

Proposal for a Capacity Market Rules Change



Making a positive difference
for energy consumers

Reference number (to be completed by
Ofgem): CP262

Name of Organisation(s) / individual(s):
E.ON

Date Submitted:
16th November 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:

[Click here to enter text.](#)

Proposal summary (short summary, suitable for published description on our website)

Propose that the rules for the Transfer of Capacity Obligations and the testing are amended so that when certain conditions are met, the transfer of a Capacity Agreement also transfers the requirement to demonstrate Satisfactory Performance Days.

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

Amend 9.5.1 and add an additional rule 9.5.2 such that the transfer of a capacity market agreement in whole or part, for a whole delivery year, also transfers the associated obligation to demonstrate Satisfactory Performance Days for the capacity transferred.

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

At present the Rules require CMUs to complete Satisfactory Performance Days to demonstrate their Capacity Obligation irrespective of whether some or all of the obligations have been transferred. (9.5.1). This would appear to undermine one of the main purposes of Secondary Trading because a Capacity Provider is most likely to undertake a secondary trade to transfer all or part of a Capacity Obligation precisely because it does not have the capacity available to fulfil its Capacity obligation, and as such is unlikely to be able to demonstrate SPDs. We would propose to amend the requirements so that the obligation to demonstrate SPDs is explicitly transferred with the Capacity Obligation. However while we believe this amendment is necessary to facilitate secondary trading, we recognise that it also has the potential to introduce loop-holes for exploitation or gaming of the rules given that trading of capacity is allowed for parts of the Delivery Year, so this amendment must be accompanied by additional rules to clearly define how and when the SPD obligations are transferred, including what SPD obligation remains with the Transferor and what is transferred to the Transferee. For administrative simplicity we would propose to limit its use so that the SPD obligation is only transferred when the capacity agreement (in whole, or in part) is transferred for the whole of a Delivery Year. We believe this would be both simple to administer and should be immune to exploitation or gaming.

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

We would suggest the following drafting, but suggest this may require further amendment:

9.5.1 A Capacity Committed CMU which has not delivered the requisite capacity on the requisite number of Satisfactory Performance Days during Winter must satisfy the requirements of (and will be subject to the consequences set out in) Rules 13.4.1(a), 13.4.1(b) (if applicable) and 13.4.1(c) irrespective of whether some or all of the Capacity Obligations to which the testing requirements related have since been transferred pursuant to this Chapter 9, **unless the transfer meets the condition of 9.5.2.**

9.5.2 Where a Capacity Obligation is transferred in whole or in part, from one party (Transferor) to another party (Transferee) and where that transfer applies continuously for the whole of a Delivery Year, then the obligation to demonstrate Satisfactory Performance Days for the capacity obligation transferred for that Delivery Year shall also be transferred.

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:

Risks: Allowing the transfer of SPD obligations, if generally allowed without restriction, could open a loop-hole for exploitation or gaming due to the ability to transfer capacity obligations for part of a Delivery Year. However we believe this risk can be removed by limiting the transfer of SPD obligations only to transfers which apply for the whole of a Delivery Year, in which case the SPD obligation of both parties are clear and administrative burden should be limited.

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

**Andrew Jones, Technical Operations Manager, E.ON. Tel: 07921943381
Email: Andrew.D.Jones@eon-uk.com**