

Proposal for a Capacity Market Rules Change



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Reference number (to be completed by
Ofgem): CP189

Name of Organisation(s) / individual(s):
Moyle Interconnector Ltd

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:

N/a.

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

To permit a CMU to take on additional Capacity Obligations through secondary transfer when its available capacity (through nameplate capacity, de-rating or TEC) in a delivery year is above that available at the time of its qualification for the T-4 auction.

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

The Rules currently permit a CMU to receive a Capacity Obligation through secondary transfer following the T-1 auction for a delivery year up to the maximum of de-rated capacity or TEC (Rule 9.2.6 (d) (i)), where the CMU is prequalified for that year at T-1, prequalification requiring no existing Capacity Agreement for the Delivery Year. This proposal seeks to adjust the requirements on a transferee to take full advantage of its available capacity.

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

At present a CMU must anticipate its available capacity in the delivery year four years ahead and provide evidence in support of its prequalification at T-4, including nameplate capacity and connection agreement. These factors, and the unit's de-rating factor (set by the Secretary of State), may change significantly between T-4 and T-1. While delivery of improvements in technical capacity can be the subject of longer duration Capacity Agreements and are within the control of a CMU owner, its available connection capacity and de-rating factor are not wholly within the control of the CMU owner. For example, the de-rating factor applied to an interconnector might be significantly increased by T-1 compared to T-4 due to greater confidence in the ability of the interconnector to deliver energy from the interconnected market. A CMU owner will evaluate these and other factors when determining whether to bid in the T-4 or T-1 auction for a delivery year. However, a CMU which after the T-1 auction has a significantly increased capacity above a Capacity Obligation obtained at T-4 should be able to take on additional Capacity Obligations through secondary transfer so that the pool of available acceptable secondary transferees is increased. In practice this means that a CMU must be able to pre-qualify for secondary trading the portion of its de-rated capacity (at the time of prequalification for secondary trading) that is not already the subject of a Capacity Agreement and then be permitted to receive transfer of a Capacity Obligation up to the increased de-rated level.

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

[Click here to enter text.](#)

A number of adjustments are necessary in order to provide for the scenario outlined above:

1. Prequalification.

A CMU must be able to pre-qualify for secondary trading with the increased de-rated capacity/TEC.

3.3.3 An Application may not be made for a CMU for a Capacity Auction if:

(a) that CMU, or any Generating Unit or DSR CMU Component comprised in that CMU, currently has a Capacity Agreement, or is part of a CMU which currently has a Capacity Agreement for the Delivery Year equal to or greater than either:

(i) the de-rated Capacity of the CMU at the time of prequalification or

(ii) where there is a Grid Connection Agreement relating to the CMU, the Transmission Entry Capacity at the time of prequalification

for which the Capacity Auction is to be held;

2. Acceptable Transferee

The CMU with additional de-rated capacity must be an acceptable transferee.

9.2.6 An Acceptable Transferee in relation to Rule 9.2.4(a), for any Delivery Year, is any of the following:

[(a) – (d)]

provided that:

(i) the Capacity Obligation transferred, when aggregated with all other Capacity Obligations in respect of the CMU Transferee for that Delivery Year, will not at any time exceed:

(aa) the aggregate De-rated Capacity of the CMU Transferee (~~as recorded on the Capacity Market Register~~) (at prequalification for secondary transfers); or

(bb) where there is a Grid Connection Agreement relating to the CMU Transferee, the Transmission Entry Capacity ~~recorded on the TEC Register~~ recorded at prequalification for secondary transfers) in respect of that CMU Transferee;

We note that this is a complex area of the rules and stand by to further consider, with Ofgem and others, the full implications of the proposed change.

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:

The main impact of this proposal is to increase the pool of secondary transferees available to CMUs that are on outage, thereby reducing the cost to CMUs and therefore ultimately to consumers of secondary transfer. There are no implications for industry codes.

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

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