

Proposal for a Capacity Market Rules Change



Making a positive difference
for energy consumers

Reference number (to be completed by
Ofgem): CP258

Name of Organisation(s) / individual(s):
Drax Power Limited

Date Submitted:
17/10/2017

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)

Reinstate the option for Applicants to defer provision of Relevant Planning Consents until after Prequalification for the Sixth Full Capacity Auction and all subsequent Capacity Auctions provided that Applicants pay an “Application Fee” if planning is not provided by 22 Working Days prior to the commencement of the first Bidding Window in relation to such Capacity Auction.

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

The proposal related to Rule 3.7.1 of the CM Rules.

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

In the most recent set of changes to the CM Rules, Ofgem have implemented the National Grid rule change proposal (CP190) to remove the option for Applicants to defer provision of Relevant Planning Consents.

Ofgem asserted that the majority of conditionally prequalified applicants who chose to defer planning in the 2016 prequalification process failed to submit them, thereby providing uncertainty around the volume of capacity likely to progress to auction. However there is no actual cost to this uncertainty as the auction parameters are simultaneously updated and the volume procured in the auction will not be affected by the volume that conditionally or fully prequalified.

Given the long lead times to obtain planning consents, for example development consent orders taking ~18 months to obtain, the process to obtain planning will be started many months before a prequalification window. If there were to be an unexpected delay to the receipt of planning, which is potentially outside an Applicant’s control, this could lead to capacity which would otherwise be planning-approved shortly after the prequalification window closed being unable to participate in the auction, which could ultimately lead to a higher auction price. Otherwise projects will be required to include a lengthy and costly contingency period, which drives up costs and ultimately will require them to submit a higher auction clearing price.

To defer projects making speculative applications on the basis of deferred planning, Ofgem could require that a significant administrative fee is payable to National Grid if an applicant does not provide deferred planning when due prior to the auction. This fee could cover a multiplier of the costs of processing the application, including any dispute. We think this strikes a balance between encouraging new build

generation to participate in the auction, particularly from new entrants who may have restricted resources, and deterring purely speculative applications.

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

Rule 3.7.1(b) – deletion of limb (i)

Rule 4.5.1(v) – insert at the end of the first sentence “ and the amount of the Administrative Fee to be paid if the planning consents requirement in Rule 4.7 is not met”. Delete second sentence in its entirety.

Rule 4.7, delete Rule 4.7.3 in its entirety and insert “If the Delivery Body notifies the Applicant under this Rule 4.7 that it has not Prequalified, the Applicant must, within 5 Business Days of such notification, pay the Administrative Fee to the Delivery Body.”

Insert new definition of “Administrative Fee” means “a fee payable by an Applicant to the Delivery Body under Rule 4.7.3 in the event that the Applicant elects to defer provision of planning consent under Rule 3.7.1 and fails to provide such consent within the time stipulated in Rule 3.7.1.”

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 a balance between ensuring that projects which are close to being planning approved are able to compete in capacity auctions, while deterring speculative projects.

The proposal is not in conflict with The Electricity Capacity Regulations.

With the proposed change to the CM Rules, we foresee no wider impact on other industry Codes.

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

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