CM arrangements will continue.

We propose that the deferral of a Distribution Connection Agreement or Private Network agreement permitted under Rule 3.7.3(c) is removed as an option in respect of Capacity Auctions taking place after 30 June 2017 (the date on which we anticipate a revised set of Capacity Market Rules could be in effect). The scale of New Build Generation intending to connect to a Distribution Network is now so significant that an assurance regime equivalent to that for New Build Transmission CMUs is required. This means New Build Distribution CMUs should have a Distribution Connection Agreement in place as a condition of prequalification.

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

We believe the simplest way to give effect to our proposal is to time limit Rule 3.7.3(c) as a prequalification option. This avoids potential disruption to cross referenced provisions, e.g. on termination events and secondary trading.

Our proposed changes to Rule 3.7.3 (c) are highlighted in red:

[After 3.7.3 (b) insert:]

~~3.7.3(c) Except in the case of an Application to participate in a T-1 Auction, an Applicant~~ In respect of a Capacity Auction taking place prior to 30 June 2017, an Applicant which is unable to give the confirmation referred to in Rule 3.7.3(b)(i) may, instead of complying with Rule 3.7.3(b), either:

- (i) declare that a Distribution Connection Agreement will be in place by the date 18 months prior to the commencement of the relevant Delivery Year; or
- (ii) provide a letter from the owner of the Private Network, to which the CMU will be connected, that confirms that the owner of that Private Network will have an agreement with the relevant Distribution Network Operator for the connection of the Private Network to, and use of, a Distribution Network by the date 18 months prior to the commencement of the relevant Delivery Year.

**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:**

We have provided analysis and evidence for our proposal in the Description of Issue section above. We reiterate that it is unjustifiable to allow multiple gigawatts of New Build CMUs intending to connect to a Distribution Network to obtain Capacity Agreements without any surety they can export their output. We therefore propose to remove this option for future Capacity Market auctions and bring the assurance regime for New Build Distribution CMUs into line with that for New Build Transmission CMUs.

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

Tim Collins, Regulatory Manager, Centrica, 07789 577609, tim.collins1@centrica.com