

Proposal for a Capacity Market Rules Change



Making a positive difference
for energy consumers

Reference number (to be completed by
Ofgem): CP237

Name of Organisation(s) / individual(s):
National Grid

Date Submitted:
07/12/2016

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)

Currently the Auction Acquired Capacity Obligation (AACO) has two separate meanings in the rules which are contradictory of one another. This proposal aims to address this.

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

Rule 7.4.5(f) states the AACO should be published on the register after a CAN is produced for an applicant who receives an agreement after the auction.
Rule 8.5.3 states that the AACO should be used in to calculate an applicant's Load Following Capacity Obligation (LFCO).

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

These two references to AACO in the rules seem to contradict one another: The use of AACO in 7.4.5(f) implies a static capacity acquired in the auction and that will stay the same indefinitely. Additionally the rules don't make any mention of the Delivery Body's ability to update this capacity.
There are circumstances when, between the auction and delivery year, the capacity awarded to a CMU can change. Namely when a new build completes its SCM or a DSR completes its DSR test at a lower capacity than it entered into the auction.
If the LFCO is then calculated using the original AACO figure (as there is no provision in the rules for this number to be changed) the capacity provider will be expected to provide more capacity than they are able to delivery. Therefore in every stress event the CMU will most likely underperform and be penalised accordingly.

For the first delivery year (2016/2017), Delivery Body has been updating the AACO in order to ensure the actual Capacity Obligation of the providers is correctly reflected, whilst also listing the original AACO on the register. But believe we need another term to be published on the register which is separate from the AACO and can also be included in LFCO calculations.

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

7.4.5 (f) the Auction Acquired Capacity Obligation;
(q) the Amendable Capacity Obligation [or other appropriate name]

8.5.3 Replace all mention of Auction Acquired Capacity Obligation (and AACO) with Amendable Capacity Obligation (and ACO)

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 will ensure that during a stress event the correct capacity obligation is being calculating in the LFCO. This is fundamental to the working of the capacity market.

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

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