


<h1>Proposal for a Capacity Market Rules Change</h1>		 <p>Making a positive difference for energy consumers</p> <p><b>Reference number</b> (to be completed by Ofgem): <b>CP244</b></p>
<b>Name of Organisation(s) / individual(s):</b> The Association for Decentralised Energy	<b>Date Submitted:</b> 17 October 2017	
<b>Type of Change:</b> <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Amendment</li> <li><input type="checkbox"/> Addition</li> <li><input type="checkbox"/> Revoke</li> <li><input type="checkbox"/> Substitution</li> </ul>	<b>If applicable, whether you are aware of an alternative proposal already submitted which this proposal relates to:</b>  Click here to enter text.	
<b>Proposal summary</b> (short summary, suitable for published description on our website)  Avoiding unnecessary DSR Tests of unaffected components, plus correcting drafting errors in the rules around New (Joint) DSR Tests.		
<b>What the proposal relates to and if applicable, what current provision of Rules the proposal relates to</b> (please state provision number):  The rules for New DSR Tests in 13.2A, New Joint DSR Tests in 13.2C, and consequential changes to identify the Affected Components in 1.2, 13.2, 13.2B, and 13A.		
<b>Description of the issue that the change proposal seeks to address:</b>  <p>Under the current rules, there is a range of circumstances in which something that happens to just one component of a DSR CMU would trigger the need to re-test all the other components of the CMU, and all the components of any other CMUs that were jointly tested with that CMU.</p> <p>This is illogical and unreasonable, since nothing has changed with any of those other components, so nothing is learned by testing them again. The re-testing simply imposes extra costs on customers, in effect punishing them for having chosen an aggregator who happened to allocate them to a CMU (or group of CMUs) that included some other customer who later had an issue.</p> <p>Ofgem has already concluded, in their June 2017 decision on Of12, that changing some components of a CMU should not cause the rest of the components to have to be retested during the Delivery Year. The principle here is exactly the same, except that, since the components are not changing – just something relating to metering or paperwork – there is no reason to be concerned about the ability to dispatch them simultaneously, as this was proven in the original DSR Test (as well as the satisfactory performance days). Hence in these cases there is also no need to prevent DSR Test Certificates being carried forward to future Delivery Years. On the other hand, it is possible that a change in a component's metering configuration could lead to a change in its measured performance, so it is reasonable to require the affected components to undergo a new test to show that they can still perform.</p> <p>In addition, the drafting of rules 13.2A.1 and 13.2C.1 is very restrictive, such that New (Joint) DSR Tests can only be carried out once one of eight specified clauses in Chapter 13A have been invoked. There are other circumstances in which New DSR Tests might be needed: we have found three in Chapter 13, which</p>		

we address in the proposed drafting below, but there may well be others, including some resulting from the Government's proposed Metering Re-assessment process. There is such complexity in the rules that we do not think we can come up with a definitive list of all circumstances, so it would be better to have a "catch-all" provision, as we have proposed below, than attempt a definitive list which will inevitably be incomplete.

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

The simplest and best approach would be to remove the concept of CMU-level DSR Test Certificates (and Metering Test Certificates), and do everything on a per-component basis. Any requirement to obtain a certificate for a CMU would be replaced with a requirement to obtain a certificate for each CMU component. Anything that invalidates a certificate would only invalidate the certificates for the affected components. This is how most other capacity markets seem to work.

This would, however, require amendments to a substantial number of rules clauses, and could require consequential changes to the Delivery Body's IT systems. Hence we have an easier suggestion, which is to change the New (Joint) DSR Test processes (rules 13.2A and 13.2C) so that they support testing the components that have been affected by a change while allowing the previous results from unaffected components to be re-used. This should not require any substantial IT system changes by the Delivery Body, as the procedures for issuing DSR Test Certificates will remain unchanged.

The only change required on the part of the Delivery Body is that they do not have to recalculate performance for the unaffected components in a New (Joint) DSR Test, but can simply copy the results from their analysis of the CMU's previous DSR Test. This should be straightforward to adopt because the Delivery Body does not have any automated systems for calculating DSR Test performance. Rather, the Delivery Body carries out performance calculations by manual editing of spreadsheets, which is clearly readily adaptable.

The drafting for this is in three parts. First, we need to establish which components are affected by the issue that triggers the need for a new test. We add a definition to rule 1.2:

**Affected Component** means a DSR CMU Component whose configuration or metering has changed or been called into question since the CMU underwent a DSR Test.

