

# Proposal for a Capacity Market Rules Change



Making a positive difference  
for energy consumers

Reference number (to be completed by  
Ofgem): CP253

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

Tim Collins, Centrica

Date Submitted:

17 October 2017

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 amendments to Rule 3.6.1 on previous settlement period performance for Existing Generating CMUs, to remove the unnecessary barriers to entry that currently arise from it.

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 3.6.1.

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

Rule 3.6.1 requires evidence of an Existing Generating CMU's previous settlement period performance. Specifically, the Applicant must identify three settlement periods on separate days in the 24 months prior to the date one month before the start of the Prequalification Window where the CMU's highest physically generated net outputs were achieved.

Rule 3.6.1 is problematic in two respects. First, by requiring highest outputs to be evidenced in settlement periods no later than one month before the start of the Prequalification Window, Generating Units that commission close to or during the Prequalification Window cannot prequalify for the CM. This is because they have no highest outputs to evidence by the cut-off date (a requirement for Existing Generating CMUs), nor can they prequalify as Prospective (Prospective Generating CMUs cannot be commissioned until after the end of the Prequalification Window). This lacuna in the CM Rules creates an unjustified barrier to entry for Generating Units that commission close to or during prequal.

The second issue with Rule 3.6.1 is as follows. Where an Existing Generating CMU is comprised of several diffuse Generating Units, it is likely that the three settlement periods in which highest outputs were achieved will vary from unit to unit. We believe Rule 3.6.1 should be amended to make clear that, where a Generating CMU is comprised of two or more Generating Units, the Applicant may use different settlement periods for each Generating Unit to evidence highest physically generated net output. Currently Rule 3.6.1 appears to require all Generating Units in a Generating CMU to use the same three settlement periods to evidence their highest physically

generated net outputs. Requiring an aggregated Generating CMU use the same three settlement periods for all its Generating Units will lead to an understatement of the CMU's capacity. This in turn puts these CMUs at undue competitive disadvantage and is likely to increase costs for end consumers.

**Example of an aggregated Generating CMU's capacity being understated where the outputs of each Generating Unit must be in the same three settlement periods:**

A 1.5 MW Generating Unit commissioned in June 2017 is aggregated with a 1.5 MW Generating Unit that ran in winter 16/17 but has not run since May 2017 (e.g. for economic reasons or planned maintenance). The aggregated Generating CMU is clearly capable of 3 MW (1.5 MW + 1.5 MW), but the operations of the two units to date have not led to simultaneous maximum outputs. Clearly, there is no technical reason why these assets can't be despatched simultaneously to deliver 3 MW, so the Generating CMU should be able to evidence the 1.5 MW achieved by each Generating Unit in different settlement periods and have their evidenced Capacity under Rule 3.6.1 confirmed as 3 MW. However, unless Rule 3.6.1 is amended to make clear that each Generating Unit in a Generating CMU can rely on a different set of settlement periods to evidence their highest physically generated net output, the simultaneous output of the CMU to date is only 1.5 MW and the CMU fails to meet the minimum capacity threshold. This leads to exclusion of the CMU from the auctions and a more expensive alternative source of capacity being procured, unduly restricting competition and raising costs for consumers.

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

Owing to the time constrained nature of this year's window for CM Rule change proposals and the substantial overlap with the prequalification window, we are unable to provide comprehensive legal text.

However, our indicative suggestion is as follows:

*3.6.1 Previous Settlement Period performance*

(a) *Each Applicant for an Existing Generating CMU must identify in the Application, (for each Generating Unit forming part of the Existing Generating CMU, if applicable), the three Settlement Periods on separate days in:*

(i) *the 24 months up to the end of the Prequalification Window; or*

(ii) *if the CMU or a Generating Unit forming part of the CMU has not been operational in the 24 months up to the end of the Prequalification Window:*

(aa) *the most recent 24 months of operation; or*

(bb) *if the CMU or a Generating Unit forming part of the CMU has previously been operational for less than 24 months, the most recent period of operation; or,*

(iii) *if the CMU or a Generating Unit forming part of the CMU has been subject to a continuous Transmission Restriction for the whole of the 24 months up to the end of the Prequalification Window, the most recent 24 months in which the CMU was not subject to a Transmission Restriction,*

*in which such Existing Generating CMU (or Generating Unit forming part of the CMU) delivered its highest physically generated net outputs, or Metered Volume where applicable, and specify such physically generated net outputs or Metered Volume in MWh to three decimal places.*

[end]

For the avoidance of doubt, we are happy for Ofgem to consult on alternative legal text, provided the substance of our proposal is achieved.

**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:**

As reasoned in our description of the issue, we believe Rule 3.6.1 as currently written creates undue barriers to participation in the CM and should be amended to remove these barriers.

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

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