

# Proposal for a Capacity Market Rules Change



Making a positive difference  
for energy consumers

Reference number (to be completed by  
Ofgem): CP254

**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 changes to the CM Rules to allow incremental capacity from sites with t-4 Capacity Agreements to bid into t-1 auctions for the same delivery year without undue hindrance.

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

Depending on the scope of the legal text, the proposal could affect provisions on prequalification, metering and determining the output of a Capacity Committed CMU.

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

In certain circumstances, CMUs may seek (and ultimately acquire) Capacity Obligations lower than the maximum theoretical capacity at their site. For example, a power station may, for economic or technical reasons, put a Generating Unit in preservation mode or run its Generating Units at part load. In these circumstances, the station would seek (and potentially acquire) a t-4 Capacity Obligation lower than its maximum theoretical output, because part of the site is unavailable. This in turn creates “headroom” at the site, where incremental capacity is theoretically available for the CM, but the capacity is not offered because economic or technical conditions (at the time of the t-4 auction) preclude it. If, by the time of the t-1 auction, market conditions have changed, it may be economic to return the site to its maximum theoretical capacity but only if the incremental capacity can access the t-1 auction without undue hindrance.

We believe changes to the CM Rules are required to make it possible (or at least easier) for sites with t-4 agreements that have theoretical “headroom” available for t-1 auctions to bid that capacity into the t-1 auction. Our preferred solution would allow the incremental capacity to export (and be measured for CM delivery purposes) through the meters already allocated for measuring the CMU’s t-4 acquired Capacity Obligation. This would minimise unnecessary complexity and the unnecessary provision of a Bespoke Metering Solution when CM compliant metering is already in situ.

For illustration:

- A power station with a maximum theoretical capacity of 150MW mothballs one of its units for economic reasons. This reduces the site's economic capacity to 100MW.
- A Capacity Obligation of 100MW is subsequently acquired in a t-4 auction (de-rating is ignored for simplicity).
- The power station is configured as a single BM Unit and exports through a single BSC compliant metering system. This metering system is also assigned for measuring performance against the acquired t-4 Capacity Obligation.
- In the time between the t-4 and t-1 auction, it becomes economic to return the 50MW of mothballed capacity at the station to service, subject to that capacity obtaining a CM Agreement.
- The station therefore needs a 50MW Capacity Agreement in the t-1 auction. However, it already has a 100MW Capacity Obligation for the delivery year acquired in the t-4 auction and the BM Unit and BSC compliant metering system is "allocated" to the 100MW.
- Under the current CM Rules, we foresee challenges with, e.g. proving historic output at the site and measuring CM delivery volume through a shared metering system.

In our view, there is no good economic or consumer case for excluding the above described incremental capacity from the t-1 auction. However, we are not clear that the CM Rules as currently written provide this capacity with a route to market.

If the CM Rules prevent the incremental capacity in the above example from accessing the t-1 auction, the competitive pressure in the t-1 auction will be reduced and the consequent price benefits will be denied to consumers. This will culminate in consumers paying more than is necessary for whatever capacity is required in the t-1 auction.

**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.

We are happy for Ofgem to consult on appropriate 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 the CM Rules must make clear that incremental capacity as set out in our description of the issue has a t-1 route to market. If the CM Rules prevent such incremental capacity from accessing the t-1 auction, the competitive pressure in the t-1 auction will be reduced and the consequent price benefits will be denied to consumers. This will culminate in consumers paying more than is necessary for whatever capacity is required in the t-1 auction.

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

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