There are three circumstances in Chapter 13 which can trigger the need for a New (Joint) DSR Test. First is rule 13.2.12 (changed parts in red):

A DSR Test Certificate issued pursuant to this Rule 13.2 will only be valid for the DSR CMU for so long as the details relating to the configuration of such DSR CMU as detailed pursuant to Rule 13.2.5 remain valid (provided that the addition of new DSR CMU Components will not be deemed to change such configuration). In the event that the DSR CMU configuration changes, such DSR CMU will be deemed to be an Unproven DSR CMU, until such time as a new DSR Test Certificate has been issued, **and the DSR CMU Components whose details do not match the configuration detailed pursuant to Rule 13.2.5 are the Affected Components.**

Also rule 13.2.14:

A DSR Test Certificate will be invalidated if the Metering Test Certificate for a DSR CMU specifies a different metering configuration for any DSR CMU Component comprised in the DSR CMU than that specified in the DSR Test Certificate. **The DSR CMU Components whose metering configurations differ between the certificates are the Affected Components.**

And rule 13.2B.18:

For DSR CMUs that have undertaken a Joint DSR Test, the DSR Test Certificates issued pursuant to this Rule 13.2B will only be valid for so long as the details relating to the configuration of each

DSR CMU, as detailed pursuant to Rule 13.2B.5, remain valid (provided that the addition of new DSR CMU Components will not be deemed to change such configuration). In the event that a relevant DSR CMU configuration changes, each DSR CMU involved in the relevant Joint DSR Test will be deemed to be an Unproven DSR CMU until such time as a new DSR Test Certificate has been issued, **and the DSR CMU Components whose details do not match the configuration detailed pursuant to Rule 13.2B.5 are the Affected Components.**

There are also eight almost identical clauses in Chapter 13A which can trigger New (Joint) DSR Tests. Seven of them – rules 13A.2.4(c)(ii), 13A.2.7(c)(ii), 13A.3.4(d)(ii), 13A.4.5(d)(ii), 13A.4.8(c)(ii), 13A.5.4(c)(ii), 13A.5.7(c)(ii) – can be changed identically:

notify the Delivery Body that a new DSR Test or new Joint DSR Test is required in accordance with Rule 13.2A or 13.2C respectively, **indicating which DSR CMU Components are Affected Components**; and

For reasons which are not clear to us, rule 13A.3.7(c)(ii) omits the trailing “and”:

notify the Delivery Body that a new DSR Test or new Joint DSR Test is required in accordance with Rule 13.2A or 13.2C respectively, **indicating which DSR CMU Components are Affected Components.**

The rules for triggering New (Joint) DSR Tests need to be adapted to be less restrictive about the circumstances in which they can be triggered. (Alternatively, explicit provision could be made for rules 13.2.12, 13.2.14, and 13.2B.18 to trigger New DSR Tests, but this seems unnecessarily complicated and potentially error-prone.) There’s also a cross-referencing error that needs to be fixed.

Change rule 13.2A.1 to read:

Rule 13.2A.2 applies where a Capacity Provider has a DSR Test Certificate **that is no longer valid, and a new DSR Test is required.**

And rule 13.2C.1 to read:

Rule 13.2C.2 applies where a Capacity Provider has completed a Joint DSR Test and holds a DSR Test Certificate **that is no longer valid, and a new Joint DSR Test is required.**

Finally, the calculations for New DSR Tests should make use of the Affected Component designations, by changing rule 13.2A.6:

The Delivery Body must for the activation Settlement Period in the case of Rule 13.2.6(b) notify the Capacity Provider of its verified calculations of:

- (a) Baseline Demand **for the Affected Components**;
- (b) the DSR evidenced **from the Affected Components** (which can be zero); and
- (c) the Proven DSR Capacity calculated by multiplying the DSR evidenced by the Affected Components by two, **and adding to it the Proven DSR Capacity attributed to all other DSR CMU Components in the CMU’s most recent DSR Test.**

And the equivalent change for New Joint DSR Tests is in Rule 13.2C.6:

The Delivery Body must for the activation Settlement Period in the case of Rule 13.2B.6(b), notify the Capacity Provider of its verified calculations of:

- (a) Baseline Demand **for the Affected Components**; and
- (b) the DSR evidenced **from the Affected Components** (which can be zero); ~~and~~
- (c) a value, calculated by multiplying the DSR **evidenced by the Affected Components** by two (and in the case of Rule 13.2B.6(a) using the Settlement Period or DSR Alternative Delivery Periods which evidenced the lowest DSR), **and adding to it the Proven DSR**

- Capacity attributed to all other DSR CMU Components in the most recent Joint DSR Tests of the same CMUs, which is equivalent to the calculation for Proven DSR Capacity of a DSR CMU in the case of a DSR Test under Rule 13.2); and
- (d) the Proven DSR Capacity of each DSR CMU nominated as part of the New Joint DSR Test, calculated in accordance with 13.2B.13.

**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:**

DSR Tests (as with all other dispatches of DSR resources) can be expensive, so they should only be carried out when necessary. Excessive testing leads to unnecessary costs being incurred by participating customers – both direct costs and opportunity costs – and hence is inefficient. This will lead to higher capacity prices and/or reduced levels of demand-side participation.

In developing testing requirements, there should be an assessment of the trade-off between costs and benefits. In cases addressed by this rule change proposal, re-testing the unaffected components incurs costs but produces no benefits, so the re-tests should not be required. Making this rule change will therefore improve the efficiency of the Capacity Market, to the benefit of all consumers.

This rule change has no implications for industry codes.

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

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